

OHIO COMMUNITY REINVESTMENT AREA PROGRAM – SUMMARY

Community Reinvestment Areas are areas of land in which property owners can receive tax incentives for investing in real property improvements. The Community Reinvestment Area (CRA) Program is a direct incentive tax exemption program benefiting property owners who renovate existing or construct new buildings. This program permits municipalities or counties to designate areas where investment has been discouraged as a CRA to encourage revitalization of the existing housing stock and the development of new structures.

The Ohio CRA Program should not be confused with the federal Community Reinvestment Act which requires lending institutions to lend within their service area. Ohio's CRA Program was created to promote the revitalization of areas where investment has been discouraged by offering property tax exemptions for any increased property valuation that would result from renovation of existing structures or new construction activities within the area. The program can be used to encourage historic preservation, residential rehabilitation or new residential construction and/or as an economic development tool to encourage commercial and industrial renovation or expansion and new construction.

The CRA Program was created in 1977. The program underwent major revisions in 1994. In fact, there are two types of CRAs in Ohio - those created prior to July 1, 1994 and those after. The regulations governing each type vary considerably. In each case however, the local legislative authority with jurisdiction over the designated area determines the size, the number of areas as well as the term and extent of the real property exemptions.

A municipality or county must undertake a Housing Survey of the structures within the area proposed as a CRA. The results of the survey must support the finding that the area is one in which housing facilities are located and that new construction and renovation is discouraged. The local legislation creating the CRA must contain a statement of finding that the area included in the description is one in which "housing facilities or structures of historical significance are located and new housing construction and repair of existing facilities or structures are discouraged."

All property owners meeting the requirements set forth in the local legislation and planning to undertake a real property improvement can apply to the housing officer designated by the local legislative authority. In Pre July 1, 1994 CRAs the application is made after the improvements have been completed unless otherwise stipulated within the CRA's creation legislation. In Post July 1, 1994 CRAs residential applications are filed at construction completion, but projects involving commercial or industrial facilities must apply before the project begins. The term of the exemption for all Pre July 1, 1994 CRAs is as stipulated within the local legislation. Residential projects in CRAs created after July 1, 1994 receive the percentage and term of the exemption specified within the authorizing legislation. In all commercial and industrial projects in CRAs created after July 1, 1994 the exemption percentage and term are to be negotiated between the property owner and the local legislative authority. An agreement meeting the standards set forth in Ohio Revised Code Section 3735.671 must be finalized prior to the commercial or industrial project going forward. Local municipalities or counties can determine the type of development to be supported by the CRA Program by specifying the eligibility of residential, commercial and/or industrial projects. The CRA Program is a permanent tax exemption incentive program, which does not have a sunset provision. Local legislative authorities may wish to include an annual review or renewal clause to ensure the program is meeting expectations. The local legislative authority must designate a Housing Officer to review applications and to serve as the program lead. In addition, the local legislative authority must create a Tax Incentive Review Council to review performance on all agreements and projects.

** The exemption percentage and term for commercial and industrial projects are to be negotiated on a project specific basis. Note that all commercial and industrial CRA agreements must ensure that at least 50% of the amount of the taxes estimated that would have been charged on the improvements if the exemption had not taken place are made up by other taxes or payments available to the school district. Upon notice of a project which does not meet this standard, the board of education may approve the project even though the new revenues do not equal at least 50% of the projected taxes prior to the exemption.

While the CRA Program is primarily a housing oriented incentive, it does have considerable value as an economic development tool. It is extremely important for both property owners and local governments to realize the significance of the local authorization date. Of importance, all CRAs created after July 1, 1994 must receive confirmation from the Director of the Ohio Department of Development prior to formally granting a real property tax incentive.

In a municipality which has a local income tax, any project which will generate a new annual payroll of one million dollars or more, the municipality and the board of education must negotiate a revenue sharing agreement outlining the manner and procedure of the agreed upon compensation. If no agreement is reached within six months of the finalization of the CRA Agreement, then the income tax revenues generated by the new employees will be split 50/50 between the municipality and board of education. This provision applies to both CRAs created after July 1, 1994 and those created

prior to July 1, 1994 unless the project was formally recognized by the local legislative authority prior to July 1, 1994 and will be completed by July 1, 1998.

The CRA Program includes many notice requirements. The Housing Officer must notify the affected board of education a minimum of 14 days prior to certifying any residential, commercial and industrial project to the County Auditor for exemption in a CRA created prior to July 1, 1994. In CRAs created after July 1, 1994, notice of all commercial and industrial projects must be given to the affected board of education a minimum of 14 days prior to the formal review of the agreement by the local legislative authority. Notice for residential applications are required 14 days prior to the certification of the exemption to the County Auditor. Note that if a CRA Agreement is proposed which does not meet 50% new revenue requirement, than the local legislative authority must request the board of education's approval a minimum of 30 days prior to the scheduled local legislative review. Any project which includes the relocation of any or all of the operations of another facility located within the state of Ohio must provide the local legislative authority of the county or municipality from which the relocation will occur notice a minimum of 30 days prior to the formal review or approval of the CRA Agreement. The formal notice must include a copy of the agreement to be considered.

Note that while CRAs created prior to July 1, 1994 are "grandfathered" and many of the new CRA provisions do not apply, this exclusion is limited in both time and applicability. A Pre July 1, 1994 CRA can amend its authorizing legislation twice and still fall within the old rules. An amendment can only extend the life of a CRA for a maximum of 5 years. Any third amendment or extension beyond 10 years would impose the new CRA rules on that area.

For more information please review Ohio Revised Code Sections 3735.65-70 or contact the Ohio Department of Development, *Office of Tax Exemption Incentives* at (614) 644-8360.