Chapter 6 – Projections & Financing

6.1 Introduction

As part of the planning efforts for the Channel District CRA Strategic Plan, the consultant team was asked by the City of Tampa to assess the economic viability of future development within the Channel District. This assessment includes a 20-year forecast of residential and nonresidential development within the Channel District, population and employment projections, and estimates of CRA tax increment revenue streams over the 20-year growth horizon. The projections and estimates serve as a basis for recommendations with regard to infrastructure provision and public facilities financing within the Channel District.

6.2 Overview of Historic Economic Conditions within the Downtown Sub-market and the Channel District

The sub-market that was defined for purposes of historical analysis includes an agglomeration of US Census Tracts that includes the Central Business District, Hyde Park, Davis Island, Harbor Island, and the Channel District. From the period of 1990 through 2004 this area grew at an average rate of 340 persons and 160 housing units per year. This historic increase accounts for less than one percent of Hillsborough County's overall growth and 5 percent of the City of Tampa's growth in the residential base over this time period. The relatively small capture rates of this sub-area can be explained in large part by the lack of available residential land inventory within the sub-market. In addition, commercial development within the Downtown sub market was minimal during the mid 1990's and into the first couple of years of this decade. Office inventory showed little increase, employment growth was flat, and the few projects that were initiated were sponsored either in whole or large part by the public sector.

The District, for its part, remained an area locked in a transition between its past and future. With a diminishing and deteriorating industrial/warehousing base, the area struggled to attain an economic identity beyond the activities at the Port of Tampa, the Florida Aquarium, and the adjacent St. Pete Times Forum. Although these three activity centers provided tangible economic impact to the District and the community as a whole, they could not entirely transform the economic landscape of the District away from its dying industrial base. They did, however, provide important catalysts for a renewal of interest in the area as a future center of significant economic activity. Prior to 2004, almost one out of every four developed square feet within the Channel District was comprised of industrial and warehouse buildings, while half of the District development was located on Port property.

6.3 Factors Influencing a Change in the Economic Future of the Channel District

Shortly after 9/11, investment interest within the Channel District began to increase as developers recognized an opportunity to acquire many of the District's deteriorating industrial properties at discounted prices, with an understanding that District's proximity to the CBD could yield sizeable returns for a residential or mixed-use project. This interest was also created by the successful conversion of several warehouse properties into loft-style residences by some of the "pioneering" investors within the District. The City, for its part, moved forward with the creation of a Community Redevelopment Area (CRA) within the Channel District, which further increased interest in the area as a viable location for urban redevelopment.

6.4 The Economics of Channel District Transition: 2003 to 2005

Since 2003 a total of 1,156 dwelling units within the Channel District have been developed or are currently under construction. An additional 1,067 units have been approved for development, while 850 units have development submittals undergoing a review process. This impressive rate of residential growth within the Channel District is indicative of urban redevelopment activity taking place in other Florida locales such as Orlando and Fort Lauderdale.

6.5 20 Year Economic Forecasts for the Channel District

In order to establish the baseline macroeconomic and local conditions that underlie the growth potential for the Channel District, the following regression model was constructed:

Y = **ß**USGDP + **ß**INTRT + **ß**HCPOP + **ß**HCEMP + **ß**CAPRATE

Where :

Y = forecasted annual growth in district residential development
ßUSGDP = forecasted annual growth in US Gross Domestic Product
ßINTRT = forecasted annual average of the US Federal Funds Rate
ßHCPOP = forecasted Hillsborough County Population
ßHCEMP = forecasted Hillsborough County Employment
ßCAPRATE = forecasted annual capture rate of county growth based on pooled cross sections of comparative redevelopment areas

This forecast model, when adjusted based on qualitative observations of development patterns in comparative urban areas throughout Florida and across the United States, yields a 20-year growth forecast of 6,330 residential units within the Channel District. After year 2010, when most of the currently committed projects should finish construction, rates of development for residential units should average 280 units per year, with a range of 150 to 400 units per year, based on projected business cycle changes in the local and macroeconomy.

Commercial demand projections are driven from the projected increases in resident households within and tourist visitors to the Channel District over the 20-year forecast horizon. Household generated commercial demand is based on estimates of an average annual household income of $150,000, with 24 percent of annual income being spent on “local” retail purchases, and a store sales estimate of $300 per square foot. This generates a cumulative household demand for 760,000 square feet of commercial/retail uses over the 20-year period. Tourist-generated retail demand is based on anticipated growth of 650,000 annual visitors to the District, with average daily retail spending of $75.00 per visitor. This incremental “tourist-driven” demand should account for the support of an additional 163,000 square feet of retail space. These visitors will also create a need for an additional 2,000 to 2,500 hotel rooms within the Channel District, which would account for an additional 800,000 to one million square feet of commercial development in the form of lodging facilities. The cumulative commercial demand within the Channel District should approach 1.9 million square feet over the 20 year forecast period, based on the preceding estimates.

