

City of Cincinnati

August 31, 2020

To: Mayor and Members of City Council

From: Paula Boggs Muething, Interim City Manager

Subject: **TAX INCENTIVE REVIEW COUNCIL STATUS OF PROPERTY TAX AGREEMENTS YEAR END 2019**

BACKGROUND:

The Tax Incentive Review Council (TIRC) held its annual meeting on June 25, 2020 to review the 2019 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) agreements. 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.

Attachment I reflects the minutes of the TIRC's 2020 Annual Meeting. Attachment II represents details of the 2019 year-end status of TIF Districts and TIF Projects. Attachment III represents details of the ORC 725 tax exemptions. Attachments IV, V, and VI reflect details of the 2019 CRA Tax Abatements.

PERFORMANCE OF TIF DISTRICTS AND TIF PROJECTS:

The TIRC is required to review Tax Incentive Financing Agreements created after 1994 including TIF Districts and TIF Projects. Attachment II entitled TIF Report to TIRC 2019 provides summary information on the 35 District TIFs and 56 Project TIFs. All companies with TIFs are in compliance with required service payments and these agreements are recommended for continuation.

PERFORMANCE OF URBAN RENEWAL TAX EXEMPTIONS (ORC 725):

The City Administration reported on tax exemptions authorized by ORC Chapter 725 and related to bonds for projects within defined Urban Renewal Areas. Like other TIF exemptions, these agreements authorize real property tax exemptions on 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.

In 2019, the City had eight active Urban Renewal agreements for projects undertaken in Urban Renewal Areas within Downtown, East End, and West End. These companies are compliant with their agreements and are recommended for continuation.

PERFORMANCE OF COMMERCIAL CRA AGREEMENTS:

During the 2019 period there were 315 active Commercial CRA agreements. A breakdown of the 2019 review and performance is outlined below and is also detailed in Attachments I and IV, V, and VI:

- 254 agreements are recommended for **continuation**.
- Thirty (30) agreements are recommended for **modification**. In all 30 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. Amendments are being drafted for agreements where a letter from the Department Director is not sufficient.
- Three companies are in default and are recommended for termination should the default not be remedied. One company has requested termination of its CRA Agreement due to changes in their development plans for the property. This Agreement was recommended for **termination**. Note that some of these exemptions have commenced so should the default not be remedied, DCED will submit a subsequent ordinance to City Council to repeal the exemptions.
- Three agreements have expired and the projects have been closed.

Termination by Request of Company

- Children's Hospital Medical Center

Termination as a Result of Default

- Elm Street Ventures, LLC
- CCM Realty Holding Company (Clifton Market)
- 100 Findlay, LLC

Agreements that Expired in 2019

- 4021 Eastern Avenue, LLC
- Race, Republic & Green, LLC
- Red Bank Crossing II, LLC
- Meyer Tool, Inc. (Expired in 2018) – There is the potential for Ratification of the Agreement for an adjacent property which may require City Council approval.

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 TIRC Minutes. The Administration recommends approval of these minutes and the recommendations therein.

Attachments: I. 2020 TIRC Meeting Minutes and Summary
II. TIRC Meeting Packet

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