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Client Alert: Columbus Expands Downtown Community Reinvestment Area, Broadens Exemption Scope

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On November 18, 2013, Columbus City Council passed Ordinance No. 2649-2013 (the Ordinance), which expands both the geographic area covered by the Downtown Community Reinvestment Area (the CRA) and expands the scope of real property tax exemptions available within the CRA.

Prior to the Effective Date of the Ordinance

Prior to the passage of the Ordinance, the CRA covered a targeted area within the city in which residential development had taken place. The CRA exemptions were all 100%, and the term of the exemptions was as follows:

- 10 years for remodeling of existing dwellings containing not more than two housing units and upon which the cost of remodeling is at least \$2,500;
- 12 years for remodeling of existing dwellings containing more than two housing units and commercial improvements in or to such structures upon which the cost of remodeling is at least \$5,000; and
- 15 years for construction of new dwellings and commercial improvements in or to such structures.

Finally, prior to the passage of the Ordinance, certain owners of structures for which a CRA exemption was granted were required to execute written CRA agreements and make payments in lieu of taxes (PILOTs). The amount of PILOTs was dependent upon the type of project being constructed. For example, for residential projects that were considered Redevelopment Housing, Student Housing or Targeted Area Housing, the PILOT was 0% for years 1-10 of the CRA exemption, and 100% thereafter. In addition, for projects in which commercial improvements comprised 1/3 or less of the gross square footage, the PILOT for the commercial improvements was the same as the PILOT for the residential improvements. For projects in which the commercial improvements comprised more than 1/3 of the total gross

square footage, however, the PILOT for the commercial improvements was 100% for all years. The effect of the PILOT requirement was to effectively disqualify purely commercial projects from obtaining a CRA exemption.

Changes in the Ordinance

Pursuant to the Ordinance, the geographic area covered by the CRA has been expanded. The area is now bounded by I-670 to the north, I-71 to the east, Fulton Street and Mound Street to the south and the railroad tracks and SR 315 to the west. In addition, after the passage of the Ordinance, the CRA exemptions are still all 100%, but the exemption terms are as follows:

- 15 years for non-retail commercial and industrial and residential new construction;
- 15 years for remodeling or renovation of certain structures of historical significance;
- 12 years for the remodeling or renovation of existing non-retail commercial and industrial structures and residential structures containing more than two units and upon which the cost of remodeling is at least \$5,000; and
- 10 years for the remodeling or renovation of existing residential dwellings containing not more than two housing units and upon which the cost of remodeling is at least \$2,500.

Finally, all PILOT requirements have been removed, and there is no longer a requirement that a written CRA agreement be executed to obtain CRA exemptions.

The purpose of the passage of the Ordinance by the city was to apply the pre-1994 CRA statutes to both commercial and residential projects within the CRA. Therefore, in order to take advantage of CRA exemptions, property owners with eligible projects must file a CRA exemption application with the city's CRA Housing Officer for construction or remodeling completed after the effective date of the city's CRA legislation. Section 5(G) of the Ordinance provides that the terms of the Ordinance apply to new construction and/or renovation occurring both prior to and following the effective date of the Ordinance.

If you have questions regarding whether a new or existing project is eligible for an exemption under the terms of the CRA as amended by the Ordinance, please contact Scott J. Ziance at sjziance@vorys.com or 614.464.8287 or Chris L. Connelly at cconnelly@vorys.com or 614.464.8244.