



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#17-0633

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

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

DATE: June 6, 2017

TITLE: Resolution Authorizing Execution of a Development Incentive Program Loan Commitment between the Fort Lauderdale Community Redevelopment Agency and 613 NW 3rd Ave, LLC under the Development Incentive Program in an Amount Not to Exceed \$7 million for The SIX13, Mixed-Use Apartment Project Located at 613 NW 3rd Ave and Delegating Authority to the Executive Director to Execute Any and All Necessary and Incidental Loan Documents

Recommendation

It is recommended that the Community Redevelopment Agency (CRA) Board of Commissioners adopt a resolution authorizing execution of a Development Incentive Program Loan Commitment between the Fort Lauderdale Community Redevelopment Agency and 613 NW 3rd Ave LLC in an amount not to exceed \$7 million for The SIX13, mixed-use apartment project located at 613 NW 3rd Ave; and delegating authority to the Executive Director to execute any and all necessary and incidental loan documents.

Background

613 NW 3rd Ave LLC, a single purpose entity, is requesting a \$7 million funding assistance package (Exhibit 9) from the Northwest Progresso Flagler Heights (NPF) CRA to provide gap funding towards the construction and development of a new mixed-use apartment project, The SIX13, located within the CRA's Focus Area on historic Sistrunk Boulevard (613 NW 3rd Ave). The project is an eleven-story mixed-use tower with 142 apartment workforce rental units, 240 parking spaces and 8,300 square feet of retail. A copy of the location map is included as (Exhibit 7) and Broward County Property Appraiser information is included as (Exhibit 12). A copy of the request for funding/application is included with the cover letter.

This gateway development will serve as a catalyst to spur essential social and economic improvements along the historic Sistrunk Boulevard corridor west of the Florida East Coast (FEC) railway. All of the apartment units will be affordable to teachers, nurses, community builders, hospital employees and small business owners - a segment of the community that is currently being priced out of the downtown Fort

Lauderdale market.

The site is currently owned by a nonprofit agency and pays no property taxes. Once built, the SIX13 is expected to produce over \$18 million of property tax revenue over the next 30 years, and provide jobs managing the operations of the apartments in addition to those generated by the various retail/office tenants which will include the new corporate headquarters for the Affiliated Development (Exhibit 3).

The Developer proposes:

- To make a \$41,800,352 investment in the Focus Area of the NWPf CRA in the purchase and redevelopment of the site at 613 NW 3rd Ave on Sistrunk Blvd with 86 one bedroom and 56 two bedroom workforce units along with 8,300 sq. feet of active day and night time ground floor retail to activate the street level.
- To move its corporate headquarters into first floor of the project to show full commitment to the project and the Historical Sistrunk Corridor.
- To provide three categories of job creation for local individuals and firms to be involved with the project:
 - Construction – Estimated 260 Jobs, Affiliated Development has a track record of working closely with the project's general contractor to arrange for job fairs and local bid initiatives to encourage local participation
 - Building operations - 9 jobs
 - Retail/office tenants – active day and night time uses, with high job counts.

Company Background and Business Plan

The Developer associated with this project is an Affiliated Development which is headquartered in Fort Lauderdale. Its Founder and Chief Executive Officer (CEO) is a Fort Lauderdale resident.

Affiliated Companies is the parent company for the three pillars of the organization; Affiliated Development, Affiliated Housing Partners, and Affiliated Capital.

Affiliated was founded in 1982 by Les Burns, originally under the name Burns & Company. In 2016 the company's CEO, Jeff Burns, partnered with Nick Rojo to re-brand the company under its current name, Affiliated, and to help implement additional platforms to help spur the company's future growth and diversity. Profiles of the organization's key management personnel are included in (Exhibit 2).

With an emphasis on high-density development in urban markets across the United States, Affiliated Development strives to create dynamic environments that promote vitality within the urban core in cities. Affiliated Development is currently involved in the development of over 2 million square feet of real estate with a combined cost of roughly \$378 million.

TRACK RECORD: Affiliated Development has a track record investing in similar communities and leading revitalization efforts with notably two projects recently started in Miami.

- The Moderne, Milwaukee, WI, 217 units, \$65M Cost, \$9.3M City Funding (TIF)
- Emerald Row, Oak Creek, WI, 167 units, \$30M Cost, \$5.3M City Funding (TIF)
- The Couture, Milwaukee, WI, 336 units, \$148M Cost, \$17.5M City Funding (TIF)
- St. John Plaza, Miami, FL (Overtown), 90 units, \$28M Cost, \$10.0M City CRA Grant
- Parkview Terrace Apartments, Miami, FL (Liberty City), 96 units, \$28.8M, \$11M County Funding

Project Cost, Client Risk and Financial Analysis

The construction budget for the project (hard costs) is conservatively estimated at \$26,615,025 (Exhibit 6) with the total project cost including soft/financing cost with contingencies, fees and reserves totaling \$41,800,352 (Exhibit 9).

