

MEMORANDUM

TO: MAYOR AND CITY COMMISSION
FROM: CITY ATTORNEY'S OFFICE
DATE: July 19, 2021
RE: **Tax Increment Financing Agreement with 725 E. Orange LLC for Improvements to 721 and 725 E. Orange Street and 0 Lake Avenue**

Attached for your consideration is a Tax Increment Financing (TIF) Agreement with 725 E. Orange LLC for properties the entity owns at 721 & 725 East Orange Street and 0 Lake Avenue. The site consists of parcels 24-28-18-205000-023031, 24-28-18-209500-000040 and 24-28-18-209500-000052, totaling 40,510.8 SF (0.93 acres) of land.



The developer of the properties is proposing to construct five 3-story buildings, consisting of thirty-two (32) apartment units and on-site surface parking. Hard costs for the project are estimated to be \$3,760,300, with an additional \$442,554 in soft costs and \$891,825 in land acquisition costs, bringing total development costs to approximately \$5,094,679. Renderings and proposed plans are attached to the

Agreement for reference, and plans will be submitted to the Building Division for permitting.

The Tax Increment Financing program allows qualified developers to receive a reimbursement of tax increment funds collected by the Lakeland Community Redevelopment Agency (CRA). The reimbursement is based on incremental revenue collected due to increases in the property's taxable value resulting from the investment made in the real estate. The standard term of reimbursement under the TIF program is five (5) years, beginning in the year following the project's receipt of a Certificate of Occupancy, with the developer receiving a reimbursement of 50% of the tax increment generated in the first year and reimbursement of that same dollar amount each of the next four years, for a total of five years, conditioned upon proof of payment of property taxes.

725 E. Orange LLC requested consideration of a modified 5-year TIF Agreement, with 100% reimbursement of tax increment for years 1 through 3, and 80% for years 4 and 5. Based upon estimated project costs, TIF payments under this modified TIF Agreement are projected to total \$201,248.31 over the five years, while TIF payments under the standard TIF Agreement would be an estimated \$109,374.08 over the five years.

The CRA Advisory Board reviewed the request and recommends approval of a hybrid TIF Agreement, under which the Developer will receive 100% reimbursement for years 1 and 2, and 50% for year 3. Total TIF payments under the Advisory Board's hybrid approach are projected to total \$109,374.08, the same total estimated under the standard TIF agreement, but more front-loaded. Staff agrees with the Advisory Board's recommendation and recommends that the City Commission, acting as the City's Community Redevelopment Agency, approve the attached Tax Increment Financing Agreement with 725 E. Orange LLC, providing for 100% reimbursement for years 1 and 2, and 50% for year 3, and authorize the appropriate CRA officials to execute the Agreement.

Attachments

Developer Agreement

Tax Increment Benefits

This agreement (the “Agreement”) is made this _____ day of _____, 2021, by and between the City of Lakeland Community Redevelopment Agency, a public body corporate and politic created pursuant to Part III, Chapter 163, Florida Statutes (the “LCRA”), and 725 E Orange LLC (the “Developer”).

Whereas, the City of Lakeland City Commission, as the Community Redevelopment Agency for the Lakeland Community Redevelopment Area, has the authority to contract with private developers for Tax Increment Benefits; and

Whereas, the Developer proposes to complete substantial renovations or improvements to the real property located at 721 & 725 East Orange Street and 0 Lake Avenue, Lakeland, FL 33801 and more specifically described in Exhibit A attached hereto (the “Property”); and

Whereas, the current assessed value of the Property, as certified by the Polk County Property Appraiser, is _\$132,141.00¹_; and

Whereas, the Developer has confirmed that the proposed renovations or improvements to the Property, said renovations and improvements being more specifically described in Exhibit B attached hereto (the “Project”), have an estimated value equal to or exceeding fifty percent (50%) of the current total assessed value of the Property; and

Whereas, the Developer has presented, and the Community Redevelopment Area Advisory Board as advisory board to the LCRA, has approved, the Project for receiving Tax Increment Benefits; and

Whereas, upon completion of the Project, the Polk County Property Appraiser will reassess the Property for Ad Valorem Tax purposes;

Now, therefore, the LCRA and the Developer agree as follows:

1. The foregoing findings are incorporated herein by reference and made a part hereof.
2. Beginning in the year immediately following the year in which the Project is completed and continuing for a total of three (3) years, the LCRA shall make a single annual payment to the Developer in an amount calculated according to the following equation, as adjusted in accordance with the schedule set forth in Paragraph 3 below:

Assessed Value (Post Improvement) – Pre-Construction Assessed Value (Base Year)
X Combined Millage Rates of Polk County, City of Lakeland and the Lakeland Area

¹ 2020 County Taxable Value as of May 2021

Mass Transit District, and all other taxing authorities then required by law to deposit increment taxes into the Community Redevelopment Trust Fund X 95%.

For the purposes of this calculation, the Post-Improvement Assessed Value of the Property shall be determined each year from the records of the Polk County Property Appraiser. The “Base Year” shall be the year in which the Project is completed. A Project shall be deemed completed when the City issues a Certificate of Occupancy, Certificate of Completion or other official acknowledgement indicating completion of the Project in accordance with all applicable regulations. “Year One” shall be the year immediately following the Base Year. In the event the Property Appraiser has not reassessed the Property after completion of the Project, and, as a result, the assessed value of the Property in Year One has not increased above the assessed value for the Base Year, the Base Year shall be deemed to be the year immediately following the year in which the Project is completed and Year One shall be the year immediately following the revised Base Year. However, in no event shall the base year be further revised.

