

OHIO COMMUNITY REINVESTMENT AREA PROGRAM SUMMARY OF AREAS DESIGNATED PRIOR TO JULY 1994

Community Reinvestment Areas are designated portions of municipalities or unincorporated areas of counties where property owners can receive tax incentives for investing real property improvements. The Community Reinvestment Area (CRA) Program is a direct incentive property tax exemption program. The program permits municipalities or counties to designate areas, where investment has been discouraged, as a CRA to encourage revitalization of the existing housing and building stock and the construction of new structures. The program can provide real property tax benefits on the value of residential, commercial and industrial building improvements.

A municipality or county must conduct a housing survey of the area to be designated as a CRA and make a legislative determination that the area "...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." The statute permits municipalities and counties to designate within the CRA authorizing resolution or ordinance the term of exemption. The exemption period can be up to 10 years for the remodeling of one and two family residential projects which invest at least \$2,500, 12 years for the remodeling of multi-family dwellings of three or more residential units or commercial or industrial properties where the investment is at least \$5,000, and 15 years for the new construction of residential, commercial and industrial structures. Each category of eligible applicant it to be treated the same.

The authorizing legislation must designate a Housing Officer who will be responsible to receive and evaluate applications. In addition, a CRA Housing Council must be created. The statute specifies the makeup and term of council. The Housing Council is to make an annual inspection of the properties receiving a CRA exemption and to hear any appeals as to the Housing Officer's decisions.

Note that the CRA legislation does not grant local jurisdictions the flexibility to restrict the type of projects – residential, commercial or industrial – eligible under the program. However, careful selection of the CRA area can provide some limitations. Also note that the CRA legislation states that the value of improvements are exempted. This is interpreted as 100% of the value. The statute does not grant local jurisdictions flexibility to treat taxpayers differently of to grant an exemption of less than 100%.

There is no state review or approval of the CRA creation process. However, an annual status report of all current tax exemption projects and activities must be submitted to the Ohio Development Services Agency (ODSA) on or before March 31 of each year.

Upon completion of the real property improvements, the property owner must make application to the designated Housing Officer. The completion of the improvement must occur after the effective date of the CRA authorizing legislation. The Housing Officer must verify the costs of the improvements and the elements of the CRA application. If the requirements for exemption are met, the Housing Officer shall provide the County Auditor a copy of the application and certify that the improvements are exempt pursuant to the CRA Program for the term designated in the CRA's authorizing legislation. There is no negotiation of flexibility on the part of the Housing Officer. **

There is no requirement of a construction of financial incentive agreement. The exemption takes effect the year after the certification to the County Auditor is made. In addition, there are no restrictions on projects involving relocation of assets or employees within the state of Ohio.

The Housing Officer is required to notify all Boards of Education affected by an exemption at least 14 days prior to certifying the property as exempt to the County Auditor. This is essentially a courtesy notice.

Annually the Housing Officer must inspect the property and determine that the property has been maintained. If the property has not been maintained, the exemption may be revoked. The Housing Officer must notify the County Auditor and Housing Council of any revocation. Such notice must include a statement concerning the maintenance or repair.

CRAs created prior to July 1994 function considerably different from those created after that date and confirmed by ODSA. Special care must be taken to distinguish the origin of a CRA's authority prior to initiating a construction project.

Please note that while the existence and function of pre-July 1994 CRAs were grand fathered from most of the July 1994 legislative changes, certain limitations do apply. A pre-July, 1994 CRA authorizing legislation can only be amended twice after July 1994 and still continue operation under the pre-1994 laws. A third amendment would invoke the new CRA rules. Any amendment cannot formally extend the life of an old CRA by more than five years. Furthermore, the notice requirements of ORC 5709.83 and the Municipal Income Tax Revenue Sharing requirements of ORC 5709.82 apply to all projects identified after July 1994.

** ODSA has witnessed considerable variation from this interpretation. Many municipalities have invoked "charter powers" and grant less than 100%. Several communities also require individual preconstruction agreements.