

Updates to the Residential CRA Tax Abatement Program

Department of Community & Economic Development

Markiea Carter
Director

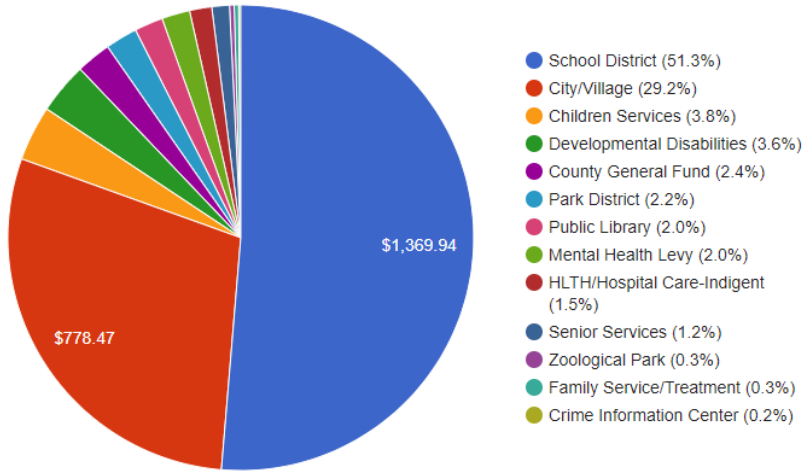
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Property Tax Fundamentals

- What is a property tax abatement?
 - The reduction of the amount of property tax owners must pay on new construction of improvements to housing
- How are property taxes calculated?
 - They are a percentage of a property's overall value (value of improvements + value of land)
 - As a property's value increases, the property tax amount increases
 - Certain ballot initiatives (levies) increase property tax amount

Property Tax Fundamentals - Property Tax Breakdown



Market Value		Assessed Value (35%)		Tax Rate Information	
Land	25,560	Land	8,950	Full Tax Rate (mills)	110.450000
Building	196,370	Building	68,730	Reduction Factor	0.303973
Total	221,930	Total	77,680	Effective Tax Rate (mills)	76.876291
				Non Business Credit	0.084903
				Owner Occupancy Credit	0.021225

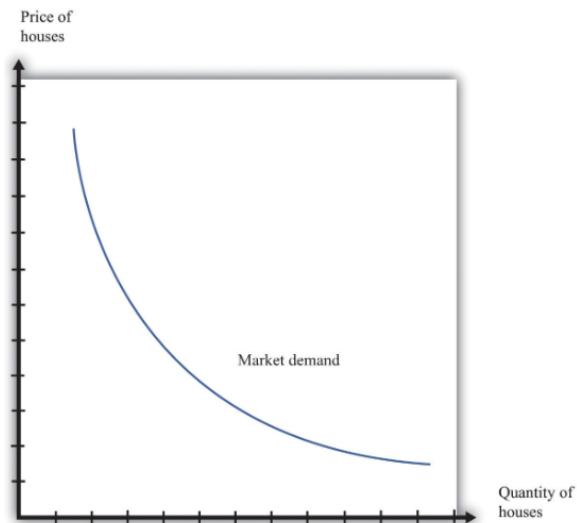
To estimate taxes based on a different market value, enter the market value here:

Calculate

Tax Calculations		Half Year Tax Distributions	
Gross Real Estate Tax	\$8,579.76	School District	\$1,369.94
- Reduction Amount	\$2,608.02	Township	\$0.00
- Non Business Credit	\$507.02	City/Village	\$778.47
- Owner Occupancy Credit	\$126.76	Joint Vocational School	\$0.00
- Homestead	\$0.00	County General Fund	\$64.55
Half Year Real Taxes	\$2,668.98	Public Library	\$52.88
- Sales Tax Credit	\$31.38	Family Service/Treatment	\$8.19
+ Current Assessment	\$29.49	HLTH/Hospital Care-Indigent	\$41.12
+ Delinquent Assessment	\$0.00	Mental Health Levy	\$52.08
+ Delinquent Real Estate	\$0.00	Developmental Disabilities	\$95.14
Semi Annual Net	\$2,667.09	Park District	\$59.39
		Crime Information Center	\$4.01
		Children Services	\$102.10
		Senior Services	\$32.59
		Zoological Park	\$8.52

Property Tax Fundamentals - Home Value Increases

- Property values are reassessed triennially as well as when new improvements are made
- Property values increase for a variety of reasons
 - Housing market and general economic health
 - Location
 - Improvements to housing



Property Tax Fundamentals - Purpose & Operation

Why does the City offer residential tax abatements?

