

**COMMUNICATION TO CITY COMMISSION
BEACH REDEVELOPMENT BOARD
100 NORTH ANDREWS AVENUE
8th FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FL 33301
MONDAY MAY 18, 2:30 P.M.**

2015

FEB 2015/JAN 2016

MEMBERS	REGULAR MTGS			SPECIAL MTGS	
		Present	Absent	Present	Absent
Anthony Abbate, Chair	P	3	1	0	0
Ina Lee, Vice Chair	A	3	1	0	0
Abby Laughlin	A	3	1	0	0
Christian Luz	P	4	0	0	0
Thomas B. McManus	P	2	2	0	0
Andy Mitchell, Jr.	A	3	1	0	0
Judith Scher	P	4	0	0	0
Tim Schiavone	A	2	2	0	0
Shirley Smith	P	4	0	0	0
Aiton Yaari	P	4	0	0	0

Staff

Don Morris, Economic Reinvestment Administrator
Tom Green, Engineering Design Manager
Jeremy Earle, Deputy Director, Department of Sustainable Development
Lutecia Florencio, Clerk
Jamie Opperlee, Recording Secretary, Prototype, Inc.

Guests and Presenters

Brian Lilley, Lauderdale Air Show
Fred Carlson, VP of the Central Beach Alliance
Laura Meyers, FLL Magazine

Communications to the City Commission

By consensus, the Board agreed to forward a copy of the article, "Delray Beach goes from Blighted to Ignited" from the *South Florida Business Journal* to the City Commission.

[Transcribed by J. Rubin, Prototype, Inc.]

COVER STORY

DELRAY BEACH GOES FROM BLIGHTED TO REIGNITED

BY BRIAN BANDELL
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It's difficult to imagine that Atlantic Avenue in Delray Beach was once one of the most dangerous streets in South Florida.

Today, it attracts flocks of diners and shoppers just about every night. It has recently set retail real estate sales records. But in the 1980s and early 1990s, it was mired in blight.

Plenty of South Florida cities have laid renewal plans, but the plan Delray Beach's civil and business leaders crafted has exploded into unparalleled success. The city was twice named an All-American City by the National Civic League and was lauded by *USA Today* as the most fun small town in America.

Former Mayor Jeff Periman remembers when crowds blocked the streets and hoodlums threw bottles at police. At that time, the city's entrepreneurial talent included a lot of drug dealers and prostitutes. But a focused effort by the police department, and public investment in infrastructure and outdated properties turned things around, Periman said.

It is the story of a community development agency that did most everything right. The CRA, formed in 1985, invested in the streetscape, from the pavers to the lighting to the new parking garages. It provided incentives for property owners to improve the facades of their buildings, and subsidized rent payments for relocating businesses.

Delray Beach's downtown has since benefited from more than \$55 million in city bonds and at least \$35 million in funding through the CRA.

"It started with the plan and the city's public money being committed first, and that gave confidence to private-sector guys," Periman said.

The city purchased eyesore properties, including a crime-ridden nightclub and an adult bookstore, and redeveloped them. An abandoned elementary school at the center of town was restored as the Cornell Museum of Art & American Culture. And the former high school auditorium was reborn as the Crest Theatre, a site for events, classes and the performing arts. The museum and theatre are now part of Old School Square, which also includes an entertainment pavilion.

"When the private sector sees that, your phone starts to ring," Periman said. "We never had to go hunt. It came to us because of the investment."

Frank Schnidman, executive director of Florida Atlantic University's Cen-



JOCK FISTICK

ter for Urban and Environmental Solutions and a scholar on CRAs, said the Delray Beach CRA is one of the most successful in Florida. The city's leadership developed a careful plan, amended it as necessary over the years, and allowed a board of appointees to run it,

instead of city commissioners, he said.

Unlike some small city downtowns that greatly increased density and heavily subsidized developers, Delray Beach kept its modest building heights in place, Schnidman said.

"The redevelopment plan focused on

keeping the scale where it was," he said.

"The focus of Delray Beach was to create an improved quality of life for the people of Delray Beach. It wasn't to move people from New York and New Jersey into Delray."

