

RESOLUTION NO. 2018-30170

**A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, ACCEPTING THE RECOMMENDATION OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE, AND AUTHORIZING THE ADMINISTRATION TO INITIATE DISCUSSIONS WITH MIAMI-DADE COUNTY TO DETERMINE THE FEASIBILITY OF CREATING A COMMUNITY REDEVELOPMENT AGENCY FOR THE NORTH BEACH AREA OR PORTIONS THEREOF; FURTHER, AUTHORIZING THE ADMINISTRATION TO ENGAGE A CONSULTANT TO ASSIST THE CITY WITH RESPECT TO THE COMMUNITY REDEVELOPMENT PROCESS; AND FURTHER, DIRECTING THE ADMINISTRATION TO DEVELOP A PRESENTATION AT THE CITY COMMISSION BUDGET RETREAT, WITH REGARD TO OTHER FUNDING OPTIONS TO SUPPORT PROJECTS IN NORTH BEACH, INCLUDING OPTIONS FOR EITHER A DEDICATED CITY TAX INCREMENT FINANCING DISTRICT, OR A DEDICATED MILLAGE OR OTHER REVENUE SOURCE IDENTIFIED THROUGH THE ANNUAL BUDGET PROCESS.**

**WHEREAS**, at the January 19, 2017 Finance and Citywide Projects Committee, the Finance Committee discussed various options for financing projects to implement the North Beach Master Plan, with the intent of revitalizing North Beach and generating economic development in the North Beach area; and

**WHEREAS**, the various options are outlined in the Commission Memorandum accompanying this Resolution, and include (1) working with Miami-Dade County with respect to the potential creation of a community redevelopment agency (CRA) focusing on North Beach, if Miami-Dade County is amenable to creating a CRA; (2) creating a tax increment financing district for North Beach with City tax increment funds only, if discussions with the County are not fruitful; (3) dedicating a revenue source or millage for the benefit of North Beach as part of the annual budget process, to expedite the earmarking of funds while other longer-term options are developed; and (4) creating a special assessment district or business improvement district, depending on the projects to be funded, and local support on the part of affected property owners with respect to such projects; and

**WHEREAS**, the Finance Committee recommended that the Administration (1) initiate discussions with Miami-Dade County to determine the feasibility of creating a CRA for the North Beach area or portions thereof; (2) engage a consultant to assist the City with respect to the community redevelopment process; and (3) develop a presentation at the City Commission budget retreat with regard to a potential City tax increment financing district, or dedicated revenue source as part of the annual budget process.

NOW, THEREFORE, BE IT DULY RESOLVED BY THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, that the Mayor and City Commission hereby accept the recommendation of the Finance and Citywide Projects Committee, and authorize the Administration to initiate discussions with Miami-Dade County to determine the feasibility of creating a community redevelopment agency for the North Beach area or portions thereof; further, authorize the Administration to engage a consultant to assist the City with respect to the community redevelopment process; and further, direct the Administration to develop a presentation at the City Commission budget retreat, with regard to other funding options to support projects in North Beach, including options for either a dedicated City tax increment financing district, or a dedicated millage or other revenue source identified through the annual budget process.

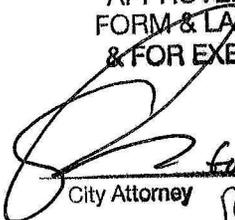
**PASSED** and **ADOPTED** this 14<sup>th</sup> of February, 2018.

**ATTEST:**

  
3/2/18  
\_\_\_\_\_  
Rafael E. Granado, City Clerk

  
  
\_\_\_\_\_  
Dan Gelber, Mayor

APPROVED AS TO  
FORM & LANGUAGE  
& FOR EXECUTION

  
\_\_\_\_\_  
City Attorney  
RAP  
1/24/18  
\_\_\_\_\_  
Date

# MIAMI BEACH

## COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission  
FROM: Jimmy L. Morales, City Manager  
DATE: February 14, 2018

SUBJECT: A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, ACCEPTING THE RECOMMENDATION OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE, AND AUTHORIZING THE ADMINISTRATION TO INITIATE DISCUSSIONS WITH MIAMI-DADE COUNTY TO DETERMINE THE FEASIBILITY OF CREATING A COMMUNITY REDEVELOPMENT AGENCY FOR THE NORTH BEACH AREA OR PORTIONS THEREOF; FURTHER, AUTHORIZING THE ADMINISTRATION TO ENGAGE A CONSULTANT TO ASSIST THE CITY WITH RESPECT TO THE COMMUNITY REDEVELOPMENT PROCESS; AND FURTHER, DIRECTING THE ADMINISTRATION TO DEVELOP A PRESENTATION AT THE CITY COMMISSION BUDGET RETREAT, WITH REGARD TO OTHER FUNDING OPTIONS TO SUPPORT PROJECTS IN NORTH BEACH, INCLUDING OPTIONS FOR EITHER A DEDICATED CITY TAX INCREMENT FINANCING DISTRICT, OR A DEDICATED MILLAGE OR OTHER REVENUE SOURCE IDENTIFIED THROUGH THE ANNUAL BUDGET PROCESS.

