



CITY OF
**CLEVELAND
HEIGHTS**

Community Reinvestment Area (CRA)

Tax Abatement 101

June 12, 2019

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.**

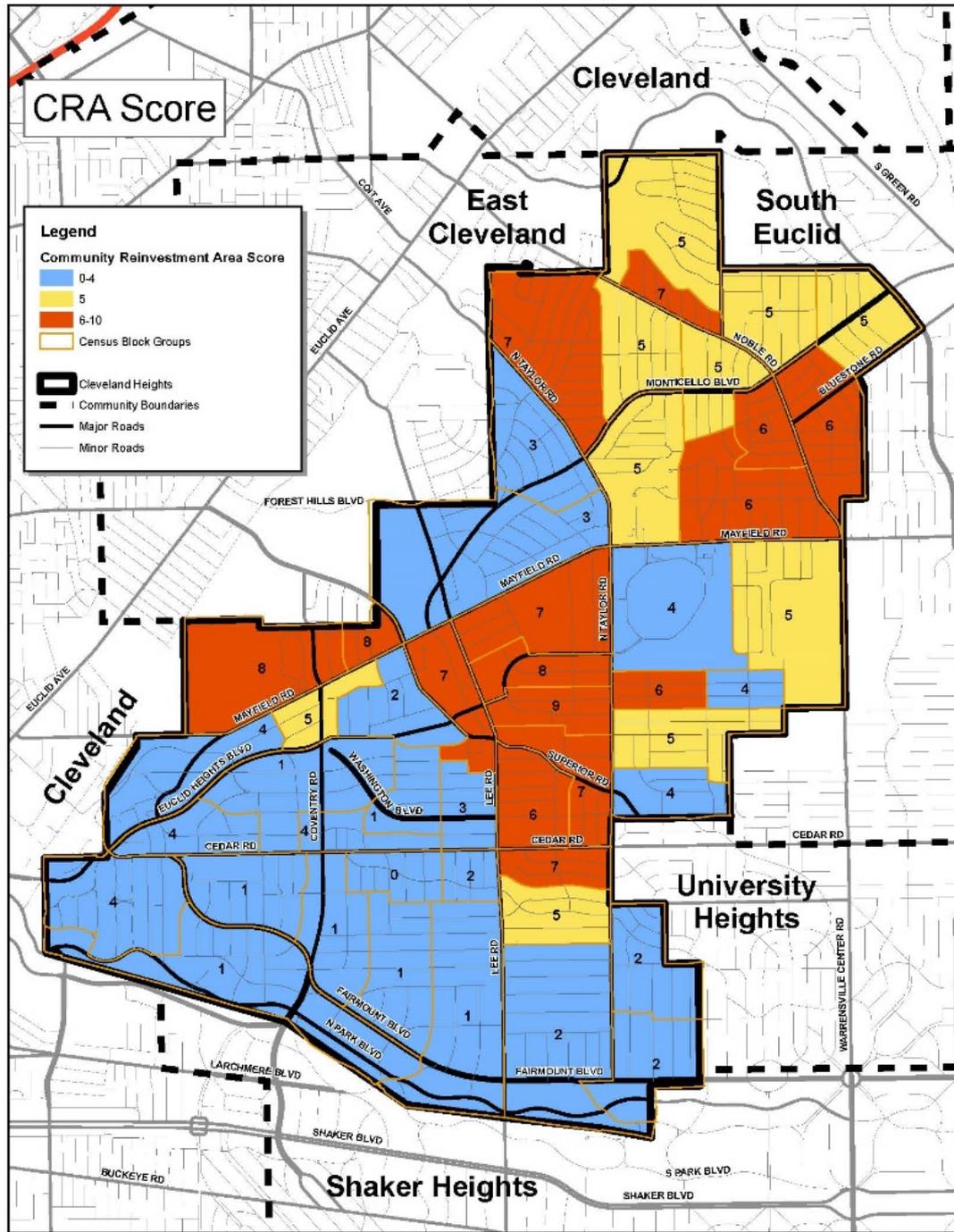
Community Reinvestment Area Program

Highlights of the new CRA include:

- City-wide program;
- All development (new construction) and revitalization (remodeling) activities are eligible;
- Both commercial and residential properties are eligible;
- For residential projects, it 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.

