KNOW BEFORE YOU SIGN • GUIDE 03

The Ohio Incentives Playbook

A plain language guide to CRA abatement, TIF, Opportunity Zones, Enterprise Zones and PACE financing for small business owners in Northeast Ohio.

03

WHAT THIS GUIDE COVERS

You do not need to be a developer or a lawyer to benefit from Ohio's public incentive programs. This playbook breaks down five of the most common tools in plain language, explains when each one applies, and tells you exactly what to ask before you commit to anything.

INSIDE THIS GUIDE

What You Will Find Here

Ohio offers a range of public incentive programs designed to encourage investment, reduce development costs, and help businesses grow. But these tools have different eligibility rules, timelines, and trade offs. Knowing which one fits your situation can save you money and serious headaches.

This guide covers five programs you are most likely to encounter as a small business owner in Northeast Ohio:

01	CRA Abatement	Community Reinvestment Area tax abatement on new construction or improvements
02	TIF	Tax Increment Financing using future tax growth to fund public improvements
03	Opportunity Zones	Federal capital gains incentive for investing in designated low income census tracts
04	Enterprise Zones	State and local tax incentives tied to job creation and capital investment
05	PACE Financing	Property Assessed Clean Energy financing for energy efficiency projects

Each section covers what the program is, who is eligible, a real Northeast Ohio example, common pitfalls to watch for, and the questions you should ask before you sign anything.

INCENTIVE TOOL 01

CRA Tax Abatement

Community Reinvestment Area

What it is

A CRA is a geographic area designated by a municipality where property owners can receive an abatement, meaning a reduction or elimination, of property taxes on the value added by new construction or improvements to existing buildings. The land itself is still taxed. Only the improvement value added during the project receives the benefit.

Ohio has had CRA legislation since 1977. Under Senate Bill 33, signed in January 2023 and effective April 2023, the program was significantly updated. Local authorities no longer need Ohio Department of Development approval to grant a CRA, though they must still notify ODOD and receive a state assigned designation before granting exemptions. The percentage of abatement and the number of years it lasts vary by community and project type. SB 33 also expanded the program to limited home rule townships, which previously could not establish CRA programs.

Who is eligible

Any property owner making qualifying improvements within a designated CRA area may apply. This includes commercial, industrial, and residential properties, though terms often differ by use type. Small businesses that own their building or are investing in improvements to leased space (with landlord cooperation) can access this benefit.

You do not need to be a large developer. Individual business owners making renovations, additions, or building new in a CRA zone may qualify. Check with your local municipality to confirm the zone boundaries and current abatement terms.

Real Northeast Ohio example

> **EXAMPLE: AURORA, OHIO**
>
> Aurora has an active CRA that applies to commercial and mixed use development. A business building a new retail or restaurant space within the CRA zone could receive abatement on the increased assessed value of that improvement for up to 15 years, significantly reducing annual property tax obligations during the critical early growth phase.

Common pitfalls

- Assuming the entire property is abated. CRA abatement only applies to the improvement value, not the full assessed value.
- Missing the application window. You typically need to apply before or during construction, not after the project is complete.
- Ignoring school district approval requirements. For abatements exceeding certain thresholds, school districts must formally consent. This can add time and negotiation to the process.
- Confusing abatement with exemption. You still pay taxes on the pre improvement land and building value. The abatement only covers the new assessed value added by the project.
- Not getting the agreement in writing before breaking ground. Verbal commitments from a municipality are not binding.

QUESTIONS TO ASK BEFORE YOU SIGN

- Is this property located within an active CRA zone, and what are the current abatement terms?
- What percentage of the improvement value is abated, and for how many years?
- Does this project require school district approval, and has that process started?
- What are the reporting or compliance requirements during the abatement period?
- If I sell the property during the abatement period, what happens to the agreement?

INCENTIVE TOOL 02

Tax Increment Financing

TIF

What it is

TIF is a public financing tool that captures the future increase in property tax revenue generated by new development and redirects it to fund public infrastructure improvements in the same area. Instead of that new tax revenue going to the general fund, it flows into a special TIF fund that pays for things like roads, utilities, sidewalks, stormwater systems, and other improvements that support the development.

In Ohio, TIF is authorized under state law and implemented by municipalities and counties. The property owner pays their full property tax bill, but the increment above the base value gets diverted to the TIF district fund rather than to schools and other jurisdictions.

