

## **Euclid Avenue Community Reinvestment Area Overview**

Recently, the Madeira City Council unanimously (7-0) passed legislation creating a Community Reinvestment Area (CRA) for properties located on the south side of Euclid Avenue between Miami Avenue and Laurel Avenue. This topic has created some discussions among the residents of Madeira and has been the subject of a number of stories in the Suburban Life newspaper.

The city decided to post this information sheet on the city's website to help educate Madeira residents by providing factual information about the legislation and its possible effect on the city's budget.

### **Zoning Background**

The City of Madeira, through a ten-month public process with the Planning Commission and City Council, changed the zoning code in 2008 by establishing a Transitional Residential Overlay District (TROD) to allow attached townhouse style residences to be built on the properties along the south side of Euclid Avenue between Miami Avenue and Laurel Avenue. The rationale for the establishment of the TROD was to support growth of the downtown Madeira business district by encouraging higher density residential units in or directly adjacent to Madeira's downtown.

Thereafter, 5 months of meetings and discussions on the possible establishment of a CRA took place at City Council. Of course, concerns were expressed, including "fairness", actual benefits, and possible loss of revenue. After intense deliberation, City Council voted to establish a CRA within the TROD. A CRA is a "zone", permitted under State Law, which allows improvements to real estate within the zone to be eligible for a "property tax abatement". The CRA passed by Madeira City Council was for a 50% 15-year tax abatement period and applies only to improvements to the property.

### **Neighboring Competition**

Most communities are looking for ways to generate additional revenue and strengthen their downtown business districts. This additional revenue can come from new development or raising tax rates. A CRA is a proven economic development tool that encourages specific development during a specific period of time that might not otherwise happen. These improvements can bring significant increases in value to the property. This higher property value generates additional tax revenue for the local city and schools. In addition to generating more revenue, a completed project can also bring jobs and encourage other nearby development.

Many quality communities surrounding Madeira have already put into place legislation to make their communities more competitive vs. neighboring communities. By passing temporary tax reductions, communities like Mariemont, Hyde Park, Oakley, and Mt. Lookout have created an unlevel playing field. Specifically, nearby in Mariemont one development has basically sold out and construction has begun on two new condominium developments with plans for 70 units. All three developments are eligible for a tax abatement of 50% for 15 years.

### **Euclid Avenue Community Reinvestment Area**

The impetus for bringing the tax abatement issue before council was a request by Riverstone Development Group requesting the city approve a tax abatement for their Bradford Place development. Council reviewed their request and weighed the cons of forgoing some potential future tax revenue in favor of the potential economic development gain for Madeira. Ultimately council decided to expand the CRA beyond just the Bradford Place and to include the entire Euclid TROD.

### **Current Development Activity within the CRA**

Riverstone Development Group, a Madeira company, purchased 4 homes within the TROD / CRA sitting on 3 acres of land. They broke ground on Bradford Place in the fall of 2008 just before the economy turned negative in October of 2008. The original design was for 26 "high end" condominiums to be built starting around \$600,000.

In an attempt to adjust to the economy and the downturn in the housing market Bradford Place has modified their options by offering a new smaller condo called the "Cottages at Bradford Place". These smaller units start around \$400,000 and 29 units could be built on the property.

## **Effect on Annual Tax Revenue**

Approving a tax abatement for any property or project is based on what might happen in the future and whether the tax abatement could help to stimulate the development to succeed. The city could have chosen not to approve the abatement and allow the tax revenue to remain idle until units are eventually, if ever, built.

Instead, council passed the CRA legislation assuming the following: new units will be built sooner as a result of the tax abatement incentive; both the city and school district would receive more tax revenue than they would have if the property were to remain undeveloped; and with the understanding it would be at a lower taxed percentage during the abatement period.

The property as of this date is already generating three times the amount of property tax revenue (+\$37,000/year) than it did when it was four single-family homes. Once completed, the project will generate nearly \$179,000/year in taxes at the 50% abatement level and almost \$358,000/year once the 15-year abatement agreement is over. The schools are by far the largest beneficiary of increased property tax revenue with 68% of the property tax in Madeira going to the schools, 11% to the city, and 21% to the county.

1. **3X Tax Revenue Increase** – Bradford Place property improvements have already increased tax revenue to the city, schools, and county from \$20,000 to \$57,000.
2. **9X Tax Revenue Increase** – During the 50% / 15-year tax abatement period the completed project will generate an estimated \$179,000/year\* in tax revenue.
3. **18X Tax Revenue Increase** - After the abatement period, the city, schools and county will generate an estimated \$358,000/year\* in tax revenue.

\* Final valuation will be determined by the Hamilton County auditor and will vary based on the final mix of building types and assuming the property is built out.

**This legislation does not increase taxes on Madeira residents; rather, as the property builds out it will have the effect of reducing property tax rates both in the short and long term as additional tax revenue is generated over and above what is being generated today.**

## **Residential vs. Commercial Abatements**

Cities have been using tax abatements for over three decades on both residential and commercial developments to drive economic growth within their jurisdiction. In Madeira, the entire residential CRA district has a very large potential for increasing the tax base to the community with commercial like returns. The Euclid Avenue CRA has the potential, when developed under the zoning regulations of the TROD, to be the highest per acre value for any property in Madeira. If developed under the scenario approved by the city, the total value of the development will be \$15+ million for the three-acre project. At \$5 million per acre, this is considerably more than any other acre of property in Madeira's central business district.

For the legislation follow this link:

<http://www.madeiracity.com/documents/CRA%20Fact%20Sheet%20and%20Legislation/FINAL%20READING%2004-10%20CERTIFIED%20COPY.PDF>

Hopefully this information sheet was informative and provided a factual overview of the Euclid CRA legislation. Should you have any further questions on this topic please contact the Office of the City Manager (513.561.7228) or via email to [tmoeller@madeiracity.com](mailto:tmoeller@madeiracity.com).