- Incentivizes investments into existing housing and creation of new housing
- Attracts new City residents
- Retains current City residents; competition within Ohio
- Improves Cincinnati housing stock by incentivizing energy-efficient housing
- Capture more tax dollars in the future (retain/increase income tax base)
- Encourage accessibility and help population age in place by lowering tax burden for Visitability improvements
- Assist growing families in need of larger housing make needed expansions

Property Tax Fundamentals - Purpose & Operation

How do abatements work?

- City certifies state law requirements are met (*new construction, improvements over \$2,500*)
- County Auditor makes appraisal determination and identifies corresponding value of abatement
- Abatement period depends on type and value of construction/improvements

Residential Property Tax Abatement - Legal Parameters

- Allows residents to build or remodel their property without having to owe taxes on the new value created, up to the qualifying cap, for up to 15 years.
 - State law dictates the maximum abatement amount
 - Limited to new improvement value created – cannot abate existing value or land value increases



Application Criteria

- Limited to rehab or new construction of condominiums and **one, two, or three-unit residential-only structures**; **four-unit** structures became eligible in 2022
- Required **at least \$2,500** (one and two-unit structures) **or \$5,000** (three + units) in construction costs
- Requires work to be **properly permitted**
- Only permitted **paper applications with a \$250 non-refundable application fee**
- Required owners to **pass an exterior code-compliance inspection**

2017-2021

CONSTRUCTION TYPE	CONDITIONS	MAXIMUM MARKET IMPROVEMENT VALUE	TERM (YEARS)
REMODELING	Non-LEED/Non-LBC Qualified	\$275,000	10
	HERS Qualified	\$275,000	12
	Visitable	\$275,000	12
	HERS + Visitable	\$275,000	14
	LEED Certified	\$275,000	15
	LEED Silver	\$400,000	15
	LEED Gold or LBC Net Zero	\$562,000	15
	LEED Platinum, LBC Full, or LBC Petal (must include "Energy Petal")	No maximum	15
NEW CONSTRUCTION	Non-LEED/Non-LBC Qualified	\$275,000	10
	Visitable	\$275,000	12
	LEED Certified	\$275,000	12
	LEED Certified + Visitable	\$275,000	14
	LEED Silver	\$400,000	15
	LEED Gold or LBC Net Zero	\$562,000	15
	LEED Platinum, LBC Full, or LBC Petal (must include "Energy Petal")	No Maximum	15

2022-Present

Construction Type	Conditions	Maximum Market Improvement Value*	Term (years)
REMODELING	Non-LEED/Non-LBC Qualified	\$200,000 [†]	12
	HERS Qualified	\$300,000 [†]	15
	LEED Silver	\$500,000 [†]	15
	LEED Gold or LBC Net Zero	\$650,000 [†]	15
	LEED Platinum, LBC Full, or LBC Petal (must include "Energy Petal")	\$800,000 [†]	15
NEW CONSTRUCTION & ADDITIONS	Non-LEED/LBC Qualified	\$200,000 ^{††}	10
	LEED Silver	\$400,000 ^{††}	15
	LEED Gold or LBC Net Zero	\$500,000 ^{††}	15
	LEED Platinum, LBC Full, or LBC Petal (must include "Energy Petal")	\$650,000 ^{††}	15
BONUS INCENTIVES TO ANY CONDITION			
Visitability		+ \$100,000 to maximum cap	
Historic Restoration (Older than 1920; Remodel Only)		+ \$100,000 to maximum cap	

Timeline

**Construction
Completed**



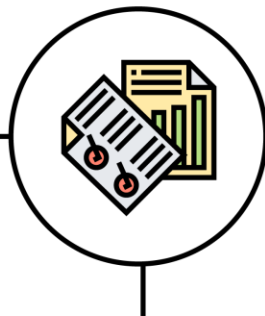
**Application
Reviewed**



**Abatement
Begins**



**Application
Received**



**Application
Approved**



2022 Program Study

- **Summer 2020:** The Property Tax Working Group concluded with a recommendation that the RTA should be tiered by neighborhood
- **Fall 2020:** City Council appropriated funding for a study to evaluate the Residential Tax Abatement program and evaluate the feasibility of a tiered program
- **2021:** HR&A Advisors, Inc. was selected as a third-party consultant to conduct the Study
- **Spring 2022:** Following a six-month study, HR&A recommended a three-tier system of incentives by neighborhood

