



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CRA BOARD MEETING

#21-0946

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

FROM: Chris Lagerbloom, ICMA-CM, Executive Director

DATE: November 16, 2021

TITLE: Motion Approving a Subordination Agreement, Subordinating the CRA Mortgage to 613 NW 3rd Ave Holdings, Inc. in the Amount of \$7,000,000 to a New Mortgage by NorthMarq in an Amount not to Exceed 85% of Loan to Value at the Time of Refinance; An Amendment to the Development Agreement, If Necessary; A Subordination of the Regulatory Agreement; and Authorizing the Executive Director to Execute Any and All Related Instruments, and Delegating Authority to the Executive Director to Take Certain Actions - **(Commission District 2)**

Recommendation

Staff recommends the Community Redevelopment Agency (CRA) Board of Commissioners approve by Motion a Subordination Agreement, subordinating the CRA mortgage granted to 613 NW 3rd Ave, LLC., located at 613 NW 3rd Avenue, Fort Lauderdale, Florida 33311, in the total amount of \$7 million, to a new mortgage from NorthMarq in an amount not to exceed 85% of loan to value at the time of refinance, and authorize the Executive Director to execute any and all related instruments and delegate authority to the Executive Director to take certain actions.

Background

The CRA received a request from 613 NW 3rd Ave, LLC, for a subordination of the CRA mortgage in the amount of \$7 million to allow for a new first mortgage loan by NorthMarq that would refinance mortgages by City National Bank of Florida, secured by the property at 613 NW 3rd Avenue, Fort Lauderdale, Florida (The SIX13). A copy of the Location Map of the property and the Broward County Property Appraiser's information, with pictures of the property, are attached as Exhibits 1 and 2. A letter from 613 NW 3rd Ave, LLC, requesting the Subordination Agreement is attached as Exhibit 3. Jeff Burns is the manager of 613 NW 3rd Ave, LLC, a single purpose entity.

The CRA has a five-year Development Incentive Program (DIP) mortgage in the amount of \$7 million, dated April 4, 2019, on The SIX13 property that is subordinate to a first mortgage by City National Bank of Florida. The CRA loans' proceeds were used to build The SIX13, an eleven-story mixed-use tower with 142 apartment rental units, 240 parking spaces and 8,300 square feet of retail, located at 613 NW 3rd Avenue. Located in

downtown Fort Lauderdale's urban core, The SIX13 offers one and two-bedroom floor plans with key-less entry. Each layout has energy-efficient stainless-steel appliances, quartz counter tops, floor-to-ceiling windows, and private terraces with skyline views. The building received its Certificate of Occupancy (CO) on July 8, 2020. The residential units are currently leased at 99% and the commercial space is leased at 44%.

The principal balance on the City National Bank of Florida first mortgage is \$21,408,213.66. The new first mortgage with NorthMarq will be in an amount not to exceed 85% of loan to value at the time of refinance, with an interest rate of approximately 2.3% and term of 35 years. With the nearly \$7 million of equity from the refinancing, 613 NW 3rd Ave, LLC proposes to pay off capital, its first mortgage and to make distributions to its qualified Opportunity Zone investors. 613 NW 3rd Ave, LLC will not profit from the payout. The CRA Mortgage and Security Agreement; the City National Bank of Florida Mortgage, Assignment of Rents and Security Agreement; and the National Bank of Florida Notice of Future Advance and Mortgage, Assignment of Rents and Security Agreement Modification Agreement are attached as Exhibits 4, 5, and 6.

The Broward County Property Appraiser's information for The SIX13 places a Just Market Value of \$1,472,440 on the property (Exhibit 2). Standard forms of the U.S. Department of Housing and Urban Development (HUD) Subordination Agreement, the Commitment for Insurance Upon Completion Pursuant to Section 223 (f), and the HUD Rider/Amendment to Restrictive Covenants are attached as Exhibits 7, 8 and 9. These are standard forms that HUD will issue as part of its loan commitment once the CRA's subordination is approved. NorthMarq's engagement letter is attached as Exhibit 10, and its appraisal report for the SIX13 is attached as Exhibit 11.

Consistency with the Northwest Progresso Flagler Heights CRA (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 program 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 is no fiscal impact associated with this action.

Strategic Connections

This item is a *2021 Commission Priority*, advancing the Smart Growth initiative.

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

- The Business Development Focus Area
- Goal 5: Build an attractive and proactive business climate to attract emerging industries
- Objective: Nurture and support existing local business

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

This item supports the *Advance Fort Lauderdale 2040 Comprehensive Plan*, specifically advancing:

- The Neighborhood Enhancement Focus Area
- The Housing Element
- Goal 2: Be a community of strong, beautiful and healthy neighborhoods

Attachments

Exhibit 1 – Location Map

Exhibit 2 – Broward County Property Appraiser Information and Photos

Exhibit 3 – Letter from SIX13 NW 3rd Ave, LLC

Exhibit 4 – City National Bank of Florida Mortgage - \$19,274,000

Exhibit 5 – City National Bank of Florida Notice of Future Advance and Mortgage - \$2,500,000

Exhibit 6 – CRA Mortgage - \$7,000,000

Exhibit 7 – HUD Subordination Agreement (standard form)

Exhibit 8 – HUD Commitment for Insurance Upon Completion Pursuant to Section 223 (f) (standard form)

Exhibit 9 – HUD Rider/Amendment to Restrictive Covenants (standard form)

Exhibit 10 – NorthMarq Engagement Letter

Exhibit 11 – Appraisal Report for The SIX13

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