

# Ordinance No. 388-18

**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 Playhouse Square Foundation, or its designee, to support debt service related to the project and to assist with the development of a residential tower and parking garage at East 17<sup>th</sup> Street and Euclid Avenue; to provide for payments to the Cleveland City School District; and to declare certain improvements to real property to be a public purpose.

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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. 388-18-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 Playhouse Square Foundation, 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 follows:

New PPN: 103-01-055 (Being created from PPN's 103-01-023 through 028)

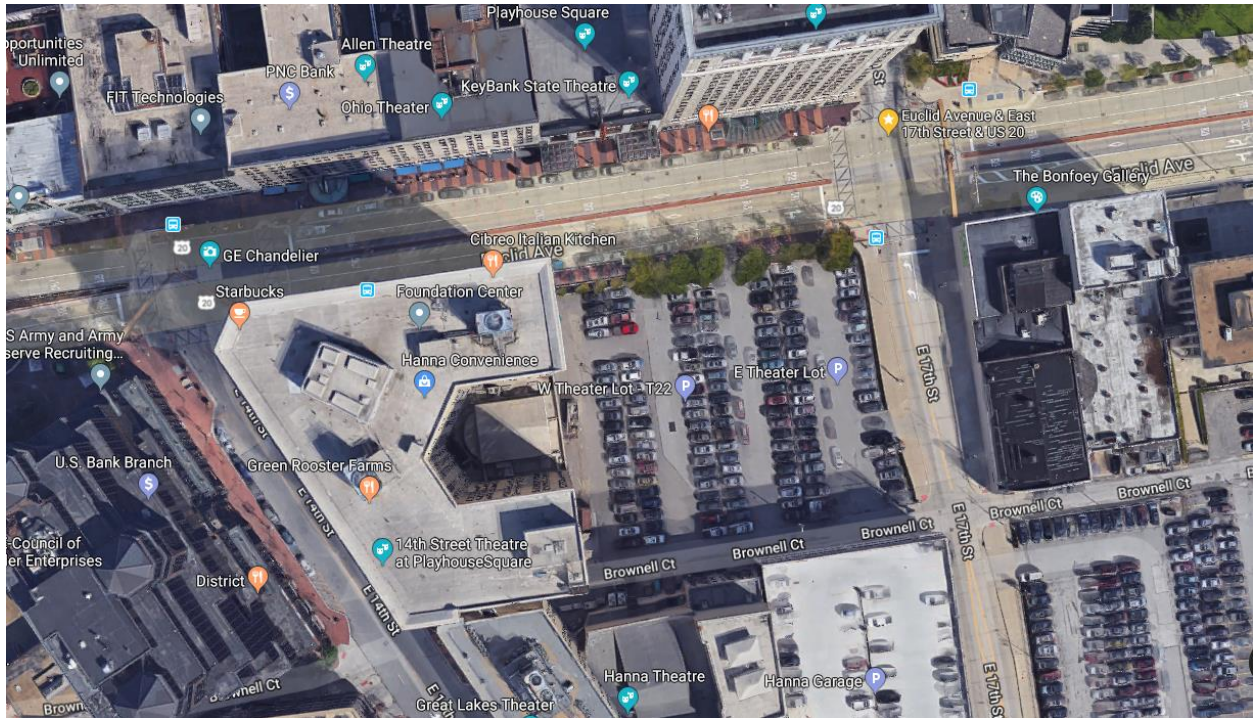
Situated in the City of Cleveland, County of Cuyahoga and State of Ohio and known as being Parcel A in the Plat of Consolidation for Playhouse Square Foundation of part of Original Ten Acre Lot No. 51 as shown by the recorded plat in Plat AFN 201710100484 of Cuyahoga County Records and containing 1.0219 acres as appears by said plat, 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 is reflected on the tax duplicate; 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

<b><u>Project Name:</u></b>	Playhouse Square Tower
<b><u>Project Address:</u></b>	East 17 <sup>th</sup> /Euclid Avenue, Cleveland, OH 44115
<b><u>Developer:</u></b>	Playhouse Square
<b><u>Project Manager:</u></b>	Robin Brown
<b><u>Ward/Councilperson:</u></b>	3 - McCormack
<b><u>City Assistance:</u></b>	Non-School TIF

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## **Project Summary and Discussion**

Playhouse Square Foundation or designee, (“Developer”) is proposing to develop a 34-story, 315-unit residential tower on the existing parking lot at the Southwest corner of E. 17<sup>th</sup> & Euclid Ave, Cleveland, OH 44115 (“Project Site”). The project would consist of a 4-story 550-space parking garage with residential use above. The first floor of the garage would include space that could be developed for retail if a substantial and viable tenant emerges. In order to assist with the project financing, Playhouse Square 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 the residential tower and garage. The project will create and/or cause to create 10 new W-2 jobs at the Project Site. Estimated value of TIF is \$4,200,000.

Playhouse has been working on this project for several years. They view this project as a key element to the revitalization of the Playhouse Square district, providing a crowning building to anchor the eastern end of the district before giving way to the CSU Campus. In order to advance the project, Playhouse has been selling and refinancing its real estate holdings in order to generate the substantial cash on-hand to invest in this project. The project will remove a low-quality surface parking lot from the downtown area and is expected to attract over 300 new residents and create 10 jobs in downtown.

## **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 Playhouse Square Foundation 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.

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- 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.
- The TIF will be immediately effective on the residential tower and new parking garage after the expiration of the 15-year tax abatement for new residential construction.

## **Economic Impact/Justification**

- Estimated 10 FTE (\$288,000 annual payroll)
- Once stabilized, the project is expected to generate approximately \$800,772.22 in annual property taxes for the School District upon expiration of the residential tax abatement.
- Over the 30-year term of the TIF, the project is expected to generate approximately \$10,766,250 in residence taxes and \$ 216,000 in income taxes for the City.
- Construction of new downtown tower is critical to demonstrate to the market that these developments are feasible.
- Lack of new construction housing in downtown
- Serves as anchor to Euclid Avenue at CSU/Playhouse Square

## **Community Benefits**

- Subject to Chapter 187: MBE/FBE/CSB requirements
- Subject to Chapter 188: Fannie Lewis Cleveland Residential Employment Law
- Subject to Chapter 189: Fair Employment Wage
- Subject to a Workforce Development Agreement for all new jobs.

**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, subject and subordinate to any anticipated Community Reinvestment Act (CRA) residential tax abatement.

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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.

SM:nl  
4-2-18

FOR: Interim Director Ebersole

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**READ FIRST TIME on APRIL 2, 2018**  
and referred to DIRECTORS of Economic Development,  
City Planning Commission, Finance, Law:  
COMMITTEES on Development Planning and Sustainability, Finance

**REPORTS**

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CITY CLERK

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READ SECOND TIME

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CITY CLERK

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READ THIRD TIME

\_\_\_\_\_  
PRESIDENT

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CITY CLERK

\_\_\_\_\_  
APPROVED

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MAYOR

Recorded Vol. **105** Page \_\_\_\_\_

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

FILED WITH COMMITTEE

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**PASSAGE RECOMMENDED BY  
COMMITTEE ON  
FINANCE**

FILED WITH COMMITTEE

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