

DEPARTMENT OF ECONOMIC DEVELOPMENT

SUMMARY FOR THE LEGISLATIVE FILE

ORDINANCE NO: 1401-18

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 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 Windowpane 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.