



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#17-1331

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

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

DATE: December 5, 2017

TITLE: Resolution to Approve an Award of a Development Incentive Program Incentive in the Amount of \$1,400,000 to North West 6th Investments, LLC for the Sistrunk Market Project located at 115 West Sistrunk Boulevard; Approving the Terms and Conditions of the Development Incentive Program Loan Commitment; and Authorizing the Executive Director to Execute the Loan Commitment, Development Agreement and Any and All Other Documents or Instruments Necessary or Incidental to Consummation of the Transaction

Recommendation

It is recommended that the Community Redevelopment Agency (CRA) Board of Commissioners approve the award of a Development Incentive Program (DIP) forgivable loan incentive in the amount of \$1,400,000 to North West 6th Investments, LLC for the Sistrunk Market Project located at 115 West Sistrunk Boulevard; approve the terms and conditions of the Development Incentive Program Loan Commitment; and authorize the Chairman and Executive Director to execute the loan commitment, development agreement and any and all other documents or instruments necessary or incidental to consummation of the transaction subject to review by of the CRA General Counsel.

Background

The Applicant, North West 6th Investments, LLC, proposes to renovate and retrofit an approximately 23,000 square foot warehouse (including mezzanine) into a food hall. The food hall will be called Sistrunk Market and will house a fully functioning micro-brewery with tap room, a coffee roasting facility, event space, classroom and meeting space, food, art and craft kiosks and a roof top urban garden with gathering space. The building is located at 115 West Sistrunk Boulevard, a 38,846 square foot site that fronts Sistrunk Boulevard. A location map of the project is attached as Exhibit 1.

North West 6th Investments, LLC requests a \$1,400,000 forgivable loan from the CRA DIP incentive program. The proposal meets the goals and objectives of the incentive program by attracting new business to the CRA to eliminate slum and blight (Exhibit 2). The Northwest Progresso Flagler Heights Redevelopment Board at its meeting of June

18, 2017 recommended approval of award of the DIP incentive at a maximum amount of \$1,400,000 in a vote of 11-3 subject to City of Fort Lauderdale ("City") approval of parking (Exhibit 5).

The Applicant met with planning staff and the project is undergoing a Site Plan Level I review. The Applicant met with the Progresso Village Civic Association on July 17, 2017 to discuss the project and get their input. The Applicant states that the members of the association like the concept of a food hall; however, they do not support the project because of concerns about possible impacts of parking on the neighborhood. Parking is a requirement that must be addressed prior to the Applicant receiving a development permit. The project is under review by the Planning Administrative Review Committee.

Project Cost, Client Risk, and Financial Analysis

The Development Incentive Program (DIP) allows the CRA to customize an incentive to meet the needs of the specific development project that represents an investment or total project cost of five million dollars (\$5,000,000) or more and creates a significant economic engine or destination project in the CRA. In order to be eligible, the owner must invest a minimum dollar for dollar match of the CRA investment within the project. All costs associated with CRA redevelopment projects approved under this program are eligible for funding awarded in the form of a forgivable loan.

The total capital investment of the Sistrunk Market Project is estimated at a minimum of \$5,958,780 including:

\$2,600,000	land acquisition
\$1,780,236	construction rehabilitation
\$1,507,844	equipment and fixtures
<u>\$ 70,700</u>	soft cost
\$5,958,780	

The Sistrunk Market will be a food hall - an indoor market with vendors selling prepared items, beverages, groceries, and crafts. These European style markets are popping up across America and combine artisanal foods with appealing communal spaces for friends to gather, eat, shop, and socialize (Exhibit 6). Food kiosks will be accessibly priced and locally sourced. Art workspace and craft kiosks will allow the public an opportunity to experience arts and crafts up close. A variety of indoor and outdoor sociable seating areas will create a "neighborhood" for guests to interact and will include complimentary Wi-Fi. Rotating local artist and various art vehicles and exhibits will create a unique experience. Cooking classes will be offered inviting celebrity chefs; art paint classes will also be offered along with brewery tours and beer brewing classes. The food hall will also include a weekend farmers market. The high ceiling and light industrial look with upscale modern design features, interior design complements, and flowing space will create a very inviting and enjoyable experience. Targeted and unique marketing will be used to attract locals, tourist, and group bookings. More information on the project is available in the Applicant's application including plans and graphic

illustrations of the project attached as Exhibit 3. The Applicant is projecting to open within the year or sooner.

