

Ordinance No. 507-2020

By Council Members **B. Jones, Brancatelli and Kelley (by departmental request)**

AN EMERGENCY ORDINANCE

Authorizing the Director of Economic Development to enter into a Tax Increment Financing Agreement with Inspiron Group Ltd., or its designee, to provide for the developer to make certain improvements; 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. 507-2020-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

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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 Inspiron Group Ltd., 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:

LEGAL DESCRIPTION

Parcel No. 1 (Fee Parcel):

Situated in the City of Cleveland, County of Cuyahoga and State of Ohio and more particularly described as follows:

Known as being part of Original 10 acre Lot No. 87 and bounded and described as follows:

Beginning on the Northerly line of Euclid Avenue (99 feet wide) at a point distant 155 feet Easterly measured along said Northerly line from its intersection with the Easterly line of East 30th Street (formerly Sterling Avenue) (60 feet wide), said place of beginning being also the Southeasterly corner of a parcel of land conveyed to Scripps-Howard Radio, Inc., by deed dated March 21, 1956 and recorded in Volume 8609, Page 472 of Cuyahoga County Records,

Thence Northerly along the Easterly line of land so conveyed, 330 feet to the Northeasterly corner of land so conveyed to Scripps-Howard Radio, Inc.;

Thence Easterly in a direct line, 124.83 feet to a point on the Easterly line of land conveyed to The Commerce Plaza, Inc., by deed dated December 20, 1954 and recorded in Volume 8231, Page 133 of Cuyahoga County Records, distant 326.83 feet Northerly, measured along said Easterly line from the Northerly line of Euclid Avenue;

Thence Southerly along the Easterly line of land so conveyed to The Commerce Plaza, Inc. 326.83 feet to the Northerly line of Euclid Avenue;

Thence Westerly along the Northerly line of Euclid Avenue, 124.72 feet to the place of beginning, be the same more or less but, subject to all legal highways,

Permanent Parcel Nos: 103-06-029 and 103-06-030

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

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

Project Name: The Midtown Redevelopment
Project Address: 3101 Euclid Avenue, Cleveland, OH 44115
Developer: The Inspirion Group, LTD. or Designee
Project Manager: Dan Kennedy
Ward/Councilperson: 7-Basheer Jones
City Assistance: Non-School TIF

Project Summary and Discussion

The Inspirion Group, LTD or designee, (“Developer”) is proposing a mixed use development located at 3101 Euclid Avenue, Cleveland, OH 44115 (“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 development of 92 market rate apartments, approximately 4,200 square feet of retail space, and parking deck for residents and retail users. The project will create and/or cause to create 10 new full-time jobs at the Project Site with an approximate payroll of \$400,000.

The new \$26M redevelopment will convert the existing building into 91 residential units, on floors 2 through 8 with a luxury penthouse on the 9th floor, and retail/commercial spaces of 2,600 SF and 1,700 SF on the first floor. The parking deck will be restored and will be configured for both resident and general public parking, with designated spaces set aside to support the retail users. The project will offer a state-of-the-art fitness center on the main floor of the building, with an attached outdoor landscaped garden, and a community recreation room on the first floor. The fourth floor will feature spacious apartments with walkout balconies. There will be a mix of studio, one, and two-bedroom units, with a private 3,000 SF four-bedroom penthouse on the 9th floor. The Building will benefit from the multi-million dollar renovation which will also comply with multiple LEED standards.

Once complete, the project will fill in a major vacancy along the Euclid Corridor and provide a mix of market rate housing options. This transit-oriented development will provide residents with optimal access the Health-Line as well as ideal access to the Innerbelt.

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 The Inspirion Group, LTD or its designee. This TIF agreement will be up to 30 years in length. The City will declare certain improvements with respect to the project to be a public purpose and exempt 100% of the improvements from real property taxes. The TIF will be immediately effective on the residential after the expiration of the 15-year, 100% tax abatement.

Under the agreement, parcels acquired and re-conveyed to the developer will be subject to a TIF under Section 5709.41 of the Ohio Revised Code in consideration for the developer agreeing to make certain improvements to those parcels and making 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 PILOT will be paid to the Cleveland

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Municipal School District in the amount the District would have otherwise received but for the TIF.

Economic Impact

- Creation of 10 jobs in the City of Cleveland
- Project estimates \$10,000 in new annual City tax revenue generated from residents and new employees

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

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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
6-17-20
FOR: Director Ebersole

