

**TRANSFORMATIONAL PROJECTS
INCENTIVE PROGRAM**

***GAINESVILLE
COMMUNITY REDEVELOPMENT AGENCY***

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I. Introduction

The Gainesville Community Redevelopment Agency has created this program in order to encourage major redevelopment projects within each of its four CRA districts (College Park/University Heights, Downtown, Eastside and Fifth Avenue Pleasant Street). The CRA is aware that a large redevelopment project can literally transform the districts in which they develop and can change the face of the community. These transformational projects are characterized by the significant impact they have on the surrounding area, the number of goals they help the CRA meet and the size and scope of the redevelopment.

The CRA has created a points system to determine the level of incentives that will be available for each project. In this format each project will be evaluated on the number of goals it helps the CRA meet and the project's potential level of funding will reflect that evaluation. The CRA is offering three levels of funding based on the determined evaluation criteria. Incentive packages will allow for a portion of the tax increment generated by the project to be available for incentives. This action has been taken to insure that while the CRA supports those projects that help to implement the plan of each district, it provides the district with ongoing funding from the project to meet future needs. It is anticipated that incentives offered under this program will be paid to the applicant as the increment is generated by the completed project.

These incentives are intended to encourage redevelopment in the four Community Redevelopment Agency Districts that complies with the goals of the Redevelopment Plans, increases the diversity of uses, and increases the residential component of the redevelopment area and enhances the livability of existing residential units and viability of existing commercial usage. They are also intended to reduce the cost of redevelopment in the redevelopment area by offering reimbursements for various costs and providing public infrastructure improvements associated with the redevelopment.

Toward that end, this Transformational Projects Incentive Program includes a menu of items that can be tailored to each project:

- A. Provide reimbursements to the applicant to cover the costs of fees associated with the project. These fees could include, water and wastewater meter costs, connection fees, tap charges (required when a project must tap into the line), meter fees (gas or electric) and permits.
- B. Provide for public infrastructure improvements in conjunction with the project for an amount not to exceed 1% of the total project costs. This could include undergrounding utilities, placement of utilities in buildings to avoid large surface-mounted facilities on site, upgrading water, wastewater, electrical lines, utility enclosures (intended to reduce clutter of utility boxes in pedestrian areas), streetscaping and upgraded lighting to the design criteria for each district and other applicable standards.
- C. Development of stormwater facilities at off-site locations if possible or on-site if necessary.
- D. Reimbursement of Façade Enhancements with appropriate security for maintenance by applicant.
- E. Assistance and reimbursement of the cost of public recreation improvements.
- F. Assistance and reimbursement of the cost of environmental improvements.
- G. Land acquisition assistance including reimbursements, financial assistance.
- H. Parking assistance, including on-street parking, parking programs (with City Commission approval), alley development and structured parking cost reimbursements.

It is intended that an applicant may request any or all of the above incentives, subject to available funding, qualification, and execution of formal agreements as necessary. Each project will be evaluated by the points system to determine the amount of incentives for which the project qualifies. Approval of an application under this program in no way grants a project vested rights for redevelopment or grants any third-party benefit.

The CRA reserves the right to set priorities among applications under consideration if necessary. The CRA also reserves the right to revoke or change this package of incentives at any time and for any or no reason. The CRA may reject an application if the applicant does not provide additional information requested, or if circumstances change during consideration. The CRA may offer these or other incentives for projects that the CRA initiates.

II. Eligibility

In order for a project to be eligible for incentives, the applicant must submit a request and that request must be approved prior to commencing construction.

If incentives are granted, the applicant must agree not to apply for or accept any exemption from City and/or County ad valorem taxes related to the Project or Project Site (except homestead exemptions) unless approved in advance by the CRA, which approval may be conditioned upon a reduction in previously approved incentives. The applicant will be asked to further agree that in the event some or all of the Project/Project Site is transferred by the applicant to a form or type of ownership that is exempt, in whole or in part, from City and or County ad valorem taxes, the CRA's obligations to provide these incentives may be reduced or subject to repayment, and any further reimbursement shall cease. Applicants for this program are advised that there will be default language in the development agreement that protects the CRA from changes within the project after approval and that incentives can be withdrawn, or be required to be repaid, if default occurs.

The applicant must demonstrate that the project would not be feasible but for the incentives amount requested. Staff will work with an outside consultant to verify the "but for" gap. The net present value of the agreed upon "but for" gap will be the cap for payments under this program.

Incentives under this program will also be limited as follows:

The points received by each project limits the amount of the incentives available under this program. A project receiving 25 + points would be eligible for up to 80% of the increment for 15 years. Those receiving 19–24 points would be eligible for up to 60% of the increment for 15 years. Those receiving 50 or more points would be eligible for up to 90% percent of increment. Payments for projects receiving 60% of the increment or 80% of the increment will be made over the course of the 15 years in a decreasing payment scale. The decreasing percent payment scale allows the applicant to receive the highest percent incentives during the first five years of the project when it is most needed and smaller amount in each of years 6–10, and a still smaller amount in each of years 11-15, with the total of the payments equaling the appropriate amount based upon the percentage of the projected increment over 15 years. For those projects receiving 90% of the increment, payments will be made annually at the 90% value. The projects receiving 50 or more points can receive payments for over 15 years if determined necessary, however this extended time frame will be limited by the length of time remaining for the district in which the incentives are offered.

