CITY OF
CLEVELAND
HEIGHTS

Community Reinvestment Area (CRA)

Presentation to Real Estate Brokers, Home Builders & Developers

November 28, 2018

Introductions

City Representatives:

- **Tim Boland**, Director of Economic Development
- **Brian Anderson**, Business Development Manager

Community Reinvestment Area Program

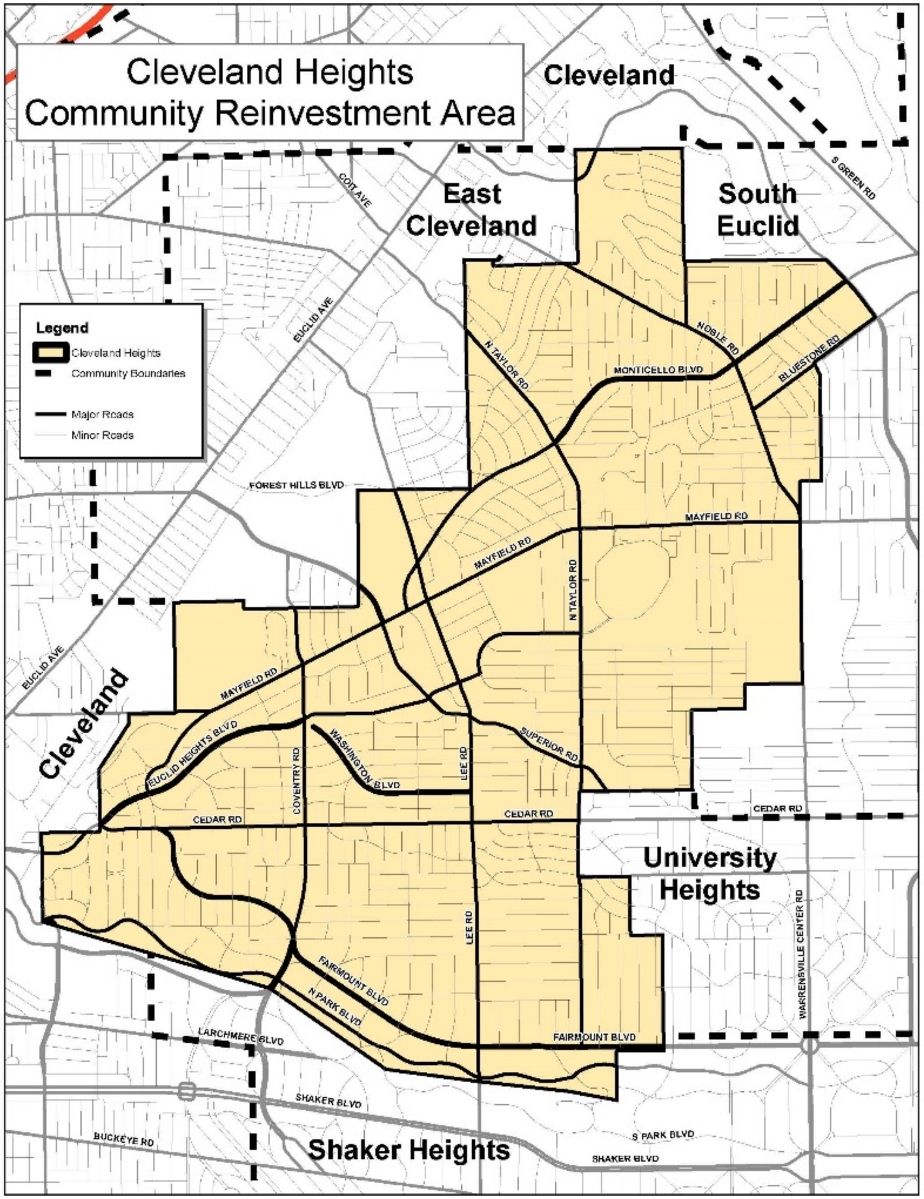
Ohio's CRA program is an economic development tool administered by Cities to provide **real property tax exemptions for property owners who renovate existing or construct new buildings**.

The State has approved the City's new Community Reinvestment (CRA) Program. Highlights of the CRA include:

- City-wide program;
- All development (new construction) and revitalization (remodeling) activities would be eligible;
- Creates a base level incentive throughout the City and tiered structure to offer higher, targeted incentives in parts of the City;
- New single-family (owner occupied) incentive terms based on Target Reinvestment Criteria;
- Commercial abatement granted and terms negotiated on a case-by-case basis.

Why Did the City Redesign Its CRA Program?

- To encourage/incentivize revitalization and investment in the City's existing housing stock:
  - Retain current residents who want to invest in or expand their homes;
  - Attract new residents looking to renovate an existing property or build new.
- Incentivize new commercial construction and redevelopment leading to increased economic activity and new job creation;
- Convert the City's previous 7 disconnected CRA's into a networked and highly competitive strategic program available City-wide;
- Convey the message that the City is "open for business."