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### **RECOMMENDATION**

The Finance and Citywide Projects Committee meeting recommends 1) that the Administration begin discussions with Miami-Dade County regarding creating a CRA for North Beach; specifically after the County has considered the CRA Interlocal 4th Amendment, currently anticipated for March, 2018; 2) if Miami-Dade County ultimately approves the concept of a CRA in North Beach, to engage a professional consultant to support the application and research process, with funding to be identified via the budget process; and 3) that a presentation be made during the Commission retreat on additional revenue and funding sources that could be created for the purpose of redevelopment in North Beach, such as a millage assessment.

### **HISTORY:**

The creative funding options for North Beach would allow the City to further fund and execute on many of the activities and designs recommended in the North Beach Master Plan, designed to generate an economic and revitalization strategy for the North Beach district of Miami Beach. The Plan put forth five priority areas to spur economic activity: create a town center, provide more mobility options, protect and enhance neighborhoods, better utilize public lands, and build resilient infrastructure. The Commission approved the recommendations put forth in the plan and has made it a priority of the City.

The City of Miami Beach currently has had two CRA's. The South Pointe CRA was active between

October 1, 1987 and October 31, 2006. Taxable values in the South Point CRA increased from \$59 million when the district was established in 1976 to almost \$2.5 billion as of January 1, 2005.

In 1993, the City of Miami Beach designated a second CRA, commonly known as City Center. This area includes the Convention Center, Lincoln Road, the Loews Miami Beach Hotel, the Royal Palm Crowne Plaza Resort Hotel, and the Collins Park Cultural Center. The County approved and entered into an Interlocal Cooperation Agreement, by which the County delegated to the City certain redevelopment powers granted by the Act. The Miami Dade County Commissioners also approved an amendment to the Interlocal Agreement to delegate to the City the power to implement the community policing initiatives. In 2014, the Interlocal Agreement was further amended to provide \$275 million in financing for the Miami Beach Convention Center Renovation and Expansion Project. As part of this amendment, the expiration date of the RDA was extended from 2023 to 2044 or when the existing debt is paid off, whichever is earlier. Taxable values in the City Center CRA increased from \$292.6 million when the district was established to \$5.7 billion as of January 1, 2017.

The year-end audited fund balance for excess RDA trust fund revenues in FY 2015/2016 was \$19.5 million. Pending the year-end close-out for FY 2016/2017, the City estimates that the balance of RDA trust dollars was be approximately \$34 million. The City has approved a fourth amendment to the RDA which would provide funding for the August 2017 "rain-bomb" and Hurricane Irma impacts on the Convention Center, as well as provide for disbursement of the year-end surplus revenues. The fourth amendment is pending approval by Miami-Dade County.

## **ANALYSIS**

### **Community Redevelopment Agency**

The creation of a Community Redevelopment Agency is governed by Florida Statute 163.410. The requirements to establish a CRA can be found below:

1. Under Fla. Stat. 163.410, the City has no authority to create a CRA, as exclusive authority to create CRAs is vested with home rule counties. If the County agrees to create a CRA, the County Commission could delegate to the City certain of its redevelopment powers at its discretion (and set limits on that delegation, in an Interlocal Agreement), but the County has no obligation to delegate its CRA powers.
2. Due to the above, the County Commission would take the first official step to declare a geographic area a blighted area, per the "findings of necessity" requirements of Fla. Stat. 163.355.
  1. In that initial County Commission approval, the County would delegate to the City certain redevelopment powers, namely the authority to:
    - a. Make detailed "findings of necessity" and determine an area to be a slum or blighted area;
    - b. Create the CRA and its composition\*; and
    - c. Permit the CRA to initiate and adopt a Redevelopment Plan for how the CRA will address the conditions of blight, with all of the above subject to final County Commission approval.

