Tax Credit Workgroup

Development Credits Recap and Next Steps

September 11, 2025

BMORE BUDGET

Brandon M. Scott
Mayor

Agenda

1 ***Development Tax Credits*** *(15 mins)*

Recap and Next Steps

2 ***Consultant Support*** *(40 mins)*

Background and Proposal

3 ***Residential Tax Credits*** *(30 mins)*

Framework for a New Program

4 ***Rules and Regulations*** *(30 mins)*

Current Program Inconsistencies

Development Tax Credits Recap

What I Heard from the Workgroup

1. Some uncertainty on which tools are needed and the right subsidy required to incent the development we want.

2. Agreement that we need significant development across all residential housing types (single-family vs. multi-family, renovation vs. new construction, etc…). This is especially true in light of nationwide and regional housing shortages.

3. A desire to see more consistency and simplicity on rules and regulations, which tend to be quite varied across the City’s tax credit programs.

Development Tax Credits Recap

	Finding	Solution	Who?
1	Uncertainty on what tools are needed and the right subsidy amount needed for various projects.	Utilize a trusted 3rd party consultant to evaluate the development feasibility of the Baltimore market.	Consultant
2	Agreement that we need development across all project types.	Develop a framework for a new tax credit program.	Workgroup + Consultant
3	Rules and regulations are inconsistent and vary considerably among different tax credits.	Develop one consistent set of rules and regulations on eligibility, application, and credit calculation.	Workgroup

Tax Credit Workgroup

Consultant Support

Consultant Support

HR&A Advisors - Columbus, OH study

Residential	Commercial
How effective have incentives been in supporting neighborhood revitalization to date?	How competitive are Columbus's commercial incentives in a regional and national context?
How can Columbus support inclusive growth across neighborhoods, and what should the role of incentives be in that process?	How can the portfolio best support achievement of the City's economic objectives?

Photo: Wikimedia

Photo: VSI

Photo: ODSA

Photo: Wikimedia

Consultant Support

HR&A Advisors - Columbus, OH study (cont.)

We examined four neighborhoods, each meant to reflect a potential neighborhood typology across Columbus.

Hilltop

2016 Population: 26,780

Hilltop is a 7.6-square-mile neighborhood bounded by I-270 to the west; I-70 to the north and east; and Sullivant Avenue to the south.

Linden

2016 Population: 36,590

Linden is a 6.4-square-mile neighborhood bounded by I-71 and the Conrail railroad to the west; East Cooke Road to the north; Westerville Road, Joyce Avenue, and the Conrail railroad to the east; and the Conrail railroad to the south.