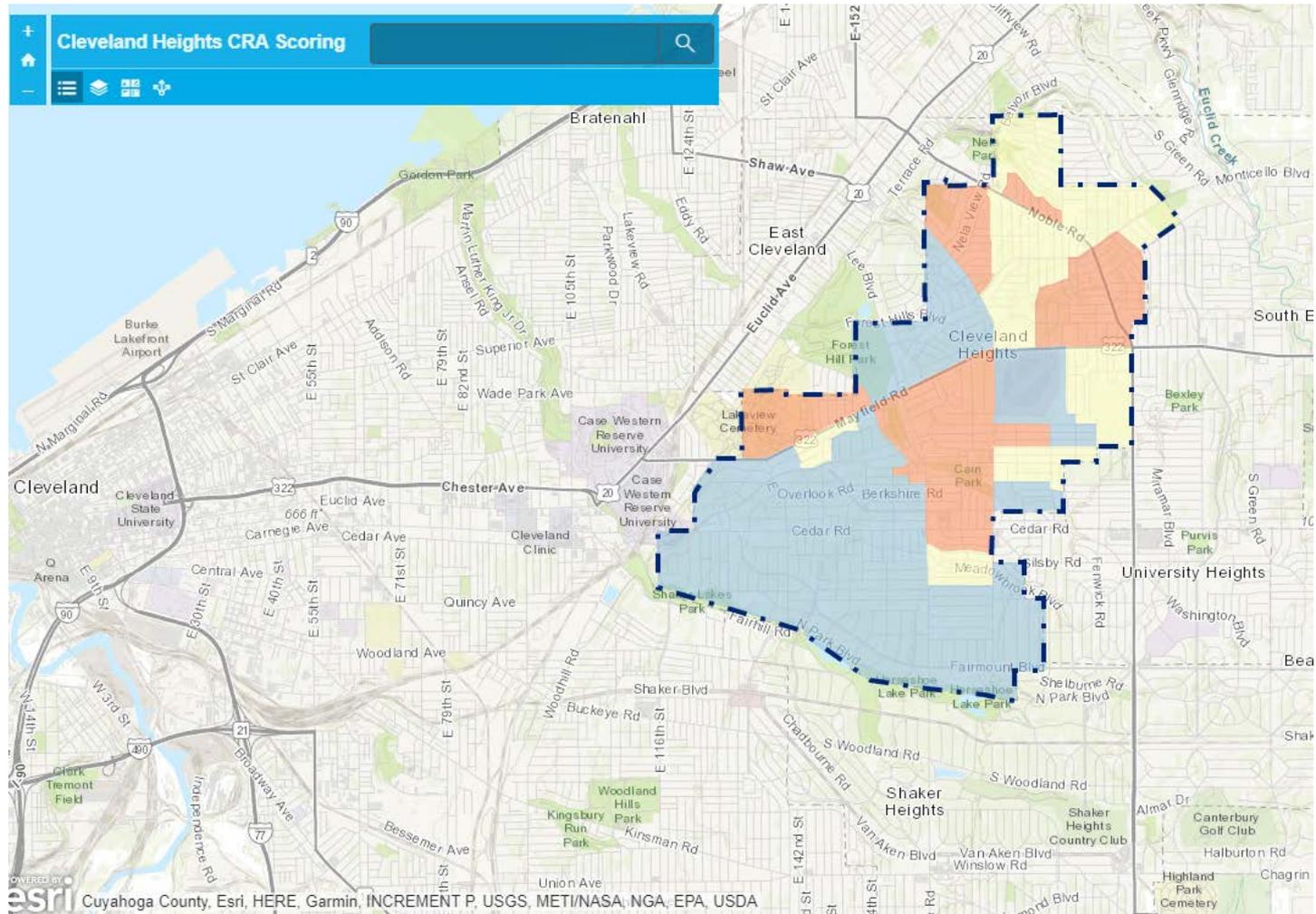
Exhibit I: CRA Program Matrix

Community Reinvestment Area (CRA) - Ordinance 77-2018 - Program Matrix					9/21/2018		
Public Purpose: New Construction			Term	%	Public Purpose: Remodeling of Existing Structures		
A. New single family residential building construction of owner occupied dwelling units:					F. Remodeling of single family residential buildings of owner occupied dwelling units: (Minimum remodeling cost - \$10,000 per unit)		
> Base level exemption	5	25%		Base level exemption	7	50%	
("Sustainability Requirement" Certification - SRC)				Meeting 5 target criteria*	10	75%	
> Base level exemption (SRC)	10	50%		Meeting 6 or more target criteria*	12	100%	
> Meeting 5 target criteria* (SRC)	12	75%		*Refer to CRA Target Reinvestment Criteria Scoring Map			
> Meeting 6 or more target criteria* (SRC)	15	100%		G. Remodeling of two-family residential buildings of dwelling units: (Minimum cost - \$10,000 per unit)			
*Refer to CRA Target Reinvestment Criteria Scoring Map				Base level exemption	7	50%	
B. New two-family residential building construction of dwelling units:				Meeting 5 target criteria*	10	75%	
> Base level exemption	5	25%		Meeting 6 or more target criteria*	12	100%	
("Sustainability Requirement" Certification - SRC)				*Refer to CRA Target Reinvestment Criteria Scoring Map			
> Base level exemption (SRC)	10	50%		H. Conversion of two-family homes to owner occupied single family homes, or attached SF homes or owner occupied condominiums;			
> Meeting 5 target criteria* (SRC)	12	75%		Conversion of two-family homes to owner occupied condominiums (Minimum remodeling cost - \$25,000 per unit)	12	100%	
> Meeting 6 or more target criteria* (SRC)	15	100%		I. Rehabilitation for residential dwelling units in a contributing building in NRHD or locally designated Historic Landmark - Follows SISR - minimum investment of \$10,000 in rehab costs			
C. Construction of new residential fee simple, owner-occupied townhome or condominium structures ("Sustainability Requirement" Certification - SRC)							
Base level exemption	5	25%		J. Remodeling construction activities to residential Multi-Family dwelling units			
Base level exemption (SRC)	7	65%		Minimum \$25,000 per unit or \$500,000 project costs	7	50%	
\$400,000 per unit minimum investment (SRC)	15	100%		Minimum Project investment of \$1,000,000	10	100%	
\$335,000 min. Invest. / (SRC) / 5 target criteria	15	100%		K. Renovation construction activities to mixed use, commercial, or industrial real property			
\$270,000 min. invest. / (SRC) / 6 or > target criteria	15	100%		Up to 12 years	Up to 100%		
D. Construction of new residential multi-family dwelling units ("Sustainability Requirement" Certification - SRC)				Negotiated**	Negotiated**		
Min. \$75,000 per unit or \$1,500,000 project cost (SRC)	7	50%		Up to 15 years	Up to 100%		
Minimum Project investment of \$3,000,000 (SRC)	10	100%		Negotiated**	Negotiated**		
E. Construction of new mixed use, commercial, or industrial real property ("Sustainability Requirement" Certification - SRC)				case-by-case basis	case-by-case basis		
Minimum project investment of \$3,000,000 (Exemption Guidelines to be developed)				Minimum Project investment of \$250,000 (Exemption Guidelines to be developed)			
** School District Participation				** School District Participation			



