



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#20-0011

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

FROM: Chris Lagerbloom, ICMA-CM, Executive Director

DATE: January 21, 2020

TITLE: Resolution Authorizing the Disposition of Property at 714 Sistrunk Boulevard and 526 NW 7th Terrace to West Village LLC, Approving a \$8,400,000 Development Incentive Program Forgivable Loan and a \$3,600,000 Development Incentive Program Zero Interest Loan to West Village LLC for the West Village Project Located at 501 NW 7th Avenue, and Authorizing a Lease of Commercial Space in the Project to the Fort Lauderdale Community Redevelopment Agency - (**Commission District 3**)

Recommendation

It is recommended that the Community Redevelopment Agency (CRA) Board of Commissioners approve a resolution authorizing the disposition of property at 714 Sistrunk Boulevard (ID 5042-03-01-1590) and 526 NW 7th Terrace (ID 5042-03-01-1500) to West Village LLC, approve a \$8,400,000 Development Incentive Program forgivable loan and a \$3,600,000 Development Incentive Program zero interest loan to West Village LLC for the West Village Project located at 501 NW 7th Avenue, approve a lease of commercial space in the West Village Project to the Fort Lauderdale Community Redevelopment Agency, and authorize the Executive Director to negotiate and execute the 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

Lansing Melbourne Group, LLC on behalf of 220145 LLC is requesting that the CRA accept its proposal for the purchase of CRA-owned property at 714 Sistrunk Boulevard and 526 NW 7th Terrace for the West Village Project and approve a request for \$12,000,000 in CRA Development Incentive Program (DIP) loans for the West Village Project. A location map of the property and project is attached as Exhibit 1.

The proposed West Village Project is located at 501 NW 7th Avenue between NW 7th Avenue, NW 5th Street, NW 7th Terrace, and Sistrunk Boulevard and is a mixed-use development with two six-story residential structures containing a total of 455 multi-family rental units, consisting of a mix of apartments and townhomes and 17,752 square feet of leasable commercial use on the first floor and a six-story, 498-space parking structure. Total building square footage including structured parking is approximately 605,508

square feet. The housing units range from a total of 454 square feet for a studio to 1,754 square feet for the largest townhouse. The proposed project site plan and illustrations are attached as Exhibit 2.

The Developer, under the names of 220145 LLC, Urbano 500 LLC, and Sistrunk 2245 LLC began purchasing the entire block starting in 2015 at a total cost of approximately \$3.9 million (Exhibit 3). The two CRA-owned parcels on the block are critical and essential to the overall site plan for the project and when transferred to the Developer, will complete the assemblage needed for the project.

In response to an Invitation for Proposals issued on July 16, 2019, Lansing Melbourne Group, LLC on behalf of 220145 LLC, submitted a proposal to purchase the CRA property at 714 Sistrunk Boulevard and 526 NW 7th Terrace for its appraised value of \$116,000. The appraisal was performed by Calloway and Price, Inc. who determined the market value of the property as of May 29, 2019. No other proposals were received. The Notice of Invitation for Proposals and Appraisal of the property is attached at Exhibit 4. Their Proposal to Purchase the property is attached as Exhibit 5. The two CRA lots combined, have a land area of approximately 7,000 square feet. At their meeting of November 4, 2019, the Evaluation Committee for the RFP recommended selling the property to 220145 LLC for the proposed mixed-use project. Their recommendation is that their proposal to purchase the CRA property is:

- In the best interest of the CRA and promotes and facilitates the furtherance of the goals, objectives, and policies of the NPF CRA Plan;
- Is most responsive to the redevelopment goals of the NPF CRA and in the best interest of the CRA and public; and
- Demonstrates the financial capacity, legal ability, development experience, qualifications and ability best suited to carry out the proposal.

To assist the Developer in its efforts to assemble the property necessary for the project, the CRA Board on September 25, 2018 also agreed to selling three other properties to the Developer located at 501, 505 and 509 NW 7 Terrace at a cost of \$180,000. The Developer closed on these parcels on July 23, 2019 and the Developer is using the three parcels as a relocation resource for a small church they purchased that is located within the project site.

On October 2, 2019, the City Commission approved the vacation of an alleyway on the property and rezoning of 1.463 acres of the property from Residential Multi-family/ Medium High Density District (RMM-25) to Northwest Regional Activity Center Mixed Use West (NWRAC-MUw) to unify the site under a consistent zoning designation, and on October 15, 2019 the City Commission approved an Affordable Housing Height Bonus for a site Plan Level II development permit for the project. The NWRAC-MUw allows for a height of 45 feet by right and the approved height bonus will allow for a height of 65 feet. As a condition for approval of the additional height, the NWRAC-MUw zoning requires that 10 percent of the units (45 units) be maintained in perpetuity as affordable

housing to families with incomes not to exceed 100% of the Area Median Income (AMI). A copy of City Commission Items regarding these development approvals is attached as Exhibit 6. Approval of a parking reduction (Exhibit 7), also needed for the project, is pending approval.