Cleveland Heights
Community Reinvestment Area
Legend
Cleveland Heights
Community Boundaries
Major Roads
Minor Roads
Cleveland
East Cleveland
South Euclid
University Heights
Shaker Heights
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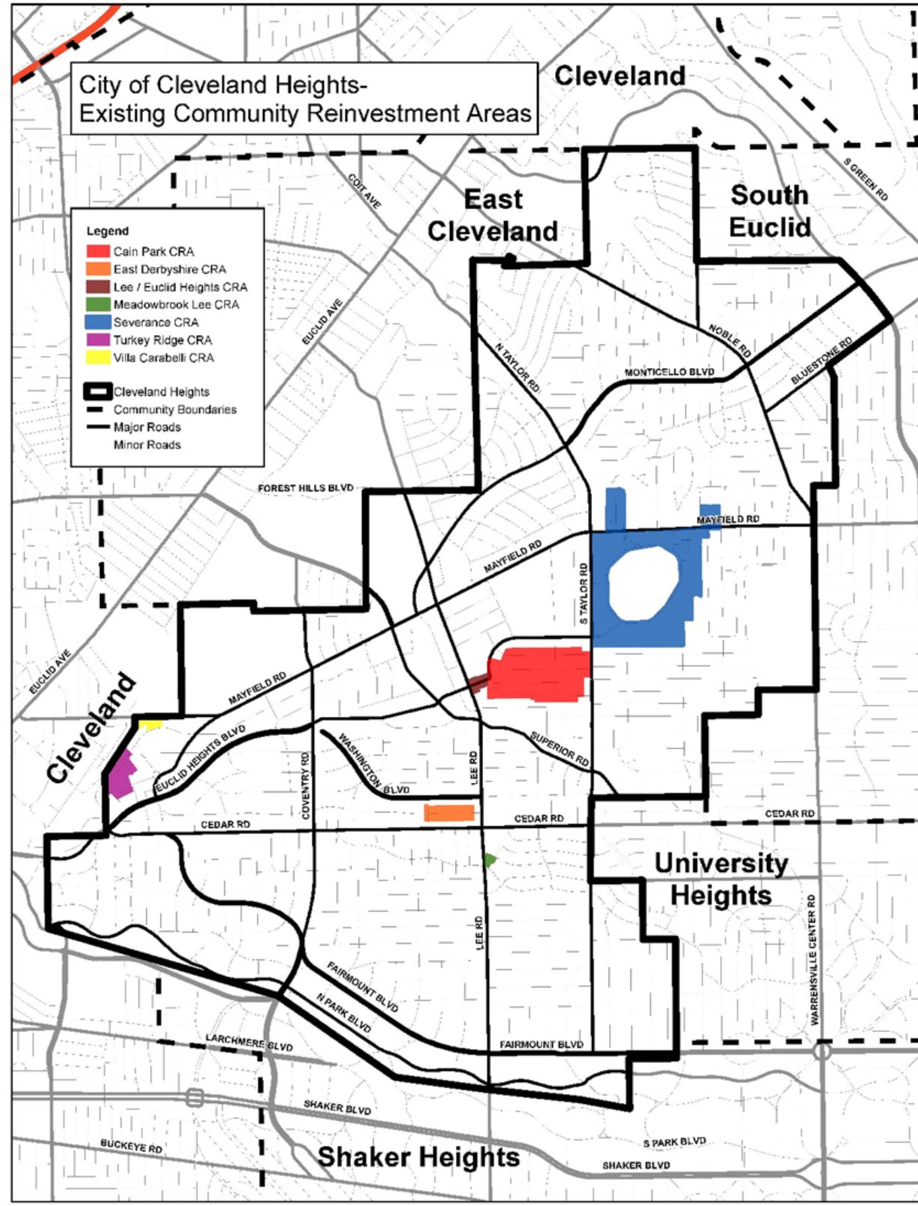

City of Cleveland Heights-
Existing Community Reinvestment Areas
Legend
Cain Park CRA
East Derbyshire CRA
Lee / Euclid Heights CRA
Meadowbrook Lee CRA
Severance CRA
Turkey Ridge CRA
Villa Carabelli CRA
Cleveland Heights
Community Boundaries
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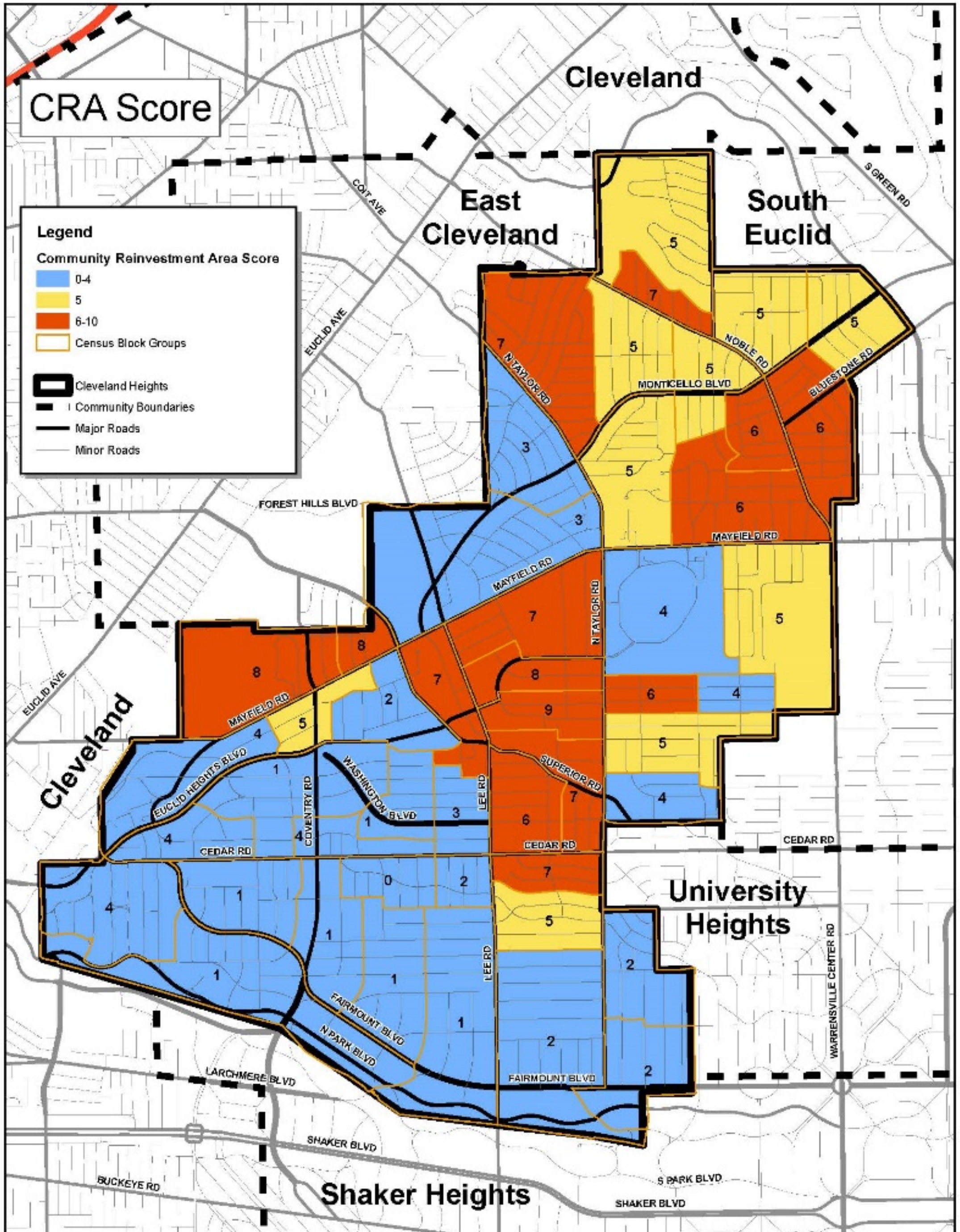
City-wide Community Reinvestment Area (CRA) Re-Design Ordinance - *DRAFT #11* 5/11/2018

