



# Hallandale Beach Community Redevelopment Agency

## Board of Directors Meeting

### Agenda Cover Memo

|                         |  |           |   |                        |                               |              |                               |  |
|-------------------------|--|-----------|---|------------------------|-------------------------------|--------------|-------------------------------|--|
| <b>Meeting Date:</b>    | May 13, 2019                               |           | <b>Item Type:</b>   | <b>Resolution</b><br>X | <b>Ordinance</b>              | <b>Other</b> |                               |  |
| <b>Fiscal Impact:</b>   | <b>Yes</b>                                 | <b>No</b> | <b>Ordinance Reading:</b>   |                        | <b>1<sup>st</sup> Reading</b> |              | <b>2<sup>nd</sup> Reading</b> |  |
|                         | X  |           | <b>Public Hearing:</b>  |                        | <b>Yes</b>                    | <b>No</b>    | <b>Yes</b>                    |  |
|                         |  |           |   |                        |                               | X            | X                             |  |
| <b>Funding Source:</b>  | Redevelopment Agreements<br>5910-534050    |           | <b>Advertising Requirement:</b>   |                        | <b>Yes</b>                    |              | <b>No</b>                     |  |
|                         |  |           |   |                        |                               |              | X                             |  |
| <b>Account Balance:</b> | \$3,594,587                                |           |   |                        |                               |              |                               |  |
| <b>Project Number:</b>  |  |           | <b>RFP/RFQ/Bid Number:</b>  |                        |                               |              |                               |  |
|                         | <b>Yes</b>                                 | <b>No</b> | <b>Strategic Priority (Enter X in box):</b>   |                        |                               |              |                               |  |
|                         | X  |           | <b>Capital Improvements</b><br><input checked="" type="checkbox"/> <b>Goal 1 - Undertake Total Improvements of Public Realm</b> <input type="checkbox"/><br><b>Goal 2 -Promote Public/Public and</b><br><input checked="" type="checkbox"/> <b>Public/Private Partnership</b><br><input type="checkbox"/>                     |                        |                               |              |                               |  |
|                         |  |           | <b>Promote Projects with Large-Scale Impacts</b> <input type="checkbox"/><br><b>Goal 1 – Issue a Request for Proposals (RFP) for NW</b> <input type="checkbox"/><br><b>infill Housing</b><br><b>Goal 2 – Issue a Request for Qualifications (RFQ) for Dixie</b> <input type="checkbox"/><br><b>Highway/Foster Road parcel</b> |                        |                               |              |                               |  |
|                         |  |           | <b>Priority Area:</b><br><b>North West Quadrant</b> <input checked="" type="checkbox"/><br><b>FEC Corridor</b> <input type="checkbox"/><br><b>Southwest Quadrant</b> <input type="checkbox"/><br><b>Northeast Quadrant</b> <input type="checkbox"/><br><b>Southeast Quadrant</b> <input type="checkbox"/>                     |                        |                               |              |                               |  |
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| <b>Sponsor Name:</b>    | Dr. Jeremy Earle, HBCRA Executive Director |           | <b>Department:</b>  |                        | HBCRA                         |              |                               |  |



### **Short Title:**

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

On March 19<sup>th</sup>, 2018, the HBCRA Board of Directors approved the Redevelopment Agreement for the City Center project.



### **Current Situation:**

From the time that this project was initially approved, there have been a series of events which necessitate an amendment to the original redevelopment approved. First, the NW Community in the City of Hallandale Beach has been extremely vocal in their desire to be not only included in the City Center process itself in terms of uses, but they have indicated a strong desire to envision the entire area surrounding the City Center project as a new district called Harlem Village. At the request of the NW community, on Monday March 6, 2019 the HBCRA hosted a community input meeting at the OB Johnson Community Center. The residents at this meeting expressed their desire to have more restaurants and entertainment uses in the area that would help to create a destination that for them would hearken back to the era of the Palms Nightclub.

Representatives of the community also invited the developer to meet on at least two occasions in order to speak about the City Center project and potential changes. The community representatives informed the developer that they would prefer to see uses such as restaurants, grocery store and local retail.

Due to the changes in the desires of the community, the changes in the timing of the project approval schedule which is based on when the developer submitted for site plan review, and based on changes requested by the HBCRA in terms of the addition of affordable housing for seniors, and the expansion of the commercial space to allow for additional restaurants and retail, the Hallandale City Center (HCC) project has changed in terms of scope 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. Of that 15% set aside for affordable housing, two of the 14 units will be set aside as senior housing. The project will have over 8,000 SF of commercial/office/retail space, which can be utilized by a small neighborhood "Green Grocery" store, as well as restaurants, and neighborhood businesses. 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 may be recovered if the units do not remain at the lower rents the HBCRA subsidy requires.

### **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).

### **Job Creation**

The Developer agreed 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.

