



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#23-0003

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

FROM: Greg Chavarria, CRA Executive Director

DATE: January 10, 2023

TITLE: Resolution Increasing Development Incentive Program (DIP) Funding in the Amount of \$1,000,000 to Thrive Development Group, LLC, for the Thrive Progresso Project, 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 adopt a resolution to increase Development Incentive Program (DIP) funding in the amount of \$1,000,000 to Thrive Development Group, LLC for the Thrive Progresso Project, authorize the Executive Director to execute any and all related instruments, and delegate authority to the Executive Director to take certain actions, subject to review by the CRA General Counsel.

Background

Thrive Development Group, LLC is requesting that the CRA Board approve an additional \$1,000,000 in Development Incentive Program funding for the Thrive Progresso Project. Attached as Exhibit 1 is a letter request from Jonathan Fish, Manager of Thrive Development Group, LLC, explaining the need and justification for the additional funding.

On July 9, 2019, the CRA Board approved a \$2,500,000 DIP and a \$340,375.87 CRA Streetscape Enhancement Program forgivable loan to the Developer to renovate over 60,000 square feet of deteriorated buildings on approximately 3.5 acres of land to create a new, exciting and innovative business complex "Thrive Progresso". Purchased by the Developer between 2016 and 2018 at a cost of over \$5.9 million, the properties were previously occupied by auto repair garages, paint and body shops, rag shops and other uses that had a negative impact on the area and contributed significantly to the slum and blighting conditions in this area. The properties are in the Industrial/Light Industrial portion of the Progresso area fronting both sides of NW 5th Avenue between NW 7th Street and NW 8th Street (Exhibit 2) at:

ADDRESS	PROPERTY ID
701-745 NW 5 Avenue	4942-34-06-9460
710-726 NW 5 Avenue	4942-34-07-0100
744-748 NW Avenue	4942-34-07-0200
413 NW 7 Street	4942-34-07-0120
405 NW 7 Street	4942-34-07-0110

To offset some of the increased expenses to upgrade over 1000 linear feet of public right-of-way adjacent to the project along NW 5th Avenue, NW 7th Street, and NW 8th Street, streetscape funding was increased by \$150,000 by the CRA Board on February 15, 2022.

The massive project, when completed, will have a transformative impact on the CRA area and enrich the business and cultural fabric of this community. Current progress photos of the project are attached as Exhibit 3.

The Thrive Progresso Project has been described as the new Wynwood in Fort Lauderdale, turning undesirable uses and urban blight into new office, flex, retail, hospitality and other uses that will have a long-term positive affect on the area, increase property values, offer new business opportunities and improve safety. In addition, 25% of the leasable area is being offered at a below market base rent of \$18.00 per square foot to remain more affordable to small businesses as a community benefit of the project.

When CRA funding was originally approved for this project, the developer estimated the renovation cost at \$4.5 million, which equates to approximately \$75/square foot of building. Since then, the actual renovation cost has been approximately \$8.5 million and with over \$1.2 million in additional change orders and design changes to rectify unanticipated issues, unforeseen conditions and additional work required by building officials, the final renovation cost is now projected at \$9.5 million (\$158/square foot of building area including streetscape). Among the many recent additional expenses, the developer has had to face, is the requirement for flood barriers, retaining wall reinforcements, additional railings, and metal deck replacement. A breakdown of increased project cost and documentation is attached as Exhibit 4.

The Project was originally projected by the Developer to provide an annual Return on Investment (ROI) of 9.71% with CRA funding. Because of significant increased cost, under the current level of CRA funding, the project will only provide an annual Return on Investment of 4.93%. However, increasing CRA DIP funding by an additional \$1 million, will improve the Developer's annual Return on Investment to 5.35%. An Economic Analysis of the project with and without additional CRA funding is attached as Exhibit 5.

A comparison of previous CRA awards of DIP funded projects is provided below, with CRA funding ranging from 12% to 84% of the total estimated capital investment and averaging approximately 35%. The total capital investment for the Thrive Progresso Project is \$15.4 million and the total CRA funding to the Thrive Progresso Project will equal 25.9% of the total capital investment.