Public Purpose: **New Construction**	**Term**	**%**
A. New single family residential building construction of owner occupied dwelling units:		
> Base level exemption	5	25%
(Improvement certified LEED "Silver" (CLS) level)		
> Base level exemption (CLS)	10	50%
> Meeting 5 target criteria (CLS)*	12	75%
> Meeting 6 or more target criteria (CLS)*	15	100%
**Refer to CRA Target Reinvestment Criteria Scoring Map*		
B. New two-family residential building construction of dwelling units:		
> Base level exemption	5	25%
(Improvement certified LEED "Silver" (CLS) level)		
> Base level exemption (CLS)	10	50%
> Meeting 5 target criteria (CLS)*	12	75%
> Meeting 6 or more target criteria (CLS)*	15	100%
C. Construction of new residential fee simple townhome or condominium structures (Improvement certified LEED "Silver" (CLS) level)		
Base level exemption	5	25%
Base level exemption (CLS)	7	65%
$400,000 /$1,600,000: per unit /plan investment (CLS)	10	100%
$400,000 /$4,000,000: per unit /plan investment (CLS)	15	100%
D. Construction of new residential multi-family dwelling units (Improvement certified LEED "Silver" (CLS) level)		
Min. $75,000 per unit or $1,500,000 project cost (CLS)	7	50%
Minimum Project investment of $3,000,000 (CLS)	10	100%
E. Construction of new mixed use, commercial, or industrial real property (Improvement certified LEED "Silver" level) Minimum project investment of $3,000,000 (Exemption Guidelines to be developed) ** School District Participation	Up to 15 years Negotiated** case-by-case basis	Up to 100% Negotiated** case-by-case basis

Public Purpose: **Remodeling of Existing Structures**	**Term**	**%**
F. Remodeling of single family residential buildings of owner occupied dwelling units: (Minimum remodeling cost - $10,000 per unit)		
Base level exemption	7	50%
Meeting 5 target criteria*	10	75%
Meeting 6 or more target criteria*	12	100%
*Refer to CRA Target Reinvestment Criteria Scoring Map		
G. Remodeling of two-family residential buildings of dwelling units: (Minimum cost - $10,000 per unit)		
Base level exemption	7	50%
Meeting 5 target criteria*	10	75%
Meeting 6 or more target criteria*	12	100%
*Refer to CRA Target Reinvestment Criteria Scoring Map		
H. Conversion of two-family homes to owner occupied single family homes, or attached SF homes or owner occupied condominiums; Conversion of two-family homes to owner occupied condominiums (Minimum remodeling cost - $25,000 per unit)	12	100%
I. Rehabilitation for residential dwelling units in a contributing building in NRHD or locally designated Historic Landmark - Follows SISR - minimum investment of $500,000 in rehab costs	10	100%
J. Remodeling construction activities to residential Multi-Family dwelling units		
Minimum $25,000 per unit or $500,000 project costs	7	50%
Minimum Project investment of $1,000,000	10	100%
K. Renovation construction activities to mixed use, commercial, or industrial real property Minimum Project investment of $1,500,000 (Exemption Guidelines to be developed) ** School District Participation	Up to 12 years Negotiated** case-by-case basis	Up to 100% Negotiated** case-by-case basis


