

Merritt Island Redevelopment Agency Redevelopment Plan Update Draft

Executive Summary Draft

Purpose: Create Redevelopment Plan Update Draft with Annual Project Budget expenditures for review by the Brevard County Board of County Commissioners.

Affordable Housing Section is to be added (budget strategy is included on last several pages)

Affordable Housing Element Determination of Necessity

Housing Market Trend

Housing costs have been outpacing affordable housing construction. The effects of the economic shutdowns have exacerbated this as rents and home values have raised due to much stronger interest in the market, particularly in the Sunshine State, caused by in-migration as well as the trend of corporate acquisition of homes to be renovated and rented at market value, lessening the potential number of units available for low-moderate income renters and homebuyers.

A 2020 report conducted by the Shimberg Center for Housing Studies at the University of Florida noted that in Brevard County there is a deficit of 8,396 available affordable housing units for households earning less than 50% of the area median income (AMI); a deficit of 4,812 available affordable housing units for households earning less than 60% of the Area Median Income (AMI); and a deficit of 3,316 available affordable housing units for households earning less than 80% of the AMI. Affordable units are those for which a household at the given income limit (% AMI) would pay no more than 30% of their income for gross rent.

Note: Additional supportive facts and data will be researched and inserted here. Merritt Island affordable housing deficit, is likely to include households up to 120% AMI, given the cost to construct.

Local housing and workforce needs of employers are inextricably linked to one another. This is especially true on Merritt Island. Preliminary research indicates that Merritt Island's top employers are those who provide work force opportunities to the Space, Education, Medical, Health and supportive service industries, whether direct or indirectly associated. This includes many small businesses that need employees with a broad a range of vocational skills.

Note: Additional supportive facts and data will be researched and inserted here to firmly establish the level of affordable housing need.

Background

In 2014 The Brevard County Board of County Commissioners adopted the Merritt Island Redevelopment Agency (MIRA) Redevelopment Plan. The community redevelopment area boundaries designated in the plan intentionally focused on properties adjacent to the Core Commercial Corridors of State Route 520; State Route 528; North and South Courtenay Parkway (Cone Road to SR 528); Industrial Areas such as Cone Road and the Barge Canal to Kelley Park (comprised of commercial, industrial and recreational uses); and Veterans Memorial and, Kiwanis Parks.

With the focus on Commercial, Industrial, and Recreational properties, approximately 10% of Merritt Island's geographic area is contained within the MIRA Redevelopment Area. The remaining 90% of Merritt Island, virtually the residential and undevelopable open space areas, are not included in the tax increment area.

With the redevelopment focus on the commercial and industrial core areas - including parks, contained therein, the current Merritt Island Redevelopment Agency (MIRA) Redevelopment Plan does not include an Affordable Housing Element. The 2014 Redevelopment Plan per state statute, stated the reasons for not addressing in the plan, the development of affordable housing in the area. This was addressed per the statute requirements as follows: "MIRA has no plans to become residential real estate developers". "The purpose of the plan is to stimulate private sector investment". The Plan does identify areas for "the private sector to create new, replacement, infill residential, and mixed-use development", in the Redevelopment Area. This has been underway through a combination of infrastructure development, corridor improvements, parks improvements, and active developer facilitation and outreach.

Consideration of Current Redevelopment Area Trends Setting the Stage for Housing Redevelopment

Retail Automobile Industry:

The SR 520 automobile retail and service industry businesses, which in years past have been a significant economic driver, have been relocating from Merritt Island to commercial areas along Interstate 95 (national trend has been to Interstate sites). This has resulted in several large parcels of land with vacant buildings that are available for redevelopment.

Mall and Retail Industry:

With every 1% increase in online sales in the United States, an estimated 10,000 retail sites become vacant. Merritt Island has experienced its share of this retail loss. With the trend in the retail sales industry to online shopping, and the trending of traditional Malls and big box retail as centers of shopping, away from Merritt Island, several former and existing properties in the SR 520 and Core Mall Area are vacant and some are moving towards blighted conditions.

