



# Memo

*Office of the City Manager*

---

**TO:** Honorable Mayor and City Council  
**FROM:** Roger Reinke, Assistant City Manager  
**DATE:** March 12, 2012  
**SUBJECT:** FY2012 CRA Sustainability Report Update

---

The Community Redevelopment Agency (CRA) was created in 1994 and is scheduled to sunset in 2024. Since December 2008, an annual Sustainability Report has been presented to provide information and initiate discussion regarding the appropriate goals and objectives in the CRA.

## **Revenue**

The attached interactive spreadsheet (Attachment 1), prepared by Finance Director Ann Marie Ricardi, provides financial information for the current budget year and projections for future years. The primary source of revenue in the CRA is ad valorem property taxes calculated by determining the incremental increase in taxable property values over the base year. Tax incremental revenue declined 15% (\$341,890) in FY2012, 21% (\$607,442) in FY2011, and 3.4% (\$101,830) in FY2010. The revenue decline was due to the decline in property values in the Redevelopment Area. The property value decline for the past four years was 2.95% in 2008, 10.05% in 2009, 16.64% in 2010, and 10.51% in 2011. The decline in property values in the entire City was 1.2% in 2008, 5.56% in 2009, 8.05% in 2010, and 2.8% in 2011. Collier County property values declined 4.7% in 2008, 11.04% in 2009, 12.2% in 2010 and 5.25% in 2011. A chart detailing the change in taxable value since inception of the CRA is provided with this report (Attachment 2). For the purpose of developing the financial projections in this report it is assumed that tax increment revenue will decline 5% in FY 2013, decline 2% in FY 2014, have no change in FY 2015, before returning to positive growth of 2% to 4% for the remaining years. The remaining assumptions are those used to develop the General Fund Sustainability Report and are listed in Attachment 3.

## **Expenditures**

Expenditures in the CRA can be grouped into five categories: law enforcement operations, maintenance operations, administration, debt, and capital projects. Total budgeted expenditures in FY2012 are \$2,151,712. Of the total budgeted expenditures the law enforcement budget accounts for 14.82% (\$318,925), the maintenance operations budget 15.72% (\$338,315), the administration budget is 12.91% (\$277,739), the budget for debt service is 47.25% (\$1,016,733), and the capital budget is 9.3% (\$200,000).

*Ethics above all else... Service to others before self... Quality in all that we do.*

## **Capital Projects**

The CRAAB previously recommended a list of prioritized projects that was subsequently approved by the CRA (Attachment 4). The interactive spreadsheet includes the capital projects funded in the current fiscal year, a plan for scheduling capital projects in the 5-year Capital Improvement Plan (CIP), and the remaining prioritized projects that are not currently scheduled in the CIP.

The current budget includes funding to complete the design, permitting and construction of the Four Corner's pedestrian crossing. Other capital projects in the 5 year CIP include US 41 Underpass improvements, and the first phase of Central Avenue streetscape improvements.

The non-scheduled and unfunded projects on the prioritized list total \$10 million. Funding available for these capital projects, using these assumptions for revenues and expenditures, is anticipated to be approximately \$2.6 million, creating a shortfall of approximately \$7.4 million based on the assumptions in this report.

## **Economic Development**

The downturn in the economy has hindered the development plans of many private property owners in the Redevelopment Area (Renaissance Village, Naples Daily News, Fourth and Fourth); however, re-development activity has recently increased (McCabe Building, others in various planning stages). As the market and the community adjust to the new economic reality, the long-range plans of the CRA may need review. Opportunities may be presented such as the reconfiguration of the US 41 corridor, or land acquisition for parking or open space, or options to increase redevelopment.

Economic development may be incentivized by reducing the cost to develop. One option to reduce development costs is to eliminate the requirement for transportation concurrency and the requirement to pay road impact fees. The road impact fees recently paid on the McCabe Building totaled about \$204,000. Eliminating transportation concurrency and road impact fees would require an amendment to the Comprehensive Plan and termination of the interlocal agreement with Collier County for impact fee collection. Under this interlocal agreement, the City retains the first \$200,000 of road impact fees. This revenue could be replaced by collection of a Mobility Fee, paid to the City, and expended in the City. The Mobility Fee charged may be less than the current road impact fee. Under the terms of the current interlocal agreement, the road impact fees collected beyond \$200,000 annually, "shall be used for capacity improvements on public roads within or adjacent to the existing or amended boundaries of Collier County Road Impact Fee District 3." The information provided is based on an initial investigation by staff. In the event the CRA is interested in exploring this option, further examination of the details on this issue will be commenced.

## **Planning**

The CRA and City Council have directed staff to conduct annual reviews of the sustainability of the CRA Fund and to plan for the transition and/or elimination of CRA funded activities no later than 2019, five years prior to the 2024 sunset date. The below information regarding the sunset date of the CRA is presented for consideration in the development of long term plans for the CRA.

