Residential Incentive Program Proposed Updates

Building the housing infrastructure to support our growing city and have economically diverse neighborhoods
COLUMBUS HOUSING STRATEGY:

BUILD the housing infrastructure to support our growing City.

• PRESERVE existing affordability
• INVEST in affordable housing for individuals and families
• INCLUDE all to address economic and racial disparities
ISSUE:

Central Ohio has a housing shortage because we are not building the housing infrastructure needed to support our growing community.

Jobs created to housing built between 2009-2019: 2.5 to 1
ISSUE:

Individuals and families are being priced out of some neighborhoods because rents are rising which limits access to these communities.
Increasingly expensive to build affordable housing and therefore a wide range of tools are needed for new affordable housing to be built including an abatement.
GOALS OF THE PROGRAM:

• Incentivize residential construction
• Incentivize the inclusion of below market-rate units in higher rent neighborhoods.
• Support the development of affordable housing throughout the City.
WHAT IS AFFORDABILITY IN CENTRAL OHIO?

ANNUAL MEAN WAGE FOR A:

- **Registered Nurse** is $73,270/year. Monthly housing expense should not exceed $1,831.
- **Construction worker** is $50,510/year. Monthly housing expense should not exceed $1,262.75.
- **Administrative assistant** is $40,970/year. Monthly housing expense should not exceed $1,024.25.
- **Cook in a restaurant** is $29,590/year. Monthly housing expense should not exceed $739.75.

Household pays < 30% of their income on Housing.
How does the tax abatement work?

- Land Cost
- Cost to Build
- Operating Expenses
- Financing

Revenue

GAP
How does the tax abatement work?

<table>
<thead>
<tr>
<th>Years 0 - 15</th>
<th>Years + 15</th>
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<tbody>
<tr>
<td>Predevelopment Taxable Value</td>
<td>Taxable Value</td>
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<td>Abated Value After Development</td>
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<td>Predevelopment Taxable Value</td>
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2018 Policy Updates

Market-Ready
In these neighborhoods, the City can right-size incentives and/or reposition them to support high-quality product that delivers substantial public benefits. Some abatement proceeds could be directed to support citywide revitalization and inclusive growth.

Ready for Revitalization
In these neighborhoods, the City can continue abatement use and explore use of additional targeted subsidy to catalyze development.

Ready for Opportunity
In these neighborhoods, the City can use abatements to support quality affordable and mixed-income product in the near term.
2022 Residential Tax Incentive Update

Have the residential markets in the CRA areas changed since 2018?

1. Update the gap analysis in four neighborhoods to determine value of the abatement in each category.

How has the 2018 policy performed?

1. Review criteria used to determine categories
2. Review other terms of the incentive policy
Have the residential markets in the CRA areas changed since 2018?

- Cash-on-Cash Return
- Financing Feasibility
  - Short North
  - Near East
  - Hilltop
  - Linden
How has the 2018 policy performed?

Incentivize residential construction:

4,584 units in Abatement areas

Incentivize the inclusion of below market-rate units in higher rent neighborhoods:

731 units were included in higher rent neighborhoods, 10% at 80% AMI and 10% at 100% AMI

Support the development of affordable housing throughout the City:

705 units were developed by affordable housing partners serving those below 80% AMI
## Market Ready Areas

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<thead>
<tr>
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* 10% of units set aside for 80% AMI  
* 10% of units set aside for 100% AMI | 100%, 15-year abatement for inclusion of affordable housing units  
* 10% of units set aside for 60% AMI  
* 10% of units set aside for 80% AMI  
**OR**  
100%, 15-year abatement for inclusion of affordable housing units  
* 30% of units set aside for 80% AMI | 100%, 15-year abatement for inclusion of affordable housing units  
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**OR**  
100%, 15-year abatement for inclusion of affordable housing units  
* 30% of units set aside for 80% AMI |
| **Single Family New Construction Eligibility** | 100%, 15-year abatement for designated affordable housing new construction  
Not eligible for abatement if market rate | 100%, 15-year abatement for designated affordable housing new construction (up to 120% AMI)  
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| **Single Family Rehabilitation Eligibility** | 100%, 15 year abatement | 100%, 15 year abatement, if designated for affordable housing (up to 120% AMI)  
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Not eligible for abatement if market rate |
| **Height Requirement** | Five-story height requirement for projects with four or more units | No five story height requirement | No five story height requirement |
| **Fee-In-Lieu** | Annual payments of 150% of the difference between the lowest market rent and the affordable rent per required affordable unit | No Fee-in-Lieu option | **One-time payment of $32,000 per required affordable unit** |
| **Unit Distribution** | No distribution requirement | Requires affordable units set aside match the distribution of units in the building | Requires affordable units set aside match the distribution of units in the building |
## Ready for Revitalization Areas

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<td><strong>Fee-In-Lieu</strong></td>
<td>One-time payment of $5,000 per required affordable unit</td>
<td>No buy-out option</td>
<td>One-time payment of $16,000 per required affordable unit</td>
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<td>Median Market Rents*</td>
<td>Median Rents Discounted for Inclusion of Affordable Units</td>
<td>Difference in Rental Revenue Per Month per Unit</td>
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<td>Market Ready CRA Areas</td>
<td>$1,800/month</td>
<td>$1,670/month</td>
<td>$130/month</td>
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<tr>
<td>Ready for Revitalization CRA Areas</td>
<td>$1,465/month</td>
<td>$1,402/month</td>
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*aggregated across unit types
## Ready for Opportunity Areas

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• 10% of units set aside for 80% AMI  
• 10% of units set aside for 100% AMI                                            |
| **Single Family New Construction Eligibility** | 100%, 15-year abatement                     | 100%, 15-year abatement                     | 100%, 15-year abatement                                                                       |
| **Single Family Rehabilitation Eligibility** | 100%, 15-year abatement                     | 100%, 15-year abatement                     | 100%, 15-year abatement                                                                       |
| **Fee-In-Lieu**       | N/A                                         | N/A                                         | One-time payment of $5,000 per required affordable unit                                      |
| **Unit Distribution** | N/A                                         | N/A                                         | Requires affordable units set aside match the distribution of units in the building          |
Next Steps

Department of Development Community Meeting 6/21 at 5:30pm
St. Stephen’s Community House
1500 East 17th Avenue
Columbus, Ohio 43219
Questions?

Erin Prosser

ejprosser@columbus.gov

614-645-6982