



## City of Cleveland

Justin M. Bibb, Mayor

### Department of Community Development

Cleveland City Hall  
601 Lakeside Avenue, Room 320  
Cleveland, Ohio 44114  
216/664-4000  
[www.clevelandohio.gov](http://www.clevelandohio.gov)

## 2022 Tax Abatement Renewal Frequently Asked Questions

*Updated following Passage of Ordinance 482-2022*

### 1. What is a tax abatement?

A property tax abatement is a temporary elimination or reduction of the increase in taxable value resulting from new construction, renovation or rehabilitation of existing housing units, or other housing improvements, such as additions.

### 2. Does a tax abatement reduce the taxes owed on existing value?

No, the previous value is not eliminated or reduced.

### 3. Why is the Council adopting a new tax abatement policy?

The City of Cleveland has routinely established a sunset (expiration) clause for previously adopted tax abatement policies. Approximately every five years, the City of Cleveland must renew its tax abatement program

### 4. What was the tax abatement policy adopted in 2017?

Ordinance 244-2017 established a citywide tax abatement area where all residential development and improvements were eligible to receive a 100% tax abatement for 15 years, provided that the improvements met Green Building Standards.

### 5. When does the 2017 Tax Abatement Policy sunset (expire)?

June 4, 2022

### 6. Is the City of Cleveland proposing a change to tax abatement as part of the 2022 Tax Abatement renewal?

Yes. For the past two years, the City of Cleveland has studied tax abatement policy and its impacts throughout the City. This study was undertaken by the Policy Equity Group, convened by the Director of Community Development in 2018. In 2020 the City released a Tax Abatement Study, a report completed by The Reinvestment Fund proposed a number of changes to target tax abatement and provide equity.

### 7. The 2022 Tax Abatement Renewal program components.

The City has adopted six recommendations from the 2020 Tax Abatement Study. They are:

- Geographically differentiate and target tax abate by neighborhood type
- Affordable housing developments are eligible for maximum abatement anywhere in the City.
- Place a cap on a tax abatement for single family developments, limiting tax abatement to the first portion of new taxable value. See attached tax abatement.
- Require Community Benefits Agreements for Multi Family Developments to include:
  - Contracting opportunities for minority, women, and Cleveland-based contractors
  - Affordable Housing set-asides
  - Voluntary Payment In-Lieu of affordable housing set-asides
- Continue Green Building Standard requirements
- Grandfathering/Grace period for the first 18 months where changes do not take effect until January 1, 2022.



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#### 8. Where can someone find the 2020 Tax Abatement Study?

[https://clevelandohio.gov/sites/default/files/forms\\_publications/ReinvestmentFund\\_Report-ClevelandTaxAbatements-July2020.pdf](https://clevelandohio.gov/sites/default/files/forms_publications/ReinvestmentFund_Report-ClevelandTaxAbatements-July2020.pdf)

#### 9. Did the 2020 Tax Abatement Study engage Cleveland residents and stakeholders?

The 2020 Tax Abatement Study has extensive community input. The tax policy study had developer, realtor, investor, and banker engagement led by GOPC.

- 71 individuals representing stakeholders
- 12 community listening sessions
- 55 resident interviews
- 250 community member participation
- The following is a list of touchpoints:
- 15 Developers: 8 “large scale,” multi-family developers; 4 “mid-size to large scale” single family home developers (some also do multi-family and/or retail); 2 “small scale” seasoned single family home developers; 1 “emerging” single family home developer.
- 8 Commercial Bankers or Advisors on Large Commercial Projects: 2 large, multi-state commercial bankers; 1 small, local, commercial banker; 2 financial analysts/advisors; 3 lawyers.
- 3 Mortgage Bankers: 1 large, multi-state mortgage banker; 2 smaller, local mortgage bankers (1 who predominately lends on the west side and one who predominately lends on the east side).
- 8 Realtors: A mix of west and east side realtors.
- 3 Local Real Estate Observers
- 17 Taxing Entities Representatives and Labor: Cleveland Metropolitan School District; City and County Libraries; Cuyahoga Community College; Greater Cleveland Regional Transit Authority; Port Authority, Regional Sewer District.
- 19 Housing/Community Development Professionals: CDCs, social services practitioners, policy observers, county landbank, academics

#### 10. What are the neighborhoods identified for differentiated tax abatement?

The City will be divided into three areas based on market strength: Market Rate Neighborhoods, Middle Neighborhoods, and Opportunity Neighborhoods.

