

LAS OLAS IMPROVEMENT FUNDING TECHNICAL MEMORANDUM

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DATE: June 13, 2022

TO: Ben Rogers, Director of Transportation & Mobility - City of Fort Lauderdale, FL

FROM: Andrew Burnham, Vice President, Management & Technology Consulting – Stantec Consulting Inc., Peter Napoli, Senior Consultant – Stantec Consulting Inc.

RE: Las Olas Boulevard Mobility Plan - Improvement Funding Analysis

1. INTRODUCTION AND BACKGROUND

The City of Fort Lauderdale has contracted with Stantec Consulting Inc. (Stantec) in order to evaluate alternative funding options for the Las Olas Corridor Conceptional Design Vision Plan (Plan). The Plan is the culmination of multiple years of study and community engagement and identifies numerous improvements to the Las Olas Corridor. The improvements include lighting, streetscaping, utilities, and intersection improvements, among other improvements. The Plan segmented the corridor into five distinct character areas. The character areas are shown in Figure 1 and include from left to right Downtown, The Shops, Colee Hammock, The Isles and The Beach.

Figure 1- Character Areas



The geographic distinction of character areas also applies to the identification of the proposed improvements and the cost associated with the improvements. This analysis will rely on the findings in the Plan with regards to what improvements are needed where and at what cost.

2. PROJECT COST

In order to initiate the analysis, the cost of the proposed improvements was sourced from the Plan and is included in Table 1. Due to the potential timeline for securing



funding and finalizing the project, 2025 is the first year that construction could reasonably be assumed to begin. The cost figures from the Plan were inflated by 20% to bring the figures from 2021 dollars to estimated dollars in 2025.

Table 1 - Detailed Gross Project Cost

Improvement Type	Downtown	The Shops	Colee Hammock	The Isles	The Beach	All Area Total
Streetscape	\$ 1,167,883	\$ 2,164,234	\$ 1,751,825	\$ 6,569,343	\$ -	\$ 11,653,285
Landscaping	\$ 3,556,679	\$ 5,654,169	\$ 4,080,964	\$ 4,947,336	\$ -	\$ 18,239,148
Lighting	\$ 331,387	\$ 386,861	\$ 331,387	\$ 1,142,336	\$ -	\$ 2,191,971
Utilities	\$ 218,978	\$ 270,073	\$ 218,978	\$ 802,920	\$ -	\$ 1,510,949
Bridges	\$ -	\$ 14,599	\$ 3,722,628	\$ 547,445	\$ 33,284,672	\$ 37,569,344
Intersection and Midblock Improv.	\$ 1,569,343	\$ 310,219	\$ 912,409	\$ 5,912,409	\$ -	\$ 8,704,380
Other (Subsurface, etc.)	\$ 729,927	\$ 364,964	\$ 364,964	\$ 10,948,905	\$ -	\$ 12,408,760
Design	\$ 908,904	\$ 1,099,814	\$ 1,365,978	\$ 3,704,483	\$ 3,994,161	\$ 11,073,340
CEI	\$ 1,136,130	\$ 1,374,768	\$ 1,707,473	\$ 4,630,604	\$ 4,992,701	\$ 13,841,676
Maintenance of Traffic (MOT)	\$ 757,420	\$ 916,512	\$ 1,138,315	\$ 3,087,069	\$ 3,328,467	\$ 9,227,783
Contingency	\$ 1,037,665	\$ 1,255,621	\$ 1,559,492	\$ 4,229,285	\$ 4,560,000	\$ 12,642,063
Total Project Cost	\$ 11,414,316	\$ 13,811,834	\$ 17,154,413	\$ 46,522,135	\$ 50,160,001	\$139,062,699
Inflation Factor	20%	20%	20%	20%	20%	20%
Total Inflated Project Cost	\$ 13,697,179	\$ 16,574,201	\$ 20,585,296	\$ 55,826,562	\$ 60,192,001	\$166,875,239

The total project cost including inflation for all areas is approximately \$166.9M. In discussions with City staff, it was determined that the bridges were not suitable to be included in the Plan analysis. As such, the bridges cost was mostly removed with the exception of 5% remaining for The Beach. Table 2 restates the net project cost used in the analysis, inflating the costs in each line item by 20 percent and excluding the bridges cost. This yields a net total cost of approximately \$104.2M.

