



BEFORE THE SENATE WAYS AND MEANS COMMITTEE  
TESTIMONY ON HOUSE BILL 123  
October 26, 2021

Good morning, Chairman Blessing, Vice Chair Roegner, Ranking member Williams, and members of the Senate Ways and Means Committee. My name is Tony Long, Director, Tax & Economic Policy for the Ohio Chamber of Commerce. On behalf of the members of the Ohio Chamber, I am testifying in support of House Bill 123. HB 123 takes a fresh look at Ohio's Community Reinvestment Area (CRA) program and provides several improvements to encourage economic investment in a CRA created after July 1994.

The CRA program is broken into two distinct categories: areas created prior to July 1994 (pre-1994) and areas created after that date. I have attached the list of CRA numbers for Muskingum County to my testimony. The Department of Development website uses an interactive county map that contains every CRA and active agreements for each CRA. The second attachment is a summary of the CRA program published by the Department of Development. This second attachment lists the specific benefits of using a CRA and a description of the process.

The pre-1994 CRA has been interpreted to require 100% exemption of real property taxes, and each pre-1994 CRA can be amended twice before losing the pre-1994 designation. The post-July 1994 CRA allows up to 100% exemption, but if the exemption is above 50%, it requires agreement with the local school district. HB 123 raises that threshold to 75%. This change better aligns the CRA program with other incentive tools such as the transportation increment financing (TIF) zones and joint economic development districts (JEDD). This provides more opportunity to use the CRA tool by bringing development to a location that meets the criteria of the program.

HB 123 also streamlines reporting requirements, eliminates the requirement that the Department of Development approve a proposed CRA, and reduces the time period to transpire before a project owner can seek either an enterprise zone exemption or a new CRA exemption. These changes will modernize the CRA program and make it a more useful economic development tool.

The Ohio Chamber thanks the sponsors for introducing HB 123. The Ohio Chamber looks forward to working with this committee and the General Assembly as HB 123 moves through the legislative process. I will attempt to answer any questions you may have for me.


**MUSKINGUM COUNTY**

Click on a CRA number below to view contact information:

	<b>CRA #</b>	<b>Community Name</b>	<b>CRA Name</b>
Pre1994	<a href="#">CRA #119-99119-01</a>	MUSKINGUM (COUNTY)	Community Reinvestment Area #1-Perry Township
Pre1994	<a href="#">CRA #119-99119-03</a>	MUSKINGUM (COUNTY)	Old Wheeling Road Community Reinvestment Area-Washington Township
Pre1994	<a href="#">CRA #119-99119-02</a>	MUSKINGUM (COUNTY)	Owens Hills Community Reinvestment Area-Springfield Township
	<a href="#">CRA #119-88084-01</a>	ZANESVILLE	BRIGHTON CRA
	<a href="#">CRA #119-88084-04</a>	ZANESVILLE	DOWNTOWN CRA
Pre1994	<a href="#">CRA #119-88084-06</a>	ZANESVILLE	Fairview Road Community Reinvestment Area-City of Zanesville
	<a href="#">CRA #119-88084-03</a>	ZANESVILLE	GREENWOOD CRA
	<a href="#">CRA #119-88084-02</a>	ZANESVILLE	PUTNAM CRA

Results: 2 ACTIVE Agreement(s)

	<b>CRA No</b>	<b>Agmnt No</b>	<b>Company</b>	<b>County</b>	<b>School District</b>	<b>Local Jurisdiction</b>
<a href="#">select</a>	1678	21-000	MU Quad Center, LLC	Muskingum	East Muskingum Local SD	NEW CONCORD
<a href="#">select</a>	119-88084-04	16-000	Muskingum Motel Corporation	Muskingum	Zanesville City Schools & Mid-East Career and Tech	ZANESVILLE

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## 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 CRA Program was created in 1977. The program underwent major revisions in 1994. Within the framework of the state enabling law, the local legislative authority with jurisdiction over the area (e.g. a city or a village or a county) determines the location of the CRA area as well as the term and extent of the real property exemptions. The Ohio Development Services Agency (ODSA) confirms that the locally designated CRA area contains the characteristics required by Ohio law for a CRA. After ODSA confirms the area, real property tax exemptions for qualifying projects may be approved by the city, village or county.

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. Residential applications are filed at construction completion, but projects involving commercial or industrial facilities must apply before the project begins. Residential projects in a CRA 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 a CRA 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 Tax Incentive Review Council to review performance on all agreements and projects.

<b>CRA PROGRAMS BENEFITS</b>	<b>PRE JULY 1, 1994 CRA</b>	<b>POST JULY 1, 1994 CRA</b>
<b>EXEMPTION LEVELS:</b>		
Real Property	Must be 100%	Up to 100% **
Personal Property	None	None
Inventory	None	None
<b>TERM EXEMPTIONS:</b>		
Residential Remodeling (2 units or less; minimum \$2500)	Up to 10 years as specified in the legislation that creates the CRA	Up to 10 years as specified in the legislation that creates the CRA
Residential Remodeling (more than 2 units; minimum \$5000)	Up to 12 years as specified in the legislation that creates the CRA	Up to 12 years as specified in the legislation that creates the CRA
Residential New Construction	Up to 15 years as specified in the legislation that creates the CRA	Up to 15 years as specified in the legislation that creates the CRA
Commercial and Industrial Remodeling (minimum \$5000)	Up to 12 years as specified in the legislation that creates the CRA	Up to 12 years as negotiated and approved in an CRA Agreement
Commercial and Industrial New Construction	Up to 15 years as specified in the legislation that creates the CRA	Up to 15 years as negotiated and approved in an CRA Agreement

\*\* The exemption percentage and term for commercial and industrial projects are to be negotiated on a project specific basis. If the proposed exemption exceeds 50%, local school district consent is required unless the legislative authority determines, for each year of the proposed exemption, 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 will be made up by other taxes or payments available to the school district. Upon notice of a project that 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, a CRA created after July 1, 1994 must receive confirmation from the Director of ODSA 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.

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 a CRA 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. If the proposed commercial or industrial exemption agreement exceeds 50%, a 45-business day notice is required. School boards may, however, waive or reduce the notice time periods for specific projects or on a program wide basis.

Note that if a CRA Agreement is proposed which provides an exemption greater than 50%, the local legislative authority must request the board of education's approval a minimum of 45 business days prior to the scheduled local legislative review. The board of education, by resolution adopted by a majority of the board, shall approve or disapprove the agreement and certify a copy of the resolution to the legislative authority not later than fourteen days before the legislative authority formally considers the agreement. The board may include in its resolution conditions under which it would approve the agreement. The local legislative authority may approve the proposed agreement if the conditions are satisfied. If the board does not approve the proposed agreement or if the conditions are not satisfied, the local legislative authority may approve an agreement so long as the exemption does not exceed 50%.

When a proposed CRA assisted project involves the relocation of any portion of the operations of a business that is located elsewhere within the state to a different jurisdiction within the state, the local government of that jurisdiction must provide to the local legislative authority of the county or municipality from which the relocation will occur a notice not less than 30 days before 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 any CRA created prior to July 1, 1994 is "grand fathered" and many of the post July 1, 1994 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 pre 1994 CRA rules. Any third amendment would impose the post July 1, 1994 CRA rules on that area.

For more information please review Ohio Revised Code Sections 3735.65-70 or contact the Ohio Development Services Agency, Office of Strategic Business Investments – Tax Incentives Section at 614-466-2317.



**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 or 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.

CRA's 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 CRA's 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.