Who is eligible

TIF is typically initiated by the municipality or county, not the individual property owner. As a business owner or developer, you benefit from TIF indirectly because it funds public improvements that make your site or area more viable, potentially without requiring a direct special assessment on your property.

In some cases, a municipality may create a TIF district specifically to support a development project. If you are negotiating a development agreement for a larger commercial or mixed use project, TIF may be part of what the municipality offers to help you move forward.

Real Northeast Ohio example

EXAMPLE: RETAIL CORRIDOR REDEVELOPMENT

A small city in Summit County uses a TIF district along a redeveloping commercial corridor. The increased property tax revenue generated by new storefronts and restaurants gets reinvested into streetscape improvements, utility upgrades, and a shared parking structure. Individual tenants benefit from those public improvements without needing to fund them directly.

Common pitfalls

- Expecting TIF to directly reduce your property taxes. TIF typically does not lower your tax bill. It redirects where the tax increment goes.
- Not understanding the school district impact. Because TIF diverts revenue that would otherwise go to schools, many TIF deals require compensation agreements with the local school district. This can complicate and delay approvals.
- Confusing TIF with a grant. TIF funds are still debt that must be repaid from future tax revenue. If the expected development does not happen, the TIF may not generate enough to cover the public improvements.
- Underestimating the timeline. Creating or expanding a TIF district involves municipal legislation, public hearings, and sometimes county and school board approvals. Plan for several months at minimum.

QUESTIONS TO ASK BEFORE YOU SIGN

- Is my project located in or near an existing TIF district?

- Could the municipality create a TIF to help fund infrastructure needed for this development?
- What public improvements would the TIF fund, and on what timeline?
- Does the TIF require a school compensation agreement, and has that been negotiated?
- What happens to the TIF if the development underperforms and the increment does not materialize?

INCENTIVE TOOL 03

Opportunity Zones

Federal capital gains investment incentive

What it is

Opportunity Zones were created by the 2017 Tax Cuts and Jobs Act and made permanent by the One Big Beautiful Bill Act, signed in July 2025. They are federally designated census tracts, typically low income areas, where investors can defer or reduce capital gains taxes by reinvesting those gains into a Qualified Opportunity Fund (QOF) that puts money to work in the zone.

Under OZ 2.0, investors who roll eligible gains into a QOF within 180 days can defer those taxes on a rolling five year basis from the date of investment. If they hold the investment for at least 10 years, any appreciation on the Opportunity Zone investment itself may be excluded from capital gains tax entirely. Rural zones now receive an enhanced 30% basis step up after five years, compared to 10% for standard zones. Note: gains deferred under the original OZ rules before July 5, 2026 must still be recognized by December 31, 2026.

Who is eligible

The Opportunity Zone benefit flows primarily to investors with capital gains to deploy, not directly to small business owners operating a storefront or service business. However, small business owners can benefit in several ways: by attracting capital from OZ investors who want to fund businesses located in a zone, by potentially partnering with a QOF to develop or expand a location within the zone, or by starting a Qualified Opportunity Zone Business (QOZB) that meets IRS requirements.

If you are an investor with capital gains	If you are a small business owner in an OZ
You can roll gains into a QOF	You may attract OZ investors to your project
Defer taxes until 2026 or exit	You may qualify as a QOZB with strict rules
Potential 10 year exclusion on appreciation	Your business must meet ongoing IRS tests
Must invest in an OZ designated census tract	You do not receive the capital gains benefit directly

Real Northeast Ohio example

EXAMPLE: CLEVELAND AND AKRON OZ TRACTS

Several census tracts in Cleveland's Midtown and Opportunity Corridor, as well as areas of Akron, are designated Opportunity Zones. Developers and QOF managers have used the program to attract equity capital for mixed use projects and commercial renovations in these corridors. A restaurant or retail concept looking to open in one of these zones could pitch their project to a QOF as a target investment.

Common pitfalls

- Thinking Opportunity Zones directly reduce your business taxes. They do not. The benefit accrues to investors with capital gains, not necessarily to the business receiving the investment.
- Assuming any business in the zone qualifies as a QOZB. IRS rules require that a QOZB derive at least 50 percent of gross income from active conduct within the zone, among other tests. Sin businesses like liquor stores, golf courses, and country clubs are explicitly excluded.

