



Legislation Text

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COCOA COMMUNITY REDEVELOPMENT AGENCY AGENDA ITEM

Memo Date: June 21, 2024
Agenda Date: July 1, 2024
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Through: Stockton Whitten, City Manager

Requested Action:

Provide direction to Staff whether to prepare a Tax Incremental Financing (TIF) Rebate Program for Private Redevelopment Projects within the Redevelopment Area for the Board's future consideration and approval.

BACKGROUND:

Goal III, Objective 3 of CRA Redevelopment Plan states that the CRA can “**create programs for development, rehabilitation, financial or other economic incentives to facilitate new investment in the redevelopment district thereby increasing the tax base**” for purposes of preventing the future occurrence of slum and blight.

Over the years, the CRA has used its Tax Increment Funding (TIF) funding to make numerous public improvements in the Redevelopment District. In addition, the CRA has created several relatively small incentive programs directed towards providing TIF funding directly to private property owners to incentivize them to make new investments in the Redevelopment District for purposes of eliminating or preventing the occurrence of slum and blight. Such programs include the CRA's Fascade Improvement Program. The CRA has also acquired real property with TIF funding, like 603 Brevard Avenue, with the intent of potentially contributing the property to incentivize future private development consistent with the CRA's Redevelopment Plan.

More recently, several developers of proposed projects within the Redevelopment District have inquired about being incentivized with a TIF rebate associated with constructing a major private project in the Redevelopment District. Generally, a TIF rebate is an incentive that rebates annual incremental tax revenue (TIF) received by the CRA to the developer. This rebate can be used to offset costs associated with a new major development project, such as infrastructure improvements, site preparation, or other expenses deemed eligible by the public agency. The rebate typically continues for a set period and becomes an on-going financial commitment that the public agency will need to account for in its annual budget until the period expires. Theoretically, a TIF rebate helps stimulate economic growth by reducing the financial burden on developers, **making an otherwise unfeasible project viable**, and ultimately benefiting the community through increased property values and in some cases job creation.

Although the CRA has previously made financial contributions related to public infrastructure

associated with several major private development projects in the Redevelopment District, the CRA has neither previously provided a TIF rebate, nor established a program for providing a TIF rebate, for purposes of incentivizing a major private development project within the Redevelopment District.

Establishing a program for offering a TIF rebate is a major policy decision for the CRA Board with significant legal, policy and budgetary complexities. Given these complexities, any such program will have to be established in a written policy document approved by the CRA Board in accordance with Goal III, Objective 3. Due to the complexities, Staff is first seeking direction from the CRA Board as to whether they even want to consider adopting a TIF rebate program before expending the resources necessary to prepare a written TIF rebate policy for the CRA's Board future consideration.

PRELIMINARY CONCEPTS FOR THE BOARD'S CONSIDERATION:

If the CRA Board directs Staff to prepare a proposed TIF rebate policy for its future consideration, it is Staff's intentions to prepare a policy that provides any TIF rebate will be a future discretionary decision by the CRA Board based on the individual merits and financial needs and benefits of the proposed project. A developer will have to demonstrate to the CRA Board that the proposed project will be a substantial and significant public benefit to the community by eliminating blight, strengthening the economic and employment base of the City, positively impacting surrounding neighborhoods, increasing property values and the tax base, and/or creating new and retaining existing jobs.

Furthermore, not every project should be eligible for a TIF rebate because the program should target projects that are deemed to present an exceptional opportunity for the community by the CRA board. As such, the program should establish a "high hurdle" for receiving a TIF rebate. It is important that the CRA only incentivizes the kinds of new, major redevelopment that it desires in the Redevelopment Area consistent with the Redevelopment Plan and law. TIF rebates will not be awarded to existing projects that are either completed or already under construction. Projects that are still in the acquisition (conditionally), planning and permitting phases of development may be eligible.

If the CRA Board directs the Staff to prepare a written TIF rebate policy, it is also Staff's intentions to establish guidelines to limit eligible development expenses to "brick and mortar" type expenses related to the new project. In addition, Staff intends to focus on other important factors including, but not limited to:

1. Project feasibility and financial gaps and whether the project can proceed without the TIF assistance;
2. Developer commitments in a negotiated agreement with the CRA and/or City including, but not limited to, project schedule;
3. Economic impact including the projected increase in property values and tax revenue as a result of the development (and any job creation);
4. Developer qualifications such as the developer's track record, financial stability, and financing commitments to complete the project;
5. Whether the project meets the needs of the CRA Plan and potential to spur additional development to benefit the community;
6. The level of risk associated with the project and the expected return on the CRA's investment for the community;

7. Alignment with the City's and CRA's fiscal responsibilities and policies;
8. Compliance with CRA and City policies and laws governing TIF use;
9. The anticipated incremental tax revenue the project will produce over time and the proportion of the increment that can be allocated to the TIF rebate without jeopardizing other CRA and City priorities or services; and
10. The extent that the project addresses community needs such as retail, office and mixed-use space, housing, infrastructure improvements, public amenities, pedestrian and neighborhood benefits and safety, environmental and economic benefits, and elimination of slum and blight and outdated buildings.

Furthermore, **because TIF rebates are intended to make an otherwise unfeasible project viable**, the program will require developers to demonstrate that they have exhausted every other financial alternative prior to requesting a TIF Rebate, including equity and private funding participation, other federal and state funds, bonds, tax credits, loans, etc.

Additionally, prior to consideration of a TIF Rebate request, Staff intends to make it a program requirement that the CRA undertake - at the developer's cost - an independent analysis of the proposed project to ensure the request for financial assistance is necessary, and that the project is currently viable and beneficial to the community in accordance with the program requirements.

Staff is requesting direction from the CRA Board as to whether it desires to establish a TIF rebate incentive program and welcomes any other input and conceptual suggestions from the Board if the direction is to prepare a proposed TIF rebate program for future consideration.

BUDGETARY IMPACT:

Budgeted

N/A

PREVIOUS ACTION:

N/A

RECOMMENDED MOTION:

Provide direction to Staff whether to prepare a Tax Incremental Financing (TIF) Rebate Program for Private Redevelopment Projects within the Redevelopment Area for the Board's future consideration and approval.