

City of Pensacola Community Redevelopment Agency

Area Reinvestment Agreement Policy **for the** **West Main District**

April 2021

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PURPOSE

The purpose of this Policy is to articulate the guidelines by which the City of Pensacola Community Redevelopment Agency's (CRA) may enter into an Area Reinvestment Agreement (ARA) with private parties as an incentive to promote redevelopment of the West Main District in a manner that is consistent with the CRA Urban Core Community Redevelopment Plan and the West Main Master Plan. It is anticipated that the private sector development leveraged by the ARA will provide a community benefit that will ultimately be shared by the surrounding neighborhoods, the downtown area, and the city as a whole. Area Reinvestment Agreements typically may be used for large-scale projects which substantially achieve the objectives of the redevelopment plan(s) and act as catalysts for further private sector development.

ELIGIBLE AREA

The West Main District is a subarea of the Urban Core Community Redevelopment Area and is roughly bounded by Clubbs Street, Government Street, South Spring Street and the Pensacola Bay waterfront. Community plans have been prepared, focusing on the revitalization of this area, including the 2010 Urban Core Community Redevelopment Plan and the West Main Master Plan. As a matter of policy, the City of Pensacola Community Redevelopment Agency (CRA) will consider using Area Reinvestment Agreements to assist private development within the West Main District that provides extensive community benefit consistent with the redevelopment plans referenced herein.

AUTHORITY

Section 163.387 (1) (b) of Florida Statutes, allows CRAs to enter into an agreement with a private party, with or without additional parties, to provide that the Tax Increment Revenue (TIF) computed for a specific area may be reinvested in services or public or private projects, or both, including debt service, supporting one or more projects to be constructed within that area consistent with the community redevelopment plan that is identified in the agreement. This tool is defined in the statute as an "Area Reinvestment Agreement (ARA)." Under such an agreement, the CRA may reinvest, or rebate, a portion of the increased TIF generated by the development project as an incentive for the private sector investment (TIF Rebate).

PREREQUISITE PUBLIC BENEFIT

In requesting an ARA/Rebate, the developer must demonstrate that there will be a substantial and significant public benefit to the community by eliminating blight, strengthening the economic and employment base of the West Main District, positively impacting surrounding neighborhoods, increasing property values and the tax base, and/or creating new and retaining existing jobs. Projects must be consistent with the 2010 Urban Core Community Redevelopment Plan and West Main Master Plan.

OBJECTIVES

The CRA will consider utilizing an **ARA** TIF Rebate for projects that substantially stimulate and continue revitalization of the West Main Area meeting a combination of several of the following criteria:

1. Prevent or eliminate blighting conditions
2. Construct mixed-use developments that creatively integrate commercial, retail and/or residential uses
3. Create a variety of housing opportunities to increase the number of residents in the district
4. Attract, retain or expand desirable businesses and jobs in the district
5. Enhance the streetscape and pedestrian experience and improve the vitality of the district by adding interest and activity on the first floor of mixed- use buildings
6. Promote efficient usage of land through redevelopment
7. Strengthen the economic base of the redevelopment area and support economic development
8. Stabilize and upgrade targeted neighborhoods
9. Involve environmental clean-up
10. Increase property values and tax revenues
11. Improve infrastructure
12. Leverage the maximum amount of non-city funds into a development and back into the community

BASIC PROVISIONS

1. The TIF Rebate is not an ad valorem tax exemption. Developers awarded the rebate must pay all property taxes by December 31st of each year or forfeit the rebate for the year.
2. The developer must perform and construct the project prior to receiving a TIF Rebate. The increase in TIF must be produced by the project in order for the increment to be remitted.
3. The **TIF** Rebate is limited to the actual increase in increment generated by the project.
4. The term of the **TIF** Rebate shall be a maximum of 20 years, or the time remaining in the TIF, if less than 20 years.

