

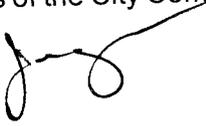


MIAMI BEACH

OFFICE OF THE CITY MANAGER
NO. LTC # 310-2006

LETTER TO COMMISSION

RECEIVED
2006 DEC 19 AM 10:29
CITY CLERK'S OFFICE

TO: Mayor David Dermer and Members of the City Commission
FROM: Jorge M. Gonzalez, City Manager 
DATE: December 18, 2006
SUBJECT: Miami Dade County Report on Community Redevelopment Areas/Agencies (CRA)

The purpose of this LTC is to provide the Mayor and City Commission with Miami-Dade County's Report on Community Redevelopment Agencies, which is included in the December 19, 2006 agenda of the Board of County Commissioners (BCC). This report is the result of a BCC Resolution directing that County staff develop an exit strategy for all CRAs in the County. The City of Miami Beach was not invited to participate in the development of this report, and it appears that other municipal CRAs were not invited as well.

Included in the attached County report are issues that County staff has identified as resulting from the creation of CRAs, including the redirection of funds from the Countywide General Fund, overly broad project descriptions in the CRA plans, as well as the appropriate use of CRA dollars. The report indicates concern on the part of the County that some of these issues may in effect prolong the termination of a CRA that has otherwise met its goals.

Some of the key recommendations can be found on page 4 of the report. They include:

1. Implementation of a more rigorous review of annual budgets, employing the County's results oriented government concepts beginning in FY 2007-08.
2. The County will pursue amendments to the existing interlocal agreements governing the CRAs, which will require new formats for the budgets that each CRA must submit to the County.
3. Emphasis will be placed on identifying opportunities to redirect excess revenues to expedited implementation of adopted plans and the early payment of debt in order to allow for the earliest possible termination of a CRA.
4. The County Administration will draft amendments to the interlocal agreements and forward them to each CRA Board for adoption.
5. The BCC should consider allowing for administrative approval of annual budgets.

Also attached please find my email to County Manager George Burgess regarding the placement of this item on the BCC agenda. The Administration is concerned with the seemingly unilateral nature of the report and its recommendations, and will engage the County Administration to discuss and resolve these issues accordingly.

Also included for your information is the Tax Increment schedule for all CRAs in Miami-Dade County for 2005.

JMG/HF/kc

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Attachments (3)

Memorandum



Date: December 19, 2006
To: Honorable Chairperson Joe A. Martinez
and Members, Board of County Commissioners
From: George W. Burgess
County Manager
Subject: Report on Community Redevelopment Areas/Agencies

Agenda Item No. 12(B)1

The Board of County Commissioners (BCC) adopted Resolution R-110-06 on January 24, 2006, directing County staff to develop an exit strategy for all Community Redevelopment Areas. This report provides background information on Community Redevelopment Areas/Agencies (CRAs), why and how they are developed, the status of existing CRAs, issues that have resulted from the creation of CRAs, policies for consideration to address these issues, and alternatives to CRAs. Because of staff turnover, development of this comprehensive report has taken longer than anticipated.

BACKGROUND

Part 3 of Chapter 163 of Florida State Statutes, known as the "Community Redevelopment Act of 1969" (Act) authorized local governments to establish CRAs to revitalize areas designated as slum and blight upon a finding of necessity (FON) and furthermore, finding that there is a need for a community redevelopment agency to carry out community redevelopment as defined in the Act.

Community Redevelopment defined as it relates to the Act

Community redevelopment as defined in the Act provides for undertakings, activities, or projects of a county, municipality, or community redevelopment agency for the elimination and prevention of the development or spread of slum and blight, for the reduction or prevention of crime, or for the provision of affordable housing to residents of low or moderate income. These activities may include slum clearance and redevelopment, rehabilitation, or conservation in a community redevelopment area or rehabilitation and revitalization of coastal resort and tourist areas that are deteriorating and economically distressed. All of these activities, however, must be in accordance with a community redevelopment plan for the area.

