

Ordinance No. 161-2020

**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 Harbor Bay Real Estate Advisors, LLC, or its designee, to partially finance the public purpose improvements including project debt service for project site located at West 25th Street and Lorain Avenue; 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, under Ordinance No. 1539-2019, passed January 13, 2020, the City has 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. 161 -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 Sections 5709.41(C)(4) and 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:

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Section 1. That the improvements to be constructed by Harbor Bay Real Estate Advisors, LLC, 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:

Lot 1

Situated in the City of Cleveland, County of Cuyahoga, State of Ohio, and being part of original Brooklyn Township Lot Number 69, being part of a parcel conveyed to Ohio City Legacy LLC as recorded in AFN 201901150661 as shown on the Assembly Plat as recorded in Plat Volume 243, Page 85, also being part of a parcel of land as shown on the partial vacation of Gehring Ave. as recorded in Plat Volume _____, Page _____ being further bounded and described as follows:

Beginning at a drill hole set at the intersection of the south right of way line of Lorain Avenue (102 feet wide) and the east right of way line of West 25th Street (82.50 feet wide), said drill hole being the **POINT OF BEGINNING** of the parcel of land hereinafter described:

1. Thence on the south right of way line of said Lorain Avenue, N 58° 34' 57" E for a distance of 353.26 feet to a drill hole set on the west right of way line of Gehring Avenue (52 feet wide);
2. Thence on the west right of way line of said Gehring Avenue, S 31° 25' 03" E for a distance of 4.73 feet to a drill hole set;
3. Thence on the west right of way line of said Gehring Avenue, S 0° 37' 09" E for a distance of 449.70 feet to a rebar set;
4. Thence on a new division line, S 58° 16' 39" W for a distance of 120.92 feet to a rebar set on the east right of way line of said West 25th Street;
5. Thence on the east right of way line of said West 25th Street, N 31° 43' 21" W for a distance of 391.67 feet to the Point of Beginning, containing 2.1417 acres (93,290 sq.ft.) of land, more or less, and subject to all easements, restrictions and covenants of record. The above description prepared by Steven L. Mullaney, P.S. 7900 of Glaus, Pyle, Schomer, Burns & DeHaven, Inc., dba GPD Group, and based on a field survey made in January of 2019.

All bearings referred to herein, are relative to grid north of the Ohio State Plane Coordinate System, North Zone, NAD83 (2011), as determined from GNSS measurements tied to the Ohio Department of Transportation’s VRS system.

All rebar set are 5/8 inch diameter by 30 inch long rebar with cap marked “GPD”

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 2051. The terms of the agreement are as follows:

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Project Name: Market Square
Recipient: Harbor Bay Real Estate Advisors, and/or Designee
Project Site: Corner of West 25th Street and Lorain Avenue
Project Manager: Richard Barga
Ward/Councilperson: 3/McCormack



Company Background

Harbor Bay Real Estate Advisors is a leading real estate development and investment firm, renowned for its relationship-focused, honest approach in creating valuable real estate. Harbor Bay is based on a foundation of great people, high energy and sound discipline. At its core, Harbor Bay strives to build superior communities through well-developed, well-positioned, well-managed real estate. Above all, Harbor Bay prides itself on consistently exhibiting a partnership approach when working with its clients and customers in the evaluation and optimization of real estate.

Harbor Bay & its family affiliates have been around since 1856, comprising multiple generations of real estate development, investment and management. Together, they have developed in excess of two billion dollars in real estate across a broad range of product types including multi-family, industrial, office, retail, student & senior living. Harbor Bay's trademark is transformational developments with high impacts to communities.

Project Summary

Harbor Bay, through its subsidiary Ohio City Legacy LLC is planning a \$135 million apartment-and-office complex in Ohio City's Market Square. The Cleveland property was purchased for \$5.85 million, sold to Chicago-based developer Harbor Bay Real Estate Advisors. The Project will encompass an eight (8) story building comprising of approximately 480,000 total square feet, including 293 residential apartments, 40,000 square feet of retail, event space, and one acre of green space (the "Market Square Project"). A future phase is also considered with a speculative office use. The location on the corner of W. 25th Street and Lorain Avenue is steps from the iconic West Side Market and the Red Line Rapid station. The one-story plaza that is currently there will be razed. The 11 tenants have all already agreed to buyouts and many are looking to relocate their businesses within Ohio City. The project is using the Port Authority's Capital Lease program for construction cost savings and thus will be subject to the Port's Prevailing Wage requirement.

The Market Square Project will be predominately constructed using mass timber. Mass timber is the construction of a building using either solid or engineered wood, such as cross-laminated timber, nail-laminated timber, glue-laminated timber, etc., for the primary load-bearing structures. The use of mass timber is a new construction method in the State of Ohio. However,

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mass timber has been widely used throughout the world, most notably in Canada, Europe and Australia.

In addition to the use of mass timber, the Market Square Project will utilize sustainable and energy efficient materials, equipment, and design processes, including but not limited to, LEED or comparable green building certification, interior and exterior LED lighting, energy-efficient HVAC systems, and low flow flush and flow fixtures. It is estimated that the Market Square Project will lead to the creation of 735 direct construction jobs with over \$46 million in payroll.

Proposed City Assistance

Beyond the construction financing, the City is being asked to assist with a 30 year non-school TIF to pay debt service for the project.

Economic Impact

- Approximately 300 residential units
- Anticipated over 700 construction jobs
- 10 new FTE (\$208,000 estimated new payroll)

City Requirements

- Chpt 187 – MBE/FBE/CBS
- Chpt 188 – Fannie Lewis Law
- Workforce Development Agreement
- Community Benefits Agreement
- Subject to the Port Authority’s Prevailing Wage requirement per the Capital Lease program

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 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
2-3-20

FOR: Director Ebersole

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

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READ FIRST TIME on FEBRUARY 3, 2020 **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

Recorded Vol. **107** Page _____

Published in the City Record _____

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

FILED WITH COMMITTEE

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COMMITTEE ON
FINANCE**

FILED WITH COMMITTEE
