

## MEMORANDUM

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**To:** Ms. Ann Teston, Economic Development, Pensacola CRA  
**From:** Lambert Advisory, LLC  
**Date:** April 1, 2026  
**Subject:** Tax Increment Financing (TIF) Rebate Application

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### *Introduction*

Lambert Advisory (Lambert) has assessed the Tax Increment Financing (TIF) Rebate Application submitted to the Pensacola Community Redevelopment Agency (PCRA) by Inspired Communities of Florida, LLC (Developer). The Developer's proposed development program, referred to as Rhythm Lofts and REVERB by Hard Rock at Community Maritime Park - Lot 5, is a large-scale mixed-use program generally comprising:

- ✓ 198 multifamily rental units of which 50 percent (99-units) will be market-rate and the balance (99-units) designated as deed-restricted "middle income";
- ✓ 49 market-rate for-sale/condominium units;
- ✓ 147-key hotel branded as REVERB by Hard Rock with spa, meeting and retail space;
- ✓ 21,000± square foot Community Plaza with activate public space; and,
- ✓ 325± space structured parking podium

The memorandum herein is being prepared in the effort to provide the Pensacola CRA with a summary overview of key findings associated with Lambert's assessment of the Developer's TIF Rebate Application (Application). This assessment has been completed independent of any prior communication with Developer and is solely intended to provide the PCRA with our observations of the Application and of which the PCRA may communicate directly with Developer to address the findings.

### *Summary of Key Findings*

From a broad perspective, the Application's development proposal aims to meet the core goals and objectives of the PCRA's Area Reinvestment Agreement Policy (Policy) for the West Main District to the extent: it promotes the objectives of stimulating revitalization in the applicable CRA district; it addresses the basic provisions of the TIF Rebate structure; it follows the criteria of capital investment, equity contribution, investment return parameters, provision for affordable housing, supports the "But For" principle, among others.

However, an assessment of the Application identifies several issues and inconsistencies that significantly test the validity of the proposal. The following is a summary of several (and not necessarily all) notable issues with the information provided the Application:

- 1.) *Total Development Costs (Item 11)* – while at this point the assessment herein doesn’t opine on the cost estimates provided by Developer, it would be beneficial to have the “Multifamily” cost component broken out between the rental and condominium product. Additionally, it would be beneficial to allocate costs associated with the Shared/Podium/Site elements to each respective development use; though, we clearly understand the challenges of doing such at this early stage of planning. Nonetheless, feedback from Developer may provide necessary input as to how these costs can be allocated to more appropriately evaluate the TIF Rebate.
- 2.) *Equity Contribution* – In accordance with the Policy, proposed projects seeking TIF Rebate demonstrating equity contribution in excess of 30 percent will be looked upon favorably in the rebate evaluation. Item 7 of the Application indicates \$50 million for “sponsor at-risk equity” which is 20 percent of the total \$250 million development capitalization. This is well below Policy goals.
- 3.) *Residential Pro Forma (Exhibit D)* – the Residential Pro Forma – Rental Project (Multifamily) appears to be incorrectly formulated and, namely: in Year 2 (presumed to be stabilized operations), gross potential income from residential units is \$9.18 million. For the 198 rental units this would indicate average monthly rent of nearly \$3,900 (\$4.15/sq.ft.). While the Application does include a comprehensive multifamily rental market study, and it is recognized herein that rent estimates are likely forward looking a few years, the projected monthly rent is approaching twice that of the newest and most prominent Class A development (Palmilla Apartments) in the Downtown area which according to Costar is achieving average monthly rental rates generally in the range of \$2,200 (\$2.21/sq.ft.). Even if the Application’s stated multifamily rental income was taken at face-value, the bigger question is – how does this account for the 99 affordable/”middle-income” units that would need to be rented at levels significantly lower. In accordance with Florida Housing Finance Corporation (2025 Income Limits and Rent Limits, Escambia County), monthly rent for a one-bedroom unit, which is the largest share of unit type in the Application, would need to be restricted to \$1,840. In this light, the corresponding Yr. 2 real estate tax assessment (\$2.39 million) would be considerably overstated. Lastly, as part of the multifamily rental pro forma notes, there is reference to condominium sales paying down multifamily rental debt. Considering this, it would be helpful to get Developer input as to how the condominium debt is repaid – discussed further below.