CRAs are public bodies created by the BCC and are generally developed to exercise the powers provided by the Act. Among these powers are the ability to:

- Issue bonds using ad valorem tax revenue as collateral without the requirement of a referendum. As the BCC is aware, general obligation bond programs, such as the Building Better Communities Bond Program require vote approval. This type of financing mechanism is generally known as Tax Increment Financing.
- Issue request for proposals for redevelopment of parcels identified in the community redevelopment plan and enter into contracts to effectuate the redevelopment plan, without further BCC approval.

In a Home Rule Charter County, such as ours, these powers are granted exclusively to the BCC, unless the BCC delegates the powers to the municipality whose boundaries contain the CRA. In

accordance with the Act, the CRA by ordinance appoints the members of the CRA, which must be made up of between five and nine members, if the CRA is within the boundaries of a municipality. Any power not specifically delegated to the municipality shall be reserved exclusively to the BCC. The BCC may elect to act as the CRA board and retain the powers granted by the Act.

What is Tax Increment Financing (TIF)?

Tax Increment Financing is the use of incremental growth of ad valorem revenues, beyond an established base year. In the case of CRAs, ad valorem revenues in excess of those collected in the year prior to the creation of the CRA are remitted by local taxing authorities to a CRA trust fund for redevelopment projects and related activities described in the CRA's redevelopment plan. Typically, this revenue is used as a pledge to issue long term debt.

How is a CRA developed?

There are four general steps in the process of developing a CRA, pursuant to State Statute.

- First, a specific geographic area is identified as requiring redevelopment. In the case that the area is part of the Unincorporated Municipal Service Area (UMSA), the BCC authorizes the County Manager to prepare a Finding of Necessity (FON) to substantiate that the area is in need of redevelopment and that it meets the requirements to create a CRA. In the case that the area is part of a municipality, the municipality prepares the FON to substantiate the same, adopts legislation stating their need for the CRA, and requests that the BCC consider its creation.

Once it has been substantiated, by the FON, that the area meets the requirements for the creation of a CRA, the FON is presented to the Tax Increment Finance Committee (a Committee of County employees in different professional capacities related to development, planning, taxation, and finance) for comments and final recommendation to the County Manager and subsequently forwarded to the BCC for approval by resolution.

- Second, the BCC accepts the FON and upon approval creates the CRA.
- Third, the CRA contracts for the creation of the Community Redevelopment Plan and after presenting it to the TIF Committee for recommendation, presents it to the BCC for approval by ordinance.
- Fourth, upon approval of the redevelopment plan, the BCC approves the creation of the Trust Fund appropriating the percentage of the millage rate that will be deposited in the Trust Fund for distribution to the CRAs. The percentage of the millage appropriated to the Trust Fund may vary from 50 to 95 percent and is at the discretion of the BCC. As an example, the South Miami CRA agreement only provides for 50 percent of the increment to be deposited in the Trust Fund, as opposed to the other agreements that provide for the full 95 percent. In addition, the BCC enters into an interlocal agreement with the CRA delegating specific authority.

STATUS OF EXISTING CRAs

To date there are 11 active CRAs in Miami-Dade County, of which nine are within municipalities and two within UMSA. In addition, there is an agreement with the City of Miami Beach that provides for the County to pay the City an amount equivalent to the calculated ad valorem increment of the South Pointe CRA which expired on September 30, 2005. The agreement which has been amended twice provides that payments will be made by the County to the City through 2020 on a reduced basis, a

portion of which must be used in the South Pointe CRA area; the remainder may be used for City identified needs which are eligible for Convention Development Tax or Municipal Tourist Resort Tax receipt use.

Of the nine municipal CRAs, three have been in existence five years or less (Midtown Miami, North Miami, North Miami Beach); four CRAs have been in existence for more than five years but less than fifteen years (Miami Beach City Center, Homestead, Florida City, South Miami), and two have been in existence 20 years or more (Southeast Overtown/Parkwest, Omni). The two UMSA CRAs (NW 7th Avenue Corridor and Naranja Lakes) have been in existence less than five years.

