

March 8, 2021

To: Mayor and Members of City Council 202100899
From: Paula Boggs Muething, City Manager
Subject: **Implementation of Tax Increment Financing District Policy for Affordable Housing**

Reference Document # 202001976

Cincinnati City Council at its session on June 24, 2020, passed Ordinance No. 0206-2020 which required:

Section 2. That City Council requests that the City Administration prepare a report no later than September 8, 2020 with recommendations for the immediate adoption of the policy established by this ordinance, including without limitation, (i) a method by which the amount expended on affordable housing projects from the TIF Districts each year is publicly available and (ii) the number of years an affordable housing project must meet the requirements set forth herein.

BACKGROUND

City Council Ordinance No. 0206-2020 established a policy of setting aside 25% of revenues collected within tax increment financing incentive districts (TIF District) established pursuant to Section 5709.40(C) of the Ohio Revised Code for affordable housing projects within the districts.

IMPLEMENTATION

The Department of Community & Economic Development (DCED) will entertain requests from developers and local non-profit corporations to use TIF District funds to acquire property for the construction or renovation of affordable housing or to otherwise develop affordable housing units through a formal request by submission of a financial assistance application. This method of request for assistance is similar to our already established process of requests for tax abatements, property sales, or job creation tax credits. Requests can be made throughout the year as projects are identified and all other sources of funding are secured, such as Historic Tax Credits or Low-Income Housing Tax Credits.

DCED also has an existing process for identifying and vetting potential affordable housing projects requesting gap financing from the City in its Notice of Funding Availability (NOFA). DCED's NOFA program is funded annually by City Council through the allocation of Federal

funding from the Community Development Block Grant program and HOME Investment Partnerships (HOME) program and from City Capital funding. Pending funding availability, DCED issues one NOFA each fiscal year that is split into two rounds - one in late winter (February/March) and the other in the summer (June/July). For projects recommended for funding through the NOFA process, if appropriate for a given project DCED may offer TIF District funding for projects located within a given TIF District, as TIF District funding for housing construction is limited by state law for use within the applicable TIF District. The addition of TIF District funding for affordable housing to the NOFA process will create an additional resource for affordable housing and stretch other existing resources to projects outside of TIF Districts.

CURRENT BALANCE & PROJECTED REVENUES

A current balance and three-year projection of TIF District resources set aside for affordable housing is included as an attachment. The projections were only made for the TIF Districts approved in 2003 and 2005 which had sufficient history to make an educated projection of future revenues. No projections could be made for the Districts created in 2019 due to lack of revenue derived from these districts to date. The Affordable Balance (Year End) for 2020 in the attachment is the current balance of the resources allocated under Ordinance 206-2020. The Revenue listed for 2021, 2022 and 2023 is the projected future revenue based on historic trends for those districts net of existing liabilities. The Affordable Balance (Year End) for 2021, 2022, and 2023 is the total of the prior year's balance with the addition of the projected revenue. Note that while the projections are based on historic trend data for each of the TIF Districts, the actual amounts collected will differ from these projections based on variations in market conditions and property values.

TERMS OF ASSISTANCE

The intention is that the TIF District funding will be deployed as loans to selected projects. Unlike traditional bank financing, DCED will be able to provide flexible loan terms that will make more projects feasible. Such terms may include full or partial forgiveness. Loans will be awarded for up to 40% of the total project cost not to exceed \$1 million. DCED will require periods of affordability which range from 10 years to 20 years depending on the project and the requirements of the other project funding sources (HOME, Low Income Housing Tax Credits (LIHTC), etc.); however, in no circumstances will the affordability period be less than 10 years. For appropriations of TIF District funding DCED will highlight the recommended target Area Median Income as well as the required affordability period when City Council considers legislation to appropriate TIF District funding for a project.

This memo is for informational purposes.

Attachment: TIF District Projections Feb 2021

Copy: Markiea L. Carter, Interim Director, Department of Community and Economic Development *MLC*