*\*One policy consideration in the above is whether the CRA composition will be limited to the members of the City Commission (plus the County Commissioner for the City's district 5), or whether composition would include any external appointees. Recent Miami-Dade County policy has required that at least one member be a County Commissioner whose district represents the area.*

1. Once the CRA approves the Redevelopment Plan and submits it to the County for its final approval, the County would also approve an Interlocal Agreement with the City and the new CRA, which would further delegate additional powers (and limits) of the CRA and use of the CRA's tax increment revenues (or "TIF" funds, discussed more fully below), including approval of specific projects, budget matters, the percentage of TIF contributions\* to be made by each taxing authority, the term of the CRA (initially limited to 30 years), and distribution of revenues to the contributing taxing authorities if projects cannot be fulfilled, among other terms.

\*Although the CRA statute permits up to 95% of the annual increment in the tax base within a CRA to be dedicated for CRA purposes (as is the case with the City Center CRA), more recently Miami-Dade County has favored the creation of 50% TIFs, whereby only 50% of the annual increment in the tax base is dedicated for CRA purposes.

2. Both County and City would then need to create a Trust Fund ordinance for deposit of TIF revenues for the life of the CRA, pursuant to Fla. Stat. 163.387.

### **Demographic Information Re: North Beach**

Below is a set of statistics outlining the North Beach community, many of which align with the criteria set forth by the CRA statute:

- Median age: 41.8, population size about 29,392
- 59.6% renter occupied. The percent of owners to renters for North Beach is 21.1% vs 59.6%. The ratio is opposite to the national trend which is 64.9% owners vs. 35.1% renters
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- More than a quarter of residents, 27.3% are renters who earn between \$25,000-\$35,000.00
- Per capita income in North Beach is estimated at \$22,253, compared to \$46, 011 for the rest of Miami Beach
- Median household income in North Beach is estimated at \$28,848, compared to \$43,427 for Miami-Dade and \$38,410 for the rest of Miami Beach
- 44.1% of individuals live below poverty level in North Beach
- Vacancy rate for rental space as of Fall 2016 is estimated at 9.3% compared to 3.4% for Miami Dade County and 5.1% for Miami Beach
- Retail sales per capita is estimated at \$5,552 in North Beach, compared to \$12,759 for Miami-Dade, and \$26,522 for the rest of Miami Beach

(Data from the North Beach Master Plan, Source: Goodkin Consulting, 2016)

### **Tax Increment Revenues/Financing**

Tax increment revenues (referred to as TIF or Tax Increment Financing) is defined as the difference in the amount of ad valorem taxes generated by the tax levied each year on the taxable property contained within the CRA boundaries, from the amount that would have been generated by the levy of the same millage rate on the taxable property within the CRA area on the most recent assessment roll prior to the effective date of the ordinance creating the tax increment area.

Essentially, the dollar value of all real property in the CRA boundaries is determined as of a fixed date, also known as the "frozen value." The City and County continue to receive property tax revenues up to the amount of the "frozen value," for their general fund purposes. However, any increases in tax revenues above the "frozen value," (i.e., the increment due to increases in real property values), are deposited in the CRA trust fund and dedicated to CRA purposes for the life of the CRA.

For Example Assuming:

- A 50% Tax Increment CRA
- Taxable Value At time of Creation of Redevelopment District of \$1B
- A City Tax Rate at 6 Mills
- County Tax Rate at 5 Mills
- Increases in Taxable Value of 10% per year

Taxable Value at Year 2	\$1.1B	
Tax Increment of	\$100M	
Year 2 CRA City Tax Increment Revenue ( $\$100M/1000*6*50\%$ )		\$300,000
Year 2 CRA County Tax Increment Revenue ( $\$100M/1000*5*50\%$ )		<u>\$250,000</u>
<b>Total Revenue available Year 2 for CRA</b>		<b>\$550,000</b>

Taxable Value Years 3 through 10		
Year 3	\$1.21B	
Year 4	\$1.33B	
Year 5	\$1.46B	
Year 6	\$1.61B	
Year 7	\$1.77B	
Year 8	\$1.95B	
Year 9	\$2.14B	
Year 10	\$2.36B	
Tax Increment   Year 10	\$1.36B	
Year 10 CRA City Tax Increment Revenue ( $\$1.36B/1000*6*50\%$ )		4,080,000
Year 2 CRA County Tax Increment Revenue ( $\$1.36B/1000*5*50\%$ )		<u>\$3,400,000</u>
<b>Total Revenue available Year 10 for CRA</b>		<b>\$7,480,000</b>

This example demonstrates how quickly the growth in property tax increases can compound.

