

Tax Incentive Review Council

2023 Annual Meeting
July 27, 2023 at 3:00 p.m.
Two Centennial Plaza, 805 Central Avenue, 7th Floor
Griesel Conference Room
Cincinnati, Ohio 45202

Members & Designees (Attendees are checked)

Member	Designation	Affiliation
✓ Auditor Brigid Kelly	County Auditor, TIRC Chair	Hamilton County Auditor
✓ Greg Jarvis	Deputy Director	Hamilton County Auditor
✓ Markiea L. Carter	For City Manager Sheryl M.M. Long	City of Cincinnati (Manager)
✓ Councilmember Jan-Michele Lemon Kearney	Councilmember	City of Cincinnati (Council)
✓ Christine Noone	For Karen Alder, Finance Director	City of Cincinnati (Finance)
✓ Benjamin Heckert	For Jennifer Wagner, Treasurer	Cincinnati Public Schools

Other Attendees	Affiliation
Michael Banish	City Staff-DCED
Dan Bower	City Staff-DCED
Kaitlyn Geiger	City Staff-Law
Emily Kujawa	City Staff-Law
Laura Schack	City Staff-Law
Linus Beatty	City Staff-Budget Office
Justin Halter	City Staff-DCED
Kira Palmer	City Staff-DCED
Morgan Smith	City Staff-DCED
Sedrick Denson	Cincinnati Federation of Teachers

MINUTES OF THE 2023 TIRC MEETING

Mr. Jarvis called the meeting to order on behalf of Auditor Brigid Kelly at 3:05pm and invited everyone to introduce themselves.

Michael Banish reviewed the Purpose of the Tax Incentive Review Council.

Dan Bower, Deputy Director, Department of Community and Economic Development, reviewed the Tax Increment Financing exemptions, both Projects and Districts. He presented staff recommendations to continue all exemptions.

TIRC Recommendation – Motion by Councilmember Kearney, second by Mr. Heckert, to continue both the Project and District TIF exemptions. Motion carried unanimously.

TIRC 2023 Annual Meeting

Dan Bower reviewed the ORC 725 Urban Renewal Exemptions. He presented staff recommendations to continue all ORC 725 Exemptions.

TIRC Recommendation – Motion by Councilmember Kearney, second by Ms. Carter, to continue all ORC 725 Exemptions. Motion carried unanimously.

Michael Banish reviewed the summary of the Community Reinvestment Area (CRA) Property Tax Abatements. He reported on results of the actions taken at the 2022 TIRC last year. He then presented staff recommendations for the 2022 CRA Agreements and reviewed the CRA Agreements that expired in 2022.

TIRC Recommendation – Motion by Mr. Heckert, second by Mr. Jarvis, to accept staff recommendations for the CRA Agreements. Motion carried unanimously.

Mr. Heckert reported that Cincinnati Public Schools is working on a revision to the systems that manage their School Board PILOT Agreements and the collection of PILOTS related to the CRAs. CPS expects the new system to improve efficiency and effectiveness of the payment mechanisms for these PILOTS.

Mr. Jarvis praised the City staff for the detailed reports and communications related to the TIRC meeting.

Councilmember Kearney made a motion to adjourn the meeting, second by Mr. Jarvis. Motion carried unanimously.

Meeting adjourned at 3:41pm.

Purpose of the Tax Incentive Review Council

According to Ohio Revised Code Section 5709.85, the TIRC meets annually to review all agreements granting exemptions from property taxation and any performance or audit reports required to be submitted pursuant to those agreements (see the attached reports). The Council determines whether the owner of the exempted property has complied with the agreement and may consider market fluctuations or changes in the business cycle unique to the owner's business. The Council shall submit to City Council written recommendations for continuation, modification, or cancellation of each agreement.

TIRC REPORT NARRATIVE

Tax Increment Financing (TIF) Exemptions (ORC 5709.40 & 5709.41)

A. Program Overview

Developers making a large-scale investment that requires substantial public infrastructure improvements may be able to use Tax Increment Financing (TIF) to offset a portion of those costs. In certain limited circumstances, TIF dollars may be used more broadly for urban redevelopment purposes.

