


February 14, 2023

FOR YOUR INFORMATION

To: Mayor and Members of City Council

From: Sheryl M.M. Long, City Manager 

Subject: **Residential CRA Tax Abatement Update Information**

BACKGROUND

The purpose of this memorandum is to provide additional information and clarity on questions raised by Councilmembers or the public following the presentation on updates to the Residential CRA Tax Abatement program at the Equitable Growth and Housing Committee meeting on January 31, 2023.

CAPS & TERM LENGTHS

The intent behind the proposed maximum abatement caps and term lengths in the proposed legislation is to set the dollar threshold and terms at a level that incentivizes development of new housing and investment in existing housing that would not otherwise occur without the abatements. Further, the proposal attempts to improve upon the existing program by minimizing any abatements for investment activity that will occur regardless of if an abatement is offered or not. Finally, certain value bonuses are proposed to achieve various policy goals by further incentivizing certain types of investment that have additional public benefits. The Administration has received two specific questions regarding the proposed caps and terms—one on permitted term lengths and the other on the approach of utilizing a percentage basis versus a stated numerical basis for the value cap.

Ohio state law sets the maximum abatement period at 15 years. Ohio Rev. Code 3735.67 (D)(1). Accordingly, the City may not set abatement periods beyond 15 years. All term lengths in the proposal are either equal to or less than 15 years.

The proposal sets various maximum numerical value caps—with any taxable value created below the applicable cap being fully abated and any taxable value created above that threshold not abated and immediately taxable. In comparison to a set percentage-based approach to the caps, this approach provides more benefit for smaller investments and less benefit for larger investments. The proposed changes, by design, seek to provide stronger incentive and benefit for smaller investments, to achieve a greater distribution of the benefits offered by the program to those homeowners who can only afford more moderate investment amounts. As applied in the Sustain neighborhoods, the proposed maximum caps allow moderate income residents aiming to still build a house valued more affordably at \$200,000 in Sustain neighborhoods to still receive an abatement on the full new improvement value. This will minimize the tax burden while increasing equity in their house.

OUTREACH INITIATIVES

The Administration recognizes the need for greater awareness of the Residential CRA program among homeowners, particularly in the Lift neighborhoods. To accomplish this DCED will be undertaking the following strategies: (1) in-person outreach and education events; (2) education through creation and distribution of improved program materials, including during the permitting process; and (3) an improved application process to ease administrative burden for application.

In preparation for the program rollout, DCED has engaged staff to attend homeownership workshops and fairs, including the Neighborhood Summit, to educate the public about the program and future changes as passed by Council. Additionally, DCED staff will undertake outreach to our neighborhood community councils, community development corporations, and key neighborhood stakeholder groups to ensure that updated program information is shared and circulated widely. Going forward, this type of in-person engagement will be utilized to continually sustain or enhance program awareness.

The Administration will update all program materials, informational fliers, graphics and will explore options to incorporate QR codes where possible. An updated and dedicated webpage will be revamped to showcase the updated program and host other information to assist applicants. Further, DCED in collaboration with B&I will proactively inform eligible homeowners of the program during the permitting process. DCED is assessing the viability and cost of initiating a mailing program to provide Residential CRA information to homeowners when new building permits are issued. Additionally, DCED and B&I are exploring avenues to further educate program stakeholders, including repair contractors, homebuilders, and realtors.

Lastly, the Administration is launching a new interactive online map and application process. This new interactive feature will allow for easy identification for the public to find a property's tier and eligible incentives with just a few clicks online. As discussed further below, this application will also streamline data capture to support enhanced dashboards to improve transparency on the function of the program.

ONLINE APPLICATION FEATURES

As mentioned above, an online application built into CAGIS ezTrak (customer-facing portal) and CAGIS Edge (back-office system) is expected to launch this spring and will bring long-needed improvements and efficiencies for both applicants and city staff. Applicants will be able to enter application information into a user-friendly portal, make payments via card or e-check online, and track the status of an application review. CAGIS's location-based tools will automatically associate property data with the application, making it quicker to fill out the application and reduce application errors. In addition, as a CAGIS record, evidence of a filed tax abatement application will be publicly accessible with other property activity in CAGIS Activity Report. For greater program accessibility, paper applications and alternative payment methods will be available for those who need them.

DCED STAFFING NEEDS FOR PROGRAM UPDATES

Some elements of the proposed program updates and the requested enhanced outreach will increase the level of resources needed to administer the program; however, the streamlined online application process and educational component will to some degree ease the administration burden.

At this time the Administration does not intend to recommend additional staffing resources for administration of the Residential CRA program during FY24; however, if the proposed changes are approved and implemented during FY24, the Administration will continue to assess the resources needed in conjunction with other DCED and City staffing needs and may make a recommendation at a later date for how best to support proper administration of this program.

CONTESTED NEIGHBORHOOD BOUNDARIES

As currently drafted in the proposed ordinance, neighborhoods are designated by community council boundaries and depicted on maps adopted by the Housing Officer. The Housing Officer is provided administrative authority to adopt and amend the rules and regulations in order to effectively administer and operate the program, including clarifying any ambiguity in contested areas. Additionally, the online application process will make it very clear to an applicant the appropriate neighborhood and tier designation.

REPORTING ON HOUSING INITIATIVES

The Administration recognizes the need to provide enhanced reporting on City housing initiatives for greater transparency and accountability of the city and federal resources allocated to our various housing initiatives.

Reporting on the City's housing programs has traditionally been handled through DCED's annual report and through various dashboards developed in collaboration with OPDA. The Administration recommends to further enhance the report and dashboards to provide better transparency and analysis of how the Residential CRA program is functioning and will implement these changes in CY2023.

PAYMENTS TO CINCINNATI PUBLIC SCHOOLS

Unlike the commercial CRA program, Payments in Lieu of Taxes (PILOT) to the school district are not permitted by state law in the Residential CRA program. The statute governing tax abatements does not contemplate PILOTs in the residential tax abatement program.

As described above, the intent of the program is to encourage investment in our housing that would not otherwise occur. The proposed caps and terms were proposed to better accomplish this goal and improve upon the existing program. Accordingly, the goal of the program will be to continue to create taxable value that would not otherwise be created, benefiting the City, CPS, other taxing jurisdictions, and our economy.

Under the proposed changes to the residential tax abatement program, incentives are decreased in our neighborhoods with the strongest markets and where the program has been historically utilized the most. Reduced term lengths and maximum incentive caps in the Sustain neighborhoods will result in more tax revenue from our highest property value areas. Some property value may become immediately taxable due to the lower caps, but the primary reduction in incentive comes through shortened abatement terms, which fully returns this new value to the tax rolls faster. For example, a new construction home valued at \$500,000 will only receive an abatement for \$200,000 in a Sustain neighborhood, making \$300,000 immediately taxable. Further, under the proposed changes that \$200,000 abatement now will only last 5 years—half the amount of time than under the current program. In conclusion, the proposed changes to the existing program will result in additional tax revenue for CPS.

c: Markiea L. Carter, Director, Department of Community and Economic Development