

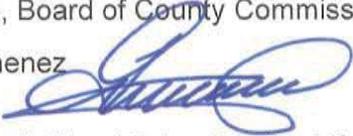
February 2, 2016

Memorandum



Date: January 14, 2016

To: Honorable Chairman Jean Monestime
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor 

Subject: Report on Feasibility of Extending the Life of the Omni and Southeast
Overtown/Park West Community Redevelopment Agencies – Directive 151460

This memorandum is pursuant to Resolution No. R-598-15 adopted by the Board of County Commissioners (Board) at the June 30, 2015 meeting, which requested that the County Mayor or the County Mayor's designee prepare and submit a report that explores the possibility of extending the lives of the Omni and Southeast Overtown/Park West Community Redevelopment Agencies.

Background

In 1969, the Florida Legislature enacted the Community Redevelopment Act of 1969, as it is presently contained in Part III of Chapter 163, Florida Statutes, as amended. The Act authorizes counties and municipalities in the State of Florida to create community redevelopment agencies, to prepare redevelopment plans for certain defined areas within their boundaries designed as community redevelopment areas, within which community redevelopment projects may be undertaken to eliminate and prevent the development and spread of slum and blighted areas through the use of creative financing mechanisms. Pursuant to the Act, the Board is the governing body over all community redevelopment agencies in the County, but the Board can delegate redevelopment powers at its discretion, after a finding has been made determining that slum or blight exists within a defined area. The Act also allows for the governing body to extend the life of the agency. The Agency's revenue source is tax increment financing (TIF), which is generated through the incremental growth of ad valorem revenues beyond an established base year, as defined in Section 163.387 of the Florida Statutes.

Community Redevelopment Agencies are effective tools to spur development and reduce slum and blight, when managed along with other strategies.

Omni Community Redevelopment Agency (Omni)

On July 7, 1987, the Board approved the establishment of Omni when it declared the Area to be slum and blighted pursuant to Resolution No. R-825-87. The Board approved Omni's Community Redevelopment Plan (Omni Plan) and funded the Plan when it enacted Ordinance No. 87-47 to establish Omni's redevelopment trust fund. The Interlocal was approved by the Board on June 24, 1996, requiring Omni, among other things, to submit an annual budget for County approval. On December 31, 2007, the County, City of Miami (City), and Omni entered into an agreement that among other things required Omni to refund 35 percent of all revenue deposited into the trust fund to the County. This revenue is used to fund debt service for the Adrienne Arsht Performing Arts Center (PAC). On January 21, 2010, the Board approved amendments to Omni's Finding of Necessity and Plan to expand the area and extend Omni's life until March 31, 2030. Omni's Trust Fund was created in 1987 and can be extended for a maximum of 60 years until the year 2047.

Financial Analysis

The tax roll in the Omni area has experienced healthy growth in the past 10 years, the 2015 roll increased 16 percent over the 2014 roll. The ten-year average growth for the Omni roll is 22 percent. For this financial projection, the growth rate used in the County's five-year plan has been used to increase the Omni tax roll from FY 2016-17 until FY 2020-21, and a three (3) percent growth factor thereafter. The financial projection is based on the County and the City maintaining the current millage rates and contributing to the Omni trust fund until 2045. Additionally, the estimated taxable values for two (2) projects now under construction have been added to the projection, the Aria (1770 North Bayshore Drive) in FY 2016-17 and the Melody (245 NE 14 Court) in FY 2018-19.

As noted in the table below, through the current life of the Omni (March 31, 2030), it is estimated that the County would contribute approximately \$169 million and the City would contribute approximately \$276 million. The revenue returning to the County from Omni for the PAC debt totals \$156 million from FY 2015-16 through March 31, 2030, for a net contribution to the Omni of approximately \$13 million. Should the extension be granted through FY 2044-45, the County and City would contribute an additional \$293 million and \$479 million, respectively.

| Nominal Value | County Revenue | City Revenue | Total Revenue |
|-------------------------------|-----------------------|---------------------|----------------------|
| FY 2015-16 through FY 2029-30 | \$169,333,117 | \$276,309,256 | \$445,642,373 |
| FY 2030-31 through FY 2044-45 | \$293,304,194 | \$479,001,890 | \$772,306,084 |

Recommended Action

Currently, the Omni provides 35 percent of the funding back to the County to fund a portion of the PAC debt service. This funding should continue until the debt service is retired and thereafter for support to PAC programming and operations. The Board, through Resolution R-871-11, established a policy that requires interlocal agreements to provide for County representation on the redevelopment agency board and prior approval of budgets. These requirements should be negotiated into the interlocal agreement. Additionally, representation should not be limited to just one (1) County Commissioner, we should strive to have representation that mirrors the funding levels from each taxing authority.