#### 11. How were these neighborhoods determined?

The City of Cleveland, through a grant from the Cleveland Foundation, established the Middle Neighborhood initiative. This initiative studied the real estate market across the City. In partnership with Case Western Reserve University, 17 measures of housing patterns, market activity, and demographic indicators determine if a census block is:

- Market Rate Neighborhoods have seen substantial investment; higher sales and rental prices; lower foreclosure rates; and higher incomes
- Middle Neighborhoods have a higher density of single family, middle class/workforce housing; older housing stock, some foreclosure, and demolition activity
- Opportunity Neighborhoods have seen limited investment; substantial demolition and foreclosure; and have a lower household income

#### 12. Is there a map to show these neighborhood designations across the City?

Yes, and the City has developed an online version at

<https://clevelandgis.maps.arcgis.com/apps/webappviewer/index.html?id=03c32cde01ec4316bfd9ce2fba83a2c>

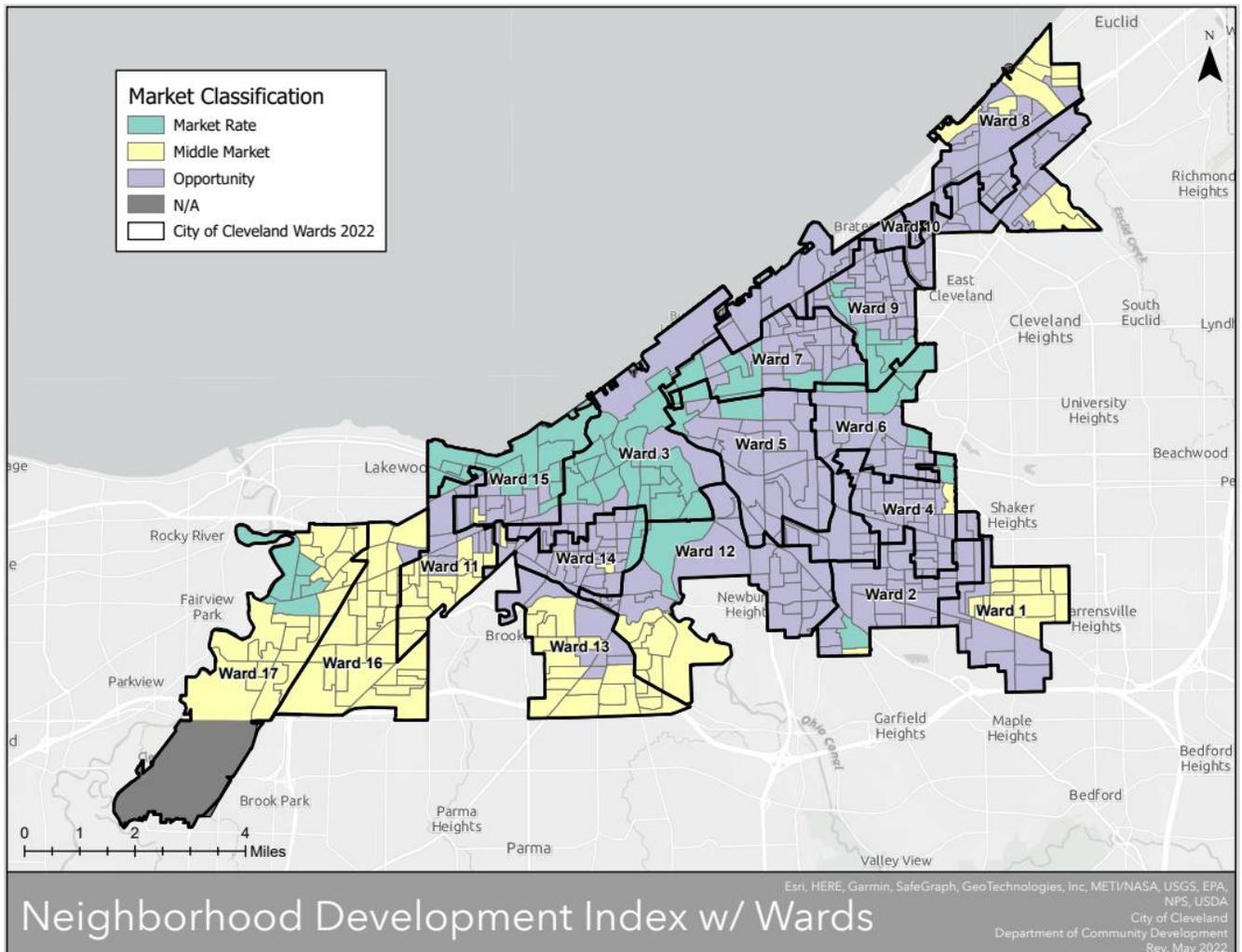


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### 13. What are different tax abatements applied to the different neighborhood types?

