

Ordinance No. 188-2023

**By Council Members McCormack,
Hairston and Griffin (by departmental
request)**

AN EMERGENCY ORDINANCE

Authorizing the Director of Economic Development to enter into a Tax Increment Financing Agreement with 1900 East 6th Street, LLC, and/or its designee, to assist with the financing of the Fidelity Hotel Project to be located at 1900 East 6th Street; to provide for payments to the Cleveland Metropolitan School District; and to declare certain improvements to real property to be a public purpose.

WHEREAS, under Section 5709.41 of the Revised Code, improvements to real property may be declared to be a public purpose where fee title to the real property was, at one time, held by the City of Cleveland and the real property is then leased or conveyed by the City; and

WHEREAS, pursuant to Ordinance authority, the City will have duly entered into the chain of title for the Property which is more particularly described in this ordinance (the “Real Property”) pursuant to the requirements of Section 5709.41 of the Revised Code prior to the passage of this ordinance; and

WHEREAS, the Real Property is to be developed in accordance with the Cleveland 2020 Citywide Plan, a copy of which is placed in **File No. 188-2023-A**; and

WHEREAS, under Section 5709.41 of the Revised Code, the improvements declared to be a public purpose may be exempt from real property taxation; and

WHEREAS, under Section 5709.41 of the Revised Code, the owners of the improvements may be required to make annual service payments in lieu of taxes that would have been paid had the improvement not been exempt; and

WHEREAS, under Section 5709.41 of the Revised Code, the exemption may exceed 75% of the improvements for up to 30 years when a portion of the service payments so collected are distributed to the Cleveland Metropolitan School District (“District”) in an amount equal to the amount the District would have received had the improvement not been exempt; and

WHEREAS, the District has been notified of the intent to enter into the agreement authorized by this ordinance in compliance with Sections 5709.41(C)(4) and 5709.83 of the Revised Code; and

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WHEREAS, this ordinance constitutes an emergency measure providing for the usual daily operation of a municipal department; now, therefore,

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF CLEVELAND:

Section 1. That the improvements to be constructed by 1900 East 6th Street, LLC, and/or its designee, (“Redeveloper”), are declared to be a public purpose for purposes of Section 5709.41 of the Revised Code (the “Improvements”). The Real Property is more fully described below and as may subsequently be replatted, re-numbered, or revised:

LEGAL DESCRIPTION

Situated in the City of Cleveland, County of Cuyahoga, and State of Ohio:

And known as being part of Original Two Acre Lot No. 92, bounded and described as follows:

Beginning on the Northerly line of Euclid Avenue, 99 feet wide, at its intersection with the Westerly line of East 6th Street, 50 feet wide, (formerly Bond Street);

Thence North 10 deg. 09' 30" West, along said Westerly line of East 6th Street, 109.90 feet to an angle in said Westerly line;

Thence North 34 deg. 52' 20" West, continuing along said Westerly line of East 6th Street, 22.12 feet to the most Easterly corner of a parcel of land so conveyed by Waldemar Otis, to Charles H. Bulkley, by deed dated April 1, 1880 and recorded in Volume 312, page 444, of the Cuyahoga County Records, and the principal place of beginning of land herein described;

COURSE I: Thence South 79 deg. 50' 00" West, along the Southerly line of land conveyed to Charles H. Bulkley as aforesaid, 61.75 feet to the Southeasterly corner of a parcel of land conveyed by Liberty E. Holden and wife, to C. G. King, et al, by deed dated January 11, 1889 and recorded in Volume 438, page 504, of the Cuyahoga County Records;

COURSE II: Thence North 30 deg. 03' 30" West, along the Easterly line of land conveyed to C. G. King, et al, as aforesaid, and along the Westerly line of land conveyed by C. G. King, et al, to Liberty and Delia Holden, by deed dated January 11, 1889 and recorded in Volume 443, page 459, of the Cuyahoga County Records, 109.30 feet to the Northwest corner of a parcel of land conveyed by George N. Chase, et al, to Daniel Taylor, by deed dated May 18, 1875 and recorded in Volume 245, page 307, of the Cuyahoga County Records, said Northwest corner being in the Southerly line of a private alley as described in Deed from George Freeman and Emma D. Freeman, to

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Henry Nottingham, dated July 19, 1875 and recorded in Volume 252, page 60, of the Cuyahoga County Records;

COURSE III: Thence North 55 deg. 58' 20" East, along the Northerly line of land conveyed to Daniel R. Taylor as aforesaid, it being the Southerly line of a 12 foot alley as described in Deed from George Freeman and Emma D. Freeman, to Henry Nottingham, recorded in Volume 252, page 60, of the Cuyahoga County Records, 46.96 feet to the Westerly line of East 6th Street;

COURSE IV: Thence South 34 deg. 52' 20" East, along the Westerly line of East 6th Street, 134.07 feet to the principal place of beginning, be the same more or less but subject to all legal highways.

TOGETHER WITH the non-exclusive right to the use of two 12 foot alleys as set forth in Volume 252, page 62, and Volume 434, page 622, of the Cuyahoga County Records.

