



July 6, 2005

Dear Editor:

The local newspaper editorial pages have been filled with information recently regarding the financial and timing aspects of the Temple Terrace Downtown Revitalization Project. Unfortunately, some of the numbers have not been quite accurate and may be confusing. For this reason, I believe it is necessary to provide our citizens with some facts regarding the City's project.

Funding of the downtown redevelopment process initially began in 2000, when the Mayor and City Council passed a ½ mill increase for public safety capital equipment. A small amount of money remained from those budgeted public safety purchases, so the Council agreed to set aside \$150,000 in ad valorem taxes annually to establish the City's Redevelopment Office and begin pursuing the revitalization the southeast quadrant of 56th Street and Busch Boulevard. In 2003, the ad valorem contribution toward this effort was changed to ¼ mill, which provides approximately \$265,000 annually toward redevelopment.

The City began acquiring land in the redevelopment area in 2003, purchasing the Kash 'n' Karry Plaza. In 2004, Terrace Plaza was acquired and other parcels thereafter. Using low interest short-term bank loans and capitalized interest, the City has been able to assemble nearly all of the parcels in the redevelopment area's southeast quadrant with no out-of-pocket payments. In the meantime, the City has acted as property manager of the buildings and reaped the benefits of the cash profits from the rental income, allowing for further redevelopment activity. Assembling the land and using tenant resources have made the project attractive for development and provided the City of Temple Terrace with the finances to keep the process moving forward with no impact to City taxpayers or City services.

In 2004, the City entered into an agreement with Hillsborough County to use the County's tax revenue from the City's southeast quadrant Community Redevelopment Area for downtown redevelopment over the next thirty years. This agreement is known as a TIF (Tax Incremental Financing) agreement. The revenue the City will derive from this agreement is based upon the assessed valuations of the properties in the redevelopment area – as they are currently and as they will be developed. The City will receive 100% of the County's taxes for the first ten years and then 80% of the County's taxes for the remaining twenty years. Right now, the City has thirty years to take advantage of the TIF agreement with the County, to use County taxes for the City's development.

As the City's Finance Director, I believe there are three compelling financial reasons why the City of Temple Terrace should move forward now with the Downtown Revitalization Project:

First, the clock is ticking...each year the property is not developed is one more year the area's tax base does not increase. For this reason, it's important that the City move quickly and take advantage of these first ten years while 100% of the County's tax money can be used. If the project is pushed back just one year, approximately \$4 million in City/County tax revenues are lost, and each additional delay results in further "lost" money. It is to the City's advantage to develop the property quickly and gain the revenue from the most profitable first ten years when the City receives all of the County's taxes.

Second, the nation has been experiencing historically low interest rates, but rates are now on the rise. In order to take advantage of lower interest rates, the City needs to move quickly. Each year that we delay results in higher interest fees. If the City waits and interest rates go up just ½%, approximately \$1 million in bonding capacity is lost. If the project does not move forward now and rates go up 1%, nearly \$2 million in bonding capacity is lost.

Another compelling financial reason the City needs to move on downtown redevelopment is that growth improves the City's operational revenues. In addition to the property taxes generated from the development, as the newly developed downtown attracts businesses and new residents, the City will receive increased revenues from its higher proportionate share of State sales taxes and cigarette taxes, gas taxes, and the County community investment tax. The City will also generate increased operating revenues from water/sewer/sanitation operations and taxes and franchise fees on utilities. These all add up to more than \$1 million per year of additional revenues just by increasing the City's population. Unlike TIF revenues, these additional revenues can be used for City operations outside of the redevelopment area, such as funding for additional public safety personnel, replacing and upgrading aging capital equipment, and improving public facilities. Additional operational revenues will result in better service and an improved quality of life for all of Temple Terrace, not just the redevelopment area.

Hopefully, this explanation clarifies the financial aspect of the last five years of the redevelopment process. The bottom line is that millions of dollars in tax revenue and escalating interest rates will be lost with each year our downtown is not developed. On Tuesday, August 2, Temple Terrace citizens will have the opportunity to cast their ballots. Their decision on this date will largely determine how quickly we can proceed with the Downtown Revitalization Project and ensure that the City maximizes its return of County tax dollars and takes advantage of current lower interest rates. The General Obligation Bond Referendum provides the initial funding for parks, sidewalks, green space, and infrastructure – a sound investment of \$17 million into the estimated City's share of \$60 million for the project.

The wait is over – we should move forward now.

Sincerely,

Lee R. Huffstutler
City of Temple Terrace
Finance Director