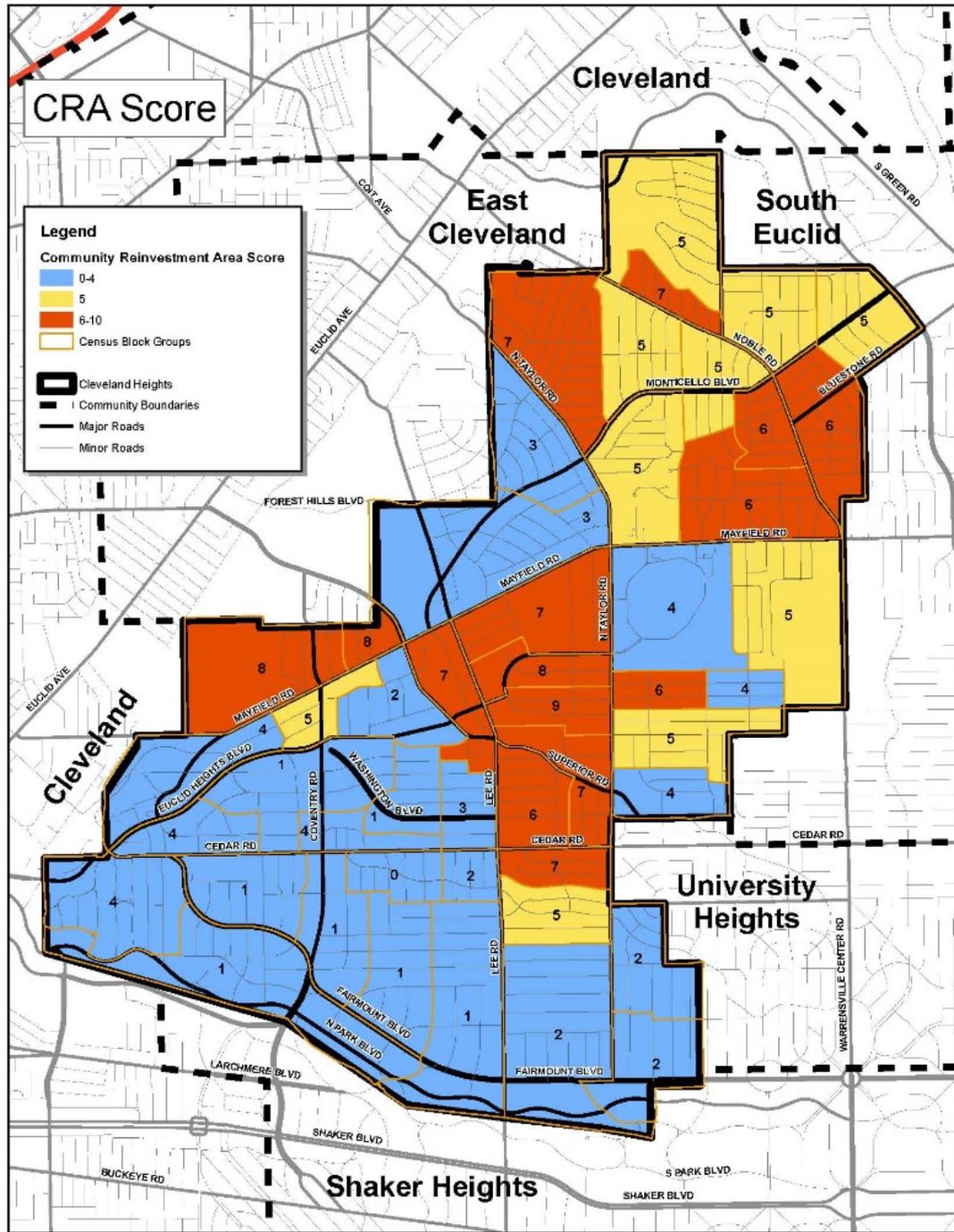
CRA Score Mapping Tool

www.clevelandheights.com/taxabatement



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;



CRA Example – Single Family New Construction

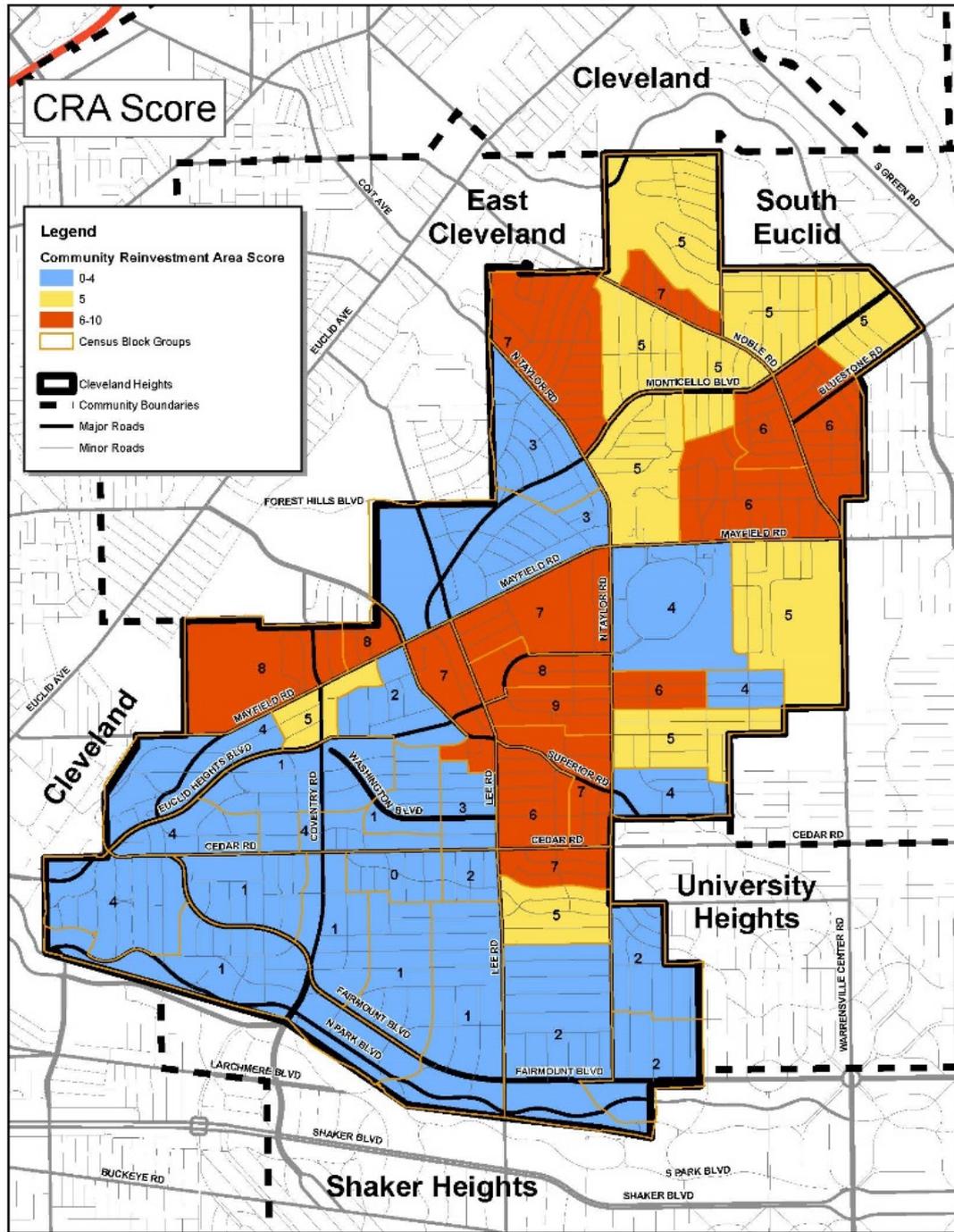
- Vacant lot value is \$10,000;
- Construction of a new house results in the property being valued at \$150,000;
- The base level exemption is a 25% tax abatement for five years. The property would be taxed at the baseline \$10,000 value, and 25% of the additional \$140,000 of value is abated for five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

