



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING

#24-1101

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

FROM: Susan Grant, Acting City Manager

DATE: November 19, 2024

TITLE: Resolution Approving an Affordable/Workforce Housing Tax Reimbursement Incentive and Ad Valorem Tax Reimbursement Agreement Delegating Authority to the City Manager to Execute Such Agreement Together with Any and All Ancillary or Subsequent Documents Necessary and Incidental to the Administration of the Incentive Agreement – The Cove at 1055 N Federal HWY - **(Commission District 2)**

Recommendation

Staff recommends the City Commission consider a resolution and approve an Affordable/Workforce Housing Ad Valorem Tax Reimbursement Incentive and Ad Valorem Tax Reimbursement Agreement and delegate authority to the City Manager to execute such agreement together with any and all ancillary or subsequent documents necessary and incidental to the administration of the incentive agreement.

Background

The Affordable Housing Ad Valorem Tax Reimbursement Program (Program) was established through the adoption of Resolution No. 23-231 to support affordable housing developments by providing financial assistance through tax reimbursement. A copy of Resolution No. 23-231 has been attached as Exhibit 1.

The Program is focused on creating affordable housing units throughout the City of Fort Lauderdale and may support mixed-income projects, containing both affordable and market rate units. Affordable units shall be restricted to households with incomes at or below one hundred and twenty percent (120%) of the median family income, with a thirty (30) year deed restriction. To accommodate the unique attributes of each project, funding requests will be reviewed based on the merits of the proposal and demonstration of public benefit for program eligibility. The financial reimbursement amount and payment terms shall be determined after review and recommendation by city staff. The annual distribution of ad valorem taxes is based on the availability of funds and shall be determined by the agreement between the city and developer. Approval of a development agreement, including the amount, terms and schedule of ad valorem tax reimbursement requires approval by the City Commission.

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 and developer information such as development team experience, property address, tax information, number of housing units, project financial resources and the use of those resources, and development pro forma. A copy of the Affordable Housing Ad Valorem Tax Reimbursement Incentive Program application is attached as Exhibit 2.

Project Overview

The Cove is a mixed-income, mixed-use project located near the intersection of US-1 and East Sunrise Boulevard, with 376 residential rental units, with ground level commercial and amenity space, parking garage, and infrastructure improvement to support the project. The project developer is Affiliated Development (Developer), dba 1055 N Federal, LLC. The project will offer 1, 2, and 3-bedroom apartments with 151 (40%) of the units to be set-aside as workforce housing at up to 120% of area median income (AMI) for 30 years and 225 market rate units. Workforce housing units are comprised of 114 1-bedroom units, 35 2-bedroom units, and two 3-bedroom units.

Funding Request

The developer's request is for a tax reimbursement of 100% of the increment revenue generated from an increase in the city's ad valorem taxes generated by the project for 15 years, with payments beginning in the first tax year after the project is in service. Current city ad valorem taxes received from the development site are \$34,189. Total project investment costs, including construction and soft costs, are estimated at approximately \$122 million. The developer estimates building construction to take two years, lease up to take 1 year, and building stabilization to occur in year four. Staff estimates additional city ad valorem taxes of \$382,000 to be generated in the first year of operation and approximately \$7.36 million in cumulative city ad valorem taxes over 15 years.

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 developers Needs Analysis, the annual differential between the market rate and affordable housing units produces a potential annual rental loss of \$684,579.

After reviewing the developer's request and additional information provided related to project costs and operating income, staff recommends a fifteen-year reimbursement of 100% of the city portion of ad valorem taxes based on the incremental increase of city ad valorem taxes based on the 2024 taxable value. The anticipated amount of incremental ad valorem tax revenue over fifteen years is approximately \$7.36 million, and staff further recommends payments be capped at a total amount not to exceed \$8,832,340 over the fifteen-year reimbursement period.

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

Resource Impact

The ad valorem tax reimbursement increment in the first year of the project is estimated at approximately \$382,000. The city will budget for tax reimbursement based on the preliminary tax roll in June and reimburse on evidence of taxes paid.

Strategic Connections

This item is a *2024 Commission Priority*, advancing the *Affordable Housing and Economic Development* initiative.

This item supports the *Press Play Fort Lauderdale 2029* Strategic Plan, specifically advancing:

- The Housing Focus Area: Goal 2: Enable housing options for all income levels.

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 – Resolution No. 23-231

Exhibit 2 – Affordable-Workforce Housing Tax Reimbursement Program Application

Exhibit 3 –The Cove Architectural Renderings

Exhibit 4 – Workforce Housing Incentive Agreement

Exhibit 5 – Resolution

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