November 20, 2019

Mayor Cranley, Vice Mayor Smitherman, and Members of Council:

On behalf of the members of the Board of Education, I wish to convey Cincinnati Public Schools' frustration and disappointment with the City of Cincinnati's handling of the negotiations for an abatement agreement.

Under the expiring 1999 agreement, the City has had nearly unlimited discretion to use the full array of tax abatements, CRAs, TIFs, and other development incentives that are available under Ohio law. In exchange, the City promised to make the school district whole for foregone tax revenues through two sources of revenue:

(1) Payments in Lieu of Taxes (PILOTs) from developers in an amount equal to 25% of the foregone taxes for CRAs (27% for TIFs), and

(2) Annual $5 million payments from the City to CPS

Early in these negotiations, the City advised CPS that it wanted to discontinue the annual $5 million payments. CPS responded with a willingness to forego the $5 million annual payments on the condition that the City increase PILOT payments from developers — from 25% that it currently receives to 33%. CPS's "make whole" percentage for abated property taxes is 33% — the percentage of total taxes attributable to CPS's fixed rate levies.

Rather than engaging in good faith negotiations, the City's approach has been to try to "low ball" the school district. Rather than discussing an increased contribution from developers to make up for the $5 million, the City's representatives proposed to lower the percentage of taxes paid in PILOTs to CPS to 5%. This offer was insulting and a non-starter.

The City's argument that foregone tax revenues are made up by state education funding payments is also incorrect and misleading. State funding for education is completely out of the control of CPS and the City — and it does not make up for the local taxes foregone by tax abatements and it never has. Under the current state funding formula, CPS gets zero dollars in additional funds for tax-abated properties.
The City's latest announcement — of its intention to create 15 additional 300-acre TIF districts — was the most offensive to the Board of Education. If approved, this resolution would nearly double the areas of the City currently covered by TIF districts. Each of the proposed TIF districts is the maximum possible size (300 acres), the maximum possible term (30 years), and for the maximum TIF (100%). It was particularly disingenuous for the City administration to boast of its community engagement about these TIF proposals — when no one from the City ever communicated with CPS regarding this proposal. The City's eleventh-hour effort to encircle the City in TIF districts is shameful and disrespectful to the Board of Education.

On behalf of the Board, I write to you today in one further attempt to reach a resolution to this dispute. The School Board discussed the negotiations at its meeting on November 18, and I am authorized to offer the City the following terms for a new agreement:

1. CPS will continue to give the City discretion to use the full array of tax abatements and incentives provided PILOT payments are made to CPS in an amount equal to its fixed rate levies — 33%.

2. The City and CPS will engage in an annual audit process to ensure that CPS is receiving the payments it is owed for all outstanding abatements.

3. The term of the agreement must be shortened and should not exceed 5 years.

In closing, the Board of Education believes it will be mutually beneficial to continue to allow the City to exercise discretion in granting abatements, CRAs, TIFs and other development incentives. If the City will not agree to make CPS whole, then CPS will not agree to extend this global agreement and the Board will exercise the discretion it is afforded under state law to review proposed abatements on a case by case basis.

Respectfully,

Carolyn Jones
President
Cincinnati Public Schools Board of Education