Current Redevelopment activity - Setting the Stage for Affordable Housing Redevelopment

The following positives, accomplishments and trends are presently serving to synergize strong interest in multifamily residential redevelopment projects in the core Mall area, and SR 520 with some interest on N. Courtenay Pkwy.

Market Position: Merritt Island remains in a solid market position for redevelopment. With the strong traffic volume on SR 520 (40,000+ ADT), strong demographics within a 15-minute drive from the Mall area; Merritt Island is and has historically been a residential server to the Space Industry; the Beaches Tourism Industry, Port Canaveral, and Patrick Space Force Base. *A redevelopment recovery is inevitable, and is currently underway.*

Space Industry: *Job creation/retention details to be inserted*

Port Canaveral: *Job creation/retention details to be inserted*

Health/Medical: *Job creation/retention details to be inserted*

Infrastructure Improvements: Completion of the \$7 Million MIRA/Brevard County Fortenberry Regional Stormwater Treatment System. This system will incentivize commercial and higher density residential redevelopment on the SR 520 and Mall core commercial area, enabling redevelopers with properties within the 165-acre area surrounding the Mall to have rapid and economical access to a regional storm water system, reducing development costs, environmental permitting time, and improving land use densities, while improving the quality of storm water entering the Lagoon.

Health First Medical Wellness Village project, is redeveloping a 15-acre, blighted retail site into a 528,000 square foot Hospital and Medical Wellness Village. They are making a \$500 Million Investment. This project will stimulate substantial needs for affordable within the vicinity of the project.

MIRA \$500,000 US EPA Brownfield Redevelopment Grant: MIRA has received notice of a grant award for a US EPA Grant to catalyze redeveloping properties in the SR 520 commercial core areas protecting the environment, reusing existing infrastructure, minimizing further urban sprawl and creating retail and housing redevelopment opportunities. Developers are already expressing an interest in utilizing this grant for environmental site analysis.

Redevelopment of Veterans Memorial Park: Since MIRA/Brevard County created and improved this 80-acre Park, it has steadily increased in use and attendance with more than 125,000 annual visits and already is attracting interest from multifamily developers seeking nearby (walking distance) redevelopment opportunities.

Airport River Fly Inn Condos. The 10-story high-rise River Fly-In Condos in the Cone Road area, are under construction and for sale, designed to be a haven for pilots, located on over 13-acres next to the

Banana River, adjacent to Veterans Memorial Park, the Mall Area, and the Merritt Island Airport. This project is demonstrating a market demand for housing on Merritt Island, and is spurring additional housing redevelopment interest in the adjacent Core Mall Area.

Commercial Redevelopment site plan approval of 5.92 acres of the former Erdman Dealership fronting on SR. 520.

Affordable Housing Need

Affordable housing is fundamental to human dignity; the physical, economic and social well-being of individuals, families, and communities, and is a required fabric for sustaining a healthy workforce. Housing inventory is needed. Affordable housing, even more so. Availability of affordable housing must increase, and or wages must increase to accommodate the market.

Pursuant to Florida Statutes 163.360 and 163.362: In order to have an affordable housing element, the Plan must provide a neighborhood impact element and a residential use element. Part of this includes a determination of the population in the redevelopment area, the number of dwelling units, and a determination of the shortage of housing affordable to residents within the community redevelopment area who are of low or moderate income, including the elderly, or a combination thereof, designating such area as appropriate for community redevelopment. The updated draft plan will also need to be submitted to the local planning agency of the county for review and recommendations as to its conformity with the comprehensive plan for the development of the county or municipality as a whole.

Note: Requires TBD Data within the redevelopment area. Will need to ferret out how this logistically works, given the current population in the redevelopment area, is a small percentage of the actual geography of need.

Affordable Housing Redevelopment Challenges

Despite the attractiveness of access to employers, developing any type of housing on Merritt Island is very expensive. This translates to substantially higher rental and home ownership costs. Challenges include building to hurricane standards; Marketing with potential evacuation conditions; Severe limit on the availability of developable land; Few available homes or rentals. The strong demand to live on the Island from those who can afford living on the Island raises prices; the cost of redevelopment (assembling sites from small parcels, brownfield remediation on former commercial and industrial parcels, stormwater infrastructure, higher insurance costs, the significant flood plain and storm water issues in the redevelopment areas, the high cost of environmental mitigation, and required coastal and environmental development permitting.