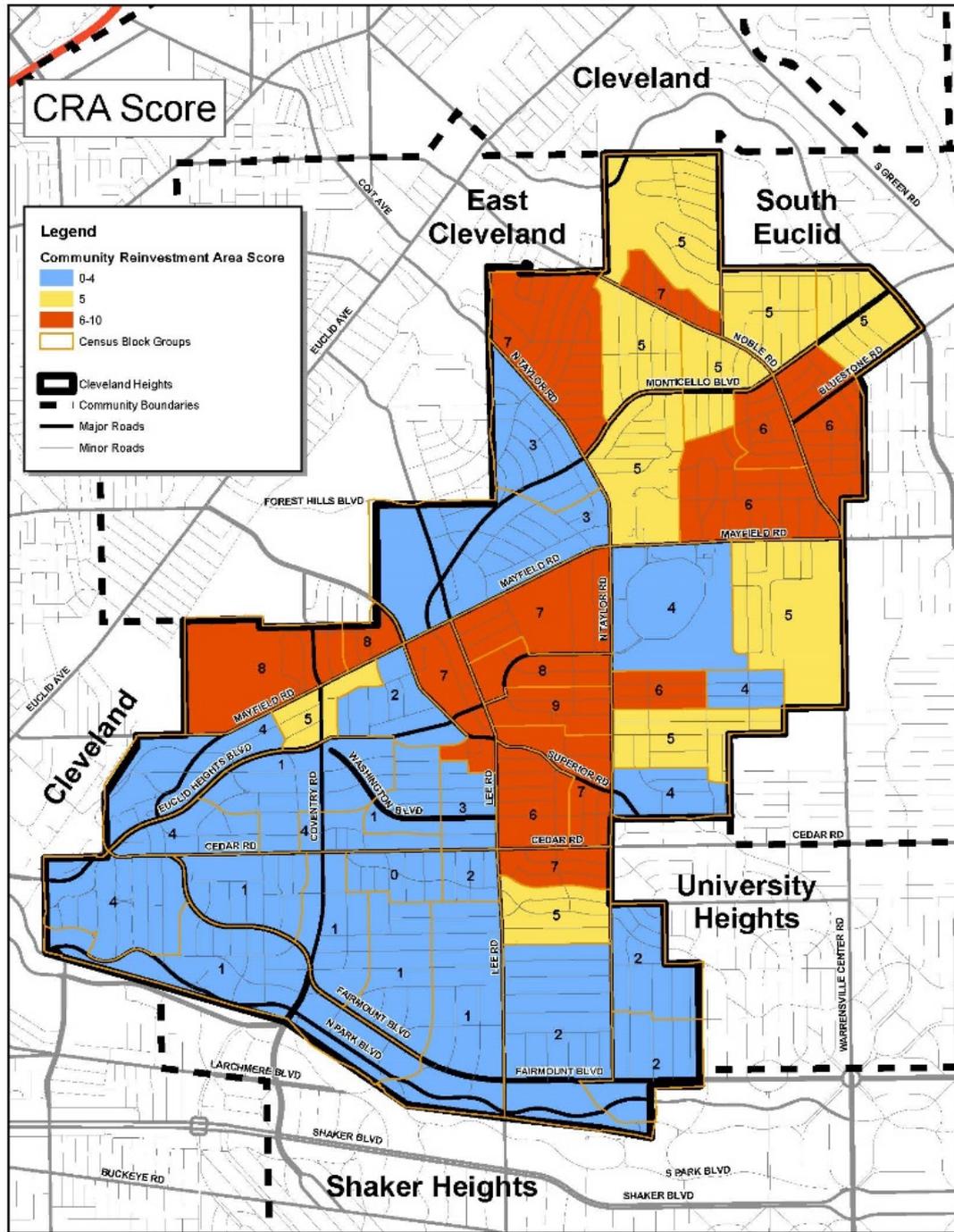


CRA Example – Single Family New Construction (cont.)

