



**CITY OF FORT LAUDERDALE**  
**City Commission Agenda Memo**  
**CRA BOARD MEETING**

**#19-0625**

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

**FROM:** Chris Lagerbloom, ICMA-CM, Executive Director

**DATE:** July 9, 2019

**TITLE:** Resolution Approving an Award of \$2,500,000.00 from the CRA Development Incentive Program and \$340,374.87 from the CRA Streetscape Enhancement Program to Bayit Investments LLC, 710 NW 5<sup>th</sup> Avenue LLC, 744-748 NW 5<sup>th</sup> Avenue LLC, and 413 NW 7<sup>th</sup> Street LLC for the Thrive Progresso Project and Delegating Authority to the Executive Director to Take Certain Actions - (**Commission District 2**)

**Recommendation**

It is recommended that the Community Redevelopment Agency ("CRA") Board of Commissioners approve by Resolution an award of \$2,500,000.00 from the CRA Development Incentive Program and \$340,374.87 from the Streetscape Enhancement Program to Bayit Investments, LLC, 710 NW 5<sup>th</sup> Avenue LLC, 744-748 NW 5<sup>th</sup> Avenue LLC and 413 NW 7<sup>th</sup> Street LLC for the Thrive Progresso Project, and delegating authority to the Executive Director to take certain actions.

**Background**

The CRA has received a request to fund the Thrive Progresso Project in the amount of \$2,500,000.00 under the Development Incentive Program ("DIP") and \$340,374.87 under the Streetscape Enhancement Program. The proposed DIP funded project consists of the renovation of the following five properties under four separate ownerships in the Industrial/Light Industrial portion of the Progresso area at:

	ADDRESS	PROPERTY ID	OWNERSHIP
1	701-745 NW 5 Avenue	4942-34-06-9460	Bayit Investments, LLC
2	710-726 NW 5 Avenue	4942-34-07-0100	710 NW 5 Avenue, LLC
3	744-748 NW 5 Avenue	4942-34-07-0200	744-748 NW 5 Ave, LLC
4	413 NW 7 Street	4942-34-07-0120	413 NW 7 Street, LLC
5	405 NW 7 Street	4942-34-07-0110	413 NW 7 Street, LLC

The managing members of the four new single purpose ownership entities is Jonathan Fish and Abraham Fish. Jonathan Fish is president of National Water Restoration, Inc, a water-fire-mold emergency service company with approximately 20 employees.

Abraham Fish is a radio talk show host and an all lines adjuster at Century Public Adjusters. Halliday Group Companies is a full-service commercial real estate organization serving the Southeast Florida area, comprised of Halliday Group Realty Advisors, Inc. Halliday Group Realty Development, Inc., and Halliday Group Realty Management, Inc.

The property owners have assembled the above referenced properties, which total over 60,000 square feet of commercial building area on approximately 3.5 acres of land at a cost of over \$5.9 million. They were purchased between October 2016 and September 2018. These properties were originally constructed as warehouse space and, until recently, were occupied by a variety of small businesses consisting of automobile repair garages, auto body/paint shops, rag shops, and other similar uses, many of which operated contrary to the allowable uses for which the building were permitted and constructed. The buildings are now mostly vacant and the owners would like to repurpose the buildings for a change of use to accommodate office, flex, retail, arts and other desirable uses that will have a positive impact on the area. The new business complex is being marketed as "Thrive Progresso". Location Maps and Broward County Property Appraiser information on the properties are attached as Exhibits 1 and 2. Copies of before photos and illustrations of the proposed completed project are attached as Exhibit 3.

#### Project Cost and Financial Analysis

The property owners estimated the proposed cost for the DIP project to be \$4,508,601.00, which equates to approximately \$75.00/square foot of building (Exhibit 4). They believe with value engineering, they may be able to reduce the cost to as low as \$3,750,000.00. The Developer must invest a minimum of \$1,250,000.00 of its own funds in the project. The improvements will provide proposed tenants with a "vanilla shell", who will be responsible for their own build-out.

