

Ordinance No. 704-2021

By Council Members Santana, Brancatelli and Kelley (by departmental request)

AN EMERGENCY ORDINANCE

Authorizing the Director of Economic Development to enter into a Tax Increment Financing Agreement with Northeast Ohio Hispanic Center for Economic Development, and/or its designee, to provide a debt reserve for the CentroVilla25 Project regarding the development of the West 25th Street and Clark Avenue area; 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 Property which 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. 704-2021-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 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

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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 Northeast Ohio Hispanic Center for Economic Development, 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 as follows:

CentroVilla25 Parcel Numbers:

Parcel No. 1.

PPN: 007-33-040
Address: 3124 West 25th Street, Cleveland, Ohio 44109

Parcel No. 2.

PPN: 007-33-041
Address: 2689 Buckeye Court, Cleveland, Ohio 44109

Parcel No. 3.

PPN: 007-33-042
Address: 2701 Buckeye Court, Cleveland, Ohio 44109

Parcel No. 4.

PPN: 007-33-043
Address: 2705 Buckeye Court, Cleveland, Ohio 44109

Parcel No. 5.

PPN: 007-33-044
Address: V/L West 25th Street, Cleveland, Ohio 44109

Parcel Nos. 6 & 7.

PPN: 007-33-045 & 007-33-068
Address: 3140 West 25th Street, Cleveland, Ohio 44109

Parcel Nos. 8 & 9.

PPN: 007-33-046 & 007-33-047
3150 West 25th Street, Cleveland, Ohio 44109

Parcel No. 10.

PPN: 007-33-061
Address: 2537 Blatt Court, Cleveland, Ohio 44109

Parcel No. 11.

PPN: 007-33-067
Address: 2538 Blatt Court, Cleveland, Ohio 44109

Parcel No. 12.

PPN: 007-33-060
Address: V/L Blatt Court, Cleveland, Ohio 44109

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Parcel No. 13.

PPN: 007-33-069

Address: V/L Buckeye Court, Cleveland, Ohio 44109

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:

DEPARTMENT OF ECONOMIC DEVELOPMENT EXECUTIVE SUMMARY

Project: CentroVilla 25
Address: 3140 W. 25th Street
Ward: 14

CentroVilla25 is a collaborative effort between MetroHealth, the Hispanic Business Center, Hispanic Alliance and Metro West Community Development Center to develop the W. 25th/Clark area as the economic and cultural center of the Latino Community in Greater Cleveland. The stretch south of Clark Avenue to MetroHealth contains several vacant buildings and empty land. The surrounding neighborhood is one of the poorest neighborhoods in the City and is a target for redevelopment through the Neighborhood Transformation Initiative. The proposed

Building Programming:

- El Mercado: 20+ retail kiosks
- Commercial Kitchen w/ Storage & Wholesale production/distribution capacity
- Speciality Grocery
- Community Gathering Space & Outdoor Plaza
- MetroWest & Hispanic Business Center offices

The development faces several challenges. The building is an outdated industrial structure that will require significant work to be converted to this type of use. Inflationary pressures on construction are driving costs. The development team has acquired the property for the purpose of

Proposed Financial Assistance

Economic Development Permanent Loan: \$650,000.

Term: 30 years, 7 years Interest-Only, then 23-year amortization

Rate: 2%

Collateral:

- Department to secure loan against property or other assets as required through NMTC structure.
- Clark-Metro Steelyard TIF allocation to be used as annual repayment reserve

Repayments:

- Department shall impose a 30-year Non-School TIF; to fund debt service for this loan
- Repayments shall be made from revenue or from Steelyard TIF Allocation

Economic Development Forgivable Loan: \$500,000

Term: 10 years, 7 years Interest-Only, then 3-years deferred.

Rate: 1%

Collateral:

- Department to secure loan against property or other assets as required through NMTC structure.

Forgiveness:

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- Loan to be forgiven at the end of the 10-year period if El Mercado remains operational as a micro-retail facility.

Steelyard TIF Grant: \$100,000

- Project to receive a grant from current balance of Steelyard TIF Fund allocation for Clark-Metro area.

Job Creation Requirement

The project is required to create 10 jobs, through the creation of entrepreneurial opportunities. In addition, the anchor tenants are expected to retain their current employment when they move to the new site.

Fundraising Bridge Loan: \$1,000,000

Source of Funds: Economic Development Resources
 Term: 3 years; extendable up to 7 additional years at the City's option
 Interest Rate: 5%
 Security: Pledge of certain donations to be fundraised for the project

Est. TIF Value: \$640,000

Estimated Sources & Uses

SOURCES		USES	
PRIVATE DEBT (Key)	\$1,952,350	Acquisition	\$939,000
HHS Grant	\$440,000	Construction	\$6,841,000
State Capital Grant	\$100,000	Soft Costs	\$1,720,000
City – Steelyard TIF Grant	\$100,000		
City – Forgivable Loan	\$500,000		
City – Permanent Loan	\$650,000		
NMTC	\$1,800,000		
Finance Fund Grant	\$100,000		
Foundations & Fundraising	\$3,815,000		
TOTAL	\$9,457,350		\$9,500,000

Community Benefits:

- Chapter 187 Applies
- Chapter 188 Applies
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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.

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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
8-18-2021
FOR: Interim Director Ebersole

**By Council Members Santana, Brancatelli and Kelley
(by departmental request)**

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READ FIRST TIME on AUGUST 18, 2021

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

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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