As an example, if the applicant justifies and qualified for 80% of the projected increment for 15 years, they would receive 90% of the annual increment in each of years 1-5, 80% of the annual increment in each of years 6–10 and 70% of the increment in each of years 11-15 up to the total amount of reimbursement allowed. In the 60% range the applicant would receive 90% of the annual increment in each of years 1-5, 60% in each of years 6-10 and 30% in each of years 11-15 up to the total amount of reimbursement allowed.

The potential increment generated by a project will be calculated based on the project uses. Staff will work closely with the Property Appraiser's office to generate the best possible estimate. Each year the actual increment generated by the project will be determined and used as a basis for calculating the payment to the applicant. Should the development reach its predetermined cap prior to end of the payment period set forth in the incentive agreement, no further payments will be made. Should the development reach the end of the payment period without reaching its predetermined cap no further payments will be made.

III. Disbursements

Annual payments will be made in March of each year based on the actual increment generated by the project from the previous tax year. The annual payments will be up to and not exceed the tax increment generated by the project using the formula described in Section II above. Disbursements will only be made if property taxes for the project are paid in full.

IV. Application Process

- Applicant (property owner or agent with property owner's written consent) will submit an application to CRA staff including:

- A. Description of the proposed project including location, preliminary design, square footage of commercial, and/or number of residential units;
 - B. Tabulation of the points for the project;
 - C. Description of how the project implements the redevelopment plan based on the selection criteria listed for the specific redevelopment district;
 - D. Current taxable value for the property;
 - E. Estimated taxable value after construction of the entire project;
 - F. Construction pro forma demonstrating that the project would not be undertaken but for the public funds necessary to make the project financially feasible;
 - G. List of those items and amount of the incentives menu that are requested for the project;
 - H. Information about any governmental approvals required, including land use and zoning changes, etc.; and
 - I. Other information as requested by staff considering the particular project.
- Staff will have the application reviewed by a real estate development professional and prepare a Cost/ Benefit Analysis for any project requesting incentives above 50% of the increment
 - Based on the review a recommendation will be made to the appropriate Redevelopment Advisory Board based on an evaluation of the information provided in the application and in response to the Selection Criteria.
 - The appropriate Redevelopment Advisory Board will review the application, and make a recommendation to the CRA based on an evaluation of the information provided in the application and in response to the Selection Criteria.
 - Based on an evaluation of the information provided in the application and in response to the Selection Criteria, and considering the recommendation by CRA staff and the Advisory Board, the CRA may accept or reject the application, or may approve the application with changes or conditions.

Following approval the staff shall prepare or cause to be prepared a development agreement with the property owner/applicant, which must be entered into before any disbursement of funds by the CRA.

V. Selection Criteria

Projects seeking incentives must address issues identified in the appropriate Redevelopment Plan. Requests for incentives will be evaluated on the following criteria. A project must meet half of the criteria listed for the appropriate district.

College Park/ University Heights Redevelopment District.

Does the project:

- Support the redevelopment of West University Avenue and /or 13th Street as a pedestrian oriented corridor
- Redevelop surface parking lots, blighted, or underutilized sites
- Encourage mixed-use parking structures
- Address district-wide stormwater deficiencies
- Create significant improvements to the public infrastructure
- Include pedestrian and bicycle safety improvements
- Encourage a variety of housing types and prices within the district
- Encourage mixed-use development in the district where appropriate
- Encourage the development of a mix of businesses to serve the needs of the residents of the district, adjacent neighborhoods and institutions
- Advances affordable housing goals in the district

Downtown

Does the project:

- Aggressively promote a pedestrian dominant environment
- Redevelop surface parking lots, blighted, or underutilized sites
- Encourage shared parking facilities and parking garages

- Promote concentrated buffering or screening between incompatible uses or negative site elements
- Design and position new buildings to suggest architectural “permanence”
- Provide high profile direct pedestrian connections and enhanced landscape features
- Encourage integration of a broader demographic mix
- Encourage intensive mix of residential and business uses based on scale, context and contribution to area vitality
- Provide for increased amenities within the downtown neighborhoods
- Reinforce the street edge of adjacent roadways with architecturally interesting and open, inviting building faces

Eastside

Does the project:

- Provide opportunities for different housing to accommodate different demographic groups
- Replace older or underutilized utility lines where needed
- Increase mobility through transit service and pedestrian improvements
- Develop neighborhood commercial centers
- Augment existing street grid system
- Strengthen University Avenue as a commercial corridor
- Address district stormwater improvements
- Provide neighborhood improvements- safety, identity, and facilities
- Provide opportunities for consumers to shop within the district
- Implement streetscaping improvements including sidewalks and lighting

Fifth Avenue Pleasant Street

Does the project:

- Create improved housing stock within the district
- Increase the commercial viability of the area
- Serve as an engine for economic development
- Develop sidewalk linkages to mass transit routes on major corridors bordering the district
- Create City market rate housing within the area
- Provide for an increase in population
- Use Crime Prevention through Environmental Design (CPTED) techniques
- Increase recreational opportunities for the district

Sample Tabulations for 80 % Increment

The net present value of the agreed upon “but for” gap will serve as the basis for a cap for payments to the project. The CRA will make its best efforts to estimate the increment generated by the project, however calculations are only estimates and actual figures will not be know until the project goes on the tax rolls. The developer will received the agreed upon percentage of the actual increment each year until the cap set in the incentive agreement is reached or the term of the agreement expires, whichever is first.

