

Ordinance No. 482-2022

By Council Members Hairston and Griffin
(by departmental request)

AN EMERGENCY ORDINANCE

Establishing three areas encompassing the entire City of Cleveland as Community Reinvestment Areas under Section 3735.65 et seq. of the Ohio Revised Code, and making certain findings and determinations in connection with the Community Reinvestment Areas.

WHEREAS, Section 3735.65 et seq. of the Ohio Revised Code authorizes municipalities to designate Community Reinvestment Areas where certain criteria have been met; and

WHEREAS, the City of Cleveland is an area in which housing facilities or structures of historical significance are located, and new construction and repair of existing facilities or structures are discouraged; and

WHEREAS, The Ohio Constitution, Article VIII, Section 16, has recognized Housing to be a proper public purpose and programs to promote housing to be in the public interest; and

WHEREAS, this ordinance constitutes an emergency measure providing for the immediate preservation of public property, health, and safety, in that creating three Community Reinvestment Areas will encourage housing development and providing for the usual daily operation of a municipal department; now, therefore,

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF CLEVELAND:

Section 1. That based upon information and data presented to this Council and contained in **File No. 482-2022-A**, it is found and determined that the City of Cleveland is an area in which housing facilities or structures of historical significance are located and new construction and repair of existing facilities or structures are discouraged.

Section 2. That the area within the municipal boundaries of the City of Cleveland, as depicted on the zoned boundary map contained in the above-mentioned file, is divided into three designated Community Reinvestment Areas under Section 3735.65 et seq. of the Revised Code.

Section 3. That Community Reinvestment Area #1, the Strong Market Area (“CRA #1”), Community Reinvestment Area #2, the Middle Market Area (“CRA #2”), and Community Reinvestment Area #3, the Opportunity Area (“CRA #3”) (jointly the “CRAs”) are areas where the construction of new residential and commercial structures and the remodeling of existing residential and commercial structures are declared to be a public purpose for which exemptions from real property taxation shall be granted in the following manner in accordance with Section 3735.67 of the Revised Code:

From the date of passage of this Ordinance until May 31, 2023,

(a) The owner of any such real property in the CRAs may file an application with the Housing Officer for an exemption from real property taxation for a period of 15 years for 100% of the assessed taxes for new construction projects consisting of one and two family residential properties and multi-family residential structures consisting of three or more units.

(b) The owner of any such real property in the CRAs may file an application with the Housing Officer for an exemption from real property taxation for a period of 15 years for 100% of the assessed taxes for the remodeling of existing multi-family residential structures consisting of three or more units where remodeling costs are greater than \$15,000 per unit or \$500,000 per structure.

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(c) The owner of any such real property in the CRAs may file an application with the Housing Officer for an exemption from real property taxation for a period of 15 years for 100% of the assessed taxes for the remodeling of one and two family residential properties where remodeling costs are greater than \$2,500.

(d) For mixed-use projects, defined as those containing both residential and commercial components, only the residential component is eligible for tax abatement in accordance with the approved schedule.

An owner who has submitted a Part-One Application with the City and Schematic Drawings as approved by the City on or before May 31, 2023 will remain eligible for the above abatement schedule.

From June 1, 2023 until the sunset date exemptions from real property taxation shall be granted in the following manner:

(e) The owner of any restricted affordable housing, where all units are affordable at 80% Area Median Income (“AMI”) or below for a minimum of 15 years, in the CRAs may file an application with the Housing Officer for an exemption from real property taxation for a period of 15 years for 100% of the increased assessed taxes not to exceed \$350,000.00 for new construction projects consisting of one, two, and three family residential properties.

(f) The owner of any restricted affordable housing, where all units are affordable at 80% AMI or below for a minimum of 15 years, in the CRAs may file an application with the Housing Officer for an exemption from real property taxation for a period of 15 years for 100% of the increased assessed taxes not to exceed \$350,000.00 for the remodeling of existing one, two, and three family residential structures where remodeling costs are greater than \$5,000 per structure.

(g) The owner of any non-restricted housing in (i) CRA #1 may file an application with the Housing Officer for an exemption from real property taxation for a period of 15 years for 85% of the increased assessed taxes not to exceed \$350,000.00, (ii) CRA #2 may file an application with the Housing Officer for an exemption from real property taxation for a period of 15 years for 90% of the increased assessed taxes not to exceed \$350,000.00, and (iii) CRA #3 may file an application with the Housing Officer for an exemption from real property taxation for a period of 15 years for 100% of the increased assessed taxes not to exceed \$350,000.00 for new construction projects consisting of one, two, and three family residential properties.

(h) The owner of any non-restricted housing in (i) CRA #1 may file an application with the Housing Officer for an exemption from real property taxation for a period of 15 years for 85% of the increased assessed taxes not to exceed \$350,000.00, (ii) CRA #2 may file an application with the Housing Officer for an exemption from real property taxation for a period of 15 years for 90% of the increased assessed taxes not to exceed \$350,000.00, and (iii) CRA #3 may file an application with the Housing Officer for an exemption from real property taxation for a period of 15 years for 100% of the increased assessed taxes not to exceed \$350,000.00 for the remodeling of one, two, and three family residential properties where remodeling costs are greater than \$5,000.

