

Ordinance No. 1401-18

**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 Haddas Windowpane, LLC, or its designee, to assist with the development of the May Company project located at 158 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.

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. 1401-18-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

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 Haddas Windowpane, LLC, 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:

EXHIBIT A - LEGAL DESCRIPTION

Tax Id Number(s): 101-26-028

Land situated in the City of Cleveland in the County of Cuyahoga in the State of OH

Parcel 1:

Situated in the City of Cleveland, County of Cuyahoga, State of Ohio, and known as being part of

Original Two Acre Lot Nos. 86, 87, 98 and 99, and further bounded and described as follows:

Beginning on the Southeasterly right of way line of Public Square at its intersection with the Northeasterly right of way line of East 1st Street, (12 feet wide), by Ordinance No. 1872 passed July 30, 1872 and the principal place of beginning of the parcel of land herein described;

Course No. 1: thence North 56 degrees 19 minutes 13 seconds East along the Southeasterly right of way line of Public Square, a distance of 127.51 feet to its intersection with the Southerly line of Euclid Avenue, 99 feet wide;

Course No. 2: thence North 80 degrees 06 minutes 53 seconds East along the Southerly line of said Euclid Avenue, a distance of 72.27 feet to the most Westerly corner of lands conveyed to Lewis-Baker, LLC, by deed recorded in Volume 97-9282, Page 19 of Cuyahoga County Records;

Course No. 3: thence South 33 degrees 39 minutes 42 seconds East along the Southwesterly line of said lands conveyed to Lewis-Baker, LLC, a distance of 358.76 feet to the most Southerly corner thereof;

Course No. 4: thence North 56 degrees 39 minutes 17 seconds East along the Southeasterly line of said lands conveyed to Lewis-Baker, LLC, a distance of 44.99 feet to its intersection with the Westerly line of East 3rd Street, (16.5 feet wide);

Course No. 5: thence South 19 degrees 35 minutes 23 seconds East along the Westerly right of way line

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of said East 3rd Street, a distance of 147.39 feet to its intersection with the Northerly line of Prospect Avenue, (82.5 feet wide);

Course No. 6: thence South 78 degrees 12 minutes 38 seconds West along the Northerly line of said Prospect Avenue, a distance of 219.91 feet to its intersection with the Northeasterly line of said East 1st Street;

Course No. 7: thence North 33 degrees 29 minutes 51 seconds West along the Northeasterly right of way line of said East 1st Street, a distance of 449.15 feet to the place of beginning, and containing 2.2450 acres (97,792 square feet) of land, according to the survey prepared by McSteen and Associates, Inc., dated March 3, 2000, last revised April 13, 2000. And also known as being Parcel C in the survey and consolidated plat of the May Department Stores Company recorded in plat Volume 305 of Maps, Page 67 of the Cuyahoga County Records.

Together with the right to the use of Park Alley, nka East 1st Street, as the same was accepted and declared as a Public Alley of such width and length as said alley is now laid out on the official maps of the County Auditor, the width however, not to exceed 12 feet, by City of Cleveland Ordinance No. 1872, passed July 30, 1872.

And

Together with the permission to construct, maintain and use one 6-inch steam line and one 2-inch return steam line, in conduit, under and across East 3rd Street, pursuant to City of Cleveland Ordinance No. 1155-43, passed October 25, 1943.

And

Together with the authority and permission to construct, maintain and use bridge and other structures over, and foundations, subway or basement under East 1st Street, pursuant to City of Cleveland Ordinance No. 732-63, passed on April 29, 1963, as amended by City of Cleveland, Ordinance No. 1092-63, passed on June 17, 1963.

And

Together with the permission for the construction, maintenance and use of a conveyor enclosure over East 3rd Street, as the location described in and pursuant to City of Cleveland, Ordinance No. 1887-75, passed on October 27, 1975.

And

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Together with rights and privileges reserved in a Limited Warranty Deed from The May Department Stores Company to Society National Bank, dated January 22, 1981, filed for record January 22, 1981 and recorded in Volume 15423, Page 185 of Cuyahoga County Records.