CRA Score
Legend
Community Reinvestment Area Score
0-4
5
6-10
Census Block Groups
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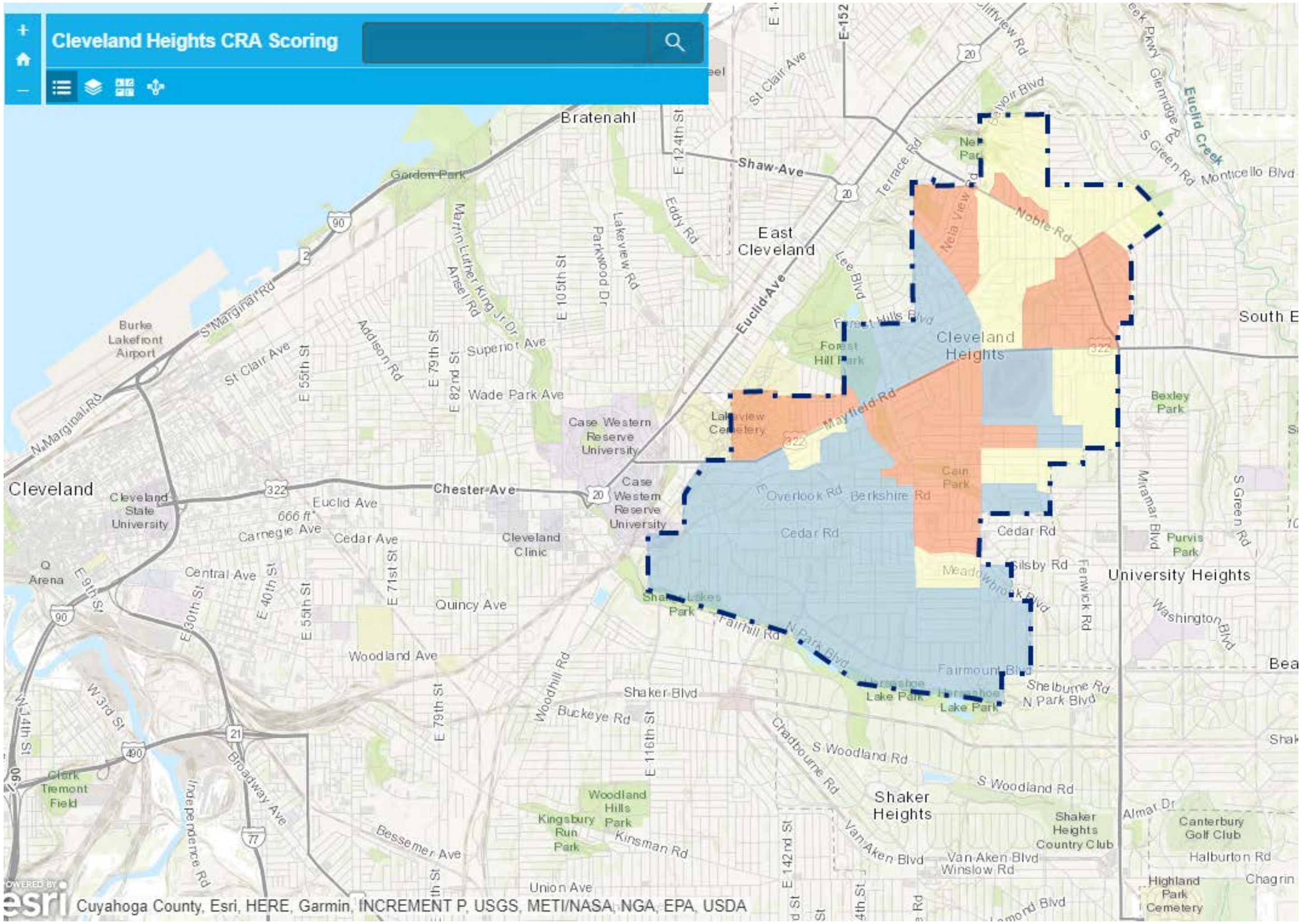
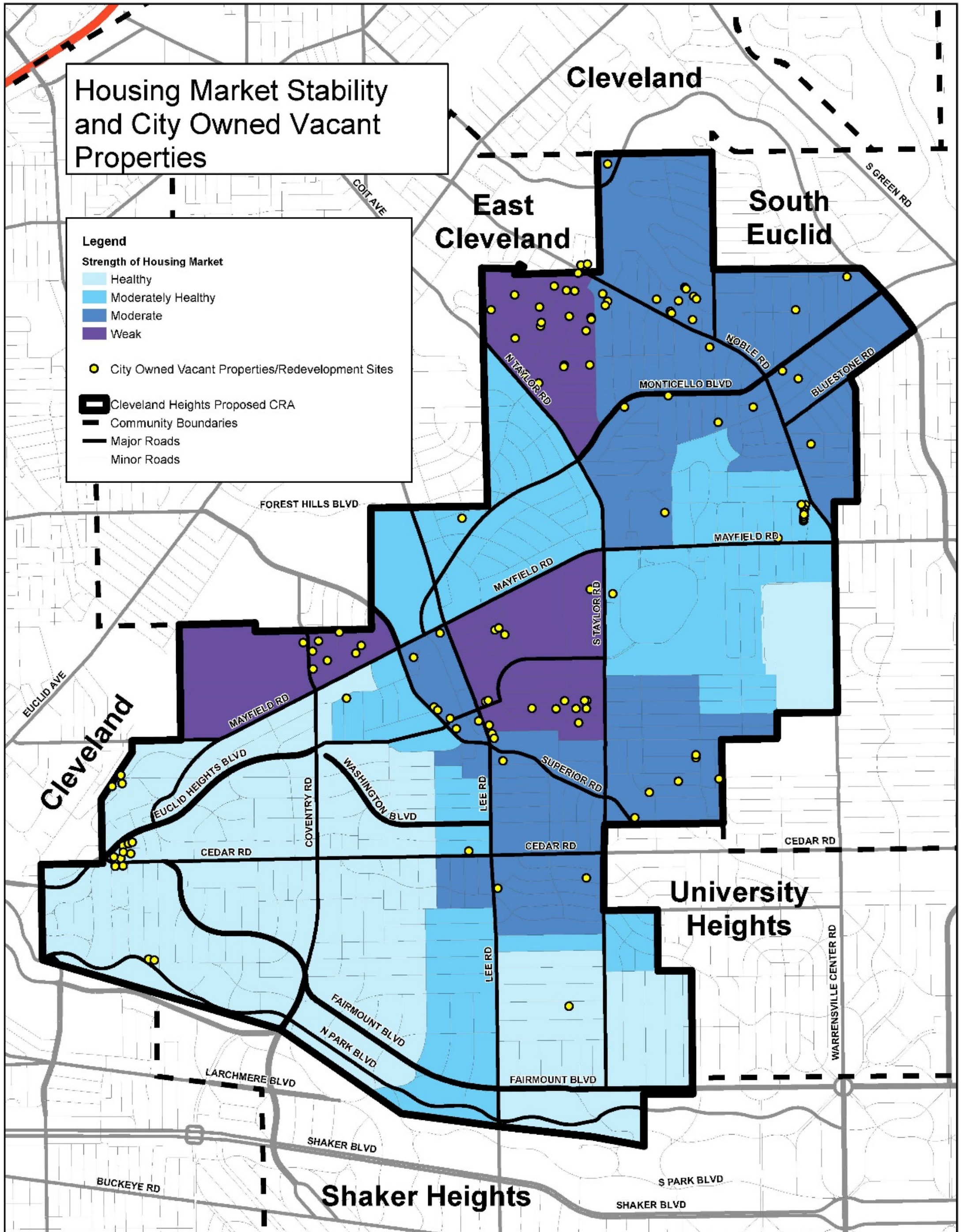
CRA Score Mapping Tool

www.clevelandheights.com/taxabatement



Existing Housing Characteristics

- 84.3% of the City's housing units were built prior to 1960;
- 55.9% were built prior to 1940;
- City currently has 115 City-owned vacant lots, 91 City/County Land Bank-owned properties, and 326 privately-owned vacant residential lots and 20 commercial vacant lots;
- City has structured the proposed City-wide CRA to spur reinvestment to modernize its existing housing and to redevelop entire neighborhoods.