*Ethics above all else... Service to others before self... Quality in all that we do.*

The purpose of the CRA sunset date is to create the financing schedule for implementing the CRA Plan and for informing the taxing authorities about the time frame for their tax increment financing (TIF) obligations. As the Sustainability Report makes clear, there are insufficient TIF revenues anticipated to fund all projects in the CRA Plan, especially with the recent estimates of significant reductions in property values in the CRA district. There is, however, provision in both Statute and Ordinance for extending the sunset date in order to fund modifications or amendments to the Community Redevelopment Plan. Both Florida State Law and a City of Naples Ordinance set the criteria for determining the sunset date of the CRA (see below).

Florida Statute 163.362 (10)

“Provide a time certain for completing all redevelopment financed by increment revenues. **Such time certain shall occur no later than 30 years after the fiscal year in which the plan is approved, or amended** pursuant to s. 163.361 (1).”

Ordinance No. 94-7205 Section 5 (a):

“...each taxing authority shall, by January 1 of each year, appropriate and pay to the [CRA] Trust Fund, for so long as any indebtedness pledging increment revenues to the payment thereof is outstanding (but not to exceed 30 years) a sum which is no less than the increment as defined and determined in the Act and Section 4 of the Ordinance, accruing to such taxing authority. **If the Plan is amended or modified pursuant to the Act, each such taxing authority shall make annual appropriation for a period not to exceed 30 years after the date the Council amends the Plan.**”

Florida Statute 163.361 Modification of community redevelopment plans.

(1) If at any time after the approval of a community redevelopment plan by the governing body it becomes necessary or desirable to amend or modify such plan, the governing body may amend such plan upon the recommendation of the agency. The agency recommendation to amend or modify a redevelopment plan may include a change in the boundaries of the redevelopment area to add land to or exclude land from the redevelopment area, or may include the development and implementation of community policing innovations.

(2) The governing body shall hold a public hearing on a proposed modification of any community redevelopment plan after public notice thereof by publication in a newspaper having a general circulation in the area of operation of the agency.

Florida Statute 163.361 (3) (a)

“In addition to the requirements of s. 163.346, and prior to the adoption of any modification to a community redevelopment plan that expands the boundaries of the community redevelopment area or extends the time certain set forth in the redevelopment plan as required by s. 163.362 (10), the agency shall report such proposed modification to each taxing authority in writing or by an oral presentation or both, regarding such proposed modification.”

## CRA Sustainability Analysis as of December 2010

	Budget 2010-11	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Reserves/Cash on Hand	2,577,081	1,241,502	833,224	719,253	381,361	410,026	472,203	545,567	670,391	843,569	1,054,262	1,324,558	1,934,317	3,273,441
Revenue		-5%	2%	2%	2%	2%	3%	4%	4%	4%	4%	4%	4%	4%
Taxes	2,256,250	2,143,438	2,186,306	2,230,032	2,274,633	2,320,126	2,389,729	2,485,319	2,584,731	2,688,121	2,795,645	2,907,471	3,023,770	3,144,721
Transfer In/Admin	13,883	13,883	13,883	13,883	13,883	13,883	13,883	13,883	13,883	13,883	13,883	13,883	13,883	13,883
Investment/Other	47,600	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000
Total Revenue	2,317,733	2,185,321	2,228,189	2,271,915	2,316,516	2,362,009	2,431,612	2,527,202	2,626,614	2,730,004	2,837,528	2,949,354	3,065,653	3,186,604
Expenses														
Personnel	655,807	674,206	690,068	706,926	724,278	742,142	771,827	802,700	834,808	868,201	902,929	939,046	976,608	1,015,672
Operating Expenses	572,677	544,369	550,271	556,887	563,018	569,879	592,674	616,381	641,036	666,678	693,345	721,079	749,922	779,919
Subtotal Operating Costs	1,228,484	1,218,575	1,240,339	1,263,813	1,287,296	1,312,021	1,364,501	1,419,082	1,475,845	1,534,879	1,596,274	1,660,125	1,726,530	1,795,591
Non-Op. Expenses														
Interfund Debt Repayment	202,295	159,790	0	0	0	0	0	0	0	0	0	0	0	0
2010 Series Note	0	980,234	992,821	995,995	1,000,555	987,812	993,747	983,296	977,592	984,432	970,959	679,470	0	0
1st Debt Garage and Streets	445,013	0	0	0	0	0	0	0	0	0	0	0	0	0
New Garage 8th & 3rd	622,520	0	0	0	0	0	0	0	0	0	0	0	0	0
All Non-Op Expense	1,269,828	1,140,024	992,821	995,995	1,000,555	987,812	993,747	983,296	977,592	984,432	970,959	679,470	0	0
Total Expenses	2,498,312	2,358,599	2,233,160	2,259,807	2,287,851	2,299,832	2,358,248	2,402,378	2,453,437	2,519,310	2,567,233	2,339,595	1,726,530	1,795,591
Operating Gain/Loss	(180,579)	(173,278)	(4,971)	12,108	28,665	62,177	73,364	124,824	173,178	210,693	270,296	609,759	1,339,123	1,391,013
Gross Available for Capital	2,396,502	1,068,224	828,253	731,361	410,026	472,203	545,567	670,391	843,569	1,054,262	1,324,558	1,934,317	3,273,441	4,664,454
Less minimum Fund Balance (memo only)	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Net Available for Capital (memo only)	1,796,502	468,224	228,253	131,361	(189,974)	(127,797)	(54,433)	70,391	243,569	454,262	724,558	1,334,317	3,273,441	
River Park Pool	550,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Connectivity & Placement	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Garage Upgrades	50,000	0	0	0	0	0	0	0	0	0	0	0	0	0
US 41 Underpass	155,000	0	0	0	0	0	0	0	0	0	0	0	0	0
5th Ave Lighting	200,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Four Corners Intersection	200,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Central Ave Improvements	350,000	0	0	350,000	0	0	0	0	0	0	0	0	0	0
Lake Manor	235,000	0	235,000	0	0	0	0	0	0	0	0	0	0	0
6th Ave N Lighting	109,000	0	0	109,000	0	0	0	0	0	0	0	0	0	0
3rd Avenue S. Improvements	1,650,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Special Features Gateway	1,000,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Special Features Plaza	2,000,000	0	0	0	0	0	0	0	0	0	0	0	0	0
6th Ave Promenade	2,000,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Central Ave Improv #2	1,500,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Connectivity & Placement #2	1,400,000	0	0	0	0	0	0	0	0	0	0	0	0	0
River Park/ Other projects	450,000	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital	10,694,000	1,155,000	235,000	109,000	350,000	0	0	0	0	0	0	0	0	0
Total Use of Funds	3,653,312	2,593,599	2,342,160	2,609,807	2,287,851	2,299,832	2,358,248	2,402,378	2,453,437	2,519,310	2,567,233	2,339,595	1,726,530	1,795,591

