

REDEVELOPMENT OVERVIEW

INTRODUCTION

Four years ago your City Council had to make some very important decisions regarding South Daytona's financial future. Commercial/industrial property values had been pretty much stagnant since 1999, while residential property values were increasing during the same period. Over 73% of the total tax base for the City remained residential, yet commercial/industrial properties represented a little over 50% of the total geographical area of the City. In the year 1998, over 62% of all public safety calls for service in the City were to the South Ridgewood corridor area which represented only a third of the City's tax base. In other words, the City's cost of providing services to the commercial area exceeded the revenue generated to the City by this same area, thereby resulting in the residential areas subsidizing the commercial area. This is contrary to the typical goal of governmental entities of having the commercial areas subsidize the residential areas. To meet the escalating cost of operating our City, the Council had to decide either raise property taxes or increase the City's valuation of taxable property.

Your City Council did not want to raise the property tax rate and chose instead to find ways to increase the valuation of the land. This could be accomplished two ways, either by expanding the City limits through annexation or by increasing the value of the land already in the City. The City's ability to expand its limits is very constrained as we are basically surrounded by Port Orange and Daytona Beach. Therefore, emphasis needs to be placed on increasing land values.

The State Constitution places a limitation on increasing the assessed value of real property. A provision in the Constitution prevents homesteaded property from increasing in value by more than 3% a year. Due to this constraint, the City knew that its ability to increase the assessed taxable value of the land west of the railroad tracks would be limited as this area consists substantially of homesteaded single family homes. Therefore, the City then focused its attention to the areas lying east of the railroad tracks.

The most valuable land, and therefore the land that has the potential of generating the largest amount of tax revenue for the City, is the waterfront property. The City reviewed the redevelopment options for this area. One option is to redevelop the property for single-family residential homes. However, this option is subject to the

same constitutional limitation on increasing the assessed taxable value. Also, there was a substantial amount of waterfront land currently utilized for single-family residential in the north end of the City. Another redevelopment option was industrial uses. It was determined that this would not be desirable to expand these uses in our community, nor did there appear to be any demand for industrial waterfront property. The City then considered redeveloping the waterfront property for commercial uses. However, the City already had existing commercial waterfront property that could have been redeveloped at any time if the market would support commercial waterfront development. The fact is that commercial waterfront projects are not very successful due to the cost of waterfront land. As we all know, waterfront property has probably tripled in value over the last 10 years, but the amount of rent a commercial tenant is willing and/or able to pay has not tripled over the same period of time. Therefore, while reducing the value of the waterfront property, which would be contrary to the City's goal, or the City subsidizing commercial projects with development incentives, it is very difficult for a commercial waterfront project to be successful. Consequently, the above analysis effectively eliminated single-family residential, industrial and commercial development as viable redevelopment options. The only remaining redevelopment option was multi-family residential apartments or condominiums.

To achieve the City's goal of increasing the assessed taxable value of the existing land within the City, there may be no better form of redevelopment than condominiums. A condominium project increases the assessed taxable value on the project site to a greater extent than any other redevelopment option. We anticipate approximately 30% of these units will be the primary residence of the owner. Therefore, this type of redevelopment will generate less traffic and less demand on the City services than other forms of uses, while at the same time generating the greatest amount of tax revenue.

CONDOMINIUM REGULATIONS

The City had to create regulations that would allow high-rise condominium development. In creating these regulations, the City wanted to limit the location of this type of development to the southern portion of the City and only on property fronting the Halifax River. The City also wanted to make sure that the regulations reasonably protected the public's interest while also not being so restrictive as to deter potential development.

The City requires certain minimum standards that must be met for a high-rise condominium project to be considered. The project site must be at least three acres in size. This prevents these large structures from being located on small project sites with minimum setbacks and buffers. Furthermore, the site must have both Halifax River frontage and Ridgewood Avenue frontage. Also, the site can only have vehicular access onto Ridgewood Avenue. These requirements essentially limited the potential locations of high-rise condominiums to property located along the Halifax River south of S. Palmetto. The height of a high-rise condominium is limited to 185 feet usually equating to a maximum of 18 stories.

Your City Council has approved the zoning for six high-rise condominium projects along the southern portion of the Halifax River that vary from 14 to 18 stories in height. If all of these projects are constructed, the number of new units would be 2,510 with a minimum of 1,500 square foot per unit. Although the rezonings have been approved, the property owners must still submit to the City all the required development and construction plans. To date, only one of the six projects has submitted final construction plans to the City for review.