East Side

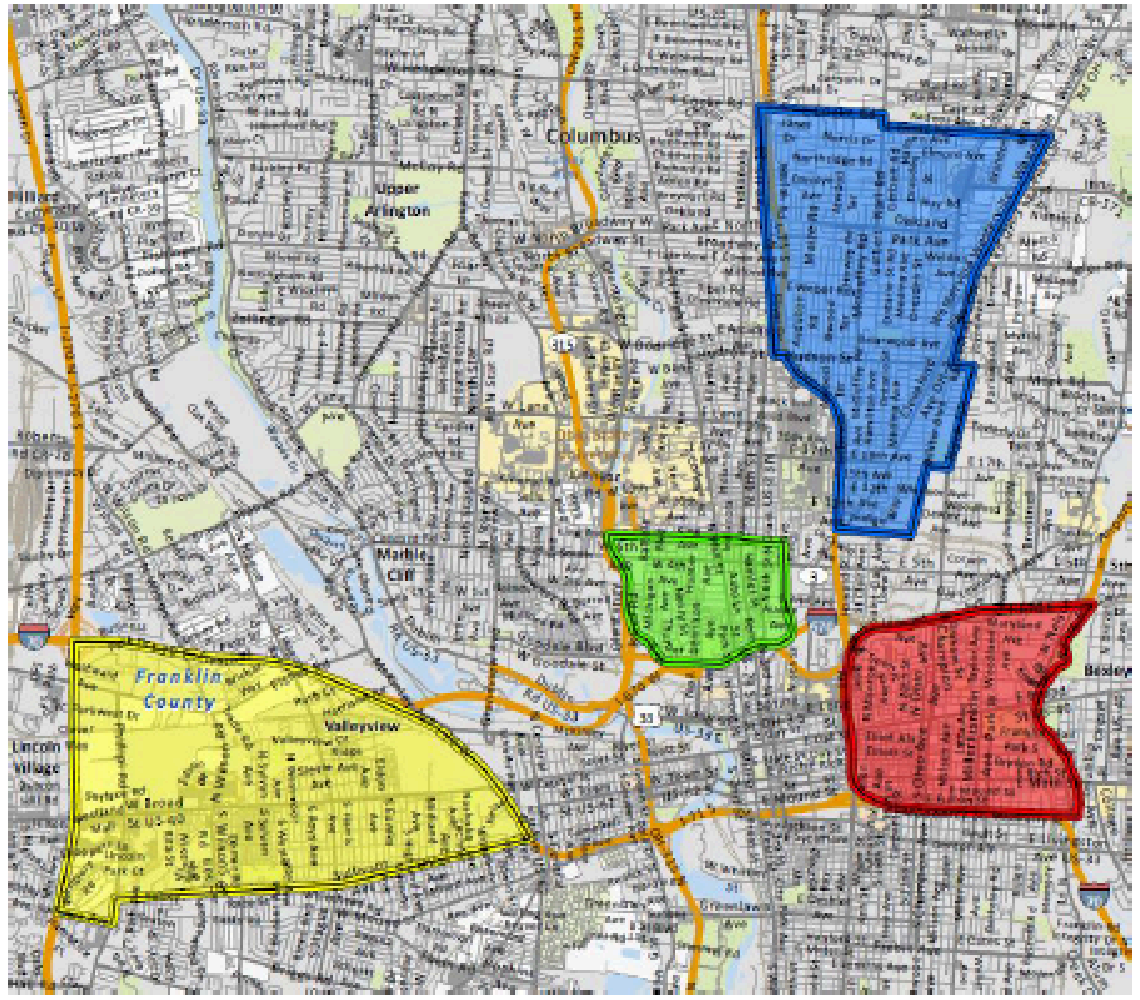
2016 Population: 20,000

The East Side is a 3.5-square-mile neighborhood bounded by I-71 to the west; I-670 to the north; Alum Creek to the east; and I-70 to the south.

Short North

2016 Population: 14,460

Shorth North is a 1.6-square-mile neighborhood bounded by State Route 315 to the west; King Avenue and E. 7th Avenue to the north; the CSX railroad to the east; and I-670 to the south.



Source: U.S. Census, ESRI, VSI

Consultant Support

HR&A Advisors - Columbus, OH study (cont.)

How effective have incentives been in supporting neighborhood revitalization to date?

How can Columbus support inclusive growth across neighborhoods, and what is the role of incentives in that process?

1. Market Scan

The team conducted a high-level market scan using public and proprietary data for four target neighborhoods selected by the City, in order to represent the variation in market conditions that exists across Columbus. This analysis considered demographic, economic, and real estate market data.

2. Impact Analysis

Utilizing data furnished by the City and Franklin County, HR&A analyzed:

1. The use of Residential CRA in the four target neighborhoods between 2011 and 2016; and
2. The impact of those incentives on land value, building value, and development activity throughout the neighborhoods.

3. Categorization & Pro Formas

Based on the market scan and impact analysis, HR&A examined each of the four neighborhoods and developed a series of residential development pro formas to assess how the incentives affect the financial feasibility of development projects occurring within each neighborhood typology.

