

POMPANO BEACH CRA

ANALYSIS OF ECONOMIC IMPACT OF OLD TOWN SQUARE

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PMG Associates, Inc.

**MEASUREMENT OF ECONOMIC IMPACTS
OLD TOWN SQUARE
POMPANNO BEACH CRA**

INTRODUCTION

The firm of PMG Associates, Inc. (PMGA) has been engaged by the Pompano Beach CRA to determine the economic impact of the proposed mixed use development by Cavache Properties, LLC located on 1.71 acres at NE 1st Avenue and NE 2nd Street. The project will consist of 282 units and 5,433 square feet of commercial space. The net square footage for all uses is 486,521 square feet.

The developers have requested a tax subsidy of \$7.8 million for the project due to the limited lease rates that do not permit the development to generate a sufficient return on investment. This report will evaluate the revenue generated from the project to determine if the project will sustain itself.

This analysis will address two aspects of the proposals including: (1) measure the economic impact of the proposals including funds accruing to the CRA, and (2) funds accruing to the General Fund of the City of Pompano Beach.

1. DEVELOPMENT PROGRAM

The components of the project are as follows;

**TABLE 1
DEVELOPMENT SCENARIO**

Use	Square Footage
Commercial	5,433
Storage	6,624
Parking	134,000
Pool Deck	14,224
Colonnade	10,085
Balconies	8,382
Unit Terraces	3,766
Amenities	8,302
Net Square Footage Units	204,381
Roof, Mezzanine, Eye Brows	69,566
Total	486,521

The units average 713 square feet and are distributed as follows:

2 Bedroom	65
1 Bedroom	186
Studio	31

2. REVENUE IMPACT TO THE CRA

The revenue source for the CRA from this project consists of Tax Increment Financing (TIF).

To arrive at the Taxable Value, methods used by the Broward County Property Appraiser's Office were evaluated. Typically, the initial valuation of an income producing asset will be at 85% of Project Cost. Later, this method will be altered to account for lease rates, vacancies and other use factors. For this valuation, the 85% of the construction portion of the Project Cost factor was used.

We acknowledge that the report submitted by Walker and Dunlop sets a Capitalized Value of \$80.3 million. However, this value is established based on a Net Income and a Capitalization Rate. For the TIF projections, it is necessary to use the Taxable Value. The Taxable Value estimate is described above.

The next factor is the rate applied for TIF purposes. Under State law, TIF is applied to operating millage rates only. Those rates that apply for Debt Service are excluded. Additionally, millage rates for School Districts and those taxing authorities that cross county boundaries are also exempt. Under the agreement with Broward County, the County millage rate ends in the year 2020. For this analysis the City millage rate of 5.1361 is the only one that applies.

The TIF amount is further reduced by the 5% Administrative Charge that is retained by the City.

The Taxable Values for the project are estimated to grow at a rate of 4%. As expressed in Table 2, the full TIF amount collected over the 20 years is estimate at \$7.8 million.

TABLE 2
TIF PROJECTIONS

Program Year	Calendar Year	Taxable Value	TIF	Cumulative TIF
1	2021	\$53,550,000	\$261,286	\$261,286
2	2022	\$55,692,000	\$271,738	\$533,024
3	2023	\$57,919,680	\$282,607	\$815,631
4	2024	\$60,236,467	\$293,911	\$1,109,543
5	2025	\$62,645,926	\$305,668	\$1,415,211
6	2026	\$65,151,763	\$317,895	\$1,733,105
7	2027	\$67,757,833	\$330,610	\$2,063,716
8	2028	\$70,468,147	\$343,835	\$2,407,551
9	2029	\$73,286,873	\$357,588	\$2,765,139
10	2030	\$76,218,348	\$371,892	\$3,137,031
11	2031	\$79,267,081	\$386,767	\$3,523,798
12	2032	\$82,437,765	\$402,238	\$3,926,036
13	2033	\$85,735,275	\$418,328	\$4,344,364
14	2034	\$89,164,686	\$435,061	\$4,779,425
15	2035	\$92,731,274	\$452,463	\$5,231,888
16	2036	\$96,440,525	\$470,562	\$5,702,450
17	2037	\$100,298,146	\$489,384	\$6,191,834
18	2038	\$104,310,072	\$508,960	\$6,700,794
19	2039	\$108,482,474	\$529,318	\$7,230,112
20	2040	\$112,821,773	\$550,491	\$7,780,602

3. IMPACT TO THE CITY

The City of Pompano Beach General Fund will also generate revenue from the new project. Revenue from the following sources is considered here.

