



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#17-0875

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

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

DATE: August 22, 2017

TITLE: Motion to Approve a Development Incentive Program Letter of Intent in the Amount of \$10,000,000 between the Fort Lauderdale Community Redevelopment Agency and the YMCA of South Florida for The LA Lee YMCA/Mizell Center Project located at 1409 NW 6 Street

Recommendation

It is recommended that the Community Redevelopment Agency (CRA) Board of Commissioners adopt a Resolution to approve a Development Incentive Program Letter of Intent in substantially the form attached for funding in an amount not to exceed \$10,000,000 with the YMCA of South Florida and authorize the Chairman and Executive Director to execute the Development Agreement for The LA Lee YMCA/Mizell Center Project located at 1409 NW 6 Street and any other documents reasonable necessary to consummate the transaction.

Background

The YMCA of South Florida, operating successfully in the NPF CRA since 1968, is requesting a \$10 million funding assistance package (**Exhibit 6**) from the Northwest-Progresso-Flagler Heights (NPF) CRA to provide funding towards debt service for the construction and development of a \$15 million dollar state of the art community center, located within the CRA's Focus Area on historic Sistrunk Boulevard. The LA Lee YMCA/Mizell Center will be a 65,000 square feet, four story, multi-use structure. Broward College will lease 10,155 sq. ft. There will be 7,400 sq. ft. of ground floor retail space, business incubator/coworking space, pre/afterschool, wellness center, gym, pool, community conference space, roof top patios, and black box theatre. A copy of the Location Map and Broward County Property Appraiser Information is included as (**Exhibit 6**). A copy of the request for Funding/Application is included with the cover letter.

The YMCA will secure a loan for the construction of the facility. This transformative development will serve as a catalyst to spur essential community and economic improvements along the historic Sistrunk corridor west of the FEC railway. The center will impact over 1,200 people per day with a holistic range of activities including higher education, business development, aquatics, retail, health & wellness, and community

engagement for all ages. The building will also pay homage to the site's rich history with the entrance/lobby area curated (discussions have already occurred with Mr. George Gadson) with murals, artwork, and photographs honoring the legacy of community pioneers such as Dr. James Sistrunk, Dr. Von Mizell, Dr. Calvin Shirley, Dr. R.L. Brown, Dr. James Bass, Nurse Joanna Bradley, Mr. LA Lee, and Provident Hospital.

The site is currently owned by the City of Fort Lauderdale and the building is in poor condition. Once built, the LA Lee YMCA/Mizell Center is forecasted to create 96 jobs paying \$1,168,000 annually in wages distributed among the YMCA (40), retail (24), Broward College (18) and the coworking space/incubator (10). The wages paid will range for YMCA professional staff from \$35,000 to \$85,000. The rates for hourly staff will range from \$9.00 per hour to \$25 per hour. Of these positions approximately 50% will come directly from residents of the CRA. These jobs will provide residents and area high school students the opportunity to start at an entry level position and move up the organization. The coworking space/incubator will be occupied by startup businesses as they develop and launch business plans to nurture ideas and careers.

They Propose:

- To make a \$15,000,000 investment in the Focus Area of the NPF CRA in the redevelopment of the site at 1409 NW Street, west of the FEC railway with a 65,000 square feet, multi-use structure with Broward College as a 10,155 sq. ft. anchor tenant, 7,400 sq. ft. of ground floor retail, including business incubator/coworking space, pre/afterschool, wellness center, gym, pool, community conference space, roof top patios for events, and black box theatre with a curated historic entrance lobby honoring the legacy of Dr. Sistrunk and other prominent community pioneers.
- Provide three categories of job creation for local individuals and firms to be involved with the project:
 - Construction – Estimated 300 Jobs, the YMCA has a 30% minimum benchmark for minority participation.
 - Building operations - 40 jobs, at least 50% will come from residents of the CRA.
 - Retail/office tenants - 56 jobs.
- Sell/exchange the current LA Lee YMCA property at 408 NW 14th Terrace (zoned residential single family/low density, 1.61 acres) for affordable housing, adding tax/revenue dollars back into the city/community each year (currently both the LA Lee YMCA and the Mizell center are not paying property taxes).

Company Background and Business Plan

The YMCA has served the South Florida community since 1915. The YMCA of South Florida serves Broward, Miami/Dade and Monroe Counties. On April 1, 2015 the YMCA of Broward County and the YMCA of Greater Miami merged to become the YMCA of

South Florida. The YMCA of South Florida is a \$52 million organization which represents the 27th largest YMCA in the USA. Today, the YMCA employs over 1,600 staff year round and an additional 300 staff in the summer months.