Project	Estimated Capital Investment (ECI)	CRA Award	CRA Award Percentage of ECI
Food and Friends	\$1.3 Million	\$1.1 Million	84%
Dales Wheels and Tires	\$0.97 Million	\$.7 Million	74%
Hoover Awning	\$1.5 Million	\$1.1 Million	73%
YMCA	\$15 million	\$10 Million	67%
Victory Complex	\$4 Million	\$2.4 Million	60%
Aldridge and Larimore	\$18.57 Million	\$8.0 Million	43%
Jack and Jill School	\$7.1 Million	\$2.5 Million	35%
Wright Dynasty	\$12.8 Million	\$3.5 Million	27%
909 NW 6 St	\$16.6 Million	\$4 Million	24%
Sistrunk Market	\$5.9 Million	\$1.4 Million	23%
Sistrunk Townhomes	\$6.9 Million	\$1.5 Million	22%
Six 13 Apartments	\$33.5 Million	\$7.0 Million	21%
Comfort Suites	\$17.4 Million	\$3.0 Million	17%
Triangle Services	\$7.8 Million	\$1.5 Million	19%
The Adderley	\$103.7 Million	\$12.0 Million	12%

CRA funding will take the form of a forgivable loan secured by a mortgage on the properties, subordinate to first mortgage acquisition debt by Ocean Bank.

The Mission Statement of Thrive Progresso is to “reposition an under-utilized industrial area into a vibrant urban business district that will serve the local community and bring new energy to the surrounding residential neighborhood.” The developer is making a substantial investment to lift this blighted area to higher ground and create an innovative, vibrant, and unique project like no other for business, culture, and entertainment. The transformation that is taking place is remarkable and the project is attracting a wide variety of users from restaurants and breweries to artist and craftsmen seeking workspace and galleries. When completed, Thrive Progresso will become a destination not only in the CRA, but in the region, and will include a large outdoor space for socializing, art, entertainment, and special events. Estimated to house between forty to sixty new tenants, a wide variety of job opportunities will be created as a result of the project. It will have a significant impact on the local economy and become an outstanding example of public/private partnership. Renovation of the buildings are approximately 85% complete and the streetscape improvements are approximately 75% complete. Tenants are projected to start moving into the project by the beginning of February 2023. The buildings on the east side of NW 5th Avenue should be receiving their Certificate of Occupancy by mid-March 2023 and the remaining buildings by May 2023.

At their meeting of December 13, 2022, the CRA Advisory Board unanimously recommended approval of this funding request. A copy of the draft minutes of the meeting are attached as Exhibit 6. A copy of an amendment to the DIP Agreement with Thrive Development Group is attached as Exhibit 7. A copy of the Resolution is attached as Exhibit 8.

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 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. 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.

The Thrive Progresso Project is also consistent with the recommendations of the Urban Land Institute TAP (Technical Assistance Panel) 2014 recommendations for the CRA area, recognizing that industrial buildings create a unique environment, offer redevelopment potential, and present a strong opportunity to attract business and users such as entertainment, retail, and gallery uses.

Resource Impact

Funds for this transaction in the amount of \$1,000,000 are available in the account listed below.

<i>Funds available as of December 14, 2022</i>					
ACCOUNT NUMBER	COST CENTER NAME (Program)	CHARACTER/ ACCOUNT NAME	AMENDED BUDGET (Character)	AVAILABLE BALANCE (Character)	AMOUNT
20-119-1531-552-40-4203-CRA092304	Development Incentive Improvement Program FY23	Other Operating Expenses/Redevelopment Projects	\$15,276,994	\$8,526,994	\$1,000,000
TOTAL AMOUNT ►					\$1,000,000

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 businesses

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 businesses and industry which provide living wage employment and increased training and competitiveness in the local workforce.

Attachments

Exhibit 1 - Letter from Thrive Development Group, LLC

Exhibit 2 - Location Map

Exhibit 3 - Recent Progress Photos of the Project

Exhibit 4 - Breakdown of Increase Project Cost and Documentation

Exhibit 5 - Economic Analysis

Exhibit 6 - Draft Minutes of December 13, 2022 CRA Advisory Board Meeting

Exhibit 7 - Amendment to the Development Incentive Program Agreement with Thrive

Exhibit 8 - Resolution

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CRA Executive Director: Greg Chavarria