



City of Cleveland Memorandum
Frank Jackson, Mayor

To: Interested Proposers

From: Tania Menesse, Director, Department of Community Development

Re: Addendum – Request for Proposals – Professional Services for Research and Analysis Regarding Property Tax Abatement Policy for the City of Cleveland

Date: May 10, 2019

A Pre-Proposal Conference Call was held May 1, 2019 at 11 a.m. The following is a summary of the questions and answers discussed during the Pre-Proposal Conference Call.

1. Is the data relating to property tax assessment kept by the County, or is it kept at the City level?

The parcel data is kept at the County level. The City has received and maintains additional data regarding parcels participating in the tax abatement program. The City has nearly daily cooperation with the County on the tax abatement program, so, if there is any data needed that the City does not already have, the City could follow up to obtain that data for the selected consultant.

2. Even when data is made available, there are often questions on the data. Is the County involved in this process?

The County is involved in this process. If there are specific concerns regarding any data, the City will take the lead in getting the information needed from the County. In addition, the City has access to data through entities such as NEOCANDO and Cleveland State University. The City also maintains program data in-house. As such, there will be a variety of data sets available for use as part of the project.

3. Clarification on Timeline of Study:

The timeline proposed in the Request for Proposals is the City's best-case scenario. There is a sense of urgency to complete this work, but the City would work with the selected consultant to finalize the scope of work and timeline. As long as the proposed changes to the timeline would allow the City to complete the project within a reasonable range of the target, the changes would be considered.

- 4. Based on prior experience with phased research, if the study is to be completed in a three-month timeline with the public engagement components, those engagement activities will need to be scheduled in advance of the research. Will the public engagement activities occur only on the front end of the project, or will engagement also occur at the back end to share findings?**

The City is looking for public engagement both at the front and back end of the project, at slightly different levels.

The City, with its partners in the Equitable Community Development Working Group, will assist with scheduling for small group meetings, such as those with developers, builders, financial services professionals, and residents. The City will also assist with scheduling on the back end, where the focus will be less on small groups, and more about bringing the findings out to the community and providing information on the direction in which the City will proceed based on the findings.

- 5. As related to the larger equitable community development plans, are there particular success metrics for measuring progress? Would part of the consultant's scope include identifying metrics or indicators for progress on racial equity?**

The City will not require proposals to set out particular racial equity metrics, and will not hold the study to specific metrics, but the City would welcome suggestions regarding potential metrics as part of the Proposals. Part of the reason for this Request for Proposals is the need for outside research, best practices, and data from multiple points. The City is seeking an impartial source for recommendations, new ideas, and new metrics including those that are being used in other communities to make and measure progress. The racial equity lens would be helpful in regard to the review of development activity data in various neighborhoods.

In Cleveland, the racial equity metrics efforts are currently led by Cleveland Neighborhood Progress, which has and is formulating more metrics in terms of participation in training and organizations committed to changes structures or bringing in more opportunities from a workforce perspective. The City can connect the selected consultant with additional resources on this work, as requested or needed.

- 6. Regarding data availability, how specific is the information the City receives? Would it include race and ethnicity, income, amount of abatement, location, etc.? Is the study looking to review by individual transactions, or will data be aggregated? How fine-grained on the equity lens is important? By unit or spacial variation?**

The City has geographic data and value information for every parcel. The City does not collect demographic information on each tax abatement application. For multi-family projects, the City's data includes project location, investment, and developer information, and each multi-family application includes details regarding project financing. The targeted view for the proposed study is more on a geographic level, regarding the distribution of where people utilize tax abatement, and how the City could be using tax abatement in a way

to touch more geographies, rather than at the individual resident level. The City would be more interested in seeing the review at the neighborhood and project level than by unit.

7. The Proposed Study Elements in the Request for Proposals include analysis of mortgage information. What sort of mortgage information is requested? Does the City have access to mortgage data regarding type, age, etc. of loans? Or is that something the selected consultant would get through ACS?

The City's interest here is to understand how people are purchasing residences and financing construction of residences, and what tools are being used to do so. This request in the RFP may need to be adjusted based on the Proposer's expertise and understanding of what is possible. The Proposed Study Elements are comprised of proposals from a wide variety of stakeholder groups, and the Request for Proposals has left flexibility in how the Proposer addresses these items, because the City would welcome suggestions on items that may need to be changed as part of the Proposer's approach to the overall project.

Regarding data, the City would not have available any research-worthy amount of mortgage or appraisal data. The City could obtain individual parcel data from the County, and it has been proposed that some financing information could be inferred from transaction parties and details within the County data.

8. Is the Equitable Community Development Working Group a standing working group?

Yes, the Equitable Community Development Working Group is a standing group. It has and will be working on a number of issues, but has decided to hone in on tax policy first.

9. Is the Equitable Community Development Working Group working on other things during this time period?

This project is the Equitable Community Development Working Group's priority during the current timeframe. In order to move the initiative forward, tax policy is the sole focus at this time, and other items will be addressed following.

10. Regarding the public engagement portion of the Request for Proposals, have there been other initiatives where the City has groups ready to go for interviews and focus groups? For purposes of the amount of time and effort required for scheduling and identifying additional people, does the City have a sense of how those individuals will be assembled?

