

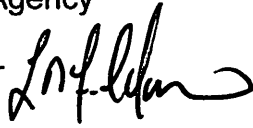


CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#16-1305

11-1-16
CRA
M-2
REVISED
CAM

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

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

DATE: November 1, 2016

TITLE: **REVISED CRA M-2** - Motion to Approve Two (2) Funding Agreements between the Fort Lauderdale Community Redevelopment Agency and 315 Flagler, LP for the Flagler Village Hotel located at 315 NW 1 Avenue Streetscape Program - \$329,933 - Property Tax Reimbursement Program - \$1,711,020

Recommendation

It is recommended that the Community Redevelopment Agency (CRA) Board of Commissioners approve Streetscape Program Agreement, in substantially the form attached, for funding in the amount of \$329,933 and a Property Tax Reimbursement Agreement, in substantially the form attached, in an amount not to exceed \$1,711,020 to 315 Flagler, LP; and authorize the Chairman and Executive Director to execute funding agreements for the Flagler Village Hotel project located at 315 NW 1st Avenue.

Background

315 Flagler, LP (Developer) is requesting funding assistance from the CRA for the Flagler Village Hotel located at 315 NW 1st Avenue in the Flagler Village portion of the Northwest-Progresso-Flagler Heights Community Redevelopment Area (NPF CRA) consisting of:

- 1) CRA Streetscape Program funding in the amount of \$329,933; and
- 2) Property tax rebate using the CRA Property Tax Reimbursement Program in an amount not to exceed \$1,711,020 over 5 years.

A copy of the Location Map is attached as Exhibit 1 and Broward County Property Appraiser Information is attached as Exhibit 2. A copy of the Developer's Request for Funding/Applications is attached as Exhibit 3. A copy of the Streetscape Incentive Program Agreement and Property Tax Reimbursement Program Agreement is attached as Exhibits 4 and 5. Project Plans are attached as Exhibit 6.

The project is located in the Downtown Regional Activity Center in its City Center zoning district (RAC-CC) and within the boundaries of the Flagler Civic Association, who have reviewed and support the project. The Flagler Village Hotel is eighteen (18) stories in

height with three (3) stories of parking, 196 guest rooms and an active pedestrian environment on the first floor. The Flagler Village Hotel will be a tier 1 hotel and will have a significant economic impact and encourage additional expanded redevelopment in the CRA. Construction impacts will exceed \$52 million in direct, indirect and induced impacts. The ongoing operation of the hotel along with hotel guest spending is projected to create over \$32 million in total economic benefits along with supporting 278 jobs including an estimated 45 permanent jobs related to the hotel operations and over \$10.9 million in employee wages. Similar branded hotels can create between 65 to 90 direct jobs due to seasonal fluctuations and 75 direct jobs are projected based on the Economic Impact Study/Real Estate Evaluation performed by Walter Duke and Partners on behalf of the Developer. The Economic Impact Study is attached to the Developers funding application in Exhibit 3.

The \$36 plus million dollar project is a joint venture between Driftwood Acquisitions and Development and Merrimac Ventures. Both companies are experienced hotel developers in south Florida. Driftwood Acquisitions and Development is a privately held investment fund with over 20 years experience in the acquisition, development and management of hotel assets having completed the acquisition and development of over 100 hotels throughout the United States. Merrimac Ventures is a Fort Lauderdale real estate investment and development company that includes prime resort, mixed use development, multifamily residential, condominium, retail and office investments. They are currently involved in over \$3 billion in projects, including the Miami World Center, a 27 acre mixed use development in Downtown Miami, the Four Seasons Hotel and Private Residences in Fort Lauderdale, the Gale Boutique Hotel and Residences and the Paramount Fort Lauderdale Beach. Dev Motwani is the company president.

Streetscape Funding Program

The Developer's request for funding is consistent with past approved funding requests under the CRA's Streetscape Grant Program. At their meeting of June 7, 2016, the maximum grant under this program was increased by the CRA Board to 70% of the cost of improvements not to exceed \$500,000. The grant funds are disbursed on a reimbursement basis upon completion and acceptance of the streetscape improvements by the City of Fort Lauderdale when the project receives a Certificate of Occupancy. The funding request is for \$329,933 (70% of the total cost of the capital improvement) with a total capital improvement cost of \$471,333. Under the revised Streetscape Program guidelines, CRA funding is secured by a forgivable mortgage, forgiven after 5 years, providing the project creates a minimum number of jobs and CRA funded improvements are maintained. The Developer has committed to creating 20 new jobs. Job reporting will be provided by the Developer for a period of five years.

