



Hallandale Beach Community Redevelopment Agency

Board of Directors Meeting

Agenda Cover Memo

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|-------------------------|--|-----------|---|------------------------|-------------------------------|--------------|-------------------------------|--|
| Meeting Date: | March 19, 2018 | | Item Type: | Resolution X | Ordinance | Other | | |
| Fiscal Impact: | Yes | No | Ordinance Reading: | | 1st Reading | | 2nd Reading | |
| | X | | Public Hearing: | | Yes | No | Yes | |
| | | | | | | X | X | |
| Funding Source: | Redevelopment Agreements 5910-534050 | | Advertising Requirement: | Yes | | No | | |
| | | | | | | X | | |
| Account Balance: | \$3,594,587 | | | | | | | |
| Project Number: | | | RFP/RFQ/Bid Number: | | | | | |
| | Yes | No | Strategic Priority (Enter X in box): | | | | | |
| | X | | <p>Capital Improvements</p> <p><input checked="" type="checkbox"/> Goal 1 - Undertake Total Improvements of Public Realm <input type="checkbox"/></p> <p><input checked="" type="checkbox"/> Goal 2 -Promote Public/Public and <input type="checkbox"/></p> <p style="padding-left: 40px;">Public/Private Partnership</p> <p><input type="checkbox"/></p> <p>Promote Projects with Large-Scale Impacts <input type="checkbox"/></p> <p>Goal 1 – Issue a Request for Proposals (RFP) for NW <input type="checkbox"/></p> <p style="padding-left: 40px;">infill Housing</p> <p>Goal 2 – Issue a Request for Qualifications (RFQ) for Dixie <input type="checkbox"/></p> <p style="padding-left: 40px;">Highway/Foster Road parcel</p> <p>Priority Area:</p> <p>North West Quadrant <input checked="" type="checkbox"/></p> <p>FEC Corridor <input type="checkbox"/></p> <p>Southwest Quadrant <input type="checkbox"/></p> <p>Northeast Quadrant <input type="checkbox"/></p> <p>Southeast Quadrant <input type="checkbox"/></p> | | | | | |
| Sponsor Name: | Roger M. Carlton, HBCRA Executive Director | | Department: | | HBCRA | | | |



Short Title:

A RESOLUTION OF THE CHAIR AND BOARD OF DIRECTORS OF THE HALLANDALE BEACH COMMUNITY REDEVELOPMENT AGENCY, HALLANDALE BEACH, FLORIDA, APPROVING THE REDEVELOPMENT AGREEMENT BETWEEN THE HALLANDALE BEACH COMMUNITY REDEVELOPMENT AGENCY AND HALLANDALE CITY CENTER, LLC; AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE THE REDEVELOPMENT AGREEMENT; AND PROVIDING AN EFFECTIVE DATE.

Staff Summary:

Background:

For the past several years, the site located on the N.W. corner of Foster Road and West Dixie Highway has been an on-going redevelopment priority for the HBCRA Board. In June 2014, after an RFP solicitation process, a Development Agreement (DA) for a mixed-use development project was awarded to Foster Road, LLC. After multiple time extensions, Foster Road, LLC requested further time to secure financing as well a substantial increase in the HBCRA's project investment. After a staff evaluation of the merits of Foster Road, LLC's request, the HBCRA Board terminated the DA on September 21, 2015.

At that Board meeting, HBCRA Staff made several recommendations which were designed to increase the development potential of the project. Below are the recommendations from that meeting:

- Continue to assemble additional contiguous or adjacent parcels for an enlarged mixed-use project.
- Consider increased density (more units) to achieve a more financially attractive scale.
- Engage in an outreach program with the real estate development/investment community to showcase the opportunity and informally solicit interest.
- Consider the development of the smaller parcel for development of townhouses via a selected architect and GC, independent of a mixed-use project on the larger parcel.

In November 2015, the HBCRA hosted a breakfast meeting with the development community to garner interest in submitting proposals for the redevelopment of the Foster-Dixie Site. HBCRA Staff advised those in



attendance that the HBCRA was seeking a development that would propose the highest and best use for the Foster-Dixie site. Staff also inquired of the attendees their preference for a formal RFP process or an informal unsolicited proposal process. The consensus was in favor of an unsolicited proposal process. From December 2015 through February 2016, developers made informal inquiries to Staff about the land development code for the site, desired uses, the HBCRA's capital commitment, and the timing of other developments and related issues.

The map below depicts the 13 parcels that comprise the Foster Dixie Site. The original site area was 2.37 acres. With the additional acquisitions and by potentially combining the parcels that were previously allocated for the medical office building pending, the Foster-Dixie project area increased to 3.97 acres. The enlarged Foster-Dixie assemblage created a more attractive and functional footprint for a denser, mixed-use development opportunity. To date, the HBCRA has invested approximately \$6 million in acquiring the 13 parcels that comprise the Foster- Dixie Site.



Proposal Submissions:

The HBCRA received six (6) unsolicited proposals for the redevelopment of the Foster-Dixie assemblage. The quality and character of the entities submitting



proposals were superior to previous proposals, with five (5) of the six (6) demonstrating substantial experience and financial capability.

