

September 14, 2022

To: Mayor and Members of City Council 202201660

From: Sheryl M. M. Long, City Manager

Subject: **Report - Tax Incentive Review Council Status of Property Tax Agreements for Year End 2021**

BACKGROUND

The Tax Incentive Review Council (TIRC) held its annual meeting on June 23, 2022 to review the 2021 Period performance of companies granted property tax exemptions under Section 5709.85, 725, and 3735.672 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 Community Reinvestment Area (CRA) agreements and Tax Increment Financing (TIF) exemptions. It is important to note that the majority of tax exemption agreements executed by the City in recent years have been CRAs. 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 2022 Meeting Minutes and Summary Report*) reflects the minutes of the TIRC's 2022 Annual Meeting and the Summary Report.
- Attachment II (*2022 TIRC Report – TIF Exemptions*) represents details of the 2021 year-end status of TIF Projects (General Information and Reporting Information), TIF Districts, and ORC 725 Exemptions.
- Attachment III (*2022 TIRC Report – CRA Agreements*) reflects details of the 2021 CRA Tax Abatements in four sections: General Information, Reporting Information, Construction Information, and Jobs & Payroll Information.
- Attachment IV (Letter from CPS on PILOT Delinquencies) is a letter from Cincinnati Public Schools reporting on the companies with CRA Agreements that have not made their CPS PILOT payments for 2 or more cycles.

PERFORMANCE OF TIF DISTRICTS AND TIF PROJECTS

The TIRC is required to review Tax Incentive Financing Agreements created after 1994 including TIF Projects and TIF Districts. Attachment II provides summary information on the 56 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 2021 period there were 357 active Commercial CRA agreements. A breakdown of the 2021 review and performance is summarized below and is also detailed in Attachments I and III:

- 313 agreements are recommended for **continuation**.
- Thirty agreements are recommended for **modification**. In all thirty cases the issue is late construction completion of the project, and developers are either still working on their completion applications to submit to the City or they have requested extensions of their construction completion dates. Most of the construction delays are related to employment and supply issues as a result of the pandemic, similar to last year. Amendments are being drafted for agreements where a letter from the Department Director is not sufficient.
- Six companies were recommended for **termination**. Four of these were in default on their CRA Agreement and will be terminated should the default not be remedied. Two of the six terminations are projects where the development plans have changed or the property has been sold to a new developer.
- Eight agreements have expired and the projects have been closed.

Termination as a Result of Default (see UPDATE in Attachment I)

- JRS Interests I, LLC (2315 Park Avenue)
- Children United, LLC (Youthland Academy)
- 1526 Blair, LLC (1526 Blair Avenue)
- E Barg, LLC/Swewat, LLC (1738-40 Queen City Avenue)

Termination due to Change in Development Plans

- The Fortus Group, LLC (W. Liberty & Elm-Commercial Portion)
- Azeotropic Partners, LLC (1301 Walnut-Residential Portion)

Agreements that Expired in 2021

- BSG2, LLC (1404 Walnut)
- Base Operations, Inc. (1309 Main Street)
- BAM Realty Group, LLC (4426 Brazee Street)
- Burke, Inc. (500 W. 7th Street)
- Over-the-Rhine Community Housing (1500 Elm Street)
- Fay Limited Partnership (Fay Apartments)
- OTR Holdings, Inc. (Mercer Commons Garage)
- B-Side Landlord, LLC (13 W. 15th Street)

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 2022 TIRC

Minutes (Attachment I). The Administration recommends approval of these minutes and the recommendations therein.

Attachments: I. TIRC 2022 Meeting Minutes and Summary Report
II. 2022 TIRC Report – TIF Exemptions
III. 2022 TIRC Report – CRA Agreements
IV. Letter from CPS on PILOT Delinquencies

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