Please note that the taxable value in the example is for ease of estimate only. The estimated taxable value as of January 1, 2016 for the 33141 zip code (the latest breakdown available to the City) was \$7.96 billion. By comparison, the January 1, 2017 taxable value for the entirety of the City of Miami Beach, estimated as of July 1, 2017, was \$37.4 billion. The taxable value for the City Center CRA, and the area of the prior South Pointe CRA, in the same time frame, were \$5.4 billion and \$5.9 billion, respectively. Part of the analysis of slum and blight would need to determine which portions of the 33141 zip code would be appropriate to include in a CRA.

If the CRA wanted to generate funds for capital projects by issuing \$100 million worth of bonds, this would require annual debt service roughly estimated at \$7 million. However, since bonds cannot be issued based on projected revenues, the City would need a Covenant to Budget and Appropriate, or another pledged revenue stream, to demonstrate proceeds in the early years, and the City would have to come up with funds to pay debt service from other sources if the growth does not occur. Since it will take some time to generate the increment, the bonds would be shorter unless the City would take the risk early on for the projected revenues. A conservative annual debt service number

of \$7 million is based on 28 year debt service at 5.00%.

### **Non-Ad Valorem (Special) Assessments**

**This is a revenue source derived from real property receiving a “special benefit” from the services or facilities being funded by the assessment proceeds. As a general matter, the improvements need to confer a specific benefit on affected property owners that is different in type and degree from the general benefits conferred on the community as a whole (i.e., undergrounding of utilities in a designated area confers a special benefit to the affected properties).**

Special assessments are governed by Chapter 170 of the Florida Statutes, and may only be levied on the properties that receive a benefit, at a rate of assessment that is based on the special benefit accruing to such property from the proposed improvements. The rate of assessment must be fairly and reasonably apportioned among the affected property owners consistent with the special benefit provided.

The process for creation of special assessment districts depends on the projects to be funded by the special assessment proceeds. For example, the statute provides that special assessments levied to fund certain projects, such as parking garages or mass transportation systems, may only be approved by vote of a majority of the affected property owners. Other projects, such as right-of-way projects, water/sewer projects, underground utility projects, seawall projects, and park/recreational facility projects, may be approved by the City Commission.[1]

If an election of the affected property owners is required utilized, the process for creating a special assessment district typically takes approximately six (6) months following adoption by the City Commission of the initial resolution and preliminary assessment roll, due to the number of Commission actions and statutory notice periods involved, including (1) publication of the initial resolution for a period of two weeks; (2) adoption of a City Commission resolution calling for a special election of affected property owners (either by in person or mail-in vote of the affected property owners); (3) publication of the notice of the election for a minimum of at least thirty (30) days in accordance with Section 100.342 of the Florida Statutes; (4) adoption of City Commission resolution certifying the election results; (5) adoption of resolution setting forth the final date for a public hearing on the final assessment roll, with at least thirty (30) days' notice of the public hearing (by mail and in newspapers of general circulation); and (6) adoption of the final resolution and final assessment roll.

If approved, special assessments for capital projects cannot be levied or collected until **after** completion of the capital project.

### **City Created Tax increment financing (TIF) District**

Although not commonly utilized, there is precedent in Florida for a tax increment structure that would be limited to the contribution of the City's ad valorem increment revenues relating to a particular area/district, and which would not involve the revenues of the County or any other taxing authority (a “City TIF District”).

As the City has not, to date, established a City TIF District, the first step in the process would be the adoption of an ordinance creating the general requirements and criteria for creation of a City TIF District (i.e., to establish the conditions and findings required for creating a City TIF District, to require a redevelopment plan [similar to a CRA] outlining the projects that will be funded with City

TIF proceeds, and to establish parameters that balance the impact that City TIF District would have on the growth of the City's general fund over time).

Following creation of an ordinance to establish requirements for City TIF Districts in general, a City TIF District for a specific area would then be created by resolution or ordinance (if required to create a TIF trust fund), for a specified period of time, and the TIF revenues would automatically flow each year for projects within the City TIF District. If a City TIF District is created, one important consideration is with respect to the issuance of bonds. If the issuance on bonds (or pledge of revenues for capital payments to a third party) related to a City TIF District implicates a pledge of ad valorem revenues, approval by a majority of the voters in a City-wide referendum would be required for the issuance of such bonds in the same manner as required for the issuance of a General Obligation Bond.

### **Revenue or Millage Dedication Equivalent to TIF**

This option, providing for dedicated revenues as part of the City's annual budget process, provides an alternative to dedicate ad valorem revenues for a specific purpose. A "dedicated revenue" approach may be created by policy of the City Commission, whereby the Commission passes a resolution that all or a portion of property tax revenue growth in North Beach would be separately identified in the budget process, and allocated during the budget process for North Beach projects.

