

City of Maumee
COMMUNITY REINVESTMENT GUIDELINES

INTRODUCTION

In an effort to encourage investment in the City's industrial base, the City of Maumee has designated a Community Reinvestment Area (CRA) pursuant to State of Ohio law. A Community Reinvestment Area is an area of land in which property owners can receive tax incentives for investing in real property improvements. This program is a direct incentive tax exemption program benefiting property owners who renovate existing or construct new buildings. In the City of Maumee, tax incentives can be offered provided that program guidelines are met and a substantial investment is made. Jobs must be either created or retained. Each agreement with a business within the CRA relating to jobs, investment, and tax incentives must be submitted to Maumee City Council for its approval.

PURPOSE

The purpose of the Community Reinvestment Area is to encourage as much investment and job creation as possible within the boundaries of the CRA. Retaining jobs is also a priority. Ohio's CRA Program was created to promote the revitalization of areas where investment has been discouraged by offering tax exemptions for any increased property valuation that would result from renovation of existing structures or new construction activities within the area. Each agreement negotiated with a local business shall be designed to encourage capital investment while creating or retaining jobs. In return, the City of Maumee will agree to provide the real property tax incentives necessary, under the circumstances of each transaction, to allow the project to go forward.

ELIGIBLE BUSINESSES

The owner of real property located in the CRA and eligible for exemption from taxation under a resolution adopted pursuant to Section 3735.66 of the Revised Code may file an application for an exemption from real property taxation for new construction or remodeling. Furthermore, only businesses engaged in manufacturing, warehousing, research and development, and distribution and consistent with the applicable zoning regulations within the designated CRA will be eligible to apply for tax incentives. No housing, commercial (retail), or institutional uses may request benefits from the CRA program. (Note: CRA #2 allows benefits for office / industrial, commercial, and multi-family housing as designated in the Detroit Ave. / River Rd. corridor.)

INCENTIVES OFFERED

In order to maximize the collection of new tax revenues, only the minimum abatement necessary to bring about the investment will be offered. The incentives that can be offered locally are only in terms of new real property taxes related to a specific project. The City of Maumee permits up to 100% abatement for a period of up to fifteen (15) years. All CRA Agreements must ensure that at least 50% of the amount of taxes estimated that would have been charged on the improvements if the exemption had not taken place are made up by other taxes or payments available to the school district. Upon notice of a project which does not meet this standard, the affected Board of Education may approve the project even though the new revenues do not equal at least 50% of a prospective business by the municipality, county, or State of Ohio.

INCOME TAX SHARING

In a municipality which has a local income tax, any project which will generate a new annual payroll of one million dollars (\$1,000,000) 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 the municipal corporation and the Board of Education cannot reach an agreement within six months of the formal legislative approval of the Community Reinvestment Area Agreement, then the Board of Education shall be compensated with 50% of the local income tax generated by the new employees. Procedures to arrive at this compensation agreement are defined in Exhibit A, which is attached.

SCHOOL BOARD NOTIFICATION

The Ohio Community Reinvestment Area Program requires that the affected Board of Education, including any vocational/technical school district, is notified a minimum of 14 calendar days prior to formal review of the agreement by the local legislative authority. If a CRA Agreement does not meet 50% of the new revenue requirement, then the local legislative authority must request the Board of Education's approval a minimum of 45 days prior to the scheduled local legislative review. House Bill (HB) 627, signed December 2, 1996, changed the required notice period to Boards of Education where the incentive package exceeds the 50% of the new revenue requirement from 30 calendar days to 45 working days. This legislation also gives the affected Board of Education the express ability to waive the notice provision or to approve the project which would end the notice period prospectively. Please note that the affected School Board must waive the notice period by **formal Board action**.

RELOCATION NOTICE

Any project which includes the relocation of any or all of the operations of another facility located within the State of Ohio must provide the local legislative authority of the county or municipality from which the relocation will occur, notice of a minimum of 30 days prior to the formal review or approval of the CRA Agreement. The formal notice must include a copy of the draft CRA Agreement to be considered.

