

PINECREST DEVELOPMENT – TIF FACTS

There has been a lot of misinformation being circulated regarding the Pinecrest development and the request of the Pinecrest developer for Tax Increment Financing (“TIF”) to assist in paying for a portion of the costs of the Pinecrest development, primarily related to the construction of the parking garage, public infrastructure improvements and other related amenities. We hope to provide some basic information regarding TIFs and the Pinecrest development to assist in clearing up this misinformation.

What is a TIF?

A TIF is a tool that the State of Ohio has made available to assist local governments in economic development. A TIF works by locking in the taxable value of real property at its value at the time the authorizing legislation is proposed by the local government, in this case Orange Village. In this way, payments on the increased value of the real property that are created by the new development can be used to fund certain costs necessary for the development. Even with a TIF in place, the owner of the commercial portion of the Pinecrest development will continue to make payments in lieu of taxes (“PILOTs”) on the full taxable value of the property owned by it. TIF is NOT a tax abatement program. The PILOTs are deposited into a separate fund and used to pay the costs of the development designated in the TIF legislation that the Village Council passes (again, primarily related to costs of the garage, public infrastructure and other related amenities, the “TIF-funded Improvements”).

No one talked about a TIF in connection with the Pinecrest development when it was originally proposed. Why is the developer of the Pinecrest commercial development requesting this assistance now?

The commercial development proposed by the original developer was essentially a large strip center with a sea of asphalt parking in front of the stores. The new plan that Fairmount Properties has been working on and that has been approved by Orange Village is truly a mixed-use project with retail, hotel and residential components, including a 1000-car parking structure. The new plan is dramatically better and dramatically more expensive. Given this new plan and the requirements imposed by the Village to protect its residents, the development could not be financed without support from the TIF for the cost of the TIF-funded Improvements.

Why would the Village and the School District support giving away tax money for a private development?

As explained above, PILOTs are only derived from the increase in the property value resulting from the Pinecrest commercial development. The real estate taxes on the current value of the Pinecrest property will continue to be paid and received by the School District, the Village and others who receive those taxes under Ohio law. Without the contemplated commercial development on the property there would be no increased real estate taxes generated, so the School District and the Village are only giving up the new value created by the developer. In addition, the Pinecrest development includes a large residential component that will not be subject to a TIF and from which the Village and the School District will receive substantial additional real estate tax revenues in the future.

Other commercial projects have been built without a TIF. Why should the Pinecrest development get this special treatment?

As noted above, the commercial development proposed by Fairmount Properties is a substantial mixed-use development. When built it will transform Orange Village and provide our community with a truly exceptional mixed-use development with large public areas, walkable streets, a unique shopping experience and new high-end office and residential space. This development will provide needed vitality to a declining area of the Village and will provide amenities and revenue to the Village for decades.

If this development is not built, isn't it likely that someone else will come along and develop the Pinecrest commercial property without needing a TIF?

The Village administration and Village Council have considered this possibility and have concluded that if the Pinecrest commercial development does not go forward, it is unlikely that another developer would come along and agree to build a project of the scale, quality and uniqueness that the current developer has agreed to build. New commercial projects are on the drawing board or underway in surrounding communities. Competition for high quality retailers is fierce. The Pinecrest developer has been extremely successful in attracting the type of retailers to the Pinecrest development that our community will be proud of. However, if this development does not proceed, those retailers will be lost to other projects. It will be extremely difficult for another developer to put the pieces back together to develop this property with anything approaching the scale, quality and uniqueness of the proposed Pinecrest commercial development.

Isn't a TIF corporate welfare?

Opponents of the Pinecrest commercial development have called a TIF corporate welfare. However, that is absolutely not true. TIFs are a tried and true economic development tool sanctioned by the State of Ohio. They have been used successfully in many greater Cleveland communities, that, utilizing TIFs, have been able to attract developments that have had a positive impact on the communities, both from a quality of life and a revenue standpoint. The Pinecrest development will have a positive impact on the quality of life of the residents of Orange Village and will generate additional income tax and other tax revenue that will benefit both the Village and the School District for many years.

The original developer promised the Village and the School District that the Pinecrest development would create an additional \$1.5MM in annual tax revenue to the Village and \$3.0MM to the School District. Is the current developer going back on that promise?

No it is not. Fairmount Properties has lived up to all of the "campaign" promises made by the original developer and has created a better, more attractive, more vibrant, more sustainable and more successful mixed-use project. Even with the funds that will be used to support the TIF, upon the successful development of both the commercial and residential portions of the Pinecrest development, it is projected that the increased tax revenues to both the Village and the School District will exceed the amount promised by the original developer in the re-zoning campaign.

It seems that the Pinecrest development deal was negotiated in secret. Is that true?

Absolutely not. The Village has held many public Council and Planning Commission meetings where the entire Pinecrest development has been discussed. Fairmount Properties and its development team have attended numerous meetings where they have shared in detail all of the aspects of the proposed development. More public meetings will be held as the project continues. However, because certain of the economic details concerning the development are proprietary to the Pinecrest developer, the Village council has met in executive session several times to discuss and consider the economics of the Pinecrest developer's proprietary financial data as it relates to the TIF.

Why are Executive Sessions Necessary?

As noted above, certain economic details concerning the development are proprietary to the Pinecrest developer and could harm the developer if they were disclosed publicly. To protect that confidential information and to protect the Council's discussions concerning the scope of the TIF that it would be willing to support, the Council met in Executive Session. An Executive Session to discuss economic development is expressly permitted under Ohio law because the legislature recognized the need of the public's representatives to meet privately to hear and discuss sensitive economic development issues.

How can I learn more?

On March 25 at 7:00 p.m., the Village will hold a public informational meeting where everyone will have an opportunity to learn more information about the Pinecrest development and the proposed TIF. We hope that members of the public will avail themselves of this opportunity to learn more, ask questions and make their views known.