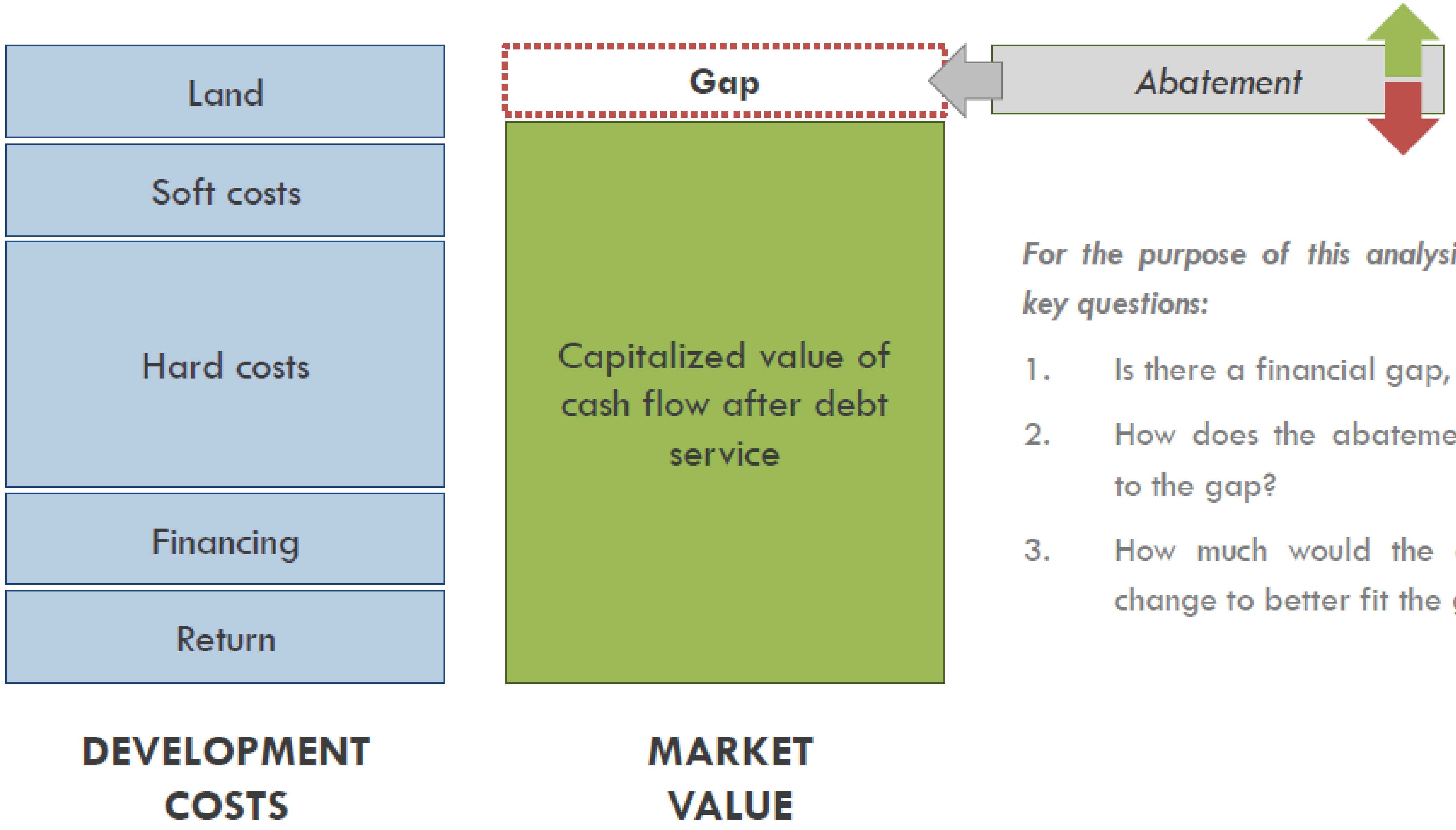
4. Recommendations

Based on the findings from the analysis and the City's development goals, HR&A produced recommendations to better align the City's incentive portfolio with its broader community and development objectives.

Consultant Support

HR&A Advisors - Columbus, OH study (cont.)

To better understand the role that residential abatements play, HR&A examined development feasibility for rental product in the four neighborhoods.



For the purpose of this analysis, we assessed three key questions:

1. Is there a financial gap, and if so how much?
2. How does the abatement compare relative to the gap?
3. How much would the abatement need to change to better fit the gap?

