

MIAMI BEACH VALUE CAPTURE ANALYSIS



MIAMI-DADE COUNTY CITIZENS' INDEPENDENT TRANSPORTATION TRUST

**IMG Rebel in association with:
Planning & Economics Group**

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A. Introduction and Background

To move forward with the development of major corridors in Miami-Dade County, including in Miami Beach (the Corridor), the Citizens' Independent Transportation Trust (CITT) requested an update of the value capture estimates prepared for the Corridor in 2013 by IMG Rebel and Planning & Economics Group (the Project Team). The results of the work performed and the new estimates are presented in this Addendum.

This Addendum discusses the results of the real estate value capture analysis, including assessment districts (ADs) and tax increment financing (TIF) for the Corridor incorporating the new assumptions. Specifically, three value capture¹ techniques were analyzed:

- AD₁ – This assessment district is based on annual *ad valorem* assessment on property assessment values;
- AD₂ – This assessment district is based on a specific annual assessment on the projected total floor area; and
- TIF – Tax increment financing is based on *ad valorem* annual assessment on incremental property assessment values and incremental floor area development. TIF estimates are prepared for both countywide millage (County TIF) and city millage (City TIF).

Value capture revenues can be used to fund transit improvements either as: (i) debt service for bonds issued to finance capital costs or (ii) availability payments for the delivery of the transit projects under a public-private partnership.

The study prepared in 2013 titled *Applying Innovative Financing Options for a New Fixed-Route Transit Line in Miami-Dade County* was requested by the CITT to examine the potential to use value capture techniques and parking revenues to partially fund transit improvements. As a pilot analysis, the Report estimated the potential funding that can be generated by value capture and parking revenues to support the development of a fixed-route rail line from downtown Miami to the Miami Beach Convention Center.

B. Brief Overview of the Corridor

The Miami Beach Corridor, as redefined for this Addendum, includes Miami Beach, Terminal Island, and Star Island. The Miami Beach Corridor area is very dense and has significant non-residential floor area. Miami Beach is home to over 87,000 residents and centers its economy on tourism. Its beaches, nightclubs, and shopping attracts residents from across Miami and tourists support over 200 hotels. Traffic to and from Miami Beach must cross one of several causeways from the mainland to access the Beach and congestion is common on the Beach. The need to provide rapid transit connectivity between the cities of Miami Beach and Miami is viewed as a vital factor to the economic and environmental sustainability of both cities.

C. Highlights of Changes in Value Capture Analysis

The Project Team made certain changes to assumptions and the manner of determining capacity of bond issuance. It also included a new value capture revenue source and has presented annual value capture revenues. The changes are highlighted below:

- **Assessment in AD₁ and AD₂:** Previously, AD₁ was estimated based on an assessment of \$1 (also known as millage rates) for \$1,000 of property assessment value. In the Addendum the assessments are assumed to be \$0.10, \$0.20, and \$0.50 for \$1,000 of property assessment value. In addition, AD₂ was previously based on \$1 per square foot of floor area while it is \$0.10, \$0.20, and \$0.50 per square foot of floor area in Addendum.
- **Tax Increment Financing (TIF):** In the previous report, TIF estimate was based on 100% of incremental tax revenues dedicated to transit improvements. Currently, the base case share of incremental revenues dedicated to TIF is 50%. A 100% scenario is also presented.
- **Residential Properties in AD₁:** In the previous report, AD₁ estimate did not include residential properties. The Addendum includes residential properties in the AD₁ estimate.
- **Bond Issuance Capacity:** Formerly, bond issuance capacity was calculated on all revenues as of year zero. Currently, it is calculated on incremental value capture revenues. That is, issuance of bonds based on the incremental value capture revenues assumes that bond issuance occurs at specific intervals. Once a certain level of value capture revenues is achieved, bonds are issued backed by those value capture revenues. Relying on incremental revenues to issue bonds reduces the uncertainty of the underlying revenue stream, as uncertainty is restricted only to achieving incremental revenues. ADs rely less on future growth than TIFs as they are based on revenues generated from the initial year (Current Year). TIF revenues, on the other hand, rely on future growth. Future growth supporting TIF revenues can be the result of new floor area development and/or increase in property assessment valuation through the accrual of value premium, which only may occur several years after the transit project is completed.
- **City TIF:** TIF was previously calculated only on County millage. A new type of TIF is added to the value capture analysis based on the city millage rate. The city millage rate used for the Corridor is \$5.7092. County TIF is based on countywide millage of \$4.6669.
- **Tables for Annual Revenues:** A summary of annual value capture revenues was introduced in the new methodology. Since annual value capture revenues can be used for availability payments in addition to bonding future revenues, this approach allows policymakers broader options with availability payments. It is important to note that availability payments are fixed annual payments subject to indexation while value capture revenues are not necessarily so. This mismatch may require the public agency to supplement availability payments in some years when value capture revenues are volatile.