For reference, the Streetscape Grant Program has been utilized since 2001 as a tool to leverage private capital investment into the NPF CRA, and in turn produce a significant tax increment return on investment. To date the CRA has issued 12 Streetscape Grants.

Consistent with past streetscape grants of over \$300,000 approved by the CRA Board,

CRA funds will be used to reimburse for authorized construction cost improvements without competitive bidding, pursuant to Section 255.20(1)(c)(10), Florida Statutes. The statute provides for an exemption to the competitive selection process if the local government determines, upon specific substantive criteria provided in the statute, that it is in the best interest of the local government to award the project pursuant to the administrative procedures established and expressly set forth in a chapter, ordinance, or resolution of the local government adopted before July 1, 1994.

Staff has determined that there is sufficient evidence that the project meets the conditions outlined in Section 255.20(1)(c)(10)(b), Florida Statutes because the improvements are being constructed in the public right of way as part of a third party managed project. The City Manager has determined that this project meets the definition of proprietary under the Code of Ordinances of the City of Fort Lauderdale (Code) and that competitive bids for this project are impractical and not in the best interest of the City. A copy of the public notice advertisement as required by the Florida Statutes with respect to this action is attached as Exhibit 7.

Property Tax Reimbursement Program

The Property Tax Reimbursement Program is one of the new or revised incentive programs approved by the CRA Board at their meeting of June 7, 2016. This item is also the first CRA request for use of this program. One of the purposes of the program is to help fill a funding gap or to meet short term capital project needs by providing a stream of payments for a project that may not provide enough return on investment. The Property Tax Reimbursement Program limits tax rebates to five years and sets the maximum rebate to 95% of the taxes paid with the rebate decreasing in 5% increments annually. Only CRA tax increment received by the NPF CRA from the City of Fort Lauderdale, Broward County, the North Broward Hospital District and Children Services Council would be used. The adopted millage rate for these four taxing entities is 11.65 mills. The applicant cannot receive a reimbursement for more than the actual ad valorem tax increment from these four taxing entities received by the CRA and paid by the applicant. The award is based on a not to exceed projected amount.

Located less than 200 feet from the Florida East Coast Railway, the Developer recognizes the potential impacts on the project that are inherent to the site with the hotel located in the western limits of the Flagler Village area rather than on a site along Federal Highway or another major downtown roadway. The long term success of the hotel recognizes the proximity of the hotel location to both All Aboard Florida's Brightline Train service and the Wave Streetcar. However both of these projects are expected to begin operations after the hotel is completed. Because both are important demand drivers for this hotel and there will be a gap between when the hotel opens and both Brightline and the Wave Streetcar are operational, the Developer is requesting CRA financial assistance from the Tax Increment Rebate Program to provide the economic assistance from the time the business opens to when the business stabilizes. At this time, the specific hotel brand has not been confirmed, but the developer is pursuing a tier 1 flag for the hotel. It is the Developer's belief that the local financial commitment from the CRA will help secure the tier 1 flag that will either be a Marriot/Starwood, Hilton

or ISG. The project has gone through development review under Case R16004 and the developer expects to break ground in the first quarter of 2017.

The Developer has stated that his new capital investment dollars in the Flagler Village Hotel Project is \$36,187,000 million. The current 2016 assessment of the property is \$781,350. The tax increment to the CRA is based on 95% of the increased assessment. Therefore based on the assumptions of an 11.65 millage rate, the project may generate as much as an estimated \$380,474 of tax increment revenues for the CRA in the first year after completion and a total of approximately \$2,019,988 over 5 years. This projection factors in an annual 3% projected increase in property value.