Office demand estimates are based on two components: The business service demands of Channel District residents, and the potential to capture three to eight regional office buildings of varying scale within the 20 year horizon, as the district matures and becomes a highly desirable live-work locale. Business service needs of resident households within the Channel district could potentially support as much as 400,000 square feet of space for tenants such as physicians, attorneys, accountants, and other professionals. The regional office demand over the 20-year horizon would account for approximately one million square feet of new development, equivalent to slightly more than ten percent of the regional office space that currently exists within the Central Business District. The local and regional office space needs would account for a total of just over 1.4 million square feet of development within the District over the 20 year forecast period.

Additional non-residential development which could be expected within the Channel District includes civic and institutional uses, such as churches, medical centers, private or secondary educational facilities, etc. that would provide "community service" needs to the local residents and visitors. The forecast includes an allocation of just less than 200,000 square feet for these uses over the 20-year period.

The following table provides a summary of these 20-year projections, which are annualized for purposes of estimating future tax increment revenue streams within the Channel District. It should be noted, however, that the annualized projections, while being presented as a "possible" annual development rate, may not precisely materialize in the manner represented on a year-to-year basis. It is likely that considerably higher or lower rates of development could occur from one year to the next. However, over the long-range forecast horizon, the cumulative totals should be seen as a reasonable medium-range projection. These projections rely heavily on expectations of future growth in the local and macroeconomy, as well as the drastically changing economic environment already being witnessed within the District itself.

Channel District Growth 20 Year Projections					
	Residential Dwelling Units	Residential Sq. Feet	Commercial Sq. Feet	Office Sq. Feet	Other Non-Res Sq. Feet
2005	117	191,695			
2006	486	713,019	120,200	71,045	
2007	553	1,182,158	23,736	28,000	1,849
2008	650	752,070	14,250	23,800	0
2009	196	257,605	109,000	40,000	0
2010	420	504,000	134,400	80,640	14,784
2011	340	408,000	108,800	65,280	11,968
2012	300	360,000	96,000	57,600	10,560
2013	275	330,000	107,250	66,495	11,798
2014	350	420,000	136,500	87,360	19,110
2015	400	480,000	156,000	117,000	21,840
2016	333	399,600	131,535	103,913	18,415
2017	300	360,000	118,500	130,350	16,590
2018	220	264,000	86,900	95,590	12,166
2019	150	180,000	59,250	65,175	6,518
2020	281	336,720	110,837	121,921	12,192
2021	257	308,064	101,404	76,053	11,154
2022	241	289,757	95,378	71,534	10,492
2023	230	275,708	90,754	63,528	9,983
2024	232	278,050	91,525	72,305	10,068
TOTALS	6,330	8,290,446	1,892,219	1,437,588	199,486

By the year 2024, this level of development, if realized, will bring over 12,000 permanent residents and 8,800 permanent employees to the Channel District.

6.6 Conversion of Development Projections into Tax Increment Revenues

The 20-year development forecasts presented in the previous section are used as the basis for estimating future tax increment revenue streams within the Channel District. The following three subsections of the economic analysis provide a description of exactly what tax increment financing is, why and when it is used, the assumptions necessary to generate revenue estimates, and annualized projections of these revenue streams.

6.7 Tax Increment Revenue Modeling Assumptions

As previously noted, the 20-year development forecasts presented in the previous section provide the basis for tax increment revenue projections within the Channel District CRA. Other key assumptions that provide the basis for the TIF revenue forecasts are presented below:

- Average assessed value of development available for TIF collection: $215 per square foot[1] (in Year 2005 dollars)

- Average annual increase in property value: 3 percent
- CRA Millage Rate: 13.7372 (through 2015) ; 12.2975 (2016 and beyond)
- One-year lag between property development and tax-roll inclusion

6.8 Channel District Tax Increment Revenue Projections Through 2024

The following tables provide annual and *cumulative* annual projections of Channel District TIF revenue through the year 2024, based on the aforementioned data and assumptions:

20 Year Projections								
Year	Residential Dwelling Units	Residential Sq.Ft.		Commercial Sq.Ft.	Office Sq.Ft.	Other Non-Residential Sq.Ft.	Annual TIF Revenue	Cumulative TIF Revenue
2005	117	191,695						
2006	486	713,019	272.0%	120,200	71,045		$566,171	$566,171
2007	553	1,182,158	65.8%	23,736	28,000	1,849	$2,939,097	$3,505,268
2008	650	752,070	-36.4%	14,250	23,800	0	$5,274,473	$8,779,741
2009	196	257,605	-65.7%	109,000	40,000	0	$8,072,855	$16,852,596
2010	420	504,000	95.6%	134,400	80,640	14,784	$9,592,194	$26,444,790
2011	340	408,000	-19.0%	108,800	65,280	11,968	$12,392,510	$38,837,300
2012	300	360,000	-11.8%	96,000	57,600	10,560	$14,859,273	$53,696,573
2013	275	330,000	-8.3%	107,250	66,495	11,798	$17,209,026	$70,905,599
2014	350	420,000	27.3%	136,500	87,360	19,110	$19,654,149	$90,559,748
2015	400	480,000	14.3%	156,000	117,000	21,840	$22,798,624	$113,358,372
2016	333	399,600	-16.8%	131,535	103,913	18,415	$23,774,829	$137,133,201
2017	300	360,000	-9.9%	118,500	130,350	16,590	$26,879,665	$164,012,866
2018	220	264,000	-26.7%	86,900	95,590	12,166	$30,043,758	$194,056,624
2019	150	180,000	-31.8%	59,250	65,175	6,518	$32,725,922	$226,782,546
2020	281	337,200	87.3%	110,837	121,921	12,192	$34,951,235	$261,733,781
2021	257	308,064	-8.6%	101,404	76,053	11,154	$38,395,799	$300,129,580
2022	241	289,757	-5.9%	95,378	71,534	10,492	$41,654,969	$341,784,549
2023	230	275,708	-4.8%	90,754	63,528	9,983	$44,946,148	$386,730,697
2024	232	277,570	0.7%	91,525	72,305	10,068	$48,274,931	$435,005,628
Totals	6,331	8,290,446	16.7%	1,892,219	1,437,589	199,487	$435,005,628	

