

CRA091911

CITY OF PORT ST. LUCIE
COMMUNITY REDEVELOPMENT AGENCY MEETING MINUTES
SEPTEMBER 19, 2011

A Regular Meeting of THE COMMUNITY REDEVELOPMENT AGENCY (CRA) of the City of Port St. Lucie was called to order by Chairman Faiella on September 19, 2011, at 2:00 p.m., at Port St. Lucie City Hall, 121 SW Port St. Lucie Boulevard, Port St. Lucie, Florida.

1. MEETING CALLED TO ORDER

2. ROLL CALL

Members Present: Chairman JoAnn M. Faiella
Vice Chairman Linda Bartz
Michelle Lee Berger
Jack Kelly
Shannon M. Martin

Others Present: Jerry A. Bentrrott, Executive Director
Gregory J. Oravec, Assistant City Manager/
CRA Director
Pam E. Hakim, Senior Assistant City
Attorney
James Arnold, Neighborhood Services Director
Sherman Conrad, Parks & Recreation Director
Edward Cunningham, Communications Director
Joel Dramis, Building Official
Kim Graham, Assistant City Engineer
Jesus Merejo, Utilities Director
Renee Major, Risk Management Director
Roger G. Orr, City Attorney
Karen A. Phillips, City Clerk
Brian Reuther, Chief of Police
Patricia Roebeling, City Engineer
Cheryl Shanaberger, OMB Deputy Director
Tricia Swift-Pollard, Director of Community
Services
Gabrielle Taylor, Assistant City Attorney
Tonya Taylor, Facilities Administrator
Carol M. Heintz, Deputy Clerk Supervisor

3. PLEDGE OF ALLEGIANCE

Chair Faiella led the assembly in the Pledge of Allegiance.

4. ADDITIONS OR DELETIONS TO THE AGENDA AND APPROVAL OF AGENDA

Mr. Kelly moved to approve the Agenda. Ms. Martin seconded the motion. The City Clerk restated the motion as follows: for approval of the Agenda. The motion passed unanimously by roll call vote.

5. APPROVAL OF CONSENT AGENDA

a) APPROVAL OF MINUTES - August 15, 2011

Vice Chair Bartz moved to approve the Consent Agenda. Ms. Berger seconded the motion. The City Clerk restated the motion as follows: for approval of the Consent Agenda. The motion passed unanimously by roll call vote.

6. RESOLUTION CRA 11-01, a Resolution of the City of Port St. Lucie Community Redevelopment Agency (The "Agency") relating to the Annual Budget, approving the Annual Budget of the Agency for the Fiscal Year beginning October 1, 2011 and ending September 30, 2012; authorizing the expenditure of funds established by the Budget; and providing an effective date.

The City Clerk read Resolution 11-01 aloud by title only. Ms. Berger moved to approve Resolution 11-01. Ms. Martin seconded the motion. The City Clerk restated the motion as follows: for approval of Resolution CRA 11-01. The motion passed unanimously by roll call vote.

7. DISCUSSION OF CRA CONCEPTS, INCLUDING TAXABLE VALUE, TAX INCREMENT REVENUE AND PROJECTIONS

Mr. Oravec said, "I wanted to use this meeting as a working meeting, where we could discuss some of the important concepts, definitions that we utilize in our work on the Community Redevelopment area. A number of these concepts came up during recent public policy discussions concerning Southern Grove. The Board, just like the Council, has to make decisions on complex public policy issues that are subject to a number of opinions. It's important to get the best information possible to make informed decisions. We may not always have the same opinion or agree, but, hopefully, we can address the information itself and be working from the same information. We may disagree on the interpretation of it or what that information means, but I would like to make sure that we're all dealing with the same

information. I wanted to have a discussion about value and what value means when it relates to property value. This excerpt is from the TRIM notice that every property owner gets. The property appraiser defines market value, also known as just value, as the most probable sales price in a competitive open market between willing sellers and buyers."

