

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING THE MAYOR OF THE CITY OF LORAIN (THE "CITY") TO ENTER INTO A LETTER OF INTENT TO IMPLEMENT COMMUNITY REINVESTMENT AREA TAX EXEMPTION, TAX INCREMENT FINANCING AND PROPERTY ASSESSED CLEAN ENERGY FINANCING TO PROMOTE REDEVELOPMENT OF THE BROADWAY BUILDING AND DECLARING AN EMERGENCY

WHEREAS, the Broadway Building, located at 301 Broadway Avenue, Lorain, Ohio (the "Project") is vacant and in need of substantial repair; and

WHEREAS, the Lorain Hotel Investors, LLC ("Developer"), seeks to redevelop the Project into approximately 60 residential units; and

WHEREAS, the Redevelopment Project building has been vacant for several years and is in need of rehabilitation to stabilize the building; and

WHEREAS, the Developer has been awarded state historic tax credits from Ohio Development Services Agency and other financing; and

WHEREAS, the Developer is requesting a Letter of Intent from the City of Lorain (the "City") to implement community reinvestment area tax exemption, tax increment financing and property assessed clean energy financing to promote the redevelopment of the Broadway Building; and

WHEREAS, the Project is located in the Lorain Downtown Urban Renewal Plan and tax incremental financing, community reinvestment area tax exemption and property assessed clean energy financing are economic development incentives commonly used to provide additional funding to assist in economic development projects; and

WHEREAS, the Developer is requesting this Council to authorize the Mayor to enter into a Letter of Intent for the rehabilitation of the Broadway Building; and

WHEREAS, the City desires to assist the Project in its endeavor to seek governmental assistance for the rehabilitation of the Project and governmental support for the Project;

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LORAIN, COUNTY OF LORAIN, STATE OF OHIO:

SECTION 1: The Mayor of the City of Lorain is hereby authorized to enter into a Letter of Intent to assist the Broadway Building rehabilitation with economic development incentives. A copy of the Letter of Intent is attached hereto and marked as Exhibit A.

SECTION 2: That it is found and determined that all formal actions of this Council concerning and relating to the passage of this Resolution were adopted in an open meeting of the Council, and that all deliberations of this Council and any of its Committees that resulted in such formal action, were in meetings open to the public and in compliance with all legal requirements, including §121.22 of the Ohio Revised Code.

SECTION 3: This Resolution is declared to be an emergency measure necessary as the Developer's ability to complete the Redevelopment Project is contingent on receiving economic development incentives and for the public safety, health and welfare. Therefore, this Resolution shall take effect and be in full force upon receiving the affirmative vote of two-thirds of all members of City Council and the Mayor's signature; otherwise, it shall take effect and be in force from and after the earliest period allowed by law.

PASSED: _____, 2016

ATTEST: _____, CLERK

PRESIDENT OF COUNCIL

MAYOR

APPROVED: _____, 2016



The City of Lorain, Ohio
Chase Ritenauer
Mayor

December 5, 2016

Lorain City Council
200 West Erie Avenue
Lorain, OH 44052

Dear Members of Council:

Please find attached a resolution for Council's consideration authorizing me, as Mayor of the City of Lorain, to enter into a Letter of Intent to implement Community Reinvestment Area Tax Exemption, Tax Increment Financing and Property Assessed Clean Energy Financing to promote the redevelopment of the Broadway Building,

I kindly request that the 72 hour rule be waived to allow this to be added to Council's agenda for tonight's meeting, and that it further be declared as an emergency resolution.

Thank you for your kind consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to be "Chase Ritenauer", is written over the word "Sincerely,".

Chase Ritenauer, Mayor
City of Lorain, Ohio

attachment



The City of Lorain, Ohio
Chase Ritenauer
Mayor

December 5, 2016

Mr. Jim Louthen
Lorain Hotel Investors, LLC
150 South Wacker Drive
Chicago, IL 60606

RE: Letter of Intent to implement community reinvestment area tax exemption, tax increment financing, and property assessed clean energy financing to promote redevelopment of Broadway Building

Dear Mr. Louthen:

The purpose of this letter is to outline the City of Lorain's proposal to approve certain incentives and financing structures designed to facilitate the redevelopment by Lorain Hotel Investors, LLC (the "Developer") of the Broadway Building into an approximately 60-unit residential apartment building and an adjacent structured parking facility (the "Project"). The Project is very important to the City's economic development plan, and I believe the Project will not only provide for the redevelopment of an important asset in the City, but will also catalyze the development and redevelopment of other important community assets located in the vicinity of the Project.

Subject to the negotiation and execution of a development agreement between the City and the Developer and authorization by City Council, the City is willing to implement the following incentives for the Project:

Community Reinvestment Area Tax Exemption. Subject to approval of the Lorain City School District and Lorain City Council, the City is prepared to provide a 100%, 12-year community reinvestment area ("CRA") real property tax exemption for the improvements to the Broadway Building. Based on information you have provided regarding your projected investment, we estimate that the CRA incentive could provide an approximately \$1.6 million incentive for the Project over the 12-year exemption period, subject to the increased assessed value of the Broadway Building that will be set by the Lorain County Auditor.

Tax Increment Financing. Subject to approval of the Lorain City School District and Lorain City Council, the City is prepared to pass a tax increment financing ("TIF") ordinance granting a 100%, 30-year

tax exemption for the increased assessed value of the Project. TIF funds could be used to fund public infrastructure improvements that directly benefit the Project, including the parking facility if publicly owned. The TIF would be with respect to increased assessed value not exempted by the CRA exemption. The TIF revenues would be assigned to the Developer or a public entity (eg., the Lorain County Port Authority) which could determine to monetize the TIF revenue stream in order to provide for public infrastructure improvements. Based on information you have provided regarding your projected investment, we estimate that the TIF incentive could provide an approximately \$2.5 million incentive for the Project over the 30-year exemption period, subject to the increased assessed value of the Broadway Building that will be set by the Lorain County Auditor. The City will not issue debt to provide up-front funding for the public infrastructure improvements.

It is also important to note that all of the current land and building value will remain fully taxable during the term of the CRA and TIF exemptions.

PACE Financing. Property Assessed Clean Energy (“PACE”) financing allows property owners to create an Energy Special Improvement District (“ESID”), which puts in place a special assessment to pay the costs of energy-saving retrofits to existing buildings. Examples of retrofits that qualify for the program include lighting and lighting controls, high efficiency HVAC systems, boilers, chillers, building envelopes, energy management systems and controls, waste energy recovery systems, steam systems, compressed air, electrical distribution, and refrigeration. Energy improvements in the program are self-funding. That is, the PACE financing is structured to use the energy savings realized from the improvements to cover the cost of equipment, upgrades, installation, and transaction costs. Eligible utility company rebates and other incentives can also factor into the financing structure. Within the PACE framework, the Project may be eligible for participation in a financing program that would involve a direct loan to the Developer, which can be implemented with competitive fixed-rates. The real property tax assessment is a current liability, payable each period. Financing with a direct loan is generally available for a term of up to 15 years and can potentially be 100% financed with no cash out of pocket. Based on your investment projections, our rough analysis of the Project suggests that approximately \$2.4 million of development costs of the Project could qualify for PACE financing, based on a 15-year financing at a 5.0% interest rate (all subject to market conditions).

The City remains enthusiastic about the Project, and we look forward to continuing to work with the Developer to help bring this project to fruition.

Sincerely,

Chase Ritenauer, Mayor
City of Lorain, Ohio

cc: William Mason, Esq.