The YMCA is governed by the Board of Directors, 34 dedicated volunteer leaders in the community that represent a diverse and inclusive group of individuals with strong personal and professional levels of leadership. (See Exhibit 1, for list of the Board of Directors).

The Senior Staff Leadership of the YMCA has over 60 years of experience in the YMCA and experience outside the YMCA within: education, recreation, retail and consumer products, accounting and finances, business development, marketing and communications, construction, information and technology to name a few of the skills. (See Exhibit 1 for resumes of the Staff Senior Leadership.)

The YMCA operations generate revenue from four prime sources:

- Public Support 10%
- Grants 30%
- Membership 30%
- Programs 30%
 - Summer Camp
 - Aquatics and Swim Lessons
 - Health and Wellness
 - After School Child Care
 - Youth Sports
 - Adult Sports
 - Preschool

In the 33311 area, the YMCA has had a strong presence since 1968 at the LA Lee YMCA Family Center. The Center has impacted people of all ages from infants to seniors. Youth programs offered include after school care, summer camp, sports, tutoring, and college tours which impact over 1,000 teens per year. For the Active Older Adults, the YMCA has programs specifically designed for seniors such as group exercise classes – chair aerobics, silver sneakers, evidence based/outcome based exercise programs, designed specifically for seniors plus numerous intentional opportunities to create social interaction among program participants. In addition, there are numerous programs for adults in our wellness center/cardio center, exercise classes, gymnasium, and adult sports programs. The YMCA extends thier impact outside the four walls of the Y through our Health Innovation Team by offering health and wellness programs in local apartment complexes, housing complexes and group living homes. These programs focus on the mitigating of health issues such as diabetes, weight loss, lack of movement and mobility, access and education for a proper diet, and most importantly the socialization among all generations.

Project Cost, Client Risk and Financial Analysis

Current Sources of Funding:

Northwest-Progresso-Flagler CRA	\$10,000,000
Commitment from the YMCA & Donors	<u>5,000,000</u>
Total Funding Sources	<u>\$15,000,000</u>

The construction budget for the project (hard costs) is conservatively estimated at \$10,202,098 (**Exhibit 6**) with the total project cost including soft/financing cost with contingencies, fees and reserves totaling \$15,000,000. The estimated construction commencement date is October 2018 and the estimated completion date of the project is September 2020.

Division	Scope	Budget
1.	General Conditions	\$750,000
2.	Site Work	\$663,833
3.	Concrete/ Masonry	\$768,325
5.	Steel	\$1,181,408
6.	Millwork	\$50,000
7.	Roofing	\$218,399
8.	Doors/ Windows/ Glass	\$973,556
9.	Finishes	\$1,676,038
10.	Accessories	\$297,852
13.	Special Construction	\$224,000
14.	Elevators	\$240,000
15.	Mechanical	\$2,127,279
16.	Electrical	\$1,031,408
	Subtotal	\$10,202,098
	Insurance/Bond	\$202,042
	Contractor Fee	\$824,331
	Subtotal	\$11,228,471
	Contingency (6.87%)	\$771,529
	Construction Total	\$12,000,000
	Special Inspections	\$100,000
	Professional (A/E) Fees (7.5%)	\$900,000
	Permit Fees (2.1%)	\$250,000
	Entitlement Fees (2.1%)	\$250,000
	Furniture/ Equipment (12.5%)	\$1,500,000
		\$15,000,000

In the absence of CRA financial assistance there is significant client risk associated with the project and its proposed development. The area is perceived as high risk with contributing factors including higher than average crime, poor environmental conditions, and depressed property values compared to other parts of the city. However, due to the anticipated funding amount of \$10 million from the NWPF CRA over eight years, the YMCA is in successful discussions with multiple major national financial institutions to obtain the construction loan to finance the project. It is estimated that a construction loan can be obtained within six to eight

months from the date of a firm commitment from the Northwest-Progresso-Flagler CRA. In the absence of CRA assistance the construction loan will not be obtained, resulting in the funding not being committed, leaving the developer with the most logical alternative of not undertaking the project as planned and leaving the NWPF CRA without a significant transformational project to bring development west of the FEC tracks where it is most needed and deserved.

