

## DDA - CRA Tax Relationship

### DDA

- Created by a special act of legislature in 1967 to focus on improving the downtown:
  - Develop Plans and recommend actions on improving the downtown
  - Participate actively in the implementation and execution of Downtown development plans.
  - Activities funded by one mill of ad valorem taxation

### CRA

- Created by the City under the authority of Chapter 163, Part 3
- CRA does not have its own taxing authority - instead it piggy-backs on other taxing authorities to fund improvements within the CRA.
- CRA's purpose is to undertake actions that will increase the value of the property within its boundaries.
  - The CRA gets the benefit of these increased property values by collecting the additional taxes that other taxing entities would have collected based on the increased value of the property.
  - The CRA uses this "tax increment" to fund its redevelopment fund.

In West Palm Beach, taxing authorities like the DDA, get to keep the tax revenue that is generated based on the property values in 1991. The increased tax revenue created by the increase in property values since 1991 is the tax increment that goes to the CRA.

- Because property values were frozen as of 1991 for tax increment purposes:
  - DDA gets to keep \$181,985 of the taxes generated by the first mill of its tax each year.
  - CRA gets the rest as the tax increment payment the DDA is required to make.
- In 2011:
  - The tax revenue from the DDA's 1 mill of taxes was \$1,384,080.
  - The tax increment the CRA received was \$1,202,095.
  - As a result, the CRA gets almost 87% of the DDA's tax revenue for the taxes collected at the 1 mill tax rate.

**In 1993, the DDA was authorized by the legislature to seek voter approval for an additional 1 mill of tax, bringing the total DDA tax limit up to 2 mills.**

- **The voters were asked to approve this increase in millage so that the DDA could fund the Palm Tran Shuttle, maintenance, security and marketing programs, and other costs and services for the Downtown area.**
  - **The voters did approve this increase on August 17, 1993.**
  - **However, because most of the increased revenue from the second mill would have been a tax increment that would have gone to the CRA rather than being used by the DDA for the programs it was authorized for, the city agreed to allow the DDA to keep all of the 2<sup>nd</sup> mill.**

**The City and DDA entered into an Interlocal Agreement on May 9, 1994, that allowed the DDA to keep all of the revenue generated by the second mill for ten years, as long as the money was used to fund the Palm Tran Shuttle, Downtown Security and Maintenance Programs, Marketing programs, or other programs supportive of the approved CRA Plan. This period was extended by Interlocal Agreements in August, 2000; July, 2006; and September, 2009. The current agreement expires September 30, 2014**

**The CRA still received the increment from the first mill of DDA tax.**

**In 2006, the City, CRA and DDA agreed that the DDA would reduce its millage rate from 2 mills to 1.75 mills in 2007; 1.5 mills in 2008 and 1 mill in 2009. The DDA kept the one mill rate in 2010 and 2011. To offset the loss in revenue to the DDA, the City and CRA agreed that the CRA would provide the DDA with funds from the CRA budget equal to 95% of the revenue that would be generated by the DDA levying taxes at the 2 mill rate. These funds must be used for programs and services that are consistent with the approved CRA Redevelopment Plan. The DDA Work Plan outlines how the CRA funds will be spent each year.**

**The current Interlocal Agreement between the City, the CRA and the DDA that outlines the CRA's funding commitment expires September 30, 2014.**