



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING

#23-0931

TO: Honorable Mayor & Members of the
Fort Lauderdale City Commission

FROM: Greg Chavarria, City Manager

DATE: October 3, 2023

TITLE: Resolution Approving an Affordable/Workforce Housing Tax Reimbursement Incentive Letter of Intent, in Substantially the Form Attached, and Authorize the City Manager to Execute Such Letter on Behalf of the City – The ERA at 2135 S Andrews Avenue (**Commission District 4**)

Recommendation

It is recommended the City Commission consider adopting a resolution approving an Affordable/Workforce Housing Ad Valorem Tax Reimbursement Incentive Letter of Intent and authorize the City Manager to execute such letter of intent on behalf of the City.

Background

On August 22, 2023, the Development Services Department made a presentation describing how city ad valorem tax revenue could be used to provide an incentive to affordable housing developments. In response to feedback from the City Commission, the Affordable/Workforce Housing Ad Valorem Tax Reimbursement Program was developed to support the development of affordable housing units in projects that are unable to use CRA resources or funding through the Affordable Housing Trust Fund to make projects financially viable.

Projects that apply for the Affordable/Workforce Housing Ad Valorem Tax Reimbursement shall submit an application with project information including but not limited to general project/developer information such as development team experience, property address, tax information, number of housing units, project funding and development pro forma. A copy of the Affordable/Workforce Housing Ad Valorem Tax Reimbursement Incentive Program application is attached as Exhibit 1.

Project Overview

The ERA is a mixed-income, mixed-use project in the South Andrews Regional Activity Center that as proposed will be an eight-story building that includes 400 new housing units, ground level commercial and amenity space, a parking garage, and infrastructure improvements to support the project. The project developer is Affiliated Development (Developer), dba Andrews Apartments LLC located at 2125 S Andrews Avenue. The project will offer 1-, 2- and 3-bedroom apartments with a mixture of rental rates including

140 affordable units from 80% to 120% area median income (AMI) and 260 market rate units. The type of affordable units includes twenty units at 80% AMI, forty units at 100% AMI and eighty units at 120% AMI. The affordable units make up 35% of the units in the project.

Funding Request

The Developer is requesting funding from the recently proposed Affordable/Workforce Housing Ad Valorem Tax Reimbursement Program. The program was created to provide a reimbursement of increased ad valorem taxes created because of the project investment. The Developer's request is for a tax reimbursement of 50% of the additional ad valorem taxes generated by the project for 30 years, with payments beginning in the first tax year after the project is in service. Total project investment costs are estimated at approximately \$131 million. The Developer estimates total city taxes generated in the first year of \$424,294 and total city tax revenue over 30 years available to the City of Fort Lauderdale of approximately \$8.1million.

Application Review and Funding Recommendation

Affiliated Development has a proven track record of success in real estate development. The company has developed over 2,600 apartment units from Fort Lauderdale to West Palm Beach. According to the Needs Analysis provided based on the mixed rental rate structure of affordable and market rates units, project income is negative in initial years of service. Additional information provided anticipated project stabilization in year two after opening and developer expects to refinance the debt in year four of operation.

During the August 22nd presentation to the City Commission staff recommended limiting tax reimbursement to no more than seven years. After reviewing the developer's request and additional information provided related to project costs and operating income, staff recommends a funding schedule longer than seven years. In response to the Developer's financial request and match, City staff recommends a fifteen-year reimbursement of additional ad valorem taxes at 100% of the taxes generated. The value of anticipated ad valorem tax revenue is approximately \$7.9 million. Staff further recommends payments not exceed \$8 million over the ten-year reimbursement period. If the ad valorem value reimbursed totals \$8 million prior to the ten-year horizon in the agreement payments will stop.

A copy of the Rental Housing Tax Reimbursement Agreement is attached as Exhibit 2.

Resource Impact

Ad valorem tax reimbursement of city taxes in the first year of the project is estimated at approximately \$425,000. The city will budget for the actual tax reimbursement based on the preliminary tax roll in June of the year the project is in service and reimburse the Developer upon evidence of taxes paid.

Strategic Connections

This item is a *2022 Top Commission Priority*, advancing Homelessness and Housing Opportunities.

This item supports the *Press Play Fort Lauderdale 2024* Strategic Plan, specifically advancing:

- The Neighborhood Enhancement Focus Area
- Goal 4: Build a thriving and inclusive community of neighborhoods.
- Objective: Ensure a range of affordable housing options

This item advances the *Fast Forward Fort Lauderdale 2035* Vision Plan: We Are Community, and We Are Prosperous.

This item supports the Advance Fort Lauderdale 2040 Comprehensive Plan specifically advancing:

- The Neighborhood Enhancement Focus Area
- The Housing Element
- Goal 1: The Comprehensive Plan shall support the provision of adequate sites for future housing, including affordable workforce housing.

Attachments

Exhibit 1 – Affordable Workforce Housing Tax Reimbursement Application

Exhibit 2 – Resolution

Prepared by: Al Battle Jr., Deputy Director, Development Services Department

Department Director: Christopher Cooper, AICP, Development Services Department