The YMCA's projected operating revenue in the third year will be:

Contributed Support	\$70,000	
Grants	<u>\$60,000</u>	
Total Public Support		<u>\$ 130,000</u>
Membership	344,000	
Program Fees	<u>280,000</u>	
Total Fees for Service		<u>\$ 625,000</u>
YMCA Association Home Mission Subsidy		<u>\$ 350,000</u>
Total Revenue & Expense		<u>\$1,105,000</u>

Thus over a period of 20 years, the YMCA is committed to supplement the operations of this center for a total of \$7,000,000. The YMCA will look to increase the level of public support and creatively generate fees for service. The economics of the 33311 area will improve. At the time the pro forma has been prepared this is an unknown factor and should not be used to determine a dramatic increase to the fee for service factors. **Exhibit 9**, contains detailed ten year pro forma.

It is important to note that over the past few years (2012-2017) the YMCA of South Florida has subsidized the LA Lee YMCA on average \$325,000 per year.

Proposed CRA Project Contribution

Staff recommends providing the \$10 million contribution by the CRA to allow the redevelopment and economic/job creation project proposed by the developer to move forward to the benefit of the YMCA and the CRA without risking CRA funds.

Redevelopment Incentive Recommendation: The Developer is requesting a total of \$10 million from the Development Incentive Program (DIP). DIP is a custom designed incentive to meet the appropriate needs of a specific development project in the CRA that represents an investment/total project cost of five million dollars or more and creates a significant economic engine or destination project in the CRA.

- The award will be over 8 years at \$1.25 million per year. Each payment will be based on the performance of the YMCA as outlined in the CRA board approved Development Incentive Program Letter of Intent.
- The Development Incentive Program Letter of Intent will be cross defaulted with the YMCA's Lease Agreement (CAM #17-0927).

A copy of the estimated construction cost is included as **Exhibit 6**. The CRA proposes that the project be awarded a \$10 million DIP incentive to be secured by an 8 year forgivable mortgage against the property subordinated to the first mortgage lender. The CRA further recommends that the YMCA secure financing (via a loan and/or donations)

08/22/2017

CAM #17-0875

Page 5 of 7

of no less than \$10M for this project.

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 investment and employment for the surrounding community. Per the CRA 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.

City Attorney Approval

The final drafts for execution are subject to approval of the CRA General Counsel, who shall have the authority to make necessary changes.

Resource Impact

The available balance in the chart below reflects the amount remaining prior to the proposed Budget Amendment on 9.6.2017, (CAM #17-0751) to the Development Incentive Fund totaling \$1,350,000. Funds for this agreement are also contingent upon the approval of the Budget Amendment on 9.6.2017. Funds will be spread over eight years at \$1,250,000 per year totaling \$10,000,000. Future expenditures are contingent upon approval and appropriation of the annual budget.

Funds available as of August 15, 2017					
ACCOUNT NUMBER	INDEX NAME (Program)	CHARACTER CODE/ SUBOBJECT NAME	AMENDED BUDGET (Character)	AVAILABLE BALANCE (Character)	PAYMENT AMOUNT
119.01-CRA091704-4204	Development Incentive Program	Other Operating/Operating Subsidies	\$5,950,000	\$450,000	\$1,250,000
PURCHASE TOTAL ►					\$1,250,000

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*.

Related CAM

17-0927

Attachments

Exhibit 1 - Resumes for the Key officers of the YMCA, CEO, CFO and CSO

Exhibit 2 - IRS Tax returns for the years 2014, 2015, 2016

Exhibit 3 - Jobs created and current jobs with Job Descriptions

Exhibit 4 - IRS Determination Letter

Exhibit 5 - Resolution by the Board of Directors, Articles of Incorporation, YMCA By-Laws

Exhibit 6 - Construction Detail of Cost, Architect Renderings & Floor Plans, Street Map & Legal Description & Estimated Time Line

Exhibit 7 - Audits for the Years 2014, 2015, 2016

Exhibit 8 - Interim Financial Statement of May 31, 2017

Exhibit 9 - Three Year pro forma for YMCA of South Florida and Project Pro forma for 10 years – LA Lee YMCA / Mizell Community Center

Exhibit 10 - Development Incentive Program Letter Of Intent

Exhibit 11 - July 18, 2017 NPF CRA Redevelopment Advisory Board Draft Minutes

Exhibit 12 - CRA Resolution

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

Department Director: Donald Morris, AICP, Beach CRA Manager