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HR&A Advisors - Columbus, OH study (cont.)

Typology	*Persistently Disinvested*	*Ready for Revitalization*	*Market-Ready*
	Linden, Hilltop	**Near East**	**Short North**
Abatement Impacts	• Large gap exists for low-rise new construction and rehab, even with maximum abatement. • Abatement on its own is not sufficient to catalyze market rate development.	• Gap exists for low-rise and mid-rise new construction. • Versus Hilltop & Linden, incentive performs better in covering gap, so less additional subsidy is needed to make market rate development feasible.	• Gap does not exist for mid-rise wood frame with concrete podium and surface parking new construction. • Gap does exist for mid-rise concrete and steel with structured parking, and is filled by abatement.
Policy Implications	*Using abatement to support quality affordable and mixed-income product is most appropriate in the near term.*	*Continue abatement use and explore use of additional subsidy to catalyze development, especially transformative larger-scale projects.*	*Right-size incentive and/or reposition them to support high quality product that delivers public benefits.*

Consultant Support

Scope of Work

Task 1: Background and Data Gathering	Task 2: Historical Evaluation	Task 3: Residential Incentives	Task 4: Commercial Incentives
1. Project Kickoff 2. Data and Material Review 3. Stakeholder Interviews	1. Neighborhood Selection 2. Market Analysis 3. Incentive Utilization	1. Development Feasibility 2. Benchmarking & Best Practices 3. Final Recommendations	1. Commercial Incentive Performance Metrics 2. Benchmarking & Competitive Assessment 3. Final Recommendations
Cost: $17,000	**Cost: $88,000**	**Cost: $135,000**	**Cost: $65,000**

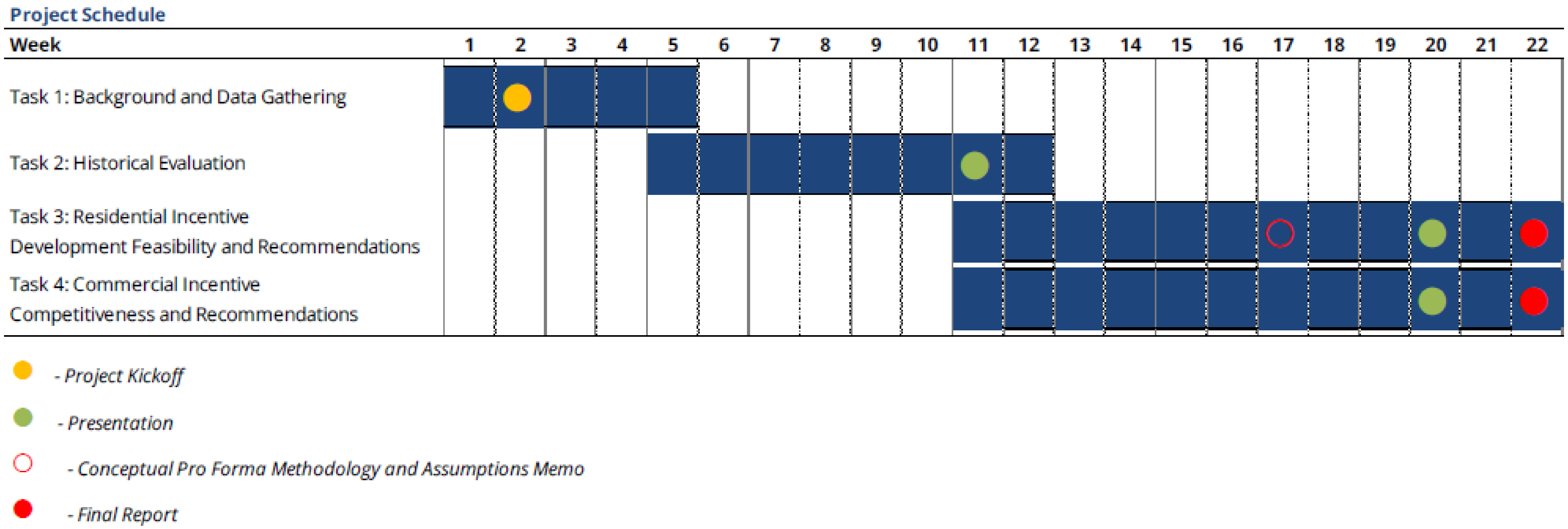
Note: Additional Task 5 cost of $25,000 for any unanticipated requests or follow-on work, but only as needed.