With most of the predevelopment approvals nearing completion, the Developer estimates a construction start in the third quarter of 2020 and a completion date for the project in the third quarter of 2024.

The project is estimated to represent a total capital investment of \$103.7 million and the Developer has submitted a funding request for \$12 million from the CRA to cover a portion of the total project cost. Staff has reviewed their funding request and proposes to use the Development Incentive Program for this project. The Developer has created a new single purpose entity for the project called West Village LLC and will be transferring the property to the new entity. The Developer has requested to close on the CRA property in January, 2020. West Village LLC will secure construction financing for approximately 65 percent loan-to-cost ratio and contribute land and predevelopment costs along with securing Opportunity Zone investment as available. The Developer will earn a developer's fee equal to 5 percent of the Project (\$4,596,978). A breakdown of the estimated Sources of Funding and Use of Funds is provided below. The estimated project cost and a ten-year income and expense proforma is attached as Exhibit 8 and Exhibit 9.

| Source of Funds | | |
|-----------------------|----------------------|----------------|
| First Mortgage Lender | \$67,405,000 | 65.00% |
| Developer Equity | \$10,000,000 | 9.64% |
| Investor Equity | \$14,295,000 | 13.79% |
| CRA Loans | \$12,000,000 | 11.57% |
| TOTAL | \$103,700,000 | 100.00% |

| Use of Funds | |
|---------------------------|----------------------|
| Property | \$18,200,000 |
| Hard Construction Cost | \$59,310,160 |
| Soft Cost and Contingency | \$26,189,840 |
| TOTAL | \$103,700,000 |

The managing members of West Village, LLC are investor Felipe Yalale and developer/consultant Peter Flotz. Mr. Yalale heads up 220145 LLC, Sistrunk 2245, LLC and Urbano 500, LLC who assembled the property. Peter Flotz heads up Lansing Melbourne Group, LLC. A copy of the team's qualifications is attached as Exhibit 10.

The CRA will provide \$12 million in subordinate financing advancing \$1 million in this fiscal year, \$3 million by December 1, 2020, \$3.5 million by December 1, 2021 and \$4.5 million by December 1, 2022 prior to project completion. \$8.4 million will be in the form of a loan forgiven after ten years with forgiveness linked to deliverables. \$3.6 million will be

a no-interest loan repaid in equal installments of \$360,000 annually over its 10-year term. The loans will be secured by a second mortgage on the property along with assignment of and a security interest in all current and future leases, rents and other income related the property and UCC1 – liens on all personal property, equipment and fixtures. CRA financing will be nonrecourse as to the individual managing members of West Village, LLC. Additional senior, secondary or mezzanine financing will be permitted during the term of CRA investment, either secured or unsecured, without CRA approval so long as the outstanding secured debt, including the CRA non-forgivable loan, does not exceed a loan-to-value ratio of 100 percent. Should the project be refinanced or sold, the CRA's \$3.6 million note will be due and payable. The CRA will also be a credit tenant for 4,000 square feet of commercial space for a five-year term at a reduced cost of \$12.00 per square foot plus common area maintenance (CAM).

It is the intention of the CRA to continue its mission to redevelop the CRA after it sunsets in 2025 through the formation of an Economic Development Corporation (EDC), a 501(c)3 tax-exempt corporation. On December 17, 2019, the CRA Board approved the creation of the EDC along with affiliated entities, a certified Community Development Financial Institution and a certified Community Development Entity for the Community Redevelopment Agency (CRA) to supplement the work of the CRA in the Northwest-Progresso-Flagler Heights Community Redevelopment (NPF CRA) area and provide additional financial resources for continued development in the NPF CRA area. Under a separate agreement to be brought to the CRA Board for consideration at a later date, the CRA will assign both the annual loan payments from the West Village project along with its lease for the commercial space in the project to the EDC. The leased space may be occupied by the EDC or subleased by them.

