

City of Pensacola Community Redevelopment Agency

Area Reinvestment Agreement Policy for Affordable Housing

January 2022

TABLE OF CONTENTS

Purpose.....	3
Eligible Area.....	3
Authority.....	3
Prerequisite Public Benefit.....	3
Objectives.....	4
Basic Provisions.....	4
Criteria.....	5
“But For” TIF.....	6
Approval Process.....	6
Eligible Costs.....	7
Affordability Compliance Period.....	7
Area Map.....	8

PURPOSE

The purpose of this Policy is to articulate the guidelines by which the City of Pensacola Community Redevelopment Agency's (CRA) may enter into an Area Reinvestment Agreement for Affordable Housing (ARA-AH) with private parties as an incentive to promote redevelopment of affordable housing in a manner that is consistent with the City of Pensacola's adopted community redevelopment plans. It is anticipated that the private sector development leveraged by the ARA-AH will provide a community benefit that will ultimately be shared by the surrounding neighborhoods, the community redevelopment areas, and the city as a whole. Area Reinvestment Agreements typically may be used for large-scale projects which substantially achieve the objectives of the redevelopment plan(s), provide a considerable amount of affordable housing and act as catalysts for further private sector development.

ELIGIBLE AREA

The City of Pensacola has three (3) community redevelopment areas or "TIF districts". These include the Urban Core, Westside and Eastside districts, attached and incorporated herein as "Attachment A". Community plans called "Community Redevelopment Plans" (the "Plans"), have been prepared, focusing on the revitalization of these areas. As a matter of policy, the City of Pensacola Community Redevelopment Agency (the "CRA") will consider using Area Reinvestment Agreements to assist private development within the TIF districts that provides extensive community benefit consistent with the Plans referenced herein.

AUTHORITY

Section 163.387 (1) (b) of Florida Statutes, allows CRAs to enter into an agreement with a private party, with or without additional parties, to provide that the Tax Increment Revenue (TIF) generated for a specific area may be reinvested in services or public or private projects, or both, including debt service, supporting one or more projects to be constructed within that area consistent with the Plan(s) that is/are identified in the agreement. This tool is defined in the statute as an "Area Reinvestment Agreement ("ARA")." Under such an agreement, the CRA may reinvest, or rebate, a portion of the increased TIF generated by the development project as an incentive for the private sector investment ("TIF Rebate").

PREREQUISITIE PUBLIC BENEFIT

In requesting a TIF Rebate, the developer must demonstrate that there will be a substantial and significant public benefit to the community by providing a considerable amount of affordable housing, eliminating blight, strengthening the economic base of the TIF District(s), positively impacting surrounding neighborhoods, and increasing property values and the tax base. Projects must be consistent with the Community Redevelopment Plans.

OBJECTIVES

The CRA will consider offering a TIF Rebate for projects that provide an affordable housing component of at least 10% of all residential units constructed (“affordable units”) and that substantially stimulate and continue revitalization of the TIF district(s), meeting a combination of several of the following criteria:

1. Prevent and/or eliminate blighting conditions
2. Create a variety of housing opportunities to increase the number of residents in the district
3. Enhance the streetscape and pedestrian experience and improve the vitality of the district by adding interest and activity to the public realm
4. Promote efficient usage of land through redevelopment
5. Strengthen the economic base of the redevelopment area and support economic development
6. Stabilize and upgrade targeted neighborhoods
7. Involve environmental clean-up
8. Increase property values and tax revenues
9. Improve infrastructure
10. Leverage the maximum amount of non-city funds into a development and back into the community

BASIC PROVISIONS

1. The TIF Rebate is not an ad valorem tax exemption. Developers awarded the exemption must pay all property taxes. The Rebate will be issued on January 1 of the year following the year in which property taxes are paid.
2. The CRA must approve a TIF Rebate, and approve, at minimum, an ARA-AH. Program documents may include covenants, conditions and restrictions that will run with the land. All Program Documents shall be fully executed, and the covenants, conditions and restrictions will be recorded in the Official Records of Escambia County, Florida.
3. The developer must perform and construct the project prior to receiving a TIF Rebate. The increase in TIF must be produced by the project in order for the increment to be remitted.
4. The reinvestment is limited to the actual increase in increment generated by the project.
5. The term of the TIF Rebate shall be a maximum of 20 years, or the time remaining in the TIF, if less than 20 years.