Mr. Oravec continued, "Assessed value is something different. Assessed value is that market value less any reductions. Another big one for homeowners is the Save Our Homes amendment. Your property values can only go up 3% or CPI if it's homesteaded. Due to that reduction or something like an AG exemption, your assessed value can be less than market value. Once you get to assessed value, you take off exemptions, like the homestead exemption, the senior exemption, and the veteran's exemption. All of those come off and you finally get to the taxable value. The taxable value is what matters to the City and other taxing authorities most, because that's what ad valorem taxes are generated from. With property taxes, it's a simple equation. The millage rate times the taxable value gives you tax revenue. That is important because as part of the Southern Grove discussion, we talked about aggregate net taxable value. In this chart we've also included market value. There has been discussion about where these numbers came from. I think it's important to make sure everyone knows that those came from the St. Lucie County property appraiser and the tax collector. Staff used the actual database from the tax collector and the property appraiser and looked at the property over time. In 2006, there were just a handful of properties. As that greater Southern Grove area has been subdivided, the number of properties has increased over time."

Mr. Oravec stated, "The number of parcel ID's would increase. The number of properties receiving a tax bill would increase. We have a corresponding roll that goes to each of those years. It has a location, acreage, parcel ID, and the name of the owner. Here's where I want to again talk about value. It has land value, building value, market value, and credits assessed value, exemptions, and net taxable. The property appraiser actually identifies the land value and the building value as components of market value. Those two things when added together give that market value, that definition of what that property in his or her opinion would go for on the open market with a willing buyer and seller. Then you have credits. Out there, you don't have any Save Our Homes credits, but you do have AG credits, and that comes off the market value to create assessed value. Then you have the exemptions. You go from an assessed value of 1.9, back

out all of it because it's exempt, and the taxable value of that property is zero. When preparing this, we took the public files, calculated what net taxable value was for the district each year, added it together, and it is what it is. The exemptions out there are homestead, widow/widowers, disability, blind persons, total and permanent disability, local option homestead, disability for an ex-service member, and deployed military exemption. A number of the other ones you have are not-for-profit functions. That's important, because the issue of the hospital came up as part of the public policy discussion."

Mr. Oravec noted, "It's pretty clear that a nonprofit hospital is tax exempt. Even though that was disputed, it's set forth directly in Florida Statute Chapter 196. Not only does it state it explicitly, but it also introduces another interesting concept. If there is a for-profit function at a nonprofit hospital, that for-profit function can be taxed. It specifically lists the example of the for-profit parking enterprise as part of a nonprofit hospital as part of Florida Statutes. Martin County's property appraiser's webpage actually sets forth the assessed value for Martin Memorial Hospital. The assessed value is \$117 million, and they do pay taxes. However, they pay taxes on \$1,066,770, so they have a total exemption of \$116,414,390. Most likely, there's some very small portion of the greater campus that serves a for-profit purpose and is taxable. About eight tenths of one percent is tax exempt. This came into play, because one of the defining characteristics of a blighted area is that aggregate assessed values of real property in the area for ad valorem tax purposes have failed to show any appreciable increase over the five years prior to the finding of such conditions. Aggregate means all of them added together. That's why we looked at every parcel and added them together. When you do that for the entire district, you come up with roughly \$36.5 million in 2006 and it's worth \$17.8 million today. Over that period, that's obviously a large decrease, not an increase."

Mr. Oravec commented, "I wanted to also take us through the example of how tax increment revenues are calculated. This is for the eastern district, so the year that the agency was established had a base year of January 1, 2001. Back then the aggregate value of the eastern district for taxable purposes. . . It would be great if the City or the CRA received taxes based from market value, because it's three times or more greater than the taxable value. However, it's not. It's the taxable value. When the eastern district was established, the total taxable value was \$231 million. We have total taxable values for each of the participating taxing authorities. That's

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because each taxing authority can have a different total taxable value depending upon the exemptions they give. For example, you have the economic development exemption. We might give one, and the county might not. For those reasons, the value can actually be different. With the calculation of tax increment revenue, you start with the base year. As you go out over time, you take the current total taxable value and subtract that base year. That gives you what we call the incremental increase in property value. The Agency's funding comes from the taxes levied by the county Fine and Forfeiture Fund and the City's General Fund millage on that increment, 95% of that in the eastern district."

