

Tax Incentive Review Council

2020 Annual Meeting
June 25, 2020 at 3:00 p.m.
Two Centennial Plaza, 805 Central Avenue, 7th Floor
Griesel Conference Room
Cincinnati, Ohio 45202

Members & Designees (Attendees are Checked)

Attendee	Designation	Affiliation
✓ Greg Jarvis, Chair	For Dusty Rhodes	Hamilton County Auditor
✓ John Juech	For Patrick Duhaney	City of Cincinnati (Manager)
✓ Kathleen Colley	For Karen Alder	City of Cincinnati (Finance)
✓ Nathan Tyahur	For Jennifer Wagner	Cincinnati Public Schools

Other Attendees	Affiliation
✓ Michael Banish	City Staff – DCED
✓ Dan Bower	City Staff – DCED
✓ Kaitlyn Geiger	City Staff – Law
✓ Kira Palmer	City Staff - Planning

MINUTES OF THE 2019 TIRC MEETING

Mr. Jarvis called the meeting to order at 3:05pm and asked everyone to introduce themselves.

Mr. Jarvis praised City staff for the well-organized and detailed report provided in advance of the meeting.

Mr. Jarvis asked Michael Banish to review the TIRC's Purpose.

Michael Banish reviewed the Purpose and then introduced Dan Bower, Deputy Director, Department of Community and Economic Development.

Dan Bower reviewed the Tax Increment Financing Exemptions (ORC 5709.40 & 5709.41) and presented recommendations to continue all exemptions.

TIRC Recommendations – Motion by Ms. Colley, second by Mr. Tyahur, to approve recommendations for the Tax Increment Financing Exemptions. Motion carried unanimously.

Dan Bower reviewed the Urban Renewal Tax Exemptions (ORC 725) and presented recommendations to continue all ORC 725 Agreements.

TIRC Recommendations – Motion by Mr. Tyahur, second by Ms. Colley, to continue all Urban Renewal (ORC 725) tax exemptions. Motion carried unanimously.

Michael Banish reviewed the information about the Community Reinvestment Area (CRA) Program, results of recommendations made by the TIRC on the CRA Agreements in 2019, and recommendations for 2020. He also reviewed the CRA Agreements that expired in 2019, and the new Agreements that were approved by City Council in 2019 but have not yet been executed.

TIRC Recommendations – Motion by Mr. Tyahur, second by Ms. Colley, to accept the recommendations of the Administration on the active CRA Agreements. Motion carried unanimously.

Motion to adjourn made by Mr. Juech, second by Ms. Colley. Unanimous. Meeting adjourned at 3:35pm.

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 2019, the City of Cincinnati added 15 new TIF Districts for a total of 35. The initial 20 TIF Districts received a total of \$34,767,336 in statutory service payments and made expenditures totaling \$30,564,343.

The City had 58 Project TIFs in 2019, including 24 new Project TIFs approved by City Council in 2019, as authorized under Ohio Revised Code (ORC) Section 5709.40 and 5709.41. For the 21 Project TIFs receiving and distributing payments, there was a total of \$19,611,803 in revenue and \$14,442,623 in expenditure.

For the 43 TIFs with numbers at the time of legislation, the projects in aggregate project a total of \$1.5 billion in real estate investment, 2,057 retained jobs, and 5,245 created jobs. Through 2019, the City has received reports and estimates for 40 Project TIFs with an actual real estate investment of \$1,465,600,713 and a total number of jobs retained of 22 and a total number of jobs created of 5,879. (Note: These aggregate figures are based on both company reports and department estimates. The company-reported data is highlighted in green on the attached TIF Report spreadsheet. The City will continue to request data from these companies throughout the year.)

C. TIRC 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 2019, the City had eight 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. TIRC Recommendations on ORC 725 Exemptions

Staff recommends all current Urban Renewal Exemptions be continued.