(i) Commercial is defined as multi-family housing consisting of four or more units and includes the residential component only of mixed-use projects containing both residential and non-residential components.

(j) The owner of any commercial real property in the CRAs may file an application with the Housing Officer and shall be eligible for an exemption from real

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property taxation for a period of up to and including 15 years and up to and including 100% of the increased assessed taxes for new construction which must be negotiated on a case-by-case basis in advance of construction occurring according to the rules outlined in Section 3765.67 of the Revised Code. The results of the negotiation as approved by this Council will be set in writing in a Community Reinvestment Area Agreement as outlined in Section 3735.671 of the Revised Code. The Agreement must require that the owner comply with the Codified Ordinances of Cleveland, Ohio, 1976, Chapters 187, 188, and 189 and must include a requirement that the owner set aside affordable units in accordance with the table attached in the above-mentioned file. The Agreement may waive the set aside requirements in the event the owner makes a voluntary payment in accordance with the table.

(k) The owner of any commercial real property in the CRAs may file an application with the Housing Officer and shall be eligible for an exemption from real property taxation for a period of up to 15 years and up to and including one hundred percent (100%) of the increase in the assessed valuation resulting from the remodeling of existing multi-family commercial structures consisting of four or more units where remodeling costs are greater than \$15,000 per unit or \$500,000 per structure for the activities described in Section 3735.67 of the Revised Code, and which must be negotiated on a case-by-case basis in advance of remodeling occurring according to the rules outlined in the ORC Section 3735.67. The results of the negotiation as approved by this Council will be set in writing in a Community Reinvestment Area Agreement as outlined in Section 3735.671 of the Revised Code. The Agreement must require that the owner comply with the Cleveland Codified Ordinances Chapters 187, 188, and 189 and must include a requirement that the owner set aside affordable units in accordance with the table placed in the above-mentioned file. The Agreement may waive the set aside requirements in the event the owner makes a voluntary payment in accordance with the table.

(l) Notwithstanding the provisions of (a) through (k) above, for any residential or commercial property that has been determined to be a dwelling structure of historical or architectural significance, and is a certified historic structure that has been subject to federal tax treatment under 26 U.S.C. 47 and 170(h), as amended, and in which units within the structure have been leased to individual tenants for five consecutive years, and which dwelling is being converted from for-rent to for-sale, and for which an exemption has previously been granted, the owner of such dwelling may apply for an extension of the exemption period for an additional period of 10 years from the date of the approval of application for extension. The exemption from real property taxation for the new 10-year period shall be for 100% of the assessed taxes for the difference in value between the County Auditor's value of the unit before abatement at the time of condominium conversion and the for-sale value following the conversion. The owner must amend any existing Agreement with the City prior to being granted the extension.

Section 4. That all owners of real property in the CRAs that file an application with the Housing Officer for an exemption from real property taxation, must demonstrate that new construction or remodeling meets the City's Cleveland Green Building Standard found in the *Cleveland Green Building Standard Handbook*, effective December 5, 2017, and which may be amended or updated from time to time by the Department of Community Development, in order to be eligible for residential or commercial tax abatement.

Section 5. That all commercial projects are required to comply with the state application fee requirements of Section 3735.672 (C) of the Revised Code and the local annual monitoring fee of one percent of the amount of taxes exempted under the agreement a minimum of \$500 up to a maximum of \$2500 annually unless waived.

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Section 6. That the Commissioner of Neighborhood Development for the City of Cleveland shall serve as Housing Officer, as defined by Section 3735.65 et seq. of the Revised Code, for the Community Reinvestment Areas described above and shall administer all activities carried out under Section 3735.65 et seq. of the Revised Code and this ordinance.

Section 7. That a Housing Council shall be appointed for the Community Reinvestment Areas under Section 3735.69 of the Revised Code, and the City of Cleveland has previously established the Housing Council that will continue to serve as the Housing Council for these Community Reinvestment Areas, and shall make an annual inspection of the properties within the Area for which abatements have been granted and shall hear appeals under Section 3735.70 of the Revised Code.

Section 8. That a Tax Incentive Review Council shall be established pursuant to Section 5709.85 of the Revised Code, and the City of Cleveland has previously established the Tax Incentive Review Council that will continue to serve as the Tax Incentive Review Council for these Community Reinvestment Areas, and shall consist of the chief executive officer or that officer's designee; a member of the legislative authority of the municipal corporation, appointed by the president of the legislative authority; the county auditor or the county auditor's designee; the chief financial officer of the municipal corporation or that officer's designee; an individual appointed by the board of education of each city, local, exempted village, and joint vocational school district to which the instrument granting the exemption applies; and two members of the public appointed by the chief executive officer of the municipal corporation with the concurrence of the legislative authority. At least four members of the council shall be residents of the municipal corporation, and at least one of the two public members appointed by the chief executive officer shall be a minority. As used in this section, a "minority" is an individual who is African-American, Hispanic, or Native American. The Tax Incentive Review Council shall review annually the compliance of all agreements involving the granting of exemptions for commercial real property improvements under Section 3735.671 of the Revised Code and make written recommendations to City Council as to continuing, modifying, or terminating the agreement based upon the performance of the agreement.

