

October 6, 2021

To: Members of the Budget and Finance Committee

From: Paula Boggs Muething, City Manager **202102890**

Subject: **Tax Incentive Review Council Status of Property Tax Agreements for Year End 2020**

BACKGROUND

The Tax Incentive Review Council (TIRC) held its annual meeting on June 24, 2021, to review the 2020 Period performance of companies granted property tax exemptions under Sections 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, tend to be used for large projects, and have longer terms.

Attachment I reflects the minutes of the TIRC's 2021 Annual Meeting and the Summary Report. Attachment II represents details of the 2020 year-end status of TIF Districts, TIF Projects, and ORC 725 Exemptions. Attachment III reflects details of the 2020 CRA Tax Abatements in four sections: General Information, Compliance Information, Construction Information, and Jobs Information.

PERFORMANCE OF TIF DISTRICTS AND TIF PROJECTS

The TIRC is required to review TIF Agreements created after 1994 including TIF Districts and TIF Projects. Attachment II entitled *TIF Report to TIRC 2020* provides summary information on the 35 District TIFs and 58 Project TIFs. All companies with TIFs are in compliance with required service payments and all of 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 2020, the City had ten 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 2020 period there were 327 active Commercial CRA agreements. A breakdown of the 2020 review and performance is summarized below and is also detailed in Attachments I and III:

- Two hundred ninety-four (294) agreements are recommended for **continuation**. (Note: One of these, Bond Hill Roselawn Senior Housing, L.P., was initially recommended for termination but resolved its issues before the TIRC meeting.)
- Twenty (20) agreements are recommended for **modification**. In all 20 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. Amendments are being drafted for agreements where a letter from the Department Director is not sufficient. (Note: One of these, JRS Interests I, LLC, was initially recommended for termination but was changed to modification when the company resolved issues with their obligations and requested an extension before the TIRC meeting.)
- Six (6) companies were in default of their CRA Agreement and were recommended for **termination** to the TIRC should the default not be remedied. All six of these companies have since remedied their defaults following the TIRC meeting. In addition, one company (The Fortus Group/Kean Ventures) has requested termination of its CRA Agreement due to changes in their development plans for the property; they have executed a new TIF Exemption for part of the project (West Liberty & Elm). This agreement was recommended for **termination**. Finally, one company, B-side Landlord, LLC, has converted the apartments on their property into condominium units, which are not eligible for a Commercial CRA, so the CRA Agreement will be **terminated**.
- Five (5) agreements have expired and the projects have been closed.

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

- *Elm Street Ventures, LLC*
- *SOLI Interests, LLC*
- *Urban Sites*
- *Knowlton Northside LP*
- *Marlowe Court, LP*

Termination at the Request of the Company

- *The Fortus Group, LLC*
- *B-side Landlord, LLC*

Agreements that Expired in 2020

- *Urban Legacy VIII, LLC (118 West 15th Street)*
- *NB CP Cincy, DST (McMillan Manor)*
- *Corryville Community Development Corporation (Stetson Square)*
- *Superior Honda (4777 Spring Grove)*
- *Uptown Rental Properties, LLC (260 East University)*

RECOMMENDATION

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 2021 TIRC Minutes. The Administration recommends approval of these minutes and the recommendations therein.

Attachments: I. 2021 TIRC Meeting Minutes and Summary
II. TIRC Detailed Report on TIF Exemptions and ORC 725 Exemptions
III. TIRC Detailed Reports on CRA Abatements

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