During the RFP response time, the City and Equitable Community Development Working Group will be working on assembling engagement groups. As the City released the RFP, the City and Equitable Development Working Group brought in a group of developers, real estate agents, and homebuilders working in the City's neighborhoods currently to brief them on the RFP and the process, and also asked the group about who else should be involved in the discussion, to continue identifying individuals to be part of the process. The City sees as its and the Equitable Community Development Working Group's responsibility determining who should be involved in outreach groups and to handle scheduling with those groups. The City is seeking the consultant's involvement because it is anticipated that individuals may be

more comfortable being candid with an independent consultant as compared to speaking with the City or a partner. The City sees the consultant's role as being about running the conversation and gathering data, so that the process is clearly an impartial one, used to gather information to inform policy recommendations.

11. Does the scope of the study include mixed-use or other commercial developments?

The main scope is single-family and multi-family residential. The only commercial developments to be considered are those mixed-use properties with residential above and office or commercial spaces below. Those properties are eligible to participate in the City's tax abatement program, and the County will sort out the multiple uses and apply the abatement only to the residential portion of the mixed-use structure. A property of that type may receive multiple types of tax incentives, such as the CRA abatement in addition to a TIF. Often these types of projects can feel very different than the residential-only properties, but the City would be interested in understanding how tax abatement affects these mixed-use projects.

12. For purposes of the economic impact analysis and layering of component parts, besides TIFs as mentioned, are there any other incentives targeted at the same type of property as the CRA abatement program?

For residential projects, there are not many other programs that will be layered with CRA tax abatement. Larger multi-family projects may have TIFs, and affordable projects may have soft second mortgages or Low Income Housing Tax Credit awards. Any policy recommendations should consider such affordable projects separately from market rate.

Other incentives that may be at play include job creation incentives from the State of Ohio, programs and tools through the City of Cleveland Department of Economic Development, Historic Tax Credits (state and federal – often used in rehabilitations in the central business district), and certain environmental remediation incentives. Of note, when there are both TIF and tax abatement incentives on one parcel, generally the incentives function one behind the other (e.g., the tax abatement runs for 15 years, and the TIF picks up in Years 16 through 30).

13. What share of tax abated projects is single-family versus multi-family?

Generally speaking, by parcel, there are likely more single- and two-family projects, but by unit, it would likely be more multi-family. The selected consultant will have access to this data in order to review the current status of the program.

It will also be important to examine where these tax abated projects are located. There is a concern that a large share of tax abatement is occurring in a handful of neighborhoods. In those neighborhoods that are doing well, the City does not want to hamper the upward trajectory, but there is a concern that there may be some incentives provided that are not needed, while other areas may need incentives to be deployed more aggressively. The Request for Proposals notes that the City is interested in work in peer cities. Several members of the Equitable Community Development Working Group started work on comparison cities. The City and Equitable Community Development Working Group will share this groundwork with the selected consultant so that the consultant's time can be used well,

asking that the consultant build on that information, or help the City to understand what direction those particular policies took based on the consultant's experience. From the City and Equitable Community Development Working Group's review, other communities that have made changes have done so recently, and so it is hard to tell the impact, or communities have not yet made changes. Understanding what is working in other cities will be an important part of the overall analysis.

14. To what extent is the public services cost side of the equation considered, and what is its importance or relevance to the proposed analysis? For example, what is the effect when a property with tax abatement does not contribute to the public service cost through taxes, but assumes the services?

These costs should be considered as part of the analysis of the overall costs and benefits of the program. In Cleveland, approximately 60% of property tax revenue goes to the school district. Schools are so critical to whether people want to live in a neighborhood. The City's share of the property tax revenue is much smaller – less than 15% – so the impact to the City's General Fund is limited. The City is interested in looking at the tax abatement program holistically, to understand what the City may have gained with the lost property tax revenue, because it is generally understood that tax abatement as a whole has been important to kick-start development. It may be helpful to look at how the reduced tax obligations of abated properties affect other properties through House Bill 920 reductions. Additionally, there is an understanding that the new units added can generally efficiently tie into existing infrastructure, and that occupants of the new units may pay local income tax to the City that would not be paid if they resided outside the City.

Also important to note, approximately 400–600 parcels return to fully taxable status each year as existing abatements expire and burn off. There is an interest of understanding the impact of the program at that point, such as whether the residents are staying in the City or moving, and, if staying in the City, whether they are staying in the same homes. Additionally, there is a concern that the existing program may be creating burdens on homeowners who are not prepared for the increase in monthly payments once properties return to fully taxable status, thus creating the risk of foreclosure: The City is seeking to understand if that is the case, and if so, whether there is another approach to the program that could better prevent financial issues for homeowners in the abatement's final year.

15. Is the City seeking an impact model for properties with expired tax abatements, as described above?

Yes, the City is seeking models of the following: (1) economic impact of the tax abatement program across the city; and (2) the impact to residents of properties with expiring abatements, including any possible impact from a foreclosure perspective.

However, the City encourages Proposers to note any items in the Statement of Work in the RFP that Proposers may have found challenging on other projects, and to describe any caveats or concerns in the Proposer's Response. As part of the Cost Proposal, Proposers may identify any areas of the project that may be more costly or onerous, in order to assist the City in prioritizing work. The City is also open to input and suggestions in terms of phasing, timeline, and how best to achieve research goals, if the Proposer determines that the requested timeline is not adequate.

Additional Questions Received

The Department of Community Development received an additional question by e-mail per the instructions in the RFP.

1. Is the City able/willing to provide the budget (or a range) for this effort?

The budget range for this project is \$100,000–\$150,000. The City is not judging the Proposal solely on cost, but wants the best value from the vendor with the relevant expertise and experience. See the Request for Proposals for evaluation criteria.