An internal rate of return analysis performed by the Developer (Exhibit 11) indicates that without CRA funding, the internal rate of return for the project is 4.9 percent. With CRA funding, the internal rate of return increases to 9 percent. An Economic Impact Analysis was performed for the project by Walter Duke and Partners and is attached as Exhibit 12. The direct economic output of construction combined with indirect and induced impacts will result in an estimated \$126 million in total economic impact. In turn, the direct economic output of resident spending combined with direct and induced impacts will result in an estimated \$6.5 million in total economic impact. The economic impact of the retail operation is estimated at \$1.46 million. A copy of the Developer's application for CRA funding is attached as Exhibit 13.

CRA funding for this project represents 11.57 percent of the total cost of the proposed project. A comparison of other Development Incentive Program projects funded by the CRA is provided below.

| Project | Estimated Capital investment (ECI) | DIP Award | DIP Award Percentage of ECI |
|----------------|---|------------------|------------------------------------|
| Hoover Awnings | \$1.5 Million | \$1.1 Million | 73.33% |
| YMCA | \$15 Million | \$10 Million | 66.70% |

| | | | |
|-----------------------|----------------|---------------|--------|
| Thrive Progresso | \$4.5 Million | \$2.5 Million | 55.56% |
| Memphis Blues Complex | \$3.8 Million | \$1.5 Million | 39.47% |
| Jack and Jill | \$7.1 Million | \$2.5 Million | 34.79% |
| Sistrunk Market | \$5.9 Million | \$1.4 Million | 23.30% |
| Sistrunk Townhomes | \$6.9 Million | \$1.5 Million | 21.70% |
| Six 13 | \$33.5 Million | \$7 Million | 20.80% |
| Triangle Services | \$7.8 Million | \$1.5 Million | 19.02% |
| FAT Live | \$50.8 Million | \$5.0 Million | 9.84% |

At its December 10, 2019 meeting, the Northwest-Progresso-Flagler Heights (NPF) Redevelopment Advisory Board recommended approval of this project by a vote of seven to six. The minutes of the meeting are attached as Exhibit 14.

At the request of the CRA, the Developer proposes to rename the West Village project “The Adderley”, in honor of the famous late, great, jazz artist, Cannonball Adderley, who came from the Northwest community and also taught music and was a band instructor at Dillard High School in the 1940s and 1950s. This will be a catalyst project for the Sistrunk corridor and the Northwest.

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. In addition, per the Future Land Use Plan and CRA Plan, redevelopment and housing opportunities for low, very low- and moderate-income households within the Northwest RAC should be encouraged.

Resource Impact

Funds for this project totaling \$12,000,000 will be spread over four years. The current impact to Fiscal Year 2020 is \$1,000,000 and is available in the account listed below. The balance will be appropriated as follows: \$3,000,000 in Fiscal Year 2021 (Year 2), \$3,500,000 in Fiscal Year 2022 (Year 3), and \$4,500,000 in Fiscal Year 2023 (Year 4). Future expenditures are contingent upon approval and appropriation of the annual

budget.

| Funds available as of December 12, 2019 | | | | | |
|---|--------------------------------|--|----------------------------------|-------------------------------------|-------------|
| ACCOUNT NUMBER | INDEX NAME (Program) | CHARACTER CODE/ SUBJECT NAME | AMENDED BUDGET (Character) | AVAILABLE BALANCE (Character) | AMOUNT |
| 119-CRA092004-4203 | Development Incentive FY 20 | Other Operating/Operating Subsidies | \$6,200,000 | \$1,000,000 | \$1,000,000 |
| | | | | TOTAL ► | \$1,000,000 |

Strategic Connections

This item supports the *Press Play Fort Lauderdale 2024 Strategic Plan*, specifically advancing:

- The Neighborhood Enhancement Focus Area
- Goal 4: Build a thriving and inclusive community of neighborhoods.
- Objective: Ensure a range of affordable housing options.
- The Business Development Focus Area
- Goal 5: Build an attractive and local economic community marketplace.

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 - Proposed Project Site Plan and Illustrations
Exhibit 3 - West Village Project Property
Exhibit 4 - Notice of Invitation for Proposals and Appraisal
Exhibit 5 - Developers Proposal to Purchase
Exhibit 6 - Development Approvals
Exhibit 7 - Parking Reduction Request
Exhibit 8 - Estimated Project Cost
Exhibit 9 - 10 Year Proforma
Exhibit 10 - Development Team Qualifications
Exhibit 11 - Internal Rate of Return Analysis
Exhibit 12 - Economic Impact Analysis – Walter Duke and Partners
Exhibit 13 - Developers Application for Funding
Exhibit 14 - December 10, 2019 NPF Redevelopment Advisory Board Draft Minutes
Exhibit 15 - Development Incentive Program Letter of Intent
Exhibit 16 - Resolution
Exhibit 17 - Commercial Contract with Addendum

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