Goals of Tiered System

- Incentivize development of new housing and investment of existing housing in neighborhoods that would not otherwise see the investment “but for” the incentive
- Reduce length of abatements in neighborhoods with sound housing markets
- Maximize abatement tool in low-scoring neighborhoods to increase opportunity to build generational wealth
- Provide a framework to regularly evaluate housing market changes and adjust incentives as seen fitting
- To equitably enhance City residency and protect the City’s financial health
- Maintain policy objectives of incentivizing sustainable and accessible housing

Updated Criteria

The new program's incentives are tied to **6 definable criteria**, with a **review every 3 years** to evaluate changes.

1. Average Household Income
2. Poverty Rate
3. Housing Value
4. Mortgage Applications Approved and Originated
5. Market Value Change
6. New Construction Permit Activity

New Approach

A new 3-tier system will target incentives to communities with the greatest need.

LIFT

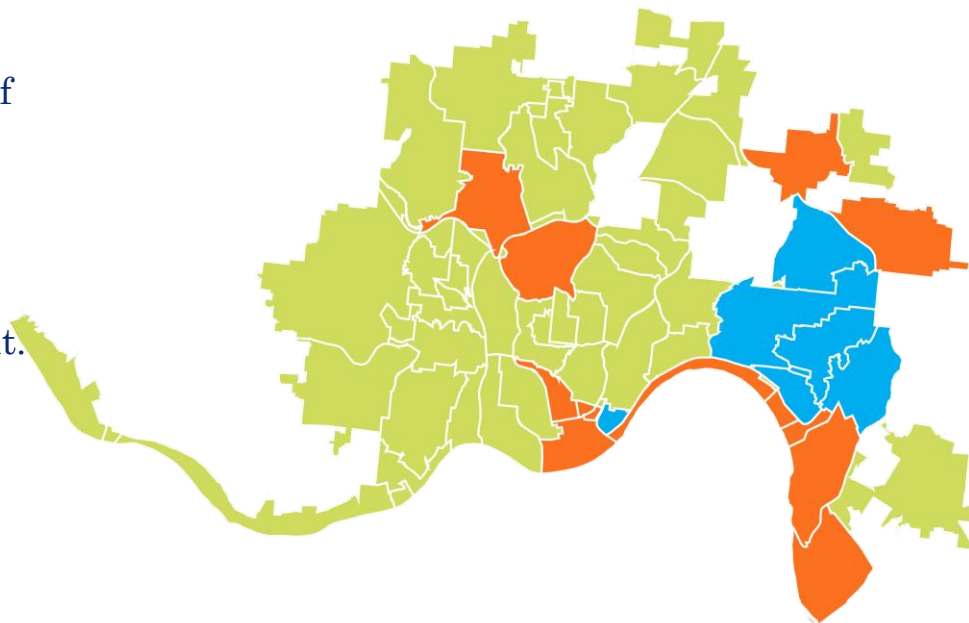
Includes neighborhoods most in need of development.

EXPAND

Includes neighborhoods that are currently seeing moderate development.

SUSTAIN

Includes neighborhoods where development is already happening.



LIFT

Avondale	Heights	Roselawn
Bond Hill	Kennedy Heights	Sayler Park
Camp Washington	Lower Price Hill	Sedamsville
Carthage	Millvale	South Cumminsville
College Hill	Mt. Airy	South Fairmount
Corryville	Mt. Auburn	Spring Grove Village
CUF	Mt. Washington	Villages at Roll Hill
East Price Hill	North Avondale	Walnut Hills
East Westwood	North Fairmount	West End
English Woods	Paddock Hills	West Price Hill
Evanston	Queensgate	Westwood
Hartwell	Riverside	Winton Hills

EXPAND

California	Madisonville
Clifton	Northside
Downtown	Over-the-Rhine
East End	Pendleton
East Walnut Hills	Pleasant Ridge

SUSTAIN

Columbia Tusculum	Mt. Adams
Hyde Park	Mt. Lookout
Linwood	Oakley

Proposed Baseline Incentives

LIFT	Abatement Term Length		Maximum Abated Increase in Market Improvement Value	
Remodeling	15 Years	↑ 3 Years	\$350,000	↑ \$150,000
New Construction	15 Years	↑ 5 Years	\$300,000	↑ \$100,000
EXPAND	Abatement Term Length		Maximum Abated Increase in Market Improvement Value	
Remodeling	12 Years	No Change	\$350,000	↑ \$150,000
New Construction	10 Years	No Change	\$300,000	↑ \$100,000
SUSTAIN	Abatement Term Length		Maximum Abated Increase in Market Improvement Value	
Remodeling	8 Years	↓ 4 Years	\$250,000	↑ \$50,000
New Construction	5 Years	↓ 5 Years	\$200,000	No Change

