



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#22-0286

TO: CRA Chairman & Board of Commissioners
Fort Lauderdale Community Redevelopment Agency

FROM: Chris Lagerbloom, ICMA-CM, Executive Director

DATE: April 5, 2022

TITLE: Motion Approving a Subordination of the CRA Mortgages from BH3 DJ Flagler LLC to a New Mortgage in favor of Banesco USA ; Amendments to the Façade Program Participation Agreement with BH3 DJ Flagler LLC; Amendments to the Property and Business Improvement Program Agreement with BH3 DJ Flagler LLC; Amendments to the Restrictive Covenants; Authorizing the Executive Director to Execute Any and All Related Instruments and Delegating Authority to the Executive Director to Take Certain Actions - **(Commission District 2)**

Recommendation

Staff recommends the Community Redevelopment Agency (CRA) Board of Commissioners approve, by Motion, a Subordination Agreement, subordinating the CRA mortgages granted by BH3 DJ Flagler LLC at 801, 807, 815, and 819 NE 2nd Avenue in the total amount of \$350,000, to a new mortgage from BH3 DJ LLC in favor of Banesco USA in the amount of \$5,200,000. Staff also recommends that the CRA Board of Commissioners approve an amendment to the Façade Program Participation Agreement with BH3 DJ Flagler LLC, an amendment to the Property Business Improvement Program (PBIP) Agreement with BH3 DJ Flagler LLC, and an amendment to the Restrictive Covenants; authorize the Executive Director to execute any and all related instruments and delegate authority to the Executive Director to take certain actions.

Background

The CRA received a request from BH3 DJ Flagler LLC for a subordination of CRA second mortgages in the amount of \$350,000 to allow for a new first mortgage loan in favor of Banesco USA. BH3 DJ Flagler LLC is refinancing their \$5,100,000 first mortgage held by Maxim Credit Group, LLC and secured by the property at 801, 807, 815 and 819 NE 2nd Avenue owned by the Developer. BH3 DJ Flagler LLC is also requesting a modification to the Restrictive Covenants imposed on the property by the CRA as a condition of funding. A copy of the Location Map of the property and letter from BH3 DJ Flagler LLC is attached as Exhibits 1 and 2.

The CRA has two mortgages that have equal priority with each other on the property at 801, 807, 815 and 819 NE 2nd Avenue that are subordinate to the Maxim mortgage. They

consist of a CRA Commercial Façade Program mortgage in the amount of \$125,000, and a CRA Property and Business Improvement Program (PBIP) mortgage in the amount of \$225,000, both dated January 13, 2021. The principal balance on the Maxim first mortgage is \$4,885,760 and the new first mortgage will be in an amount of \$5,200,000. Payment of the first mortgage principal balance along with the cost of the new first mortgage including the commitment fee, closing cost and interest reserve in the largely cash neutral transaction leaves a balance of approximately \$13,000 from the new loan proceeds. The bank appraisal places the Market value of the property as of November 19, 2021, at \$9.3 million. The CRA loans proceeds were used to help retrofit the warehouse space into unique Class A office and retail space. The renovations are complete pending the Certificate of Occupancy (Exhibit 3). Both the Commercial Façade and PBIP mortgages are forgivable mortgages and will be forgiven five years after project completion. The \$7.5 million project includes 23,816 square feet of leasable space and on-street parking, sidewalks, and landscaping along 855 feet of Florida East Coast right-of-way adjacent to Progresso Drive. The Project is estimated to create 49 jobs and the Developer is contributing \$25,000 to a scholarship fund for workforce training of CRA residents in conjunction with the efforts being undertaken by the CRA at Broward College. BH3 Management is owned by co-founders Gregory Freeman and Daniel Lebensohn, who have their corporate offices at the project and who continue to invest in the area including a new modern mixed use twin tower project proposed at N. Andrews Avenue and NE 4th Avenue in Flagler Village.

In addition to requesting the subordination of the CRA mortgages to the new first mortgage lender, the Developer is asking that the restrictive covenants be modified to remove the prohibition of massage parlors and tattoo parlors. The project is attracting a variety of contemporary retail and lifestyle tenants including a national franchise for boutique massage wellness treatments called The Now Massage and a “by appointment” tattoo artist that also provides microblading, tattoo removal and other services (Exhibit 4 and 5). The Tattoo Artist, Borrowed Time Tattoo Studio, are co-tenants with Elite Rejuvenation Spa and share one space offering complementary services. The Now Massage is currently in 12 states and opening in cities across the county. The intent of the restrictive covenants was to prevent undesirable uses with potential crime connections such as adult uses. The proposed massage boutique and tattoo spa’s services are neither undesirable or pose any threat to the project or the area and it is staff’s recommendation that the restrictive covenants be amended to allow for these uses.

Consistency with the NPF CRA Community Redevelopment Plan

The NPF CRA Community Redevelopment Plan is designed, in part, to stimulate private development of areas planned for commercial development. The project is consistent with the NPF CRA Community Redevelopment Plan which provides for direct physical improvements to enhance the overall environment, improve the quality of life and attract sound business and commercial development that provide employment and job opportunities.

Per the CRA plan, the CRA will establish incentive programs to address redevelopment obstacles. The CRA program identifies strategic objectives, goals and measurements that

include targeting and attracting businesses, retail uses and industries to establish a presence in the redevelopment area. In addition, it calls for investing in development projects that create job opportunities for area residents, promote public private partnerships and investment in the redevelopment area.

Resource Impact

There is no fiscal impact associated with this action.

Strategic Connections

This item is a *2022 Commission Priority*, advancing the Smart Growth initiative.

This item supports the *Press Play Fort Lauderdale 2024* Strategic Plan, specifically advancing:

- The Business Development Focus Area
- Goal 5: Build an attractive and proactive business climate to attract emerging industries
- Objective: Nurture and support existing local business

This item advances the *Fast Forward Fort Lauderdale 2035* Vision Plan: We Are Community and We Are Prosperous

This item supports the *Advance Fort Lauderdale 2040* Comprehensive Plan, specifically advancing:

- The Business Development Focus Area
- The Economic Development Element
- Goal 2: Enhance the economic competitiveness of Fort Lauderdale through policies and encourage retention and recruitment of business and industry which provide living wage employment and increased training and competitiveness in the local workforce

Attachments

Exhibit 1 – Location Map

Exhibit 2 – Letter from BH3 DJ Flagler LLC

Exhibit 3 – Project Photos

Exhibit 4 – The NOW Massage Boutique

Exhibit 5 – Borrowed Time Tattoo Studio/Elite Rejuvenation Spa

Exhibit 6 – Loan Commitment from Banesco USA

Exhibit 7 – Existing First Mortgage with Maxim Credit Group

Exhibit 8 – Bank Appraisal

Exhibit 9 – Subordination Agreement

Exhibit 10 – Modification to Restrictive Covenants

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