

# City of Gainesville

*City Hall  
200 East University Avenue  
Gainesville, Florida 32601*



## **Meeting Agenda**

**November 15, 2005**

**6:00 PM**

**SPECIAL MEETING**

**City Hall Auditorium**

## **Community Redevelopment Agency**

*Rick Bryant (Chair)  
Jack Donovan (Vice Chair)  
Ed Braddy (Member)  
Chuck Chestnut (Member)  
Pegeen Hanrahan (Member)  
Craig Lowe (Member)  
Warren Nielsen (Member)*

*Persons with disabilities who require assistance to participate in this meeting are requested to notify the Equal Opportunity Department at 334-5051 or call the TDD phone line at 334-2069 at least 48 hours in advance.*

**CALL TO ORDER****ROLL CALL****ADOPTION OF THE AGENDA****EXECUTIVE DIRECTOR****050620****University Corners Transformational Incentive Program Application (B)**

*Explanation: University Corners is a mixed use development proposed for the northwest corner of University Avenue and Northwest 13th Street. The project covers three City blocks extending northward towards Northwest 3rd Avenue and westward towards Northwest 14th Street. The project will include 157 condominium units, 238 condotel units, 115,630 square feet of retail space, an 8-level parking garage with 1,146 parking spaces, and a new church building to replace the building currently on site.*

*The CRA hired PMG Associates, Inc. (PMG) to provide an independent analysis of the application. PMG has extensive experience in this type work and the principal of the group is a certified public accountant. PMG has found that a gap exists in the project, that the "but for" test has been met, that the project is eligible for incentives under the Transformational Incentive Program, and that the City and the CRA would experience a positive cash flow from the project. There are several places where PMG disagrees with the application: the "but for" gap amount, the number of points claimed by the developer under the Transformational Incentive Program, the potential spin-off of the project within the district and the assertion that the "extraordinary costs" associated with the project are for items "requested by the City of Gainesville."*

*The application requests various incentive amounts at different points in the application, including payouts over time equivalent to a net present value of \$37 million dollars using the developer's cost of a money as a discount rate or 90% of the increment for 30 years without a cap (this request was later withdrawn). PMG has used a mathematical formula to define the gap: the cost to build the project, less the amount of sales, adjusted for the 15% rate of return required by a potential bank lender in one of the letters provided in the application. Using this formula PMG has determined the "but for" gap to be \$39,441,000. A significant portion of the "but for" gap is created by the \$19 million in land assembly costs associated with the project. This \$19 million is created by a range of costs including land costs, demolition costs, buy out of tenant leases, relocation expenses, and commitments to the church in order to acquire the bulk of the land. The challenges associated with acquiring the land would be a factor in any project of this scope at this location.*

*In discussions with the developer's representative, staff advised them that increment projections being generated in house, using a 5% growth rate, a 26*

year term, and a 7.75% discount rate, showed that that the net present value of the increment stream would likely only reach \$34,177,569.40. Staff received an email from the developer's agent requesting that this figure be used as the incentive request rather than the amounts stated in the application. Staff has since received a letter from the developers' attorney stating that the person who sent the email was not authorized to make the request. Given this new information staff recommends that the \$37 million requested in the original application be accepted as the gap amount.

PMGA's review of the application shows that the project is eligible for 50 points rather than the 58 points claimed by the applicant. Staff is comfortable with that assessment. However, PMG and staff disagree on whether or not the project meets one of the selection criteria, "Encourages the development of a mix of businesses to serve the needs of the residents of the district, adjacent neighborhoods and institutions." PMG stresses throughout the report that they do not believe that the project meets this criterion. Staff disagrees. Staff has been told by the developer's agent that it is anticipated, based on reservations, that only one of the 157 condominium units will be owner occupied, while the others will be second or third homes. Businesses in the retail spaces will need to focus on a citywide customer base in order to be successful if the building will only have "part-time" residents.

PMG's report states that they believe that there will be little spin-off from this project. They base this assertion on the fact that the developer's target market is University of Florida alumni and supporters. They believe that this group already comes to the City and that this project will not draw any additional visitors to the area on its own, but will rather "shift activity from another location to the project site." PMG also expresses concern that resale will be difficult since the target group is a closed group. Based on the developer's comment that all of the condominiums will be second and third homes, it is easy to understand PMG's concerns; however, staff can envision resales to owner-occupants as the project matures.

PMG and staff agree that the "extraordinary costs" associated with the project are more a function of attracting buyers for high-end units than items "requested by the City of Gainesville." Review of the PD shows that all the amenities included in the development have been placed there by the developer. That is not to say that the City and CRA will not benefit from the inclusion of those items in the project, but rather that the City and CRA are not responsible for their inclusion.

Staff recommends that the University Corners application for incentives under the Transformational Incentive Program be approved with the following terms: The "but for" gap for the project be determined to be \$37 million and the payments be capped at the net present value of that amount. The project be provided 90% of the actual increment generated annually until the cap is met or until the end of the CPUH Community Redevelopment Area, at the time the development agreement is executed. Construction begins within two years from the date of the agreement. No change be permitted to the building materials without approval of the CRA; if the materials change the CRA could reopen the

*incentive agreement. No change of ownership (other than sale of the residential units) is permitted without approval of the CRA. The CRA reserves the right to bond the increment at a point in the future and pay the developer the net present value of gap early. This could save the CRA considerable money since the CRA borrowing rate would likely be less than the developers. The development agreement allows that if those items the CRA has provided incentives for fall into disrepair the CRA can use annual increment payments to make repairs as needed.*

*Fiscal Note: Any incentives paid under this program are paid from the tax increment generated by the project so there is no immediate impact on the annual budget for the CPUH Community Redevelopment Area.*

**RECOMMENDATION**

*College Park University Heights Redevelopment Advisory Board to the CRA: Approve the University Corners Transformational Incentives Program application with terms as follows: 1) the "but for" gap for the project be determined to be \$34,177,569 and the payments be capped at the net present value of that amount; 2) that the project be provided 90% of the actual increment generated annually until the cap is met or until the end of the CPUH Community Redevelopment Area, at the time the development agreement is executed; 3) that construction begin within two years from the date of the agreement; 4) no change be permitted to the building materials without approval of the CRA, and at that point the CRA could reopen the incentive agreement; 5) no change of ownership (other than sale of the residential units) is permitted without approval of the CRA; 6) the CRA reserves the right to bond the increment at a point in the future and pay the developer the net present value of the gap early; 7) that the development agreement allow that if those items the CRA has provided incentives for fall into disrepair the CRA can use annual increment payments to make repairs as needed; and 8) authorize the Executive Director and the CRA attorney to prepare and execute any and all documents necessary.*

*Executive Director to the CRA: Approve the College Park University Heights recommendation but change the recommended "but for" gap to \$37 million as reflected in the original application.*

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**ADJOURNMENT**