Arrows demonstrate change from 2022 incentives

Proposed Bonus Incentives (Applicable to Any Tier)

Bonus Incentive	Additional Amount to Maximum Abated Value
<ul style="list-style-type: none"> • LEED Silver • HERS Qualified (remodel only) • Future Certified Environmental Programs 	+ \$200,000
<ul style="list-style-type: none"> • LEED Gold or Platinum • LBC Qualified (Net Zero, Full, or Energy Petal) 	+ \$300,000
<ul style="list-style-type: none"> • Meets the Cincinnati Visitability and Universal Design Standards 	+ \$50,000
<ul style="list-style-type: none"> • Historic Restoration (older than 1945) (remodel only) 	+ \$50,000

An Environmental Bonus may be **combined** with Visitability and/or Historic Restoration

Example: a LEED Silver remodel of a 1930 house in a Lift neighborhood would receive a 15-year abatement for up to \$600,000 in market improvement value (\$350k + \$200k + \$50k)

Incentives Comparison: Example 1 - Remodel

- A homeowner remodels their \$200,000 house, adding \$50,000 in new improvement value

	2022 Program	LIFT	EXPAND	SUSTAIN
Total New Market Value	\$250,000	\$250,000	\$250,000	\$250,000
Abatement Term Length	12 Years	15 Years	12 Years	8 Years
Maximum Abatement Cap	\$200,000	\$350,000	\$350,000	\$250,000
Abated Value	\$50,000	\$50,000	\$50,000	\$50,000
Est. Annual Taxes without Abatement	\$5,942.08	\$5,942.08	\$5,942.08	\$5,942.08
Est. Annual Taxes with Abatement	\$4,753.66	\$4,753.66	\$4,753.66	\$4,753.66
Est. Annual Tax Savings with Abatement	\$1,188.42	\$1,188.42	\$1,188.42	\$1,188.42
Est. Total Taxes Paid over 15 Years	\$74,870.16	\$71,304.90	\$74,870.16	\$79,623.84

Taxes may increase/decrease during abatement term based on triennial assessments and changes in levies. Tax estimates made using Hamilton County Auditor tax estimate calculator

Incentives Comparison: Example 2 - New Construction

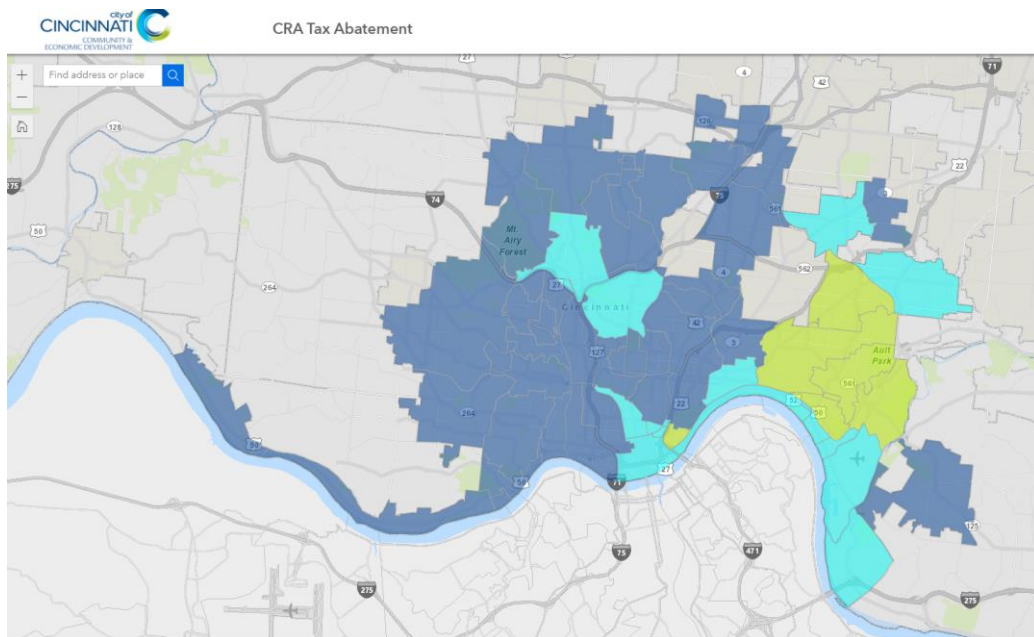
- A homeowner builds a **LEED Silver** house valued at \$500,000 on land valued at \$100,000