- 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 or more (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.

CRA Incentives for Single Family Remodeling

- Requirements:
 - Owner-occupied;
 - Minimum \$10,000 investment – must be documented through Building Permits, paid contractor invoices, etc.
- 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 DO NOT increase the Assessed Value of a Residential Property:

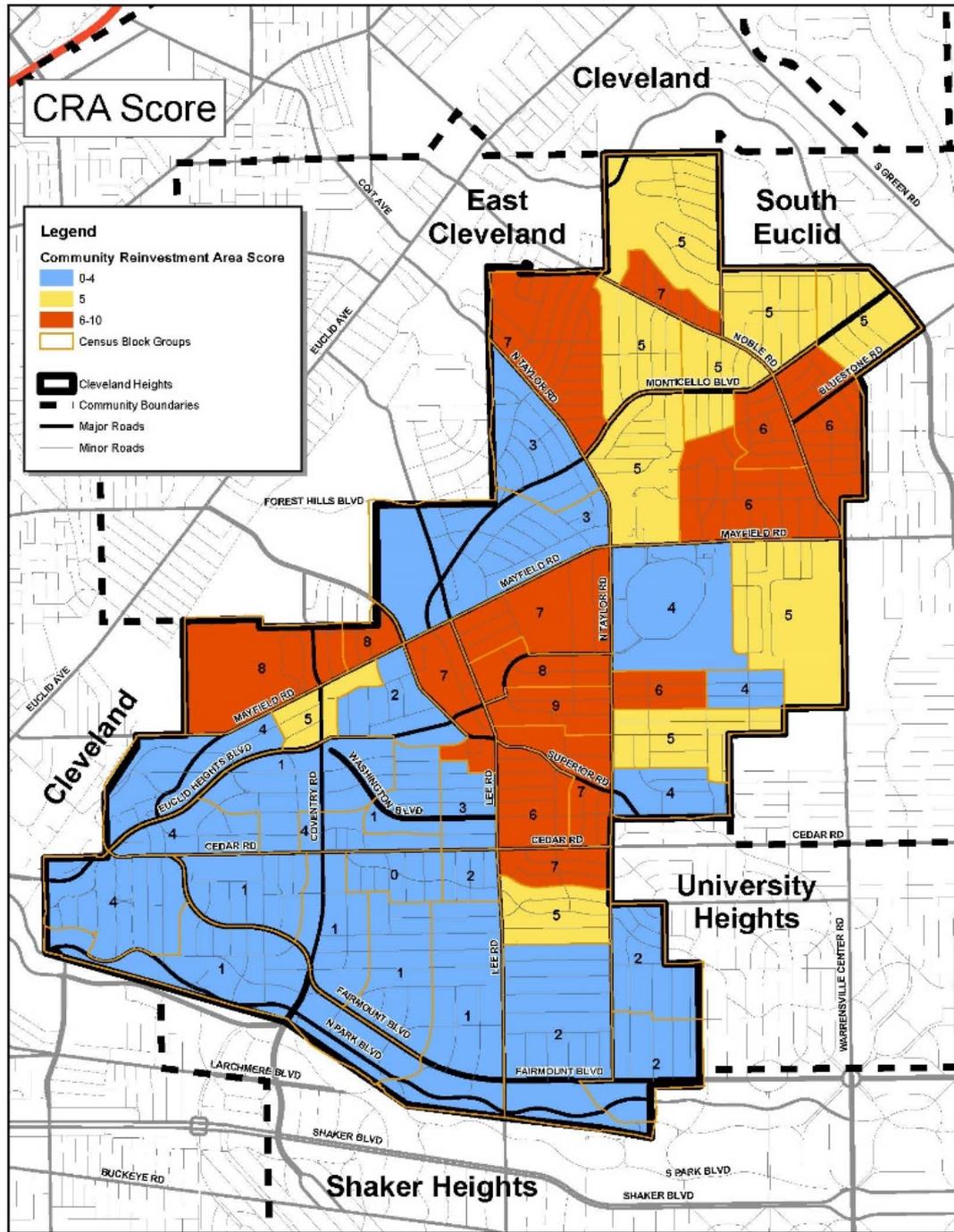
- New roof installation
- Aluminum siding installation
- Adding windows or doors
- Installing outdoor lighting
- Scraping and painting
- Install/repair/replace sidewalks
- Siding repair
- Adding / replacing gutters and downspouts
- Remodeling kitchens
- Resurfacing floors
- Replacing hot water heaters
- 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;

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.