See the tax abatement summary table for the different levels of tax abatement by neighborhood.

### 14. What is a Community Benefits Agreement?

A Community Benefits Agreement (CBA) is an agreement where the City would provide incentives or assistance to a developer in exchange for certain investments or requirements that will provide a benefit to Cleveland residents or businesses. These benefits can take many forms, but the tax abatement ordinance would require two benefits for multi-family projects.

- Contracting opportunities to minority, women, or Cleveland-based enterprises
  - Market Rate 15%
  - Middle Neighborhoods 7%
  - Opportunity Neighborhoods 8%
- Affordable unit set-asides



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- Market Rate 25%
- Middle Neighborhoods 15%
- Opportunity Neighborhoods 5%
- Reduction of 1 unit required for every unit at 30% AMI affordability
- Voluntary Payment In-Lieu of providing affordable housing set-asides, \$20,000 per unit

#### 15. How will the voluntary payments be collected and used?

The voluntary payments will be received into a dedicated account as funding for a local housing trust fund. These funds would then be available to create affordable housing, primarily in projects not receiving federal affordable housing assistance. The proposed 2022 tax abatement ordinance established the dedicated fund to receive such voluntary payments. The Department of Community Development will need to submit a contracting and expenditure authorization ordinance to establish the program to use these funds.

#### 16. Does the new Cleveland 2030: A Housing Equity Plan support this proposed 2022 Tax Abatement Policy?

Yes. The new Cleveland 2030: A Housing Equity Plan recommended the following: "Preserve and improve the Cleveland Tax Abatement. The tax abatement is required to be renewed by City Council in 2022. The City should take this opportunity to consider the recommendations put forward in the Cleveland Tax Abatement Study and explore scaling the size of the abatement by home type, price, and location in order to encourage its use for homes in a wider range of neighborhoods and price points."

#### 17. What type of affordable housing projects would be eligible for the maximum tax abatement anywhere in the City?

All Deed Restricted Affordable Housing Development would be eligible for 100% 15-Year Tax Abatement. Including:

- Low-Income Housing Tax Credit Projects
- HOME Assisted Projects
- Community Land Trust
- Any other project that places an affordability restriction for the period of the tax reduction

#### 18. What is the Green Building Standard required for all tax abatements?

Residents and developers seeking tax abatement for residential projects must meet Cleveland Green Building Standards in the Cleveland Green Building Standard Handbook.

[https://clevelandohio.gov/sites/default/files/forms\\_publications/GreenBuildingStandardsHandbook2018.pdf](https://clevelandohio.gov/sites/default/files/forms_publications/GreenBuildingStandardsHandbook2018.pdf)

The Standard is based on the nationally recognized green building rating systems. The five systems that are eligible under the Cleveland tax abatement program are:

- Enterprise Green Communities- Affordable Housing
- Enterprise Green Communities Compliance
- LEED Silver Certification
- National Green Building Standard (NGBS) Certification
- Advanced Building Certification Program

#### 19. Can a project lose tax abatement benefits after completion of a development?

Yes, The Housing Officer overseeing the tax abatement program may revoke a tax abatement for failure to correct a building code violation, failure to correct a zoning code violation, or failure to pay property taxes owed.



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**20. Will projects have an opportunity to be grandfathered under the old tax abatement benefits?**

Yes, the proposed ordinance establishes a 100% 15 year abatement city wide for all projects that submit a complete schematic design review approval to the Planning Commission by December 2023.

**21. Will the tax abatement program implement administrative improvements beyond the tax abatement policy proposals?**

Yes, the Department of Community Development is implementing a new Grants Management Database called Neighborly. This program will permit developers to apply for tax abatements digitally via an online platform. The Department is also evaluating staffing needs for administering the new policy requirements.

**22. How many tax abatements were approved under the current (2017) tax abatement policy?**

- |   |                     |
|---|---------------------|
| • 2017-2021 Total Abatements              | 1,128 abatements    |
| • 2017-2021 New Housing Units             | 6,321 housing units |
| • 2017-2021 Total Revenue Lost to Schools | \$128M lost revenue |
| • 2017-2021 Total Revenue Lost City       | \$28M lost revenue  |

**23. If the Council had adopted the 2022 tax abatement proposal in 2017, what would have been the estimated benefits for the City and School District?**

- |   |                                      |
|---|--------------------------------------|
| • 2017-2021 MBE/WBE/CBE Contracting       | \$100M opportunities for MBE/WBE/CBE |
| • 2017-2021 Set-Aside Affordable Units    | 600-1500 affordable housing units    |
| • 2017-2021 Total Revenue Lost to Schools | \$15M cumulative new revenue         |
| • 2017-2021 Total Revenue Lost City       | \$3.5M cumulative new revenue        |