Transportation infrastructure in our County must continually be improved, because without the proper connectivity, the attractiveness of these areas will ultimately decline. The Omni should therefore invest in transportation projects to include a portion of Baylink and Miami Streetcar, a project that the County obligated to contribute \$20 million towards pursuant to an interlocal agreement among the County, City, Omni and the Southeast Overtown/Park West Community Redevelopment Agency.

Through the efforts of the County and City, Museum Park is now a showcase destination where residents and visitors can enjoy the Perez Art Museum Miami and soon the Patricia and Phillip Frost Museum of Science. In anticipation of the creation of a conservancy for Museum Park, these venues will require funding to continue to provide the programming and availability of great collections. Omni should therefore contribute funding to these great venues for operating and capital purposes.

While the Omni area has seen much housing development through the years, there are some areas within the original and expansion boundaries that still require additional support or attention. The Omni should focus some effort on affordable housing in the existing and expansion areas.

In conclusion, the following items should be negotiated as part of the interlocal agreement should the extension be contemplated:

- Continue 35 percent payment to the County;
- Establish County representation on the Omni Board of Commissioners;
- Require approval of Omni budget prior to spending;
- Fund transportation improvements to include portions of Baylink and the Miami Streetcar;
- Provide an operating subsidy and capital fund for the Perez Art Museum Miami, Frost Museum of Science and Museum Park; and
- Develop affordable and workforce housing programs and/or projects in the Omni area.

Southeast Overtown/Park West Community Redevelopment Agency (SEOPW)

On January 20, 1981, the Board approved the establishment of SEOPW when it declared the Area to be slum and blighted pursuant to Resolution No. R-39-81. The Board approved SEOPW's Community Redevelopment Plan (Plan) pursuant to Resolution No. R-1677-82 and funded the Plan when it enacted Ordinance No. 82-115, which created SEOPW's redevelopment trust fund (Trust Fund). The Interlocal was approved by the Board on March 31, 1983, requiring SEOPW to submit an annual budget for County approval. On December 31, 2007, the County, City and SEOPW entered into an agreement that among other things required SEOPW to refund 45 percent of the County's contribution guaranteed by the 10 properties listed in Exhibit C of the agreement, beginning in 2017. On July 21, 2009, the Board approved a Finding of Necessity and amendments to SEOPW's Plan to expand the area and extend the life of SEOPW until March 31, 2030. On June 16, 2012, the Board adopted Resolution No. R-516-12 approving the issuance of up to \$50 million in debt for needed capital projects in SEOPW's Plan. On June 18, 2013, the Board adopted Resolution No. R-480-13, amending Resolution No. 516-12, allowing SEOPW to issue up to \$60 million in debt. SEOPW's Trust Fund was created in 1982 and can be extended for a maximum of 60 years until the year 2042.

Financial Analysis

For the first 20 years of SEOPW the growth in the tax roll was minimal, producing little in tax increment revenue. The majority of the growth experienced in SEOPW occurred after 2000. The completion of several large developments along Biscayne Boulevard attributed to this growth. The 2015 roll increased 17 percent over the 2014 roll. The ten year average growth for the SEOPW roll is 18 percent. For this financial projection, the growth rate used in the County's five year plan has been used to increase the SEOPW tax roll from FY 2016-17 until FY 2020-21, and a three percent growth factor thereafter. SEOPW was created in 1981 and can be extended for a maximum of 60 years. The financial projection is based on the County and the City contributing to the SEOPW trust fund until 2042. The interlocal agreement between the County, City and SEOPW, among other things, requires SEOPW beginning in 2017 to reimburse the County and City 45 percent of the increment generated by certain projects in the interlocal. County Resolution R-1372-07 requires these reimbursements to be allocated towards future projects within SEOPW.