Housing Market Stability and City Owned Vacant Properties
Legend
Strength of Housing Market
Healthy
Moderately Healthy
Moderate
Weak
City Owned Vacant Properties/Redevelopment Sites
Cleveland Heights Proposed CRA
Community Boundaries
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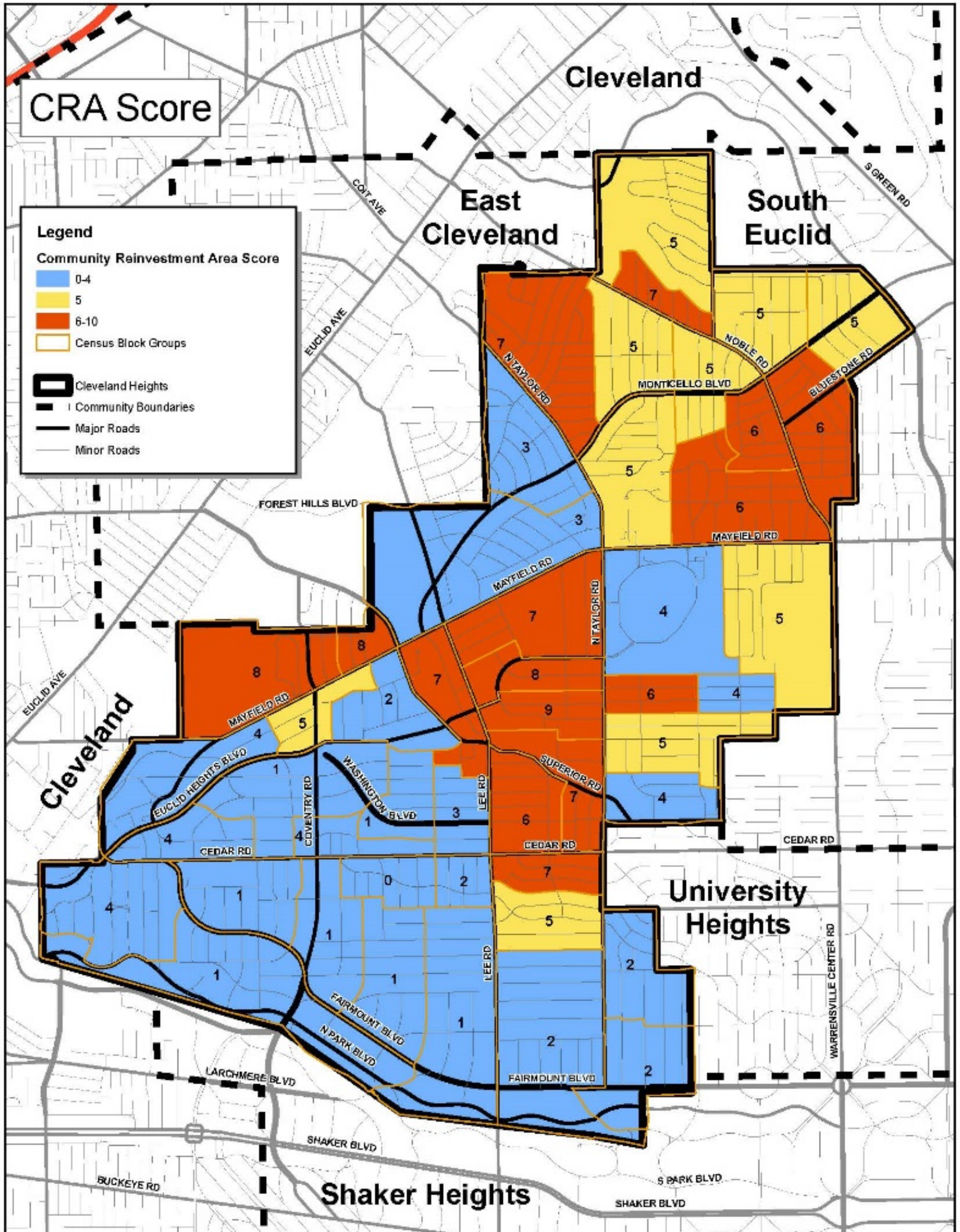
New Single Family Development

- Incentive terms and percentage of abatement based on Target Reinvestment Criteria
  - Declining property values
  - Owner occupancy rates
  - Housing values
  - Residential vacancy rates
  - National Register of Historic Places/local landmark designation
  - Median household income
  - CDBG designation eligible areas
  - Commercial vacancy rates
  - Housing market strength

CRA Incentives for Single Family New Construction

- Base level exemption – 25% tax abatement for five years;
- Higher levels of abatement are available for projects that receive sustainability requirement certification (SRC):
  - SRC is achieved through third-party verification that the project meets or exceeds the **US Green Building Council's LEED "Silver" level**, or a substantially equivalent rating system, including **Enterprise Green Communities, as developed by Enterprise Green Community Partners**, or the **National Association of Home Builders National Model Green Home Building Guidelines**.
- Base level exemption with SRC is 50% tax abatement for 10 years;
- Projects that achieve SRC and are located in an area with a CRA Score of 5 (see map) would receive a 75% tax abatement for 12 years;
- Projects that achieve SRC and are located in an area with a CRA score of 6-10 (see map) would receive a 100% tax abatement for 15 years;



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CRA Example – Single Family New Construction

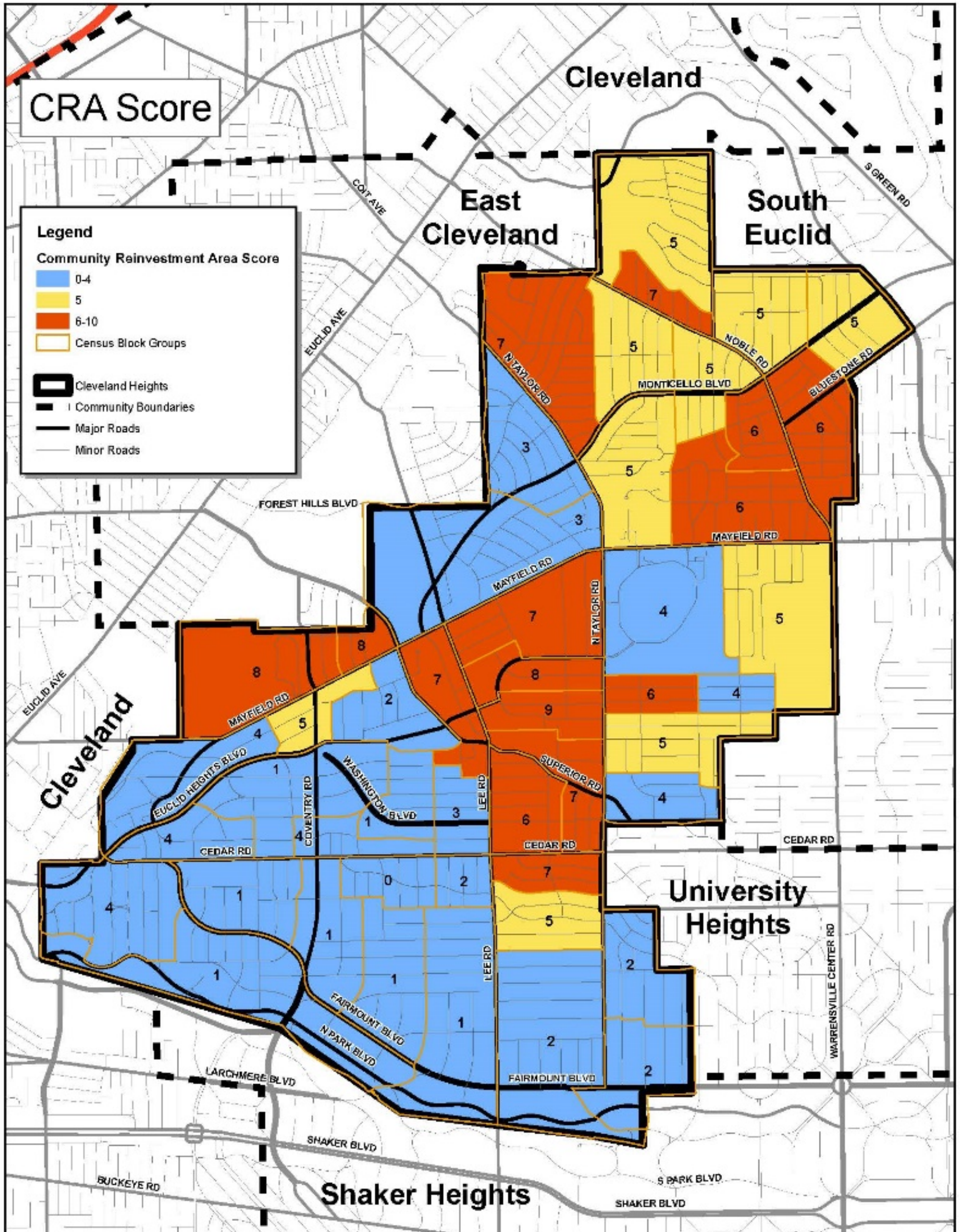
- Vacant lot value is $10,000;
- Construction of a new house results in the property being valued at $150,000;
- The base level exemption is a 25% tax abatement for five years. The property would be taxed at the baseline $10,000 value, and 25% of the additional $140,000 of value is abated for five years;
- In year 6, the property is taxed based on the full value of $150,000.