Section 2. That one hundred percent (100%) of the Improvements are declared exempt from real property taxation for a period of thirty years, effective and commencing the first year the value of the Improvements are reflected on the tax duplicate; and that in no event shall the exemption period extend beyond 2055. The terms of the agreement, which shall not be materially changed without further legislative action by Council, will be as follows:

<u>Project Name:</u>	Fidelity Hotel
<u>Project Address:</u>	1900 East 6th Street, Cleveland. OH 44114
<u>Developer:</u>	1900 East 6 th Street, LLC and/or designee
<u>Project Manager:</u>	Conrad Metz
<u>Ward/Councilperson:</u>	3-Kerry McCormack
<u>City Assistance:</u>	Non-School TIF



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Project Summary and Discussion

1900 East 6th Street, LLC and/or designee, (“Developer”) is proposing to redevelop the Fidelity (Baker) Building, located at 1900 E. 6th Street, Cleveland, OH 44114 (“Project Site”) into an approximate 100-room independent boutique hotel. In order to assist with the project financing, the Developer has requested the City impose a 5709.41, 30-Year, Non-School TIF. The TIF will support debt service related to the project and assist with the building renovations. The project will create approximately 105 new full-time W-2 jobs at the Project Site with an approximate first year payroll of \$1,877,500.

The building is currently vacant. The area is fairly desolate with little activity since COVID. The developer’s plan is to re-activate and energize the area. The developer, NuovoRE, is a real estate company focused on the rehabilitation and redevelopment of historic buildings into one-of-a-kind properties that provide permanently meaningful social and community impact. The firm takes a unique approach to each property based on the character, culture, location, and community’s needs. They have a holistic approach to how they measure success, which is driven by their ability to directly, and indirectly, increase local economic benefits.

The property will be managed by New Waterloo, a lifestyle operator. It will have amenities such as a club room and sports bar, and intends to be “tucked away smallness” in the downtown of a big city. The building will encompass 63,020 square feet, and will serve as a community and economic development hub. The hotel will be positioned as the leading independent hotel in the city that will support intentional efforts to spur further development and redevelopment activity. The project has been awarded state and federal historic tax credits. The total project investment is expected to exceed \$64.2 million.

<u>Estimated Sources</u>		<u>Estimated Uses</u>	
Net Equity Contribution	\$19,926,478	Acquisition Cost	\$3,504,728
Federal HTC's	\$7,500,000	Construction Costs	\$37,065,633
State HTC's	\$1,840,000	FF&E / OSE	\$8,538,655
Arvest Bank	\$35,000,000	Soft Costs	\$8,700,558
		Project Reserves	\$5,356,904
		Closing Financing Fees	\$1,100,000
Total Sources	\$64,266,478	Total Uses	\$64,266,478

Proposed City Assistance

- This ordinance will authorize the Director of Economic Development to enter into a 30-year non-school Tax Increment Finance (TIF) agreement with 1900 East 6th Street, LLC and/or its designee. The City will have declared certain improvements with respect to the project to be a public purpose and exempt 100% of the improvements from real property taxes.
- The Developer agrees to make certain improvements to the parcel and make payments in lieu of taxes (PILOTS) equal to the taxes that would have been paid for the parcel but for the TIF. A portion of the PILOTS will be paid to the Cleveland Metropolitan School District in the amount the District would have otherwise received but for the TIF by the County (“District Payments”). The balance of the PILOTS will be utilized to fund eligible project costs and project debt. The developer will be responsible for any shortfall of PILOT payments for project costs.

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Economic Impact

- Creation of approximately 105 new full time jobs in the City of Cleveland.
- Project estimates \$46,938 in annual City tax revenue generated from new employees.

City Requirements

- Subject to Chapter 187: MBE/FBE/CSB requirements
- Subject to Chapter 188: Fannie Lewis Cleveland Residential Employment Law
- Subject to a Workforce Development Agreement for all new jobs
- Subject to a Community Benefits Agreement

Section 3. That, under Section 5709.41 of the Revised Code, Redeveloper, or the owners of the Improvements, shall make service payments for a period of thirty years in lieu of the exempt taxes to the Cuyahoga County Fiscal Officer or Treasurer, or designee; the payments shall be charged and collected in the same manner, and shall be in an amount not less than the taxes that would have been paid had the Improvements not been exempt from taxation.

Section 4. That a portion of the service payments collected under this ordinance shall be distributed by the Cuyahoga County Fiscal Officer or Treasurer, or designee to the Treasurer of the District in the amount of the taxes that would have been payable to the District had the Improvements not been exempt from taxation.

Section 5. That the Director of Economic Development is authorized to enter into an agreement or agreements with Redeveloper to provide for the exemption and service payments described in this ordinance, including agreements securing the payments described in this ordinance, which agreement or agreements shall contain those terms contained in this ordinance.

Section 6. That when applicable under Section 5709.43 of the Revised Code, there is established an Urban Redevelopment Tax Increment Equivalent Fund into which shall be deposited Service Payments in Lieu of Taxes (“PILOTS” or “Service Payments”) that shall be used for financing the public purpose Improvements including project debt service, bond payments, and reimbursement of project construction costs,

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or for other economic development purposes as determined by the Director of Economic Development.

Section 7. That it is found and determined that all formal actions of this Council concerning and relating to the passage of this ordinance were adopted in open meetings of this Council, and any of its committees that resulted in formal action were in meetings open to the public in compliance with the law.

Section 8. That the contract or contracts authorized by this ordinance shall be prepared by the Director of Law.

Section 9. That this ordinance is declared to be an emergency measure and, provided it receives the affirmative vote of two-thirds of all the members elected to Council, it shall take effect and be in force immediately upon its passage and approval by the Mayor; otherwise it shall take effect and be in force from and after the earliest period allowed by law.

SMA:nl
2-6-2023
FOR: Director Jackson