- 6. Developments receiving a TIF Rebate shall maintain the affordable units for affordable housing for a period of up to twenty (20) years (the “Affordability Period”). The Affordability Period begins on the first day of the first taxable year of TIF Rebate period. Failure to maintain the units for affordable housing for the full length of the Affordability Period shall be deemed a default and subject to penalties.
- 7. Eligible projects may receive a TIF Rebate of up to 50% of the increased TIF generated by the development investment, remitted annually. Projects may receive a bonus of an additional 5% for developing a creative community benefit. This allocation may serve to fill a financial gap in affordable housing or development of the defined creative community benefit component.
- 8. It is the intent of the CRA to provide the minimum amount of TIF assistance to make the affordability component of a project viable and not solely to broaden a developer’s profit margin on the project. Prior to approval of a TIF Rebate request, the CRA will undertake (at the requestor’s cost) an independent analysis of the project to ensure the request for assistance is valid.

TIF REBATE CATEGORIES		
Affordable Units	Rebate Amount	Affordability & Rebate Period
At least 10% of Units	Up 40% of TIF	15 Years
At least 15% of Units	Up 45% of TIF	17 Years
At least 20% of Units	Up 50% of TIF	20 Years or remainder of TIF
Bonus: Applicants will have the ability to achieve up to an additional 5% in increment revenue generated by developing a creative community benefit.		

CRITERIA

- 1. Minimum investment threshold: The total project development cost must be \$500,000 or greater.
- 2. Affordable Housing: A minimum of 10% of the total units constructed must qualify as affordable units. Affordable housing, is defined as housing in which the occupant is paying no more than a certain percentage of gross income for housing costs. Housing affordability will be based on household income, and household costs as a percentage of income in accordance with the Florida Housing Finance Corporation guidelines.
- 3. Income and Rent Restrictions: Income and rent limits will set the threshold of what will be considered for projects requesting financial assistance to develop affordable units. Eligibility is limited to very low, low, and moderate income households.
 - a. **Income Limits** to be used are based on the FHFC Multifamily (SHIP) Rental

Programs Income Limits. **Very Low** income describes a family at or below 50% of area median income. **Low income** describes a family at or below 80% of area median income. **Moderate** income describes a family at or below 120% of area median income.

- b. **Rents Limits** are determined on an annual basis and published yearly by Florida Housing Finance Corporation. Rent Rates are based on the FHFC Multifamily (SHIP) Rental Programs.
4. **Affordability Period:** Income, rent limits and housing resale price are restricted for the length of the Affordability Period. Compliance with income, resale, and rent limit requirements must be monitored throughout the Affordability Period by a monitoring agency hired by the developer (or assigned agent).
5. **Self-Supporting Projects:** Each project requesting TIF Rebate must generate enough tax increment to cover the amount of rebate.
6. **Commitment from Financial Institutions:** The developer must provide proof of a commitment by a financial institution, person or entity to provide lending and/or equity for the project sufficient for financing constructing, equipping, furnishing, and completing the project and the cost related thereto.

“BUT FOR” TIF

The fundamental principle and that which the CRA must determine through information provided by the developer is that the affordable housing component of the project would not occur “but for” the assistance provided through TIF Rebate. The burden is on the developer to make this case to the CRA and not the CRA to make this case for the developer.

APPROVAL PROCESS

1. The terms of the ARA-AH will be negotiated with the developer.
2. Approval of an ARA-AH must be made by action of the CRA, based on findings that the proposed project is consistent with the redevelopment plan (s).
3. Each project and location is unique and therefore every proposal will be evaluated on its individual merit, including its potential impact on city service levels, its overall contribution to the economy and its consistency with the Redevelopment Plan(s) named herein. Each project must demonstrate a strong probability of financial success.
4. Notwithstanding compliance with any or all the guidelines herein, the provision of a TIF Rebate is a guideline choice to be evaluated on a case-by-case basis by the Community Redevelopment Agency.
5. The burden of establishing the public value of a TIF Rebate will be placed upon the applicant and the application must substantially meet the criteria contained herein.

6. Guidelines and other criteria listed herein do not guarantee the provision of TIF Rebate assistance nor does the approval or denial of one project set precedent for approval or denial of another project.

ELIGIBLE COSTS

The following are typical eligible costs for evaluating a TIF Rebate.

1. Capital costs, including actual costs of:
 - a. Construction of public works or improvements
 - b. Construction of new buildings, structures, and fixtures
 - c. Demolition, alteration, rehabilitation, repair or reconstruction of existing buildings, structures and fixtures, other than historic buildings and structures
2. Real property assembly costs
3. Professional service costs (planning, architectural, engineering, and legal)
4. Relocation costs
5. Costs associated with maintaining the affordable units during the affordability period