The duration of CRAs is directly linked to the establishment of its Redevelopment Trust Fund and the interlocal agreements which delegate the powers of the County to the CRA. To date only one CRA has been approved for extension (South Miami through Resolution R-931-06) and one has been approved for expansion (Southeast Overtown/Park West, December 1985).

Four CRAs (North Miami, North Miami Beach, Omni, and South East Overtown/Park West) are currently under consideration for extension at different stages of the process. The Omni and South East Overtown/Park West CRAs are currently being considered for extension as part of the negotiations underway between the County and the City of Miami, as a result of Resolution R-915-06, which was adopted by the BCC on July 18, 2006. This resolution authorized the Manager to enter into negotiations with the City of Miami to develop mutually beneficial amendments to the CRA agreements for additional financial support to the Performing Arts Center. The North Miami and North Miami Beach CRAs have language in their interlocal agreements requiring them to enter into long term commitments of their tax increment revenues within a specified period of time, if not the CRAs will expire. Both CRAs have proposed to enter into long term commitments and recommendations are being made to this committee on this same agenda.

An additional six areas are at the different stages of the CRA approval process (Goulds/Cutler Bay, West Perrine, Biscayne Corridor, 79th Street Corridor, South Miami Heights, and Metrozoo).

ISSUES RESULTING FROM THE CREATION OF CRAs

While the creation of a CRA provides an effective method to fund the redevelopment of a specific geographic area (the area within CRA boundaries), it serves to redirect funds that could have otherwise been used on a countywide or municipal-wide basis. The total Tax Increment Revenues restricted by CRAs for FY 2006-07 (including adjustments) is \$28.051 million, 2.029% of the total Countywide General Fund and \$689,000, 0.144% of the total UMSA General Fund. The creation of future CRAs would further restrict and redirect the use of ad valorem tax dollars on a countywide and municipal-wide basis.

An issue that has surfaced from the creation of CRAs is the appropriate use of CRA dollars. While municipal-type services, such as community policing, are eligible and allowable expenses of CRAs, it is necessary to ensure that the use of the funds only provides supplemental services to the area and does not supplant services that otherwise would be funded by municipal ad valorem tax dollars. The problem is augmented by the issue that some redevelopment plans contain projects that are broadly defined and not specific in nature.

Broadly defined redevelopment plans and interlocal agreements that do not specify the use of the revenues and the priority of spending allow for CRAs to fund operating expenses that otherwise could be used to prepay debt. Specific redevelopment plans with clearly defined and quantifiable goals could be implemented and terminated once the goal has been attained and the debt issued, to attain that

goal, paid. The allowable use of these funds for other than administrative expenditures and debt payments could, in effect, prolong the termination of CRA that have otherwise met their goals.

EXISTING AND NEW CRAs

In an effort to address these issues outlined, the Community Redevelopment and Economic Policy Analysis Unit of the Office of Strategic Business Management was created in February of this year and has become increasingly involved in the oversight, extension, expansion, and creation of CRAs. As mentioned above, the most recently created municipal CRAs (South Miami, North Miami, and North Miami Beach) all have language in their interlocal agreements requiring the municipalities to enter into long term commitments of their tax increment revenues within a specified period of time. This requirement was established to ensure that the municipalities aggressively work toward implementing their redevelopment plans. We will continue to monitor and scrutinize existing and newly proposed redevelopment plans, ensuring that detailed projects are included in new plans and proposed projects serve the intent of existing plans.

With regard to existing CRAs, a more rigorous review of annual budgets employing the results oriented government concepts embraced by the BCC for the County budget will be implemented beginning with FY 2007-08. We will pursue amendments to the interlocal agreements governing existing CRAs to require budgets be submitted in a format that links CRA resources to defined results that are consistent with the redevelopment plans adopted by each CRA. Emphasis will be placed on identifying opportunities to redirect excess revenues to expedited implementation of adopted plans and the early payment of debt in order to allow for the earliest possible termination of a CRA. Amendments to the interlocal agreements implementing these policies will be drafted for consideration of the CRA boards. The BCC should also consider allowing for administrative approval of annual budgets. Pursuant to statute, whether or not a budget is approved for a CRA, the County must transfer the incremental revenue to the CRA trust fund in January of each year. Once amendments are adopted requiring the allocation of resources be linked to results consistent with adopted redevelopment plans, budget reviews may be handled administratively.

