

Ordinance No. 1189-17

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 KD Tower City LLC, or its designee, to provide financial assistance towards improvements to certain parcels in the Terminal Tower Building located at 50 Public Square and the North Park Garage located on Superior Avenue; to provide for payments to the Cleveland City 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, the City has entered into the chain of title for the Property which is more particularly described in the File set forth 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. 1189-17-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 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 City School District ("District") in an amount equal to the amount the District would have received had the improvement not been exempt; and

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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:

Section 1. That the improvements to be constructed by KD Tower City LLC, 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 the Terminal Tower Building located at 50 Public Square and the North Park Garage located on Superior Avenue.

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 agreement are as follows:

**DEPARTMENT OF ECONOMIC DEVELOPMENT
SUMMARY FOR THE LEGISLATIVE FILE**

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

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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

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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 Treasurer; 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 Treasurer to the Treasurer of the District in the amount of the taxes that would have been payable to the District had the Improvement 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 under Section 5709.43 of the Revised Code, there is established an identified Urban Redevelopment Tax Increment Equivalent Fund into which shall be deposited service Payments in Lieu of Taxes ("PILOTS") 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 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.

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READ FIRST TIME on OCTOBER 2, 2017

REPORTS

**and referred to DIRECTORS of Economic Development, Finance, Law;
COMMITTEES on Development Planning and Sustainability, Finance**

CITY CLERK

READ SECOND TIME

CITY CLERK

READ THIRD TIME

PRESIDENT

CITY CLERK

APPROVED

MAYOR

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

FILED WITH COMMITTEE

**PASSAGE RECOMMENDED BY
COMMITTEE ON
FINANCE**

FILED WITH COMMITTEE