The six (6) unsolicited proposals received for redevelopment of Foster-Dixie opportunity are summarized below:

In contrast to a formal RFP process where the submission requirements are standardized and uniform for all proposals, the unsolicited proposal process employed by the HBCRA for the Foster- Dixie Site permitted each proposer to determine their respective proposal format and content. HBCRA Staff did provide general guidance concerning proposal requirements that would be deemed responsive for consideration. Accordingly, the format, length, and level of detail associated with each unsolicited proposal varied.

As a result of this process, three unsolicited proposers dropped out. The remaining three proposals were evaluated by a designated Evaluation Committee comprised of five experts in the fields of community redevelopment, economic development, urban planning, transportation and mobility and financial valuation. The evaluation committee members were Althea Jefferson, Dr. Jeremy Earle, Dr. Ned Murray Eric Houston and Lina Duran. The three remaining proposals that were evaluated by the committee are as follows:

- Atlantic Pacific Communities
- Hallandale City Center LLC
- Royal Castle Communities

The Evaluation Committee used the following criteria to score and rank the proposals:

- Highest and best use of the Foster-Dixie Site.
- Proposal alignment with long term redevelopment objectives for the NW Quadrant in accordance with the *2015 HBCRA Strategic Planning Retreat*.
- Developer financial capacity, relevant experience and ability to proceed in a timely manner.
- Deal terms including Developer contributions and HBCRA incentives.
- Aesthetic/ development contribution of the project.

Pursuant to procedures implemented by the City's Procurement Department, Best and Final Offers (BAFO`s) were requested from the developers and



received by the City Clerk on February 10, 2017. The BAFO's were distributed to the members of the Evaluation Committee. Based on the BAFO's, the Evaluation Committee held Oral Presentations at City Hall on April 5, 2017. All three developers received the Oral Presentation agenda as well as a list of questions from the Evaluation Committee. At the Oral Presentations, the Evaluation Committee had the opportunity to ask questions and seek clarification for each of the proposals. Following the Oral Presentations, the firms were ranked accordingly. Final scores were submitted to the Procurement Department on April 8, 2017, and the information was provided to the Executive Director. The rankings were as follows:

1. Hallandale City Center – 459(1)
2. Royal Castle Companies – 284 (2)
3. Atlantic Pacific Communities– 251.6(3)

The mixed-income rental housing proposals from Atlantic Pacific Communities and Royal Castle Companies were contingent on securing Low Income Housing Tax Credits ("LIHTCs") as well as relying on securing layered State or County financing commitments; thus subject to an uncertain and lengthy timeframe for development. The process to secure LIHTCs for project financing is highly competitive, and the committee believed that this was a limiting factor to the overall future success of the project.

At the April 17, 2017 HBCRA Board meeting, the HBCRA Board authorized the Executive Director and the HBCRA Attorney to begin negotiating with Hallandale City Center LLC. In order to assist with the evaluation of the project from a third-party perspective, the HBCRA retained the services of Paul Lambert, Managing Principal of Lambert Advisory. Based on his subsequent evaluation of the project and the deal terms, Mr. Lambert has provided a letter of recommendation for the project (Exhibit 4).

Current Situation:

Due to changes in market conditions, negotiations with the Developer, and due diligence by HBCRA Staff over the past seven months, the Hallandale City Center (HCC) project has changed significantly in terms of scope and cost from the original proposal.



HCC is a mixed-use project that was developed in accordance with priorities of the NW quadrant. The development includes 89 residential rental units of which 15% (14 units) will be set aside for affordable housing. The project will have approximately 8,000 SF of commercial/retail space, which will be utilized by a small neighborhood "Green Grocery" store. 270 parking spaces will be provided, which will serve both the residential and commercial components. 55 of those parking spaces will be set aside perpetually per the redevelopment agreement as public parking for the City of Hallandale Beach.

The total projected cost for the project including both "hard" and "soft" costs has increased by approximately \$6 million from the proposer's initial projections. The project cost is now projected to be approximately \$16,704,487. This amount includes permitting and impact fees of \$1,638,809 that were not included in the Developer's original projections.

Overall Deal Terms

When the HCC was first proposed, the Developer initially asked for only a contribution of land, however, after additional due diligence by the current administration, Staff determined that there were important costs associated with the project that were not included in the original proposal by the Developer. These costs included a correct accounting of permitting and impact fees, as well as requirements for water, sewer and landscape upgrades that would be required by the City. In addition to these items, which by themselves increased the proposed cost for the project, the HBCRA/City requested that the project also include affordable housing and the addition of 55 structured parking spaces that the City of Hallandale Beach will be able to utilize perpetually.

To date, the Developer has secured a loan for the project in the amount of \$10,022,692. The remainder of the funds would come from developer equity and an additional HBCRA incentive in the amount of \$2,750,000 for the gap financing. The breakdown of the additional HBCRA incentive is as follows:

1. Affordable/workforce housing units – 14 units with a HBCRA subsidy of \$117,857 per unit (\$1,650,000).
2. Public Parking Spaces – 55 spaces at a HBCRA subsidy cost of \$20,000 per space (\$1,100,000).



