



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#19-0715

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

FROM: Chris Lagerbloom, ICMA-CM, Executive Director

DATE: August 20, 2019

TITLE: Resolution Authorizing the Disposition of Property at 2162 Sistrunk Boulevard and 2130-2140 Sistrunk Boulevard to STKR Sistrunk LLC and Approving a Forgivable Loan of \$1,500,000 from the CRA Development Incentive Program to STKR Sistrunk LLC for the River Gardens Townhomes Project - (**Commission District 3**)

Recommendation

It is recommended that the Community Redevelopment Agency (CRA) Board of Commissioners authorize the disposition of property at 2162 Sistrunk Boulevard (Property ID 5042-05-07-0240) and 2130-2140 Sistrunk Boulevard (Property IDs 5042-05-07-0010, 5042-05-07-0011, and 5042-05-07-0020) to STKR Sistrunk LLC and approve a forgivable loan of \$1,500,000 from the CRA's Development Incentive Program to STKR Sistrunk LLC for the River Gardens Townhomes Project and authorize the Executive Director to execute the purchase contract and negotiate and execute the development agreements and any and all other documents or instruments necessary or incidental to consummation of the transaction, subject to the review of the CRA General Counsel.

Background

At the meeting on February 21, 2019, the Advisory Board was provided a presentation by STKR Sistrunk LLC to develop the River Garden Townhomes Project in the River Gardens/Sweeting Estates area on property owned by the developer along with adjacent CRA owned property. At that meeting, the Advisory Board unanimously recommended that staff proceed with issuing a Request for Proposal under a Notice of Intent to Dispose of the CRA property to allow the developer to submit a formal proposal for the proposed project.

On May 14, 2019 the CRA issued a Notice of Intent to Dispose and Invitation for Proposals for the CRA property located at 2162 Sistrunk Boulevard and 2130-2140 Sistrunk Boulevard. On June 14, 2019, we received a single proposal from STKR Sistrunk LLC to purchase the property at its appraised value of \$180,000 and to develop the project.

Developer's Proposal

With the CRA property, the developer proposes to build 25 townhouses. The project fronts Sistrunk Boulevard from I-95 to NW 22 Avenue on what is now vacant land. The two-story townhomes of CBS construction will be for-sale units consisting of two models, both three bedroom / two and one-half bath units with garage ranging from 1,443 square feet to 1,757 square feet under air. A copy of the Location Map and Broward County Property Information of the CRA property and the developer's property is attached as Exhibit 1. The town homes will provide a full appliance package, stone counter tops and other amenities. A copy of their proposed site plan, building floor plans, perspective and list of Standard Features for all units is attached as Exhibit 2. There will be a total of four buildings. Interior units will have an oversized one car garage in the rear of the unit and a large driveway for any additional vehicles. End units will have a two-car garage and personal driveway for additional parking. There will also be an estimated 19 guest parking spaces on site, subject to site plan approval.

The townhouse units will be priced from \$249,900 to \$259,900. While the CRA will not be offering CRA Purchase Assistance to homebuyers for these units, based on the price of these units, they will qualify for Purchase Assistance (down payment and closing cost) under the City of Fort Lauderdale Purchase Assistance Program for Low-and-Moderate Income Households, subject to funding availability. The developer met with the Sweeting Estates River Gardens Association, presented the project and received a favorable response.

The total project cost is estimated at \$6,868,650. A copy of the Project Development Summary, Proforma and Budget is attached as Exhibit 3. To construct the townhomes at this location along Sistrunk Boulevard, meetings with development review staff requires that utilities be provided at the rear of the units, increasing development costs. The developer is requesting \$1,500,000 (\$60,000 per unit) under the Development Incentive Program (DIP) for the project. Without the incentive, the project is not feasible at the proposed unit pricing with a loss of \$541,134. Based on the total estimated project cost of \$6.868 million, a \$60,000 development subsidy per unit will allow for a developer profit of 15.15%.

