

Ordinance No. 702-2021

**By Council Members Griffin, Brancatelli
and Kelley (by departmental request)**

AN EMERGENCY ORDINANCE

Authorizing the Director of Economic Development to enter into a Tax Increment Financing Agreement with Fairfax Renaissance Development Corp., and/or its designee, to partially finance the development of the Innovation Square mixed-use neighborhood project located on the west side of East 105th 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. 702-2021-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 Fairfax Renaissance Development Corp., 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 as follows:

Parcel No. 1

PPN: 121-18-032
Address: East 105th Street, Cleveland, Ohio 44128

Parcel No. 2.

PPN: 121-18-033
Address: 2240 East 105th Street Cleveland, OH 44106

Parcel No. 3.

PPN: 121-18-034
Address: 2242 East 105th Street, Cleveland, OH 44106

Parcel No. 4.

PPN: 121-18-035
Address: 2244 East 105th Street, Cleveland, OH 44106

Parcel No. 5.

PPN: 121-18-036
Address: 2250 East 105th Street, Cleveland, OH 44106

Parcel No. 6.

PPN: 121-18-037
Address: 2251 East 103rd Street, Cleveland, OH 44106

Parcel No. 7.

PPN: 121-18-038
Address: 2251 East 103rd Street, Cleveland, OH 44106

Parcel No. 8.

PPN: 121-18-039
Address: 2245 East 103rd Street, Cleveland, OH 44106

Parcel No. 9.

PPN: 121-18-040
Address: 2241 East 103rd Street, Cleveland, OH 44106

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Parcel No. 10.

PPN: 121-18-041
Address: 2239 East 103rd Street, Cleveland, OH 44106

Parcel No. 11.

PPN: 121-18-042
Address: 2235 East 103rd Street, Cleveland, OH 44106

Parcel No. 12.

PPN: 121-19-071
Address: 2268 East 105th Street, Cleveland, OH 44128

Parcel No. 13.

PPN: 121-19-072
Address: 2262 East 105th Street, Cleveland, OH 44106

Parcel No. 14.

PPN: 121-19-073
Address: 2263 East 103rd Street, Cleveland, OH 44106

Parcel No. 15.

PPN: 121-19-074
Address: 2232 East 105th Street, Cleveland, OH 44106

Parcel No. 16.

PPN: 121-19-075
Address: 2259 East 103rd Street, Cleveland, OH 44106

Parcel No. 17.

PPN: 121-19-076
Address: 2263 East 103rd Street Cleveland, OH 44106

Parcel No. 18.

PPN: 121-19-077
Address: Vacant Land - East 103rd Street, Cleveland, OH 44106

Parcel No. 19.

PPN : 121-19-078
Address: 2267 E 103rd Street, Cleveland, OH 44106

Parcel No. 20.

PPN: 121-19-151
Address: East 105th Street, Cleveland, OH 44106

Parcel No. 21.

PPN: 121-19-154
Address: Vacant Land

Parcel No. 22.

PPN: 121-18-159
Address: 2250 East 105th Street, Cleveland, OH 44106

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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 2054. The terms of the agreement, which shall not be materially changed without further legislative action by Council, will be as follows:

DEPARTMENT OF ECONOMIC DEVELOPMENT EXECUTIVE SUMMARY

Project: Innovation Square
Address: E. 105th St. at Frank Avenue
Ward: 6

As part of the development of the Opportunity Corridor and the Innovation Square/New Economy Neighborhood areas around E. 105th Street in the Fairfax neighborhood, Fairfax Renaissance Development Corp. has been leading a collaborative effort with McCormack Baron, a development group headquartered in St. Louis, to develop a residential building located on the west side of E. 105th Street on property largely owned by the City. Fairfax and the developer have formed a joint venture where Fairfax will receive a portion of the management and ownership interest in the property.

The project will consist of 80 units (20 450sf studios, 44 675sf 1BRs, and 16 1,000sf 2BRs). 56 units (70%) will be market rate and 24 units (30%) will be workforce housing, with eight each priced at 75, 85, and 95% of AMI. Along with the neighboring development of the Meijer grocery store, this will be the first attempt to develop market-rate and workforce housing at scale outside of the downtown, University Circle and Near West side markets.

The development faces several challenges. First, market rents are not expected to reach the levels that have been reached in the hotter markets of the City and thus cannot subsidize the lower “workforce” rents. Second, because the project is not “affordable”, it is not eligible for LIHTC or a similar subsidy. Third, construction costs continue to increase during the COVID pandemic. Fourth, they have approximately \$1,000,000 in site preparation costs as a result of foundations and geotechnical issues.

To assist with this project, the Department has recommended a non-school TIF and a \$2,000,000 development loan.

Loan Terms

Term: 30-Years

Interest Rate: 0%, Years 1-10
2%, Years 11-30

Amortization: 20 Years, Starting in Year 11

Collateral: Shared Subordinate Position with County and Foundations

Est. TIF Value: \$481,000

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Estimated Sources & Uses

<u>SOURCES</u>		<u>USES</u>	
PNC Bank Loan	\$2,600,000	Acquisition	\$750,000
Cleveland Clinic Loan	\$10,000,000	Hard Construction	\$19,020,000
PNC Bank OZ Equity	\$8,100,000	Soft Costs	\$5,900,000
Philanthropy (Gund/CLE Fdns)	\$650,000	Predevelopment Costs	\$1,000,000
City of Cleveland Loan (Backed by TIF)	\$2,000,000		
Port Authority Capital Lease	\$320,000		
Developer Equity	\$1,000,000		
County*	\$2,000,000		
<u>TOTAL</u>	\$26,670,000	<u>TOTAL</u>	\$26,670,000

Community Benefits:

- Chapter 187 Applies
- Chapter 188 Applies
- Project will be Prevailing Wage

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

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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, 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
8-18-2021
FOR: Interim Director Ebersole

**By Council Members Griffin, Brancatelli and Kelley
(by departmental request)**

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READ FIRST TIME on AUGUST 18, 2021

REPORTS

**and referred to DIRECTORS of Economic Development,
City Planning Commission, Finance, Law;
COMMITTEES on Development Planning and Sustainability, Finance**

CITY CLERK

READ SECOND TIME

CITY CLERK

READ THIRD TIME

PRESIDENT

CITY CLERK

APPROVED

MAYOR

**PASSAGE RECOMMENDED BY
COMMITTEE ON
DEVELOPMENT, PLANNING AND
SUSTAINABILITY**

FILED WITH COMMITTEE

**PASSAGE RECOMMENDED BY
COMMITTEE ON
FINANCE**

FILED WITH COMMITTEE