	LEED Silver	LIFT	STAND	SUSTAIN
Total New Market Value	\$600,000	\$600,000	\$600,000	\$600,000
Abatement Term Length	15 Years	15 Years	10 Years	5 Years
Maximum Abatement Cap	\$400,000	\$500,000	\$500,000	\$400,000
Abated Value	\$400,000	\$500,000	\$500,000	\$400,000
Est. Annual Taxes without Abatement	\$14,260.99	\$14,260.99	\$14,260.99	\$14,260.99
Est. Annual Taxes with Abatement	\$4,753.66	\$2,376.83	\$2,376.83	\$4,753.66
Est. Annual Tax Savings with Abatement	\$9,507.33	\$11,884.16	\$11,884.16	\$9,507.33
Est. Total Taxes Paid over 15 Years	\$71,304.90	\$35,652.45	\$95,073.25	\$166,378.20

Taxes may increase/decrease during abatement term based on triennial assessments and changes in levies. Tax estimates made using Hamilton County Auditor tax estimate calculator

Administrative Enhancements

- Interactive CAGIS map to look up a property's eligible tier and incentives (coming soon)



West End

LIFT Tier	Abatement Term Length	Maximum Abated Increase in Assessed Market Improvement Value
Remodeling	15 years	\$350,000
New Construction	15 years	\$300,000

Bonus Incentive	Additional Amount of Abated Increase to Assessed Market Improvement Value
<ul style="list-style-type: none"> LEED Silver HERS Qualified 	\$200,000

Zoom to

Administrative Enhancements

- NEW! Online Application integrated within next-generation CAGIS ezTrak
- Paper applications will still be available upon request
- The adoption of new rules and regulations that will
 - Clarify the abatement process and criteria
 - Require applicants to certify all property under their control is currently meeting the building code
 - Ensure that condominium units receiving an abatement are owner-occupied to address units being used on a long-term basis as short-term rentals
 - Certify additional environmental programs to incentivize additional sustainable development in the city of Cincinnati



Marketing and Outreach

In addition to the online application and interactive map, the City plans to improve education of the program through:

- Direct outreach to property owners informing them of potential eligibility upon pulling permits
- Revamped program information materials, including fliers, infographics, FAQs, webpage, and Rules and Regulations
- Targeted communications and information sessions to program stakeholders including homebuilders, renovation contractors, and realtors
- Updating building permit applications to ask if projects intend to apply for a tax abatement and/or seek Visitability, allowing for DCED to build a pipeline of potential applicants with whom to communicate

Anticipated Timeline

- **February 2023:** Council passes legislation
- **February 2023:** Interactive Map tool launches
- **Spring 2023:** Online application on CAGIS ezTrak soft launches for existing program
- **Spring and Summer 2023:** Stakeholder outreach, material updates
- **September 1, 2023:** New legislation is effective for projects with permit applications submitted or accepted **on or after** this date

Homeowner Assistance

- Housing Repair Services (\$1.9 million) – Emergency and critical repairs to very low-income homeowners up to \$20,000 home
- CARE (Compliance Assistance Repairs for the Elderly) – grants to low-income elderly and/or disabled homeowners to help address exterior code violations up to \$10,000 per home
- HARBOR (Homeowner Assistance Repairs & Building Order Relief) (\$250,000) – Grants up to \$15,000 offered to low- and moderate-income homeowners to help address building code violations, a higher amount can be authorized under extenuating circumstances

Homeowner Assistance

- American Dream Downpayment Initiative (ADDI) (\$300,000) – forgivable loans up to \$14,000 per household to be used to help low-income, first-time homeowners acquire a house
- ADDI Plus (\$2 million) – program will be used to help finance construction costs for affordable homeownership projects
- Emergency Mortgage Assistance (\$215,000) – provides foreclosure prevention, counseling, and negotiations with mortgage companies to help low-income homeowners remain in their home (up to \$3,000 in mortgage assistance per household)

Questions?

Department of Community &
Economic Development

513-352-6146

Your feedback is important to us.

Please visit our website for more information.

<https://choosecincy.com/homeowner-renter-assistance/residential-tax-abatement/>
