

Ordinance No. 1413-16

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 HH Cleveland Huntington LP, or their designee, to provide financial assistance toward the revitalization of the Huntington Building which is located on the corner of East 9th Street and Euclid Avenue into a mixed-use redevelopment in conjunction with the 925 Euclid Avenue project; 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 Ohio Revised Code (the "Revised Code") an Improvement ("Improvement" has the same meaning herein as defined in Section 5709.41 of the Revised Code) to real property may be declared to be a public purpose and exempt from real property taxation 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 the authority of Ordinance No. 629-16, passed June 6, 2016, and prior to the adoption of this ordinance, the City approved and completed both the acquisition and conveyance of fee title to real property located at 925 Euclid Avenue and comprising Permanent Parcel Nos. 101-36-063, 101-36-001, 101-36-002, and 101-36-003 ("Real Property"); and

WHEREAS, the Real Property is to be developed under this ordinance and in accordance with the Cleveland 2020 Citywide Plan, which proposes the revitalization of the Huntington Building which is located on the corner of East 9th Street and Euclid Avenue into a mixed-use redevelopment (as more fully described below, the "Project"), a copy of which Plan is placed in File No. 1413-16-A; 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, the City and HH Cleveland Huntington LP, or its designee (the “Redeveloper”), will enter into a Tax Increment Financing Agreement (the “TIF Agreement”), pursuant to the Redeveloper and any subsequent owner of the Real Property will agree to make annual service payments in lieu of taxes under Section 5709.42 of the Revised Code (“Service Payments”) in the amount of the real estate taxes that would have been paid had the Improvement to the Real Property not been exempt; 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 HH Cleveland Huntington LP, 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:

PARCEL NO. 1:

SITUATED IN THE CITY OF CLEVELAND, COUNTY OF CUYAHOGA AND STATE OF OHIO:

AND KNOWN AS BEING PART OF ORIGINAL 2 ACRE LOT NOS. 154 AND 155, AND SUBLOTS NOS. 45, 46, 47, 48, 49 AND PART OF SUBLOT 50 IN J. M. WOOLSEY'S SUBDIVISION OF PART OF ORIGINAL TWO ACRE LOT NOS. 156 TO 167 BOTH INCLUSIVE, AS SHOWN BY THE RECORDED PLAT OF SAID SUBDIVISION IN VOLUME N OF DEEDS, PAGE 486 OF CUYAHOGA COUNTY RECORDS, TOGETHER FORMING A PARCEL OF LAND, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING ON THE NORTHERLY LINE OF EUCLID AVENUE AT A POINT 145 FEET 9-1/8 INCHES EASTERLY, MEASURED ALONG SAID NORTHERLY LINE, FROM ITS POINT OF INTERSECTION WITH THE EASTERLY LINE OF EAST 9TH STREET (FORMERLY ERIE STREET);

THENCE WESTERLY ALONG SAID NORTHERLY LINE OF EUCLID AVENUE 145 FEET 9-1/8 INCHES TO ITS POINT OF INTERSECTION WITH THE EASTERLY LINE OF EAST 9TH STREET;

THENCE NORTHERLY ALONG SAID EASTERLY LINE OF EAST 9TH STREET 258 FEET 6-5/8 INCHES TO ITS POINT OF INTERSECTION WITH THE SOUTHERLY LINE OF CHESTER AVENUE N.E. (FORMERLY KNOWN AS CHESTNUT AVENUE);

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THENCE EASTERLY ALONG SAID SOUTHERLY LINE OF CHESTER AVENUE N.E. 385 FEET 1/4 INCH TO A POINT 12 FEET WESTERLY MEASURED ALONG SAID SOUTHERLY LINE, FROM THE NORTHEASTERLY CORNER OF SAID SUBLOT NO. 50, WHICH POINT IS ALSO AT THE INTERSECTION OF SAID SOUTHERLY LINE WITH THE WESTERLY LINE OF A 12 FOOT ALLEY;

THENCE SOUTHERLY ALONG SAID WESTERLY LINE OF SAID ALLEY 133 FEET, MORE OR LESS, TO A POINT ON THE SOUTHERLY LINE OF SAID SUBLOT 50 WHICH IS ALSO THE NORTHERLY LINE OF HICKORY COURT N.E. (FORMERLY HICKORY LANE) 12 FEET WESTERLY MEASURED ALONG SAID SOUTHERLY LINE OF SUBLOT 50, FROM THE SOUTHEASTERLY CORNER OF SAID SUBLOT 50;

THENCE WESTERLY ALONG THE SOUTHERLY LINE OF SAID SUBLOT NOS. 50, 49, 48, AND 47, 170 FEET 11-1/2 INCHES TO ITS POINT OF INTERSECTION WITH A LINE DRAWN NORTHERLY AT RIGHT ANGLES WITH SAID NORTHERLY LINE OF EUCLID AVENUE FROM THE PLACE OF BEGINNING;

THENCE SOUTHERLY 200 FEET 9-1/4 INCHES TO THE PLACE OF BEGINNING, ACCORDING TO THE SURVEY MADE BY THE F.A. PEASE ENGINEERING COMPANY, AUGUST, 1919.

