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Title: Discussion of a Finding of Necessity Report and Establishing a Northwest Community Redevelopment Agency Area (B)

This item is a request for the City Commission to receive a Finding of Necessity Report and determine whether to create a new Community Redevelopment Agency Area; and if so, determine the area’s geographic boundaries.

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Attachments: 1. 150138A_CRA Study-Area with subs_20150806.pdf, 2. 150138B_DRAFT NW Gainesville FON Report_20150806.pdf, 3. 150138C_CRA Area Presentation_20150806.pdf, 4. 150138C-MOD_CRA Area Presentation_20150806.pdf

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8/6/2015	1	City Commission	Approved, as shown above	Pass

Discussion of a Finding of Necessity Report and Establishing a Northwest Community Redevelopment Agency Area (B)

This item is a request for the City Commission to receive a Finding of Necessity Report and determine whether to create a new Community Redevelopment Agency Area; and if so, determine the area’s geographic boundaries.

Community Redevelopment Agency (CRA) Areas are special districts with a dedicated funding source that Cities and Counties can use to encourage private investment and development. The primary funding source is Tax Increment Financing (TIF), which annually transfers all or a portion of any increase in property tax revenue within the CRA Area to a trust fund for redevelopment within the CRA Area.

The year that a City or County creates a CRA Area is known as the “base year”, and is the year that property tax payments to the applicable taxing authorities (i.e., the City, the County, the School District, the Water Management District, and the Library District) are locked in. As property values and property tax payments increase over time, the additional tax revenue (i.e., the increment revenue) remains within the CRA Area boundaries. This creates a positive feedback cycle that encourages investment within the CRA Area.

In Florida, the State regulates the establishment of CRA Areas. In order to create a CRA Area, state law requires that a city or county make a finding, supported by data and analysis contained in a Finding of Necessity (FON) Report, that the subject property constitutes a “slum area” or a “blighted area”, as defined in state statutes.

On April 5, 2012, the City Commission considered conducting a FON Study to determine if certain areas in

Northwest Gainesville meet the state definition of a “slum area” or a “blighted area”, and therefore are eligible to become a CRA Area. At that meeting, the Commission indicated that, at a minimum, the study should answer the following three questions: 1) Does slum/blight exist in the Study Area? 2) If it does, where does slum/blight exist in the Study Area? and 3) Where should be the boundaries of any CRA Areas within the Study Area?

Additionally, the Commission indicated that it wanted the flexibility to designate an area smaller than the entire Study Area. There are two advantages to having that flexibility. First, it allows the City Commission the option of creating a CRA Area if slum/blight is present in a portion of the Study Area, but not in the entire Study Area.

The second advantage relates to TIF. Because TIF applies to property tax revenue increases, not existing property tax revenue, TIF does not reduce General Fund revenue. Under TIF, however, up to 95% of property tax revenue increases are transferred to the CRA Area trust fund. As a result, TIF can diminish General Fund revenue growth. For that reason, the City Commission may want the flexibility to designate an area smaller than the entire Study Area, if they are concerned that the potential diminution of General Fund growth is too great if they create a CRA Area over the entire Study Area.

In July 2012, the City Commission approved funding to hire a consultant to conduct and submit the FON Study and Report.

After completing the Request for Proposal process, the City retained Tindale Oliver and Associates, Inc. (TOA) to conduct the study and issue the report. TOA has now completed the study and the report, and the report is on file in the office of the Clerk of the Commission.

The Study Area, shown in Attachment A, contains 1,090 acres, which is approximately 2.7% of the City’s ±40,109.7 acres. Generally, the Study Area is bounded on the west by NW 13th Street; on the north by NW 6th Street or by NW/NE 39th Avenue; on the east by NW 6th Street or NE 2nd Street; and on the south by NW/NE 23rd Avenue or NW 16th Avenue. The Study Area includes important residential, retail, educational, institutional, environmental and transportation uses.

The FON Report examines many factors that relate to slum/blight, as defined by the statute. The adequacy of public infrastructure is one of these factors. In this case, the FON examines not only the adequacy of public infrastructure for existing uses, but also its adequacy for redevelopment. In other words, infrastructure may be adequate to serve existing uses, but not to serve or attract new or additional uses, or to attract redevelopment, in general.

