

## MEMORANDUM

DATE: February 12, 2004

TO: City of Lakeland Community Redevelopment Agency

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RE: Tax Increment Analysis and Projections

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In estimating potential tax increment revenue flows within the CRA, we have prepared low, medium and high development scenarios (Tables 1.0, 2.0 and 3.0). These multiple scenarios should provide the CRA the ability to determine its options relative to the level of commitment to encourage the types of residential development that will enhance the downtown living options. The increased number of units will significantly improve the resident disposable income to support existing and future commercial activity.

In addition to the specific factors described below, we considered other experiences with comparable development potential, our own experiences with these kinds of situations, and the current level of tax increment now reported for the downtown area. It is, in our opinion, probably a conservative analysis and useful primarily for planning purposes.

## **MAJOR CONSIDERATIONS**

The tax increment projections reflect three development scenarios keyed to the following factors:

- Total number of residential units and commercial space generated by each.
- The timeline, over a 15-year period, in which the phasing of the developments would be completed.
- The overall costs associated with the developments

### **Factor #1- Number of units and commercial space generated**

Based on the CRA's desire to encourage residential living in downtown, the projections concentrated on the various types of housing products that could be developed.

For purposes of this analysis, these fell into three categories- multi-family (both rental & for sale), townhouses (for sale), and single family (for sale). The density options for these products ranged from 4/5 units per acre for single family; 8/12 units per acre for townhouses; to 18-75 units per acre for multifamily. A neighborhood commercial (retail & restaurant) component was added to the mix once a certain total of residential units were completed. As a source of revenue, obviously, the greater the total number of units and square footage of retail, the greater the increment. These densities vary by scenario and reflect some ability for individuals as well as developers to participate in the areas improvement potential.

### **Factor #2-Timeline of development**

Each of these scenarios includes a timeline for possible development completion. Again, the elements that dictate the sequencing of development relate to the level of City/CRA commitment, the private sector response to this commitment, property ownership and land assembly issues and general economic market conditions (i.e. interest rates, job generation, etc.) Tables 1.0, 2.0, and 3.0 have shown a 15-year time frame; chosen since this is the normal length of time for CRA bond financing.

In effect, a 2-3 years period to begin mobilizing and development is captured in these various scenarios. There is a subsequent delay as improved properties are added to the tax rolls. From a tax increment perspective, the sooner the developments are completed, the faster the revenues flow into the trust fund.

### **Factor #3 Construction costs of development**

The final factor in tax increment revenue generation is the assessed value of the developments. Higher density development will generate the greatest tax increment return per square foot. The higher density will provide greater disposable household income, creating a stronger market for commercial development, which is taxed at a higher rate than residential construction.

In all cases, the current operating millages are held constant (at 13.716 total mills) through the projection period and the annual growth factor was pegged at a conservative 1.5%.

## **Summary of Lakeland's Development Opportunities**

The question may be asked as to why would Lakeland would be attractive to private investment and why now? The fact that the city is willing to produce this document indicates the desire to expand the community's vision in its continuing effort to improve its quality of life. As Lakeland moves forward into the implementation phase a number of factors will become increasingly clear to the private development and investment community. Some of these include the following:

- Current commitment to influence positive changes through planning and regulatory activities, investing in infrastructure and providing public resources to assist in implementation;
- Development sites are available within in the jurisdictions of both the LDDA and the CRA that have resources specifically designed to enhance opportunities;
- The city has demonstrated an ability to successfully implement complicated infrastructure projects;
- Lakeland has been recognized for the high quality of its public improvements as well as its capacity to maintain them;
- Lakeland's juxtaposition between the dynamic growth centers of Tampa and Orlando will continue to provide a strong market base for development;
- Lakeland has a number of close-in neighborhoods that are significantly increasing in value;
- Urban living has become a national trend for communities large and small and those recognizing and prepared for it have benefited from major inflows of investment.