Table 1: Summary of Current (2012) Property Assessment Value and Floor Area for the Corridor

<i>Land Use Category</i>	<i>Property Assessment Value (\$M)</i>	<i>Percent of Property Assessment Value</i>	<i>Floor Area* (Millions of Square Feet)</i>	<i>Percent of Floor Area</i>
Commercial	3,325	25.08%	11.13	18.39%
Office	242	1.82%	1.39	2.29%
Industrial	3	0.02%	0.03	0.05%
Other	552	4.16%	2.36	3.90%
Residential	6,585	49.67%	24.41	40.33%
Government/Public Use	2,552	19.25%	21.21	35.04%
Total	13,259	100.00%	60.54	100.00%

* Parcels without assessment value such as canals, streets and roads, transit and railroad properties, canals and waterways, etc. have been excluded.

Table 2: Summary AD1 Bond Issuance Capacity (\$)

<i>Growth Scenario</i>	<i>Year</i>	<i>Incremental Bond Issuance Capacity (\$)</i>	<i>Incremental Revenue (\$)</i>
<i>\$0.10 / \$1000 of Property Assessment Value</i>			
<i>Slow Growth</i>	Current Year	13,261,227	1,070,460
	Year 5	646,453	52,182
	Year 10	270,699	21,851
	Total	14,178,380	-
<i>Medium Growth</i>	Current Year	13,261,227	1,070,460
	Year 5	764,293	61,695
	Year 10	388,539	31,363
	Total	14,414,060	-
<i>Fast Growth</i>	Current Year	13,261,227	1,070,460
	Year 5	1,353,495	109,255
	Year 10	270,699	21,851
	Total	14,885,421	-
<i>\$0.20 / \$1000 of Property Assessment Value</i>			
<i>Slow Growth</i>	Current Year	26,522,455	2,140,919
	Year 5	1,292,907	104,365
	Year 10	541,398	43,702
	Total	28,356,759	-
<i>Medium Growth</i>	Current Year	26,522,455	2,140,919
	Year 5	1,528,587	123,389
	Year 10	777,078	62,727
	Total	28,828,120	-
<i>Fast Growth</i>	Current Year	26,522,455	2,140,919
	Year 5	2,706,989	218,511
	Year 10	541,398	43,702
	Total	29,770,842	-
<i>\$0.50 / \$1000 of Property Assessment Value</i>			
<i>Slow Growth</i>	Current Year	66,306,137	5,352,299
	Year 5	3,232,266	260,912
	Year 10	1,353,495	109,255
	Total	70,891,898	-
<i>Medium Growth</i>	Current Year	66,306,137	5,352,299
	Year 5	3,821,467	308,473
	Year 10	1,942,696	156,816
	Total	72,070,300	-
<i>Fast Growth</i>	Current Year	66,306,137	5,352,299
	Year 5	6,767,473	546,277
	Year 10	1,353,495	109,255
	Total	74,427,105	-

Table 3: Summary AD2 Bond Issuance Capacity (\$)

