



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#20-0197

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

FROM: Chris Lagerbloom, Executive Director

DATE: February 18, 2020

TITLE: Motion Approving First Amendment to Property Tax Reimbursement Agreement for the Flagler Village Hotel Located at 315 NW 1st Avenue in an Amount not to exceed \$1,711,020 - (**Commission District 2**)

Recommendation

It is recommended that the Community Redevelopment Agency (CRA) Board of Commissioners approve the First Amendment to Property Tax Reimbursement Agreement, in substantially the form attached, in an amount not to exceed \$1,711,020 to 315 Flagler QOZB OWNER, LLC; and authorize the Chairman and Executive Director to execute the First Amendment.

Background

On November 1, 2016 (CAM 16-1305), the governing body approved funding assistance in an amount not to exceed \$1,711,020 under the Property Tax Reimbursement Program for the Flagler Village Hotel located at 315 NW 1st Avenue in the Flagler Village section of the Northwest-Progresso-Flagler Heights Community Redevelopment Area (NPF CRA). A copy of the Location Map is attached as Exhibit 1 and Broward County Property Appraiser Information is attached as Exhibit 2.

The project is located in the Downtown Regional Activity Center in its City Center zoning district (RAC-CC) and within the boundaries of the Flagler Civic Association, who have reviewed and support the project. The Flagler Village Hotel is 18 stories in height with three stories of parking, 196 guest rooms and an active pedestrian environment on the first floor. The Flagler Village Hotel will be a Tier 1 hotel (under the brand name Tru by Hilton and Home2Suites by Hilton) and will have a positive economic impact and encourage additional expanded redevelopment in the CRA. Construction impacts will exceed \$52 million in direct, indirect and induced impacts. The ongoing operation of the hotel along with hotel guest spending is projected to create over \$32 million in total economic benefits along with supporting 278 jobs including an estimated 45 permanent jobs related to the hotel operations and over \$10.9 million in employee wages. Similar branded hotels can create between 65 to 90 direct jobs due to seasonal fluctuations and 75 direct jobs are projected based on the Economic Impact Study/Real Estate Evaluation performed by Walter Duke and Partners on behalf of the Developer.

The \$36 plus million dollar project is a joint venture between Driftwood Acquisitions and Development and Merrimac Ventures. Both companies are experienced hotel developers in south Florida. Driftwood Acquisitions and Development is a privately held investment fund with over 20 years of experience in the acquisition, development and management of hotel assets having completed the acquisition and development of over 100 hotels throughout the United States. Merrimac Ventures is a Fort Lauderdale real estate investment and development company that includes prime resort, mixed-use development, multifamily residential, condominium, retail and office investments. They are currently involved in over \$3 billion in projects, including the Miami World Center, a 27-acre mixed-use development in Downtown Miami, the Four Seasons Hotel and Private Residences in Fort Lauderdale, the Gale Boutique Hotel and Residences and the Paramount Fort Lauderdale Beach. Dev Motwani is the company president.

Located less than 200 feet from the Florida East Coast Railway, the Developer recognizes the potential impacts on the project that are inherent to the site with the hotel located in the western limits of the Flagler Village area rather than on a site along Federal Highway or another major downtown roadway. The initial approval by the CRA is intended to provide the economic assistance from the time the business opens to when the business stabilizes.

Property Tax Reimbursement Program

The Property Tax Reimbursement Program is one of the new or revised incentive programs approved by the CRA Board at their meeting of June 7, 2016. One of the purposes of the program is to help fill a funding gap or to meet short-term capital project needs by providing a stream of payments for a project that may not provide enough return on investment. The Property Tax Reimbursement Program limits tax rebates to five years and sets the maximum rebate to 95 percent of the taxes paid with the Applicable Percentage decreasing in 5 percent increments annually. Only CRA tax increment received by the NPF CRA from the City of Fort Lauderdale, Broward County, the North Broward Hospital District and Children Services Council would be used. The adopted millage rate for these four taxing entities is 11.65 mills. The applicant cannot receive a reimbursement for more than the actual ad valorem tax increment from these four taxing entities received by the CRA and paid by the applicant.