Table 2 - Net Project Cost

Improvement Type	Downtown	The Shops	Colee Hammock ⁽¹⁾	The Isles	The Beach ⁽²⁾	All Area Total
Streetscape	\$ 1,401,460	\$ 2,597,081	\$ 2,102,190	\$ 7,883,212	\$ -	\$ 13,983,942
Landscaping	\$ 4,268,015	\$ 6,785,003	\$ 4,897,157	\$ 5,936,803	\$ -	\$ 21,886,978
Lighting	\$ 397,664	\$ 464,233	\$ 397,664	\$ 1,370,803	\$ -	\$ 2,630,365
Utilities	\$ 262,774	\$ 324,088	\$ 262,774	\$ 963,504	\$ -	\$ 1,813,139
Bridges	\$ -	\$ -	\$ -	\$ -	\$ 1,997,080	\$ 1,997,080
Intersection and Midblock Improv.	\$ 1,883,212	\$ 372,263	\$ 1,094,891	\$ 7,094,891	\$ -	\$ 10,445,256
Other (Subsurface, etc.)	\$ 875,912	\$ 437,957	\$ 416,059	\$ 13,138,686	\$ -	\$ 14,868,614
Design	\$ 1,090,685	\$ 1,319,777	\$ 1,557,215	\$ 4,445,380	\$ 239,650	\$ 8,652,706
CEI	\$ 1,363,356	\$ 1,649,722	\$ 1,946,519	\$ 5,556,725	\$ 299,562	\$ 10,815,884
Maintenance of Traffic (MOT)	\$ 908,904	\$ 1,099,814	\$ 1,297,679	\$ 3,704,483	\$ 199,708	\$ 7,210,588
Contingency	\$ 1,245,198	\$ 1,506,745	\$ 1,777,821	\$ 5,075,142	\$ 273,600	\$ 9,878,506
Total Inflated Net Project Cost ⁽³⁾	\$ 13,697,179	\$ 16,556,682	\$ 15,749,969	\$ 55,169,628	\$ 3,009,600	\$104,183,058

⁽¹⁾ The following categories are represented at 95% for Colee Hammock due to the exclusion of bridge costs: Other, Design, CEI, MOT, and Contingency.

⁽²⁾ The following categories are represented at 5% for The Beach due to the exclusion of bridge costs: Other, Design, CEI, MOT, and Contingency.

⁽³⁾ Costs are rounded to the nearest cent but presented as whole numbers causing the totals to appear slightly off.

The City's total operating expenditures are \$363.1M according to the FY 2022 Adopted Budget. The total net project cost of \$104.2M is approximately 29% of the City's operating budget for FY 2022. Given the magnitude of the cost associated with the proposed improvements in the plan, the improvements will most likely be funded with a



debt issuance. The analysis assumes the debt issued to fund the improvements would have a repayment term of 30 years with an interest rate of 4.0% and cost of issuance of 2.0%. Table 3 shows the calculation of the estimated annual debt service requirement

Table 3 – Estimated Annual Debt Payment

Annual Debt Payment Calculation		Coele					All Area
	Downtown	The Shops	Hammock	The Isles	The Beach		Total
Net Project Cost	\$ 13,697,179	\$ 16,556,682	\$ 15,749,969	\$ 55,169,628	\$ 3,009,600		\$ 104,183,058
Estimated Annual Debt Payment ⁽¹⁾	\$ 807,951	\$ 976,624	\$ 929,039	\$ 3,254,274	\$ 177,526		\$ 6,145,415

⁽¹⁾ Term: 30 Years

Interest Rate: 4.0%

Cost of Issuance: 2.0%

4. FUNDING ANALYSIS

The analysis considered several different funding alternatives for the ongoing debt service or up-front costs associated with the proposed improvements, including the pros and cons of each method. The following describes the three funding alternatives considered which included the General Fund, Municipal Service Taxing Unit, and Municipal Service Benefit Unit.

4a. General Fund

The City's General Fund budget is currently balanced, and the total cost of the Las Olas improvements represent approximately 29% of the City's FY 2022 operating budget. Based upon the most recent adopted CIP, the City's General Fund appropriates approximately \$15M annually to fund the highest priority capital needs throughout the City. The City would likely have to increase general revenues through property taxes or proportionally cut expenses from other departments to fund the Las Olas improvements from the General Fund. To illustrate the magnitude of this project and the associated funding needs, it is important to understand that the City's entire budgeted property tax revenues for FY 2022 are approximately \$173M. The City would need to increase tax revenues by approximately 60% to fund the \$104.2M in proposed improvements. It could be problematic if the City chose to increase property taxes since a city-wide property tax increase would affect all taxpayers including those not directly benefitting or in the proximity of the improvements. While utilizing the City's General Fund has the least requirements in terms of legislature and legal provisions, it is not a financially feasible option for the City to move forward with.

