

Ordinance No. 690-2023

By Council Members Kazy, Hairston and Griffin (by departmental request)

AN EMERGENCY ORDINANCE

Authorizing the Director of Economic Development to enter into a Tax Increment Financing Agreement with Hawthorne Elementary Partners, LLC, and/or its designee, to assist with the financing of the Hawthorne Elementary School Project to be located at 3575 West 130th Street; 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. 1130-2021, passed May 8, 2023, the City acquired the Nathaniel Hawthorne School and property located at 3575 West 130th Street for purposes of future redevelopment, (Deed dated _____, AFN # _____) authorized the property to be conveyed to Hawthorne Elementary Partners, LLC, or its designee, (Deed dated _____, AFN # _____) and Street for purposes of future redevelopment, (Deed dated August 29, 2023, AFN # 202308290248) authorized the property to be conveyed to Hawthorne Elementary Partners, LLC, or its designee, (Deed dated August 29, 2023, AFN # 202308290249) and authorized an agreement; 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. 690-2023-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

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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:

Section 1. That the improvements to be constructed by Hawthorne Elementary Partners, LLC and/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 below and as may subsequently be replatted, re-numbered, or revised:

LEGAL DESCRIPTION OF
HAWTHORNE SCHOOL 3575 WEST 130TH STREET
P.P.N. 018-01-108

Situated in the City of Cleveland, County of Cuyahoga and State of Ohio and known as being Sublot Nos. 872 through 879 and 920 through 927 in The Crawford Land Company's Subdivision No. 2 as shown by the plat recorded in Volume 61, Page 20 of Cuyahoga County Records and also being part of the Original Rockport Township Section No. 11 and further bounded and described as follows:

Beginning at a point on the northerly right of way of Linnet Avenue (50 feet wide) and the easterly right of way of West 130th Street (60 feet wide) and being the Principal Place of Beginning of premises herein described;

Thence North 00°23'02" East along the easterly right of way of West 130th Street, 457.70 feet to a ¾" iron pipe found (0.25 feet north and 0.44 feet east) at the southwesterly corner of Sublot No. 928;

Thence South 89°37'43" East along the southerly line of Sublot Nos. 928 and 871, 210.05 feet to a point on the westerly right of way of West 129th Street (50 feet wide);

Thence South 00°23'22" West along the westerly right of way of West 129th Street,

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457.75 feet to the northerly right of way of said Linnet Avenue;

Thence North 89°36'58" West along the northerly right of way of Linnet Avenue, 210.00 feet to the Principal Place of Beginning, containing 2.2069 acres and subject to all legal highways, restrictions, reservations and easements.

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 2054. The terms of the agreement, which shall not be materially changed without further legislative action by Council, will be as follows:

<u>Project Name:</u>	Hawthorne Elementary School
<u>Project Address:</u>	3575 W. 130 th Street, Cleveland. OH 44111
<u>Developer:</u>	Hawthorne Elementary Partners, LLC and/or designee
<u>Project Manager:</u>	Conrad Metz
<u>Ward/Councilperson:</u>	16 – Brian Kazy
<u>City Assistance:</u>	Non-School TIF

Project Summary and Discussion

Hawthorne Elementary Partners, LLC and/or designee, (“Developer”) is proposing to redevelop the historic Hawthorne Elementary School at 3575 West 130th Street. Redevelopment of this important neighborhood landmark will help stabilize the surrounding community and provide a sense of progress and momentum. The school was built in 1917, with additions in 1920 and 1927, and has been vacant for several years. This will be a historic rehabilitation of the original school building, and will be listed on the National Register of Historic Places. The school building will contain 36 apartments, ranging from 1 to 4 bedrooms, and will have parking for residents. Developer anticipates that 75% of units will have rents affordable for residents between 80%-100% of AMI. 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. The project will create and/or cause to create approximately 5 new W-2 jobs at the Project Site with an approximate payroll of \$250,000. The total project investment is expected to exceed \$14 million.

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 Hawthorne Elementary Partners, LLC 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.
- 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

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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 after the expiration of the 15-year, 100% tax abatement.

Economic Impact

- Creation of approximately 5 new full time jobs in the City of Cleveland
- Project estimates \$21,375 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

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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 the contract or contracts authorized by this ordinance shall be prepared by the Director of Law.

Section 9. 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
6-5-2023
FOR: Director Jackson

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**REPORT
after second Reading**

By Council Members Kazy, Hairston and Griffin (by departmental request)

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READ FIRST TIME **REPORTS**

and referred to _____

by the council _____

CITY CLERK

READ SECOND TIME

by the council _____

CITY CLERK

READ THIRD TIME

by the council _____

PRESIDENT

CITY CLERK

APPROVED

MAYOR

Recorded Vol. _____ Page _____

Published in the City Record _____