



If any person decides to appeal any decision made by the Board with respect to any matter considered at this meeting, that person will need a record of the proceedings, and that, for such purpose, the person may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

CRA Board Workshop Minutes

Monday, July 9, 2018 1:30 p.m.

City Hall Commission Chambers – 100 NW 1st Avenue
Delray Beach, FL 33444

STAFF PRESENT:

Jeff Costello
Lori Hayward
Joan Goodrich

Kristyn Cox
Kevin Matthews
Elizabeth Burrows

DJ Lee
Teresa Hadjipetrou

Renee Jadusingh
Danielle Arfin

OTHERS PRESENT:

Jim Dupre
Christina L.
John Flynn
Dorothy Ellington
Angel Garcia

Kevin Rickard
G Barnes
Taylor Levy
Shirley E.

Sean Jones
Kevin Arrieta
Craig Zogby
Jim Chard

Sara Selzwick
Jess Sowariz
David Selznick
John Brewer

1. Call to Order

Chair Petrolia called the meeting to order at 1:30 pm.

2. Roll Call

Present: Pamela Brinson, Angie Gray, Bill Bathurst, Adam Frankel, Shelly Petrolia, Shirley Johnson, Ryan Boylston.

3. CRA Workshop Item- Uptown Atlantic, LLC (formerly Equity Delray, LLC) and Responses to Request for Proposals and Notice of Intent to Accept Proposals related to the offer received by Equity Delray, LLC to purchase CRA owned properties at the 600-800 Blocks of W. Atlantic Avenue.

Executive Director, Mr. Jeff Costello introduced the item. He reported that on April 9th the CRA received a letter of interest from Equity Delray/Uptown Atlantic ("Uptown") expressing their continued interest in the redevelopment of the 600-800 Blocks of West Atlantic Avenue. On May 7th the Board provided direction to CRA Staff to negotiate a Purchase and Sale Agreement and publish the 30-day Notice which was published on May 11th. On June 11th the CRA received 6 responses to the Notice. CRA Staff and Board Attorney reviewed the agreement provided by Uptown and provided a new agreement to Uptown. Mr. Costello then provided an overview on the status of the negotiations of the Purchase and Sale Agreement and the comments of the Letters of Interest ("LOI").

First Vice Chair Gray commented that it is time for redevelopment. She asked Mr. Costello how
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to incorporate benefits to the community if we decide not to go out for an RFP.

Mr. Costello responded that the draft Purchase and Sale Agreement that was provided to Uptown with the CRA's agreement included components that were in the draft RFQ/P such as the tenant relocation requirement, grocer, and local hiring. More details can be worked with our Attorney and Uptown to incorporate additional items.

First Vice Chair Gray expressed concern over the purchase price and noted that it appears that the groups who have submitted were not close to the appraisal price.

Mr. Costello explained that there is a difference between a market value appraisal and what one can expect with redevelopment when a developer is asked to address certain goals. He stated that we may not get total market value if we are looking for certain aspects such as reduced rent space for local businesses. Accommodation for a grocery store has a lease rate that is significantly reduced than any market rate tenant.

Commissioner Boylston asked what the iPic project was appraised at and what the final price was on that project. Mr. Costello responded that the iPic offer was based on the appraised value at 100% which was \$3.6 million. He added that it was a different scenario and location with different requirements. When the CRA issued the RFP in 2013 for the West Atlantic properties the appraised value was approximately \$6 million. Today it is \$15.45 million for market value.

Commissioner Boylston commented that he wanted to know what the options are. Option #1 is to move forward with Uptown. Option #2 would be to go back to RFP/RFQ. Option #3 would be to move forward with one of the proposals and begin negotiations. We have received 6 serious letters within a short period of time with exciting projects. He would like to go back to the RFP with new LDR and requirements for greenspace to make a better project. He does not think the City needs another 3-block project that is just running down the side of the street. This needs a sense of place. This is one of the most important projects in our City and it does not need to be rushed.

Treasurer Bathurst commented that we could be asking for different things from the developers. The negative to that is that it will take longer. We have waited a while to do something right. The question is whether the Uptown project is the right project.

First Vice Chair Gray commented that this has been on the table for quite a while and it is ready to go. She asked whether there is an option to redesign later on. Mr. Costello responded that the development approvals are in place. Redesign can be revisited by working with the developer. The building permit plans will also need to be revised to meet current codes.

Commissioner Brinson noted her concern with the disparity in market value and sale price. Her biggest concern is the community and affordable housing. When these decisions are made there needs to be an understanding that the community has to be taken into consideration and do what is in the best interest of the community. We may need to go back and revisit or renegotiate on some items.

