



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#19-1046

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

FROM: Chris Lagerbloom, ICMA-CM, Executive Director

DATE: October 15, 2019

TITLE: Resolution of the Fort Lauderdale Community Redevelopment Agency to Waive the Maximum Award Amount under the Property and Business Investment Improvement Program (PBIP); Motion to Award an Additional \$100,000 in Forgivable Loan Funding to 1134 LLC for the Smitty's Wings Restaurant Project Located at 1134 Sistrunk Boulevard – **(Commission District 3)**

Recommendation

It is recommended that the Community Redevelopment Agency (CRA) Board of Commissioners resolve to waive the maximum forgivable loan award under the Property and Business Investment Improvement Program (PBIP) and approve an award of \$100,000 in additional CRA funding as a forgivable loan under the PBIP program to 1134, LLC for the Smitty's Wings Project located at 1134 Sistrunk Boulevard; and authorize the Executive Director to 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

This item was brought before the CRA Board at its October 2, 2019 meeting as CAM #19-0953. Pursuant to the CRA Board's request for clarification of project expenditures to date and for inclusion of the Advisory Board meeting minutes of September 10, 2019, it is presented again with the requested information.

On January 23, 2018, the CRA granted forgivable loans to 1134, LLC ("Developer") in the amount of \$225,000 under the Property and Business Investment Improvement Program (PBIP) and \$125,000 under the Façade Program for the 2,500 square foot Smitty's Wings Restaurant project, the maximum funding amount under both programs. The Smitty's Wings project is the repurposing of an existing 33-year-old building on Sistrunk Boulevard for restaurant use. 1134, LLC is the entity that owns Smitty's Wings. The husband and wife team of Chris Smith and LaDesorae Giles-Smith are managers of 1134, LLC, and also owners of the property. They will be the operators of Smitty's Wings. The construction project is being managed by the CRA and was competitively bid. After review by CRA staff, the lowest most responsive bidder in the amount of

\$270,750 was determined to be The Chester Group and construction on the project commenced on May 9, 2019.

After the renovation project had begun and during the demolition phase, it was discovered that the existing roof structure was severely water damaged and structurally unsound to carry the HVAC and exhaust equipment necessary for the operation of a restaurant and that a new roof had to be constructed, complete with new trusses, a new gutter system, insulated HVAC ducts and additional site work, which was not part of the original plans.

Once demolition began, it was discovered that there was no water drainage from the property and in order to keep water drainage on site as per code, the architect devised a complete drainage system to the back of the property that required additional site work.

It was also discovered that the closest natural gas line was located too far from the property and that the restaurant would have to utilize gas tanks for its operation. For this purpose, a concrete pad must be poured to hold the gas tanks, which was also not on the original drawings. The delay in the construction of this project began when the architect had to re-design the roof structure and new trusses had to be manufactured to architectural specifications.

The total project cost was originally estimated at \$400,000, of which \$50,000 was to be contributed by the Developer, and \$350,000 by the CRA. The additional project cost for this Change Order is \$165,227.50, of which the Developer will pay \$65,227.50. The change order includes the additional scope, as well as the general condition amount increase caused by the 8 to 12-week construction stand still due to the unforeseen conditions.

To date, the Developer has paid architectural fees in the amount of \$47,355 (\$42,355 for the original project plans and \$5,000 for the revised plans). In total, the Developer's own contribution will be \$91,352.50, which is 16.9% of the total project cost as related to construction, design services and equipment. The Developer's contribution is sufficient to cover the roof replacement, but it does not cover the entire scope of the additional project cost. The new total project cost is estimated at \$541,332.50, which includes \$435,977.50 for construction with the change order, \$47,355 for architectural services and \$58,000 for equipment. Three payments were made on this project to date, as indicated in Exhibit 5.

The Change Order (Exhibit 6) includes change in scope, as well as additional scope of work. The expenses will be allocated as follows:

Change Order (CRA Expense)	Cost
Additional roof truss demolition, including dumpsters	\$8,790.00
Additional Purchase - new roof trusses, including installation	12,870.00

and crane rental	
Additional Purchase - roof sheathing and installation	11,890.00
Additional Purchase - new roof work	6,690.00
Gutter South wall of building	775.00
New pipe inside of building to drain water from front to back	1,700.00
Chase walls for kitchen and bathroom areas	2,500.00
HVAC add-ons (insulated ducts)	15,000.00
Concrete pads and natural gas tanks	7,830.00
New site work	13,800.00
New survey work	2,900.00
Change general conditions	20,000.00
Profit	11,412.50
Subtotal of Change Order	\$116,157.50
(CRA Funds)	(\$100,000.00)
Additional Scope (Developer's Expenses)	
Additional brick and masonry	17,000.00
ADT alarms, cameras, speakers, lights	4,000.00
Additional structural work (concrete with reinforcement for voids in foundation and slab removal on East side)	3,980.00
Signage	20,000.00
Tile work change	4,090.00
Balance after CRA contribution (\$100,000.00)	16,157.50
Subtotal of Developer's Expenses	\$65,227.50
TOTAL	\$165,227.50

The Developer has secured a \$100,000 line of credit to cover his portion of the additional project cost and to reserve the remaining balance for inventory and operating expenses.