PERMANENT PARCEL NO. 101-36-013

PARCEL NO. 2:

SITUATED IN THE CITY OF CLEVELAND, COUNTY OF CUYAHOGA AND STATE OF OHIO:

AND KNOWN AS BEING SUBLOT NO. 52 IN J.M. WOOLSEY'S SUBDIVISION OF PART OF ORIGINAL TWO ACRE LOT NOS. 156 TO 167 BOTH INCLUSIVE, AS SHOWN BY THE RECORDED PLAT OF SAID SUBDIVISION IN VOLUME N OF DEEDS, PAGE 486 OF CUYAHOGA COUNTY RECORDS, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE SOUTHERLY LINE OF CHESTER AVENUE N.E. (FORMERLY CHESTNUT AVENUE) 463 FEET 1/4 INCH EASTERLY MEASURED ALONG SAID SOUTHERLY LINE FROM ITS POINT OF INTERSECTION WITH THE EASTERLY LINE OF EAST 9TH STREET (FORMERLY ERIE STREET), SAID POINT OF BEGINNING BEING ALSO THE NORTHEASTERLY CORNER OF LAND DESCRIBED IN A LEASE TO FRANK C. NEWCOMER DATED JULY 16, 1919 AND RECORDED IN LEASE VOLUME 92, PAGE 16 OF CUYAHOGA COUNTY RECORDS;

THENCE EASTERLY ALONG SAID SOUTHERLY LINE OF CHESTER AVENUE N.E. 66 FEET TO THE NORTHEASTERLY CORNER OF SAID SUBLOT 52;

THENCE SOUTHERLY ALONG THE EASTERLY LINE OF SUBLOT 52, 133 FEET TO THE SOUTHEAST CORNER OF SAID SUBLOT 52;

THENCE WESTERLY ALONG THE SOUTHERLY LINE OF SUBLET 52, WHICH IS ALSO THE NORTHERLY LINE OF HICKORY COURT N.E. (FORMERLY HICKORY LANE), 66 FEET TO THE SOUTHWEST CORNER OF SAID SUBLOT 52;

THENCE NORTHERLY ALONG THE WESTERLY LINE OF SAID SUBLOT 52, 133 FEET TO THE PLACE OF BEGINNING, AS APPEARS BY SAID PLAT, BE THE SAME MORE OR LESS, BUT SUBJECT TO ALL LEGAL HIGHWAYS, AND THE RIGHTS OF THE PUBLIC, IF ANY, IN THE PORTION OF THE FOREGOING PARCEL WHICH IS USE AS AN ALLEY AND APPROACH TO LOADING DOCKS.

PERMANENT PARCEL NO. 101-36-002

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PARCEL NO. 3:

SITUATED IN THE CITY OF CLEVELAND, COUNTY OF CUYAHOGA AND STATE OF OHIO AND KNOWN AS BEING THE NORTHERLY PART OF SUBLOT 51 IN J. M. WOOLSEY'S SUBDIVISION OF PART OF ORIGINAL TWO ACRE LOT NOS. 156 TO 167 BOTH INCLUSIVE, AS SHOWN BY THE RECORDED PLAT OF SAID SUBDIVISION IN VOLUME N OF DEEDS, PAGE 486 OF CUYAHOGA COUNTY RECORDS, BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE SOUTHERLY LINE OF CHESTER AVENUE N.E. (FORMERLY CHESTNUT AVENUE) 397 FEET 1/4 INCH EASTERLY MEASURED ALONG SAID SOUTHERLY LINE FROM ITS POINT OF INTERSECTION WITH THE EASTERLY LINE OF EAST 9TH STREET (FORMERLY ERIE STREET), SAID POINT OF BEGINNING BEING ALSO THE POINT OF INTERSECTION OF SAID SOUTHERLY LINE WITH THE EASTERLY LINE OF A 12 FOOT ALLEY;