How Do They Work? The Ohio legislature has authorized the creation of Tax Increment Financing under ORC Section 5709.40 and 5709.41. Upon creating a TIF, Ohio allows a municipality to grant a tax exemption up to 100% of the newly created real property value with the consent of the local school district. Municipalities may require payments in lieu of taxes on the exempt real property value. All payments in lieu of taxes collected on this newly created property value can be used to fund public infrastructure improvements and other eligible uses or pay debt service on bonds issued for such eligible uses. The two most common types of TIF in Ohio are Project TIFs and District TIFs. Project TIFs are applicable to particular developments. District TIFs apply to a specific geographic area of the City. In both cases, taxes are exempted on improvements (for the specific project, in the case of a Project TIF, or within the district, in the case of a District TIF), and the City may impose payments in lieu of taxes. District TIFs are subject to geographic area and assessed value caps under state law.

What Are the Benefits? Tax Increment Financing provides a method to fund public infrastructure and other eligible site improvements adjacent to and within new commercial developments.

How Is It Used? To initiate the process, a developer applies to the City for a TIF designation prior to the commencement of any construction activities. Next, the Department of Community & Economic Development reviews submitted information and requests additional information as required to determine whether debt must be issued to construct the public improvements and may refer the developer to the Port Authority to underwrite the debt issuance. Finally, a recommendation is made to City Council for the designation of the Project as a TIF as well as any related legislation and legal agreements, such as a Development Agreement (governing the developer's construction of their project), Cooperative Agreement (when debt is to be issued

through the Port), debt agreements (when the City issues the debt) and other related documents (i.e., letter of credit and service agreements). Depending on the timeline of a project's infrastructure needs, the City creates a Project TIF or District TIF and either: 1) waits until the revenues derived from the TIF are sufficient to pay for the costs of the infrastructure, or 2) issues debt for the construction of the infrastructure with such bonds being backed by the future TIF revenues. The decision of whether or not to issue debt depends solely on the immediacy of the project's infrastructure needs. The City frequently utilizes the Port Authority for the issuance of debt of TIF projects.

B. Staff Review of TIF Districts and Project TIFs

In 2022, the City of Cincinnati had a total of 35 TIF Districts. The 35 Districts received a total of \$51,347,590 in Statutory Service Payments in 2022 and made expenditures in 2022 totaling \$32,646,280.

The City had 52 Project TIFs at various stages at the end of 2022. For the 26 Project TIFs receiving and distributing payments, there was a total of \$21,738,149 in revenue and \$18,315,956 in expenditure.

For the 39 TIFs with numbers at the time of legislation, the projects in aggregate project a total of \$2.3 billion in real estate investment, and a commitment of 7,373 jobs. Through 2022, the City has received reports and estimates for 39 Project TIFs with an actual real estate investment of \$1,864,299,101 and a total number of jobs retained of 843 and a total number of jobs created of 9,366. (Note: These aggregate figures are based on both company reports and department estimates. The City will continue to request data from these companies throughout the year.)

C. Recommendations on TIF Exemptions

Staff recommends all current TIF exemptions be continued.

Urban Renewal Debt (ORC 725)

A. Program Overview

Under Ohio Revised Code Chapter 725, a municipality can enter into a development agreement with a developer of land in an urban renewal project and can authorize a real property tax exemption with respect to the improvements constructed and require the owner to make payments in lieu of taxes to the municipality. The municipality can use those payments to pay debt service on Chapter 725 bonds and for related expenses. The City has created 32 separate Urban Renewal Plans in order to undertake Urban Renewal efforts under ORC 725 within these areas.

B. Staff Review of Agreement ORC 725 Exemption Statuses

In 2022, the City had nine active Urban Renewal agreements for projects undertaken in Downtown, the East End and the West End. These agreements are compliant with their

requirements to make service payments and minimum service payments to pay urban renewal project debt.

C. Recommendations on ORC 725 Exemptions

Staff recommends all current Urban Renewal Exemptions be continued.

