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## MEMORANDUM

**DATE:** September 17, 2019

**TO:** Pompano Beach CRA Board

**THRU:** Gregory P. Harrison, Executive Director

**FROM:** Nguyen Tran, Director

**RE:** Development and Tax Increment Financing Agreement - CP Old Town Square, LLC

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### Background:

In 2016, the CRA Board approved the Real Estate Development Accelerator (REDA) which is a performance based, tax incentive program for projects greater than \$5,000,000 to expedite development in the Northwest CRA. The program is targeted to developers who bring projects to the area in the early stages with an understanding they are accepting more risk and their projects are generally higher in cost due to a lenders ability to mitigate risk by charging higher interest rates or require more upfront equity effecting the developer's pro forma. The CRAs current REDA program has a limit on TIF funding of 80% however that cap is not sufficient to fill the gap in the current real estate market and will be amended prior to the development agreement approval for this project. The REDA program amendment will be a companion item. The CRA Board considered the REDA program application and Term Sheet/Letter of Intent for the Old Town Square development on July 16, 2019 and moved a motion for Approval.

### Project:

Old Town, is a transitional area void of market rate residential, mixed-use development activity. The CP Old Town Square, LLC site located at 212 NE 1st Avenue/101 NE 2nd Street, is a planned development of 282 Class A, residential high-rise, located on approximately 1.90 acres of land with a 300-car structured parking garage and approximately 5,433 square feet of ground floor commercial space in Old Town. The project amenities include a resort style, 5th floor swimming pool, sun deck, yoga area, gazebo, clubhouse, state of the art fitness facility and recreational area. The property will feature a focal point on the southwest corner with a public plaza, colonnade, fountain and benches. On street public parking will be provided along the two streets. The Developer received site plan application approval and is finalizing construction drawings at this time. As a pioneer project in the area, it cannot generate sufficient income to cover the debt service and provide a return satisfactory to the developer considering the risk



therefore the developer is requesting assistance under the Amended REDA program to meet the pro forma gap.

### **Financial Information:**

The development of CP Old Town Square is approximately \$63,000,000 and is the first market rate residential project of its type in the area. Staff reviewed the project and requested an "Analysis of Economic Impact of Old Town Square". The revenue impact is based on the Taxable Value methods used by the Broward County Property Appraiser's Office with an initial valuation based on 85% of project cost. It is estimated the project will generate tax increment of \$261,000 in year one (1). The Taxable Value is based only on the City millage rate of 5.1361 with an estimated 4% annual growth rate in out years. The use of tax increment financing for this project remains at present value of \$7.8 million to be paid over a period of approximately twenty (20) years. Once the project is on the tax rolls, the Tax Increment Funds (TIF) generated will be returned to the developer to finance the project. There is little risk to the CRA or the city since the payment is only made if the project is built and generating tax dollars. The total amount to the developer is capped at \$7.8 million, and the obligation of the CRA ends if that threshold is met prior to the end of the term of the agreement.

### **Agreement Summary:**

The CRA is able to facilitate the financing of this project and spur redevelopment by utilizing the tax increment financing ability available to the agency through Florida State Statue 163 Part III. Disbursements of the Grant are made on a reimbursement basis upon completion of the project. The Agreement contemplates that if a sale occurs between years six (6) through ten (10), the reimbursement will be 100% of the TIF paid in years one (1) through five (5) and 50% of the TIF paid in years 6 through the year of sale. No reimbursement will occur if a sale occurs after year 10. CRA TIF reimbursements will continue until the \$7.8 million is met, or the term of the agreement expires; whichever occurs first. In addition, the Agreement will terminate should the development convert to condominiums.

### **Recommendation:**

Recommendation to approve the Development and Tax Increment Financing Agreement between CP Old Town Square, LLC and the CRA for the development of the Old Town Square project.