Falling property values hit Manatee redevelopment agencies hard

By DUANE MARSTELLER
dmarsteller@bradenton.com

MANATEE -- Hundreds of agencies formed to combat slum and blight throughout Florida now are battling a different adversary: shrinking budgets.

Plunging property values are financially crimping the state’s 204 community redevelopment agencies or CRAs, including several in Manatee County.

While not all are in distress, some have been forced to scale back revitalization plans, delay projects such as park improvements and new sidewalks, and/or tap their reserves to cover the bills. Others have borrowed or expect to borrow money from their sponsor governments to stay afloat.

None, however, have gone belly-up or defaulted on their debt obligations because of the financial pinch. But it might only be a matter of time before it happens, experts say.

“I’m surprised there haven’t been at least some by now,” said Phil Gonot, vice president of PMG Associates Inc., a Deerfield Beach economic, marketing and management consulting firm whose clients include several CRAs. “It still could happen. We still haven’t hit bottom.”

Financially dependent

The culprit is how the agencies are funded, making them financially dependent on property values.

Their primary source of money is tax increments, or property taxes collected on increases in property values within their designated redevelopment zone.

For example, a CRA formed when its zone’s tax base was $100 million but now is $110 million would receive up to 95 percent of taxes levied on the $10 million increase. The remaining percentage, plus all taxes collected on the original value of property, continue to flow to local governments.

That setup works when property values keep rising, or at least stay above the original tax base. But when property values drop, so does the amount of money the CRA gets.

And when values drop below the original tax base, the CRA gets nothing -- a scenario that several in Florida are or soon could be facing.

Among them is the South County Community Redevelopment Agency, which covers 2.7 square miles in southern Manatee that includes the Pride Park community.

The county created the agency in 2002, when the CRA zone’s tax base was $330.5 million. It rose every year until peaking at $560.7 million in 2007, filling the agency’s coffers with more than $1.5 million that year, according to county records.

Values have dived since then, with the CRA’s tax base projected to drop to $345.8 million next year -- generating an estimated $100,560 for the agency.
That means the CRA, which has previously improved Pride Park, installed street lights and sidewalks, and paid for additional law-enforcement patrols, won’t do any planned projects for a while after completing a sidewalk along a portion of 11th Street East. “Our focus next year is going to be maintaining what’s already put in,” said Cheri Coryea, the county’s neighborhood services director, whose department administers the CRA, as well as another one along 14th Street West. “We won’t be able to do anything new for a while.”

The casualties include a planned sidewalk along 12th Street East between 57th Avenue East and 61st Avenue Terrace East. It has been indefinitely postponed, she said.

Trouble statewide

The financial squeeze isn’t limited to Manatee.

Port St. Lucie’s CRA expects to be in the red and require a city subsidy in 2013 to cover debt payments because property values have dropped by more than half in five years, said Greg Oravek, assistant city manager.

“It can’t entertain any new projects at this point,” he said of the CRA. “All it can do is do what it is already committed to do.”

Just north of Port St. Lucie, the Fort Pierce Redevelopment Agency’s tax-increment revenue has fallen by more than 60 percent in just three years, said Jon Ward, its director. That has forced the agency to suspend all programs, shelve planned projects such as a $3.5 million park renovation and make plans to borrow money from the city.

Further south, Boca Raton already is subsidizing its debt-laden CRA, which is projected to collect about $8 million over five years, but spend $9.5 million on already incurred debt, according to media reports.

Several other CRAs in South Florida also are struggling because that’s where property values have fallen the most, said Carol Westmoreland, executive director of the Florida Redevelopment Association.

“South Florida has been hardest-hit,” she said.

Older CRAs doing better

Not all CRAs are feeling the pinch equally. Experts said those that are older, have a greater proportion of commercial property in their zone and/or were restrained in their previous spending are faring relatively well.

“The commercial ones are holding up a little bit better, but they’re all having to tighten up because the (tax-increment) revenues are not there like they once were,” said James Murley, former director of Florida Atlantic University’s defunct Center for Urban and Environmental Solutions.

Officials of three local CRAs say their agencies fit that description.

Palmetto’s CRA is sitting on a “healthy” reserve because the agency limited prior spending through the use of state and federal grants and public-private partnerships, said Jeff Burton, its executive director.

Also helping: The agency was formed in 1985, allowing it to build a two-decade cushion of equity -- largely from the Riviera Dunes mixed-use project and a new Walmart -- before property values began dropping.

Still, the agency will have to make do with less: It expects tax-increment revenue to drop by 6 percent, or roughly $180,000, in the next fiscal year, Burton said.

Although the Bradenton Beach CRA’s tax-increment revenues have fallen by half since 2007, it expects to pay off an already completed rehabilitation of the city’s pier and begin planning the next pier project late next year, Mayor Bob Bartelt said.
“We’re OK for now,” he said. “We should be OK for a while. What’s going to happen in the future, we’ll have to sit down and sharpen our pencils and look at it.”

The Bradenton Central CRA also has been able to continue current efforts despite tax-increment revenue dropping from $1.8 million to less than $1 million in three years, said Sherod Halliburton, its executive director.

The decline would have been even steeper if it wasn’t for improvements at Tropicana’s Bradenton facility, he said. But the agency also has had to tighten its belt.

“We’re at the point now where we can’t make any long-term commitments beyond what we’ve already done,” Halliburton said. “We’re tapped out.”

Duane Marsteller, Herald staff writer, can be reached at 745-7080, ext. 2630.

Going, going

Manatee County’s six community redevelopment agencies have seen sharp declines in their revenues because of falling property values.

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Source: Manatee County Property Appraiser’s Office