Developers have more than \$750 million in projects planned for downtown Delray Beach. Retail rents on Atlantic Avenue have ballooned from \$40 a square foot five years ago to \$70 to \$100 a square foot today, depending on the location, said Jim Knight, head of Delray Beach-based brokerage Knight Group. That's driven by pedestrian traffic and spending, especially at night.

"There's no question that national tenants will move to the prime spaces," Knight said. "Local tenants can't afford \$100 per square foot, triple net."

When the George Buildings on Atlantic Avenue sold for \$19.5 million, or \$1,274 a square foot, to an affiliate of Menin Development, that broke the retail pricing record there by 50 percent, said Marcus & Millichap senior associate Howard Bregman, who represented the seller.

"On the surface, it looks like an expensive deal, but in five years people will look back and say it was inexpensive," Bregman said. "There are old leases at below-market rents with huge upside ... You will see new storefront development that will attract a different class of retailers. When I look at Atlantic Avenue,

"There's no question that national tenants will move to the prime spaces. Local tenants can't afford \$100 per square foot, triple net."

JIM KNIGHT, head of Delray Beach-based brokerage Knight Group, standing outside Related Group's SOFA I & II project



JOCK FISTICK

COVER STORY

It's similar to what's going on at Lincoln Road [in Miami Beach]."

The cooperation between government and businesses was a key factor, especially the experienced business leaders who volunteered their time to promote the city, Delray Beach Chamber of Commerce President Karen Granger said. The city throws about 177 festivals and special events a year, and the non-profit Downtown Marketing Cooperative supports them with a mix of private and public funding. One of its most successful events, Delray Affair, attracted more than 200,000 people over a weekend in early April.

"The people who were around at the time, and even now, were really involved," said Kevin Rouse, owner of Kevro's Art Bar. "They are donating their energy to the community. I don't know of many communities that do that in this volume."

The development is spreading from the center of Atlantic Avenue to the side streets. It started to the north with Pineapple Grove, an area that once had empty lots and older homes. Now it's an extension of downtown, with new retail space and apartments.

Scott Porten, head of Delray Beach-based Porten Cos. and an early Pineapple Grove developer with partner Morgan Russell and their CityWalk, said the rents weren't there when they started building, but they were confident they would come because of the public investment.

"If you look at Clematis and Las Olas rents, they have not seen nearly the growth we have seen," Porten said. "The Design District is hot because of Miami's success. We are not the byproduct of a major city. We are a unique spot, a downtown on the ocean."

Also just north of Atlantic Avenue, a group of warehouses was spruced up to become Artists' Alley, a home to designers.

Porten said one smart move by the city was making it expensive for retail spaces to convert to restaurants because they'd have to pay for more parking spaces. Eateries are the most popular locations in the city, but having too many would make downtown too much like a food court, he said.

City officials recently scaled back downtown density. Projects that submit new applications can only ask for 30 units per acre or four stories. The most dense building there now is Worthing Place, at 92 units an acre, and several previously approved projects like Atlantic Crossing exceed the new limit, Knight said.

"The barriers to entry downtown are very significant, so if you have an approved site for new development downtown, that is an attractive thing to have," said Knight, who recently brokered the sale of a loft development site there for \$185 a square foot.

That project, now owned by a group of Colombian investors, is in the South of Atlantic Avenue area that's attracted a host of major projects. Among them, an

MAJOR NEW DEVELOPMENTS IN DELRAY BEACH



BRIAN BANDLELL



Left, co-owners Bill Morris and Rick Marshall at Sundry House, which serves as a restaurant and event space. Above, a rendering of Atlantic Crossing, a planned development with offices, retail and residences.

Atlantic Crossing: A joint venture of Ohio-based Edwards Co. and wealthy Delray Beach entrepreneur Carl DeSantis - has assembled 9 acres at Federal Highway and Atlantic Avenue. Plans call for 83,000 square feet of Class A office space, 76,000 square feet of retail, 82 condominium units and 261 apartments. The parking will be below ground, so pedestrians can traverse the property.