THENCE SOUTHERLY ALONG THE WESTERLY LINE OF SAID SUBLOT 51, WHICH IS ALSO THE EASTERLY LINE OF SAID 12 FOOT ALLEY, 100 FEET;

THENCE EASTERLY PARALLEL WITH THE SOUTHERLY LINE OF CHESTER AVENUE N.E. 66 FEET TO THE EASTERLY LINE OF SAID SUBLOT 51;

THENCE NORTHERLY ALONG SAID EASTERLY LINE OF SUBLOT 51, 100 FEET TO SAID SOUTHERLY LINE OF CHESTER AVENUE N.E.;

THENCE WESTERLY ALONG SAID SOUTHERLY LINE OF CHESTER AVENUE N.E. 66 FEET TO THE PLACE OF BEGINNING, AS APPEARS BY SAID PLAT, BE THE SAME MORE OR LESS, BUT SUBJECT TO ALL LEGAL HIGHWAYS.

PERMANENT PARCEL NO. 101-36-001

PARCEL NO. 4:

TOGETHER WITH AN APPURTENANT EASEMENT ESTABLISHED BY ORDINANCE NO. 58,522 AS SHOWN IN CITY RECORD VOLUME 19, PAGE 767 GRANTING THE UNION LENNOX CO., ITS SUCCESSORS AND ASSIGNS THE AUTHORITY AND PERMISSION TO CONSTRUCT MAINTAIN AND USE A BRIDGE OVER EAST 11TH PLACE.

Together with Easement for Pedestrian Tunnel granted by the City of Cleveland to the Union Commerce Bank, dated December 15, 1967, filed for record December 15, 1967, and recorded in Volume 12183, Page 181, of Cuyahoga County Records

A.P.N. 101-36-002

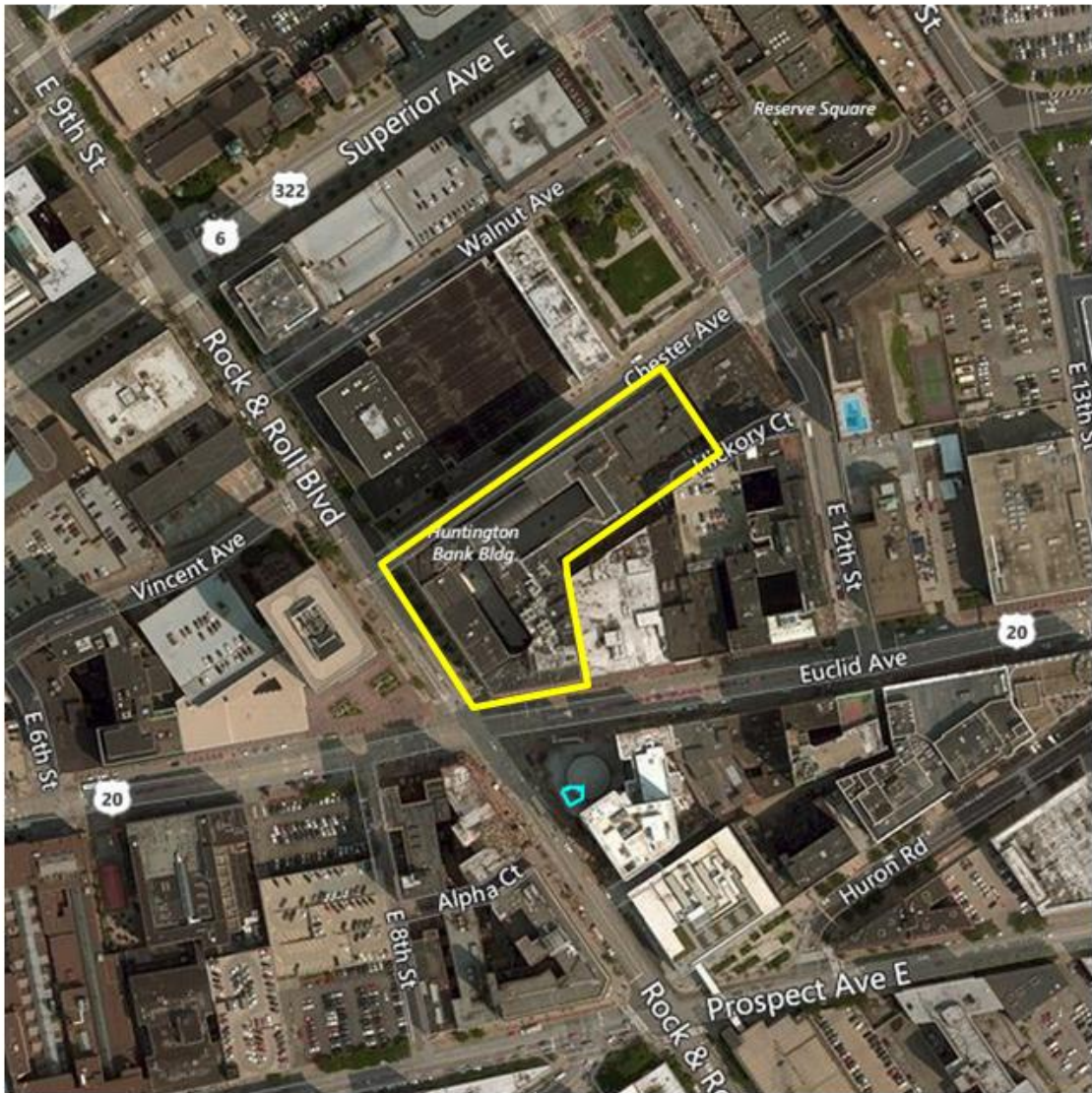
Section 2. That one hundred percent (100%) of the Improvements are declared exempt from real property taxation for a period of thirty years; and that in no event shall the exemption period extend beyond 2049. The terms of the agreement are as follows:

