



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#17-1140

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

FROM: Lee R. Feldman, ICMA-CM, Executive Director

DATE: October 3, 2017

TITLE: Motion to Approve the Award of Community Redevelopment Agency Incentives to EastFortLauderdaleRentals.Com, LLC in the Amount of \$350,000 for StartUps.Club Workspaces located at 701 N. Andrews Avenue

Recommendation

It is recommended that the Community Redevelopment Agency (CRA) Board of Commissioners approve the award of community redevelopment incentives to EastFortLauderdaleRentals.Com, LLC in the amount of \$350,000 (consisting of a \$225,000 forgivable loan from the Property & Business Improvement Program (PBIP) and a \$125,000 forgivable loan from the Commercial Façade Improvement Program (CFIP) for StartUps.Club Workspaces at 701 N. Andrews Avenue; and authorize the Chairman and Executive Director to execute the agreements, subject to approval of the CRA General Counsel, necessary to enforce the terms and conditions of the respective incentive programs.

Background

The Applicant, EastFortLauderdaleRentals.Com, LLC, proposes to renovate its warehouse facility located at 701 North Andrews Avenue to create a co-working space and learning center for entrepreneurs in various sectors. Entrepreneurs will have a space to start and scale their businesses within the Historic Sistrunk and Progresso neighborhoods. The facility will also serve as a location for monthly events open to the community on topics of interest to local startups. This concept is called StartUps.Club and will also provide support to startups with accounting, legal, and advisory services and in some cases venture capital funding.

EastFortLauderdaleRentals.Com, LLC requests a total of \$350,000 in funding from CRA incentive programs consisting of a \$225,000 forgivable loan from the PBIP and a \$125,000 forgivable loan from the CFIP. The proposal meets the goals and objectives of these incentive programs (See Exhibit 4) by eliminating slum and blight, and improving an existing building in the CRA (See Exhibit 3). The Northwest Progresso Flagler Heights Community Redevelopment Area (NPF CRA) Redevelopment Advisory Board at its meeting of April 11, 2017 recommended approval of the Property and

Business Improvement Program incentive up to a maximum amount of \$225,000 in a vote of 11-1 and recommended approval of the award of the Commercial Façade Improvement Program up to a maximum amount of \$125,000 in a vote of 11-1 (See Exhibit 4).

Project Cost, Client Risk, and Financial Analysis

StartUps.Club is a division of East Fort Lauderdale Rentals, a real estate firm started over five years ago dedicated to developing and renovating rental units in the Fort Lauderdale area. The company acquired 701 N. Andrews Ave. on January 11, 2017. The building currently does not have a mortgage.

The project is backed by serial entrepreneur Colin Campbell (Tucows Interactive (TCX), Internet Direct Canada Inc. (TSX:IDX), Hostopia.com Inc. (TSX:H), and GeeksForLess.com). He is also majority owner of Club Domains, LLC, currently located at 100 SE 3rd Avenue (Regions Bank Building), and intends to relocate their office to this facility upon completion. Profiles of the company's key management personnel are attached as Exhibit 2.

They Propose:

- To make a \$1,625,000 investment in the purchase and redevelopment of the property at 701 N. Andrews Avenue west of the Florida East Coast (FEC) railway – Exhibit 3 (building has already been purchased in an all cash transaction - \$900,000, and currently has no mortgage).
- To build the ideal co-working environment for local startups to not only launch and grow their early stage ideas, but get accounting, legal, and advisory services and in some cases venture capital funding.
- Partnering with Dickey Consulting to collaborate with local community centers, schools, job fairs, and employment centers to help bring 40 to 80 new jobs to the NPF CRA. (Community outreach strategy highlighted in Exhibit 1, page 17)
- Moving the headquarters of .Club Domains LLC to the new facility. The company operates the new generic top level domain name “.CLUB” and provides online social network platform services for clubs and membership organizations.