Consultant Support

Proposed Project Schedule

Project Schedule

HR&A proposes to develop the analysis and report over a 22-week period. Should the City choose to engage HR&A for any of the optional tasks, we will work with the City to revise this schedule to build in that work following delivery of the final report.



Questions or comments?

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Residential Program Design

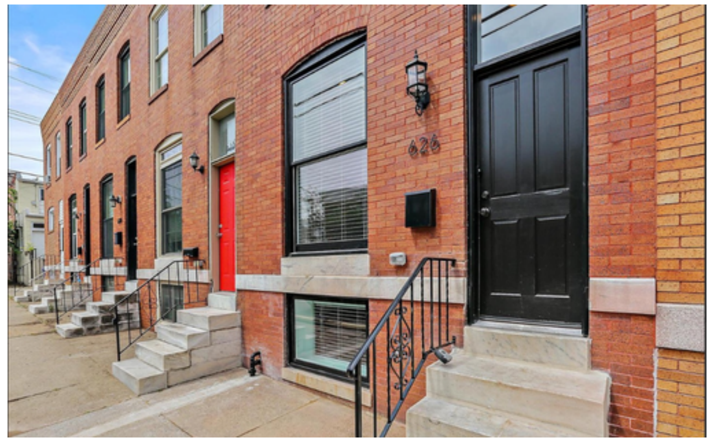
What would a single Residential Development Tax Credit program look like?

Residential Tax Credit Program - Proposal

Collapse existing programs into one program.