CRA Example – Single Family New Construction (cont.)

- The same project would qualify for a 10 year, 50% abatement if it receives sustainability requirement certification (SRC);
- The property would be taxed at the baseline $10,000 value, and 50% of the additional $140,000 of value is abated for 10 years;
- In year 11, the property is taxed based on the full value of $150,000.

CRA Example – Single Family New Construction (cont.)

- The same project would qualify for a 12 year, 75% abatement if it receives sustainability requirement certification (SRC) and is located in an area with a CRA Score of 5 (see map);
- The property would be taxed at the baseline $10,000 value, and 75% of the additional $140,000 of value is abated for 12 years;
- In year 13, the property is taxed based on the full value of $150,000.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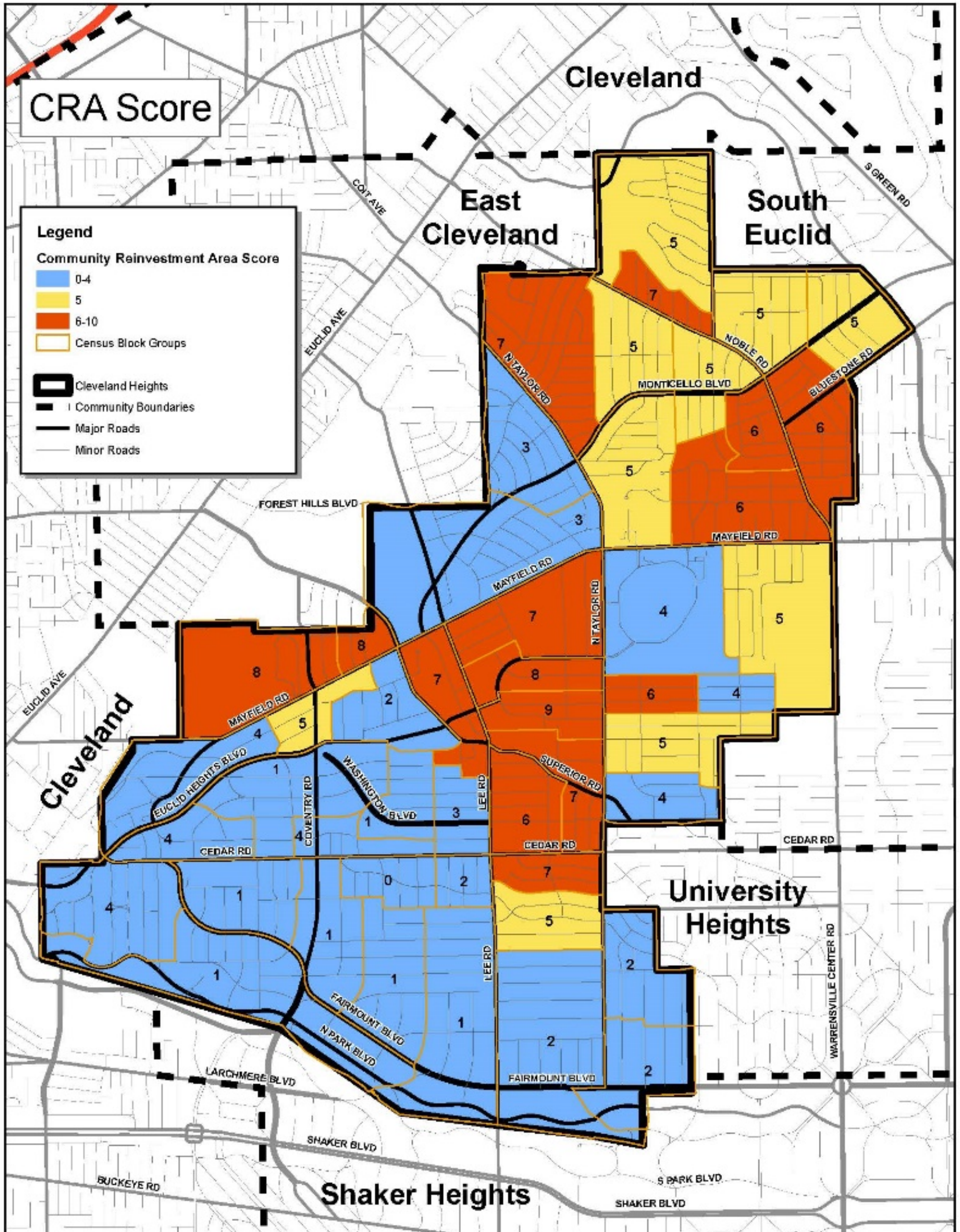
CRA Example – Single Family New Construction (cont.)

- The same project would qualify for a 15 year, 100% abatement if it receives sustainability requirement certification (SRC) and is located in an area with a CRA Score of 6-10 (see map);
- The property would be taxed at the baseline $10,000 value, and 100% of the additional $140,000 of value is abated for 15 years;
- In year 16, the property is taxed based on the full value of $150,000.



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CRA Incentives for Single Family Remodeling

- Requirements:
  - Owner occupied;
  - Minimum $10,000 investment.
- Base level exemption – 50% tax abatement for seven years;
- Projects located in an area with a CRA Score of 5 (see map) would receive a 75% tax abatement for 10 years;
- Projects located in an area with a CRA score of 6-10 (see map) would receive a 100% tax abatement for 12 years;

What Types of Improvements Qualify for CRA Abatement?