The following is a sample of how calculations will be used to determine the potential income for proposed project. Each project will need to be evaluated individually and complex projects will require input from the Property Appraisers office. Each component of the project will be valued based on the rate that it will likely be placed on the tax rolls. Condominium sales will anticipate 100% homestead exemptions.

Example for rental apartments

Total Project Costs	-	\$ 25,000,000
Less 15%		\$ 3,750,000
Less Streetscape improvements		\$ 250,000
Less current value		<u>\$ 100,000</u>
Adjusted Taxable Value		\$ 20,400,000

Annual Increment on \$20,400,000 - \$269,969
80% \$215,975

Total projected increment for 15 years at 3% growth - \$5,021,130
15 years of 80% increment at 3% growth - \$4,049,294

Years 1- 5 – 90% of increment

<u>Year</u>	<u>90%</u>	<u>10%</u>
Year 1	\$ 242,972	\$ 26,997
Year 2	\$ 250,261	\$ 27,807
Year 3	\$ 257,769	\$ 28,641
Year 4	\$ 265,502	\$ 29,500
Year 5	\$ 273,467	\$ 30,385

Years 6-10 – 85% of increment

<u>Year</u>	<u>85%</u>	<u>15%</u>
Year 6	\$ 266,023	\$ 46,945
Year 7	\$ 274,004	\$ 48,354
Year 8	\$ 282,224	\$ 49,804
Year 9	\$ 290,690	\$ 51,298
Year 10	\$ 299,411	\$ 52,837

Years 11-15 – 70% of increment

<u>Year</u>	<u>70%</u>	<u>30%</u>
Year 11	\$ 253,971	\$ 108,845
Year 12	\$ 261,590	\$ 112,110
Year 13	\$ 269,438	\$ 115,473
Year 14	\$ 277,521	\$ 118,938
Year 15	\$ 284,450	\$ 123,902

Total Payment \$4,049,294 \$ 971,836

Net Present Value at 5% discount rate - \$2,783,255.

Sample Tabulations for 60 % Increment

The net present value of the agreed upon “but for” gap will serve as the basis for a cap for payments to the project. The CRA will make its best efforts to estimate the increment generated by the project, however calculations are only estimates and actual figures will not be known until the project goes on the tax rolls. The developer will receive the agreed upon percentage of the actual increment each year until the cap set in the incentive agreement is reached or the term of the agreement expires, whichever is first.

The following is a sample of how calculations will be used to determine the potential income for proposed project. Each project will need to be evaluated individually and complex projects will require input from the Property Appraisers office. Each component of the project will be valued based on the rate that it will likely be placed on the tax rolls. Condominium sales will anticipate 100% homestead exemptions.

Example for rental apartments

Total Project Costs	-	\$25,000,000
Less 15%		\$ 3,750,000
Less Streetscape improvements		\$ 250,000
Less current value		<u>\$ 100,000</u>
Adjusted Taxable Value		\$20,400,000

Annual Increment on \$20,400,000 - \$269,969
80% \$161,981

Total projected increment for 15 years at 3% growth - \$5,021,130
15 years of 60% increment at 3% growth - \$2,863,401

Years 1- 5 – 90% of increment

<u>Year</u>	<u>90%</u>	<u>10%</u>
Year 1	\$ 242,972	\$ 26,997
Year 2	\$ 250,261	\$ 27,807
Year 3	\$ 257,769	\$ 28,641
Year 4	\$ 265,502	\$ 29,500
Year 5	\$ 273,467	\$ 30,385

Years 6-10 – 60% of increment

<u>Year</u>	<u>60%</u>	<u>40%</u>
Year 6	\$ 187,781	\$ 125,187
Year 7	\$ 193,414	\$ 128,943
Year 8	\$ 199,217	\$ 132,811
Year 9	\$ 205,193	\$ 136,795
Year 10	\$ 211,349	\$ 140,899

Years 11-15 – 30% of increment

<u>Year</u>	<u>30%</u>	<u>70%</u>
Year 11	\$ 108,845	\$ 253,971
Year 12	\$ 112,110	\$ 261,590
Year 13	\$ 115,473	\$ 269,438
Year 14	\$ 118,938	\$ 277,521
Year 15	\$ 121,110	\$ 287,243

Total Payment \$2,863,401 \$2,157,729

Net Present Value at 5% discount rate - \$2,093,835.