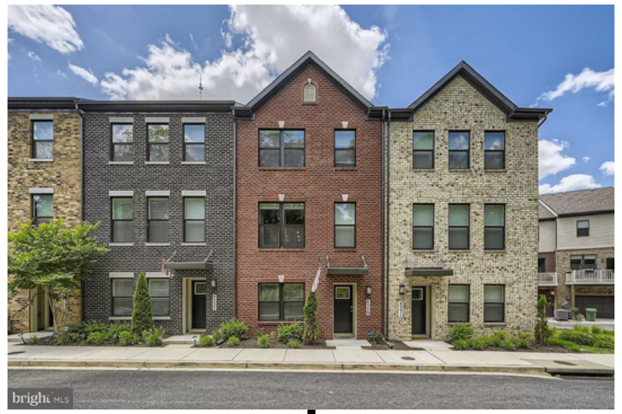
CHAP

Residential Renovation



NCTC

Residential New Construction



HPMRTC

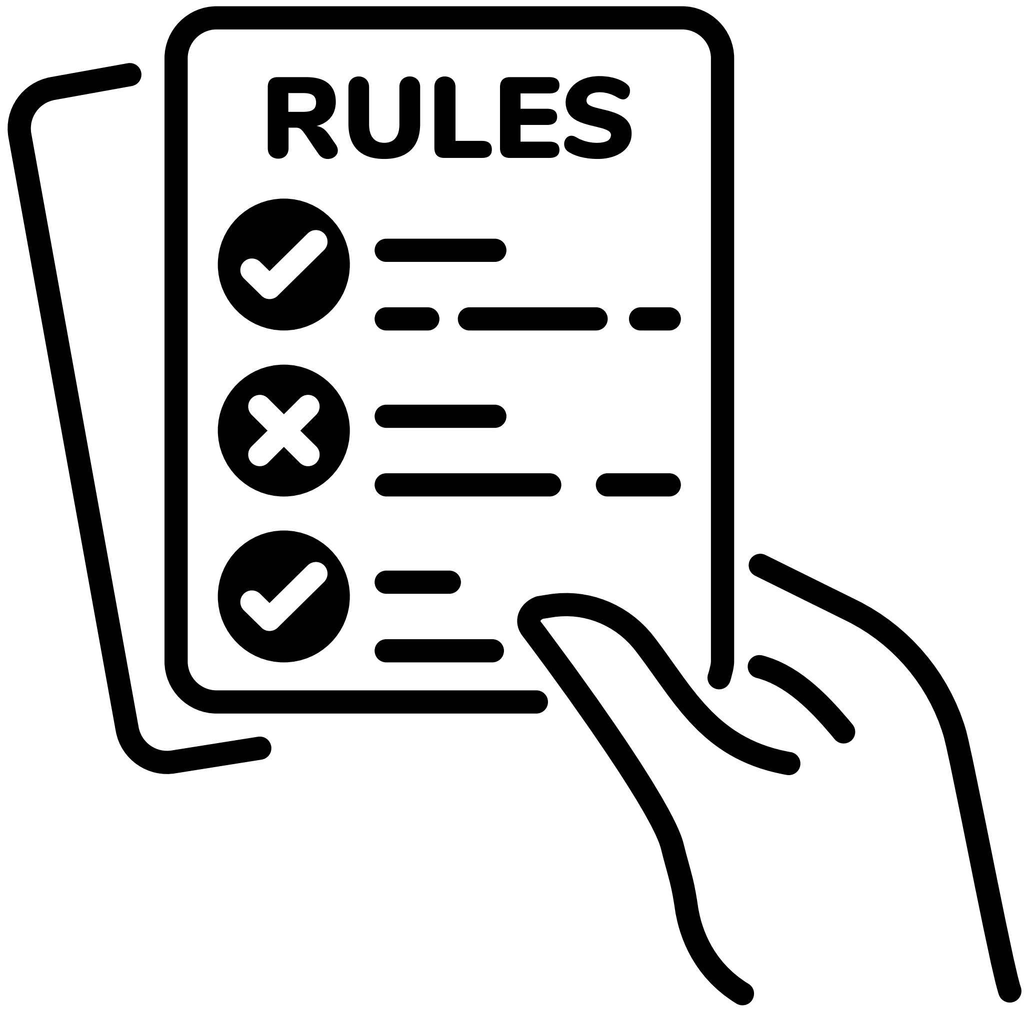
Residential Multi-Family

RESIDENTIAL TAX CREDIT

Any Residential Improvement Project

Residential Tax Credit Program - Proposal

One consistent set of rules and regulations, to be recommended by Workgroup.



- Application Requirements
- Pre-Approval Requirements
- Required Investment Level
- Reporting Requirements
- Credit Calculation Method
- Transferability

Residential Tax Credit Program - Proposal

Baseline subsidy informed by consultant analysis - by project type and neighborhood.

Carrollton Ridge
Penn North
Park Heights

Waverly
Ashburton
Union Square

Federal Hill
Canton
Harbor East

Project Type

Neighborhood Tier	Single-Family New	Single-Family Rehab	Multi-Family
Persistently Disinvested			
Ready for Revitalization			
Market Ready			

based on consultant analysis

Residential Development Tax Credit (cont.)

Additional subsidy available, but only for building standards beyond the housing code or for other City-desired policy goals.

Green Building Standards

- LEED Certification or other equivalent certifications.

Historic Preservation

- Meeting certain CHAP design specifications.

Affordability

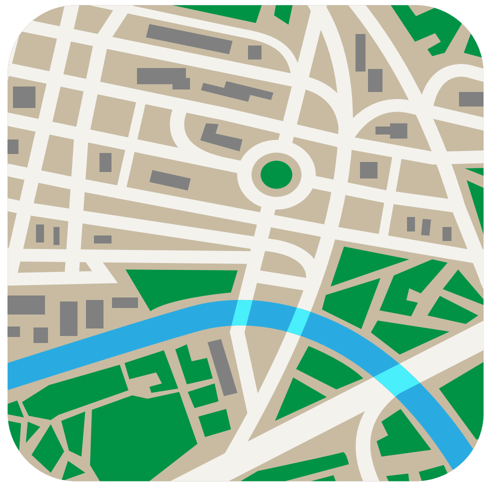
- Inclusion of units that are below a set area-median income level

Environmental Remediation

- Direct cost reimbursement, or Brownfield credit as secondary

Impact Investment Areas

- Steer investment to n'hoods with high growth potential.