4b. Municipal Service Taxing Unit

A Municipal Service Taxing Unit (MSTU) is a funding mechanism for the City to create, through approval of the Board of County Commissioners, a special taxing district to make improvements to a specific area or provide additional services based on community desires. MSTU's are funded by the collection of ad valorem taxes so the parcels included pay for the improvements according to their taxable value. The improvements to the Las Olas corridor could be funded through an MSTU which could be created to include all of the benefitting character areas. The revenues could be pledged towards the repayment of a bond and the millage rate would count towards the 10-mil cap for the properties affected.



4c. Municipal Service Benefit Unit (Recommended)

Municipal Service Benefit Units (MSBU) are funded by the collection of special assessments. The City could fund the proposed improvements to the Las Olas corridor with an MSBU or special assessment. One advantage of a MSBU is only the property owners within the benefit area pay for the improvements through a special assessment. Another advantage of a MSBU is that since it does not utilize ad valorem taxes, it will not count towards the 10-mil cap. The special assessments can be used to pledge revenues towards the issuance of a bond to pay for the improvements. The special assessment charge can be paid in full at the beginning of the assessment, or it can be combined with the annual property tax bill over the life of a bond.

5. PRELIMINARY MSBU CALCULATION (Funding Option 4c)

The following calculations are estimations and intended for feasibility purposes only. The numbers presented are not to be relied on for the establishment of an assessment program.

A MSBU or special assessment was identified as the most feasible available method of funding the improvements for the Plan. The FY 2023 preliminary budget includes \$100,000 to fund consulting services to move forward the creation of an assessment. In addition, the preliminary community investment plan includes \$7 million in recommended General Funds to be appropriated over the next three fiscal years as the City's contribution to move this initiative forward.

There are several methods of collecting MSBU assessments. In some instances, all parcel owners will pay an equal portion. In other instances, a property owner will pay proportionally to the benefit they receive from the proposed improvements. We investigated several approaches that would be appropriate for the Las Olas project and the two potential methods that fit best are described below.

5a. Parcel Basis

Utilizing a parcel basis as a method of collecting assessments means the estimated annual debt service for each character area would be divided by each character area's total parcels to calculate an annual assessment. This method would result in a unique assessment for each character area, however the parcels within each character area will pay the same amount despite difference in size or land use. Table 4 shows the estimated annual assessment using the parcel basis for calculation. The City also has the option to use the "All Area Average" by dividing the total debt service by the total parcels as shown in the right-most column of Table 4. The "All Area Average" would be a parcel basis assessment that would be the same for the entire benefit area.

Table 4 – Estimated Annual Assessment (Parcel Basis)

Calculation	Colee					All Area
Parcel Basis	Downtown	The Shops	Hammock	The Isles	The Beach	Average
Total Estimated Annual Debt Service	\$ 807,951	\$ 976,624	\$ 929,039	\$ 3,254,274	\$ 177,526	\$ 6,145,415
Parcels	1,190	487	366	2,344	2,039	6,426
Estimated Annual Assessment per Parcel	\$ 678.95	\$ 2,005.39	\$ 2,538.36	\$ 1,388.34	\$ 87.07	\$ 956.34



Administration and maintenance of the parcel basis assessments would be easiest for the City due to the simplicity of the approach. Utilizing the parcel basis, we calculated approximate annual assessments for a group of sample properties within each character area. Table 5 shows the annual assessments for each sample property within each character area and the “All Area Average”.

Table 5 – Sample Annual Assessments (Parcel Basis)

Parcel Basis Sample Property Description	Colee					All Area Average
	Downtown	The Shops	Hammock	The Isles	The Beach	
Single Family	\$ 679	\$ 2,005	\$ 2,538	\$ 1,388	\$ 87	\$ 956
Condo Unit (1)	\$ 679	\$ 2,005	\$ 2,538	\$ 1,388	\$ 87	\$ 956
Multi Family (250 Units)	\$ 679	\$ 2,005	\$ 2,538	\$ 1,388	\$ 87	\$ 956
Restaurant (6,000 sqft)	\$ 679	\$ 2,005	\$ 2,538	\$ 1,388	\$ 87	\$ 956
Hotel (250 Rooms)	\$ 679	\$ 2,005	\$ 2,538	\$ 1,388	\$ 87	\$ 956
Office Building (200,000 sqft)	\$ 679	\$ 2,005	\$ 2,538	\$ 1,388	\$ 87	\$ 956
Vacant	\$ 679	\$ 2,005	\$ 2,538	\$ 1,388	\$ 87	\$ 956