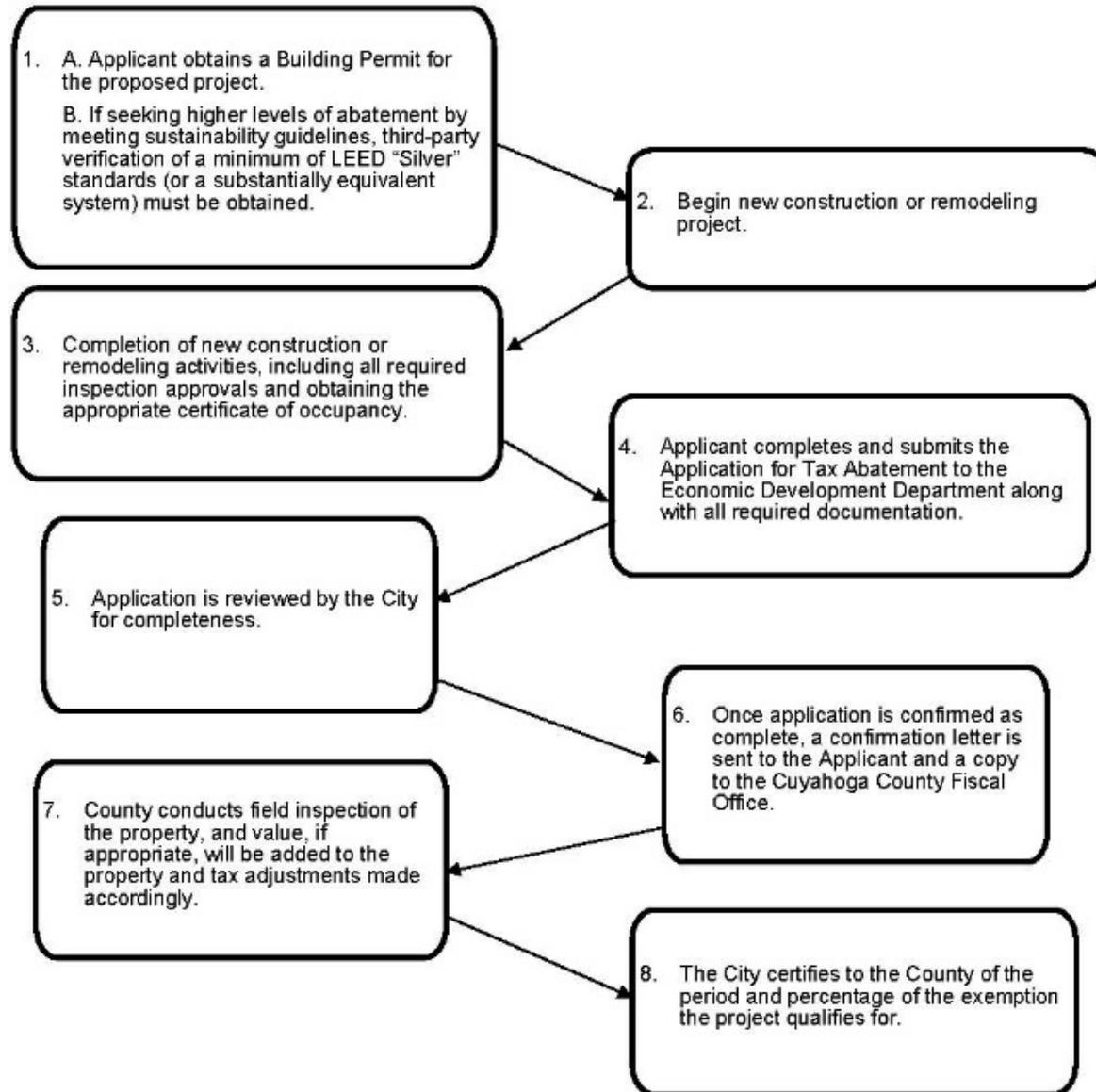


CRA Example – Residential Remodeling (Cont.)

- 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.