Tax Credit Workgroup

Rules and Regulations

Residential Tax Credit
Rules and Regulations

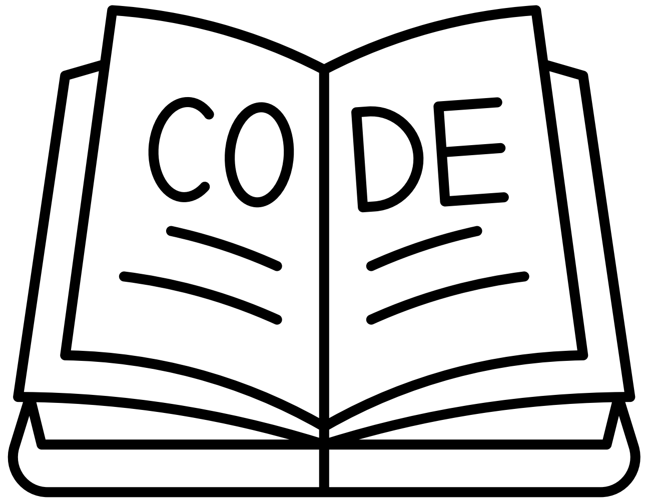
Application & Eligibility

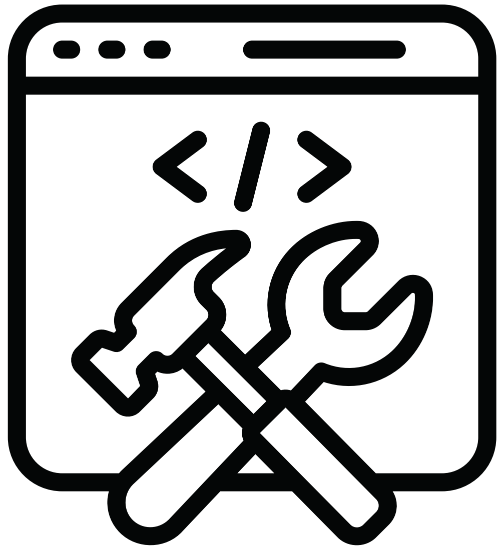
	Newly Constructed	CHAP Historic	High-Performance Market Rental
Applicant	Homeowner	Developer	Developer
Application Steps	1 step	2 step	2 step
Application Timeline	Within 90 days of settlement.	Need preliminary certification by CHAP before work begins, then two years for final certification.	Within 30 days of first construction permit.
Eligibility	Must file a tax return and be in good standing.	None	None
Transferability	No	Yes	Yes, but requires a new application.

Residential Tax Credit
Rules and Regulations

Building Standard & Impact

	Newly Constructed	CHAP Historic	High-Performance Market Rental
Minimum Investment	No	Improvement must exceed 25% of the assessed value.	Investment must exceed $60,000 per unit.
Green Building Requirements	No	No	Yes
Historic Requirements	No	Yes	No
Reporting Requirements	None	None	Owner must submit impact statement 3 years after application submitted.





Residential Tax Credit

Rules and Regulations

Tax Credit Calculation

	Newly Constructed	CHAP Historic	High-Performance Market Rental
Credit Start Date	Begins in the first full-year tax bill issued after the latest of: the high-performance certificaiton date, the occupany permit issue date, the first assessment notice date, or the settlement date.	First tax billing period after CHAP and Finance Director have issued final approval.	First assessment afer issuance of an occupancy permit for the completed project.
Determinant of Value	Assessment	Appraisal	Assessment
Calculation Method	On **total** assessed value.	Difference between pre and post-improvement appraisal.	Difference between pre and post-improvement assessment.
Tax Liability Floor	No	Yes, ensures that tax liability cannot be reduced below the tax liability before the improvements began.	Yes, ensures that liability cannot be reduced below $0.

Questions or comments?