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## MEMORANDUM

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**TO:** DANIEL ROSEMOND  
HALLANDALE BEACH CRA

**FROM:** J. KEVIN LAWLER  
N-K VENTURES LC

**SUBJECT:** REVIEW/EVALUATION OF UNSOLICITED PROPOSAL - IMC  
EQUITY GROUP FOR A MIXED-USE PROJECT AT DIXIE-FOSTER

**DATE:** APRIL 30, 2016

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The following is a review and an evaluation of an unsolicited proposal<sup>1</sup> from IMC Equity Group (“INC”) for the development of mixed-used project (“the project”) on land owned by the CRA at Dixie-Foster. IMC has submitted a relatively complete proposal package to facilitate this review and evaluation.

### Development Program/Development Team

IMC is proposing to develop a residential (apartments) and retail project to include:

	Units	Square Feet (SF)
<b>Residential</b>		
<b>1B/1B</b>	<u>12</u>	10,200
<b>2B/2B</b>	<u>74</u>	87,912
<b>2/2B corner</b>	<u>6</u>	<u>7,500</u>
	<u>92</u>	105,612
<b>Retail</b>		<u>8,400</u>
<b>Total</b>	92	114,012

The proposed project would be developed on 4.17 acres of land owned by the CRA at Dixie Hwy and Foster Road. The project conceptual site plan indicates 2 parcels would be utilized. The first is the 3.03 acre parcel at the NW corner of Dixie Hwy and Foster Road, extending northward to include the former 605 N. Dixie Hwy parcel and the 2 adjoining lots. The second parcel is the 414 N. Dixie Hwy property that is currently subject to a Development Agreement with HBC Medical for a medical office building. IMC’s development proposal does not address the adjoining 0.9-acre interior, Foster Road parcel owned by the CRA

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<sup>1</sup> Letter Proposal of April 27, 2016 with supporting materials on design and financial capability.

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The concept development plan for the apartment units indicates a 3-story configuration with ground floor parking. The retail program on the 411 N. Dixie Hwy property is an under utilization of this site compared to the proposed 25,000 sf medical office building.

IMC has assembled an experience development team from in-house staff and outside construction/development services. IMC appears to have an establish track record in both infill retail and residential development. IMC has an extensive portfolio of residential and commercial properties, suggesting a portfolio business model for holding property assets.

**CRA Investment and Returns**

IMC proposes the CRA contribute the land as the only CRA investment in the project. IMC would fund all other development costs.

	Amount	Percent
CRA Land Contribution <sup>2</sup>	\$4,156,590	19.6%
IMC Total Development Costs	<u>\$17,055,188</u>	<u>80.4%</u>
	\$21,211,778	100.0%
CRA Investment Leverage	4.10	
Est. Annual Tax Increment Revenue	\$150,000	

At an estimated project development cost of \$21.1 million, the CRA's land contribution would be slightly less that one-fifth of the total development costs. This yields a CRA investment leverage ratio of 4.1. Stabilized tax increment revenue from the project are estimated at approximately \$150,000 annually. In light of the remaining duration of the CRA, at best, total tax increment revues attributable to the IMC proposed project might reach \$400,000 to \$450,000.

**Financial Viability and Capability**

IMC's proposal includes, in addition to an estimated of total development cost, a pro forma of estimated project level revenue and operating costs. Together thee provide a basis to gauge the potential financial viability of the project:

- ✓ The estimated Total Development Costs, excluding land, are reasonable considering the development plan is at a conceptual stage of design.
- ✓ Rental rates and operating cost are consistent with market trends and thus are judged reasonably achievable.

IMC's project pro forma indicates an adequate rate of on investment, sufficient to be underwritten for conventional construction and land term financing.

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<sup>2</sup> For presentation purposes, includes the 414 N. Dixie property

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IMC has not advanced a specific plan or structure for financing the project. IMC has submitted sufficient information on its overall financial strength. Considering that the project level return on capital (ROI) is adequate and IMC's financial capacity, it is reasonable to conclude at this initial stage that IMC has the ability to fund pre-development costs, secure third party financing and provide the equity capital, as may be required.

**Conclusions and Recommendations**

1. The IMC proposal has merit. The concept development plan is thematically consistent with the objectives of the CRA for the redevelopment of the Dixie-Foster redevelopment site. As proposed, the CRA's investment in the IMC project would involve only the contribution of the land. IMC has the financial capacity to develop the project.
2. The conceptual site plan submitted by IMC poses two major issues of concern. First is the proposed development of the 414 N Dixie Hwy property that is currently committed in a Development Agreement for a medical office building; IMC proposed plan for this site is an under utilization of this property. Second, IMC's conceptual site plan does not include the use of the adjacent 0.9-acre Foster Road property, leaving open the issue of a unified development envelop for the Dixie-Foster 'gateway'.
3. The IMC proposal is sufficiently complete to support direct discussion and preliminary negotiations to include:
  - i. A refinement/revision of the conceptual site plan to address the 414 N. Dixie property and the 0.9-acre Foster Road property.
  - ii. A preliminary timeline for the pre-development of the project and commencement of construction.
  - iii. A Community Benefits Plan commitment.
  - iv. Due diligence verification of financial capacity and the proposed plan for financing the project.