Florida Statutes set forth a two-part test to determine if blight exists in an area. The first part requires that the area must contain a “substantial number of deteriorated or deteriorating structures...” The FON Report contains data and analysis indicating the presence of a substantial number of deteriorated or deteriorating structures within the Study Area. Therefore, the Study Area meets the first test.

The second part requires at least two of 14 factors listed in the Statute to be present within the Study Area. The FON Report contains data and analysis indicating the presence of seven of the 14 factors, including “predominance of defective or inadequate street layout, parking facilities, roadways, bridges, or public transportation facilities,” “faulty lot layout in relation to size, adequacy, accessibility, or usefulness,” “unsanitary or unsafe conditions,” “deterioration of site or other improvements,” “inadequate and outdated building density patterns,” “incidence of crime in the area higher than in the remainder of the city,” and “fire and emergency service calls to the area proportionately higher than in the remainder of the City.” Therefore, the

Study Area also meets the second test.

Furthermore, the FON determined that blight also exists in two sub areas of the Study Area.

Sub Area 1, shown in Attachment A, contains approximately 618 acres (about 1.5% of the City's total area) and is located primarily along NW 13th Street. As a CRA Area, most of the revenues and expenditures of Sub Area 1 would likely focus on commercial, office and retail redevelopment adjacent to NW 13th Street.

Sub Area 2, shown in Attachment A, contains approximately 472 acres (about 1.2% of the City's total area) and is generally bounded by NW 6th Street on the west, NE 2nd Street on the east, NW/NE 39th Avenue on the north, and NW/NE 23rd Avenue on the south. Although this area contains several areas that appear ripe for development and/or redevelopment, a CRA on Sub Area 2 would likely focus most of its activities around the planning and development of the 87-acre Koppers Superfund site.

As such, the Commission has the following four options, of which it can choose only one: A) Create a new CRA Area that includes the entire Study Area; B) Create a new CRA Area that includes only Sub Area 1; C) Create a new CRA Area that includes only Sub Area 2; or D) Do not create a new CRA Area.

At two informational public meetings held within the Study Area, nearly all Study Area residents who attended, expressed support for Option A, Create a new CRA Area that includes the entire Study Area.

If the City Commission supports the creation of a CRA Area, staff will return at a future public hearing with a resolution that includes a map and legal description of the area approved by the City Commission.

Determining the long-term impact of creating a new CRA Area on potential General Fund growth is difficult. Generally, the more properties within a CRA Area, the greater the impact on (or the greater the reduction of) General Fund growth. In other words, the more properties within a CRA Area, the slower the rate of General Fund growth. For that reason, creating a CRA Area with fewer, rather than more properties, usually reduces potential impacts on General Fund growth.

Currently, $\pm 3,276.5$ acres ($\pm 8.2\%$) of the City's $\pm 40,109.7$ acres are within the City's four CRA Areas. Since most areas are experiencing a lack of growth and investment when they are designated a CRA Area and only the increment of growth is transferred to the CRA trust funds, there is almost no impact on the General Fund when a new CRA Area is first created or during the subsequent three to five years.

Only as growth occurs over time and property values increase, is all or a portion of that increase transferred to the CRA trust funds. Since some of the City's CRA Areas have been established for almost thirty years and have been relatively successful in achieving many of their goals, the amount transferred is now significant. In FY14, the last completed fiscal year; the City transferred ± 2.031 million dollars from the General Fund to the four CRA trust funds. Those funds equaled approximately nine percent of the City's total property tax revenue for that fiscal year.

The City Commission: 1) hear a presentation from the consultant; 2) receive public comments; 3) accept the consultant's report addressing blighted conditions in Northwest Gainesville; 4) determine whether or not to authorize staff to develop and bring to the Commission a resolution that establishes a Northwest Community Redevelopment Agency Area; and 5) if the Commission authorizes staff to develop a resolution that establishes a new Community Redevelopment Agency Area, determine whether the geographic boundaries of the area should include the entire Study Area, Sub-Area 1 or Sub-Area 2.

Alternative Recommendation

The City Commission direct the City Manager or designee to research other redevelopment and/or infrastructure funding alternatives that may be appropriate for the Study Area. Examples of such alternatives include, but are not limited to, Business Improvement Districts, Community Development Districts and increased general fund expenditures.