5. Eligible projects may receive a **TIF** Rebate of **up to** 100% of the increased TIF generated by the development investment, remitted annually.
6. It is the intent of the CRA to provide the minimum amount of TIF **assistance Rebate** to make a project viable and not solely to broaden a developer's profit margin on the project. Prior to approval of a TIF Rebate request, the CRA will undertake (at the requestor's cost) an independent analysis of the project to ensure the request for assistance is valid.
7. In requesting a **TIF** Rebate, the developer must demonstrate **to the CRA** that there will be a substantial and significant public benefit to the community by eliminating or preventing blight, strengthening the economic and employment base of the West Main District, positively impacting surrounding neighborhoods, increasing property values and the tax base, and/or creating new and retaining existing jobs. Projects must be consistent with the **2010** Urban Core **Community** Redevelopment Plan

CRITERIA FOR APPROVAL

1. Minimum investment threshold: The total project development cost **taxable value** must be \$40 million or greater.
2. Equity Requirement: Projects that exceed 30% equity will be looked upon favorably by the CRA. Equity is defined as cash or unleveraged value in land or prepaid costs attributable to the project. TIF shall not be used to supplant cash equity.
3. TIF Cap: The TIF Rebate amount shall not exceed 10% of the total project development cost. This limitation may be waived upon approval of the CRA.
4. Self-Supporting Projects: Each project requesting TIF Rebate should generate enough tax increment to cover project costs.
5. Internal Rate of Return: The amount of assistance provided to a developer will be limited to the amount necessary to provide the developer a reasonable rate of return on investment in the project and the subject site. A developer's return on equity, return on cost or internal rate of return will be based on current market conditions as determined by the CRA or CRA's financial advisor.
6. Commitment from Financial Institutions: The developer must provide proof of a commitment by a financial institution, person or entity to provide lending and/or equity for the project sufficient to for financing constructing, equipping, furnishing, and completing the project and the cost related thereto.

"BUT FOR" TIF

1. The fundamental principle and that which the CRA must determine through information provided by the developer is that the project would not occur "but for" the assistance

provided through TIF Rebate. The burden is on the developer to make this case to the CRA and not the CRA to make this case for the developer. Should this “but for” determination not be made, TIF for the project cannot be approved.

2. The proposed private project must show a *demonstrated financial gap* and the financial assistance request must be the minimum necessary to make the project feasible.

APPROVAL PROCESS

1. The terms of the ARA will be negotiated with the developer.
2. Approval of an ARA must be made by Resolution of the CRA, based on findings that the proposed project is consistent with the redevelopment plan (s).
3. Each project and location is unique and therefore every proposal will be evaluated on its individual merit, including its potential impact on city service levels, its overall contribution to the economy and its consistency with the Redevelopment Plan(s) named herein. Each project must demonstrate a strong probability of financial success.
4. Notwithstanding compliance with any or all the guidelines herein, the provision of a TIF Rebate is a guideline choice to be evaluated on a case-by-case basis by the Community Redevelopment Agency.
5. The burden of establishing the public value of a TIF Rebate will be placed upon the applicant and the application must substantially meet the criteria contained herein.
6. Guidelines and other criteria listed herein do not guarantee the provision of TIF Rebate assistance nor does the approval or denial of one project set precedent for approval or denial of another project.

ELIGIBLE COSTS

The following are typical eligible costs for evaluating a TIF Rebate.

1. Capital costs, including actual costs of:
 - a. Construction of public works or improvements
 - b. Construction of new buildings, structures, and fixtures
 - c. Demolition, alteration, rehabilitation, repair or reconstruction of existing buildings, structures and fixtures, other than historic buildings and structures
2. Real property assembly costs
3. Professional service costs (planning, architectural, engineering, and legal)
4. Relocation costs

WHAT DEVELOPMENT IS INELIGIBLE?

The CRA will not offer TIF funding to help support development outside of the boundary of the West Main District.

West Main District Area Map

