

Ordinance No. 1069-2024

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

AN EMERGENCY ORDINANCE

Authorizing the Director of Economic Development to enter into a Tax Increment Financing Agreement with Erievew Holdings LLC, Erievew Tower LLC, Erievew Galleria LLC, Erievew Tower Residential LLC, and/or designee, to assist with the financing of the Tower, Galleria, and Parking Garage Project to be located at 100 Erievew Tower/1301 East 9th Street, Cleveland, Ohio; 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 real property that 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. 1069-2024-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 seventy-five percent (75%) of the improvements for up to thirty (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 a tax increment financing 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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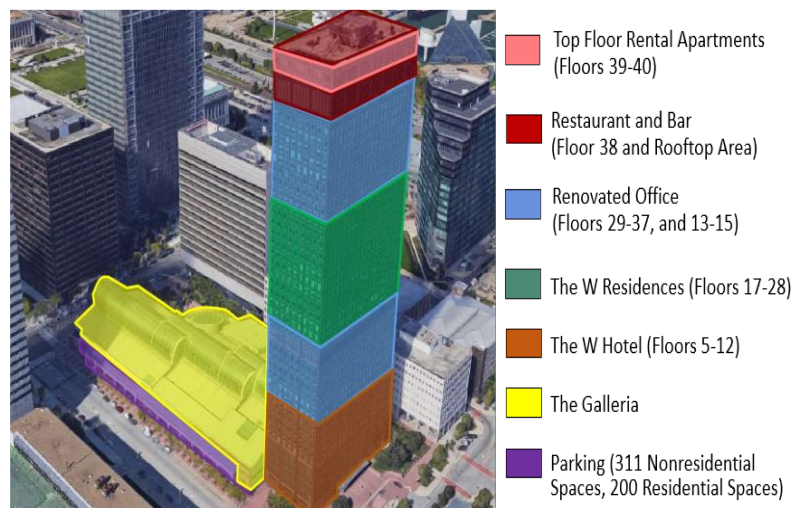
WHEREAS, this ordinance constitutes an emergency measure providing for the usual daily operation of a municipal department; now, therefore,

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF CLEVELAND:

Section 1. That the improvements to be constructed by Erievew Holdings LLC, Erievew Tower LLC, Erievew Galleria LLC, Erievew Tower Residential LLC, and/or designee (the “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:
(insert legals)

Section 2. That the City having entered into title in 2024, that year is established as the base year for determining the increment or appreciated value after completion of the Improvements. One hundred percent (100%) of the Improvements are declared exempt from real property taxation for a period of thirty (30) 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 2055. The terms of the tax increment financing agreement, which shall not be materially changed without further legislative action by Council, will be as follows:

Project Name: Galleria and Parking Garage
Recipient: Erievew Holdings LLC, Erievew Tower LLC, Erievew Galleria LLC, Erievew Tower Residential LLC, and/or designee
Project Site: 100 Erievew Tower/1301 E 9th Street, Cleveland, Ohio 44114
Project Manager: Robin Brown
Ward/Councilperson: 3 / McCormack
City Assistance: 30 year non-school TIF



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Project Summary:

Built in 1964 and renovated in 1987, Erieview Tower (the "Tower") is a 40-story, 810,000 SF office tower located in Downtown Cleveland. At 529 feet, the Tower is the 4th tallest building in Cleveland and the 9th tallest in the state of Ohio. In 2017, the building was approved for addition to the National Register of Historic Places, a designation that makes the building eligible for federal historic tax credits.

The Tower was acquired by James Kassouf (the "Developer") in 2018 from a former lender for \$17.7 Million (\$22/SF), and refinanced in 2020. At the time of the acquisition, the tower was more than 50% vacant. The Developer also owns the adjacent Erieview Galleria (the "Galleria")-a 133,663 square foot glass enclosed, two-story open air shopping center-which will be redeveloped into a Market Hall concept. The redevelopment of the Tower, Galleria and Parking Garage (the "Project") is expected to cost an estimated \$231 Million.

As conceived, the Project will involve a mixed-use redevelopment of Erieview Tower, Galleria and Parking Garage with:

Approximately 227 apartments (subject to change), branded by W Residences.
Approximately 30 additional rental apartments.

An approximately 210-key luxury hotel, branded and managed by W Hotels
Improvements to approximately 300,000 square feet of existing Class-A office space

Approximately 500+ indoor parking spaces

The Galleria will include fine dining, a new food court, indoor sports and entertainment spaces, and a second floor renovated ballroom for special events.

The Developer has entered into a contract with Marriott International to develop the project as a W Hotel and W Residences property that is expected to feature a spa, restaurant, rooftop bar, refreshed lobby entrance with access to both the Residences and Hotel that will have a living room concept feel with a bar and cafe.

Proposed City Assistance
30 year non-school TIF

Economic Impact

Creation of approximately 604 W-2 jobs with an approximate payroll of \$70,404,026 and approximately \$1,760,100 in new annual City tax revenue.

Retention of approximately 658 W-2 jobs with an approximate payroll of \$97,585,970 to the City of Cleveland.

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 (30) 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.

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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 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
9-30-2024
FOR: Director McNair

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

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READ FIRST TIME on SEPTEMBER 30, 2024

REPORTS

**and referred to DIRECTORS of Economic Development,
City Planning Commission, Finance, Law;
COMMITTEES on Development Planning and Sustainability,
Finance Diversity Equity and Inclusion**

CITY CLERK

READ SECOND TIME

CITY CLERK

READ THIRD TIME

PRESIDENT

CITY CLERK

APPROVED

MAYOR

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

FILED WITH COMMITTEE

**PASSAGE RECOMMENDED BY
COMMITTEE ON
FINANCE, DIVERSITY, EQUITY
and INCLUSION**

FILED WITH COMMITTEE