GUIDELINES

I. Degree of Investment Required

Only commercial (excluding retail) and industrial projects that intend to make a substantial investment in real property shall be eligible to receive the benefits available under the Program. The amount of investment needed to qualify as a substantial investment shall depend on the facts and circumstances of each applying business. As a general guideline, a real property investment of at least \$1 million is recommended. The term of those exemptions shall be negotiated on a case-by-case basis in advance of construction or remodeling occurring according to the rules outlined in the ORC Section 3765.67.

II. Impact on Jobs

Any business applying for the available incentives, in addition to the other requirements herein, must agree by contract that its project will result in the creation of at least fifteen (15) new full-time jobs or an equivalent of part-time jobs, or will preserve employment opportunities for at least fifteen (15) full-time existing employees.

III. Other Requirements

In addition to the guidelines set forth herein, any business applying for tax incentives must comply with all other applicable local, county, and state regulations pertaining to the Community Reinvestment Area Program. Applicants must submit all information required by the City of Maumee or the State of Ohio. The above guidelines are subject to the provisions of the Community Reinvestment statutes, Section 3735 et seq., of the Ohio Revised Code and regulations promulgated thereunder.

In tax sharing zones, the CRA will be the preferred incentive when the granting of such incentive is possible.

Application must be made prior to construction or remodeling. Project may begin after legislative action by the City.

IV. Duplication of Public Benefits

Companies receiving incentives under the Community Reinvestment Area are not eligible for grants under the City's Job Creation and Retention Grant Program. Also, companies locating on property in the City's tax sharing zones may not be eligible to receive incentives under the Community Reinvestment Area unless acceptable alternatives to the tax sharing agreements are agreed upon by all parties.

V. Duration

The base level maximum duration for eligible projects shall be 10 years. At Maumee City Council's discretion, projects involving a real property investment of five million dollars (\$5,000,000) or more and creating or retaining new payroll exceeding four million dollars (\$4,000,000) may be granted CRA benefits for up to a 15 year period.

PRINCIPAL ONLY

Only those individuals who are principally involved as an owner or manager of a business interested in the Community Reinvestment Area tax incentives may negotiate with the City of Maumee regarding the specific incentives available under the terms of any investment agreement. Landlords of property, rather than brokers, may also negotiate for tax incentives to real property improvements.

HOUSING COUNCIL

A Community Reinvestment Area Housing Council shall be created in accordance with Ohio Revised Code 3735.69.

TAX INCENTIVE REVIEW COUNCIL

Pursuant to state law, a Tax Incentive Review Council (TIRC) must be created to annually monitor compliance with the terms of any CRA agreements. The TIRC shall be created and operate in accordance with Ohio Revised Code 5709.85.

The TIRC shall review all agreements annually to determine whether the businesses have complied with the terms of their agreements and shall make written recommendations regarding the continuation of each agreement to the City Council as to continuing, modifying, or terminating said agreement based upon the performance of the agreement.

ANNUAL REPORTING REQUIREMENTS

Each designated Ohio Community Reinvestment Area must be reported annually (by March 31) to the Ohio Development Services Agency (ODSA) regarding the status of all CRA activities and must provide information outlined in Ohio Revised Code (ORC) Section 3735.672. ODSA will distribute to each designated Housing Officer a copy of the report format approximately ten (10) weeks prior to the submittal date. The Housing Officer must coordinate the collection and compilation of the information and certify that it is the most current and accurate information available. A copy of this report must be forwarded to the local affected Board of Education.

NEGOTIATE AGREEMENTS

Exhibit A establishes a team of individuals responsible for the actual negotiation of agreements and any applicable tax or revenue sharing provisions. This “negotiation team” consists of five individuals. Procedures and policies are established in Exhibit A. Once City Council approves a Community Reinvestment Area Agreement for a particular project, it shall be forwarded to the Ohio Departments of Development, Taxation, and County Auditor within fifteen (15) days after the agreement is executed.

CONTINUING OBLIGATION

During the term of any approved Agreement, the business involved must continue to cooperate with City officials by providing any information requested to ensure compliance with the terms of the Community Reinvestment Area Agreements.

