



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#18-0083

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

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

DATE: February 6, 2018

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 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 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 of the CRA General Counsel, necessary to enforce the terms and conditions of the CRA Board of Commissioners' approval.

Background

On July 7, 2015, the CRA Board of Commissioners ("CRA Board") approved a \$206,267 incentive package for Rechter Holdings, Inc. (the "Applicant") 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 approved CRA funding consists of a \$91,267 Streetscape Enhancement Program grant, a \$15,000 Commercial Façade Improvement Program grant, and a \$100,000 Property and Business Investment Program forgivable loan. The project is anticipated to create 15 to 20 permanent jobs, mostly in the food service industry. A project location map is attached as Exhibit 1.

The \$100,000 forgivable loan is secured by a second mortgage on the property subordinated to a Landmark Bank mortgage in the amount of \$450,000. The Applicant refinanced the project with Stonegate Bank in the amount of \$3,200,000 and requested a subordination of the CRA mortgage to the Stonegate Bank mortgage (Exhibit 2). The

request was considered by the CRA Board at its December 5, 2017 meeting, (CAM 17-1390 attached as Exhibit 3), and the CRA Board expressed a desire that the Applicant commit to reinvesting the proceeds of the Stonegate Bank loan in the Northwest-Progresso-Flagler Heights Community Redevelopment Area (NPF CRA) as a condition of the subordination (Exhibit 4). The Applicant provided a written response to the CRA Board's comments which is attached as Exhibit 5.

The Applicant in its response states that the Stonegate Mortgage proceeds were used to purchase and rehabilitate properties with the NPF CRA. The Applicant acquired the following properties in cash transactions totaling \$2,685,000:

<u>CRA Property</u>	<u>Purchase Price</u>	<u>Date of Purchase</u>	<u>Est.Rehab Cost</u>
913 NE 4 Ave	\$615,000	4/29/2014	\$1,400,000 (90% complete) plus \$500,000 (Est. proposed build-out for American Icon Restaurant /Brewery Tap Room)
716 NE 2 Ave	\$270,000	4/2/2014	\$25,000 (Completed)
835 NE 2 Ave	\$450,000	6/16/2017	\$351,580 (Proposed)
837 NE 2 Ave	\$450,000	6/16/2017	\$254,837 (Proposed)
838 NE 2 Ave	<u>\$900,000</u>	6/16/2017	<u>\$100,000 (Proposed)</u>
	<u>\$2,685,000</u>		<u>\$2,631,417 (Est. Cost)</u>
	(plus closing and carrying cost)		

Estimated Acquisition and Rehab Cost: \$5,316,417

The Applicant contends that the Stonegate Bank loan should be treated as the financing of the purchase of these properties, although the cash purchase of the properties occurred prior to the refinance. A location map and photographs of the Applicant's properties in the CRA are attached as Exhibit 6.

In addition to the subordination of the CRA \$100,000 mortgage to Stonegate Bank's \$3,200,000 proposed mortgage (Exhibit 7), it is also necessary to approve an amendment to the existing Property and Business Improvement Program Agreement between the Fort Lauderdale Community Redevelopment Agency and Rechter Holdings, Inc. (Exhibit 8), and a Modification of Mortgage between 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 – Letter Request from Michael Rechter

Exhibit 3 – CAM 17-1390

Exhibit 4 – CRA Board Minutes of December 5, 2017

Exhibit 5 – December 12, 2017 Letter from Michael Rechter

Exhibit 6 – Developer's Redevelopment Properties in the CRA

Exhibit 7 – Subordination Agreement

Exhibit 8 – Amendment to Property and Business Investment Program Agreement

Exhibit 9 – Mortgage Modification Agreement

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