Community Reinvestment Area Property Tax Abatement Program

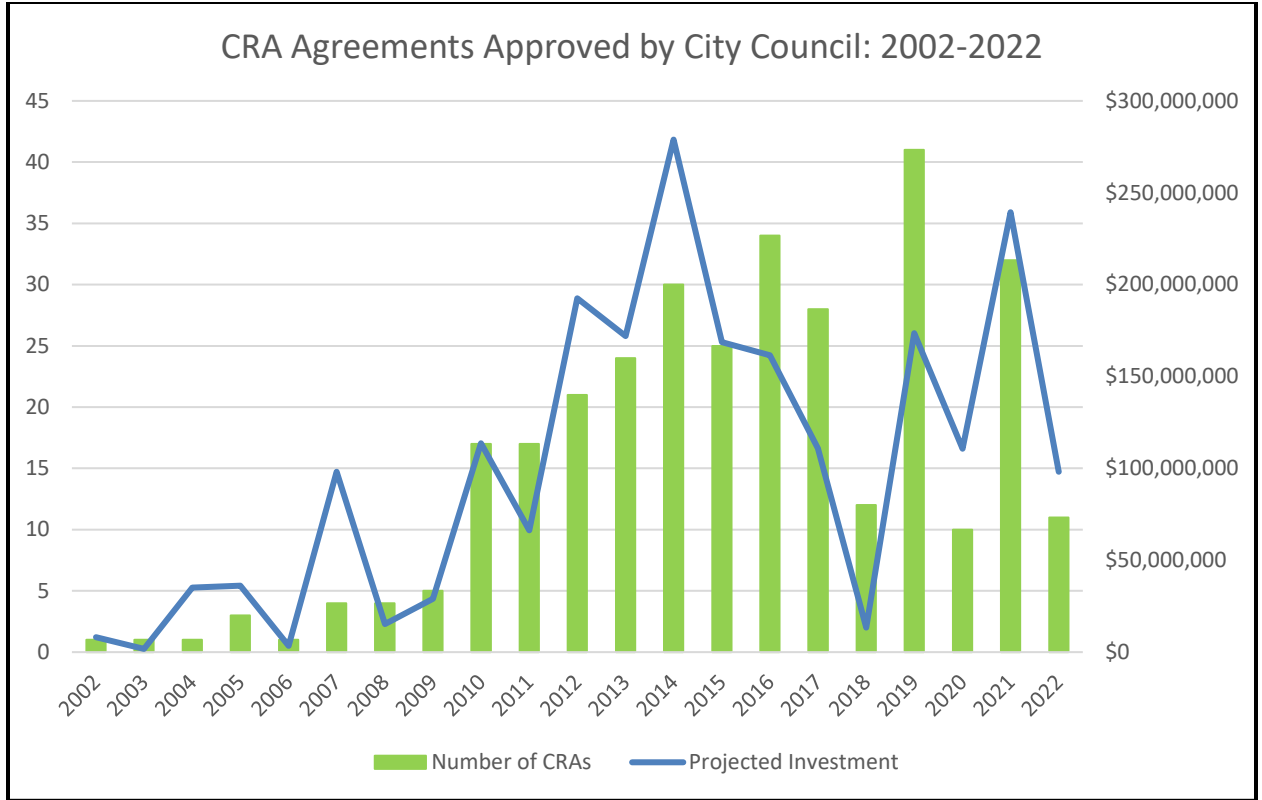
A. Program Overview

The City of Cincinnati offers a Community Reinvestment Area (CRA) tax abatement program to developers building or renovating a multi-family residential, commercial, industrial, or mixed-use facility. The following steps outline the process of approving a CRA and putting the tax abatement into effect:

1. The Company submits an initial CRA application.
2. The City of Cincinnati's Department of Community Economic Development (DCED) reviews the application, negotiates an agreement, and makes a recommendation to City Council.
3. City Council passes an ordinance to authorize the recommended property tax exemption and a CRA agreement is executed by the City Manager.
4. The Company begins construction of the improvements to the property.
5. The Company enters into a Payment in Lieu of Taxes (PILOT) agreement with Cincinnati Public Schools (CPS) and registers the agreement with Ohio Department of Development (ODOD).
6. The Company submits a completion application to DCED once construction is completed.
7. DCED sends all agreement materials to the Hamilton County Auditor.
8. Hamilton County Auditor assesses improvements and starts the abatement.
9. The Company submits annual reports and fees to the City during the term of the abatement.
10. DCED submits an annual report on all agreements to ODOD in March and presents the information to the TIRC in June and reports to City Council in September.