- Understanding the OZ 1.0 vs OZ 2.0 transition. Existing deferred gains from investments made before July 5, 2026 must be recognized by December 31, 2026 under the original rules. New investments made after December 31, 2026 fall under OZ 2.0, with a rolling five year deferral. Governors will redesignate Ohio census tracts starting July 1, 2026, with new zones taking effect January 1, 2027. Not every current OZ tract will be re designated.
- Taking investment from a QOF without understanding the strings attached. If the investment does not meet ongoing QOZB requirements, the fund may face penalties, and your relationship with the investor could get complicated.

QUESTIONS TO ASK BEFORE YOU SIGN

- Is my business location in a designated Opportunity Zone census tract?
- Does my business model meet the IRS requirements to qualify as a Qualified Opportunity Zone Business?
- If I am seeking OZ investment, has the investor or fund confirmed the investment will qualify under current IRS guidance?
- What reporting and compliance obligations come with accepting OZ investment into my business?
- Is this project targeting OZ 1.0 (gains recognized before December 31, 2026) or OZ 2.0 (investments in newly redesignated zones after January 1, 2027), and has the investor confirmed which rules apply?

INCENTIVE TOOL 04

Enterprise Zones

State and local tax incentives tied to job creation

What it is

Ohio Enterprise Zones are a state program that allows municipalities and counties to offer businesses tax incentives, typically exemptions on the assessed value of real and personal property, in exchange for commitments to create or retain jobs and make capital investments. The program is administered by the Ohio Department of Development and requires a formal agreement between the business and the local jurisdiction.

Enterprise Zone agreements are negotiated deals. The percentage of the tax exemption and the length of the agreement depend on what the business commits to, including number of jobs, wage levels, and capital investment amounts. Unlike CRA, which is tied to geography and property improvements, Enterprise Zone incentives are directly linked to employment and investment promises.

Who is eligible

Ohio businesses engaged in manufacturing, research and development, high technology operations, or similar activities can apply for Enterprise Zone agreements. The program has historically been less accessible to purely retail or service businesses, though some communities have pursued expanded enterprise zone designations. You will need to demonstrate a specific capital investment and employment commitment as part of your application.

Real Northeast Ohio example

EXAMPLE: MANUFACTURING EXPANSION IN CUYAHOGA COUNTY

A small manufacturer in Cuyahoga County expanding its facility and adding 15 full time positions negotiates an Enterprise Zone agreement with the city. In exchange for the job and investment commitments, the business receives a 75 percent exemption on the assessed value of the new building and equipment for 10 years. The annual property tax savings offset a significant portion of the expansion cost.

Common pitfalls

- Treating the incentive as guaranteed income. If you do not meet your employment and investment commitments, the jurisdiction can claw back benefits, potentially with interest and penalties.
- Underestimating the compliance burden. Enterprise Zone agreements require annual reporting. Failing to file or report accurately can jeopardize the agreement.
- Negotiating without understanding what the other party values. Municipalities want jobs and tax base. If your project creates high wage local jobs, you have more negotiating leverage than you might think.
- Not involving your accountant and attorney early. The exemption applies to specific categories of real and personal property. Getting the definitions right at the agreement stage matters.
- Assuming the program is available everywhere. Enterprise Zone designations have coverage limits and not every municipality participates. Confirm availability early in your site selection process.

QUESTIONS TO ASK BEFORE YOU SIGN

- Is this location within an active Enterprise Zone designation, and is the municipality currently accepting applications?
- What specific employment and investment commitments will be required in my agreement?
- What percentage of exemption on real and personal property is being offered, and for how many years?
- What are the annual reporting requirements, and what triggers a clawback?
- How does this agreement interact with other incentives I may be receiving, such as CRA abatement?

INCENTIVE TOOL 05

PACE Financing

Property Assessed Clean Energy

What it is

PACE financing allows commercial property owners to borrow money for energy efficiency, water conservation, or renewable energy improvements and repay the loan through a special assessment on their property tax bill over 15 to 30 years. Because the repayment is tied to the property rather than the borrower, PACE loans can often be structured longer and with competitive rates compared to conventional financing.

Ohio enacted commercial PACE legislation in 2018. Projects must be located in a county or municipality that has adopted a PACE program. The lender is typically a private PACE provider, and the loan is structured as a senior lien on the property, meaning it takes priority over most other debt when the property is sold or refinanced.

Who is eligible

Commercial property owners in participating Ohio jurisdictions can access PACE financing for eligible improvements. Eligible projects typically include HVAC upgrades, roof replacement with insulation, LED lighting systems, solar installations, window and door upgrades, and related work. You must own the property, and existing lenders typically need to consent because of the senior lien position.