Community Reinvestment Area Property Tax Abatement Program

A. Program Overview

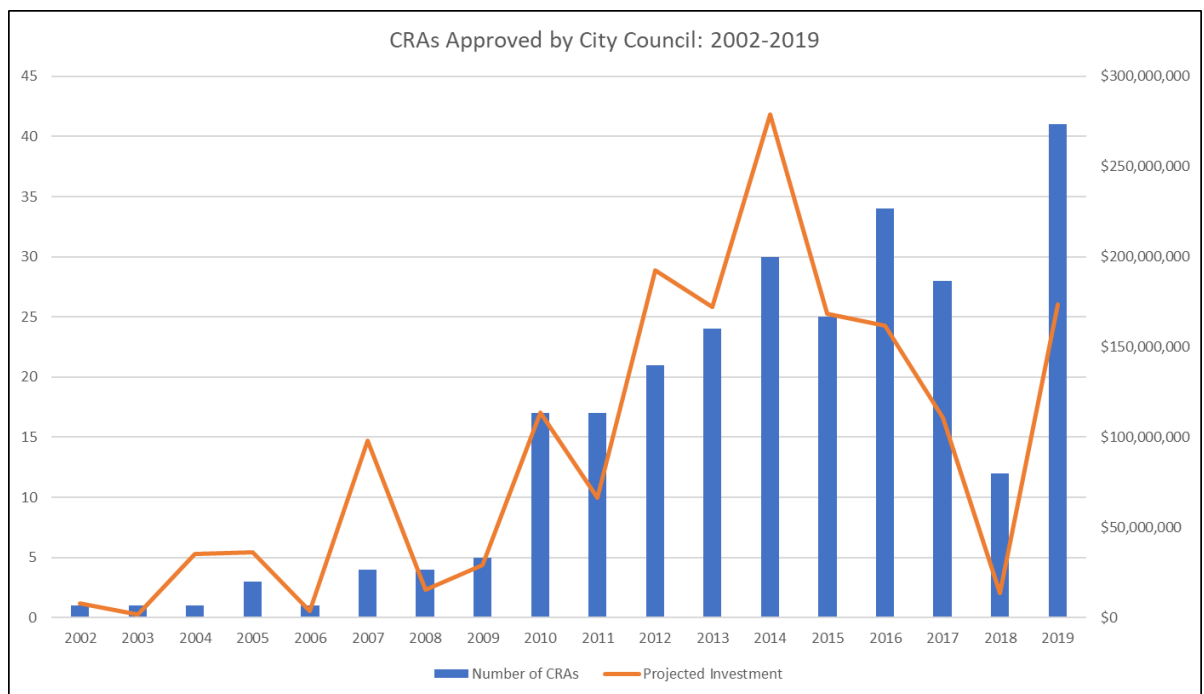
The City of Cincinnati offers a Community Reinvestment Area (CRA) tax abatement program to developers building or renovating a multi-family residential, commercial, industrial, or mixed-use facility. The following steps outline the process of approving a CRA and putting the tax abatement into effect:

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 Development Services Agency (ODSA).
6. The Company submits a completion application to DCED once construction is completed. (Companies with LEED CRA Agreements can submit their Completion Application without the LEED documentation and the City will hold the Application until the LEED documents are submitted.)
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 during the term of the abatement.

10. DCED submits an annual report on all agreements to ODSA in March and presents the information to the TIRC in June and City Council in September.

At the end of 2019, the City of Cincinnati had 315 active Commercial CRA agreements that had been approved by City Council, including 41 new agreements that were approved in 2019. Eighteen of the 2019 CRAs are in the process of being registered with the State and were not accounted for in the state report.

The following chart reflects the 315 CRA Agreements that are currently active and approved by City Council. These CRA Agreements reflect over \$1.9 billion in Projected Investment.



There have been no CRA Agreements approved by City Council so far in 2020.

B. Actions Taken on 2019 TIRC Recommendations

The following tables reflect actions taken by the City Administration based on TIRC recommendations from its 2019 meeting.

Table: 2019 Modifications Recommended and Actions Taken

Project Name	Organization Legal Name	2019 Status	Resolution
1725 Vine Street	Kauffman Vine, LLC	Extension Needed	Amendment Pending
Film Center	Film Center, LLC	Annual Report Delinquent	Report Submitted
Custom Pro Logistics	Custom Pro Logistics, LLC	Pending Completion Issues	Issues Pending
1301 Walnut-Commercial	Azeotropic Partners, LLC	Extension Needed	Amendment Pending
1209 Jackson Street	TINC, LLC	Extension Needed	Extension Letter Signed
1505 Vine Street	OTR Holdings, LLC	Pending Completion	Completion App Received
Stratford Apartments II	Stratford Court Apts. II	Extension Needed	Extension Letter Signed
Jet Machine Expansion	Wulfeck Family Partnership	Pending Completion	Submitted; Abatement Started
131 W. 15 th	OTR Holdings, LLC	Pending Completion	Submitted; Abatement Started
1607 Main Street	3MG Properties	Pending Completion	Completion App Requested
Williams YMCA	1228 McMillan, LLC	Extension Needed	Extension Letter Signed
1526 Blair Avenue	1526 Blair, LLC	Pending Completion	Submitted; Abatement Started
Strietmann Building	Grandin Company	Extension Needed	Amendment Executed
2415 Maplewood	Maplewood & Kinsey, LLC	Extension Needed	Amendment Executed
106 W. 7 th Street	Shihasi West 7, LLC	Extension Needed	Determined Unnecessary
111 Wellington Place	Wellington APT, LLC	New Owner	Assignment Executed
Clifton Market	CCM Realty Holding Company	Change in ownership; Delinquent Report, Fees and PILOT delinquency	New Owner Identified; Fees paid; Assignment pending PILOT payment