To qualify for an abatement, remodeling improvements must result in an increase in the assessed value of a residential property as determined by the County Fiscal Office. Examples of Improvements that MAY Qualify for Tax Abatement which Generally DO Increase the Assessed Value of a Residential Property:

- Adding additional living area
- Building a new or enlarged garage
- Installing an additional bathroom
- Adding a new porch
- Installing a stall shower
- Installing an indoor fireplace
- Remodeling a basement/attic into living space
- Gutting and renovating a home or apartment building

What Types of Improvements Typically Don’t Qualify for the CRA?

Examples of Improvements that LIKELY WILL NOT Qualify for Tax Abatement which Generally DO NOT increase the Assessed Value of a Residential Property:

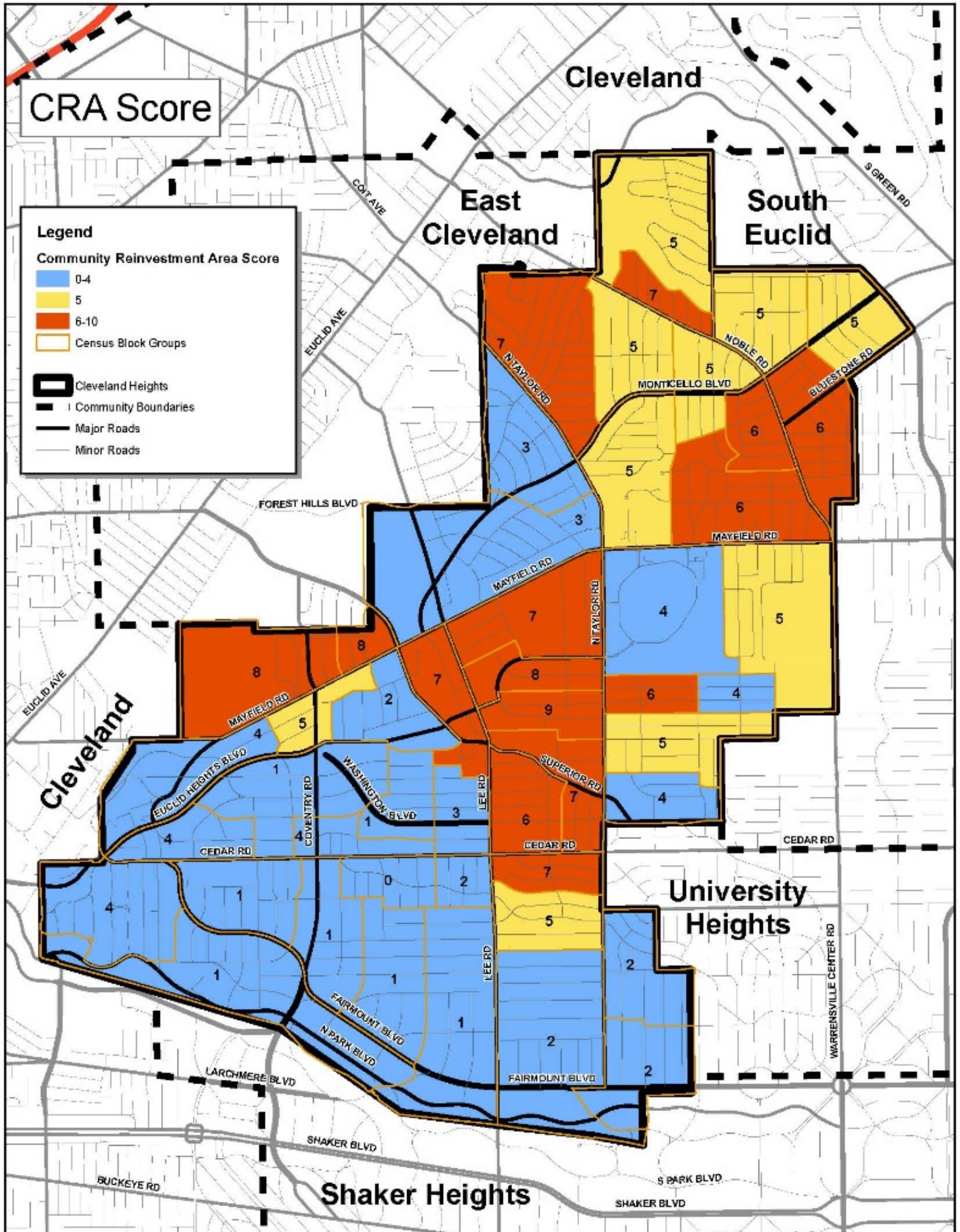
- New roof installation
- Aluminum siding installation
- Adding windows or doors
- Installing outdoor lighting
- Scraping and painting
- Install/repair/replace sidewalks
- Siding repair
- Adding / replacing gutters and downspouts
- Remodeling kitchens
- Resurfacing floors
- Replacing hot water heaters
- Replacing plumbing
- Adding closets, bookcases, cabinets, blinds
- Replacing wiring or complete rewiring
- Painting/wallpapering/redecorating
- Repairs and maintenance

CRA Example – Residential Remodeling

- Existing house value is $100,000;
- Additional construction increases the value by $50,000;
- The base level exemption is a 50% tax abatement for seven years. The property would be taxed at the baseline $100,000 value, and 50% of the taxes on the additional $50,000 of value is abated;
- In year 8, the property is taxed based on the full value of $150,000;
- Exemptions up to 12 years and 100% are available for remodeling based upon location (see map);
- To qualify for an abatement under the City's proposal, remodeling improvements must result in an increase in the assessed value of a residential property as determined by the County Fiscal Office.

CRA Example – Residential Remodeling (Cont.)

- The same remodeling project would qualify for a 10 year, 75% abatement if it is located in an area with a CRA Score of 5 (see map);
- The property would be taxed at the baseline $100,000 value, and 75% of the additional $50,000 of value is abated for 10 years;
- In year 11, the property is taxed based on the full value of $150,000.