Real Northeast Ohio example

EXAMPLE: RESTAURANT HVAC AND LED UPGRADE

A restaurant owner in a participating Summit County municipality replaces aging HVAC equipment and installs LED lighting throughout the building using PACE financing. The project costs $85,000. The owner repays it over 15 years through a special assessment added to the property tax bill. The annual energy savings partially offset the assessment payments, and the owner preserves working capital and bank credit lines for other needs.

Common pitfalls

- Forgetting to get lender consent. If you have a mortgage or other senior debt on the property, your existing lender must agree to subordinate to the PACE lien. Some lenders refuse, which can kill the deal.
- Assuming the assessment transfers automatically when you sell. The PACE assessment stays with the property and transfers to the buyer at sale. This must be disclosed to any prospective buyer and can affect negotiations.
- Underestimating total cost. PACE financing often includes origination fees, program administration fees, and reserve requirements. Get a clear total cost of financing, not just the interest rate.
- Treating savings projections as guaranteed. PACE lenders present energy savings estimates. These are projections, not guarantees. Actual savings depend on how the building is operated.
- Not confirming your county or municipality participates. PACE programs in Ohio require local adoption. Not every jurisdiction has passed the necessary authorizing legislation.

QUESTIONS TO ASK BEFORE YOU SIGN

- Is my property located in a county or municipality with an active Ohio PACE program?
- Does my existing lender need to consent to this lien, and have I started that conversation?

- What is the total cost of financing, including all fees, reserves, and the interest rate?
- How will this PACE assessment be disclosed and handled if I sell or refinance the property?
- What specific improvements are eligible, and are my planned upgrades on the approved list?

QUICK REFERENCE

Side by Side Comparison

Tool	Best for	Who initiates	Tax type	Key risk
CRA Abatement	New construction or renovation within a designated zone	Property owner applies to municipality	Property tax reduction on improvement value	Missing pre construction application window
TIF	Public infrastructure to support private development	Municipality or county creates the district	Property tax increment redirected to fund improvements	School district negotiations can delay or block
Opportunity Zones	Attracting equity investment into a zone business or project	Investor rolls capital gains into a Qualified Opportunity Fund	Federal capital gains deferral or exclusion	Strict IRS QOZB compliance tests; OZ 2.0 transition in 2027
Enterprise Zones	Manufacturing, tech, or industrial expansion with job creation	Business applies and negotiates with local government	Real and personal property tax exemption	Clawback if employment or investment commitments are not met
PACE Financing	Energy efficiency or clean energy improvements to owned commercial property	Property owner applies through a PACE provider	Repayment via special property tax assessment	Senior lien requires existing lender consent

A Note on Stacking

These tools are not mutually exclusive. Many successful Ohio projects use more than one incentive simultaneously. A development project in Aurora, for example, could be located in both a CRA zone and an Opportunity Zone, making it eligible for property tax abatement while also being a target for OZ equity investment. An Enterprise Zone agreement could apply to the same project if job creation commitments are made.

Stacking incentives requires careful coordination between local, county, and state agencies. Work with an experienced real estate attorney, accountant, and your municipality's economic development office early in the process. The conversations you have before you break ground are far easier than the ones you have after.

READY TO EXPLORE INCENTIVES FOR YOUR PROJECT?

Reach out to schedule a conversation. CiCi Caver works with small business owners and developers navigating commercial real estate decisions in Northeast Ohio. ccaver@kowitrealestate.com | 216.514.1400 x130 | Kowit and Company Real Estate Group

References

The information in this guide draws on official Ohio statutes, state agency publications, federal law, and legal analysis from recognized Ohio law firms. Readers are encouraged to consult the primary sources below and to seek qualified legal and tax counsel before making any decisions based on this guide.

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Disclaimer

This guide is intended for general informational purposes only and does not constitute legal, tax, or financial advice. Incentive program terms, eligibility requirements, and statutory provisions change over time. Always verify current program availability with the relevant municipality, county, or state agency, and consult a qualified attorney or tax professional before entering into any incentive agreement.

QUESTIONS ABOUT COMMERCIAL SPACE?

Let's talk it through.

Hey, I'm CiCi Caver, Licensed Real Estate Sales Agent at Kowit and Company Real Estate Group. If you're looking at a space in Cuyahoga County and want a second set of eyes before you sign, reach out.

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