

Ordinance No. 857-2020

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

An emergency ordinance authorizing the Director of Economic Development to enter into a Tax Increment Financing Agreement with WRB Partners LLC, and/or its designee, to fund eligible projects costs and project debt for the Western Reserve Building Project; 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. 857-2020-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 division (C)(4) of Section 5709.41 and Section 5709.83 of the Revised Code; 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:

Section 1. That the improvements to be constructed by WRB Partners 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 as follows:

Situated in the City of Cleveland, County of Cuyahoga and State of Ohio and known as being a part of Original Two Acre Lot Nos. 204 and 205, and bounded and described as follows:

Beginning on the Northwestern line of Superior Avenue, N.W., at its intersection with the Southwesterly line of West 9th Street, 99 feet wide;

Thence South 77° 00’ 00” West along the Northwestern line of Superior Avenue, N.W., 68.61 feet to its intersection with the Northeasterly line of West 10th Street, 49.5 feet wide;

Thence North 62° 28’ 00” West along the Northeasterly line of West 10th Street, 182.65 feet to a point;

Thence North 27° 32’ 00” East, 13.40 feet to a point;

Thence North 55° 52’ 18” East, 47.32 feet to a point;

Thence North 34° 07’ 42” West, 13.00 feet to a point;

Thence North 55° 52’ 18” East, 92.50 feet to the aforementioned Southwesterly line of West 9th Street;

Thence South 33° 52’ 27” East along the Southwesterly line of West 9th Street, 204.86 feet to the place of beginning and containing 21,161 square feet of land (0.4858 acres) according to a survey made by North Coast Land Surveying Co., Inc., be the same more or less, but subject to all legal highways.

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 2052. The terms of the agreement, which shall not be materially changed without further legislative action by Council, will be as follows:

Project Name:	Western Reserve Building
Project Address:	1468 W 9th Street, Cleveland, OH 44113
Developer:	WRB Partners LLC and/or designee
Project Manager:	Cassie Slansky
Ward/Councilperson:	3 – Kerry McCormack
City Assistance:	Non-School TIF

Project Summary and Discussion

WRB Partners LLC or designee, (“Developer”) is proposing a redevelopment project located at 1468 West 9th Street, Cleveland, OH 44113 (“Project Site”). 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 redevelopment of the property into a multi-tenant office amenity for the Warehouse District. The project will create and/or cause to create 85 new W-2 jobs at the Project Site with an approximate payroll of \$4,700,000 and retain/cause to retain 90 jobs.

The Western Reserve Building was first constructed in 1890 and is one of the oldest office buildings in Downtown. In 1990, an addition was added to the eight-story building. The building’s anchor tenant was K.A. Architecture, who occupied over 22,000 square feet and then relocated outside of the City in 2015. The building has over 143,000 square feet of rentable space and has sat at least 50 percent vacant for the last three years.

The Developers of WRB Partners LLC have significant experience renovating, leasing, refinancing, and repositioning office properties across Northeast Ohio, with over 60 years of combined experience in real estate and creative industries. This project will rehab 40,665 square feet of office space for multiple new tenants. This redevelopment will allow the building to go from 50 percent leased to over 90 percent of leased office space. The total project investment is expected to exceed approximately \$13 million.

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 WRB Partners 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.

Economic Impact

- Creation of 85 jobs in the City of Cleveland.
- Retention of 90 full time jobs in the City of Cleveland.
- Project estimates \$117,500 in new annual City tax revenue generated from residents and new employees.
- The project will generate \$76,641 in annual property taxes for the School District.

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, 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 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.

Referred to the Directors of Economic Development; City Planning Commission; Finance; and Law; Committees on Development, Planning and Sustainability; and Finance.