With regard to new plans, it is important to:

- Ensure the plans contain clearly defined and quantifiable goals and objectives;
- Continue to require CRAs to enter into long term debt or develop a plan for pay-as-you-go projects within a specified time period to accelerate the implementation of their plan;
- Prioritize the use of funds to pay long term debt; and
- Scrutinize any proposal to use funds for expenditures that could be considered operating and recurring in nature, rejecting those types of expenditures that could otherwise be born by the appropriate taxing district.

Prior to establishing a new CRA, each request should be evaluated with specific criteria and approved by the BCC only when the criteria are met. The BCC should consider limiting the authority provided to the CRA boards when entering into the interlocal agreements by delegating only those powers specifically needed to implement their plans. The BCC should also consider, as previously mentioned, acting as the CRA board and retaining the powers granted by the Act.

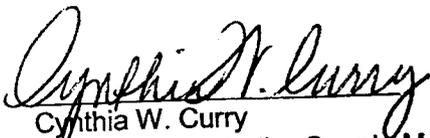
At the time the Trust Fund is created, the BCC may opt to limit the percentage of the tax increment distributed to the Fund similar to the agreement made with the City of South Miami. The reduced percentage, from 95 percent (used with other CRAs) to 50 percent has provided less exposure to the Countywide ad valorem revenues by requiring less amount of funding transferred to the South Miami Trust Fund.

ALTERNATIVES TO CREATING CRAs

Alternatives to creating CRAs or supplemental programs to CRAs have been and continue to be explored. Among them are:

- Investing in our existing programs that address redevelopment and slum and blight issues, such as revolving loan programs, commercial revitalization programs, Community Development Block Grant Programs and Brownsfield redevelopment programs;
- Creating a redevelopment fund that provides incentives to developers for specific projects designed to eliminate slum and blight; and
- Using the existing Economic Development Fund from the Building Better Communities Bond Program to improve infrastructure in areas where the improvements would attract business and development.

We look forward to further discussions regarding the development of policy options and alternatives to CRAs, and plan to report and make recommendations on these discussions in the future.



Cynthia W. Curry
Senior Advisor to the County Manager

cmo02707

Crowder, Kevin

From: Gonzalez, Jorge
Sent: Monday, December 18, 2006 4:32 PM
To: George Burgess (gburgess@miamidade.gov); 'ccurry@miamidade.gov'
Cc: Hemstreet, Tim; Crowder, Kevin; Fernandez, Hilda; 'district5@miamidade.gov'; 'district4@miamidade.gov'; Smith, Jose
Subject: Agenda Item No. 12 (B)1 on December 19th agenda

Hi George,

I hope this email find you well. Again, I am sorry about what happened with the Valet at the MAM Gala last week. I understand they were able to find your keys later that evening.

I wanted to send you a quick note regarding the above agenda item and relay our concerns. In a routine staff review of the County Agenda we discovered to item planned for the meeting tomorrow.

I understand that it is in response to a request from the Commission from a while ago, regarding appropriate "exit strategies" for CRAs upon their expiration. The report, however, seems to address proposed or potential changes to the current CRAs and any future CRAs contemplated and focuses less on "exit strategies."

Unfortunately, the report carries a somewhat unilateral tone.

I would suggest that in addition to the County, all of the municipalities which operate CRAs have experience and suggestions which could be beneficial to the discussion. The City of Miami Beach has not been contacted nor been given an opportunity to comment on these recommendations, which could affect the operation of our very effective CRAs. As you know, our CRAs operate under an interlocal agreement between Miami Dade county and Miami Beach. The interlocals do not allow for unilateral changes by either side. I would suggest that it would be more productive to work with the City and other municipalities in developing CRA reforms that may be mutually beneficial.

I appreciate your consideration and continued cooperation.

