

DEPARTMENT OF ECONOMIC DEVELOPMENT

**SUMMARY FOR THE LEGISLATIVE FILE
ORDINANCE NO: 1189-17**

Project Type: Real Estate
Project Name: Terminal Tower
Project Address: 50 Public Square
Developer: KD Tower City, LLC or Designee
Project Manager: Briana Butler
Ward/Councilperson: 3 - McCormack
City Assistance: Non-school TIF

Project Summary and Discussion

Terminal Tower was built in the 1930's, and KD Tower City LLC, an affiliate of KD Management plans substantial renovation and adaptive reuse, while preserving the historic interior of the building. The developer proposes to convert floors 4 through 14 from office space to approximately 260,000 SF of residential space. When complete, the floors will have 304 units: 156 of which will be 1-bedroom, 88 will be deluxe units, and 61 will be 2-bedroom units. The developer will also renovate some existing office space to attract more tenants to the building. Lastly, the developer will make improvements to the adjacent North Park Garage.

The Department of Economic Development is requesting approval to enter into a non-school Tax Increment Financing agreement with KD Tower City LLC, or its designee, to help the financial feasibility of the project. The developer will make PILOT payments to use for debt service. The renovation is estimated to cost \$101.7 million.

The additional housing proposed with this project will provide much needed supply to an area that is in high demand for people looking to live downtown—where occupancy has soared to nearly 98%. Further, housing located directly above downtown's primary transit hub for RTA provides access anywhere in the city without the need for a car. As young professionals and empty nesters flock to downtown they are sure to be attracted to this project for the possibility of living among the many amenities downtown offers while maintaining the ease of access beyond downtown. The redevelopment is expected to be completed in fourth quarter of 2019.

Developer

KD Tower City LLC is an entity of K&D Management. As Chief Executive Officer of K&D, Douglas Price has been involved in all facets of the real estate industry for over 32 years, and in conjunction with his partner, Karen M. Paganini, has built the largest privately owned and managed portfolio of multi-family properties in

Northeast Ohio. The K&D portfolio includes a number of mixed-use properties, with over 2,000,000 SF of commercial and retail space including the Halle Building, Leader Building, and Keith Building. The newest addition to the portfolio is the historic landmark of Terminal Tower, which K&D purchased in 2016.

Proposed City Assistance:

The request to Cleveland City Council is to authorize the Director of Economic Development to enter into a non-school Tax Increment Finance (TIF) agreement with KD Tower City LLC or its designee. The TIF proceeds will be used for debt payments associated with the project. This TIF agreement will be up to 30 years in length.

Under the agreement, parcels acquired and re-conveyed to the developer will be “TIFed” under section 5709.41 of the Ohio Revised Code in consideration for the developer agreeing to make certain improvements to those parcels, and agreeing to make payments in lieu of taxes (PILOT) equal to the taxes that would have been paid for those parcels but for the TIF. A portion of the PILOT will be paid to the Cleveland Municipal School District in the amount the District would have otherwise received but for the TIF.

Economic Impact

- Retain 25 full time equivalent jobs at the project site
- Create an additional 30 full time equivalent jobs at the project site
- Income tax is projected for residents moving into the residential conversion portion of the redevelopment. Over the 30-year term of the TIF, the project is expected to generate approximately \$16 million in income taxes for the City (assumes 50% of the residents work in the City, and a 2% annual growth in income).
- The project will also generate an additional \$5.4 million in property taxes for the schools over the course of the TIF.

City Requirements

- The project is subject to Fannie M. Lewis Cleveland Residential Employment Law
- The project is subject to MBE/FBE/CSB
- The project is subject to a Workforce Development Agreement for all new jobs
- The developer has signed a Community Benefits Agreement