Cleveland Heights Community Reinvestment Area

Residential Abatement Application & Approval Flow Chart



CRA – New Commercial Construction

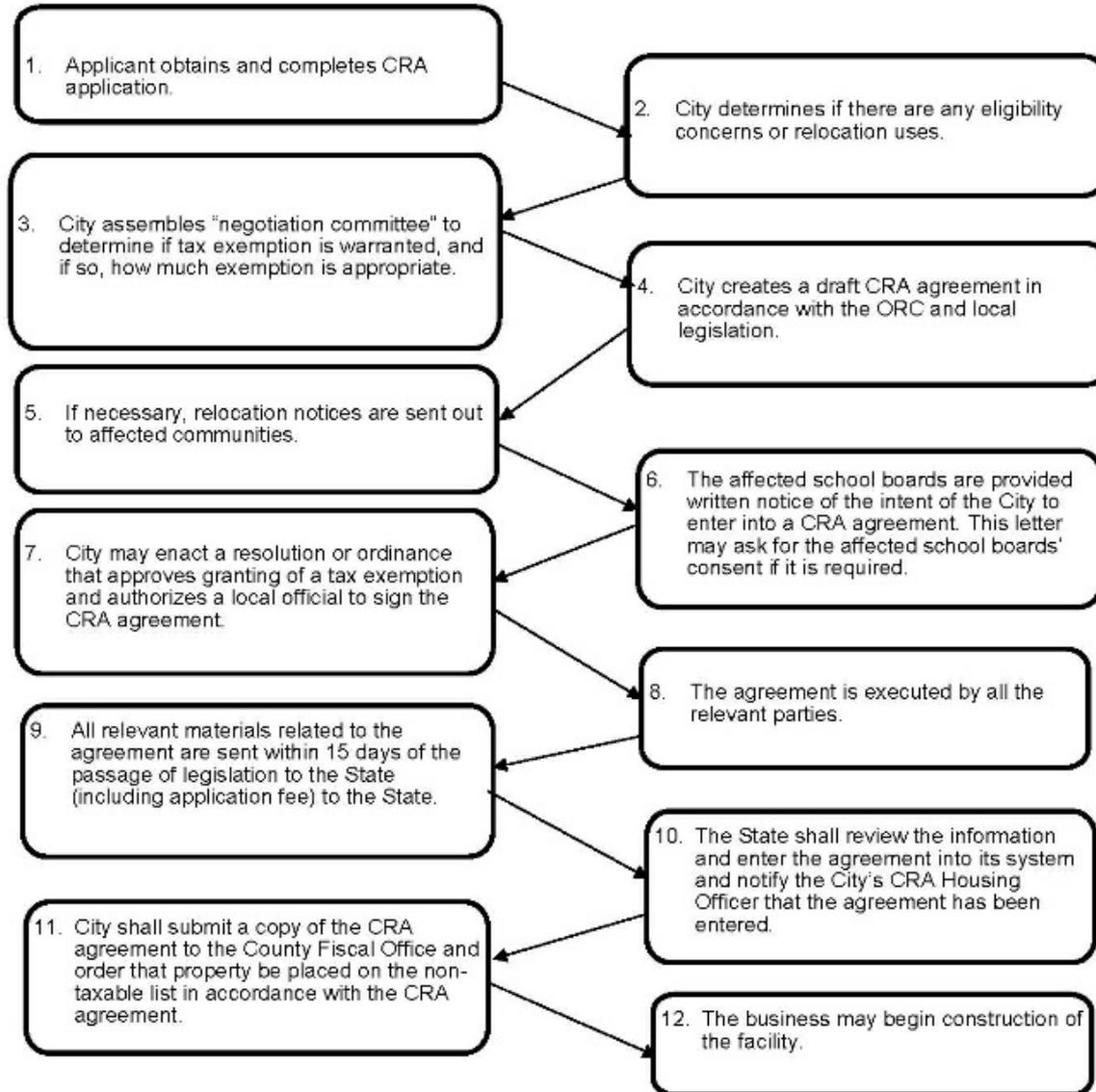
- Minimum total project investment of \$3,000,000;
- City reviews project and negotiates a CRA agreement;
- Program allows for exemptions up to 15 years and 100%;
- Sustainability requirement certification is required for all new construction exemptions;
- School district participation is required;
- CRA agreement must be reached before work associated with the project begins.

CRA – Commercial Renovation

- Minimum total project investment of \$250,000;
- City reviews project and negotiates a CRA agreement;
- Program allows for exemptions up to 12 years and 100%;
- Abatement applies to the IMPROVED value of the property;
- School district participation is required;
- 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



Questions & Project Updates

Questions?

Thank you!

For more information, visit:

www.clevelandheights.com/taxabatment

You may also direct questions to:

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