BROAD STRATEGIC APPROACH

MIRA will take a broad strategic approach to incentivize the creation of affordable housing.

This will include a range of strategies such as tax increment performance-based grants, to marketing, outreach, advocacy, developer facilitation, and other innovations.

This creates a wide chasm to reach profitability, and an even wider financial gap for housing affordability, even for working moderate income households (those at or below 80% of the Area Median Income).

Affordable Housing Goal

500 Units of Affordable Housing by 2034

Subject to approval as part of the CRA Plan, beginning in FY 2024 through FY 2034 MIRA will dedicate 20% (approximately \$200,000) of its Annual Trust Fund income, based upon a rolling average formula (TBD) to create 500 affordable housing units. This would generate approximately \$2 Million Dollars over a ten-year period.

MIRA will take a broad strategic approach to incentivize creation of affordable housing. This will include a range of strategies ranging from tax increment performance-based grants, to marketing, outreach, advocacy, developer facilitation, household capacity building, and other innovations.

This would include collaboration with Brevard County Housing and Human Services, Brevard Public Housing Authority, Brevard Family Promise, the Veterans Service groups, and related charitable organizations, as long as the form of assistance provided creates long term affordable housing within the MIRA Redevelopment Area.

MIRA would include in its strategy, the creation of documentable affordable housing units, that will be established for committed time frames of 5 to 10 years, whether through agreements with developers, program managers, or program recipients, dependent on the structure of the affordable housing benefit.

The MIRA affordable housing goals will be to primarily serve working households having incomes ranging from 80% to 120% of the Average Median Income (AMI).

MIRA will incentivize the creation of affordable housing in multifamily structures, working with developers, but also by providing grants to spur the purchase of single family and condominium homes, using programs such as down payment assistance and closing costs assistance, as examples.

Vacant developable land is limited within the Redevelopment Area, hindering the ability to produce substantial amounts of low-density single-family residential units, however in accordance with the Redevelopment Plan, MIRA will engage in acquiring and assembling developable land, brownfield remediation and other site ready investments, and an RFP process to create single family housing units, infilling with compatible uses within the redevelopment area.

MIRA will also engage in acquiring and assembling developable land, brownfield remediation and other site ready investments, and utilize an RFP developer selection process to create higher density residential housing within the redevelopment area.

MIRA will include in its strategy the goal of increasing the availability of affordable senior housing, as part of its goal reaching strategy.

To leverage use of TIF funds, and maximize affordable housing unit production, MIRA will incentivize affordable housing developers whose business model includes use of federal and state low-income housing tax credits, brownfield remediation tax credits, and federal and state grants to construct mixed income worker-based and senior based affordable housing projects.

As part of the MIRA strategy we will dedicate efforts to attracting affordable housing developers by substantially leveraging trust fund dollars with developer based federal and state grants and tax credit programs.

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Strategies

Note: Additional research will need be completed to create realistic income-based affordable housing unit goals and strategies to reach the goals. 500 units by the year 2034 is an is aggressive goal, subject to determination of need, program parameters and long-term level of incentivization.

Note: Projections will need to be created, geared toward affordability unit creation goals, terms of incentivization commitment, and the TIF revenue stream. For example, providing a 10% down payment performance-based assistance grant on a \$300,000 infill home or condominium purchase, would equate to \$30,000 plus third-party admin costs. With an annual MIRA budget commitment of approximately \$210,000 towards affordable housing, approximately 7 home/condo purchases could be assisted on an average given year, amounting to potentially assisting 70 affordable home purchases over a ten-year period. Some homes would be sold, and a portion returned to the Trust Fund. If a 5.0% down payment assistance program were provided 140 home purchases could possibly be assisted. If incentivizing developers and redevelopers of rental housing, the goal would be to incentive the profitability gap, of the rental income stream differential created between the number of market units required to meet profitability goals, and the number of affordable housing units, the given amount of time of agreement, minus any profitability increased through density bonus being awarded. Also, it is possible to reduce the level of amenities and square foot of affordable units (development costs) as another way to blend profitability gap solutions. If incentivizing a tax credit developer, with discounted land sale, or land donation it might be possible, to incentivize a larger number of units as this would be a blended incentive approach.

