

## Economic Development Committee Minutes

Honorable Council  
City of Newark, Ohio  
January 23, 2019

The Economic Development Committee met in Council Chambers on Tuesday January 22, 2019 following the Street Committee with these members in attendance:

Mark Fraizer, Chair  
Jeff Rath  
Bill Cost  
Dee Hall  
Jonathan Lang

We wish to report :

1. **Resolution No. 19-07** amending Resolution No. 81-9 and expanding the boundaries of community reinvestment area #1 was considered.

**Director Mauter-** we are here this evening to talk about an existing CRA, CRA #1. You can see by the legislation that it started out in 1981 and was expanded in 1995 with Resolution 95-75. We have revisited that area at the prompting of some developers who are looking at some properties that were not in the CRA #1 or any other CRA for that matter. There were discussion with Service Director Rhodes and myself, Mayor Hall and Mark Labutis because we were originally looking at Mark's ward area when we first started considering this expansion. I want to recognize Councilman Labutis and recognize him for his work and efforts on expanding CRA #1.

**Mr. Fraizer-** where is the expansion?

**Director Mauter-** the map that you have behind you there are three different colors. The green area is the existing CRA #1, the orange or brown shaded areas would be the expansion areas of CRA #1 and the grey area is CRA #4 but I thought that it would be valuable to show you why we stopped where we did because there is another CRA in place there.

**Mr. Fraizer-** is it to support existing projects or new projects?

**Director Mauter-** the reason for the expansion would be to allow property owners who want to invest and some developing whether it is new construction, historic renovations or rehabs that would allow those property owners to be tax abated on the increased assessed property valuation that is done by the Licking County Auditor's Office. It essentially freezes your property tax rate where it is then if you do any improvements at an increased value as the Auditor's Office sees it; it will not hit your taxes until your tax abatement period has expired. It is 12 years 100% tax abatement for renovations or

remodeling. It is a 15 year tax abatement on new constructions. What we think this is going to do is incentivize developers and property owners to improve their properties and not have to incur an additional tax assessment on their property taxes until that tax abatement period would expire.

**Mr. Marmie-** this is going to be allowed on residential also?

**Director Mauter-** yes, all of the CRA's include residential.

**Mr. Marmie-** that is what my concern is, expanding it too extensively to residential because then why does a certain residential area of Newark get abated where other residential areas don't?

**Mark Mauter-** if you look at the map where a big part of the revitalization has occurred and you look to the north and see the areas of Elmwood and other neighborhoods in that area it is the next logical step for revitalization to take place. Quite often for this revitalization to be feasible it really needs some sort of incentives. In this case it would be a tax abatement.

**Mr. Marmie-** tell me the metrics on the current CRA and the benefits in the increase on the current CRA that warrants an expansion of the CRA.

**Director Mauter-** do you want to know what projects were done?

**Mr. Marmie-** I just want to know what the benefits are, do we not measure the results of this?

**Director Mauter-** we do an annual report of CRA's every year where we inspect all of the properties to make sure that they are being maintained and if they're not they lose their tax abatement status. I'm not prepared to go into an in depth CRA #1 metrics at this time. I can tell you that there has been a good mixture of residential and commercial businesses that have benefited from the CRA.

**Mr. Marmie-** I am all for that but I am also looking at the overall benefit to the City of Newark if we are allowing abatements which includes residential housing but it is limited in a certain geographical area. Just because someone on Neil Ave isn't in there they don't qualify yet someone one street over does.

**Director Mauter-** we are looking at those areas because there is potential for development there; to the far west end which is 36<sup>th</sup> Street there is the old armory there and we felt that would be a good potential future development area. The other part on the north of that new boundary would be West Main Street and West Main Street has a lot of potential for commercial development there. We thought that it would be a good idea to extend it north because of all of the revitalization to downtown and that is going to be a natural progression of additional revitalization taking place in that direction. CRA #4 the grey shaded area meets the expansion of CRA #1 which is actually 5<sup>th</sup> Street and Main area where there are some properties in there that we think are going to realize the value of that as well.

**Mr. Fraizer-** does the property owner have to request to be in the CRA and approved or what is the process?

**Director Mauter-** no, the process is the city pretty much has discretion how they want to identify these boundaries.

**Mr. Fraizer-** I am talking about a homeowner within the boundaries trying to take advantage of the CRA. Is there an application they have to fill out?

**Director Mauter**- yes there is an application process.

**Mr. Fraizer**- it goes to the Economic Development Department and they have to approve it.

**Director Mauter**- correct

**Mr. Fraizer**- so not everybody is grandfathered in?

**Director Mauter**- they have to submit all of their costs that were involved in the project, if there were any building permits that were required they have to be shown that they were obtained, paid for and inspections were completed. Typically a certificate of occupancy has to be presented as well to prove that all of the final inspections were done on the property. I do the reviews as they come through.