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Effective Jan 1, 2024	Single-Family		Multi-Family	
	New Construction	Rehabilitation (Remodel)	New Construction	Rehabilitation (Remodel)
CRA 1- Market Rate	Abatement <b>85%</b> Term <b>15 Years</b> Unit Cap <b>\$350,000</b> CBA Req. NA Set-Aside NA Contracting Req. NA Green Building Req. <b>Yes</b>	Abatement <b>100%</b> Term <b>15 Years</b> Unit Cap <b>\$450,000</b> CBA Req. NA Set-Aside NA Contracting Req. NA Green Building Req. <b>Yes</b>	Abatement <b>85%</b> Term <b>15 Years</b> Unit Cap NA CBA Req. <b>Yes</b> Set-Aside <b>25%</b> Contracting Req. <b>Yes</b> Green Building Req. <b>Yes</b>	Abatement <b>100%</b> Term <b>15 Years</b> Unit Cap NA CBA Req. <b>Yes</b> Set-Aside <b>25%</b> Contracting Req. <b>Yes</b> Green Building Req. <b>Yes</b>
CRA 2- Middle Market	Abatement <b>100%</b> Term <b>15 Years</b> Unit Cap <b>\$400,000</b> CBA Req. NA Set-Aside NA Contracting Req. NA Green Building Req. <b>Yes</b>	Abatement <b>100%</b> Term <b>15 Years</b> Unit Cap <b>\$450,000</b> CBA Req. NA Set-Aside NA Contracting Req. NA Green Building Req. <b>Yes</b>	Abatement <b>90%</b> Term <b>15 Years</b> Unit Cap NA CBA Req. <b>Yes</b> Set-Aside <b>15%</b> Contracting Req. <b>Yes</b> Green Building Req. <b>Yes</b>	Abatement <b>100%</b> Term <b>15 Years</b> Unit Cap NA CBA Req. <b>Yes</b> Set-Aside <b>15%</b> Contracting Req. <b>Yes</b> Green Building Req. <b>Yes</b>
CRA 3- Opportunity Market	Abatement <b>100%</b> Term <b>15 Years</b> Unit Cap <b>\$450,000</b> CBA Req. NA Set-Aside NA Contracting Req. NA Green Building Req. <b>Yes</b>	Abatement <b>100%</b> Term <b>15 Years</b> Unit Cap <b>\$450,000</b> CBA Req. NA Set-Aside NA Contracting Req. NA Green Building Req. <b>Yes</b>	Abatement <b>100%</b> Term <b>15 Years</b> Unit Cap NA CBA Req. <b>Yes</b> Set-Aside <b>5%</b> Contracting Req. <b>Yes</b> Green Building Req. <b>Yes</b>	Abatement <b>100%</b> Term <b>15 Years</b> Unit Cap NA CBA Req. <b>Yes</b> Set-Aside <b>5%</b> Contracting Req. <b>Yes</b> Green Building Req. <b>Yes</b>
Restricted Affordable (All Units are 80% AMI Affordable)	Abatement <b>100%</b> Term <b>15 Years</b> CRA 1 Unit Cap NA CRA 2 Unit Cap NA CRA 3 Unit Cap NA CBA Req. NA Set-Aside NA Contracting Req. NA Green Building Req. <b>Yes</b>	Abatement <b>100%</b> Term <b>15 Years</b> CRA 1 Unit Cap NA CRA 2 Unit Cap NA CRA 3 Unit Cap NA CBA Req. NA Set-Aside NA Contracting Req. NA Green Building Req. <b>Yes</b>	Abatement <b>100%</b> Term <b>15 Years</b> CRA 1 Unit Cap NA CRA 2 Unit Cap NA CRA 3 Unit Cap NA CBA Req. <b>Yes</b> Set-Aside NA Contracting Req. <b>Yes</b> Green Building Req. <b>Yes</b>	Abatement <b>100%</b> Term <b>15 Years</b> CRA 1 Unit Cap NA CRA 2 Unit Cap NA CRA 3 Unit Cap NA CBA Req. <b>Yes</b> Set-Aside NA Contracting Req. <b>Yes</b> Green Building Req. <b>Yes</b>
Aging-In-Place Standard	Abatement <b>100%</b> Term <b>15 Years</b> CRA 1 Unit Cap <b>\$450,000</b> CRA 2 Unit Cap <b>\$450,000</b> CRA 3 Unit Cap <b>\$450,000</b> CBA Req. NA Set-Aside NA Contracting Req. NA Green Building Req. <b>Yes</b>			