- The 5% Administrative Fee from the TIF
- Utility Taxes
- Franchise Fees
- Communication Service Taxes
- Intergovernmental Revenue (State Shared Revenue, ½ Penny Sales Tax, Gas Tax, etc.)

The Annual Budget was the source to estimate the revenue collected from these categories.

Many of the revenue sources are estimated based on the increase in population. The estimate for the 282 units is a population of 482, based on the bedroom configuration.

5% Administrative Fee

Over the 20 years, this source will generate \$409,500.

Utility Taxes

Based on an estimate of \$74.92 per capita, this source generates \$36,111 annually, or \$722,200 over the 20 years.

Franchise Fees

Based on an estimate of \$74.01 per capita, this source generates \$35,673 annually, or \$713,500 over the 20 years.

Communications Services Taxes

Based on an estimate of \$45.69 per capita, this source generates \$22,023 annually, or \$440,400 over the 20 years.

Intergovernmental Revenue

Based on an estimate of \$120.71 per capita, this source generates \$58,182 annually, or \$1,163,600 over the 20 years.

Other sources such as Water and Sewer Charges and Sanitation Fees are not considered here since they are not part of the General Fund.

TABLE 3
REVENUE ACCRUING TO THE CITY OF POMPANO BEACH

Source	20 Year Revenue
Administrative Fee	\$ 409,500
Utility Taxes	\$ 722,200
Franchise Fees	\$ 713,500
Communications Service Taxes	\$ 440,400
Intergovernmental Revenue	\$1,163,600
Total	\$3,449,200

Note: These projections are based on current values and do not include a rate increase.

4. COMMUNITY BENEFITS

Employment

The project will generate a significant amount of jobs during the construction period. An estimate is based on the distribution of the project cost between materials and labor. For large projects of this size, the typical distribution is 60% materials and 40% labor. For the \$63 million project cost, this distribution results in an estimate of \$25,200,000 in labor costs.

Using an average salary expense of \$50,000 per job (direct salary and fringes), this assumption results in a total of 504 Full Time Equivalent (FTE) positions. Although many construction workers spend various time on the project, the FTE equates to a person working full time on the project. The 504 construction jobs cover a two year construction period, making an annual FTE estimate of 252.

Permanent employment is generated through the commercial space in the project as well as administrative, support and maintenance personnel for the residential segment of the project. The estimate for the residential and parking segment is an FTE of 6. For the commercial space, the estimate of employment is one employee for every 350 square feet of space, resulting in an employment figure of 15.

The total employment for the project is as follows:

Period	Number of Employees (Annual FTEs)
Construction	252
Permanent	21

Spin-Off Impact

Due to the size of the project and the lack of existing signature projects in the immediate area, the Old Town Square will likely spin-off additional development and economic impact. Spin-off economic impact is due to the spending of the residents of the housing units and increased activity in the vicinity of Old Town Square.

The best measure of the spin-off effect is the use of the RIMS II Model by the United States Department of Commerce. This model develops a Multiplier for individual counties and industries. The Multiplier for a project like Old Town Square is 1.83. This figure means the total impact is 1.83 times higher than the direct spending and employment generation.

The designation of the economic impact is referred to as Throughput. Throughput is defined as the aggregate economic activity generated from a project. For Old Town Square, Throughput is measured by the lease payments of the tenants, Retail Sales from the commercial space and Retail Sales generated from the residents of the apartments.

Leases

As stated in the Walker & Dunlop report, the annual lease payment are \$4,014,193.

Retail Sales from Commercial Space

The average Retail Sales per square foot as defined by Environics Analytics is \$300 annually, generating total sales of \$1,629,900.

Retail Sales from Residents

Environics Analytics has established the annual Retail Sales per household for this area at \$13,422, generating a total of \$3,785,004.

Applying the Multiplier results in the figures in Table 4.

TABLE 4
DIRECT AND TOTAL ECONOMIC IMPACTS

Category	Direct Impact	Total Impact
Throughput		
Lease Payments	\$4,014,193	\$ 7,345,973
Retail Sales – Commercial Space	\$1,629,900	\$ 2,982,717
Retail Sales – Residents	\$3,785,004	\$ 6,926,557
Total	\$9,429,097	\$17,255,247
Employment		
Permanent Employment	21	38

SUMMARY

It is assumed that the subsidy will be paid out on an annual basis as Tax Revenues are generated. The TIF projections from the project is sufficient to meet the subsidy requested. The TIF generation over the 20 years is \$7.8 million.

In addition, the City of Pompano Beach also generates revenue which could be considered when addressing subsidies. The City General Fund generates an additional \$3.4 million over the 20 years.