Sundry House: Seven acres around the historic Sundry House on Swinton Avenue are part of a mixed-use development plan. The historic home, which serves as a restaurant and event space, would be freshened up and maintained, co-owner Bill Morris said. Five smaller historic homes would be relocated to a "historic village" further south on the street and preserved, making way for a project with 110,000 square feet of retail, 135

hotel rooms, 50,000 square feet of office space, 15 condo units and 450 underground parking spaces, Morris said.

BOFA I & II: The Related Group project on Southeast Second Avenue will have 172 apartments in two buildings with 25 floor plans. Rents will range from \$1,000 to \$4,000.

IPic: A project with an eight-screen iPic Theater, 42,869 square feet of office space, 7,290 square feet of retail and 278 parking spaces is planned along Southeast Fourth Avenue.

Aloft: A 120-room Aloft hotel with 35 condo units is planned at 202 S.E. Fifth Ave.

The Strand: A 198-unit apartment complex approved on Southeast Second Avenue.

Uptown Delray: NCC Development Group and Monogram Residential are

building 146 apartments and 4,000 square feet of retail at Federal Highway and Southeast Second Street.

Uptown Atlantic: On the south side of Atlantic Avenue between Sixth Avenue and Ninth Avenue, Equity Enterprises USA plans 116 apartments, 48,000 square feet of retail and 47,000 square feet of office.

SofA Lofts: A group of Colombian developers led by Manuel Vergara and Felipe Vergara have approval to build 78 lofts and 2,250 square feet of retail on Southeast First Avenue. A 20,000-square-foot office/retail building was approved just up the street.

The Metropolitan: Michael Morton's company plans to build 48 condo units and 5,059 square feet of commercial space on Southeast Third Avenue.

- Brian Bandlell

DELRAY BEACH, BY THE NUMBERS

\$327 million

Retail, restaurant sales in downtown development area in 2013, up 35% from 2008

1,330
Residential units planned

277,000
Square feet of Class A office space planned

125,000
Square feet of retail space planned

341
Hotel rooms planned

\$70 to \$100

Per-square-foot retail rents on Atlantic Avenue today, as opposed to \$40 a square foot five years ago

\$19.5 million

How much the George Buildings on Atlantic Avenue sold for, the equivalent of \$1,274 a square foot

iPic Theater, an Aloft hotel and 172 apartments by Miami-based Related Group.

"Atlantic Avenue has venues for every walk of life, and we just wanted to be part of that," said Steve Patterson, president and CEO of Related's rental and mixed-use division. "Delray Beach is one of the best beach communities in South Florida."

Patterson said Delray Beach isn't an easy place to build in, as it took a lot of work for the city to accept its design.

Some locals are hoping to capitalize

on the development. Rouse opened an art gallery in Pineapple Grove in 1999 and relocated to 166 S.E. Second Ave. as Kevro's Art Bar after buying the 0.2-acre property in 2006 for \$460,000. Now with the Related apartments under construction next door, he's listed his building for sale on Auction.com.

"My place was way ahead of its time when we moved down here," Rouse said. "I'm not saying I want to get pushed out, but if some Russian guy wants to buy it, that's the deal."

Rouse expects many longtime local businesses will get squeezed out of Atlantic Avenue as their rents increase, starting at the recently acquired George Buildings. For years, more expensive restaurants backed by wealthy investors have been moving in, replacing mom-and-pop eateries. Knight said the next phase would be national retailers. It started with the recent opening of a two-story Urban Outfitters on Atlantic Avenue, and he said many more big names are looking for space.

Knight said local businesses would move to less-expensive properties on side streets, further expanding downtown. He expects the city to build a garage on Federal Highway to alleviate the parking challenges. More development will occur on the western part of Atlantic Avenue closer to Interstate 95, where a Fairfield Inn & Suites was recently completed and another mixed-use project is proposed, Knight said.

"Swinton Avenue used to separate the east and the west. That barrier has broken," Knight said. "You would come before and nothing happened after dark. Now, at night, we blossom."