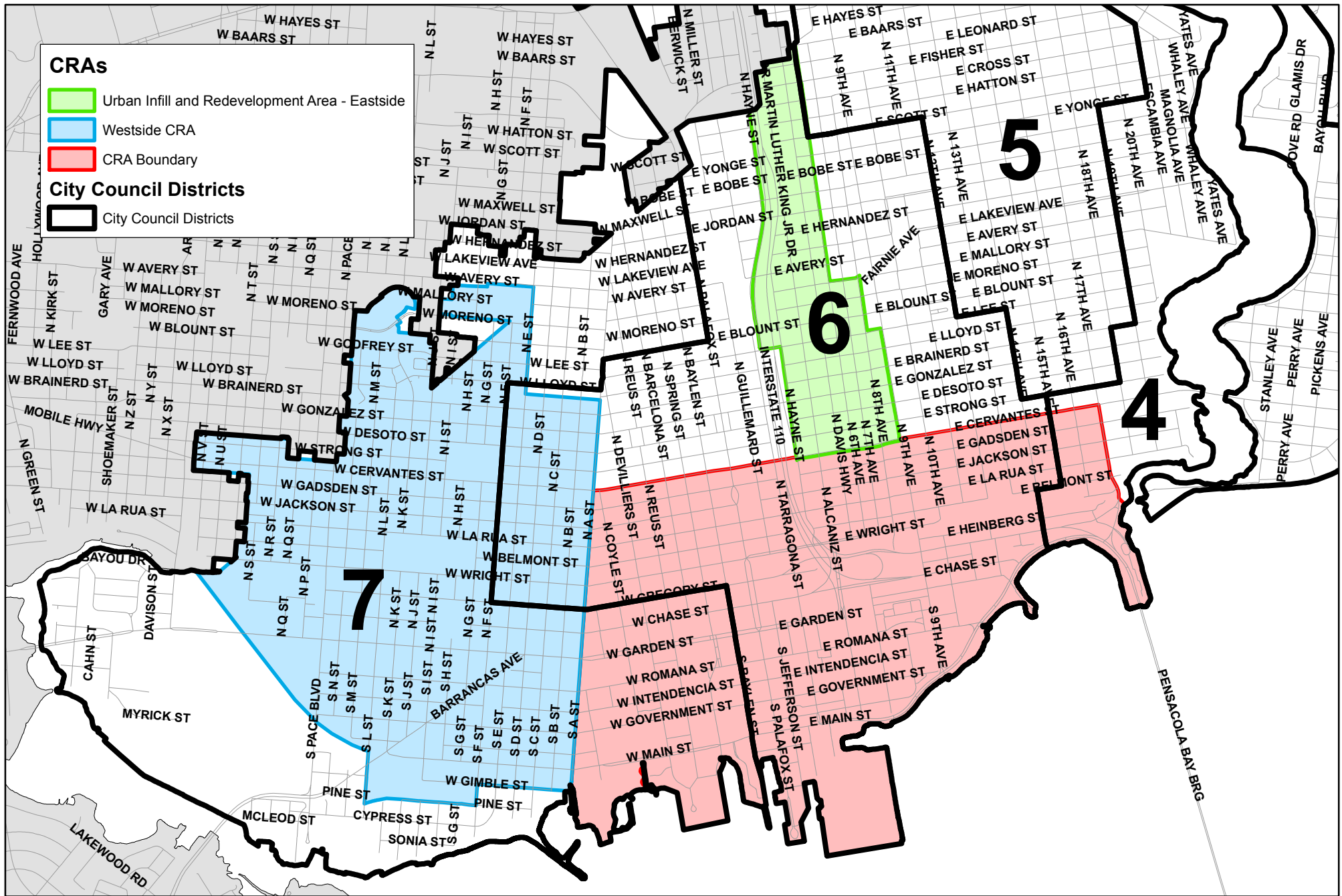
AFFORDABILITY PERIOD COMPLIANCE

Income, rent and resale limits are restricted for the length of the affordability period. The affordability period begins on the first day of the first taxable year of TIF Rebate period. Monitoring and contractual documents shall be used to preserve and maintain affordability.

COVENANT FOR THE COMMUNITY

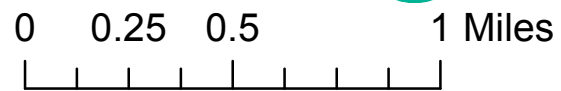
A Developer approved to receive a TIF Rebate shall be bound by the requirements of Mayoral Policy 20-01, Covenant for the Community for the City of Pensacola.

ATTACHMENT A
TIF Districts Map



CRAs and Council Districts

Date: 5/30/2017



This map was prepared by the GIS section of the City of Pensacola and is provided for information purposes only and is not to be used for development of construction plans or any type of engineering services based on information depicted herein. It is maintained for the function of this office only. It is not intended for conveyance nor is it a survey. The data is not guaranteed accurate or suitable for any use other than that for which it was gathered.