Commissioner Boylston noted his support for the process of going back to RFQ by being completely transparent and put all the items that we want into the RFQ. Class A Office space is changing drastically right now. There are coworking spaces popping up everywhere. The whole grocery store industry and how they operate is changing. This could be something that leads into The Set and that feels like part of The Set. This is what this project should be and is what is discussed in The Set Transformation Plan. This was about to be put out by the last CRA Board to RFQ/RFP. The community wants to see this go back out and get the best project possible for these 3 blocks. We know we are not going to get \$15 million. Even if we get \$13 million there should be \$13 million worth of what we want in this project. This is a catalyst for many other things to happen on West Atlantic.

Commissioner Frankel commented that all of the drawings look nice and that this is subjective. Since 2009 he has heard one thing which is to build on West Atlantic. Here is a group that is ready to go. If we go to RFP we are looking at least another year or two before anything gets moving.

Commissioner Frankel asked how long it would take if the Board decides to negotiate with Uptown Atlantic. Mr. Doody responded that we are in the process of negotiating right now. He is waiting for a response from their counsel in regard to the latest version tracking the points that Mr. Costello indicated. He is hoping to have something within one or two weeks.

Commissioner Frankel prefers to ask them to add greenspace or make the changes that the Board wants.

Treasurer Bathurst commented that it does not have as much of a sense of place as the other proposals and that there is a lot of things that can be done for The Set with that money. Commissioner Frankel noted that the two years we will be waiting we would also be losing out on taxes. Treasurer Bathurst added that we would be losing about \$1 million versus gaining about \$3 million.

Commissioner Boylston added that Uptown Atlantic can submit their plans for the RFP. We can then weigh all of the benefits in a transparent process.

Treasurer Bathurst gave credit to Mr. Flynn and his group for coming to the former CRA Commission meetings. This Board may have some different opinions on what should be done and different ways to do it. One of the goals identified by the City Commission at the Goal Setting Workshop was to get The Set going. He is concerned about leaving too much money on the table and getting the design that is optimal for The Set and Delray as a whole. This project should be stunning as this is what you will see when you get off of I-95.

Vice Chair Johnson commented that this is a huge decision for all of us. She shares all of the concerns that the fellow Board members have spoken about. She wants more money. She asked the representatives of each developer that is present, what comparable project have they developed within the last 5-10 years.

Mr. Sean Jones, Principal of Jones New Urban, which is a joint venture of New Urban
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Communities Corporation and Milton Jones Development Corporation, commented that New Urban Communities Corporation has done several projects in Delray Beach. They have gotten the site plan approval and actually built them. Two of them are west of Swinton including Atlantic Grove and Cota. They have 408 units that they built in downtown Fort Lauderdale right against the FEC railway on 34 acres in 1995. They recently did a project in 2013, Shops on Arts Ave, which is comprised of Save-A-Lot, Family Dollar, Bank of America, restaurant tenants, and Boost Mobile. Mr. Jones commented that they have Save-A-Lot in one of their plazas, a Walgreens that provides groceries, Family Dollar and they have a Publix in two different projects in Lake Worth and Jupiter.

Mr. Angel Garcia, representative of BH3 Development, commented that their largest project is Purvey which is a condo development with 550,000 square feet of sellable place. They also have a project in Brooklyn which is over 100,000 square feet of space. This is a condo project with retail on the ground floor. They have another development in Dumbo which is over 200,000 square feet of space. They have done over one billion square feet in real estate transactions since 2009. Mr. Garcia commented that the condos are fair market. In regards of affordable projects, they have a portfolio of about 120 units on the Lower East Side (New York) which are walk-up, multifamily rental buildings. They have been growing that portfolio since 2014. He believes the Dumbo project will have 10% affordable units for the community. They have worked with small retail developments.

Mr. John Flynn, Uptown Atlantic, commented that they are doing single family homes in the United States in Palm Beach. They have done one million square feet development in Europe with affordable apartments, shops, offices, and supermarkets. They had an agreement with Publix in the 600-800 Block just when the CRA broke the agreement with them.

Mr. David Selznick, Principal at Kayne Anderson Real Estate Advisors, commented that they have developed over 75 projects. They have a 275 unit multifamily project that also has significant amount of commercial space (40,000 square feet). This is a public-private partnership with the City of Sandy Springs. They have been working to develop apartments with a level of affordability. It also includes retail with mostly restaurants but there is a market. There is also civic office space, greenspace, and an Amphitheatre. They are developing a project in Rochester, Minnesota which is across from the Mayo Clinic. They have been working with the City to figure out the scope of that project. This includes apartments, short-term stay for nurses and physicians, and retail space. There is a project in Grand Rapids, Michigan which is on the same street as the medical epicenter. They have a project in D.C. that is similar which includes working with the city to shape the unit mix. Their projects are shaped to what the city wants which is also reflective on price.

Vice Chair Johnson noted that with this project they are looking for as much as 100% affordable if that is what the Commission is going to go with.