The Developer has stated that its new capital investment dollars in the Flagler Village Hotel Project is \$36,187,000. The 2016 assessment of the property is \$781,350. The tax increment revenue to the CRA is based on 95 percent of the increased assessment. Therefore, based on the assumptions of an 11.65 millage rate, the project may generate as much as an estimated \$380,474 of tax increment revenues for the CRA in the first year after completion and a total of approximately \$2,019,988 over five years. This projection factors are an annual 3 percent projected increase in property value.

Estimated New Assessment:

\$36,187,000 in Year 1
\$37,272,610 in Year 2
\$38,390,788 in Year 3
\$39,542,511 in Year 4
\$40,728,787 in Year 5

Estimated Tax Increment to the CRA:

\$380,474 in Year 1
\$391,888 in Year 2
\$403,645 in Year 3
\$415,754 in Year 4
\$428,227 in Year 5
\$2,019,988 TOTAL

Based on the projected tax increment to the CRA as a result of the project, the applicant would be eligible for an estimated tax rebate of:

\$361,450 in Year 1 (95% of the project's tax increment revenue)
\$352,699 in Year 2 (90% of the project's tax increment revenue)
\$343,098 in Year 3 (85% of the project's tax increment revenue)
\$332,603 in Year 4 (80% of the project's tax increment revenue)
\$321,170 in Year 5 (75% of the project's tax increment revenue)
\$1,711,020 TOTAL

The Property Tax Reimbursement Program Agreement between the CRA and the Developer allows the tax reimbursement to continue should the property ownership change during the reimbursement period providing that notice is provided by the Developer of the change in ownership and the hotel is operated as intended and maintained as a Tier 1 flag hotel as either a Marriot/Starwood, Hilton or ISG or no less than a three Diamond Star Rating by AAA, in which case assignment of the funding agreement would not be unreasonably withheld.

First Amendment

The hotel is partially complete with the expectation that the Certificate of Occupancy will be issued on or before December 31, 2020. The CRA would not see incremental revenue from this project until 2021 and would not actually receive revenue from the taxing authorities until on or around January 1, 2022. Given the timeline for completion of the hotel and CRA sunset date (November 7, 2025), staff recommends restructuring the payments over four years and leaving the Applicable Percentage constant at 95 percent rather than a sliding scale as contemplated in the guidelines and as approved in 2016. Provided the Developer pays ad valorem taxes and the incremental revenue is received by the CRA, then the CRA would receive incremental revenue on around January 1, 2022.

Based on the 2016 projections of assessed value for the Project, the pay out for year 1 is \$361,450, for year 2 is \$372,294, for year 3 is \$383,463 and for year 4 is \$394,966 for an estimated total of \$1,512,173. However, the total payments shall not exceed \$1,711,020. No payment would be made in the fifth year since the life of the NW CRA will have expired.

Consistency with the NPF CRA Community Redevelopment Plan

The project is consistent with the NPF-CRA Community Redevelopment Plan providing incentives for quality development in the CRA Area. In addition, the CRA Five-Year Strategic Plan recommends that the CRA invest in development projects that improve the quality of life, create job opportunities for area residents, promote sustainability, promote public/private partnerships, and enhance tax increment revenues for redistribution and investment in the redevelopment area.

General Counsel Approval

The First Amendment of the Agreement is subject to approval by the CRA General Counsel.

Resource Impact

Property Tax Rebate for this project not to exceed \$1,711,020 will be spread over four years, starting in the first year following project completion, projected December 31, 2020.

Strategic Connections

This item is a *Commission Annual Action Plan* priority, included within the Policy Agenda, advancing the Northwest Progresso Flagler Heights CRA – Capital Improvements and Housing strategy.

This item is a *Press Play Fort Lauderdale Strategic Plan 2024* initiative, included within the Neighborhood Enhancement Cylinder of Excellence, specifically advancing:

- Goal 5: Build an attractive global and local economic community marketplace.
- Objective: Create a responsive and proactive business climate to attract emerging industries;
- Objective: Nurture and support existing local business
- Objective: Create educational pathways and partnerships for workforce development
- Objective: Provide best-in-class regional general aviation airport amenities and services

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

Attachments

Exhibit 1 – Location Map

Exhibit 2 – Broward County Property Appraiser Information

Exhibit 3 – Property Tax Reimbursement Agreement

Exhibit 4 – First Amendment to Property Tax Reimbursement Agreement

Exhibit 5 – CAM #16-1305

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