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DEPARTMENT OF ECONOMIC DEVELOPMENT

Project Type: Real Estate
Project Name: 925 Euclid
Project Address: 925 Euclid Ave
Developer: Hudson Holdings, LLC
Project Manager: Richard Barga
Ward/Councilperson: 3 – McCormack
City Assistance: Non-school TIF

Project Site:



Project Summary and Discussion

Hudson Holdings LLC (principals Avi Greenbaum and Steve Michael) are proposing an approximately \$308 million mixed-use project, HH Cleveland Huntington LP (“Project”). Hudson Holdings plans to revitalize the Huntington Building, with a mixed use redevelopment, encompassing retail, office, hotel and an apartment/condo product.

The project is located at the corner of East 9th Street and Euclid Avenue, one of the most prominent and central intersections in downtown Cleveland. Originally the Union Trust Building, and more recently the Huntington Building, the Project has 1.3 million square feet and of that, 92% is currently vacant and in need of rehabilitation.

With approval, the plans for the redevelopment of the building include:

- 580 apartments
- 400,000 square feet of office space
- 200,000 square feet of banquet and retail space
- 60,000 square feet of incubator offices
- 93 live/work affordable micro-apartments to complement the incubator office space
- 274-room hotel

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Developer

Hudson Holdings is deeply invested in commercial markets throughout the United States. Headquartered in Delray Beach, FL, the company has a longstanding reputation as master planners, long-term investors, environmental stewards, and best-in-class managers of real estate. The principals of Hudson Holdings, Andrew Greenbaum and Steve Michael, have bought and built over 4,000 residential units as well as over 3 million square feet of commercial space that includes numerous dining and hospitality projects.

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 925 Euclid redevelopment for the purpose of entering into a non-school Tax Increment Finance (TIF) agreement with Hudson Holdings, LLC or its designee. These TIF funds will be used to primarily finance construction for workforce housing and incubator space. 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 “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.

This second piece of legislation is required by Cleveland City Council for approval of the TIF Agreement. The first piece to allow the City to enter in to the chain of title was approved on June 6th, 2016.

Economic Impact

- 450 FTE (\$29,000,000 annual salaries)
- 1000 estimated construction jobs (payroll estimated \$93 Million)
- \$1,057,069 City Income tax generated from estimated residents; additional \$580,000 from new employees
- Once stabilized, the project is expected to generate approximately \$1.65 million in property taxes for the School District annually and \$1.63 million in parking, income, and residence taxes for the City and.
- Over the 30-year term of the TIF, the project is expected to generate approximately \$49.5 Million in property taxes for the School District, and \$49 Million in parking, income, and residence taxes for the City.

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 project has signed 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 30 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 Section 3 of this ordinance shall be distributed by the Cuyahoga County Treasurer to the Treasurer

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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 the summary above.

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.

RB:nl
11-28-16

FOR: Director Nichols

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 HH Cleveland Huntington LP, or their designee, to provide financial assistance toward the revitalization of the Huntington Building which is located on the corner of East 9th Street and Euclid Avenue into a mixed-use redevelopment in conjunction with the 925 Euclid Avenue project; to provide for payments to the Cleveland City School District; and to declare certain improvements to real property to be a public purpose.

READ FIRST TIME on NOVEMBER 28, 2016 **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