5b. Proportional Benefit Basis

Utilizing a proportional benefit basis for the collection of assessments will allocate the improvement cost on a more detailed level resulting in assessments unique to each parcel. In order to estimate proportional benefit, we used functional population estimates. The assessments are calculated for each parcel based on the size of the existing development (measured in square feet or dwelling units) and the estimated presence of population, or functional population, calculated for each land use type. Functional population accounts for residents, visitors, and workers traveling in and out of the City throughout the day and calculates the presence of population at the different land uses during the day. Table 6 shows the functional population per unit estimated for each land use present in the Las Olas corridor.

Table 6 – Functional Population per Land Use

Land Use Type	Units	Functional Population / Unit
Residential/Commercial - Vacant	N/A	N/A
Residential - Single Family	Dwelling Units	1.60
Residential - Multi-Family/Condominiums/Cooperatives	Dwelling Units	1.14
Commercial - Stores, Office, Retail, etc.	1,000 Sqft	0.00
Commercial - Airports, bus terminals, marinas	1,000 Sqft	0.00
Commercial - Restaurants, cafeteria	1,000 Sqft	0.00
Commercial - Drive-in restaurants	1,000 Sqft	0.00
Commercial - Financial institutions	1,000 Sqft	0.00
Commercial - Service Stations	1,000 Sqft	0.00
Commercial - Parking lots, mobile home parks	1,000 Sqft	0.00
Commercial - Nightclubs, cocktail lounge	1,000 Sqft	0.00
Commercial - Hotels, motels	Rooms	0.00
Industrial - Warehousing, distribution terminals	1,000 Sqft	0.00
Institutional - Churches, Clubs, lodges, union halls	1,000 Sqft	0.00
Institutional - Private Schools and Coll	1,000 Sqft	0.00
Institutional - Privately owned hospital	1,000 Sqft	0.00
Institutional - Homes for the aged, cultural organizations	1,000 Sqft	0.00

The City also has the option to use the “All Area Average” by dividing the total debt service by the total functional population units as shown in the right-most column of Table 7. The “All Area Average” would be a proportional benefit assessment that would be the same for the entire benefit area. Table 7 shows the estimated annual assessment per character area and the “All Area Average” using the proportional basis for calculation.



Table 7 – Estimated Annual Assessment (Proportional Basis)

Calculation	Colee					All Area Average
Functional Population	Downtown	The Shops	Hammock	The Isles	The Beach	
Total Estimated Annual Debt Service	\$ 807,951	\$ 976,624	\$ 929,039	\$ 3,254,274	\$ 177,526	\$ 6,145,415
Functional Population Units (FP)	6,528	2,528	1,081	3,525	5,111	18,773
Estimated Annual Assessment per FP	\$ 123.77	\$ 386.40	\$ 859.05	\$ 923.16	\$ 34.73	\$ 327.35

Administration and maintenance of the proportional benefit basis assessments would be more complex for the City due to the more detailed application the assessment rate and the varying functional population assumptions tied to specific land uses. Functional population was utilized to estimate the proportional benefits of each parcel. We calculated approximate annual assessments for a group of sample properties within each character area. Table 8 shows the annual assessments for each sample property within each character area and the “All Area Average”.

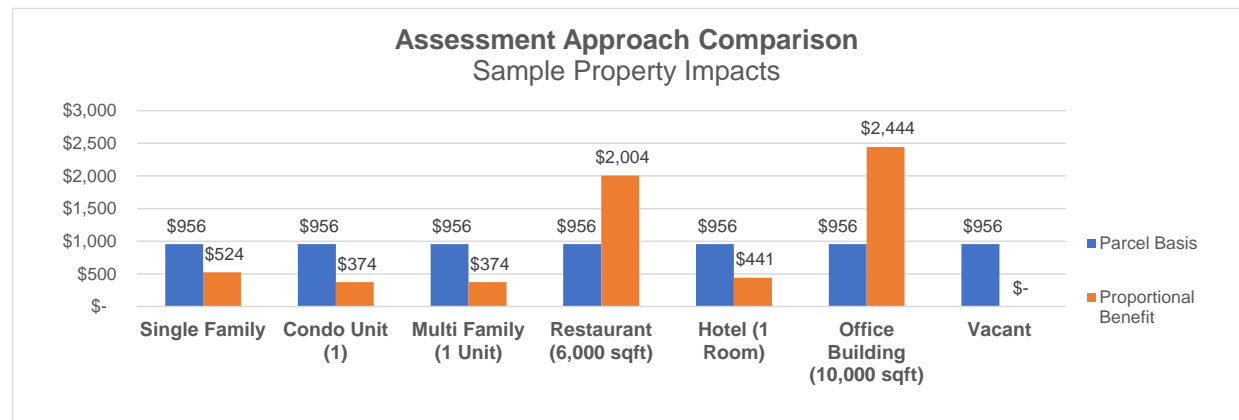
Table 8 – Sample Annual Assessments (Proportional Basis)