Developer Qualifications

TDON Development and STKR is headed by Robert Stiegele and Jeffrey Kronengold who have over 20 years of experience in homebuilding. Prior to establishment of TDON in 2013, they were principals of Centerline Homes, a large private developer and homebuilder based in Coral Springs with numerous projects throughout the south. TDON recently constructed and moved their new offices to Fort Lauderdale at 210 SE 12 Street. TDON specializes in both residential and commercial land acquisition, planning, entitlements and development. The developer's portfolio encompasses neighborhoods in Florida, North Carolina and South Carolina. It has included the IBS Show homes at Eagle Creek, in Orange County Florida, a home series sponsored by Home Builders Magazine and the 2012 Builder's Show, Vizcaya Falls, a master planned community in St Lucie County, Woodland Lakes, a single family community of over 500 homes, Baldwin Park

an award winning neighborhood three miles from Downtown Orlando, Parkland Residences, a master planned community in Broward County, the Ranches at Cooper City estate residences in Broward County, Croissant Park Townhomes and others. TDON is currently constructing the Middle River Terrace Apartments and three story Live-Work Townhomes located on NE 14th Court and Dixie Highway, consisting of a total of 32 units, servicing the workforce market (Exhibit 4 and 5).

Community Benefit

The Community Benefit for this project is to sell affordably-priced townhome units to persons intending to occupy the units as their primary residence, and not to investors seeking to purchase the units for rental income or for a quick profit. To deter investors from purchasing the units, the developer will implement the following policies for the project:

- Purchase contracts shall include a “no investor policy” (the “Policy”) which will require purchasers to represent that they are purchasing the unit as their primary residence and that they will occupy the unit;
- The Policy will prohibit purchasers from renting the unit, and will also provide for a minimum period of two years in which the purchaser must own the unit (“Minimum Hold Period”) before they would be permitted to sell;
- The Policy will also be included in each deed of conveyance for the townhome units; and
- The declaration for the townhome association will contain a reference to the Policy; however, the declaration itself will also have a separate restriction against owners renting their units.

The Development Agreement will provide a per unit recapture penalty of the forgivable loan to the extent the actual purchase price exceeds the Approved Purchase Price in the Development Agreement less reasonable and customary closing costs. The Policy also provides for a penalty in the event of a breach by the homeowner. In addition to a judicial remedy, it may include forfeiture of any income received from renting a unit or the forfeiture of any profit earned on the sale of a unit before the expiration of the Minimum Hold Period, and it is proposed the townhome association itself be the beneficiary of any damages recovered, net of all enforcement costs including attorney’s fees. There would be certain exceptions to the Minimum Hold Period so that the restrictions are not too onerous, including the following circumstances:

- A documented job transfer of the original purchaser to a location which would make commuting from the residence an undue hardship;
- Death of the original purchaser or the purchaser’s spouse;
- Transfer by gift, devise or inheritance to a spouse or child;
- Transfer by operation of law to a surviving joint tenant;

- Transfer to a spouse pursuant to the terms of a final judgment of dissolution of marriage or court-approved property settlement agreement;
- Transfer pursuant to a distributive deed by a grantor into a revocable trust, in which the grantor has not less than the right to reside in the Residence during the grantor's lifetime; or
- Transfer by a purchaser to the purchaser and the purchaser's spouse, as tenants by the entirety, or transfer by operation of law to a surviving tenant by the entirety.

An additional Community Benefit will be that the CRA will require the developer make efforts to sell the units to residents of the CRA District and surrounding area, and the CRA will assist in these efforts. The developer will provide a Presale Period where district residents will be provided opportunities to purchase units before the sales campaign is opened up to the public. In addition, during the Presale Period, the developer is willing to make a certain number of units available to purchasers whose income level enable them to apply to the City of Fort Lauderdale or CRA under a down-payment assistance program. Because the availability of such assistance is limited, the number of units reserved for this effort during the Presale Period will similarly be limited to a small percentage of the units available for sale. Any units which are not contracted for sale during the Presale Period will then be available for sale to the public, and all sales will be subject to the Policy as set forth above.