Sources		Uses	
CRA	\$450,000.00	Construction w/ Change Order	435,977.50
Developer	91,352.50	Architectural Services	47,355.00
		Equipment	58,000.00
TOTAL	\$541,332.50	TOTAL	\$541,332.50

Sistrunk Boulevard is within the CRA Focus Area for both the CRA Facade Program and the Property and Business Investment Improvement Program, which place special emphasis on attracting new restaurants to the CRA for the purpose of creating dining destinations, as well as attracting new and retaining existing businesses in the CRA. To encourage redevelopment of this focus area, funding under these two programs is the most generous of all CRA programs. Both programs require a funding match from the Developer but allows for flexibility in the maximum funding limits of the CRA. Under the

Façade Improvement Program, these funding limits are 100% of the first \$75,000 of the total project cost and 95% of the cost between \$75,000 and \$125,000, not to exceed \$125,000. Under the PBIP Program, these funding limits are 90% of the total project cost not to exceed \$225,000.

The Developer's current forgivable loan, totaling \$350,000 in CRA funding from the two programs, is secured by a seven-year forgivable first mortgage on the property. The additional funding increase will also be secured by a seven-year second mortgage of equal dignity and parity with the first mortgage. There is no other mortgage on the property and no other lender involvement. The added requested funding under the PBIP Program will exceed the maximum funding limits under the program. The program, however, allows the CRA Board, at its discretion, to increase the funding limits in CRA focus areas on a case by case basis.

Because this project is already under way and the new roof and gas tanks were unforeseen expenses when the initial funding was granted, additional CRA funding under the PBIP Program is necessary in order to complete this project. It is estimated that the project will be completed within five months.

Smitty's Wings will be an excellent vehicle for job growth in the northwest community and will provide five to seven full-time equivalent (FTE) jobs with hiring preferences for Northwest CRA residents. The restaurant will be managed by the Smiths and will include Daryl Harris as part of their management team. Daryl Harris started Nothing But Wings 13 years ago and has managed the restaurant ever since. He is also a business professor at Atlantic Vocational and Technical University. Mr. Harris will provide ongoing consulting services to the Smiths on the day-to-day operations of the restaurant.

Consistency with the NPF CRA Community Redevelopment Plan

The Northwest-Progresso-Flagler Heights Community Redevelopment Area (NPF CRA) Community Redevelopment Plan is designed in part to stimulate private development of areas planned for commercial development. This project is consistent with the NPF CRA Community Redevelopment Plan which provides for physical improvements to enhance the overall environment, improve the quality of life and attract sound business and commercial development providing employment and job opportunities. Business development provides jobs, enhances neighborhood safety, contributes to a vibrant environment of activity and growth and creates community. This project will provide new business opportunities and create jobs in the northwest CRA area, which is consistent with the CRA's objective to fund business opportunities throughout the CRA to benefit the area.

Per the CRA plan, the CRA will establish incentive programs to address redevelopment obstacles. The CRA Five-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.

Resource Impact

Funds for this agreement totaling \$100,000 are available in FY 2020.

Funds available as of October 15, 2019					
ACCOUNT NUMBER	INDEX NAME (Program)	CHARACTER CODE/ SUBJECT NAME	AMENDED BUDGET (Character)	AVAILABLE BALANCE (Character)	AMOUNT
119-CRA092002-4203	Property & Business Improvement Program FY 20	Other Operating Expenses/Redevelopment Projects	\$1,783,522	\$1,783,522	\$100,000
				TOTAL ►	\$100,000

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 2: Be a sustainable and resilient community
- 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*.

Attachments

Exhibit 1 - Location Map
Exhibit 2 - Broward County Property Appraiser Information
Exhibit 3 - Before and After Project Illustrations and Plans
Exhibit 4 - Revised Construction Plans
Exhibit 5 - Construction Draws Paid by the CRA to Date
Exhibit 6 - Revised Contractor Cost Breakdown (Change Order)
Exhibit 7 – NPF CRA Advisory Board Minutes – September 10, 2019
Exhibit 8 - Amended PBIP Agreement
Exhibit 9 - Resolution

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