SUNSET

Maumee City Council reserves the right to re-evaluate the designation of the Maumee Community Reinvestment Area at which time Council may direct the Housing Officer not to accept any new applications for exemptions as described in Section 3735.67 of the ORC. Any agreements negotiated prior to that time, and providing tax incentives for a period extending beyond the deadline shall remain in full force and effect until the end of the term or termination of the agreements.

FEES

Companies requesting tax incentives must submit, with their application, a check for \$750 made payable to the Ohio Development Services Agency. This fee is non-refundable.

Each project is subject to an annual monitoring fee of 1% of the benefit received – a minimum of \$500 and a maximum of \$2,500, payable to the City of Maumee. This fee may be waived by the City of Maumee on specific projects.

GENERAL APPLICATION PROCESS

An application for Community Reinvestment Area benefits will be processed through the following steps:

1. The business must file an application with the Housing Officer on a State form provided by the City. A check for \$750, made payable to the Ohio Development Services Agency, must be submitted with the **Application for the Ohio Development Services Agency Community Reinvestment Area Program**.

2. After the Housing Officer determines that the project is eligible, the negotiation team will meet and recommend an abatement level and tax or revenue sharing agreement, if required.
3. Based on the recommendation of the negotiation team, a proposed "Community Reinvestment Area Agreement" will be prepared and submitted to City Council for approval. Required notice shall be provided to the Board(s) of Education prior to Council action. This notice should include a copy of the Application and the draft CRA Agreement. Relocation notice will also be provided prior to Council action, if necessary. A copy of the draft CRA Agreement to be considered should accompany the notice.
4. Upon approval of the proposed Agreement by both the City, an executed Agreement will be sent to the Ohio Departments of Development, Taxation, and County Auditor within fifteen (15) days.
5. The Housing Council shall make an annual inspection of the properties within the Community Reinvestment Area for which an exemption has been granted under Section 3735.67 of the Revised Code
6. The project will be reviewed annually by the Tax Incentive Review Council (TIRC) for conformance with the Agreement. The Housing Officer will provide staff assistance for the TIRC in obtaining and reviewing necessary facts as to conformance with the Agreement. An annual processing fee may be required. Failure to comply with the Agreement may result in loss of the incentives.

EXHIBIT A

AN AGREEMENT ON POLICIES AND PROCEDURES BETWEEN THE CITY OF MAUMEE AND THE BOARD OF EDUCATION CONCERNING REVENUE SHARING ASSOCIATED WITH TAX INCENTIVE PROJECTS.

1) NEGOTIATION TEAM & REVENUE SHARING ARRANGEMENT

To facilitate an orderly and effective determination of tax incentives to be offered to an industry proposing to locate or expand in the City of Maumee, a negotiation team is created. This negotiation team is responsible for both negotiations of tax incentives to be offered to industry and for proposing an arrangement for revenue sharing agreements or income tax sharing agreements when applicable under state law.

2) COMPOSITION OF THE NEGOTIATION TEAM

The negotiation team shall consist of three (3) members as described below:

- A. **SCHOOL BOARD:** By formal action, each Board of Education shall designate one (1) representative, and a designated alternate.
- B. **JOINT VOCATIONAL SCHOOL:** By formal action, the Joint Vocational School shall designate one (1) representative, and a designated alternate.
- C. **CITY OF MAUMEE:** The Housing Officer shall be appointed by Council to serve and coordinate meetings of the negotiation team.

In addition to the members indicated above, non-voting individuals, including legal counsel or consultants, may be present at meetings to assist with technical issues and implementation of the decisions of the negotiation team.

3) MEETINGS OF THE NEGOTIATION TEAM

People appointed to serve as members of the negotiation team must be able to meet on short notice. All meetings shall be private and where possible, members should meet before formal meetings with a company. Initial meetings of the negotiation team will be called by the Housing Officer following receipt of the required application from a company. Subsequent meetings will also be called by the Housing Officer. Strict adherence to the Community Reinvestment Area Guidelines adopted by City of Maumee and the Community Reinvestment Area Law is critical to ensure that incentive agreements are valid.

