



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#17-1390

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

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

DATE: December 5, 2017

TITLE: Motion to Approve an Amendment to the Property and Business Investment Program Agreement between the Fort Lauderdale Community Redevelopment Agency and Rechter Holdings, Inc., Modification of Mortgage between the Fort Lauderdale Community Redevelopment Agency and Rechter Holdings, Inc. and Subordination of Mortgage Agreement between the Fort Lauderdale Community Redevelopment Agency, Stonegate Bank, and Rechter Holdings, Inc.

Recommendation

It is recommended that the Fort Lauderdale Community Redevelopment Agency (CRA) Board of Commissioners consider approving by motion an Amendment to the Property and Business Investment Program Agreement between the Fort Lauderdale Community Redevelopment Agency and Rechter Holdings, Inc., Modification of Mortgage between the Fort Lauderdale Community Redevelopment Agency and Rechter Holdings, Inc. and Subordination of Mortgage Agreement between the Fort Lauderdale Community Redevelopment Agency, Stonegate Bank, and Rechter Holdings, Inc., subject to review by the CRA General Counsel, necessary to enforce the terms and conditions of the CRA Board of Commissioners approval.

Background

The objectives of CRA incentive programs are in part to achieve and accelerate the goals of the Community Redevelopment Plan, improve the overall economic vitality and quality of life in the CRA, attract new businesses to the CRA, support the success of business in the CRA and to stimulate new development and investment in the CRA.

On July 7, 2015, the CRA Board of Commissioners ("CRA Board") approved a \$206,267 incentive package for Rechter Holdings, Inc. for the renovation of an existing 6,240 square foot office and warehouse building at 913 NW 4th Avenue for use as restaurant and gallery space. The project is anticipated to create 15 to 20 permanent jobs, mostly in the food service industry. A location map is attached as Exhibit 1.

The CRA funding consists of a \$91,267 streetscape grant, a façade grant in the amount of \$15,000, and a Property and Business Investment Program forgivable loan in the

amount of \$100,000. The forgivable loan is secured by a second mortgage on the property subordinate to a Landmark Bank mortgage in the amount of \$450,000. The CRA Board was advised in Commission Agenda Memorandum ("CAM") 15-0743 (Exhibit 2) that the Developer intended to secure permanent financing for the project at a later date and would be returning to request a subordination of the CRA second mortgage from the CRA Board. The Property and Business Improvement Program does not require payments on the principal amount of the CRA loan as long as the property is not sold, transferred, or refinanced and is maintained for five years following project completion and is not in default. A copy of the letter from Michel Rechter of Rechter Holding, Inc. requesting the subordination is attached as Exhibit 3.

The project is approximately 90% complete. The Developer has incurred additional expenses and project delays as a result of permitting and construction costs within the public right-of-way adjacent to the property. The Developer desires to refinance the project using a mortgage from Stonegate Bank to complete the project. He is requesting a subordination of the CRA mortgage to the new Stonegate Bank mortgage (Exhibit 4). The new mortgage will be in the amount of \$3,200,000 and will be secured by the property at 913 NW 4th Avenue along with other commercial properties owned by Rechter Holding, Inc. and/or Rechter Progresso 835 LLC in Broward County. A copy of the closing statement with Stonegate Bank is attached as Exhibit 5. A copy of the bank appraisal of 913 NE 4th Avenue as of August 16, 2017 is attached as Exhibit 6. Copies of appraisals of 716 NE 2nd Avenue and 835 NE 2nd Avenue, the other commercial properties owned by Michael Rechter as Rechter Holdings, Inc. and Rechter Progresso 835 LLC in the NPF CRA are attached as Exhibit 7. Collectively the three properties have a current "as-is" combined appraised value of \$3,945,000 (8/10/17) and an appraised value leased fee interest upon stabilized occupancy of \$4,685,000.

In addition to the subordination of the CRA \$100,000 mortgage to Stonegate Bank's \$3,200,000 proposed mortgage, it is necessary to approve an amendment to the existing Property and Business Investment Program Agreement between the Fort Lauderdale Community Redevelopment Agency and Rechter Holdings, Inc., (Exhibit 8) and a Modification of Mortgage between the Fort Lauderdale Community Redevelopment Agency and Rechter Holdings, Inc. (Exhibit 9) in order to collateralize the City mortgage and spread the CRA Mortgage to all properties secured by the Stonegate Bank mortgage.

Consistency With the NPF CRA Community Redevelopment Plan

The project is consistent with the Northwest Progresso Flagler Heights Community Redevelopment Area (NPF CRA) Plan which allows the use of financial incentive programs to encourage private capital investment, address redevelopment obstacles and to invest in development projects that improve the overall quality of life, create job opportunities for area residents, promote sustainability, promote public/private partnerships and enhance the tax increment revenues for redistribution and reinvestment in the redevelopment area.

Resource Impact

There will be no fiscal impact to the CRA associated with this action.

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 5: Be a community of strong, beautiful and healthy neighborhoods.
- 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 Community and We Are Prosperous*.

Attachments

Exhibit 1 – Location Map

Exhibit 2 – CAM 15-0743

Exhibit 3 – Letter Request from Michael Rechter

Exhibit 4 – Subordination of Mortgage Agreement

Exhibit 5 – Closing Statement with Stonegate Bank

Exhibit 6 – Appraisal - 913 NE 4th Avenue

Exhibit 7 – Appraisals - 716 NE 2nd Ave and 835 NE 2nd Ave

Exhibit 8 – Amendment to Property and Business Investment Program Agreement

Exhibit 9 – Mortgage Modification Agreement

Prepared by: Bob Wojcik, AICP, Housing and Economic Development Manager

Department Director: D'Wayne Spence, NPF CRA Manager