At the end of 2022, the City of Cincinnati had 363 active Commercial CRA agreements that had been approved by City Council, including 17 new agreements that were executed in 2022 (some of these were approved by Council as early as 2020). There were six additional CRA agreements approved by City Council in 2022 that did not have executed agreements until 2023 and are not included on this list.

The following chart reflects the 363 CRA Agreements that are currently active and approved by City Council. These CRA Agreements reflect over \$2.5 billion in Projected Investment.



There have been 15 CRAs approved by City Council in 2023 so far; and seven of these have an executed CRA Agreement.

B. Actions Taken on 2022 TIRC Recommendations

The following tables reflect actions taken by the City Administration based on TIRC recommendations from its 2022 meeting.

Table: 2022 TIRC Modifications Recommended and Actions Taken

Organization Legal Name	Project: Project Name	Issues Pending	Resolution
1725 Elm Street, LLC	1725 Elm CRA	Pending 2021 Annual Fee	Fee Received
1733 Elm St, LLC	1733 Elm Street	Pending 2021 Annual Fee	Fee Received
The Fortus Group	W Liberty & Elm	Pending 2021 Annual Report and Fee	Scheduled for Termination
423 East 13th Street, LLC	423 E. 13th Street	Pending 2021 Annual Report and Fee	Report and Fee Received
Cincy Downtown Lodging Associates, LLC	299 E. Sixth Street	Pending 2021 Annual Report and Fee	Report and Fee Received
Kauffman Vine LLC	1725 Vine Street	Pending Extension Amendment	Amendment Executed
Custom Pro Logistics	Custom Pro Logistics - JCTC & CRA	Pending Extension Amendment	Amendment Executed
2347 Reading Road, LLC	2347 Reading Road, LLC	Pending Extension Amendment	Amendment Executed
Condominium Holdings, LLC	1505 Race	Pending Extension Amendment	Amendment in Process
Condominium Holdings, LLC	116 W 15th Street	Pending Extension Amendment	Amendment in Process
233 Gilman, LLC	225 Gilman	Pending extension amendment	Amendment in Process
Building #1, LLC	100 E. Clifton, 101 & 105 Peete Renovation	Pending Extension Amendment	Amendment in Process
Azeotropic Partners, LLC	1301 Walnut St Commercial	Pending extension amendment	Amendment in Process
Cincy Downtown Lodging Associates, LLC	299 E. Sixth Street	Pending Extension Amendment	Amendment on Hold - Construction Delayed
Ingalls Hotel, LLC	Ingalls Building	Pending Extension Amendment	Amendment Executed
Seitz, LLC	303 Seitz St	Pending Extension Amendment	Amendment in Process
The Fortus Group	W Liberty & Elm	Pending extension amendment	Scheduled for Termination
423 East 13th Street, LLC	423 E. 13th Street	Pending Extension Amendment	Amendment on Hold - Construction Delayed
1725 Elm Street, LLC	1725 Elm CRA	Pending Extension Amendment	Amendment Executed
100 Findlay, LLC	100 Findlay	Pending extension amendment	Amendment Executed
222 Mohawk LLC	222-226 Mohawk CRA	Pending extension amendment	Amendment in Process
2330 VP Apartments, LLC	Eden Enclaves	Pending extension amendment	Amendment Executed
1733 Elm St, LLC	1733 Elm Street	Pending extension amendment	Amendment in Process
Court Street Condos, LLC	Court Street Commons	Pending extension amendment	Amendment in Process
E.M.A. Freeman, LLC	Freeman Apartments	Pending extension amendment	Amendment Executed
Supreme Bright Cincinnati	First National Bank	Pending extension amendment	Amendment on Hold - Construction Delayed
Northcrown Property, LLC	1614 Walnut Street LEED CRA	Pending extension amendment	Amendment in Process
Perseverance Commercial, LLC	Perseverance Commercial CRA	Pending extension amendment	Amendment in Process
Northcrown 56 McMicken, LLC	56 E. McMicken CRA	Pending extension amendment	Amendment on Hold - Construction Delayed
12 E Court Street, LLC	12 E. Court CRA	Pending extension amendment	Amendment Executed
Traction Partners, LLC	Traction Company Building	Pending extension amendment	Amendment on Hold - Construction Delayed
1629 Citadel LLC	2346 Boone CRA	Pending extension Amendment #2	Amendment in Process
OTR Market Properties, LLC	1635 Race	Pending Extension Amendment 2020	Amendment in Process
Neyer Holdings, Inc.	130-132 E. 6th Street	Pending Extension Request by Company	Amendment in Process

