

Ordinance No. 1212-17

AN EMERGENCY ORDINANCE

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

Authorizing the Director of Economic Development to enter into a Tax Increment Financing Agreement with CAC Project 2014 Limited Liability Company, or its designee, and a Cooperative Agreement with the Cleveland-Cuyahoga County Port Authority and such company, to provide gap financing needed for the redevelopment of the Cleveland Athletic Club located at 1118-1148 Euclid Avenue; to provide for payments to the Cleveland Metropolitan School District; to declare certain improvements to real property to be a public purpose; and declaring an emergency.

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, under the authority of Ordinance No. 935-17, and pursuant to the requirements of Section 5709.41 of the Revised Code, the City obtained and held title to the real property described in Section 1 hereof (the "Real Property") prior to the passage of this ordinance; and

WHEREAS, the Real Property is to be developed or redeveloped in accordance with the Cleveland 2020 Citywide Plan, a copy of which is placed in File No. 1212-17-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 real property may be required to make annual service payments in lieu of taxes that would have been paid had the improvements to such real property 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 in lieu of taxes 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 improvements not been exempted from taxation; and

WHEREAS, in compliance with Sections 5709.41(C)(4) and 5709.83 of the Revised Code, the City notified the District of its intent to enact this ordinance and enter into the agreement authorized by Section 2 of this ordinance; and

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:

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Section 1. That the improvements (under Section 5709.41(A) of the Revised Code) to the Real Property and the redevelopment and improvement of the Real Property by CAC Project 2014 Limited Liability Company, or its designee, ("Redeveloper"), are declared to be a public purpose for purposes of Section 5709.41 of the Revised Code. The Real Property is more fully described as follows:

Situated in the City of Cleveland, County of Cuyahoga and State of Ohio and being known as part of Original Two Acre Lot Nos. 156 and 157, bounded and described as follows:

Beginning on the Southerly line of Euclid Avenue, 99 feet wide, at a point distant 114.21 feet Easterly, measured along the Southerly line of Euclid Avenue, from its intersection with the Southwesterly line of said Original Lot No. 156, said place of beginning being also the intersection of the Southerly line of Euclid Avenue with the Westerly face of the westerly wall of the Cleveland Athletic Building, situated on the premises herein described:

Thence Easterly along the Southerly line of Euclid Avenue, 150.07 feet to the Westerly line of East 12th Place, 16-1/2 feet wide;

Thence Southerly along the westerly line of East 12th Place, 99.55 feet to the Northwesterly line of Barn Court S.E. • 16-1/2 feet wide;

Thence Southwesterly along the Northwesterly line of Barn Court S.E., 153.07 feet to its intersection with the Westerly face of the Westerly wall of the Cleveland Athletic Club Building, as aforesaid, said intersection being also distant 55.48 feet Northeasterly, measured along the Northwesterly line of Barn Court S.E. from its intersection with the Southwesterly line of said Original Lot No. 156;

Thence Northeasterly along the Westerly face of the Westerly wall of the Cleveland Athletic Club Building, 130.10 feet to the place of beginning, according to a survey dated November, 1977 made by Edward C. O'Rourke & Associates Land Surveyors.

Section 2. That one hundred percent (100%) of the Improvements are declared exempt from real property taxation for a period of thirty years; and that in no event shall the exemption period extend beyond 2050. The terms of the tax increment financing agreement with the Redeveloper are as follows:

DEPARTMENT OF ECONOMIC DEVELOPMENT SUMMARY FOR THE LEGISLATIVE FILE

<u>Project Name:</u>	Cleveland Athletic Club
<u>Project Address:</u>	1118-1148 Euclid Avenue, Cleveland, OH 44115
<u>Redeveloper:</u>	CAC Project 2014 Limited Liability Company and/or designee
<u>Project Manager:</u>	Esther Kim
<u>Ward/Councilperson:</u>	3 - McCormack
<u>City Assistance:</u>	Non-School TIF

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Project Summary

CAC Project 2014 Limited Liability Company, or designee, (“Redeveloper”) is proposing to redevelop the Cleveland Athletic Club located at 1118-1148 Euclid Avenue, Cleveland, OH 44115 (“Project Site”) to include 165 units of residential space, 49 indoor parking spaces, 6,800 SF office space and 3,990 SF first floor retail space. CAC Project 2014 Limited Liability Company is an Ohio limited liability company, which is wholly-owned by Cleveland Euclid Hotel Associates, LLC, a Delaware limited liability company (the “Parent”). The managers of the Parent are principals of Great Lakes Financial Group, Precision Environmental and Weingart Development.