Mr. Oravec pointed out, "The Fire District stopped participating in fiscal year 2006/2007. Remember that the Agency does not levy taxes. The Agency has no control over millage rates. The Agency merely receives the incremental taxes levied by the county and the City. Board member Martin shared with me some concerns from the public. She shared an online discussion regarding the CRA budget, and perhaps the City subsidizing the Agency. As part of the budget document it actually says, 'Road and Bridge Operating,' and 'Road and Bridge CIP.' It's not a subsidy. That's the City's operating millage. The City itself elected to split the operating millage into components. Most of it goes to the General Fund. A small portion of it goes to Road and Bridge operating, and a very small portion goes to Road and Bridge CIP. As a result, because the City elects to put its operating millage in those funds, those funds have to make their contribution to the Agency. That's just the City's bookkeeping, and not any subsidy occurring. There's operating and there's capital, and if you look at your tax bill or our budget there's an additional mill levied that the City imposes for the Crosstown Parkway. The Agency doesn't get any capital specifically voted millage. That's reserved solely for the project."

Mr. Oravec remarked, "For this district, it's just 95% of the participating taxing authority's millage rate times the increment, and that gives you revenue. Although we often focus on the doom and gloom, you can see that even today the district itself is worth \$324 million for the City's version of total taxable value. It's still worth more than \$100 million more than when we started the redevelopment effort. The next topic is projections. You can do a reasonable job. Two years out starts getting pretty fuzzy. After that you have to take it for what it's worth. As part of the discussion on Southern Grove, we talked about projections. I just wanted to do an analysis comparing the projections that we've done to date versus

reality. As part of the original CRA Plan for the eastern district, that \$100,000 planning effort included projections, and I wanted to show you how they fared. When we did the expansion area in 2006; that study also included projections. The firm did a very good job. It's just very difficult to look into the future. Looking at the projections, you can see that when we started with the original area, in that very first year, there was a 26% deviation, and it stayed in the high 20's for three years. However, they really couldn't see the boom coming, so you saw a divergence between their projections and what happened during the boom. That divergence peaked at about 152%, so the projections were off by 152%. They remained off and couldn't see the boom, and then they couldn't see the bust. In 2009/2010, they actually fell back to being close, about 6% off. They couldn't realize the bust. That divergence is now about 27%, and depending on what happens this next year, it might go up to 40% and be in the 40% range for the next five years plus."

Mr. Oravec remarked, "That just goes to show that you can plan on it and you can think about it. Where projections are really critical is if you need the money in the future to pay off debt service or other things that you're planning on using that money for. With pay as you go, those projections aren't as important. The expansion area was formed at the height of the market when values were their highest. Because of that there is no increment from the expansion area. It actually has a negative increment. Fortunately, that doesn't result in the Agency having to make a payment anywhere. It just means that there's zero revenue. The very first year with the expansion area, they thought that the district would be established. It wasn't, so that was a bust in the projections. The first year was pretty much right on, just off 2%. The following year the bust hit, and they didn't see that in 2005/2006 when they were putting the plan together. While they show there being revenue, there has been none. I would be surprised if we see revenue from that district in five or more years, especially with a large percentage of the district being residential in nature, and having the Save Our Homes protections afforded. You can't increase as fast as you could before those restrictions of protection were in place."

Mayor Faiella asked, "Was this projection done by a private company?" Mr. Oravec replied, "Correct. Those projections were done by EDAW who is our consultant for both the original master plan and the expansion area master plan."

8. OTHER ISSUES BY BOARD MEMBERS

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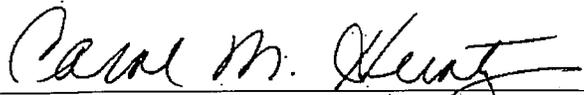
There were no other issues presented by the Board Members.

9. ADJOURN

There being no further business, the meeting adjourned at 2:20 p.m.



Karen A. Phillips, City Clerk



Carol M. Heintz, Deputy Clerk Supervisor