And

Together with the "Shoe Box Easement", License and Temporary Parking Permission contained in a Declaration of Easement, License, Covenants and Restrictions by MRN Limited Partnership and 180 Euclid Avenue, LLC, dated November 20, 2003, filed for record November 21, 2003 and recorded as Cuyahoga County Recorder's Document No. 200311211304.

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 2050. The terms of the agreement are as follows:

DEPARTMENT OF ECONOMIC DEVELOPMENT

**SUMMARY FOR THE LEGISLATIVE FILE
ORDINANCE NO: 1518-15**

Project Type: Tax Increment Financing
Project Name: May Company
Developer: Haddas Windowpane, LLC or designee
Project Address: 158 Euclid Ave.
Ward: Ward 3, Councilman McCormack
City Assistance: Non-school TIF

Project Description

In 1899, David May, the founder of May Department Stores, acquired E. R. Hull & Dutton Co. of Cleveland on Ontario Street, renaming it May Company, Cleveland. Built in 1914, the high-rise building stands 149 feet and contains 8 floors of space, though floors 7 and 8 were not added until 1931. The May Company specialized in mid to higher end fashion merchandise and home furnishings. May Company was the first local department store to issue its own personal charge card in 1965. The building was added to the National Register of Historic Places in 1974. However, on January 31, 1993 May Company, Ohio was merged into Kaufmann's of Pittsburgh, Pennsylvania, and the downtown Cleveland store was closed

The May Company building was acquired last year for \$12 million by Bedrock-Detroit LLC, a real estate company. The redevelopment plans by subsidiary Haddas Windowpane, LLC , call to convert the property into 308 apartments, ranging from one to three bedrooms. The

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building also features an interior garage with entrance off Prospect Avenue that features 522 spaces on floors two through five. The roof of the garage on the sixth floor will be converted into green space open for residents to use. Other outdoor spaces on the 9th-floor rooftop space will enable entertaining, some of which will be open to the public. Floor plans call for 40,000 additional square feet of retail, including a rooftop space for a food-and-beverage tenant. Other retailers would face Euclid and Prospect and flank an interior corridor cutting through the building's first floor, which spans more than an acre.

Proposed City Assistance: ORC 5709.41 Tax Increment Financing (TIF) Agreement (Non-School)

The Department of Economic Development is requesting approval to enter into a non-school Tax Increment Financing agreement with Haddas Windowpance LLC to help the financial feasibility of the project. TIF proceeds are fairly low because the development qualifies for a CRA Tax Abatement. These TIF funds will be used to pay off debt service associated with the project. 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. The Borrower will be responsible for any shortfall of PILOT payments for project costs.

This piece of legislation is required by Cleveland City Council for approval of the TIF Agreement.

Economic Impact

- 20 FTE (\$624,000 annual salaries)
- 500 estimated construction jobs
- \$232,296 City Income tax generated from estimated residents; additional \$15,600 from new employees
- Once stabilized, the project is expected to generate approximately \$233,333 in parking, income, and residence taxes for the City and \$106,500 in property taxes for the School District annually.
- Over the 30-year term of the TIF, the project is expected to generate approximately \$3.2 Million in property taxes for the School District, and \$6.9 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.

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

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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 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
11-19-18
FOR: Director Ebersole

Council Members McCormack, Brancatelli and Kelley (by departmental request)

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Authorizing the Director of Economic Development to enter into a Tax Increment Financing Agreement with Haddas Windowpane, LLC, or its designee, to assist with the development of the May Company project located at 158 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.

READ FIRST TIME on NOVEMBER 19, 2018

REPORTS

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

CITY CLERK

READ SECOND TIME

CITY CLERK

READ THIRD TIME

PRESIDENT

CITY CLERK

APPROVED

MAYOR

Recorded Vol. _____ Page _____

Published in the City Record _____

PASSAGE RECOMMENDED BY
COMMITTEE ON
DEVELOPMENT, PLANNING AND
SUSTAINABILITY

FILED WITH COMMITTEE

PASSAGE RECOMMENDED BY
COMMITTEE ON
FINANCE

FILED WITH COMMITTEE