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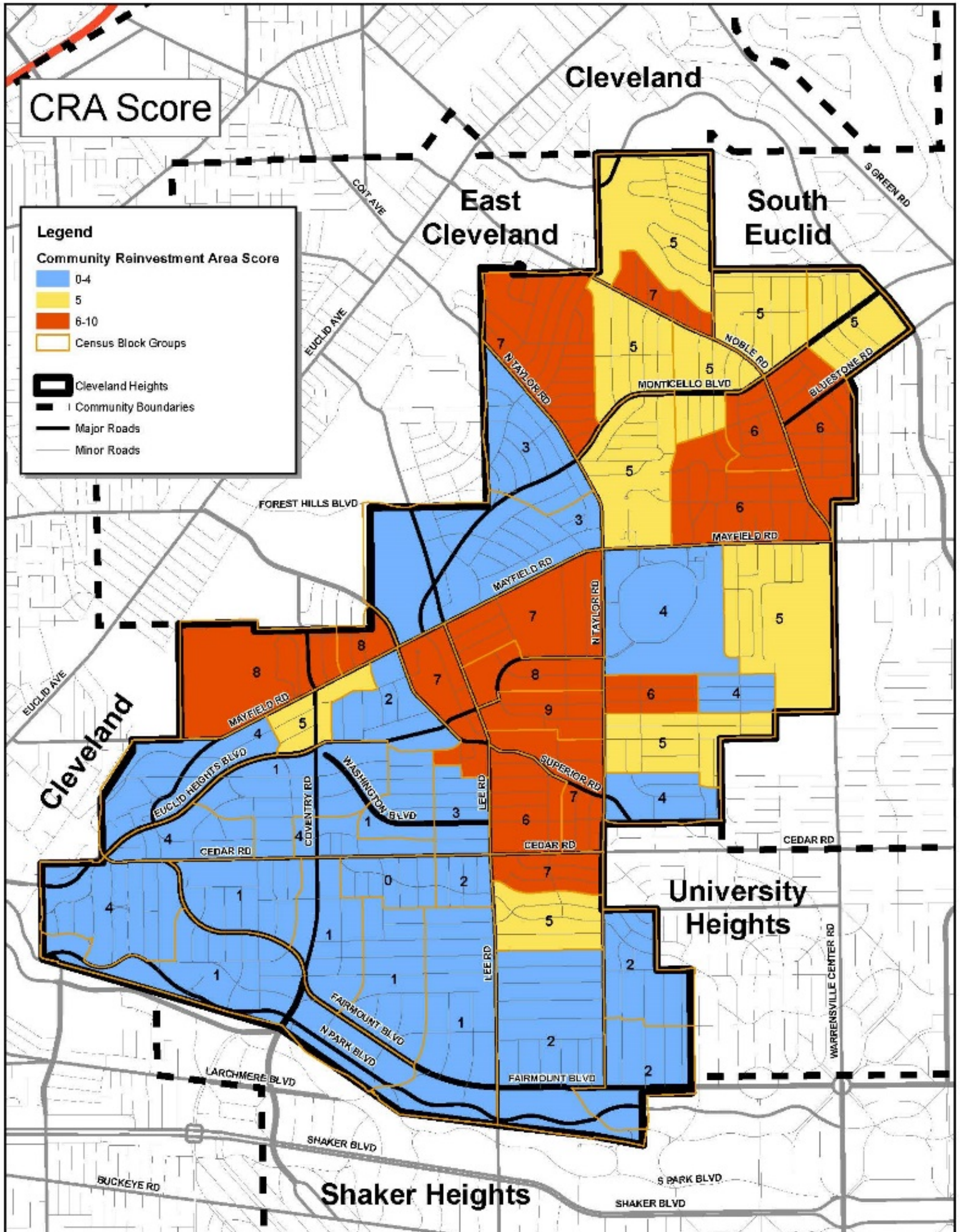
CRA Example – Residential Remodeling (Cont.)

- The same remodeling project would qualify for a 12 year, 100% abatement if it is located in an area with a CRA Score of 6-10 (see map);
- The property would be taxed at the baseline $100,000 value, and 100% of the additional $50,000 of value is abated for 12 years;
- In year 13, the property is taxed based on the full value of $150,000.



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Cleveland Heights Community Reinvestment Area

Residential Abatement Application & Approval Flow Chart

1. A. Applicant obtains a Building Permit for the proposed project.

   B. If seeking higher levels of abatement by meeting sustainability guidelines, third-party verification of a minimum of LEED "Silver" standards (or a substantially equivalent system) must be obtained.

2. Begin new construction or remodeling project.

3. Completion of new construction or remodeling activities, including all required inspection approvals and obtaining the appropriate certificate of occupancy.

4. Applicant completes and submits the Application for Tax Abatement to the Economic Development Department along with all required documentation.

5. Application is reviewed by the City for completeness.

6. Once application is confirmed as complete, a confirmation letter is sent to the Applicant and a copy to the Cuyahoga County Fiscal Office.

7. County conducts field inspection of the property, and value, if appropriate, will be added to the property and tax adjustments made accordingly.

8. The City certifies to the County of the period and percentage of the exemption the project qualifies for.

CRA Example – New Commercial Construction

- Existing vacant property value is $100,000;
- Total project investment $3,000,000 (minimum required);
- City reviews project and negotiates a CRA agreement;
- Program allows for exemptions up to 15 years and 100%;
- Sustainability requirement certification is required for all new construction exemptions;
- CRA agreement must be reached before work associated with the project begins.

CRA Example – Commercial Renovation

- Existing property valued at $500,000;
- Total project investment of $250,000 (minimum required);
- City reviews project and negotiates a CRA agreement;
- Program allows for exemptions up to 12 years and 100%;
- CRA agreement must be reached before work associated with the project begins.

Cleveland Heights Community Reinvestment Area

Commercial/Mixed-Use Abatement Application & Approval Flow Chart

1. Applicant obtains and completes CRA application.
2. City determines if there are any eligibility concerns or relocation uses.
3. City assembles "negotiation committee" to determine if tax exemption is warranted, and if so, how much exemption is appropriate.
4. City creates a draft CRA agreement in accordance with the ORC and local legislation.
5. If necessary, relocation notices are sent out to affected communities.
6. The affected school boards are provided written notice of the intent of the City to enter into a CRA agreement. This letter may ask for the affected school boards' consent if it is required.
7. City may enact a resolution or ordinance that approves granting of a tax exemption and authorizes a local official to sign the CRA agreement.
8. The agreement is executed by all the relevant parties.
9. All relevant materials related to the agreement are sent within 15 days of the passage of legislation to the State (including application fee) to the State.
10. The State shall review the information and enter the agreement into its system and notify the City's CRA Housing Officer that the agreement has been entered.
11. City shall submit a copy of the CRA agreement to the County Fiscal Office and order that property be placed on the non-taxable list in accordance with the CRA agreement.
12. The business may begin construction of the facility.

Questions?

Thank you!

For more information, visit:
www.clevelandheights.com/taxabatement

You may also direct questions to:
Tim Boland, Economic Development Director at (216) 291-4857 and tboland@clvhts.com