[1] This value also factors in the maximum 95 percent collection rate, per Chapter 163, Florida Statutes

It is of particular relevance to note that 40 percent of the total TIF revenues generated within the District occur within the last 5 years of the forecast horizon (years 16 through 20). This suggests that some consideration may need to be given to debt issuance in order to fund key infrastructure improvements within the early years of the Channel District.

6.9 Summary of Economic/Revenue Analysis and Key Recommendations

The economic forecasts presented in this section indicate that the Channel District will realize almost 12 million square feet of new development over the next 20 years. The projects that are currently under construction and/or approved for development should account for the vast majority of District growth over the next five years. These mixed-use projects, with substantial urban residential components, are catalysts for reshaping the market of the Channel District into an area that can absorb substantive volumes of residential units, previously not possible within the Downtown sub-market due to land constraints. As a result, projections of future growth for the Channel District can not accurately be made based on past activity within the Downtown sub-market, but must be evaluated in the context of regional and national economic conditions, and most importantly, the changing dynamics already occurring within the District as a result of groundbreaking new development on a formidable scale. Other Florida cities are experiencing similar transitions in their urban economies, and the examples of these areas also provide a framework for estimating future growth within the District.

The economy of the Channel District over the next several years will be driven in large part by the addition of these new urban residential units, supported by the existing destination-based attractors (Port, Florida Aquarium, St. Pete Times Forum), ultimately leading to a highly diversified live-work community with shopping, services, and corporate commerce. Over 12,000 residents and 8,880 employees will occupy the Channel District by the end of the forecast period, and over one million visitors a year should frequent the area for daily or extended-stay activities as the area reaches maturity.

By the year 2024, the total value of new development within the Channel District should approach $4.5 billion, and this development will be responsible for generating over $435 million in cumulative TIF revenue over a 20-year period. Much of this revenue will come in the later years of the District's development horizon, so great emphasis should be placed on the utilization of TIF revenue as it pertains to the financing of public facilities. Many of the public facilities will need to be brought online in the early years of the district, so the matching of TIF revenue streams to financial needs may, and likely will, require the structuring of public debt. Of course, municipal debt carries risk, and has the potential of compromising the financial standing of the City if economic conditions do not materialize as anticipated. In order to mitigate these risks, alternative financing strategies, in addition to TIF revenues, may include pay-as-you go TIF financing (where possible), and/or developer "in-kind" contributions with reimbursement mechanisms. Prioritizing public facilities needs will be challenging, with limited resources in the initial years of the District. Key objectives such as affordable housing provision must be balanced with the essential primary needs of District infrastructure necessary to support such a program. It should be recognized that all of the forecasts presented in this analysis assume timely and adequate provision of District infrastructure. In the absence of this, these forecasts will not be realized.

6.11 Projections and Financing Recommendations

A. City of Tampa Actions -

- Use a mix of pay-as-you go, debt financing, and developer “in-kind” contribution tools to facilitate timely provision of public facilities at the least cost and risk to the City.

- Major infrastructure components such as key thoroughfare improvements or large utility transmission lines may have to be financed through the issuance of debt, and these improvements will be required early on in the life of the District.

- On an annual basis, any improvements that can be fully funded with TIF revenues not committed to the repayment of public debt should be financed in a pay-as-you-go, in order to minimize cost and risk.

- Other mechanisms such as FAR bonus incentives (discussed in other sections of this report), grants, and impact fees should also be integrated into the basket of financial alternatives available to fund public facilities within the District. All of these tools provide an opportunity to minimize the costs and risks to the City in providing public facilities, and increases the likelihood that development will not be stymied by inadequate infrastructure and facility provision.

B. Private Developer Actions -

- Developer “in-kind” contributions can be utilized to fund improvements that serve individual blocks within the district, where fair share costs and benefits can be accurately calculated.

- The “in-kind” contribution strategy would involve a project developer agreeing to finance the up-front improvements for public facilities on a city block that can be demonstrated to directly affect his or her project. The City would enter into a Development agreement with the developer where the City, over some specified period of time, reimburses the developer for a “fair share” portion of these improvements. This eliminates the need to formally issue public debt for these improvements.