| CONSTRUCTION BUDGET | | |
|-----------------------|---------------------|------------------|
| ITEM | Budget | Cost/Unit |
| Demolition | \$90,000 | \$634 |
| Residential | \$17,750,000 | \$125,000 |
| Parking Garage | \$4,800,000 | \$20,000 |
| Commercial | \$1,037,500 | NA |
| Rooftop Amenity Deck | \$300,000 | \$2,113 |
| Building Cost | \$23,977,500 | \$168,856 |
| Contractor Fee | \$959,100 | \$6,754 |
| General Requirements | \$479,550 | \$3,377 |
| Hard Cost Contingency | \$1,198,875 | \$8,443 |
| TOTAL | \$26,615,025 | \$187.430 |

| Sources and Uses | |
|--|---------------------|
| Sources | PROJECT TOTAL |
| First Mortgage | \$27,855,756 |
| CRA Development Incentive Program | \$7,000,000 |
| Equity | \$6,944,596 |
| TOTAL SOURCES | \$41,800,352 |
| Uses | |
| Property Acquisition | \$2,000,000 |
| Total Hard Costs | \$26,615,025 |
| Total Soft Costs | \$4,920,418 |
| Total Financing Costs | \$1,872,994 |
| Total Fees, Contingencies and Reserves | \$6,391,915 |
| TOTAL USES | \$41,800,352 |

The project had a successful pre development review meeting at the end of March and has the full support of the Progresso Village Civic Association.

In the absence of CRA financial assistance there is significant 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 gap funding amount of \$7 million from the NPF CRA, the developer was successful in securing construction and permanent financing from Walker and Dunlop for \$28,096,400 (Exhibit 4); the permanent loan sizing is based on a minimum 1.18X debt service coverage ratio based on Walker and Dunlop underwriting and using a maximum loan to cost of 85% of HUD mortgage able costs. HUD Section 221(d)(4) (a program which has no income or rent limitations) requires that the developer fund all

their equity and that all other subsidies or grants are also fully committed/disbursed before HUD releases loan proceeds to the project. In the absence of CRA assistance the required debt service coverage will not be met, 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 NPF CRA without a significant catalytic project to bring development west of the FEC tracks where it is most needed and deserved.

It should be noted that in both developments initiated in Miami by Affiliated Development that they were provided public funding amounts of over \$10 million for smaller projects than the proposed SIX13:

- St. John Plaza, Miami, FL (Overtown), 90 units, \$28M Cost, \$10.0M City CRA Grant
- Parkview Terrace Apartments, Miami, FL (Liberty City), 96 units, \$28.8M, \$11M County Funding

Proposed CRA Project Contribution

Staff recommends providing the \$7 million forgivable loan by the CRA to allow the redevelopment and economic/job creation project proposed by the developer to move forward to the benefit of the developer and the CRA.

Redevelopment Incentive Recommendation: The Developer is requesting a total of \$7 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 developer must invest at a minimum, a dollar-for-dollar match of the CRA investment within the project (CRA's project contribution cannot exceed the documented contribution of the business/project owner).

- The award will be over three years: \$4 million in year 1 (2017), \$2 million in year 2 (2018), and \$1 million in year 3 (2019). The eligible site improvement costs of the project of over \$40 million qualify the development for this incentive.

A copy of the estimated construction cost is included as Exhibit 6. The CRA proposes that the project be awarded a \$7 million DIP incentive and be secured by a 5 year forgivable mortgage against the property subordinated to the first mortgage lender.

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 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

Funds for this agreement (totaling \$7 million) will be spread over three years: \$4 million in year 1 (2017), \$2 million in year 2 (2018) and \$1 million in year 3 (2019). Future payments are subject to annual budget appropriations.

| Funds available as of May 8, 2017 | | | | | |
|-----------------------------------|----------------------------------|---|----------------------------------|-------------------------------------|-------------------|
| ACCOUNT NUMBER | INDEX NAME (Program) | CHARACTER CODE/ SUBJECT NAME | AMENDED BUDGET (Character) | AVAILABLE BALANCE (Character) | PAYMENT AMOUNT |
| 119.01-CRA091704-4203 | Development Incentive Program | Other Operating/Operating Subsidies | \$5,950,000 | \$4,450,000 | \$4,000,000 |
| PURCHASE TOTAL ► | | | | | \$4,000,000 |

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 - Project Plans
 Exhibit 2 - Resume of Key Principals
 Exhibit 3 - Jobs Description
 Exhibit 4 - Bank Commitment Letter

Exhibit 5 - Articles of Incorporation
Exhibit 6 - Construction Budget Plans, Renderings, Existing Conditions
Exhibit 7 - Street Map Showing Location of Proposed Project, Folio & Legal Description
Exhibit 8 - Preliminary Project Schedule
Exhibit 9 - 3 Year Financial Pro Forma
Exhibit 10 - 10 year Operating Analysis – Pro Forma
Exhibit 11 - Qualifications of Development Team
Exhibit 12 - Broward County Property Appraiser Information
Exhibit 13 - Clear Phase I Environmental
Exhibit 14 – Development Incentive Program Loan Commitment
Exhibit 15 - April 11, 2017 NPF CRA Redevelopment Advisory Board Approved Minutes
Exhibit 16 – Resolution

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