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MEMORANDUM

Date: June 18, 2019

To: Community Redevelopment Agency Board

Through: Greg Harrison, CRA Executive Director

From: Nguyen Tran, CRA Director

Subject: Consideration of an Unsolicited Development Proposal from REVA Development Corporation to construct an 80-unit artist based housing development on CRA owned lands to be located on the north side of NW 4th Street, between NW 6th Avenue and NW 4th Avenue.

Background:

REVA Development Corporation is not new to the Pompano Beach CRA and Mr. Don Patterson has been before the CRA Board on multiple occasions for consideration of an artist based housing development at various locations. The last development proposal was located adjacent to the Historic Ali Cultural Arts Center with an associated parking lot across the street on the block to the north. The CRA Board approved a Property Disposition and Development Agreement (Agreement) on September 16, 2015 to allow the proposed artist based housing development to proceed at this location. The Agreement self-terminated when several terms such as the property conveyances did not occur and financing commitments were not secured within the timeframe outlined in the Agreement.

The CRA received a new unsolicited proposal from REVA Development Corporation on May 1, 2019 for a similar artist based housing development at a new location. The new site is located on the north side of NW 4th Street, between NW 6th Avenue and NW 4th Avenue, one block north of City Vista (please see attached map). The new site is also part of a recent CRA land assemblage, which includes eight (8) of the thirteen (13) Grisham family properties located west of NW 4th Avenue along NW 4th Court. The CRA has assembled all the lands within this block to create a new development opportunity with the exception of a single parcel. Mr. Don Patterson has the single parcel within this land assemblage under contract and is before the CRA Board with a new but similar development proposal for consideration.

With respect to the Grisham family properties, the CRA closed on all thirteen (13) properties on April 23, 2019 and recently completed Asbestos Abatement on five (5) of the seven (7) properties containing structures. CRA Staff is applying for a Demolition Permit to raze all structures within this

land assemblage. As customary when acquiring commercial properties with a long history of various commercial uses, an Environmental Site Assessment Phase 1 (ESA Phase 1) investigation is performed. The CRA ordered an ESA Phase 1 and the report indicated underground contamination for the property containing the Grisham Hotel (407 NW 4th Avenue). As a result, an Environmental Phase 2 (ESA Phase 2) investigation was ordered and the report confirmed that the parcel located at 407 NW 4th Avenue was contaminated and subsurface exploration will need to be performed to determine anomalies. Removal/abandonment activities will need to be conducted in accordance with FDEP guidelines and criteria. Mr. Patterson was informed of the contamination and remediation issue at 407 NW 4th Avenue, due to the reporting requirements of FDEP; title to the property cannot be conveyed until the cleanup efforts have been completed. The extent and cost for remediation is not known at this point and quotes are currently being obtained. Should the unsolicited development proposal be accepted by the CRA Board, the conveyance of this parcel would be conditioned on completion of the remediation in the Property Disposition and Development Agreement.

Summary of Development Proposal:

The development proposal contemplates the construction of an 80 unit, live/work styled housing development in a workforce/business environment to include galleries, studios and a community business center. REVA Development intends to acquire the CRA owned lots for \$1,600,000 with the initial payment of 50% or \$800,000 at construction finance closing and the balance paid within 10 years of the initial payment. The estimated development cost for the project is \$24,000,000 with financing to include Opportunity Zone Funding and Owner Equity. The proposed units will consist of 1, 2 and 3 bedrooms with rental rates ranging between \$1,263 to \$2,653/mo. Targeted incomes will be in the workforce range (80% - 140% of Area Median Income) and market rate.

NW CRA Advisory Committee Meeting (6/3/19):

The development proposal was considered before the Northwest CRA Advisory Committee on June 3, 2019 and the development proposal was accepted with a recommendation of approval to the CRA Board; however, below are the following concerns made by Chairman Rawls at the Committee meeting:

- Expectations of a more robust proposal.
- Based on unit rents, how is this affordable-workforce-market rate project going to be successful. A 2/2 market rate unit for \$2600 per month seems pricey.
- For 80 units and a project cost of \$24,000,000, it will cost \$296K to build each unit. That too seems pricey and are the unit rents enough to cover debt service.
- How is REVA planning to cover the \$4M owner equity portion?
- How confident is REVA of the Opportunity Zone funding, on a scale of 1 to 10?
- Is there a letter of intent for construction financing that would give us more confidence that this project will be built.
- There are no financials included, thus it's hard to ascertain project viability.

- What's the project timeline? When does REVA plan to build it once a development agreement is in place?
- What's the use for the red and white building? How much of the old structure is REVA planning to keep and integrate into the project?
- Why is REVA keeping the red & white paint? It doesn't look good architecturally (Rawls opinion).
- How is REVA handling parking? How many spaces is REVA building out? How many spaces will be available for public use?
- How much space is available for commercial use on the ground floor, if any?
- Can REVA define how this project will impact the community economically, in terms of jobs (short and long term), local participation, impact fees, etc.?
- A common community concern for multi-family/apartment homes is maintenance and upkeep (property management).

Staff Analysis:

Of all previous sites proposed by the Developer for the artist lofts development, the site currently selected appears to be the most suitable and will accommodate all required improvements including parking and drainage on-site. Other than the contamination issue at 407 NW 4th Avenue, which will add additional time to the overall project schedule, it is not clear when Opportunity Zone funding would be available, thereby also affecting the overall project schedule. Since a project schedule was not submitted, it is not clear how long it will take to complete the project. The proposed project to be constructed at this location would assist in the elimination of slum and blight and is in line with the development vision for a mixed-use development on this block; however, staff has the same questions as outlined by the Northwest Advisory Committee above. With respect to the total development cost of \$300,000 /unit (\$24Million/80 units), it does not seem financially feasible for the development to “pencil out”; however, the CRA is not financing or underwriting the development so this will be up to the developer and lender to figure out. Because City Vista is immediately adjacent one block south and serves household incomes up to 60% of Area Median Income (AMI), staff is recommending that the household incomes for this development needs to serve 80% - 140% of AMI and market rate as it has been proven that mixed-income communities are more vibrant and economically healthier. Currently, we do not have any new market rate developments in this area of our future downtown and lenders are relying on rent comparables (Comps) to establish interest rates and funding amounts. This has a direct correlation to funding gaps (rental income and construction costs) which results in a bigger challenge to construct market rate developments in this area. Staff encourages a higher mix of market rate units in future developments to help set the Comps in the future Downtown in an effort to achieve a more vibrant and economically healthier community. Because this is a multi-parcel land assembly by the CRA, the Board may want to consider issuing a request for proposals (a possibility the developer acknowledges in the unsolicited proposal).

Map of Proposed Site