Examples of possible approaches:

- Performance/Parcel Based TIF Grants to Affordable Housing Developers
- Land acquisition, assemblage, with RFP for resale, or donation of land for redevelopment.
- Down Payment Assistance (funding third party)
- Interest Rate Buy Downs (funding third party)
- Household capacity building

- Density Bonuses
- Partnerships with Nonprofit, Nonprofit and for-Profit Housing Developers/Public Housing Authority

Definitions

Affordable Housing

Pursuant to Section 163.360 Florida Statutes a CRA's plan for affordable housing has to be in conformity to the County's Comprehensive Plan. In the definitions section at section 163.340(9), Florida Statutes, it discusses the "provision of affordable housing, whether for rent or for sale, to residents of low or moderate income, including the elderly.

The County's Comprehensive Plan for housing is found in Chapter 5, and under Objective 1, it defines affordable housing as "a single-family owner occupied, or multi-family owner occupied, or rental unit, that has a mortgage or rental payment, including utilities, not exceeding 30% of the gross income of households at or below 120% of the Area Median Income (AMI), as adjusted for family size."

Cost-Burdened Household

According to the Shimberg Center for Housing Studies at the University of Florida, housing is usually considered to be affordable if it costs no more than 30% of the monthly household income. A household is considered cost burdened if they pay more than that, and severely cost-burdened if they pay more than 50% of their income.

Area Median Income (AMI):

The point at which half the households in an area make less and half make more. The median annual income figures are adjusted for family (or household) size and calculated annually by the U.S. Department of Housing and Urban Development (HUD) for every regional area in the country. Regional areas are further divided into Metropolitan Statistical Service Areas.

Redevelopment Plan Trust Fund Spending Policy

Note: A Spending Policy will need to be clearly analyzed, defined and structured. Future budget analysis and formulation examples will need to be completed on this item, to examine how in practicality the percentages can be maintained over time. Infrastructure projects are often in the millions of dollars, far exceeding MIRA's annual budget. Levels of a projects spending, typically move in stages culminating in a much larger project construction expenditure, ranging from conceptual stage, to feasibility, due diligence, permitting, engineering or construction often through a period of several years, subject to hindrances or barriers, and changes in cost, and plus or minus changes in revenue streams, grants, etc.

Redevelopment Plan Element Budget Allocations

Note: See existing projects and programs list. Additional projects will need to be identified and then all projects prioritized

Affordable Housing Element Budget

The Affordable Housing Element shall require that 20% (TBD) or more of the annual trust fund revenue stream derived from the tax increment shall be utilized and or reserved for Affordable Housing purposes, as defined below. The allocated budget amount may be reserved for Affordable Housing Programs and Projects, subject to unforeseen project critical circumstances that are documented and prevail. Grants obtained and leveraged for specific affordable housing purposes may be included towards the annual spending allocation.

Affordable Housing Definition

Expenditures necessary to incentivize, create, manage, service or provide for the availability of Affordable Housing to qualified individuals as affordable housing is defined in the Brevard County Comprehensive Plan.

Infrastructure Element Budget

The Infrastructure Budget Element shall require that 37% (TBD) or more of the annual trust fund revenue stream derived from the tax increment to be allocated, utilized and or reserved for Infrastructure purposes, as defined below. The allocated budget amount may be reserved for infrastructure projects, subject to unforeseen project critical circumstances creating delays that are documented and clearly prevail. Grants obtained and leveraged for specific infrastructure purposes may be included towards the infrastructure annual spending allocation.