Best Regards,
Jorge M. Gonzalez
City Manager

TIF PAYMENT CALCULATOR

CRA , Tax Increment District	Base Year	Taxable Value in Base Year	Preliminary 2005Roll	FY 2005-06 Value of Increment	FY 2005-06 Increment CW millage Revenue*	Final vs Prelim Tax Roll Difference (over)/under Paid 2003	Adjusted Dec 2005 Payment	County Administrative Charge for FY 2005-06 at 1.5% ****	2005-06 2004-05 roll incr	2005-06 2004-05 pmt incr
Miami Beach:										
South Pointe	1976	\$59,637,130	\$2,174,516,070	\$2,114,878,940	\$11,723,303	(\$132,316)	\$11,590,987		26%	23%
Miami Beach City Center	1992	\$292,572,271	\$2,270,499,203	\$1,977,926,932	\$10,964,143	(\$401,380)	\$10,562,763	\$158,441	39%	46%
Miami:										
SE Overtown/Park West	1982	\$78,305,502	\$407,211,614	\$328,906,112	\$1,823,209	(\$109,056)	\$1,714,153	\$25,712	24%	44%
Park West Addition	1985	\$37,461,910	\$26,551,287	(\$10,910,623)	N/A				19%	
Omni ***	1986	\$246,898,822	\$929,953,697	\$683,054,875	\$3,786,344	(\$97,163)	\$3,689,181	\$55,338	45%	62%
Midtown Miami	2004	\$29,281,592	\$38,658,956	\$9,377,364	\$51,981		\$51,981	\$780	32%	
Homestead										
Florida City	1993	\$85,619,084	\$356,742,755	\$271,123,671	\$1,502,906	(\$11,621)	\$1,491,285	\$22,369	40%	58%
South Miami	1994	\$42,803,875	\$142,597,891	\$99,794,016	\$553,183	(\$40,516)	\$512,667	\$7,690	5%	1%
North Miami	1998	\$68,437,390	\$271,784,904	\$203,347,514	\$593,266	(\$51,462)	\$541,804	\$8,127	37%	62%
North Miami (Refund)	2004	\$869,122,633	\$1,050,153,621	\$181,030,988	\$1,003,500		\$1,003,500	\$15,053	21%	
North Miami Beach	2004	(\$854,708,441)	(\$995,684,889)	(\$140,976,448)	(\$781,468)		(\$781,468)	(\$11,722)	16%	
Naranja Lakes CW **	2002	\$238,724,265	\$274,238,179	\$35,513,914	\$196,863		\$196,863	\$2,953	15%	
7th Avenue Corridor	2003	\$131,292,949	\$236,105,613	\$104,812,664	\$581,003	(\$42,193)	\$538,810	\$8,082	25%	67%
West Perrine	2005	\$54,233,325	\$81,657,750	\$27,424,425	\$152,020		\$152,020	\$2,280	12%	56%
Biscayne Corridor	2005									
Total Countywide		\$1,379,682,307	\$7,264,986,651	\$5,885,304,344	\$32,150,253	(\$885,707)	\$31,264,546	\$295,103	32%	40%
					UMSA millage					
Naranja Lakes UMSA **	2002	\$131,292,949	\$236,105,613	\$104,812,664	\$243,653	(\$17,298)	\$226,355	\$3,395		
7th Avenue Corridor	2003	\$54,233,325	\$81,657,750	\$27,424,425	\$63,752		\$63,752	\$956		
West Perrine	2005									
Biscayne Corridor	2005									
Total UMSA		185,526,274	317,763,363	132,237,089	307,405	(17,298)	290,107	4,352		
					Both CW & UMSA TIF payments		\$31,554,653	\$299,455		

CW Millage of 5.835 As approved by the BCC on Sept 22, 2005
 UMSA Millage 2.447 As approved by the BCC on Sept 22, 2005

Note: * Revenue is calculated at 95% (max per Florida Statutes), but South Miami is receiving only 50%.
 Note : *** Omni CRA pays back to the County \$ 1.43 million for debt service on the Performing Arts Centers Notes
 Note : **** All CRA's are to pay a 1.5% Administrative Reimbursement Charge on the final adjusted County TIF Payment for that year