Section 9. That under Section 3735.68 of the Revised Code, the City may terminate the residential tax exemption after the first year if the Housing Officer finds that the property is not being properly maintained or repaired due to the neglect of the owner or that the property taxes have become delinquent; and once terminated shall not reinstate the tax exemption. The Housing Officer shall include this requirement on the application for tax exemption signed by the applicant.

Section 10. That under Section 3735.68 of the Revised Code, the City, upon receiving a recommendation from the Tax Incentive Review Council, may terminate the commercial tax exemption after the first year if the Housing Officer finds that the property is not being properly maintained or repaired due to the neglect of the owner, that the property taxes have become delinquent, or that the property owner is in default of the terms of the written agreement; and once terminated shall not reinstate the tax exemption. The Housing Officer shall include this requirement on the application for tax exemption signed by the applicant.

Section 11. That the Community Reinvestment Areas described in this ordinance shall expire on June 4, 2027.

Section 12. That Section 4a of Ordinance No. 1776-A-90, passed April 22, 1991, as amended by Ordinance No. 960-99, passed June 7, 1999, Ordinance No. 2093-99,

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passed December 13, 1999, Ordinance No. 1341-01, passed August 15, 2001, Ordinance No. 849-02, passed June 10, 2002, Ordinance No. 550-03, passed May 12, 2003, Ordinance No. 1757-06, passed January 29, 2007, and Ordinance No. 307-07, passed February 26, 2007, and Sections 5(a)(vi) and 6 of Ordinance No. 2831-86, passed February 9, 1987, as amended by Ordinance No. 1171-94, passed July 20, 1994, Ordinance No. 959-99, passed June 7, 1999, Ordinance No. 2095-99, passed December 13, 1999, Ordinance No. 842-02, passed June 10, 2002, Ordinance No. 551-03, passed May 19, 2003, and Ordinance No. 583-06, passed April 24, 2006, and Ordinance No. 856-07, passed May 21, 2007, as amended by Ordinance No. 769-09, passed June 8, 2009, Ordinance No. 76-12, passed May 21, 2012, and Ordinance No. 244-17, passed May 22, 2017 shall extend and the Community Reinvestment Areas and the terms of the tax abatement described in these ordinances shall continue at the current percentage of exemption and term of years, and shall expire on the effective date of this ordinance.

Section 13. The Council hereby finds and determines that all formal actions relative to the passage of this Ordinance were taken in an open meeting of this Council, that all deliberations of this Council and of its committees, if any, which resulted in formal action were taken in meetings open to the public, in full compliance with the applicable legal requirements, including Section 121.22 of the Revised Code.

Section 14. That the Housing Officer of the City of Cleveland is hereby authorized to petition the Director of the Ohio Development Services Agency for approval and confirmation of the findings contained within this Ordinance.

Section 15. That the voluntary payments made under Section 3(k) of this Ordinance shall be deposited into a fund to be determined by the Director of Finance.

Section 16. That notice of the passage of this Ordinance will be given by publishing the title and the entire body of the Ordinance once a week for two consecutive weeks in a newspaper of general circulation in the City of Cleveland.

Section 17. That this ordinance is declared to be an emergency measure and, provided it receives the affirmative vote of two-thirds of all the members elected to Council, it shall take effect and be in force immediately upon its passage and approval by the Mayor; otherwise it shall take effect and be in force from and after the earliest period allowed by law.

GEP:nl
5-9-2022
FOR: Director Hernandez

By Council Members Hairston and Griffin (by departmental request)

AN EMERGENCY ORDINANCE

Establishing three areas encompassing the entire City of Cleveland as Community Reinvestment Areas under Section 3735.65 et seq. of the Ohio Revised Code, and making certain findings and determinations in connection with the Community Reinvestment Areas.

READ FIRST TIME on MAY 9, 2022

REPORTS

and referred to DIRECTORS of Community Development, Finance, Law; COMMITTEES on Development Planning and Sustainability, Finance Diversity Equity and Inclusion

CITY CLERK

READ SECOND TIME

CITY CLERK

READ THIRD TIME

PRESIDENT

CITY CLERK

APPROVED

MAYOR

**PASSAGE RECOMMENDED BY
COMMITTEE ON
DEVELOPMENT, PLANNING AND
SUSTAINABILITY**

FILED WITH COMMITTEE

**PASSAGE RECOMMENDED BY
COMMITTEE ON
FINANCE, DIVERSITY, EQUITY
and INCLUSION**

FILED WITH COMMITTEE