RFP Evaluation Committee Review

A copy of the Notice of Intent/Request for Proposal (RFP) is attached as Exhibit 6. Developer's Purchase Offer, Proposal and Application for Funding is attached as Exhibit 7. On July 8, 2019 an Evaluation Committee of City and CRA staff reviewed the Developers submittals and scored their proposal base on the criteria in the RFP. They unanimously recommended the proposal by STKR Sistrunk LLC:

- Is in the best public interest of the CRA and promotes or facilitates the furtherance of the goals, objectives and policies of the Northwest-Progresso-Flagler Heights CRA Plan;
- Is most responsive to the Invitation for Proposal;
- Demonstrates the financial capacity, development experience, qualifications and ability best suited to carry out the proposal; and
- Agrees to purchase the property for its appraised value of \$180,000.

This project requires full Development Review and approval by the City Commission and it is projected that the entire project will take 22 months from CRA contract award to completion. The developer is responsible for the implementation of the entire project from planning and development approvals, marketing, securing and contracting with homebuyers, permitting, arranging and securing all financing for the project and completing the project. They have a banking relationship on prior projects with City National Bank from whom they have an Expression of Interest to provide a \$4.490 million loan for the project at 65 percent Loan-to-Value or 75 percent Loan-to-Cost, and CRA

funding will be secured by a second mortgage on the property. A copy of the Bank Expression of Interest is attached as Exhibit 8.

This is an important project to the CRA because it not only provides an opportunity for young families and young professionals to buy a new housing product and live in the area, but also because it demonstrates the confidence in the development of large projects on the western end of Sistrunk Boulevard in the CRA and the opportunities for additional development that can be spurred along the entire stretch of Sistrunk as development begins to move to the middle rather than being focused at its eastern boundary. The CRA Advisory Board, at its meeting of July 16, 2019, unanimously recommended selling the property to STRK Sistrunk LLC and provide a \$1,500,000 Development Incentive Program award for the project (Exhibit 9).

Consistency with the Northwest-Progresso-Flagler Heights CRA Community Redevelopment Plan

The Northwest-Progresso-Flagler Heights CRA Community Redevelopment Plan is designed, in part to stimulate private development. The project is consistent with the Northwest-Progresso-Flagler Heights CRA Community Redevelopment Plan which provides for direct physical improvements to enhance the overall environment, expand housing opportunities and improve the quality of life. A major component of the redevelopment strategy for the Northwest-Progresso-Flagler Heights CRA is the revitalization of residential neighborhoods. The Redevelopment Program seeks to preserve and expand affordable housing in the entire redevelopment area. The supply of affordable housing will continue to increase through ongoing purchase assistance programs and targeted infill development projects. The River Gardens-Sweeting Estates area is the target for single family infill intended to remove pockets of blighted and vacant land, provide for market rate housing and promote homeownership opportunities by utilizing vacant residential lots for in-fill housing. It is recommended that the CRA dispose of properties within the redevelopment area that can immediately facilitate homeownership opportunities.

Resource Impact

There will be a Fiscal Year 2019 impact to the CRA in the amount of \$1,500,000 Available Funds are contingent upon approval of the City's consolidated Budget Amendment scheduled for September 3, 2019.

Funds available as of August 1, 2019					
ACCOUNT NUMBER	INDEX NAME (Program)	CHARACTER CODE/ SUBJECT NAME	AMENDED BUDGET (Character)	AVAILABLE BALANCE (Character)	AMOUNT
119-CRA091904-4203	Development Incentive Program FY19	Other Operating Expenses/ Redevelopment Project	\$5,830,474	\$1,080,474	\$1,500,000
PURCHASE TOTAL ►					\$1,500,000

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 sell 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 - Site Plan, Building Floor Plans, Perspective and Standard Features
 Exhibit 3 - Project Development Summary, Proforma and Budget
 Exhibit 4 - Developers Information
 Exhibit 5 - Past and Current Projects
 Exhibit 6 - Notice of Intent/Request for Proposal
 Exhibit 7 - Purchase Offer, Proposal and Application for Funding
 Exhibit 8 - Bank Letter Expression of Interest to Fund
 Exhibit 9 - Draft 7-16-2019 CRA Advisory Board Minutes
 Exhibit 10 - Commercial Contract
 Exhibit 11 - Development Incentive Program Agreement
 Exhibit 12 - Resolution

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