The Developer's workforce housing obligation is subject to a Gap Grant Clawback in an amount equal to the \$1,650,000 for affordable/workforce housing that the HBCRA provides to the Developer. This means that the HBCRA's investment maybe recovered if the units do not remain at the lower rents the HBCRA subsidy allows.

Gap Financing

Based on the Redevelopment Agreement, the HBCRA will provide the total gap financing payment of \$2,750,000 over a period of three years commencing in FY 18/19. The first installment of the gap grant shall be paid in FY 18/19 following a written request from the Developer and supporting documentation that the Developer has expended at least \$3,000,000 towards the soft and hard costs of the project. The second installment shall be paid in FY 19/20 following a written request from the Developer and documentation that the Developer has expended at least \$10,000,000 towards the soft and hard costs of the project. The final installment of the gap grant shall be paid in FY 20/21 following written request from the Developer and supporting documents that the Developer has expended at least \$13,000,000 towards the soft and hard costs for the project.

It is important to note that based on a projected assessed value of the project at the time of completion (estimated to be approximately \$17,000,000), the HBCRA will collect approximately \$174,000 per year in Tax Increment Revenue (TIF).

Signature Auto Body

The HCC project will utilize a parcel on which a business named Signature Auto Body is located. Based on a Phase I and a Phase II Environmental Report that was conducted when the HBCRA purchased the property, there was some possible contamination that would need to be mitigated. The HCC redevelopment agreement limits the maximum HBCRA liability for cleanup to \$250,000 in conjunction with an allowance for the HBCRA and the Developer to renegotiate the agreement and the timing of development due to any potential remediation.

It is important to note that Signature Auto Body, which is located on what has been called Lot B on the Developer's plans, will be given a notice stipulating



that they will have 90 days to vacate the property. This notice will be provided to the business once the HBCRA Board has approved the HCC redevelopment agreement. The CRA currently receives \$2,500 a month in rent from the business.

Pedestrian Bridge

Another key item in the agreement pertains to the proposed pedestrian bridge over the FEC railroad tracks. The Developer agrees to provide financial contributions towards the approval and construction of the pedestrian bridge in a total amount of \$250,000, which has been broken up into two installments. The agreement stipulates that within 30 days following the effective date of the agreement, the Developer agrees to pay the first installment of \$50,000 towards the bridge contribution. The second installment of \$200,000 will be due 60 days following written notice from the HBCRA to the Developer that the HBCRA has received all approvals necessary to construct the bridge.

Finally, providing that there is no default by the Developer, and other specific requirements and documentation in the agreement have been fulfilled or provided, the HBCRA by the use of a Special Warranty Deed shall convey the property to the Developer.

Job Creation

The Developer agrees to use its commercially reasonable efforts to cause the tenant of the proposed grocery store to hire at least 10% of its full-time workers from the City of Hallandale Beach, and that preference for the remaining jobs be given to City residents. The Developer also agrees to contribute to the new Community Benefits Program in an amount of \$100,000 which will be added to other contributions to fulfill the funding needed in the Community Needs Study.

Share of Cash Out Upon Refinancing or Sale

Another important deal term pertains to what occurs if the Developer desires to take cash out of the project by refinancing it. In the event of a refinance of the project which results in cash out to the Developer, either prior to the completion date or for a period of 15 years following project completion, the Developer shall pay the HBCRA an amount equal to 3% of the cash out upon refinancing if there was a construction loan. If the project is financed on an equity basis, the Developer shall pay the HBCRA approximately 1.5% of the cash out upon



refinancing. The share of cash out upon refinancing shall be paid to the HBCRA upon the closing of the loan.

Fiscal Impact:

Per the Developer's agreement, beginning in FY 18/19 as described above the HBCRA will as a part of its gap financing incentive, will pay \$916,667 towards the HCC project. This amount will be included in the FY's 18/19, 19/20, and 20/21 budgets. Once the HBCRA Board has approved the HCC redevelopment agreement, the HBCRA will notify Signature Auto Body that they have 90 days to vacate the property. The vacation of the property will result in reduced rental income to the HBCRA of approximately \$7,500 since approximately two months will be necessary to obtain permits for the demolition and provide notice to vacate. (Exhibit 3a)

Proposed Action:

Staff recommends the Board's approval of the attached resolution and Redevelopment Agreement for the HCC redevelopment project.

Attachment(s):

Exhibit 1 – Resolution
Exhibit 2 – Site Plan
Exhibit 3 – Redevelopment Agreement
Exhibit 3a – Redevelopment Calendar
Exhibit 4 – Paul Lambert Letter
Exhibit 5- Legal Description
Exhibit 6- Developer Proforma

A handwritten signature in blue ink, appearing to be "J. Earle", is written over a horizontal line.

Prepared by: Jeremy Earle, Ph.D., AICP, Assistant City Manager