

Ordinance No.1086-2019 (As Amended)

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 W25d III LLC, or its designee, for the development of the Painters Union Building and Quarter Phase 2; 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, 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. **1086-2019-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 W25d III 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:

PARCEL I: 003-28-004

Situated in the State of Ohio, County of Cuyahoga, and in the City of Cleveland, and known as Parcel 1, in the Lot Split and Consolidation Plat of Part of Original Brooklyn Township, Lot No. 51, as shown by the recorded plat in Volume 375 of Maps, Page 56 of Cuyahoga County Records.

PARCEL II: 003-28-001

Situated in the State of Ohio, County of Cuyahoga, and in the City of Cleveland, and known as Parcel 2, in the Lot Split and Consolidation Plat of Part of Original Brooklyn Township, Lot No. 51, as shown by the recorded plat in Volume 375 of Maps, Page 56 of Cuyahoga County Records

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 are as follows:

**DEPARTMENT OF ECONOMIC DEVELOPMENT
SUMMARY FOR THE LEGISLATIVE FILE
ORDINANCE NO: _____**

Project Name: Painters Union Building and Quarter Phase 2
Recipient: W25d III LLC and/or designee
Project Site: 2605 & 2715 Detroit Avenue, Cleveland, OH 44113
Project Manager: Robin Brown
Ward/Councilperson: 3-Kerry McCormack
City Assistance: Non-School TIF

Project Summary

W25D LLC or designee, (“Developer”) is proposing a mixed use development located at 2605 & 2715 Detroit Avenue, 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 Tax Increment Financing (TIF). The TIF will support debt service related to the project and assist with the development of approximately 87 market rate and workforce housing apartment units, 6,600 square feet of

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commercial space and indoor parking for residents. The total project investment is approximately \$23 million.

Company Background

W25d III LLC is an entity of The Snavely Group. The Snavely Group is a third-generation real estate construction and development company who have successfully completed many prior projects in Cleveland and outside the region. The Snavely Group is recognized as a premier construction and real estate services organization having developed Marriott at Uptown in University Circle and The Quarter Phase 1. Project portfolio includes residential, hotels, healthcare, retail and mixed-use properties.

Proposed City Assistance

The request to Cleveland City Council is to authorize the Director of Economic Development to enter into the chain of title for certain properties associated with the project for the purpose of entering into a non-school Tax Increment Finance

Development to enter into a non-school Tax Increment Finance.

(TIF) agreement with W25d III LLC 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.

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 Municipal School District in the amount the District would have otherwise received but for the TIF. The TIF will be immediately effective on the residential after the expiration of the 15-year tax abatement for new residential construction.

Economic Impact

- Creation of 20 FTE jobs with an estimated payroll of \$1,355,000 and \$33,875 in annual income taxes.
- Retention of 5 FTE jobs with a payroll of \$390,000 and \$9,750 in annual income taxes.
- The project will generate \$102,188 annual residency taxes and once stabilized, the project is expected to generate \$209,621 in property taxes for the school district upon the expiration of the residential tax abatement.

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

Ordinance No.1086-2019

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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 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

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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.

RB:nl
9-9-19

FOR: Director Ebersole

Amendments to Ord. No. 1086-2019

THERE IS NO LEGAL OBJECTION TO THIS LEGISLATION IF AMENDED AS FOLLOWS:

1. In Section 2, on page 3, under "Proposed City Assistance", strike lines 2 and 3 in their entirety and insert "Development to enter into a non-school Tax Increment Finance".

Date: _____ (Signed): _____

George Peters
Assistant Director of Law

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READ FIRST TIME on SEPTEMBER 9, 2019

REPORTS

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

CITY CLERK

READ SECOND TIME

by the council **October 7, 2019.**

CITY CLERK

READ THIRD TIME

by the council **October 7,, 2019.**

PRESIDENT

CITY CLERK

APPROVED

MAYOR

Recorded Vol. **106** Page _____

Published in the City Record **October 19, 2019.**

**REPORT
after second Reading**

PASSAGE RECOMMENDED BY
COMMITTEE ON
DEVELOPMENT, PLANNING AND
SUSTAINABILITY

FILED WITH COMMITTEE

PASSAGE RECOMMENDED BY
COMMITTEE ON
FINANCE

FILED WITH COMMITTEE