Estimated New Assessment:

\$36,187,000 in Year 1
\$37,272,610 in Year 2
\$38,390,788 in Year 3
\$39,542,511 in Year 4
\$40,728,787 in Year 5

Estimated Tax Increment to the CRA:

\$380,474 in Year 1
\$391,888 in Year 2
\$403,645 in Year 3
\$415,754 in Year 4
\$428,227 in Year 5
\$2,019,988 TOTAL

Tax increment projection rebate requested by the applicant would be provided over a period of 5 years starting in the first year following project completion when the project is placed into service as reflected in the new increased valuation by the Broward County Property Appraiser and the new ad valorem tax generated by the project is paid on the property. This projection factors in an annual 3% projected increase in property value. Based on the projected tax increment to the CRA as a result of the project, the applicant would be eligible for an estimated tax rebate of:

\$361,450 in Year 1 (95% of the project's tax increment revenue)
\$352,699 in Year 2 (90% of the project's tax increment revenue)
\$343,098 in Year 3 (85% of the project's tax increment revenue)
\$332,603 in Year 4 (80% of the project's tax increment revenue)
\$321,170 in Year 5 (75% of the project's tax increment revenue)
\$1,711,020 TOTAL

The Property Tax Reimbursement Program Agreement between the CRA and the Developer allows the tax reimbursement to continue should the property ownership change during the reimbursement period providing that notice is provided by the Developer of the change in ownership and the hotel is operated as intended and maintained as a tier 1 flag hotel as either a Marriot/Starwood, Hilton or ISG or no less than a three (3) Diamond Star Rating by AAA, in which case assignment of the funding agreement would not be unreasonably withheld. At their meeting of June 22, 2016 the NPF CRA Advisory Board recommended providing this project both streetscape program funding in the amount of \$329,933 and property tax reimbursement in the amount of \$1,711,020. In addition they recommended that the base year for calculating the increased increment generated as a result of this project be set as the 2017 tax year. There is no cross default between the Property Tax Reimbursement Agreement and the Streetscape Agreement, as the Streetscape Agreement will be secured by a mortgage and note.

A copy of the approved minutes of the June 22, 2016 NPF CRA Advisory Board meeting are attached as Exhibit 8.

Consistency With the NPF CRA Community Redevelopment Plan

The project is consistent with the NPF-CRA Community Redevelopment Plan providing incentives for quality development in the CRA Area. In addition, the CRA Five Year Strategic Plan recommends that the CRA invest in development projects that improve the quality of life, create job opportunities for area residents, promote sustainability, promote public/private partnerships, and enhance tax increment revenues for redistribution and investment in the redevelopment area.

City Attorney Approval

Final drafts of the Agreements for execution are subject to approval by the CRA General Counsel. Execution of the documents are subject to the Developer providing the following documents and information, in form and substance acceptable to the CRA General Counsel:

1. Disclosure of principals of Limited Partnership;
2. Disclosure of principals of General Partner;
3. Developer Resolution Authorizing the transaction;
4. Certificate of Incumbency; and
5. Proof of good standing from the State of Delaware and authority to transact business in the state of Florida.

Resource Impact

Funds for this agreement in the amount of \$329,933 are available in the FY 2017 Budget in the accounts listed below; contingent upon the approval of the Consolidated Budget Amendment CAM #16-1213 on November 1, 2016. Payment of future tax rebates are subject to annual budget appropriation.

Funds available as of October 25, 2016					
ACCOUNT NUMBER	INDEX NAME (Program)	CHARACTER CODE/ SUBJECT NAME	AMENDED BUDGET (Character)	AVAILABLE BALANCE (Character)	PAYMENT AMOUNT
119-CRA091703-4204	Streetscape Enhancement Program FY 17	Other Operating/ Other Subsidies	\$0	\$0	\$329,933
PURCHASE TOTAL ►					\$329,933

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 – Location Map
Exhibit 2 – Broward County Property Appraiser Information
Exhibit 3 – Developer's Request for Funding and Application
Exhibit 4 – Streetscape Funding Program Agreement
Exhibit 5 – Property Tax Reimbursement Agreement
Exhibit 6 – Project Plans
Exhibit 7 – Advertisement
Exhibit 8 – June 22, 2016 NPF CRA Advisory Board Approved Minutes

Prepared by: NPF CRA Manager: Jonathan Brown, Fort Lauderdale Community
Redevelopment Agency

Executive Director: Lee R. Feldman, ICMA-CM, City Manager