Table: 2022 TIRC Terminations Recommended and Actions Taken

Organization Legal Name	Project Name	Action Taken
JRS Interests I, LLC	2315 Park Ave.	Issues Resolved
Azeotropic Partners, LLC	1301 Walnut St Residential	Termination in Process
E Barg LLC	1738-40 Queen City CRA	Termination in Process
Youthland Academy	Children United, LLC LEED CRA Tax Exemption	Termination in Process
1526 Blair, LLC	1526 Blair Ave	Issues Resolved
The Fortus Group	W Liberty & Elm	Termination Complete

C. 2023 TIRC – 2022 Annual Reports and Fees

Annual Reports are due from each company every year of the CRA Agreement starting with the year the Agreement is executed. Of the 363 active agreements, 322 annual reports have been submitted (88%), and 41 have not been submitted. One of these missing reports is for an historical (pre-1994) CRA with no Agreement; four of these missing reports have agreements

pending termination and no report is required (see below). The remaining 36 missing reports continue to be requested by the Department.

UPDATE: As of July 31, 2023, 338 (93%) Annual Reports had been received.

The Department has contacted the companies representing the remaining 35 agreements about submitting the annual reports. A few have requested report deadline extensions, and others have simply not responded. Staff will continue to attempt to collect these reports for the remainder of the year.

Annual Fees are also due every year and are calculated as 1% of the forgone taxes (taxes exempted by the Agreement), or \$500 minimum and \$2,500 maximum. Companies that have construction underway on their projects typically pay the minimum \$500 annual fee. As of this writing, 292 (80%) 2022 Annual Fee payments have been made totaling \$265,390.77 (81%). Of the remaining 71 outstanding, several have requested deadline extensions, one is historical and no fee is required; four are being terminated and no fee is expected due to termination recommendation (see below).

UPDATE: As of July 31, 2023, 329 (91%) Annual Fees totaling \$290,762.51 had been remitted to the City.

As with the annual reports, the Department will continue to attempt to collect the remaining 66 annual fees due.

Three terminations are recommended this year as a result of outstanding 2022 and earlier Annual Reports or Annual Fees: 1737 Vine, LLC; E Barg, LLC; and Youthland Academy. These recommendations are a result of multiple attempts to request reports and fees without a response from the company. The complete list of termination recommendations is below.

D. 2023 TIRC – Staff Review of Agreement Statuses for 2022

There were 290 completed projects representing a total Projected Investment of \$1,846,986,472 and a Total Company-reported Investment of \$2,129,844,793, or 115% of the projection. Of the 18 projects completed in 2022, 14 reported project expenditures at or above the amounts projected.

UPDATE: As of July 31, 2023, there were 293 completed projects.

There are 73 projects that are not completed as of this writing, representing a total Projected Investment of \$647,398,050. Of these, 21 projects were expected to be completed before December 31, 2022. Four of these are recommended for termination, 16 have requested extensions that are in process, seven are working on their completion applications, and one is in

the process of selling the property. Six of these developers have delayed the start of their construction due to supply chain and labor market factors. All 73 projects are subject to the City’s Wage Enforcement requirements for construction. There are no pending Wage Enforcement complaints related to these projects.

The total new jobs commitment from the 363 active CRA Agreements is 10,677 jobs created. Companies with active CRA Agreements reported approximately 10,178 jobs created in 2022, with the largest jobs created figures reported by Medpace (1,017) and General Electric (954). (Note: The Administration and General Electric are still working to reconcile the information reported.)

There were approximately 54 companies in 2022 that were past their job creation ramp-up period and have not met their job creation commitments by at least 75%. Most companies suggest that labor force factors in the restaurant and hospitality industries were the major cause of their job issues. Many companies cannot find workers to hire. Market factors resulting from the latest economic conditions include slowed or halted business operations, internal reorganizations, and a lack of tenants. Many of these factors will continue to impact companies in 2023 as some industries have been slow to recover from the pandemic.