Functional Population Basis	Colee					All Area Average
Sample Property Description	Downtown	The Shops	Hammock	The Isles	The Beach	
Single Family	\$ 198	\$ 618	\$ 1,375	\$ 1,477	\$ 56	\$ 524
Condo Unit (1)	\$ 141	\$ 442	\$ 982	\$ 1,055	\$ 40	\$ 374
Multi Family (1 Units)	\$ 141	\$ 442	\$ 982	\$ 1,055	\$ 40	\$ 374
Restaurant (6,000 sqft)	\$ 758	\$ 2,366	\$ 5,260	\$ 5,652	\$ 213	\$ 2,004
Hotel (1 Rooms)	\$ 167	\$ 520	\$ 1,157	\$ 1,243	\$ 47	\$ 441
Office Building (10,000 sqft)	\$ 924	\$ 2,885	\$ 6,414	\$ 6,893	\$ 259	\$ 2,444
Vacant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Approach Comparison (5a compared to 5b)

The main difference that can be seen between the two approaches is the scalability of the proportional benefit assessments when compared to the parcel basis approach. Under the parcel basis approach, the “All Area Average” annual assessment would be the same for a parcel containing one condominium unit as a parcel containing an apartment complex with 100 units. For example, a 100-unit apartment complex would pay an “All Area Average” annual assessment of approximately \$37,400 (\$374 times 100 units) using the proportional basis approach versus \$956 using the parcel basis.

The following chart illustrates the difference in the estimated annual assessments calculated for the “All Area Average” using each of the proposed approaches. Note that the multi family and hotel categories would scale using the proportional basis by the number of units or rooms.



6. CONCLUSIONS & RECOMMENDATIONS

Stantec evaluated the City's funding options for the proposed improvements to the Las Olas corridor and we have made the following conclusions:

- 1) The establishment of a Municipal Services Benefit Unit (MSBU), or special assessment program, would be the most feasible approach based on the City's needs. A MSBU will allow the City to fund the improvements by recovering the cost directly from the benefitting properties in the Las Olas corridor. A MSBU could also be designed to recover the improvement costs from properties in proportion to their assumed benefit.
- 2) There are several allocation methods available to the City when determining an assessment methodology. There are two specific approaches that are described in detail in this report: the parcel basis and the proportional benefit basis, using functional population estimates.
- 3) The calculations included in this report are based on preliminary estimations and are intended for feasibility purposes only. If the City chooses to proceed with the MSBU assessment funding approach in the future, we recommend the following initial steps are taken:
 - The City finalizes the cost estimates relating to the proposed Las Olas improvements.
 - The City coordinates with bond counsel to ensure all requirements are identified and met related to a future bond issuance that utilizes an MSBU as a pledged revenue source.
 - The City engages a consulting firm to finalize the special assessment program using the final cost estimates and final allocation method. The consulting firm will finalize calculations, deliver a report that memorializes the methodology, and deliver a final tax roll of the calculated assessments per parcel.
- 4) In the event the City proceeds with the MSBU funding approach, the City should plan for the following procedural elements which are necessary to include an assessment on the property tax bill:
 - The City adopts a resolution of intent to use the uniform method of tax collection. An advertisement of the meeting to adopt the resolution of intent must be run in a local newspaper once per week for four consecutive weeks leading up to the hearing. The resolution of intent must then be sent to the Property Appraiser and the Tax Collector by January 1.
 - The City publicly advertises a notice ten days prior to the Commission meeting to adopt an ordinance to authorize the imposition of special assessments.



- The City schedules two public hearings (tentative and final) to consider adoption of the proposed MSBU. Twenty (20) days prior to the public hearing to adopt the MSBU assessment, the City publishes a legal advertisement in a newspaper of general circulation and mail first class notices stating the public hearing date to all affected property owners.
- Upon the final adoption of the MSBU, assessment rolls must be prepared. Such rolls shall be certified and transmitted to the Property Appraiser and Tax Collector by September 15 for billing and collections in the upcoming tax year.