Overall concept, design, menu planning, operations, management, and marketing and branding of Sistrunk Market will be handled by Society 8 Hospitality Group, a proven full service restaurant and hospitality company. Society 8 Hospitality Group is a member of the development team and its principal has a family affiliation with Steven Dapuzzo Sr., a commercial real estate investor and managing partner of the North West 6th Investments, LLC. Society 8 Hospitality Group's prior projects have included SoLita Italian on Las Olas in downtown Fort Lauderdale, SoLita Delray in Delray Beach, Beauty & the Feast Bar and Kitchen, Ocean Market Grille in The Atlantic Hotel in Fort Lauderdale; and having overseen all food and beverage operations at The Atlantic Hotel in Fort Lauderdale. Current projects include Park and Ocean at Birch State Park and Avant Restaurant in Delray.

The Sistrunk Market is expected to be a great job generator. The Applicant projects that Sistrunk Market will create 70 jobs from counter to kitchen to line staff, floor staff to managers and others with an average salary of \$37,728. Most of these jobs require no education or a high school diploma. Khoffner Brewery, the brewery and principal tenant proposed for the site, is projected to employ 14 persons and the kiosk counter is projected to employ an additional 11 persons with the majority requiring only a high school education. Society 8 Hospitality Group's event and catering staff are projected to result in 27 new hires with additional jobs in administration, public relations, and sales. The Applicant is willing to commit to creating 50 jobs and use best efforts to fill 20% of the jobs with residents of the NPF CRA.

The Applicant has an option on the property abutting the rear of the site, which presently contains a second warehouse structure on a 51,390 square foot site that will be torn down as part of a projected Phase II component to the project. The Applicant must exercise this option by March 2018. The Applicant would like to use this portion of the site for live-work housing comprised of approximately 60 micro loft units with first floor amenity space including a technology center, office print center, and health and fitness center in an eight story structure. This second phase is not part of the Applicant's funding request.

The property was purchased by the Applicant in March, 2017 for \$2,600,000 and there is a \$1.3 million first mortgage on the property by Valley National Bank along with a second private mortgage (24 month Seller's note) in the amount of \$750,000 that comes due in March 2019. The Applicant's equity contribution to the \$5,958,780 Phase I (Food Hall) project is projected at \$2,508,780.

The CRA proposes to provide a \$1.4 million forgivable loan for the Sistrunk Market in installments on a reimbursement basis of \$400,000 in year one after completion, \$500,000 in year two after completion, and \$500,000 in year three following completion. In order to receive payment, the project must be fully operational with occupancy by the principal tenant. It is anticipated that the first \$400,000 CRA loan will be initially taking a

third mortgage position. Spreading the payments over three years is necessary based on other anticipated project funding commitments. In addition, it significantly lowers any CRA risk since the funding will be provided after the project is up and running. The recapture provision tied to the CRA mortgage will occur if the property is sold within five years following completion and if a projected number of jobs are not created and maintained. Based on the employment projections of the Applicant, 50 Full Time Equivalent Jobs must be created and maintained for a period of 2 years as a condition of forgiveness of the CRA mortgage, targeting at least 20% for NPF CRA residents. A copy of the Development Incentive Program Loan Commitment is attached as Exhibit 4.

Consistency with the NPF CRA Community Redevelopment Plan

The project is consistent with the NPF CRA Community Redevelopment Plan (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.

Resource Impact

There will be a fiscal impact to the City in the amount of \$400,000 in FY 2018. Future expenditures are contingent upon approval and appropriation of the annual budget. Future expenditures will be \$500,000 in FY 2019 and \$500,000 in FY 2020.

Funds available as of November 28, 2017					
ACCOUNT NUMBER	INDEX NAME (Program)	CHARACTER CODE/ SUBJECT NAME	AMENDED BUDGET (Character)	AVAILABLE BALANCE (Character)	PAYMENT AMOUNT
119-CRA091804-4203	Development Incentive Program FY 18	Other Operating Expenses/Redevelopm ent Projects	\$4,000,000	\$400,000	\$400,000
PURCHASE TOTAL ►					\$400,000

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 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 – Development Incentive Program (DIP)

Exhibit 3 – Applicants Funding Application, Plans and Graphic Illustrations

Exhibit 4 – Development Incentive Program Loan Commitment

Exhibit 5 – July 18, 2017 NPF CRA Advisory Board Approved Minutes

Exhibit 6 – Food Halls Article – National Real Estate Investor

Exhibit 7 – Resolution

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