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Review of the Transformational Projects Incentive Program (B)

In Fall 2005, while reviewing the University Corners application, the CRA Board asked that the Transformational Projects Incentive program be reviewed in six months. At this time the CRA has received two applications to the program, one for University Corners, and one for Jefferson on Second.

The program was created to help move key sites into redevelopment. These sites, located in various CRA areas, are challenging for a variety of reasons including difficult land assembly, environmental issues, and complex infrastructure or parking needs. The program is structured to explain to developers what the CRA expected and desired from redevelopment projects and to help quantify for the CRA Board which projects merited incentives.

The program lists specific redevelopment goals that projects must meet and provides a points system to evaluate the level of incentives for which the developer can qualify. Each Advisory Board created a unique points system for their area that focused on the issues they believe is key to redevelopment. The program also lists the types of public infrastructure, design, and land assembly expenses for which the CRA will reimburse the developer.

Over the past few years, the CRA has moved to providing only back end incentives for projects. These incentives are paid for from the tax increment generated by the project, rather than having the CRA participate in projects by incurring debt. Since the CRA's ability to borrow is limited and the increment is not large enough to provide front-end infrastructure for the projects, this strategy is the only way the CRA can participate in projects.

Over time, other CRAs have moved to back end incentives for the same reasons. Similar programs exist in Orlando, Ft. Myers, and Daytona Beach. The Development Agreement form is based on a model from Orlando. The push to increase residential units in the urban core is seen statewide. Significant residential density is required to support the type of urban environment Gainesville is seeking, and incentives for residential development are often key to getting the units built.

When originally created, the program anticipated projects in the \$40 to \$50 million range. This range is significantly higher than anything that has ever been built in the CRA. That University Corners was the first application to the program has had two ramifications. First, it has redefined what "transformational" means, and the projects originally anticipated by the program pale in comparison to the \$187 million University Corners project. This comparison is unfortunate because the CRA would benefit from the development of a number of \$40 to \$50 million projects throughout the four CRA areas. This type of redevelopment would be easier for the market to absorb and be more reflective of a solid growth pattern. University Corners will be a great addition to Gainesville, but may be a unique one of a kind development much like City Place is in West Palm Beach, rather than the standard for all future development in the CRA. Second, University Corners has given the impression that if developers requests higher incentives they will receive them.

After working with the program there are several areas that staff recommends be considered for modifications.

1. Clarification of the items for which developers receives points - Staff recommends that the items for which developers receive points be clarified to make them more straightforward. This clarification should help developers understand exactly what is expected if the points are claimed. As an example, tying into the City Stormwater Park is not a creative stormwater solution.

2. Changes to the point system - Staff recommends that the point system be referred back to the Advisory Board for review. College Park University Heights has discussed several additions they would like to consider for inclusion based on the updated Redevelopment Plan. The CRA Board may also wish to make amendments to the points system independent of the Advisory Board recommendations. At the April CRA meeting the Board expressed interest in adding Green building to the points system. The point value of certain items could be adjusted and the level to meet the threshold could be raised.

3. Clarification of the role of the "but for" gap in formulating the incentive amount - There is an opportunity to clarify the overall concept so that it becomes clearer that the "but for" gap in the project is at the heart of the incentive; that the CRA will reimburse the developer for infrastructure, design and or land assembly costs up to the value of the "but for" gap; and that the 60% or 80% figure represents the maximum annual payment to the developer towards covering that gap. The program should also clarify the net present value concept and make it clear that the program may cover the gap early if the increment generated by the property is higher than anticipated or may never cover the gap if the increment is lower than anticipated.

4. Introduction of Design Guidelines - The CRA could establish design guidelines for this program that would help to define the desired features in future projects. These guidelines could include desired façade materials, architectural features, mass, scale and building rhythms.

5. Establish a non-refundable application fee - Some communities require that the developer provide an outside review of their project as part of their application. At present the CRA hires a firm to review the projects and the review can run between \$10,000 and \$15,000. Staff recommends that the CRA continue to hire its own consultant to review projects rather than require the developer to provide the review but does believe that a nonrefundable application fee should be charged to help cover the cost. The establishment of an application fee would also help insure that the developer works closely with staff to be sure the application is complete and meets all the criteria before submittal.

6. Authorization for staff to decline an application - If an application does not appear complete, does not meet the criteria, requests more funding than it is eligible for, or from the consultant's report does not meet the "but for" test staff requests authorization to decline the application without bringing it forward to the CRA. Staff, including the Executive Director, the Community Development Director, the Finance Director, the CRA Attorney, and the CRA Manager would review the application, consultant's report, and other materials and determine if the application

should move forward. This should help clarify for the developer that the program parameters are firm.

7. Review of the amount of incentive offered - The CRA may wish at this time to review the level of incentives offered to the developers. The program has now moved to providing the increment stream which represents the net present value of the pre-determined "but for" gap with annual payment being no more than 60 % or 80% of the increment generated by the project based on the points system. Staff recommends that rather than decrease the incentive offered, the CRA consider implementing some of the earlier suggestions that would clarify the terms of the program and help insure a better quality project and review the program again six months after the recommended changes are implemented.

8. Limit or prohibit contact between applicants and Community Redevelopment Agency and Advisory Board members outside of public meetings.

Once the CRA has determined which changes it would like to implement staff will prepare a draft of the program for review by the Advisory Board and return to the CRA with their recommendations. Staff recommends that applications be reviewed under the current program if submitted prior to changes being implemented.

None at this time

Executive Director to the CRA: Recommend the CRA direct staff to work with the Advisory Boards to make recommendation for the following changes to the Transformational Projects Incentive Program: 1) clarify the items for which developers receive points; 2) review possible changes to the point system; 3) clarify the role of the "but for" gap in formulating the incentive amount; 4) consider the introduction of design guidelines; 5) establish a non-refundable application fee; 6) authorize staff to decline an application; 7) review the amount of incentive offered; and 8) limit or prohibit contact between applicants and Community Redevelopment Agency and Advisory Board members outside of public meetings.