Table: 2019 Terminations Recommended and Actions Taken

Project Name	Organization Legal Name	2019 Status	Action
Q-Labs-1920 Radcliff Dr.	Radcliffe Holdings, LLC	Termination Requested	Terminated

C. 2019 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 315 active agreements, 283 annual reports have been submitted. Twelve of the active agreements were executed in 2020 so no 2019 Annual Report was due. One of the agreements is an historical CRA and no annual report is required. Two of the agreements are pending terminations (see below).

The department has contacted the companies representing the remaining 17 agreements about submitting the annual reports. Several have requested extensions due to the pandemic, and others have simply not responded. We will continue to

attempt to collect these reports for the remainder of the year. The department is allowing that the pandemic may be preventing some companies from accessing the data or resources needed to complete and submit their reports.

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. As of this writing, 253 2019 Annual Fee payments have been made. Of the remaining 62 outstanding, twelve are new (executed in 2020) and do not pay the 2019 Annual Fee. One is historical and no fee is required. Two are terminations (see below).

As with the annual reports, the department will continue to attempt to collect the remaining 17 annual fees due. The department is allowing that the pandemic may be keeping companies from being able to make these payments.

No terminations are recommended this year solely as a result of outstanding 2019 Annual Reports or Annual Fees.

D. Staff Review of Agreement Statuses for 2019

There were 230 completed projects representing a total estimated expenditure of \$1,510,552,550 and a company-reported expenditure of \$1,628,549,129, or 108% of the total estimated. Of the 25 projects completed in 2019, 19 were above 80% of their projected investment commitment. Expenditures for 11 projects were more than 100% of the estimated investment commitment.

There are 85 projects that are not completed as of this writing, representing a total estimated expenditure (projected investment) of \$401,132,056. Of these, 23 projects were expected to be completed by the end of 2019. One of these is a termination, nine have requested extensions, and the remaining 13 are working on their completion applications. All 85 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 315 active CRA Agreements is 8,834 jobs created. Companies with active CRA Agreements reported approximately 11,118 jobs created in 2019, with the largest jobs created figures reported by Fifth and Race, LLC; General Electric; and Medpace.

There are 4 companies in 2019 that are past their ramp-up period and have not met their job creation commitments by at least 80%. This reflects a total of 581 jobs not being created out of 2,168 created jobs committed by these companies. All four companies have suggested that market issues have affected their ability to hire the

number of people that they committed to hire. These market factors include construction delays, internal reorganizations, and a lack of tenants.

E. Staff Recommendations for 2019 Active CRA Agreements

The following table represents the staff recommendations for the 315 active CRA Agreements as of the end of 2019.

Recommendation	Status	Agreements
Continue-Compliant	Pending Completion	52
	Complete	202
Continue-Non-Compliant	Pending Completion	4
	Complete	19
Modify	Completion App Pending	17
	Extension Request Pending	13
Terminate	At company request	1
	In default	3
Expired	Expired in 2019	4
TOTAL		315

Continuations

Recommendations for Continue include 254 active agreements with companies that are compliant with the CRA Agreement. These recommendations also include 23 agreements whose companies are not compliant as a result of a delay in submitting 2019 Annual Reports or paying 2019 Annual Fees. Given the circumstances related to the pandemic, the department is allowing these 23 companies to Continue as non-compliant.

Modifications

Recommendations to Modify agreements 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. 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 permits.

Terminations

The following CRA Agreements are recommended for Termination:

- Children's Hospital Medical Center (Requested by Company) – The company changed its plans for the development of this property.
- Elm Street Ventures (In Default) – The company has not submitted 2019 Annual Report or Annual Fee and is past due 90+ days on the School Board PILOT payment. Several requests have been made for these obligations in the past year and there has been no response.
- CCM Realty Holding Company/Clifton Market (In Default) – Ownership transferred in 2018; new owner has not paid past due School Board PILOT payments and no assignment has been made as a result.
- 100 Findlay, LLC (In Default) – The company has not executed a School Board PILOT Agreement, has not paid the \$750 Ohio application fee, and completion is over a year late. Several attempts have been made over the past year to collect on these obligations. Promises have been made by the company to complete these requirements, but they are not kept.

Expirations

The following CRA Agreements expired at the end of 2019. No action from the TIRC is needed.

- 4021 Eastern Avenue, LLC (Expired in 2019)
- Race, Republic & Green, LLC (Expired in 2019)
- Red Bank Crossing II, LLC (Expired in 2019)
- 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.