



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

FROM: Chris Lagerbloom, ICMA-CM, Executive Director

DATE: November 5, 2019

TITLE: Motion Approving a \$225,000 Forgivable Loan from the Property and Business Improvement Program and a \$125,000 Façade Program to North West 6th Investments, LLC for the Sistrunk Station Project Located at 616 NW 2 Avenue - (**Commission District 3**)

Recommendation

It is recommended that the Community Redevelopment Agency (CRA) Board of Commissioners approve by motion a \$225,000 Property and Business Improvement Program forgivable loan and a \$125,000 Façade Program forgivable loan to North West 6th Investments, LLC for the Sistrunk Station Project located at 616 NW 2 Avenue 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

North West 6th Investments, LLC is requesting a forgivable loan from the CRA in the amount of \$225,000 from the Property and Business Improvement Program (PBIP) and a \$125,000 forgivable loan from the Façade Program for interior and exterior renovations of the building and site at 616 NW 2 Avenue for the Sistrunk Station project (Exhibit 1).

Sistrunk Station is directly adjacent to the Sistrunk Market Project at 115 Sistrunk Boulevard that is nearing completion and expected to open in November 2019 (Exhibit 2). The 23,000 square foot Sistrunk Market is a “Food Hall” funded in part by the CRA in the amount of \$1.4 million in December 2017 under its Development Incentive Program (DIP) program and represents a total capital investment of \$5.96 million. It will house a fully functioning micro-brewery with tap room, event space, classroom and meeting space, food, art and craft kiosks and gathering space.

The Developer has since purchased the property next to Sistrunk Market for Sistrunk Station for \$2 million consisting of a 20,891 square foot warehouse on a 51,390 square foot site. He plans to expand the overall development to create a communal workspace and retail hub consisting of co-working space and office suites, event and cultural space, and retail and art stalls with direct access to the Sistrunk Market food hall and brewery.

The space will offer a unique business model promoting a communal culture providing space to both work and socialize. The co-working space will include super-fast internet, mail and package handling, card access security, business services, unique common area and flex meeting and event space for professional, networking and social events. The design of the retail space will have an open floor plan with high ceilings, creating a light industrial look and feel. The overall design of Sistrunk Station for the existing 75-year-old warehouse will embrace current trends for reclaimed spaces that are both rustic yet modern. Photos of the existing facility and illustrations of the proposed renovation and reuse project are attached as Exhibit 3.

The cost of the project including the land purchase necessary for Sistrunk Station, represents a total capital investment of approximately \$2.75 million with North West 6th Investments, LLC providing over 87% of the total project cost. Interior renovations include air conditioning, electrical, plumbing, framing, drywall, millwork, painting, restrooms, sprinkler system, floor finishing and other upgrades. Exterior improvements include new roof, windows and doors, stucco, parking lot upgrades, landscaping, deck and patio, fencing, ornamental metal work, security cameras and other work items. The Developer is in the process of securing contractor pricing. The total cost of upgrades is estimated at approximately \$750,000. A complete breakdown of interior and exterior improvement line items is provided in their funding application, attached as Exhibit 4.

An analysis of the Developer's Return On Equity for the project is provided. It shows unless the building is repurposed as proposed, there is no, or limited Return on Equity based on the investment. Under a do-nothing scenario the existing warehouse space provides the Developer a Return on Equity of 6.85%. Leasing the existing warehouse space at market rate of \$10/square foot without CRA assistance provides the Developer a Return on Equity of 1.29% and improving the property to create Sistrunk Station with CRA assistance provides the Developer a Return on Equity of 15.9%.

CRA Property and Business Improvement Program and Façade Program funds will be disbursed as a reimbursement to North West 6th Investments, LLC for renovations to the building and site. CRA funding will be a forgivable loan secured by a second mortgage on the property, forgiven after five years. The purchase of the site and proposed repurposing and renovation of the building and site for Sistrunk Station will almost double the existing building and footprint that currently exist under the Sistrunk Market project. This remarkable project will further the transformation of this portion of Sistrunk Boulevard into a destination and dynamic environment for creativity and connection for the business community.

It is estimated that approximately 20 to 25 jobs will be created at the project primarily by tenants, with an additional five jobs for its administration and oversight by the owner. Projected rents will be \$25 per square foot. As a community benefit, the Developer has agreed to provide the following:

- Provide complementary meeting spaces for local NPF CRA organizations;
- Make space available to residents in the CRA District for their business at 20% off their market rents to help local start-ups and small businesses;
- Have a monthly farmers market, outdoor art installations and special events;
- Provide subsidized pricing at 20% off their rents for CRA residents for participation in farmers market, art and special shows and events; and
- Provide monthly complementary meditation/stretch/yoga classes.

Steven Dapuzzo Sr., a commercial real estate investor, is managing partner of the North West 6th Investments, LLC. Upon approval of CRA funding, the project will commence immediately for completion within the next six months or less. The Northwest-Progresso-Flagler (NPF) CRA Advisory Board recommended approval of this request for funding at their meeting of October 8, 2019 (Exhibit 5).

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 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

There will be a fiscal impact to the CRA in the amount of \$350,000 in the accounts listed below.

Funds available as of October 18, 2019					
ACCOUNT NUMBER	INDEX NAME (Program)	CHARACTER CODE/ SUBOBJECT NAME	AMENDED BUDGET (Character)	AVAILABLE BALANCE (Character)	AMOUNT
119-CRA092002-4203	Property and Business Improvement Program FY20	Other Operating Expense/Redevelopment Projects	\$1,783,522	\$1,683,522	\$225,000
119-CRA092001-4203	Commercial Façade	Other Operating Expense/Redevelopment	\$1,524,959	\$1,474,959	\$125,000

	Improvement Program FY20	Projects			
				TOTAL ►	\$350,000

Strategic Connections

This item is a *Press Play Fort Lauderdale 2024 Strategic Plan*, specifically advancing:

- The Business Development Focus Area
- Goal 5: Build an attractive and local economic community marketplace.
- Objective: Create a responsive and proactive business climate to attract emerging industries.
- Objective: Nurture and support existing local businesses.

This item advances the *Fast Forward Fort Lauderdale 2035 Vision Plan: We are Prosperous*.

Attachments

- Exhibit 1 - Location Map of Sistrunk Station
- Exhibit 2 - Sistrunk Market Project Proposed to Open in November 2019
- Exhibit 3 - Photos of the Existing Warehouse and Illustrations of the Proposed Sistrunk Station Renovation
- Exhibit 4 - CRA Funding Application
- Exhibit 5 - October 8, 2019 NPF CRA Advisory Board Draft Minutes
- Exhibit 6 - PBIP Agreement
- Exhibit 7 - Façade Program Agreement

Prepared by: Bob Wojcik, AICP, CRA Housing and Economic Development Manager

Department Director: Clarence Woods, NPF CRA Manager