Case Study Report

Downtown District Community Redevelopment Area (CRA): The dispute between the City of Tallahassee and Leon County.

In 1998 the first Community Redevelopment Area (CRA) was formed by the City of Tallahassee. This CRA was known as the Greater Frenchtown/Southside Community Redevelopment Area. A CRA is an economic redevelopment tool allowed under Florida law for slum and blighted areas. At this time there was no objection from the county for this CRA.

In August, 2002 the City of Tallahassee disclosed the legal notice of Tax Increment Financing to fund the Downtown District Community Redevelopment Area. The City then adopted the Finding of Necessity for Redevelopment and established boundaries for the Downtown District Community Redevelopment Area on September 11, 2002. According to Rick McCraw, City of Tallahassee’s point man on CRA’s, “the County’s objection was almost immediate.” The Leon County Board of County Commissioners initiated the Conflict Resolution Process as described in Chapter 164, Florida Statutes (F.S.) on September 24, 2002. The first meeting between the City and
the County was held on October 29, 2002 and another on was held on November 19, 2002. Both meetings were held as part of the Conflict Assessment Process outlined in Section 164.1053, F.S. At that time, Commissioners was not able to arrive at a conclusion. At the same time Leon County’s Charter was on the ballot to be voted on by the citizens and was approved. The Leon County Board of County Commissioners declared impasse and moved on to the next stage of the process notated in Chapter 164, F.S., regarding joint meetings.

In July 2003, the plan for redevelopment brought leaders from the business, neighborhood and government sectors together to discuss what the vision of the downtown area should be. The business community wanted more corporations downtown while other community leaders voiced their view on preserving the historic architecture of the downtown buildings (Tallahassee Democrat, July 19, 2003). These suggestions were written down for the City to follow. At that time the main issue raised by the County was how will the downtown area get there and who will pay for it. The County had concerns that the citizens who did not live downtown would be subsidizing the development cost for downtown.

Although focus groups were held, a full year passed between Joint Commission meetings. During that year the City elected with a new Mayor. Leon County Board of County Commissioners Chairman, Tony Grippa, send a letter Mayor Marks concerning reconsideration of the Downtown CRA. At the September 15, 2003 meeting the City and County Commissions were not able to reach a resolution; however the respective Commission asked City Commissioner Mustian and County Commissioner Grippa to continue to discuss the matter in an attempt to reach a resolution. Both commissions
recommended the process proceed to the next phase of the Conflict Resolution Process, mediation. Along with this meeting the city approved the boundaries for the new CRA; it included downtown, parts of Gaines Street, Franklin Boulevard and Cascade Park.

The first mediation meeting was held in September, 2003. It was facilitated by Paul Remillard, (who was not able to be reached by phone), no issues were resolved at this mediation but County Commissioner Grippa and City Commissioner Mustian were asked to bring back recommendations to the respective Commissions.

In January, 2004 Commission Proctor requested a workshop and the Leon County Board of County Commissioners agree. Another mediation meeting was held on February 16, 2004 between both parties. This meeting was facilitated by Larry Simpson. During this mediation the two sides were placed in separate rooms and different offers were bounced from room to room by Mr. Simpson. This resulted in an impasse, with no resolution. However, Commissioners Grippa and Mustian continued to meet. Because no resolution could come about and the City held fast on moving ahead, on March 5, 2004, the County filed a complaint against the City, challenging the creation of the Downtown District. After the filing of this complaint, Commissioners Mustian and Grippa continued to meet in an attempt to reach a resolution. In April the announcement of a proposed interlocal agreement covering the Downtown District was made. The County Commissioners, in a 6-1 vote, approved to compromise on the CRA. This agreement would roughly equalize the amount of money the sister governments would pay for downtown improvements. In the course of the next 60 days, 14 points of interlocal agreement were developed into a formal interlocal agreement. The final agreement was approved by the County Commissioners on June 8, 2004 and by the City Commissioners
on June 9, 2004. The final approval came from the Community Redevelopment Agency on June 23, 2004 with a few details/procedures needing to be clarified but the agreement was in place. The Downtown District Trust Fund was established on the same day. Although the Downtown District is not official quite yet it can begin collecting tax increment financing to fund the redevelopment projects.

Throughout this process there were press conferences held by Commissioner Proctor to discuss his position on the CRA, public forums were held for the public to provide their comments on the CRA, announcements of the mediation meetings, and commission meetings.

The main players discussed above were the City and County Commissioners. Some of the players that were not mentioned much were the homeowners, business owners, visitors (including tourists), the public in general, employees of the businesses involved, the Greater Tallahassee Chamber of Commerce and the media.

The Issues

Leon County

- The issues that the County had concerning the CRA:
  - The County strongly disagreed with the City’s position that the downtown area was as slum and blighted
  - The County felt that this was taxation without representation.
  - The County had concerns that all Leon County property owners, outside the downtown area, are going to bear the burden by shifting the unfair tax burden on the businesses and homeowners outside the downtown CRA.
• The County stated that the proposed downtown CRA did not meet the “straight face test” for use of the CRA. This is one of the strongest economic development tools available under law.

• According to Assistant County Administrator, Vince Long, the county could stand to lose more than $77 million in property-tax money over the first 20 years of the downtown redevelopment plan.

City of Tallahassee

• The City felt that the County did not have a legal basis to challenge the establishment of the Downtown District.

• The City felt that the County’s budget would not be affected that much.

