Economic Development

Comments on the City of Columbus' "Affordable Housing and Community Reinvestment Area Incentives Policy"

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Thank you for the opportunity to comment on the proposed "Affordable Housing and Community Reinvestment Area Incentives Policy." My name is Hannah Halbert. I'm project director with Policy Matters Ohio, a nonprofit, nonpartisan organization with the mission of creating a more prosperous, equitable, sustainable and inclusive Ohio. I commend Mayor Ginther and the Council for examining the city's use of tax abatements and business incentives and for revising policy to better support community progress. Creating affordable housing and higher quality jobs are essential to building an economy that works for all who live in Columbus.

Existing business incentives forgo significant public revenue based on the promise of increased job growth. According to the city's most recent annual financial report, Columbus has Job Creation Tax Credit agreements with 28 businesses, with forgone revenue of $436,000 in 2017, and 25 active projects under the Job Growth Incentive Program, involving abated income tax worth about $10.6 million. It is smart of the city to identify ways to ensure that these deals provide tangible benefits to the broader community in light of the lost revenue otherwise available for shared public investment. This is particularly true with the decreased state support to local communities.

Well-targeted policies, transparency and enforcement are critical to incentive reform. The policies, as currently outlined in the incentive materials available on the Council's website, lack detail, and some appear too weak to make significant headway in accomplishing the stated goals of creating affordable housing and increasing job quality. We understand that the development department will make additional recommendations regarding economic development and policies regarding job-creation incentives for businesses. These recommendations should include strong standards to have maximum impact.

Some areas, like the Short North, a neighborhood with a median income well above that of the state and city, should be considered so high-performing that businesses need no incentive to enter the market. In neighborhoods where the market is in need of incentive support the city's "Score Card" criteria should be well targeted. The four factors under consideration are a good start but the Council needs to answer some important questions: What are the standards under each of these categories? Will the city evaluate whether the project and incentives will reduce inequality or provide support to build small business already in the community? Should transit access and impact, or other environmental factors, like energy efficiency and green building standards, be part of the evaluation? Will the score card include points for hiring and training populations with barriers to employment, like returning citizens or neighborhood residents living at or near poverty?

The details matter. Requiring qualifying jobs to have an average hourly wage of $15 an hour is a much looser standard than requiring all qualifying jobs to start at $15 an hour. This is a meaningful detail when six of the 10 most common occupations in the Columbus region pay so little a working family of three would still qualify for and need food assistance.

Scheduling practices like on-call work with insufficient notice also keep workers from advancing. The score card should look at a broad spread of employment practices, not just the wage, and include best practice requirements.

Proposed carveouts, exceptions, and special consideration should be met with skepticism. Allowing businesses in the poorest communities to skirt these standards will likely mean these communities will continue to have lower job standards. The goal is to help the existing community close the gap in housing and wages: to build equity, not write it deeper into our policies.

Other communities have made development work for all by requiring negotiated Community Benefit Agreements with projects receiving tax abatements and incentives. Pittsburgh's Hill District is one example. In the 1960s, the opening of the Mellon Arena, home of the Pittsburgh Penguins, displaced more than 400 business and 8,000 African-American residents. In 2007, the team threated to leave unless they received $750 million in public funds for a new stadium. In recognition of the inequity of investing millions to benefit a private corporation while residents struggled, the community organized, and negotiated with the city and developers. Ultimately, the stadium was funded, and the community secured more than $8.3 million in neighborhood improvements, beyond the construction of the stadium.

It is possible to repeat this grassroots-connected and -informed development process in Columbus. Existing agreements in other states have tied incentives and public support for private development to improved transit access, higher paying retail and service sector work, or increased energy efficiency and green building standards. Some even prevented for-profit schools from preying on neighborhood residents. The score card should include preference points, for a negotiated community benefits agreement to drive developers toward addressing on-the-ground needs of the existing neighborhood.

Enforcement of incentive agreements must be aggressive or all the good work the Mayor and Council have invested in developing these new practices will be for naught. There should be claw backs when goals are not met. In cases where agreements are renegotiated, such decisions should be transparent and open to public comment. Revisions should document how the changes substantially benefit the neighborhood in a measurable way. Finally, Council should consider how these policies can further the goals of improving job quality and increasing affordable housing in non-CRA districts, like downtown.

The Council and Mayor should also be commended for tying property tax abatement to affordable housing requirements. Despite being a driver of the state's overall job growth and having a 3.4 percent unemployment rate, high housing costs and low wages in Columbus conspire to put adequate housing out of reach for too many workers. A recent report found that just two of the 10 most common occupations in Ohio pay enough that a typical worker could afford a two-bedroom apartment. The report found that a minimum wage worker in Columbus would need to work 56 hours a week to afford a studio apartment.

The draft property abatement legislation includes an affordability standard. The standard calculates affordability based on 100 percent and 80 percent of the Area Median Income (AMI). AMI is relatively high in Columbus and it appears to be much too high for typical residents in the targeted neighborhoods. For example, the AMI for a family of three in 2017 was $53,550. The median household income in Weinland Park was just $18,469. That is a big gap between the rent price that could be secured through the new incentives policy and what the existing community can afford. Who will live in these new rentals and homes? Will the project displace residents like the Hill District developments did in Pittsburgh in the 1960s, or will Columbus lead by enacting smart standards, and bringing prosperity to our communities? Development policy should build neighborhoods up, not hollow them out.