One alternative under such a scenario may be to only dedicate the portion of the property tax revenue growth estimated to be generated from the recently passed Floor Area Ratio (FAR) increase for the North Beach Town Center, with the remainder of growth in property taxes revenue growth generated from North Beach continuing to go to the City's General Fund.

The Planning Department estimates that all of the parcels within the North Beach Town Center area have a combined area of 983,838 SF and at an FAR of 3.5 that would amount to 3,443,433 SF of floor area. Estimating the maximum FAR prior to the referendum is more difficult because the FAR on TC-1 lots varies based on the lot size, but Planning has provided a rough estimate between 1.1 and 1.2 million square feet.

Further, the amount of these revenues could be converted to an equivalent dedicated millage rate at some point in time, which would provide a dedicated funding source going forward.

### **Business Improvement District (BID)**

As with special assessments, BIDs are also governed by Chapter 170 of the Florida Statutes. A BID may only be created by vote of a majority of the affected property owners. A BID is a defined area in which businesses are required to pay an additional assessment or levy in order to stabilize and improve the district by funding promotional efforts, management, marketing and similar services within the district's boundaries.

Notably, the City recently created the Lincoln Road BID, which was passed in 2015 to stabilize and improve the Lincoln Road retail business district through promotion, management and marketing. The annual levy collected, based on the assessments of the businesses in the district, total in the amount of \$1,426,237.00 per year. Properties that front Lincoln Road are assessed at the rate of two dollars per square foot of the lot size, based on the size of the ground floor only. Properties without Lincoln Road frontage are assessed at the rate of twenty centers per square foot of the lot size, based on the size of the ground floor only. Importantly, as bond issuances are intended for capital projects, and as BIDs are limited to funding marketing-related services, Chapter 170 provides that a municipality is not authorized to issue bonds to fund ongoing operations of a BID.

## **Other Considerations**

The City's General Fund is the financial entity that funds basic municipal services such as Police, Fire, Emergency Management, Parks and Recreation, Planning, Community and Homeless Services, and general administrative support. Historically, the City's General Fund budget has grown between 5 to 8 percent annually. This is funded by projected tax revenue increases due to growth in property tax values, in addition to growth in other revenues.

Accordingly, in order to preserve the financial stability of the General Fund, if a tax increment, CRA, or dedicated millage option is selected, it is generally recommended that only a portion of property tax revenue growth be diverted to other programs, to balance the associated impacts such options would have on the General Fund.

## **January 19, 2017 Finance and Citywide Projects Committee Meeting**

The discussion regarding the creation of a community redevelopment agency (CRA) and creative funding options for North Beach was heard at the January 19, 2017 Finance and Citywide Projects Committee meeting. Administration presented the avenue by which the City of Miami Beach could pursue a CRA for the purpose of North Beach along with other financing options that the City could self impose. The Committee directed Administration to begin discussions with Miami-Dade County regarding creating a CRA for North Beach; specifically after the County has considered the CRA Interlocal 4th Amendment, currently anticipated for March, 2018.

If Miami-Dade County ultimately approves the concept of a CRA in North Beach, staff was directed to engage a professional consultant to support the application and research process. Funding for this effort would have to be identified via the budget process.

In addition, the Committee requested a presentation be made during the Commission retreat on additional revenue and funding sources that could be created for the purpose of redevelopment in North Beach, such as a millage assessment.

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[1] With respect to special assessment districts for undergrounding of utilities (such as for Sunset Island 3 and 4), the City Commission established certain self-imposed requirements as a matter of policy, in order to gauge local support for a proposed special assessment. Specifically, the City Commission adopted Resolution Nos. 2002-24761 and 2012-27842, providing that the City would only create a special assessment district for undergrounding of utilities if approved by a 60% vote of the affected property owners.

## **CONCLUSION**

The Finance and Citywide Projects Committee meeting recommends that 1) that the Administration begin discussions with Miami-Dade County regarding creating a CRA for North Beach; specifically after the County has considered the CRA Interlocal 4th Amendment, currently anticipated for March, 2018; 2) if Miami-Dade County ultimately approves the concept of a CRA in North Beach, staff was directed to engage a professional consultant to support the application and research process, with funding to be identified via the budget process; and 3) that a presentation be made during the Commission retreat on additional revenue and funding sources that could be created for the purpose of redevelopment in North Beach, such as a millage assessment.

**Legislative Tracking**

Tourism, Culture and Economic Development

**Sponsor**

Commissioner Ricky Arriola

**ATTACHMENTS:**

**Description**

- Form approved reso