The streetscape component of Thrive Progresso consists of streetscape improvements conceptually shown on the illustrations within the Public Right-Of-Way along NW 5<sup>th</sup> Avenue adjacent to the properties. The property owners have estimated the proposed cost of the streetscape beautification project to be \$378,194.30 as prepared by Cadence, landscape architects (Exhibit 5). The work includes hardscape such as concrete sidewalks, curbs and roadway improvements along with landscaping, irrigation, rain garden and bioswales.

The following is the proposed funding sources and uses for the DIP Project as represented by the Developer:

<b>DIP PROJECT SOURCES/USES</b>			
Owner Equity	(48.88%)	\$ 5,090,250.00	Property Acquisition & Rehab Cost
Senior Debt	(27.11%)	\$ 2,823,351.00	Property Acquisition
CRA	(24.01%)	\$ 2,500,000.00	Property Rehabilitation Cost
<b>TOTAL</b>	<b>(100%)</b>	<b>\$ 10,413,601.00</b>	

Projects where the total capital investment of the project is over \$5 million are eligible for the Development Incentive Program which allows for an incentive recommendation customized for the project. The project must create a significant economic engine or destination project in the CRA. Funding can take the form of a forgivable loan or low interest loan and can allow the CRA to use any of its incentive programs and options, and the CRA contribution to the project cannot exceed the documented contribution of the project owner. This project would qualify for DIP funding.

The Developer projects annual rents of between \$15.00/SF NNN to \$16.00/SF NNN or \$21.04/SF to \$21.75/SF Gross Rent assuming a 10% vacancy. Based on this information, and looking at leveraged returns, they project an annual Return on Investment (ROI) of 9.71% with CRA funding or a cumulative return over 5 years of 48.57% (\$2,472,365.00). By comparison, the renting out the existing properties at \$8.00/SF NNN to \$10.00/SF NNN without improving them will provide an annual ROI of 13.59% with a cumulative return over five years of 67.94% (\$1,889,926.00).

The Project is located in a CRA Focus Area where the CRA contribution under the CRA Streetscape Program can be up to 90% of the project cost not to exceed \$500,000.00. Funding is limited to work within the public rights-of way and easement areas. This project would qualify for Streetscape Program funding. The proposed CRA Streetscape Program of \$340,374.87 represents 90% of the estimated project cost. The CRA Streetscape Enhancement Program has traditionally funded the cost of streetscape improvements on a reimbursement basis after completion once the Certificate of Occupancy is issued for the project. However, in this case, the CRA will reimburse the developer over three to five progress payments as work is completed.

A comparison of previous CRA DIP awards is provided below. Previous awards have ranged from 17.3% to 66.7% of the total estimated capital investment. Including the \$340,374.87 in streetscape funding for the project, the total capital investment for the project is estimated to be \$10,791,795.30 and the total CRA funding to the Thrive Progresso Project will equal 26.31% of the total estimated capital investment.

<b>Project</b>	<b>Estimated Capital Investment (ECI)</b>	<b>CRA Award</b>	<b>CRA Award Percentage of ECI</b>
YMCA	\$15 Million	\$10.0 Million	66.70%
Jack and Jill	\$7.1 Million	\$2.5 Million	34.79%
Six 13	\$33.5 Million	\$7.0 Million	20.80%
Sistrunk Market	\$5.9 Million	\$1.4 Million	23.30%
Triangle Services	\$7.8 Million	\$1.5 Million	19.02%
Comfort Suites	\$17.4 Million	\$3.0 Million	17.28%

CRA funding will take the form of a forgivable loan secured by a second mortgage on the properties, subordinate to first mortgage acquisition debt to Ocean Bank. The CRA DIP loan will be paid out over three years (\$500,000.00 for fiscal year 2018/2019, \$1,000,000.00 for fiscal year 2019/2020 and \$1,000,000.00 for fiscal year 2020/2021)

and will reimburse eligible hard costs of the Project. For each fiscal year, the Developer must provide satisfactory evidence that it has expended a minimum of \$750,000.00 towards construction cost, with at least \$500,000.00 representing hard costs of the Project, at which time the CRA will fund at least \$500,000.00 of the DIP award but not to exceed the annual appropriation. The CRA shall not make more than 2 disbursements per year under the DIP. The loan will be forgiven five years after the first CRA disbursement and will become payable if the Property is sold or other material terms of the DIP Agreement are violated. The Agency agrees to subordinate to refinancing provided the loan to value does not exceed 80% based on a current appraisal.