Jim Dupre, Director of Acquisitions for Prime Group, the company who developed the Fairfield Inn on West Atlantic. They have experience in all the different sectors of real estate development. The most similar recent project is called One Daytona, which is close to 100 acres. There are over 300,000 square feet of retail, two hotels, office, and residential

apartments. A secondary project in Homestead Florida is mixed-use. There are 3 hotels, office, condo next to a hospital, restaurants, and townhouses within the community. Right now, they are working on various projects in the Keys which are affordable housing. They developed Playa Largo in Key Largo, which is a 14-acre resort. They have major experience in dealing with cities including Delray. They have developed so much property in Homestead that they have a day dedicated to Prime Home Builders in the city. They have dealt with grocers and they have reached out to several in this case and have several interested parties. They have not had a grocer in any of the previous projects but in other deals they have worked with Winn-Dixie, Publix, etc.

Mr. Costello clarified that the intent was not to have 100% workforce housing knowing the margins, price point, and the financing that is needed to get that as well as the other community benefits and objectives that we were trying to achieve through this process. If you are looking at 100% affordable housing, you are looking more of a tax-credit deal. Vice Chair Johnson noted that there is a problem that there has not been a clear discussion on exactly what they are looking for. Mr. Costello responded that over 12 units to the acre requires workforce housing at 20% over and above 12 units per acres as a conditional use. As we were crafting the RFQ/P, in order to facilitate, we were offering properties the CRA owns in the Carver Square area for developers to build offsite and build the market rate onsite. To get the density increase you need to provide workforce housing and there are ways to achieve that. There is an option that it can be mixed within the site. If it is a for sale product it probably will not be within the site. If it is an apartment they can potentially mix on the site. Uptown has 22 workforce housing units onsite with a total number of units at 112.

Commissioner Boylston asked if the Board can get more aggressive with that aspect if the choice is to go back out to RFQ.

Mr. Costello responded that they could as long as it meets the code.

Vice Chair Johnson thanked everyone for coming up to share their experience. She also announced that there is a 5-year capital gains incentive for any developer who brings development to the NW/SW neighborhood. She wanted to know if Equity is aware of this as they may be able to give more money upfront because on the back end they will receive a capital gains exemption for 5 years. Mr. Costello responded that this had not been taken into consideration yet but that it is always an option regardless of where you are developing throughout The Set.

Chair Petrolia commented that all the points that have been made are valid. Although the difference between the market price and the price developers have come in at are extremely less. When you point out all the things we are asking for, you need to make amends for a lesser price because you are not allowing them to build to the highest and best use. With that comes some alterations such as the price point. The benefits from her perspective are that we are going to be able to move ahead on development and construction much sooner than we would otherwise. She noted that Mr. Bob Currie had explained how expensive it will be for them reroute the electrical and hardwiring in order to get that block to the level it needs in order for this to be built which resulted in a price increase. She is suspicious of the pricing these

developers are putting forward and believes it can be reduced by half in the process. We know where Equity stands, and they know what it is going to take. She would feel uncomfortable jumping on board with one of these developers at this stage without going through an RFP process. For her, the decision is between Uptown and an RFP/RFQ. She believes the community has waited long enough for development. She fears that it is not worth it to go through the RFP just to get some open space and a different looking building. It may not be perfect and the LDR may demand more of the property than we can deliver.

Commissioner Boylston asked if we could speed up the RFP process. Mr. Costello responded that the RFQ part could be eliminated and just go straight to the RFP which would shorten it to a 6-month process while still allowing 3 months to negotiate for a total of 9 months. Once that is approved, there is a timeline for the developer to submit for development applications. In the past it has taken between 4-6 months. There is also a timeframe for them to get approvals. By the time you enter into an agreement it could be 2 years on the back end provided everyone is coordinating and the developer is responding quickly to comments.

Vice Chair Johnson asked for the time frame for shovel to be in the ground if they go ahead with Uptown.

Mr. Doody responded that this is something currently under negotiation. The contract they proposed entailed a closing on the property and would commence construction within one year subsequent to the closing. The aim is to not lose control of the property.

Commission Boylston commented that this project has to be the catalyst for The Set. He thinks we can get more aggressive on affordable housing as well. This could be a huge mistake for the City, Downtown, and The Set. He hopes everyone reaches out to the DDA, The Chamber, The Set, and WARC to get the opinions of all of these organizations.

Chair Petrolia suggested that organizations throughout the City be informed that we will be discussing this so they can come and speak to it. Mr. Doody commented that it would be more prudent for the invitation to be extended to these groups so that there is no issue of misrepresentation on recommendations.

4. Adjournment

The meeting was adjourned at 2:40 pm.

Jeff Costello, Executive Director

Shelly Petrolia, Board Chair