The century-old, 16-story Cleveland Athletic Club has been vacant since 2007. After a number of development blocks and hurdles, the Redeveloper took ownership of the building in Spring 2015 with the intent of moving the project forward. Great Lakes Financial Group proposes to relocate their offices to the new office space in the Cleveland Athletic Club, with their current first floor location on Huron Road backfilled with additional retail amenities. The Redeveloper is targeting service-based retail, such as a pharmacy, for the first floor retail at the project.

The total development cost for the project is approximately \$62.8 million. The Redeveloper has incurred significant costs to date, removing asbestos from the property and conducting some interior demolition. The Redeveloper has requested a TIF to address the remaining funding gap, a result of the building’s extended vacancy, deferred maintenance needs and the high cost of construction. Many aesthetic features of the athletic club's original space will stay, as the project was awarded Historic Tax Credits as part of the capital stack.

The property is a critical piece to completing the redevelopment of Euclid Avenue, stitching together Downtown and Playhouse Square. The redevelopment of this building will eliminate one of the last major development gaps along Euclid Avenue in this area. In addition, the project will support the residential demand downtown where rental occupancy is near record highs.

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 CAC Project 2014 Limited Liability Company 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 project is subject to a 15-year residential tax abatement, which is intended to have priority over the TIF exemption. The TIF will, in effect, be on the commercial real estate for the first 15 years and will capture the full value in the remaining 15 years.
- The Redeveloper agrees to make certain improvements to those parcels and make payments in lieu of taxes (PILOTs) equal to the taxes that would have been paid for those parcels 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 Redeveloper will be responsible for any shortfall of PILOT payments for project costs through a “Minimum Service Payment” requirement.
- This ordinance will authorize the Director of Economic Development to enter into a Cooperative Agreement with the Cleveland-Cuyahoga County Port Authority and to assign the PILOTs, exclusive of the District payments, and the Minimum Service Payments to the Port Authority to provide the necessary gap financing for the project.

Economic Impact

- 219 new residents
- Creation of 6 jobs and retention of 20 jobs in the City of Cleveland

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- 190 estimated construction jobs
- Project estimates \$544,678 in new annual property taxes for the School District
- Project estimates \$340,322 in new annual City tax revenue generated from residents and new employees
- Over the 30-year term of the TIF, the project estimates \$8.2 Million in property taxes generated for the School District and \$10.2 Million in income and residence taxes for the City.

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 Real Property, shall make service payments in lieu of the exempt taxes to the Cuyahoga County Treasurer for a period of thirty years; the payments shall be charged and collected in the same manner, and 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 Treasurer 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 and a cooperative agreement or agreements with the Cleveland-Cuyahoga County Port Authority (the "Port Authority") and/or the Redeveloper in a manner not materially adverse to the City to provide for the terms of the exemption and of the service payment requirements described in this ordinance, minimum service payment obligations necessary to support the gap financing to be provided by the Port Authority ("Port Gap Financing") for the redevelopment of the Real Property pursuant to this ordinance, assignment of a portion of the service payments (exclusive of amounts to be paid to the District) and all of the minimum service payments to the Port Authority to provide revenues in support of the Port Gap Financing, and agreements or instruments securing the payments described in this ordinance, all of which agreements and/or instruments shall contain those terms contained in or required by this ordinance.

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Section 6. That under Section 5709.43 of the Revised Code, there is hereby established the CAC Project Urban Redevelopment Tax Increment Equivalent Fund into which shall be deposited service payments in lieu of taxes which shall be used for the purposes described in this ordinance, or File, 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 this ordinance is declared to be an emergency measure necessary to provide for the usual daily operation of the Economic Development Department 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.

SM:nl
10-2-17

FOR: Interim Director Ebersole