Based on the Mission Statement of Thrive Progresso to “reposition an under-utilized industrial area into a vibrant urban business district that will serve the local community and bring new energy to the surrounding residential neighborhood,” the developer has agreed to provide a community benefit for this project in the form of limiting rents on 30,000 SF of the leasable space to a cap of \$17.00/SF Base Rent (with a 5% yearly escalation maximum) for 5 years. When a minimum of 10,000 square feet of the rentable area is leased at the restricted rate, then the Developer shall be eligible to lease the remaining restricted space at the restricted rate with the escalator included for the appropriate year. This will help encourage small business development at an affordable rent.

The developer has also been working with various agencies for development of an Employment Exchange Partners Program and proposes to create a website for tenant employers at Thrive Progresso to post job openings and allow individuals seeking employment to post their experience, skills and desire to seek training for employment (Exhibit 6).

The CRA Advisory Board unanimously recommended approval of this item at their meeting of June 11, 2019. A copy of applications for funding are attached as Exhibits 7 and 8. A copy of the Development Incentive Program Agreement and Streetscape Enhancement Agreements are attached as Exhibits 9 and 10. A copy of the Resolution is attached as Exhibit 11.

#### Consistency with the NPF CRA Community Redevelopment Plan

The NPF CRA Community Redevelopment Plan is designed, in part to stimulate private development of areas planned for commercial development. The project is consistent with the NPF CRA Community Redevelopment Plan which provides for direct physical improvements to enhance the overall environment, improve the quality of life and attract sound business and commercial development that provide employment and job opportunities.

Per the CRA 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. 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.

The Thrive Progresso Project is also consistent with the recommendations of the Urban Land Institute TAP (Technical Assistance Panel) 2014 recommendations for the Sistrunk Corridor, recognizing that industrial buildings create a unique environment, offer redevelopment potential and present a strong opportunity to attract business and users such as entertainment, retail and gallery use options to complement the City's FAT Village Technology and Arts District.

### **Resource Impact**

Funds for this project totaling \$2,840,374.87 will be spread over three years. The current impact to Fiscal Year (FY) 2019 is \$840,374.87 and is available in the accounts listed below. Future expenditures are contingent upon approval and appropriation of the annual budget. Future expenditures will be \$1,000,000.00 in year 2 (FY 2020) and \$1,000,000.00 in year 3 (FY 2021).

NPF Streetscape Improvement Project funds transfer to cover the below request are also contingent upon approval of CRA Board Budget Amendment CAM #19-0643 and City Consolidated Budget Amendment CAM #19-0028 presented on July 9, 2019.

Funds available as of June 18, 2019					
ACCOUNT NUMBER	INDEX NAME (Program)	CHARACTER CODE/ SUBJECT NAME	AMENDED BUDGET (Character)	AVAILABLE BALANCE (Character)	AMOUNT
119-CRA091904-4203	Development Incentive FY19	Other Operating/Operating Subsidies	\$5,330,474	\$1,580,474	\$500,000.00
347-P12507.347-6599	NPF Streetscape Improvement Project	Capital Outlay/Construction	\$0	\$0	\$340,374.87
TOTAL ►					\$840,374.87

### **Strategic Connections**

This item is a *Press Play Fort Lauderdale Strategic Plan 2019* 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
- Objective 2: Facilitate a responsive and proactive business climate

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 - Broward County Property Appraiser Information

07/09/2019

CAM #19-0625

Exhibit 3 - Photos/Illustrations of the Project  
Exhibit 4 - Construction Estimate - DIP  
Exhibit 5 - Construction Estimate - Streetscape Program  
Exhibit 6 - Job Creation/Employment Exchange  
Exhibit 7 - DIP Program Application  
Exhibit 8 - Streetscape Program Application  
Exhibit 9 - Development Incentive Agreement  
Exhibit 10 - Streetscape Enhancement Agreement  
Exhibit 11 - Resolution

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