<i>Growth Scenario</i>	<i>Year</i>	<i>Incremental Bond Issuance Capacity (\$)</i>	<i>Incremental Revenue (\$)</i>
<i>\$0.10 / Square Foot of Floor Area</i>			
<i>Slow Growth</i>	Current Year	17,989,833	1,452,158
	Year 5	411,864	33,246
	Year 10	411,864	33,246
	Total	18,813,561	-
<i>Medium Growth</i>	Current Year	17,989,833	1,452,158
	Year 5	686,440	55,410
	Year 10	686,440	55,410
	Total	19,362,713	-
<i>Fast Growth</i>	Current Year	17,989,833	1,452,158
	Year 5	2,059,321	166,230
	Year 10	411,864	33,246
	Total	20,461,018	-
<i>\$0.20 / Square Foot of Floor Area</i>			
<i>Slow Growth</i>	Current Year	35,979,665	2,904,315
	Year 5	823,728	66,492
	Year 10	823,728	66,492
	Total	37,627,122	-
<i>Medium Growth</i>	Current Year	35,979,665	2,904,315
	Year 5	1,372,881	110,820
	Year 10	1,372,881	110,820
	Total	38,725,426	-
<i>Fast Growth</i>	Current Year	35,979,665	2,904,315
	Year 5	4,118,642	332,461
	Year 10	823,728	66,492
	Total	40,922,035	-
<i>\$0.50 / Square Foot of Floor Area</i>			
<i>Slow Growth</i>	Current Year	89,949,163	7,260,788
	Year 5	2,059,321	166,230
	Year 10	2,059,321	166,230
	Total	94,067,805	-
<i>Medium Growth</i>	Current Year	89,949,163	7,260,788
	Year 5	3,432,202	277,051
	Year 10	3,432,202	277,051
	Total	96,813,566	-
<i>Fast Growth</i>	Current Year	89,949,163	7,260,788
	Year 5	10,296,605	831,152
	Year 10	2,059,321	166,230
	Total	102,305,089	-

Table 4: Summary County TIF Bond Issuance Capacity (\$)

<i>Growth Scenario</i>	<i>Year</i>	<i>Incremental Bond Issuance Capacity (\$)</i>	<i>Incremental Revenue (\$)</i>
50% Revenues for Transit Funding			
<i>Slow Growth</i>	Current Year	-	-
	Year 5	15,427,927	1,245,358
	Year 10	6,710,155	541,651
	Total	22,138,082	-
<i>Medium Growth</i>	Current Year	-	-
	Year 5	18,440,024	1,488,497
	Year 10	9,722,252	784,790
	Total	28,162,276	-
<i>Fast Growth</i>	Current Year	-	-
	Year 5	33,500,507	2,704,195
	Year 10	6,710,155	541,651
	Total	40,210,662	-
100% Revenues for Transit Funding			
<i>Slow Growth</i>	Current Year	-	-
	Year 5	30,855,854	2,490,716
	Year 10	13,420,310	1,083,301
	Total	44,276,164	-
<i>Medium Growth</i>	Current Year	-	-
	Year 5	36,880,048	2,976,995
	Year 10	19,444,503	1,569,580
	Total	56,324,551	-
<i>Fast Growth</i>	Current Year	-	-
	Year 5	67,001,015	5,408,390
	Year 10	13,420,310	1,083,301
	Total	80,421,325	-

Table 5: Summary City TIF Bond Issuance Capacity (\$)

<i>Growth Scenario</i>	<i>Year</i>	<i>Incremental Bond Issuance Capacity (\$)</i>	<i>Incremental Revenue (\$)</i>
50% Revenues for Transit Funding			
Slow Growth	Current Year	-	-
	Year 5	18,873,582	1,523,495
	Year 10	8,208,793	662,622
	Total	27,082,375	-
Medium Growth	Current Year	-	-
	Year 5	22,558,397	1,820,937
	Year 10	11,893,608	960,064
	Total	34,452,005	-
Fast Growth	Current Year	-	-
	Year 5	40,982,472	3,308,147
	Year 10	8,208,793	662,622
	Total	49,191,265	-
100% Revenues for Transit Funding			
Slow Growth	Current Year	-	-
	Year 5	37,747,165	3,046,989
	Year 10	16,417,586	1,325,244
	Total	54,164,751	-
Medium Growth	Current Year	-	-
	Year 5	45,116,795	3,641,873
	Year 10	23,787,216	1,920,128
	Total	68,904,011	-
Fast Growth	Current Year	-	-
	Year 5	81,964,943	6,616,293
	Year 10	16,417,586	1,325,244
	Total	98,382,530	-