### **Changes to Development Agreement**

#### **Section 3. Grocery Store**

Instead of commercially reasonable efforts to attract a grocery store, the Developers for the HCC are now required to use best efforts to do so. Project Line 4 of Section 2.2 is hereby amended by inserting the words "within which the Developer shall use its best efforts to provide a grocery store of at least 6,000 square feet (the "Grocery Store")," after the words "commercial space." The Developer acknowledges and agrees that best efforts shall include, but not be limited to, aggressively marketing the commercial space in accordance with industry standards. The Developer agrees that the Grocery Store shall not be a convenience store, convenience shop, mini market, mini mart or the like.

#### **Section 4. Development Approvals**

Within one hundred and eighty (180) days of the date of this First Amendment, the Developer shall submit the necessary applications and receive approval from the City for (a) the Site Plan, (b) rezoning and (c) right of way vacation (collectively, the "Necessary Development Approvals"). Developer shall submit





and diligently process the applications for the Necessary Approvals, but Developer may request reasonable extensions to this timeline for unforeseen delays caused by the HBCRA or the City, which request shall be approved or denied by the HBCRA Executive Director in his reasonable discretion. In the event of an appeal by a third party of the City's approval of any of the Necessary Development Approvals ("Third Party Appeal"), the Developer shall have the right, within thirty (30) days after the filing of the Third Party Appeal, at its sole discretion, upon written notice to the HBCRA to terminate the Redevelopment Agreement and receive a return of the Developer Contribution set forth in Section 3.9.

Within one hundred eighty (180) days of the approval from the City of the Necessary Development Approvals, Developer shall submit to the City the building permit application.

The Developer acknowledges and agrees that the Project shall comply with all City Code requirements relative to green buildings and LEED certification.

## **Section 5. HBCRA Lease**

Developer agrees to lease to the HBCRA up to six thousand (6,000) square feet in the Project (the "Premises"). The Premises shall be facing Foster Road and shall be used for purposes as determined by the HBCRA. The lease term shall terminate prior to or upon the sunseting of the HBCRA as determined by the HBCRA and set forth in the lease agreement. The rent and other terms shall be agreed upon by the parties consistent with the Developer's standard form lease agreement for the Project; provided, however, the parties agree (a) to negotiate a discounted rent commensurate with the then market rates applicable at the time of Project completion and (b) the Developer, at the HBCRA's cost and expense, shall make tenant improvements and buildout the Premises to the specifications of the HBCRA.

## **Section 3.9. Additional Developer Community Commitments**

In addition to the community commitments set forth in Section 4.6, the Developer acknowledges and agrees to the additional community commitment set forth herein. Developer agrees to provide a financial contribution towards the creation of **art/culinary incubator and other related uses determined by the HBCRA** in the amount of Fifty Thousand and 00/100



(\$50,000.00) (the "Developer Contribution"), the receipt of which funds is acknowledged by the HBCRA. The Developer and HBCRA acknowledge and agree that, except (a) as set forth in Section 4.1 above or (b) in the event the Necessary Development Approvals are not approved either by the City or a court of competent jurisdiction and the Agreement is terminated, or (c) the Agreement is terminated based on the default of the HBCRA, the Developer Contribution is non-refundable and that the HBCRA is authorized to expend the funds in its discretion throughout the Community Redevelopment Area. In the event of any of the occurrence of (a), (b) or (c) above, the Developer Contribution shall be returned to Developer."

### **Section 7. Gap Grant Payment Schedule**

Because the HCC project will not be under construction in FY 19/20 as originally planned by the Developer, the gap financing amount of \$916,666 per year for three years, will now commence in FY 19/20 and end in FY 21/22.

### **Section 8. Workforce Housing**

Under the new amendment to the redevelopment agreement, the HBCRA has requested that the Developer provide two (2) of the fourteen (14) units that the HBCRA is providing incentives for, as Senior Housing units. The Developer will provide one 2-bedroom, 2-bathroom unit in their development as Senior Housing for those 65 years old and above, at 50% of Area Median Income (AMI) for a household of two (2) people (this amount equates to **\$32,350**). The Developer will also provide one 2-bedroom, 2-bathroom unit in their developer as Senior Housing for those 65 years old and above, at 80% of Area Median Income (AMI) for a household of two (2) people (this amount equates to **\$51,750**).

### **Section 9. Developer Default**

Developer Default. Section 8.1 of the Redevelopment Agreement is hereby amended by inserting the following subsection 8.1(k):

"(k) Failure to Commence Construction of the Work. If the Developer fails to commence construction of the Work within ninety (90) days following the the conveyance of the Property to the Developer. In such event Developer shall not be entitled to the Cure Period provided in Section 8.1(a) of the Agreement for a default under this subsection (k)."



**Fiscal Impact:**

Per the Developer's agreement, beginning in FY 19/20 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 19/20, 20/21, and 21/22 budgets.

**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 – Redevelopment Agreement Amendment

Exhibit 3 – Redevelopment Agreement 3.19.18

Exhibit 4 – Site Plan and Rendering

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

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