4) PROCEDURES FOR NOTIFICATION AND REVIEW

When an application for Community Reinvestment Area tax abatement has been received, the Housing Officer shall establish a meeting time(s) to begin negotiations. The Officer will provide team members with copies of the Community Reinvestment Area application, tax analysis, and any other information deemed relevant at the earliest opportunity.

5) ROLE OF TEAM MEMBERS

The role of the negotiation team is to recommend a level of tax incentives deemed necessary to carry out the economic development objectives of the City of Maumee with due regard for all fiscal consequences. Team members should consider not just the percentage and term of an agreement, but other negotiable items, as well as local hiring commitments, training or mentoring programs, donations of equipment to schools, and other relevant items. All agreements must be approved by the Council and State of Ohio before becoming effective.

For all projects in which the resulting new payroll is projected to exceed one million dollars, the negotiation team shall propose a revenue sharing agreement consistent with the requirements of ORC 5709.82. The owner of the property may be included as a party to such an agreement.

6) REVENUE SHARING PROCESS

According to the Ohio Revised Code (Section 5709.82), when a Community Reinvestment Area Agreement involves a project that will generate more than one million dollars of new payroll, there must be a negotiated sharing of revenue between the municipality and the involved school district. If an agreement cannot be reached, provisions of State law require that new income tax revenue must be shared on a 50/50 basis. Implementing such a 50/50 sharing of income tax revenue, however, is complicated and may be very time consuming given various provisions of State law. Preferably, a revenue sharing agreement can be recommended by the negotiation team and prepared as a separate instrument to be executed by City Council and the Board of Education. Such a revenue sharing agreement, therefore, would supersede the 50/50 income tax sharing requirements and result in a less complicated and more clearly defined level of compensation to the school district.

If the team is unable to reach a recommendation on a revenue sharing agreement before the need to act on a recommended level of tax abatement to offer to an industry, the team may postpone action on a recommended revenue sharing agreement. However, unless a revenue sharing agreement is reached within six months of the executed Community Reinvestment Area Agreement, the 50/50 income tax sharing arrangement, as called for in the Ohio Revised Code, shall be in effect.

7) REVENUE SHARING AGREEMENTS

Unless otherwise specified in a revenue sharing agreement, the following considerations will be included in all revenue sharing agreements:

- A. The owner of exempted property may be included as a party to the revenue sharing agreement. A revenue sharing agreement may include provisions obligating the owner to compensate the school district by paying cash or providing an acceptable gift, loan, or other property to the school district. Such an obligation is enforceable by the Board of Education. The value of acceptable gifts, loans, or other property, shall be enumerated in the revenue sharing agreement and counted toward the total required compensation to the school district.

- B. The revenue sharing agreement shall require that any compensation to the school district be made annually over the life of the tax incentives. The payments shall be payable on the thirty-first day of December of the tax year in which the tax incentives commence and on that day for each subsequent tax year during which the tax abatement agreement is in effect, unless otherwise specified in the revenue sharing agreement.
- C. The overall goal of the revenue sharing agreement is that the schools receive a contribution on each tax incentive project. This contribution can be an amount equal to the difference between what the business enterprise would have paid in taxes if the project were not abated and the net revenues that the schools would have received for that project if it were not abated, and assuming the school district is a non-guaranteed district. (However, this same formula will be used regardless of the guarantee status of the school district.)

Contributions paid to the schools could be cash, goods, services, personal property tax, or unabated real property tax, or any combination of the above. Should inadequate funds be available from these sources, the City has the option of utilizing a portion of the new payroll income taxes generated by the abated project to fill the gap, or any other source of funds that it sees fit.

All industrial and commercial CRA agreements must ensure 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 are made up by other taxes or payments available to the school district.

NOTE: This formula and resultant revenue sharing payments are negotiable on a case by case basis.

8) INCOME TAX SHARING AGREEMENTS

Should a revenue sharing agreement not be reached, ORC applies regarding the 50/50 sharing of new municipal income tax generated.