The City Administration has requested information from many of these companies related to their specific conditions that resulted in job losses and the inability to meet their commitments. While these non-compliance issues are reflected in the CRA and TIF reports, they are not the basis for any termination recommendations except in those cases where the company has not responded to the issues when asked. The Department will continue to request this information from companies with job commitment or payroll commitment issues as these issues are identified.

E. Recommendations for CRA Agreements (2023 TIRC)

The following table represents the staff recommendations for the 363 active CRA Agreements as of the end of 2022.

Recommendation	Status	Agreements
Continue-Compliant	Pending Completion	30
	Complete	191
Continue-Non-Compliant	Pending Completion	75
	Complete	14
Modify	Extension Request Pending	30
	Pending Completion Application	7
Terminate	In default	6
Expired in 2022 (Terminate)	Expired in 2022	10
TOTAL		363

Continuations

Recommendations to continue include 221 active agreements with companies that are compliant with the CRA Agreement. Of these, 30 are pending completion. There are 89 agreements that are recommended to continue despite non-compliance issues related to delayed construction, labor shortages, and reporting issues.

Modifications

Recommendations to Modify agreements (37) reflect either late completion applications that have been requested by the City and are pending issues (e.g., the issuance of the Certificate of Occupancy, lack of LEED documentation, etc.) or requests from the company for an extension. The high number of modifications this year appears to be due to supply chain issues that impact construction timelines.

Delays in submitting the completion application may result in the need for an extension. Extensions can be in the form of a letter from the Director of the Department of Community and Economic Development or by amendment, depending on what the agreement allows, and the length of extension required.

Given the current state of the economy, the City continues to be flexible with those companies that are responsive even if there are compliance issues related to payment of annual fees, submission of annual reports, or job creation and retention under the Agreement.

Terminations

The following CRA Agreements are recommended for Termination:

- **The Fortus Group** – This project at West Liberty & Elm has been converted into a TIF. There were two CRA Agreements on this property: one for the residential portion of the project and one for the commercial portion. The CRA for the commercial portion was recommended for termination last year and terminated at the request of the company. The CRA for the residential portion has also been requested for termination by the company.
- **1737 Vine, LLC** – 1737 Vine Street has not submitted a 2022 Annual Report and has been consistently late over the past few years. Several requests for the 2022 Annual Report have gone unanswered (the Company did pay the 2022 Annual Fee). The company has also not made the 2021 or 2022 VTICA Payments for Streetcar Operations that are part of the Agreement.
- **E Barg, LLC (1738-1740 Queen City)** – This company has not submitted annual reports for 2020, 2021, or 2022 and has not remitted its 2021 or 2022 annual fee. The property was sold in 2020, but neither the previous owner nor the current owner has been responsive to requests for reports or an assignment. This Agreement was on the list last year for termination, and it is in process.
- **Children United, LLC (Youthland Academy)** – This company has not submitted Annual Reports or Fees for 2019, 2020, 2021, or 2022. They also have not submitted their LEED

documentation, and therefore are not eligible for an abatement. Multiple attempts to contact the company have failed. This Agreement was on the list last year for termination, and it is in process.

- **Supreme Bright Cincinnati, LLC (First National Bank)** – This company has not met its obligation to complete the project by December 31, 2021. The developer has requested an extension, but the project has not yet started construction and the developer has not provided evidence satisfactory to the City that they are ready to commence construction on the hotel project should they be granted an extension. Additionally, the developer has suggested that there may be a change in development plans to convert it to a multi-family project and the company also tried to sell the property at auction earlier this year.
- **Traction Partners, LLC (Traction Company Building)** – This company has not met its obligation to complete the project by April 30, 2022. The developer has requested an extension, but the project has not yet started construction and the developer has not provided evidence satisfactory to the City that they are ready to commence construction on the hotel project should they be granted an extension.

The City will continue to work with these companies on these issues prior to termination to see if the issues can be remedied.

Expirations

The following ten CRA Agreements expired at the end of 2022. No action from the TIRC is needed.

- 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