COMMUNITY REDEVELOPMENT DISTRICT

One of the most useful tools available to local governments to assist in the redevelopment and revitalization of an area is to create a Community Redevelopment Agency (CRA). The basic purpose of a CRA is to redirect a certain amount of property taxes to the local government to be spent on projects within a certain area. i.e. the Redevelopment District. Only the property tax revenue generated from within the District is involved and the tax revenue reallocated to the City must be used for projects within the District. The CRA does not levy any additional taxes nor increase the taxes property owners pay. It merely reallocates the taxes already paid so that more of the tax revenue is spent in the community that pays the taxes.

A CRA is created and operated pursuant to State law. One of the first steps in creating a CRA is for the local government to designate the area to be considered as the Redevelopment District. The City created a CRA in 1997 and designated the area lying east of the railroad tracks to the Halifax River, from the north City limits to the south limits as its Redevelopment District. The tax revenue that the City receives is the amount of additional tax revenue that is generated by the increase in the assessed taxable value of the property in this District over the value

that existed in 1997. This tax revenue is received by the City's CRA from the County, Halifax Hospital and certain other entities (excluding the School District) that levy taxes within the Redevelopment District.

Another important step in the creation of a CRA is the adoption of a Community Redevelopment Plan (Plan). The Plan outlines the goals and objectives of the CRA and the projects that are proposed to assist in accomplishing the goals and objectives. The City implemented various projects within the District over the years that are intended to help redevelop this area. These projects include programs to help property owners with new landscaping, the replacement of nonconforming signs and the refurbishing of the exterior of buildings. However, the City has recently undertaken one of the most ambitious CRA projects ever done in the Volusia County area. This project is a major overhaul of Ridgewood Avenue, which includes the burying of all overhead utility lines, additional landscaping, decorative light poles, intersection improvements, sidewalks, transit improvements and other amenities that will transform Ridgewood Avenue. It is unquestionable that the City could not have undertaken such a major project without the existence of the CRA. The funding for this project was just not available without the reallocation of tax revenue that the CRA accomplishes.

Although CRAs have come under public scrutiny recently because of the potential that a governmental entity will use eminent domain to assist a developer, the use of eminent domain is not an essential element of a CRA nor be exercised to implement a CRA. From the City's perspective, the most important aspect of a CRA is that more of the tax dollars that are paid by South Daytona property owners are spent in South Daytona. Moreover, your City Council is on record to never use the City's power of eminent domain for the benefit of a private developer.

Although the City's CRA could legally use this reallocated tax revenue to assist developers in paying for the cost of projects, the City has not done so. More important, not one of the developers of the condominium projects has requested financial assistance from the City. Actually, in addition to all the development fees and costs that are normally paid, the condominium projects are paying extra for improvements to the City's water and sewer system. Although these improvements are necessitated in part by these condominium projects, the improvements will also benefit the other City customers in the area.

Provided that all of the high-rise condominium projects are constructed within the next several years, the CRA is conservatively expected to receive an additional \$8

million annually in tax revenue. In addition to the anticipated \$24 million streetscape project for the Ridgewood Corridor, the tax revenues from these new developments will be spent on riverfront park development, new police/fire personnel solely devoted to serving in the District, and a community development inspector for the area.

SUMMARY

Eight years ago, the City created a Community Redevelopment District area to address a stagnant property tax base in the vicinity of its Ridgewood Avenue commercial district. High-rise condominium development was identified as primary means to generate the revenue for streetscape efforts that will spearhead commercial development. Monies generated from these multi-unit projects will also lessen the tax burden on the South Daytona property owner by funding new police/fire personnel coupled with financing sewer and water improvements, new parks and other costs identified with City services within the CRA.

High-rise condominium development can only be permitted adjacent to the Halifax River with direct access to Ridgewood Avenue where three acres or more of land can be assembled. The existing regulations prevent high-rise condominiums from being built on any property that does not front the Halifax River and effectively assure no high-rise development north of Palmetto Circle, protecting the single family residential uses along two thirds of the City's riverfront

It is your City Council's expectation that with limited high-rise condominium development, South Daytona's property valuation will increase compared to other Cities in the area and generate the necessary reserves to temper tax increases, pay for service demands of the redevelopment area and spur new commercial growth in our Ridgewood Corridor.