*Ethics above all else... Service to others before self... Quality in all that we do.*



# Memo

*Office of the City Manager*

Attachment 2 – Table of Taxable Values in the CRA

TAX INCREMENT FINANCING DISTRICT		
TAXABLE VALUES		
Fiscal Year	Value	% Change
1993	183,809,274	
1994-95	184,883,661	0.58%
1995-96	187,437,320	1.38%
1996-97	194,425,478	3.73%
1997-98	205,447,152	5.67%
1998-99	234,076,886	13.94%
1999-00	276,687,605	18.20%
2000-01	313,114,150	13.17%
2001-02	417,960,610	33.49%
2002-03	499,774,824	19.57%
2003-04	545,260,206	9.10%
2004-05	596,821,442	9.46%
2005-06	723,773,736	21.27%
2006-07	883,185,044	22.03%
2007-08	934,452,640	5.80%
2008-09	906,844,336	-2.95%
2009-10	815,750,468	-10.05%
2010-11	680,014,496	-16.64%
2011-12	608,535,705	-10.51%

*Ethics above all else... Service to others before self... Quality in all that we do.*

### Attachment 3 – Assumed Increases in Major Expenditures

Major Assumptions	FY2013	FY2014	FY2015	FY2016	FY2017
Increase of Wages	0.77%	1.0%	1.0%	1.0%	1.0%
Pension	0.0%	0.0%	0.0%	0.0%	0.0%
Life/Health Insurance	0.0%	6.0%	2.5%	2.5%	2.5%
Other Contractual/Medical	0.0%	1.0%	1.0%	1.0%	1.0%
Attorney/other legal/litigation	0.0%	3.0%	3.0%	3.0%	3.0%
Postage	2.0%	0.0%	0.0%	0.0%	0.0%
Electricity	0.0%	2.0%	0.0%	1.0%	1.0%
Water, Sewer	1.0%	2.0%	2.0%	2.0%	2.0%
Self Insurance	7.5%	5.0%	5.0%	5.0%	5.0%
Repair and Maintenance	2.0%	1.0%	1.0%	1.0%	1.0%
Technology Services	0.0%	1.0%	1.0%	1.0%	1.0%
Operating Supplies/Uniforms/Other	0.0%	0.0%	0.0%	0.0%	0.0%

*Ethics above all else... Service to others before self... Quality in all that we do.*

#### Attachment 4 – List of Prioritized Projects

River Park Phase I - Pool	550,000	In construction
Four Corners Intersection	200,000	Funded in Current Budget
Central Avenue Improvements	350,000	Phase I - Central from US 41 to Tenth Street - Scheduled FY2014-15
US 41 (Gordon River) Underpass	155,000	Planned for FY2013 Budget
<b>Subtotal of Priority Projects</b>	<b>\$1,255,000</b>	
3rd Avenue S. Improvements	1,650,000	
Special Features Gateways	1,000,000	
Special Features Cultural Plaza	2,000,000	
6th Ave S. Promenade	2,000,000	
Connectivity/Placemaking	1,500,000	Based on presentation by JRL
Central Avenue Improvements	1,400,000	Phase II is the balance after Phase I
River Park Phase II	450,000	Project not yet identified
Lake Manor	235,000	
6th Ave N Lighting	109,000	
<b>Total of Unscheduled Projects</b>	<b>10,344,000</b>	
<b>Total – all projects</b>	<b>\$11,599,000</b>	

*Ethics above all else... Service to others before self... Quality in all that we do.*