Infrastructure Definition

Expenditures necessary to create, manage, service or maintain publicly-owned physical infrastructure necessary to support economic development and redevelopment projects, including, but not limited to: constructing and/or improving local roads and streets, access roads, bridges, sidewalks; skywalks, parking areas/lots, curbs, waste disposal and waste management systems; potable water systems, recycled water systems, sewer line extensions, sewage treatment facilities, storm water systems and facilities, trail ways, sidewalks, river walks, boardwalks, viewing areas, lighting, traffic controls, water distribution and purification facilities, improvements related to rail, air waterfront, waterway, barge canal, or port related improvements; gas and electric utility infrastructure; parking, transit and waste management

related capital facilities; multi modal transportation systems, and facilities, water navigation channels, lagoon preservation strategies, improvement of water quality, development and improvement of publicly owned industrial, residential, and commercial sites, or other public capital improvements that are an essential precondition to a business retention, development, redevelopment or expansion, including creation or rebuilding of any (tangible and/or intangible) asset(s) of public interest or benefit designed and operated for the purpose of delivering (directly or indirectly) public services, including physical facilities and systems, including but not limited to necessary land acquisition, demolition, environmental remediation, land dispossession, and any associated due diligence and or due diligence studies necessary to accomplish same. Signage, and Landscaping expenses, are excluded in this definition, unless they are either, funded and maintained by non-trust fund grants and donations; or are required to be incorporated into a project by the public owner; or are approved and accepted by the project owner.

Open Space, Waterfront, Parks and Recreation Element Budget

The Open Space, Waterfront, Parks and Recreation Element shall require that 15% (TBD) or more of the annual trust fund revenue stream derived from the tax increment shall be utilized and or reserved for Open Space, Waterfront, Parks and Recreation purposes, as defined below. The allocated budget amount may be reserved for Open Space, Waterfront, Parks and Recreation projects, for up to thirty-six months, subject to unforeseen project critical circumstances that are documented and prevail. Grants obtained and leveraged for specific Open Space, Waterfront, Parks and Recreation purposes shall be included towards the annual spending allocations.

Open Space, Waterfront, Parks and Recreation Definition

Expenditures necessary to create, manage, service or maintain publicly-owned Open Space, Waterfront, Parks, and Recreation, to support economic development, tourism development and redevelopment projects, including, but not limited to: Expenditures necessary to create, manage, service or maintain Open Space, Waterfront, Parks and Recreation Lands, Facilities, Equipment and Improvements, available for use by the General Public, whether publicly owned, owned by the School District, or owned by state registered nonprofit organizations, including structures, utility infrastructure, channels, waterways, lakes, ponds, streams, or submerged lands used for public parks, land-conservation, historical preservation, and or tourism, leisure and recreation. This includes lands, waters, and upland facilities utilized for waterfront access, and/or waterfront use. Projects in this element, are for properties that are publicly controlled, or available for use by the general public, whether through lease, easement, licensing, or other agreements for utilization. Projects in the Open Space, Waterfront, Parks and Recreation Element include land acquisition demolition, environmental remediation and land dispossession. This includes the construction of facilities, and improvements necessary to facilitate the development and use of the lands, such as pathways, roads, trail ways, boardwalks, and ballparks—including, but not limited to—improvements for drainage, parking, roadways, walkways, skyways,

pedestrian bridges, bicycle paths, and transit improvements that enhance public access, lighting, landscaping, utilities, streets, and land acquisition. Signage, and Landscaping expenses, for this element are included in this definition, to the extent they are approved by the public owner;

Spending Policy:

Apart from the Florida Statutory CRA TIF Fund Reduction (currently 5%), the MIRA Spending Policy shall annually target spending in three prime spending categories as follows:

37% for Infrastructure Expenses;

15% for Parks Recreation and Open Space;

20% for Affordable Housing Expenses; and

with the remainder for Operating Expenditures.

In any given year the MIRA Board may elect to modify these categorical spending policy percentage rates interchangeably when there is a project need or other compelling opportunity within another of the approved spending policy categories.

In any case, the Spending Policy in practice shall require that the percentage goal of each spending category, should be met, on the basis of a rolling average formula to be created. The rolling average period may have to be several years, to make up for annual percentage goals, where in previous years funds were siloed for a large multi-million-dollar infrastructure project.

A report on the Spending Policy Goals, shall be included in the Agency Annual Report.