

## Letter Regarding City's Property Tax Abatement Policies

September 25, 2017

To Whom It May Concern:

Following up on the August 16 CRA meeting, we propose a community policy goal to encourage small-developer and owner-occupied renovation of small commercial buildings comprise of 4 to 10 residential or mixed-use units. This is the typical building style in many of our city's older historic neighborhoods and neighborhood business districts.

This building type currently falls under the Application for Commercial Tax Abatement, which is very daunting and expensive and should more closely approximate the Application for Residential Tax Abatement.

Some current stumbling blocks in the commercial application for this group of owner-occupied/small developers:

- The requirement to have and executed CRA Tax Exemption Agreement with the City before commencing construction activities. Additionally, City Council must approve before execution.
  - These small developments cannot support the carrying costs, achieve commitment of trades people or secure financing from banks under these conditions.
  - Suggestion: Create a process that allows CRA application to be submitted before, simultaneously, or after application for building permit.
    - Before—allows information to be presented to the bank with loan application as the City's endorsement or contribution to the small project. This is often requested by the bank.
    - Simultaneously—the clock is ticking for both processes at the same time and with a stated turnaround time, say 60 days.
    - After—application during construction period, perhaps with a an end date of the Certificate of Occupancy, or more open-ended as in the Residential Application.
  - Suggestion: If necessary for State requirements, develop a process for City Council to approve these small and owner-occupied buildings in a more streamlined manner.
- The high cost which currently extends to small developers of 4 units or more under the Commercial CRA Application:
  - Application fee of \$750 to the State

- Annual monitoring fee of \$500 to \$2500 for the duration of the abatement to be submitted with the Annual Report
  - The above fees in addition to the following make the CRA no incentive at all.
  - Separate agreement with the school board Payment In Lieu Of Taxes (PILOT) equivalent to 25% of abated taxes.
  - Voluntary Tax Incentive Contribution Agreement (VTICA) of 15% for streetcar district.
    - Notes:
      - (Residential abatement for 1 to 3 units has a \$75 application fee, seems to have no annual monitoring or annual report, and no PILOT or VTICA.)
      - (Small developers and owner occupied for 4-10 units would still likely be willing to pay the PILOT and VTICA if the other fees were not added on top.)
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- Eliminate the Section II-Job Creation/Retention
    - A small project creates a varying number of trade-based jobs, but only during the term of the renovation.
  - Eliminate SBE Utilization Plan
    - As a rule, small developers or individual owners contract with small trade-based businesses to provide demo, plumbing, heating, electrical, roofing, framing, drywall, painting, tuck pointing, concrete work and/or landscaping. They may procure some pick-up labor or they probably do some of the work themselves.

It is imperative that the CRA program continue to be equally available throughout the City, with no new focus on specific neighborhoods. Building trust and awareness of the program through orientation sessions would lead to more widespread use of the CRA program throughout the neighborhoods of the City.

Respectfully submitted,

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 President  
 OTR Community Council