Table 6: Range of Annual AD₁ Revenues (\$)

<i>Growth Scenario</i>	<i>Current Year</i>	<i>Year 5</i>	<i>Year 10</i>	<i>Year 30</i>
<i>\$0.10 / \$1000 of Property Assessment Value</i>				
<i>Slow Growth</i>	1,070,460	1,122,642	1,144,493	1,288,971
<i>Medium Growth</i>	1,070,460	1,132,154	1,163,518	1,288,971
<i>Fast Growth</i>	1,070,460	1,179,715	1,201,566	1,288,971
<i>\$0.20 / \$1000 of Property Assessment Value</i>				
<i>Slow Growth</i>	2,140,919	2,245,284	2,288,986	2,577,941
<i>Medium Growth</i>	2,140,919	2,264,309	2,327,035	2,577,941
<i>Fast Growth</i>	2,140,919	2,359,430	2,403,133	2,577,941
<i>\$0.50 / \$1000 of Property Assessment Value</i>				
<i>Slow Growth</i>	5,352,299	5,613,210	5,722,466	6,444,853
<i>Medium Growth</i>	5,352,299	5,660,771	5,817,588	6,444,853
<i>Fast Growth</i>	5,352,299	5,898,576	6,007,831	6,444,853

Table 7: Range of Annual AD₂ Revenues (\$)

<i>Growth Scenario</i>	<i>Current Year</i>	<i>Year 5</i>	<i>Year 10</i>	<i>Year 30</i>
<i>\$0.10 / Square Foot of Floor Area</i>				
<i>Slow Growth</i>	1,452,158	1,485,404	1,518,650	1,784,618
<i>Medium Growth</i>	1,452,158	1,507,568	1,562,978	1,784,618
<i>Fast Growth</i>	1,452,158	1,618,388	1,651,634	1,784,618
<i>\$0.20 / Square Foot of Floor Area</i>				
<i>Slow Growth</i>	2,904,315	2,970,807	3,037,299	3,569,237
<i>Medium Growth</i>	2,904,315	3,015,135	3,125,956	3,569,237
<i>Fast Growth</i>	2,904,315	3,236,776	3,303,268	3,569,237
<i>\$0.50 / Square Foot of Floor Area</i>				
<i>Slow Growth</i>	7,260,788	7,427,018	7,593,248	8,923,092
<i>Medium Growth</i>	7,260,788	7,537,838	7,814,889	8,923,092
<i>Fast Growth</i>	7,260,788	8,091,940	8,258,170	8,923,092

Table 8: Range of Annual County TIF Revenues (\$)

<i>Growth Scenario</i>	<i>Current Year</i>	<i>Year 5</i>	<i>Year 10</i>	<i>Year 30</i>
50% Revenues for Transit Funding				
<i>Slow Growth</i>	-	1,245,358	1,787,008	5,412,447
<i>Medium Growth</i>	-	1,488,497	2,273,287	5,412,447
<i>Fast Growth</i>	-	2,704,195	3,245,845	5,412,447
100% Revenues for Transit Funding				
<i>Slow Growth</i>	-	2,490,716	3,574,017	10,824,895
<i>Medium Growth</i>	-	2,976,995	4,546,575	10,824,895
<i>Fast Growth</i>	-	5,408,390	6,491,691	10,824,895

Table 9: Range of Annual City TIF Revenues (\$)

<i>Growth Scenario</i>	<i>Current Year</i>	<i>Year 5</i>	<i>Year 10</i>	<i>Year 30</i>
50% Revenues for Transit Funding				
<i>Slow Growth</i>	-	1,523,495	2,186,117	6,621,257
<i>Medium Growth</i>	-	1,820,937	2,781,001	6,621,257
<i>Fast Growth</i>	-	3,308,147	3,970,769	6,621,257
100% Revenues for Transit Funding				
<i>Slow Growth</i>	-	3,046,989	4,372,234	13,242,514
<i>Medium Growth</i>	-	3,641,873	5,562,002	13,242,514
<i>Fast Growth</i>	-	6,616,293	7,941,537	13,242,514