

October 2, 2023

To: Members of the Budget and Finance Committee

202302046

From: Sheryl M.M. Long, City Manager

Subject: **Report - Tax Incentive Review Council Status of Property Tax Exemptions for Year End 2022**

BACKGROUND

The Tax Incentive Review Council (TIRC) held its annual meeting on July 27, 2023 to review the 2022 period performance of companies granted property tax exemptions under Sections 5709.85, 725, and 3735.671 of the Ohio Revised Code (ORC). The TIRC review determines whether businesses have complied with the terms of their agreement related to project investment and job retention/creation. The tax exemption agreements typically allow the company three years to achieve investment and job goals.

The TIRC recommends continuation, modification, or termination of Tax Increment Financing (TIF) exemptions and Community Reinvestment Area (CRA) agreements. It is important to note that the majority of tax exemption agreements executed by the City in recent years have been CRA agreements. TIF Agreements are more complex and tend to be used for large projects and have longer terms.

The following documents are attached:

- Attachment I (*TIRC 2023 Meeting Minutes and Summary Report*) reflects the minutes of the TIRC's 2023 Annual Meeting and the Summary Report.
- Attachment II (*2023 TIRC Report – TIF and ORC 725 Exemptions*) represents details of the 2022 year-end status of TIF Projects (General Information and Revenues and Expenditures), TIF Districts, and ORC 725 Exemptions.
- Attachment III (*2023 TIRC Report – CRA Agreements*) reflects details of the 2022 CRA Tax Abatements in four sections: General Information, Construction Issues, Jobs & Payroll Issues, and Reporting Issues.

PERFORMANCE OF TIF DISTRICTS AND TIF PROJECTS

The TIRC is required to review TIF exemptions created after 1994 including TIF Projects and TIF Districts. Attachment II provides detailed information on the 52 Project TIFs, 35 District TIFs, and nine ORC 725 exemptions. All companies with TIF or ORC 725 exemptions are in compliance with required service payments and these exemptions are recommended for continuation.

PERFORMANCE OF COMMERCIAL CRA AGREEMENTS

During the 2022 period there were 363 active commercial CRA agreements. A breakdown of the 2022 review and performance is summarized below and is also detailed in Attachment III:

- There are 310 agreements recommended for **continuation**.
- There are 37 agreements recommended for **modification**. In seven cases there is a completion application pending. In 30 cases there is an extension request pending the processing of an amendment. Similar to last year, most of the construction delays are related to employment and supply issues as a result of the pandemic and economic factors. Amendments are being drafted for agreements where a letter from the Department Director is not sufficient.
- Six companies are recommended for **termination**. Five of these companies were in default on their CRA Agreement and will be terminated should the default not be remedied. One of the six terminations is a project where the development plans have changed.
- Ten agreements have expired and the projects have been closed.

Termination as a Result of Default

- Children United, LLC (Youthland Academy)
- E Barg, LLC/Swewat, LLC (1738-40 Queen City Avenue)
- 1737 Vine, LLC
- Supreme Bright Cincinnati, LLC (First National Bank)
 - Note this firm has responded and begun to work out their defaults as of September 2023.
- Traction Partners, LLC (Traction Company Building)
 - Note this firm has responded and begun to work out their defaults as of September 2023

Termination due to Change in Development Plans

- The Fortus Group, LLC (W. Liberty & Elm-Residential Portion)

Agreements that Expired in 2022

- Salvation Army Catherine Booth Residence
- 1415 Vine (Gateway IV)
- Eagle Realty Group (Phelps Apartment Conversion to Marriott Hotel)
- Beasley Place
- Hale-Justis Lofts
- FH Row 1 (McMillan Firehouse Row-Phase I)
- La Caisse, Inc. (KZF Design Relocation to 700 Broadway)
- RD America (Restaurant Depot)
- KMS Realty, LTD (Skyline Chili-Walnut Hills)
- Wooster Park Office Condominiums

RECOMMENDATION

The ORC Section 5709.85(E) states that City Council must act on the CRA and TIF program recommendations determined at the annual TIRC meeting. Recommendations to continue, modify, or terminate company agreements are contained in the 2023 TIRC Minutes (Attachment I). The Administration recommends approval of these minutes and the recommendations therein.

Attachments: I. TIRC 2023 Meeting Minutes and Summary Report
II. 2023 TIRC Report – TIF and ORC 725 Exemptions
III. 2023 TIRC Report – CRA Agreements

Copy: Markiea L. Carter, Director, Department of Community & Economic Development