

A Primer on CRA's in Daytona Beach

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What is a CRA?

A CRA is a Community Redevelopment Agency or a Community Redevelopment Area. State authorization for CRA's was passed in 1969 and became Chapter 163 of the Florida Statutes.

Daytona Beach currently has four Community Redevelopment Plans, comprising five Redevelopment Districts: Midtown, Main Street, Downtown, Ballough Road, and South Atlantic.

How Does a CRA Happen?

A CRA comes about in four distinct steps:

1. Findings of necessity slum or blight
2. Prepare the CRA Plan
3. Set the CRA area
4. Create the TIF (Tax Increment Financing)

First, an area is designated as a slum or a blight area.

Vacant land with trees has been declared blighted, and it wasn't long ago that there was talk of putting the Volusia Mall and the Speedway in a CRA. Now how can any reasonable person think this area could be blighted? However, the money is hard to resist (more on that in a bit). Now we are hearing about declaring our ocean frontage as

a potential CRA. To designate this area blighted is ludicrous and violates the intention of Florida Chapter 163.

Second, the CRA Plan is prepared. If a proposed development or something similar is not in the Plan, you can not do it.

The recent CRA audit found Daytona Beach in violation because the City did things not specified in the CRA plans. Yes, the Plans can be amended and then some of these practices would be allowed. But the point of a plan is to provide guidelines about acceptable practices. I dare say there are few if any residents that have any idea what the CRA plans are, what the goals of the CRA's could possibly be, when things will get done, or what will get done. So these plans have been a legal requirement but not used as an informational or administrative tool. It should be noted that Daytona Beach's current Redevelopment Director will assure that expenditures will be in accordance with the CRA plans. (What a novel idea).

Third, the CRA area is set. A CRA is a specified geographic area. For example, the Main Street CRA is in the area generally described as being bounded on the north by Oakridge Avenue, on the west by the Intracoastal Waterway, on the south by East International Speedway Blvd. and on the east by the Atlantic Ocean.

Fourth, the Tax Increment Financing (or TIF) is created.

An Example of a CRA in Practice

Let's say there is an area of genuine blight. If the city invests money in the blighted area by buying property, demolishing buildings, installing streets, parks, utilities, playgrounds, etc., the rest of the area should then become less blighted. Private investors might see the potential of the area, homeownership pride may be restored, and tax revenues should increase from increased property values. This should enable better police protection and a higher standard of living for those in this area. This sounds like a wonderful plan indeed.

Where Does the Money Come From?

TIF illustration using the Main Street CRA:

2007 Total Taxable Value	\$668,961,987
- Base Year (1981)	<u>\$ 68,695,639</u>
= CRA Taxable	\$600,266,348
Daytona Beach Operating	
Millage Rate	<u>5.17491</u>
2007 Total Revenue	
From Daytona's General	
Fund	<u>\$ 3,106,324.</u>

This CRA gets funds from more than just Daytona Beach's General Fund. It also gets funded by:

Volusia County – General Fund
Volusia County – Echo
Volusia County – Forever
Volusia County – Mosquito Control
Volusia County – Ponce Inlet Port Auth
Halifax Hospital

(Note that the Schools are held harmless: they do not have to fund CRA's. But all taxing bodies to which the taxpayers in the CRA contribute are in turn funding this CRA. See the attached **Volusia County C.R.A.'s – 2007 Final Tax Roll.**)

You will see that this particular CRA, the Main Street CRA, will receive \$7,261,291 from the above funding sources.

Free Money?

The Florida Redevelopment Association asks, "What shrewd businessman would not want to invest \$1.00 and get back \$2.00?" What they are saying is that while Daytona Beach is contributing a little over \$3,000,000, the CRA will receive a little over \$7,000,000 in tax revenue. So they promote CRA's as a way to get funding without having to raise "City" taxes. But it should be noted that all of these funds are taxpayer funds raised by taxes.

Some people have referred to CRA money from other sources as "stolen" money. A little harsh, but it does convey the concept that these funds were not collected for the purpose of funding the CRA's. Halifax Hospital has to increase their tax revenue to account for money going to CRA's. Volusia County has to increase their tax revenue to account for money going into CRA's. This is not free money. These are real tax dollars. We pay these taxes and WE don't get a free \$1.00 from these manipulations. Even Halifax Hospital has to send this CRA a little over \$1,500,000 (and the total tax money collected by Halifax Hospital and then sent to all of Daytona Beach's CRA's for 2007 is \$2,317,769). So while **Daytona Beach gives its own CRA's \$4,797,699**, the CRA's collect a total of \$11,357,881 from all the funding sources combined.