The projects in the interlocal on which the reimbursement is based, include four completed projects (900 Biscayne, Ten Museum Park, Marina Blue and Marquis). Additionally for the projection we have included the projects that will be under construction and completed in the near future also on the list (Overtown Gateway project, a portion of the All Aboard Florida project and the Hotel/Convention Center project). There are several other projects in SEOPW that are

anticipated to be completed within the next few years. The following projects have been included as part of this analysis along with estimated completion dates: Miami World Center (FY 2017-18); Hotel/Convention Center (FY 2018-19); All Aboard station development (FY 2018-19); Overtown Gateway (FY 2017-18) and Gatehouse (FY 2018-19).

As noted in the table below, it is estimated the County would contribute approximately \$258 million, of which \$49 million would be returned as a result of the interlocal agreement for an estimated net contribution of \$209 million, and the City would contribute \$432 million. The projects returning 45 percent funding would yield \$49 million to the County and \$80 million to the City though the current life of SEOPW. Should the extension be granted through FY 2041-42, the County and City would contribute an additional \$337 million and \$573 million, respectively. The projects returning 45 percent funding are estimated to yield approximately \$63 million for the County and \$104 million for the City from FY 2030-31 through FY 2041-42, resulting in net contributions of approximately \$274 million and \$469 million respectively.

| Nominal Value | County Contribution | City Contribution | Total | 45% Return to County | 45% Return to City |
|----------------------------|---------------------|-------------------|----------------|----------------------|--------------------|
| FY 2015-16 through 2029-30 | \$ 257,517,616 | \$ 431,599,612 | \$ 689,117,229 | \$ 48,561,470 | \$ 79,565,724 |
| FY 2030-31 through 2041-42 | \$ 337,563,878 | \$ 572,592,438 | \$ 910,156,316 | \$ 63,416,136 | \$103,904,408 |

Recommended Action

As previously noted, SEOPW is required to provide a reimbursement of 45 percent of certain projects in the area to the County and City. There have been previous discussions with SEOPW and some disagreements have surfaced as to the locations and projects on the list. This issue should be resolved along with the extension of the agency. The reimbursement to the County should also continue through the extension period.

The Board, through Resolution R-871-11, established a policy that requires interlocal agreements to provide for County representation on the redevelopment agency board and prior approval of budgets. These requirements should be negotiated into the interlocal agreement. Additionally, representation should not be limited to just one (1) County Commissioner, as we should strive to have representation that mirrors the funding levels from each taxing authority. As with Omni, SEOPW should make the necessary investments in transportation infrastructure, and, if possible, should include partially funding the Miami Streetcar project. While SEOPW has made and is in the process of making sizeable investments in affordable housing, there remains much to be done. The contemplated extension should require SEOPW to fund additional affordable housing efforts in the area.

In conclusion, the following items should be negotiated as part of the interlocal agreement should the extension be contemplated:

- Legally delineate the reimbursement projects;
- Continue 45 percent reimbursement to the County for those projects;
- Establish County representation on the SEOPW Board of Commissioners;
- Require approval of SEOPW budget prior to spending;
- Identify funding for transportation improvements to include a portion of the Miami Streetcar;
- Concentrate commercial rehabilitation and economic development concentrated in the north area of SEOPW with a focus on small businesses; and

- Create affordable and workforce housing programs and/or projects in the SEOPW area.

Additionally, if the Board approves the extensions, the interlocal agreements can include sections that require the agencies to fund only certain projects at given levels, and limit funding for other activities, such as administration. Any funding not used for those purposes will be returned to the taxing authorities in the same percentage as it was deposited. This would allow the agencies to fund the necessary improvements and not deviate from the agreed upon projects. This can also be done in conjunction with a bond issuance, if such issuance is necessary, for any of the identified projects.

Conclusion

Community redevelopment agencies are effective tools to spur development and reduce slum and blight, when managed along with other strategies. While these agencies have had successes, there is still much to be done. The policy matter of extending Omni and SEOPW warrants focused consideration by the Board as the economic impacts are substantial. If the negotiations with the City and its respective CRA's result in a detailed roadmap for the future development, which includes the items listed above, the stakeholders of the area and the County as a whole can benefit from the extension.

Pursuant to Ordinance 14-65, this memorandum will be placed on the next available Board of County Commissioners meeting agenda. Should you have any questions, please contact Deputy Mayor Edward Marquez at 305-375-1451.

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