Dynamics of Case:

The real dynamics of the case was that the County was trying to protect their citizens. The City felt that the County had no say so in the redevelopment. The County on the other hand felt that they should have say so in it especially after they became a Charter County. The intent of the broad home rules powers conferred to all local governments in Florida provides for local self government free of excessive legal and fiscal control by a higher level of government (Board of County Commissioners Workshop, 01-27-04). The new Downtown District would have a greater fiscal impact to the County than the original Frenchtown area.

Interviews:

Vince Long, Assistant County Administrator
The face to face interview with Vince Long provides a lot of details to the case from the County’s side. The main concern that they had was for the citizens. The citizens outside the Downtown area should not be charged for the redevelopment.

Mr. Long provided information about one of the views provided by Parwez Alam, the County Administrator, concerning one of the tests that can be used to determine if a CRA should be used. This test is called the “but for” test. This test simply asks, whether private sector investment would have occurred with out taxing everyone else outside the CRA. If the answer is yes, then the practice of the CRA is strictly prohibited. The answer to this question and the Downtown CRA is clearly a “YES” and is evidenced by an onrush of upscale downtown high rise residential properties currently in development. The County did not feel that the Downtown area was a slum and blighted area.

From the County’s perspective the County had every right to be involved in this decision especially now that Leon County is a Charter County. All-in-all the agreement provided stability and benefited both parties.

**Rick McCraw, City CRA Fund Manager**

Rick McCraw provided information via a questionnaire that was provided to him via e-mail. He outlined the process that both the City and County went through to reach the agreement and outlined the agreement. From his point of view the major point of the City was that the County did not have a legal basis to challenge the establishment of the Downtown District.

Mr. McCraw said that there were numerous points raised and negotiated by both parties while discussions were going on between Commissioner Mustian and Grippa. He
was not one of the participants of those discussions so he could not provide any specific details on the various points.

Michael Parker, City Economic Development, Department Director

The interview with Michael Parker was a quick phone interview. He discussed that the City’s request for the Downtown CRA was a process that the City could statutorily perform. He spoke about studies that were done by FSU and that this CRA would have little or no affect on both the City and County Budget. The City knew that this was a critical investment and wanted the input of the county, although the city had no legal obligation to seek their approval.

He spoke of the agreement that had been reached and how it benefited both Agencies.

Paul Remmiard, 1st mediator – Could not be reached by phone.

Larry Simpson, 2nd mediator

In this phone interview Larry Simpson explained the process he took to lead or facilitate this mediation. In the main session he had all parties together in one room to discuss the issues. He introduced himself and explained the mediation process. He allowed the attorneys from both parties to speak and provide their views and positions. The attorneys presented the issues/problems that they saw from their side.

Next, Mr. Simpson broke the parties into two separate groups in two separate rooms. From there he would meet with each group individually and go to the other group and present what the first group was proposing. The negations continued like this many times.
No resolution was provided at this mediation meeting. Commission Grippa and Mustian continued to work together.

Resolution:

The *Interlocal Agreement Among the City of Tallahassee, Leon County, and the Community Redevelopment Agency of the City of Tallahassee Regarding the Creation and Operations of the Downtown District Community Redevelopment Area and the Expansion of any Community Redevelopment Area* was an agreement that provided stability for both the City and the County. The main terms are outlined here:

The City agreed to provide a single payment of $13 million and the County agreed to provide a single payment of $15 million to the Community Redevelopment Agency. Payment is to be made to the Downtown District Trust Fund by September 30, 2005. Once the funding level is reached, the County will no longer be required to contribute tax increment towards the district. The County also agreed to leave $10.7 million in the Gaines Street Project provided the City left its $17 million in the project as well and to add a fourth cent to the Tourist Development Tax. This additional cent should generate approximately $650,000 to $700,000 annually. The increase in the Tourist Development Tax can only be used for the construction and operation of a performing arts center(s) in the Downtown District.

Secondly, projects over $500,000 will have to be reviewed by a project Review Committee consisting of two City Commissioners and two County Commissioners. Projects under $500,000 will not be required to go through the Project Review Committee.
Lastly, the City agreed not to expand any existing community redevelopment areas or create new redevelopment areas without the approval of the County Commissioners.

By the City and County agreeing to provide the funds at the front end of the project, the Agency is in the position of being able to fund larger projects from almost the beginning (McCraw). Normally, it would take 7 to 10 years before the redevelopment area would have a sufficient tax increment stream to support bonding (McCraw),

**Conclusions:**

Although the mediation procedures did not bring closure to the case I feel that they addressed many of the ten principles that Carpenter and Kennedy spoke about in their book titled: *Managing Public Disputes*. To find a solution, you must understand the problem. The mediation sessions lead to the understanding of the problem from both sides and even though there was no outcome during the mediations the Commissioners did attempt resolution by selecting two Commissioners to continue discussions and report back to the groups. This lead to a strategy or plan and a resolution that was beneficial for all parties involved.

The steps that were taken were beneficial to all parties. This allowed for limited funding on the county’s part and helped protect the citizens from taxation without representation.
References:

FCCMA- Florida City/County Manager’s Association White Paper


Parker, Michael. City Economic Development Department Director. Phone conversation on 22 June 2004.


Tallahassee Democrat Newspaper

*Various agendas from both the City Commissioners Meetings and the County Commissioners Meeting were used to research this topic.*