This funding mechanism is not transparency in government. When we pay taxes to Halifax Hospital, we do not think we are funding the Main Street CRA, but we are. Over \$100,000 of Echo funds are given to the Main Street CRA. So is this really free money? Obviously not.

Government Mismanagement: The Audit

Other than the funding mechanism, the other problem with the actual administration of CRA's has to be

the lack of transparency. We do not know what the plans are, who got all the money, or what we got for the \$100,000,000 we have spent in CRA's. The Bellaire Community Group has had both CRA board members and city commissioners who had no idea who approved the budgets, who authorized the projects or where the money has gone. Millions of dollars have been spent outside of the public arena of scrutiny. Because of this, an audit of our CRA's was pushed for and the findings were not surprising: the CRAs have been very poorly managed.

The audit found 22 FINDINGS that vary in their level of seriousness, from some expenditures not authorized in the Plan (and easily fixed by amending the plan) to property being purchased far in excess of its appraised value. We knew there was a problem with the administration--but until we got the state audit, nothing was going to be done to fix the administrative problems.

Are CRA's Successful?

Success depends on what criteria are used to evaluate the CRA's. Some people have stated the success of a CRA should be evaluated solely on whether or not the property values have gone up in the CRA area. This is very short-sighted. For example, the Main Street CRA went from a taxable value of about \$68,000,000 in 1981 to a taxable value of approximately \$668,000,000 in 2007 for an increase of 873%. This increase may seem impressive at first blush, but the entire county of Volusia went from a total taxable value of \$4.572 billion in 1981 to \$40.749 billion in 2007 for an increase of 791%. Remember the Main Street CRA has had a huge infusion of tax dollars to increase this property value as well as a huge debt that may cost taxpayers close to \$100,000,000 to pay off with interest. So even if these criteria were used to judge success, this CRA would be a dismal failure.

The Right Questions to Ask of CRA Performance:

1. Did they lower taxes?
2. Did they remove blight?
3. Did they create a synergy that created new businesses and shops?
4. Did they raise the per capita income?
5. Did they have a positive effect on crime?
6. Did it create well-paying jobs?
7. Did they raise property values?

Peter Colt, a recognized CRA critic, uses these questions to evaluate the CRA system.

1. *We have the highest taxes in central Florida plus a water tax of 10%. All since the CRA was created.*
2. *The Main Street area is worse than it has ever been in the 30 years that I have owned property there. (Just for the record, my Main Street CRA properties didn't go up anywhere near 700+%. I don't think they went up 400%) I take people on a "field trip" occasionally across from the Oceanwalk and down some of the side streets in the Main Street CRA. It is a real eye opener.*
3. *The Main Street CRA has put far more businesses out of business than it has ever created. Remember, at one point they were treating the Main Street/Boardwalk/ISB CRA businesses like they were disposable and in the way (eminent domain). Part of my field trip is counting the empty buildings that were going businesses several years ago. The number is staggering. The number of businesses and properties that lost interest in remodeling or even maintaining their property is just as*

- bad. Why bother if the city is out to get rid of you?*
4. *No change, still one of the lowest in the state.*
5. *Crime? The crackheads and hookers own the Main Street area. They operate 24-7 openly and fearlessly. There is no shortage of deplorable buildings for them to live in. The Oceanwalk, the parking garage, the beach have become so unsafe the cops have three "precincts" in the area, two of which are still there today. That should tell you all you need to know about the safety of the area. My opinion, the city still treats the area as a throwaway, even though its hopes of having "condos from the river to the ocean" appears to have been little more than a developer's pipe dream.*
6. *Jobs? I don't know and I don't think anyone else does either. I would define a "good" job as over \$40,000, and I doubt if the CRA did too well there either, with the exception of the huge amount of money we pay the bureaucrats that administer it. I would not count waiters, cleaning crews, security etc. as positive improvement.*
7. *Did they raise property values? Check the value of the area north of Oakridge to the north city line or the area west of Nova to the interstate, or the Shores south of the old Hilton (the area north is in a CRA as of two years ago.) These areas are not in CRAs. This would be a better comparison.*
8. *Epilog: CRAs all over the country are building buildings, streetscapes, etc. but failing to accomplish their goals, so this is nothing new. Public servants always judge success by a building they can have a photo op of cutting a ribbon in front of. The story is always the same: nothing is ever a*

failure; it just needs more time and more taxpayer money. The Main Street CRA has had the time and the money, and it is a failure.