As illustrated in construction estimates provided in Exhibit 3, the renovation of 701 N. Andrews Avenue will cost between \$650 - \$700,000 for buildout of the state of the art co-working space that will include 18 workstations, 3 dedicated offices, receptionist, boardroom facilities, meeting rooms, photo and sound studio, and lounge areas. Façade improvements will include installation of new storefront / glass door windows, HVAC (heating, ventilation, and air conditioning), roof upgrades, and solar panels. Furniture and fixtures will cost an additional \$25,000.

The project has the support of the Progresso Village Civic Association and had a successful pre Development Review Committee (pre-DRC) meeting with the City. A

copy of the project plans is attached as Exhibit 3.

The total project cost/total required investment is estimated at \$1,625,000. Including:

- \$ 900,000 - Building Cost
- \$ 671,000 - Renovation Cost
- \$ 25,000 - Equipment & Fixtures
- \$ 29,000 - Design, Engineering, Insurance & Fees
- \$1,625,000 Total Required Project Investment.

As detailed in the Business Plan (Exhibit 1) the company will target a diversity of startups - different backgrounds, age groups, and education levels, including service companies, design and digital media, product development, software and internet services, photography (companies just starting or have started within the last 24 months). Studies have shown that startups that join a business accelerator tend to do substantially better than companies that do not. There is tangible value to the community work environment StartUps.Club will present.

The detailed operations analysis (Exhibit 1 pg. 4) includes pricing/revenue and expenses, a forecasted net income of \$76,470 and return on investment (ROI) of 6.51% with the CRA funding of \$350,000.

Consistency With the NPF CRA Community Redevelopment Plan

The project is consistent with the NPF CRA Community Redevelopment Plan which identifies Progresso Commercial Revitalization as a comprehensive program to redevelop this largely deteriorated industrial area of the City that has the potential to serve as a major source of job creation.

Per the Plan, the CRA will establish incentive programs to address redevelopment obstacles. The CRA 5 Year Program, which is incorporated as part of the Plan, identifies strategic objectives, goals and measurements that include targeting and attracting businesses, retail uses and industries to establish a presence in the redevelopment area and create jobs for area residents. 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 will be a Fiscal Year 2018 impact to the City in the amount of \$350,000.

| Funds available as of October 1, 2017 | | | | | |
|---------------------------------------|-------------------------------------|---|----------------------------|-------------------------------|----------------|
| ACCOUNT NUMBER | INDEX NAME (Program) | CHARACTER CODE/ SUBOBJECT NAME | AMENDED BUDGET (Character) | AVAILABLE BALANCE (Character) | PAYMENT AMOUNT |
| 119-CRA091804-4203 | Development Incentive Program FY 18 | Other Operating Expenses/Redevelopment Projects | \$4,300,000 | \$4,300,000 | \$350,000 |
| PURCHASE TOTAL ► | | | | | \$350,000 |

Strategic Connections

This item is a *Commission Annual Action Plan* priority, included within the Policy Agenda, advancing the Northwest Progresso Flagler Heights CRA – Capital Improvements and Housing strategy.

This item is a *Press Play Fort Lauderdale Strategic Plan 2018* initiative, included within the Neighborhood Enhancement Cylinder of Excellence, specifically advancing:

- Goal 7: Be a well-positioned City within the global economic and tourism markets of the South Florida region, leveraging our airports, ports and rail connections.
- Objective 2: Facilitate a responsive and proactive business climate.
- Initiative 1: Evaluate and expand our existing portfolio of business attraction Incentives.

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

Attachments

Exhibit 1 - Business Plan & Market Analysis

Exhibit 2 - Profile of Key Principals, Tax Returns & Bank Statements

Exhibit 3 - Job Descriptions, Articles of Incorporation, Warranty Deed, Maps, Construction Budget, Plans, Renderings, Existing Conditions, Project Schedule, Supplemental Questions

Exhibit 4 - April 11, 2017 NPF CRA Advisory Board Minutes, Commercial Façade & PBIP Programs

Exhibit 5 - Property & Business Investment Improvement Program Agreement

Exhibit 6 - Development Agreement for Façade Improvement Program

Prepared by: Glendon Hall, CRA Housing and Economic Development Manager

Department Director: D'Wayne Spence, NPF CRA Manager