3. The Developer will receive the benefits as calculated above, subject to the following declining schedule:

Year One	100%	Year Three	50%
Year Two	100%		

4. Prior to payment, the Developer shall provide the LCRA with proof of payment of taxes for the Property. The LCRA shall, within 30 days of the receipt of such proof or at such time as sufficient revenues have been deposited into the Downtown Redevelopment Trust Fund, whichever occurs last, cause disbursement to the Developer of payment in the amount calculated according to the above equation and declining schedule.

5. In the event this Agreement or any provision of this Agreement is for any reason held illegal or unenforceable by a court of competent jurisdiction, the parties shall attempt in good faith to negotiate a new agreement or provision that is legal and enforceable and that effectuates the intent and purpose of this agreement. To such extent, the provisions of this agreement shall be deemed severable.

6. Nothing in this Agreement shall operate or be construed to compel the City Commission of the City of Lakeland, the LCRA, or any other taxing authority to either directly or indirectly levy ad valorem taxes or otherwise exercise its taxing power to fund any obligation created by this Agreement.

7. The benefits and obligations of this Agreement are not assignable and shall terminate upon the sale or transfer of the property.

8. This Agreement represents the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes any prior understandings or agreements between the parties. No modifications to this Agreement shall be enforceable unless in writing and executed by both parties hereto.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the day and year first above written.

DEVELOPER:

Kristi Lawrence
725 E Orange LLC

LAKELAND COMMUNITY
REDEVELOPMENT AGENCY:

Kelly S. Koos, City Clerk

By: _____
H. William Mutz, CRA Chairman

Approved as to form and correctness: _____
Palmer Davis, City Attorney

EXHIBIT A

Address: 721 East Orange Avenue, Lakeland, FL 33801
725 East Orange Avenue, Lakeland, FL 33801
0 Lake Avenue, Lakeland, FL 33801

Parcel ID: 242818-205000-023031
242818-209500-000040
242818-209500-000052

Legal Description: MORTONS ADD DB Q PG 79 BLK W LOT 3 E1/2
AND
TYLER ROB SUB PB 3 PG 6 LOTS 1 TO 4
AND
TYLER ROB SUB PB 3 PG 6 LOT 5 W 47.5 FT

Value Summary (2021)

Land Value	\$49,140
Building Value	\$83,001
Misc. Items Value	\$0
Total Taxable Value (County):	\$132,141



Renderings

(see attached)

EXHIBIT B



VIEW 01.

ORANGE STREET APARTMENTS | THE LUNZ GROUP | 03.30.2021

LIC: AAC001580

THE
LUNZ
GROUP



VIEW 02.

ORANGE STREET APARTMENTS | THE LUNZ GROUP | 03.30.2021

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VIEW 03.

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VIEW 04.

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VIEW 05.

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VIEW 06.

ORANGE STREET APARTMENTS | THE LUNZ GROUP | 03.30.2021

LIC: AAC001580

THE
LUNZ
GROUP

Dear Downtown CRA Advisory Board:

The Orange St. Development will be built by 725 E Orange LLC on the property located at 725 E Orange St., 721 E Orange St. and 0 Lake Ave., which is in the Garden District of Downtown Lakeland. The Development will consist of five, 3 story buildings, having a total of (32) apartment units, with a mix of one- and two-bedroom apartments. The Development Review Committee granted approval of the design of the Development on January 28, 2021. This approval was sought to be consistent with the City's Redevelopment plan. This will help the City meet their goals of enhancing and maintaining the historic character of Downtown.

The Property was purchased on October 29, 2020 for \$880,000.00. The current assessed value of the lots are \$132,141.00. The Developer's hard costs for the Development are projected to be \$3,760,300.00 with an additional \$442,554.00 in soft costs and \$891,825.00 (includes closing costs) in land acquisition costs, bringing the total development costs to approximately \$5,094,679.00. These hard costs were estimated in September of last year (2020). We are in the process of getting an update budget and expect it to be significantly higher.

We are seeking a TIF Agreement that would reimburse the tax increment generated from the Development over a five (5) year period, with a reduction to the reimbursement over the five (5) year period as follows: 100% for years 1, 2 and 3, 80% for years 4 and 5. We are requesting this increment due to significant costs associated with the development of this particular parcel.

The cost of land was significantly higher because of the two existing structures on the lot. One of which (the two story building) had a negative opinion from anyone I spoke with who was familiar with the property. We have allowed for salvage of the materials from this building which was then demolished on May 17, 2021. The single story structure is in the process of being relocated to a vacant lot on Lime st. owned by Gregory Fancelli. I'm working with him to facilitate this process. All three parcels equal about one acre. The average cost of an acre in this area is \$400,000. We paid more than twice as much to acquire this property.

We've made a conscious effort to put an appropriate number of apartments on this lot that is not too dense for the neighborhood. As well as, design the project so that it complements the historic nature of the Garden District. In doing this, our cost per unit is significantly higher than it otherwise could have been.

Also, we broke ground on April 22, 2021 for our Development of 22 units on Lemon St. in the Garden District. Unfortunately, the cost of materials has skyrocketed over the last six months and there was an increase of almost \$500,000 in costs to this project. A few weeks ago, I received another cost increase of \$215,000 for this project. If these costs continue to rise it could put the Development on Orange St. in jeopardy and make it no longer financially feasible.

The TIF Agreement we are requesting of the City is a reasonable request due to the excessive costs involved to construct these units and the payment of the reimbursement is truly a non-out-of-pocket incentive. Therefore, we are simply asking the CRA for help through a TIF agreement.

Thanks for your consideration.

Best Regards,

Jason Lewis