**Mr. Lang**- what is the significance of the different CRA areas? Are there different rules depending upon which one you are in?

**Director Mauter**- not that I am aware of.

**Motion by Mr. Cost to send to full Council, second by Ms. Hall**

**Mr. Fraizer**- what is a CRA? It is a direct incentive property tax exemption program. It is given to property owners renovating or constructing buildings with the exemption up to 100%. Residential remodeling of two bedrooms or less, minimum of \$2500.00 for 10 years; Remodeling two bedroom or more, commercial or industrial minimum \$5,000.00 for 12 years; new construction of all types for 15 years. We have areas 1,3,4 and 5 because 2 was discontinued.

**Director Mauter**- CRA area #2 actually expired.

**Mr. Fraizer**- in 1996.

**Mr. Lang**- what are the expiration dates of the current CRA's?

**Director Mauter**- right now there are no expirations with the CRA's. The reason that #2 expired would be something that I would have to research.

**Mr. Marmie**- where was it located?

**Director Mauter**- just north of CRA #4 if I am remembering correctly.

**Mr. Marmie**- I would like to see some metrics as far as the effectiveness of CRA #1 prior to my voting towards this just because I have been on this Council for a long period of time and there has been some back lash before previously about residential housing getting abatements when other parts of the city do not. I'd like to see what improvements have been made and what our return on investment is by giving up those taxes.

**Director Mauter**- I think that what we are going to find is it is an incentive to try and encourage redevelopment, revitalization whether it be rehab of existing property or even new construction. What I could probably do in the way of metrics would be to share those reports that are done annually and show you how many properties are involved.

**Mr. Marmie**- I want to know how much we have given up in taxes and what kind of investments the community has made.

**Director Mauter**- in order to find out what has been given up that is going to be based on the assessed value that the Auditor's Office comes up with.

**Mr. Marmie**- here is where I am coming from... you are saying that it is ok to incentivize

a certain portion of our city but yet we shouldn't incentivize other portions of our city, why shouldn't we? Why don't we just make it available to the entire city?

**Director Mauter-** I think that we are trying to encourage that development in particular areas that are ripe for new development and revitalization.

**Mr. Marmie-** if it is ripe for it then you shouldn't need an incentive.

**Director Mauter-** that would be one way to look at it I suppose. It is an economic development tool. It is another tool in the toolbox to try to make things economically feasible.

**Mr. Marmie-** and all I want to see is the return on the investment. You are saying that it is developing our economy and I want to see how.

**Director Mauter-** I don't know that I can come up with every single parcel that has been granted a tax abatement, how I would figure what their taxes were what they are and what the reassessed value would be.

**Mr. Fraizer-** at the end of the day it is the Auditor who has the clear metrics as far as assessed value and property tax that is not retained because of the increase in value correct?

**Director Mauter-** that is correct

**Mr. Fraizer-** we have a list of all of the properties that have been approved for CRA correct? That is why we have an annual report.

**Director Mauter-** correct, yes

**Mr. Fraizer-** in order to meet the request it would be contacting the Auditor's office, getting the list of reports and say what is the assessed value, what was the original value that they are no longer paying property tax for and then we could mirror up on those annual reports in order to say what is the return on the investment how much money was put into the house. Is that really what you are looking for?

**Mr. Marmie-** yes, if we are expanding something I want to see how the first portion worked. If I can't see that it worked why would I expand upon it?

**Mr. Fraizer-** but as a city that doesn't levy their own property tax, as far as this being an incentive from a city perspective compared to the school district compared to everybody else we're not going to be losing out on a lot of money by using this tool. I think that is just additional details that we are looking for that we should be able to use those annual reports and information from the Auditor. We can send over a request for that information and move this along and if you get it in time you can feel good about your vote on Council. Does that seem fair?

**Mr. Marmie-** sure

**Director Mauter-** I will do my best. What I do have at my disposal is on those reports is each time to property has come forward to ask for a tax abatement they are required to show how much they spent on the project. What I don't have on that report is the reassessed value after the improvements were done. Just because somebody has spent \$100,000.00 improving their property doesn't always equate that there is a \$100,000.00 new assessed property value.

**Mr. Marmie-** yet we are reducing the amount of their taxes by the investment portion because it is not being reassessed correct?

**Director Mauter-** we are not reducing their tax base it is remaining the same and then

we are abating whatever the County reassess the value at. That is the part that I don't have and would have to look into with the County Auditor's office.

**Mr. Lang-** I am sending this on to full Council, could we get information on the expiration dates of the CRA's? I am curious how long we are putting this in place for.

**Director Mauter-** yes I will look into that.

**Mr. Cost-** how long has #1 been in place?

**Director Mauter-** 1981 was when it was implemented. That is in your preamble of the legislation and then down in the body it references the second expansion was done in 1995. This would be the second expansion since it has been originated.

**Motion passed by a vote of 5-0.**

Mark Fraizer, Chair