- 4.) *Hotel Pro Forma (Exhibit D)* – the Application includes a comprehensive hotel market and financial study from a nationally recognized consulting firm. Relative to the assumptions associated with average daily (room) rates (ADR), occupancy and applicable hotel operating metrics, the estimates of performance appear to be reasonable. However, the consultant study indicates Yr. 2 Food and Beverage gross revenue to be \$3.6 million. However, in the Application hotel pro forma, food and beverage gross revenue is \$15.7 million which is over \$400± per occupied room night. This has major implications on hotel value and, correspondingly, real estate taxes; therefore, further input from Developer would be beneficial.
- 5.) *Condominium Pro Forma (Exhibit D)* - This items pertains to the proposed selling prices, including: studio units (727 square feet) are estimated to sell for \$1.24 million (\$1,705/sq.ft.), and one-bedroom units (985 square feet) selling for \$1.7 million (\$1,725/sq.ft.). In accordance with the market study included in the Application, rarely (if at all) does the market achieve sale prices higher than \$800± per square foot. Though it means little with regard to the TIF Rebate structure, the revenue from condominium sales is being utilized to pay down the multifamily rental debt as reference above which has implications for overall valuation/feasibility.
- 6.) *TIF Rebate Assistance Requested (Item 8)* – The Application pro forma sets forth the underlying Developer request for TIF Rebate. Based upon the information provided, there are a couple of items for which Developer clarification would be helpful. a.) for the 198 multifamily units there is an estimated \$2.39 million in incremental tax revenue (as summarized in item 1 above). Accordingly, it is stated that the annual rebate amount from this use is \$1.05 million, which accounts for 100 percent “Live Local.” There is uncertainty as to what the “net additional” rebate represents and/or how it’s calculated. Moreover, “net” amount appears to include rebate of taxable revenue beyond the eligible City and County operating millage; b.) this inquiry applies to the derivation of the \$952,900 “Live Local Exemption” which is far in excess of any potential tax revenue generated from the Live Local units; and c.) the rebate too appears to include taxable components beyond the City and County eligible portions of the rebate.

Notwithstanding, the TIF Rebate requested by the Applicant is an average of approximately \$2.9 million upon stabilized operations for a period of 20 years (or an estimated \$58± million in total). However, there are two issues with request: first, as outlined in Item 8 of the application, the annual rebate assumes \$1.05 million from the rental units and \$1.57 million from the hotel which actually totals \$2.62 million annually (and a total \$52± million over 20 years); and, second, the Urban Core CRA is set to sunset in 2043 which would provide for at most 14 years of TIF assuming the

development is completed in 2029 which is a highly aggressive timetable in light of preparation of final plans, approvals, and construction period. This would indicate an estimate total TIF rebate of \$40+ million even at the Applicants requested rebate and \$36.7 million at the \$2.62 million annual TIF.

7.) *But-For Statement (Item 12)* – the questions and discrepancies highlighted above potentially have significant implications for the Developer’s TIF Rebate request. Accordingly, these issues make it extremely difficult (if at all possible) to validate the Policy’s “But For” requirement and, particularly, given the inconsistencies in the rental, hotel and condo proformas outlined above.

It is important to note that the items of inquiry noted above are intended to help the City/PCRA facilitate discussion with the Developer in the effort to support the proposed ARA development. Further, an explanation and/or feedback from the Developer may help to clarify some of the issues and inconsistencies noted above. That said, and as currently presented, the validity of the ARA Application and the TIF Rebate request evaluated herein is highly questionable.