

Delray Beach CRA Financial Review of Proposals West Atlantic Properties

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JANUARY 15, 2019

PMG ASSOCIATES, INC.

Purpose of Review

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- **Our firm was originally tasked to complete three reviews.**
 - Examine the financial capability of the proposers
 - Determine the return to the CRA and the City
 - Determine the absorption of the development components
- **Later a fourth review was added**
 - Examine the Community Benefits offered by the proposers

Financial Review

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- **Five of the six proposers provided the financial information requested**
 - Land America did not provide financial information
- **Five factors were reviewed through examination of Financial Statements**
 - Current Ratio – Measure Liquidity
 - Rate of Return on Assets – Measure of Profitability
 - Debt to Total Assets – Measure of ability to Cover Debt
 - Debt to Equity – Measure of Leverage
 - Cash on Hand – Ability to meet Equity portion of project

Results of Financial Review

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- **No opinion regarding Land America**
- **All other proposers are in good to great financial position**

Return to CRA

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- **Purchase Price for land**
- **TIF generation (Net Present Value at 3.5 % Discount Rate)**
- **Less Incentives requested (Can not determine if the proposers can qualify for the incentives)**

Land Purchase

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Proposer	Purchase Price
BH3	\$0
Jones/New Urban	\$4,000,000
Kayne Anderson	\$4,000,000
Land America	\$4,200,000
Prime Developers	\$4,000,000
Uptown Delray	\$4,150,000

TIF Generation

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- **Same procedure used for all proposers**
 - Estimated Taxable Value at 85% of Hard Costs only
 - Increase Taxable Value at a rate of 4% per year
 - Discounted the income stream at a Discount Rate of 3.5% annually
 - Used current Delray Beach and Palm Beach County Ad Valorem Rates
- **Some proposers listed a Taxable Value that did not compare with our standard procedure**

TIF Generation

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- **Estimated year to add to Tax Rolls based on the development schedule stated in the proposal. Typically 2 years**
- **Few exceptions:**
 - Uptown Delray states that they already have approvals and can come on line earlier
 - Kayne Anderson stated they have a 33 month development time frame and therefor are added to the Tax Rolls in Year 3
 - Jones/New Urban noted a phasing of some of the buildings and a partial amount was added a year earlier

Incentives Requested

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Proposer	Incentive
BH3	\$13,700,000
Jones/New Urban	\$350,000
Kayne Anderson	\$0
Land America	\$0
Prime Developers	\$250,000
Uptown Delray	\$250,000

Results of Return to CRA

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Proposer	Total Return
BH3	-\$ 3,806,508
Jones/New Urban	\$ 9,556,853
Kayne Anderson	\$10,325,891
Land America	\$10,159,931
Prime Developers	\$10,139,515
Uptown Delray	\$10,426,751

Return to City

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- **Franchise Fees**
- **Utility Taxes**
- **Communications Service Taxes**
- **Stormwater Fees**
- **Intergovernmental Revenues such as State Shared Revenue and Gas Tax**
- **The 5% retained by the City from Increment Ad Valorem Taxes**

Return to City - Annual

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Proposer	Total Return
BH3	\$135,350
Jones/New Urban	\$ 96,600
Kayne Anderson	\$121,639
Land America	\$ 97,522
Prime Developers	\$101,542
Uptown Delray	\$ 95,123

Job Generated – Full Time Equivalent

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Proposer	Number of Jobs
BH3	310
Jones/New Urban	107
Kayne Anderson	331
Land America	132
Prime Developers	259
Uptown Delray	235
Note: Based on jobs per square foot (Page 9 of the report)	

Absorption

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- **All elements can be easily absorbed within 1 to 2 years**
- **The office component of Kayne Anderson may take up to three years**

Required Elements

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- **All proposers agree to meet the requirements of the RFP**
 - **Include Grocery**
 - **Relocation Plan**
 - **Six subcontractors from target Zip Codes**
 - **Hire at least 30 local persons for construction**
 - **Two job fairs**
 - **Work with CRA and local agencies**

Community Benefits

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- **Program Elements**
 - Grocery
 - Retail Letter of Intent
 - Office/Hotel Letter of Intent
 - Workforce Housing
 - Public Space
 - Amenities
 - Parking
- **Local Inclusion**
- **Tenant Relocation**
- **Community Engagement**

BENEFIT MATRIX

Program Elements

Category	BH3	Jones/New Urban	Kayne Anderson	Land America	Prime	Uptown Delray
Grocery	33,000 s.f., LOI Atlantic Retail (Aldi) Sprouts Farmers Market	22,000 s.f., LOI Healthier Choices Mgt. Atlantic Retail (Aldi) Sabor Tropical Supermarket	20,000 s.f., LOI Atlantic Retail (Aldi) Vegan Fine Foods Uplift	20,300 s.f., No LOI	22,000 s.f., LOI Atlantic Retail (Aldi) Sprouts Farmers Market	19,662 s.f., LOI Katz & Assoc.
Retail LOI*	No	Yes	No	5,000 s.f. of space, LOI	Yes	Yes
Office/Hotel LOI*	No	No	Yes	No	Yes	No
Workforce Housing	18 Existing on adjacent property	27	54 Providing assistance in securing financing for the Delray Beach Housing Authority, already programmed	44	24	22
Public Space	• 40,700 square feet civic greenspace	• Community Garden • Tot Lot • Dog Park • Shaded Walkways • Pedestrian Path 20,000 square feet	• 65,000 s.f. of greenspace • Joint-use facility for meetings/community events/recreation	• Court Yard • Open Space – Dry Retention	• West Atlantic Plaza • Community Space	• Pocket Park • Tot Lot • 2,750 s.f. park with fountain
Amenities	• Fitness Center • Clubhouse • Bike Sharing Stations	• Fitness Center • Business Center • Pool	• Event space in separate building	• Clubhouse	• Fitness Center • Special Rates on Retail • Pool	• Pool
Parking	744 Total Structured	428 Total Surface	522 Total Structured and Surface	583 Total 381 for residential 202 for commercial 67 of 202 will be on-street	544 Total 360 Structured 105 Surface 79 on-street spaces	390 Total 319 in surface lots 71 on-street spaces

LOI – Letter of Intent

BENEFIT MATRIX

Local Inclusion Plan

Category	BH3	Jones/New Urban	Kayne Anderson	Land America	Prime	Uptown Delray
Local Inclusion Plan (RFP requirements: <ul style="list-style-type: none"> • Includes 6 subs or vendors • Hire 30 construction jobs from target Zip Codes • 2 Job Fairs for construction jobs • Work with CRA and partners for permanent hiring) 	<ul style="list-style-type: none"> • Agrees to terms in RFP. • Indicates their selected General Contractor has an office a few blocks from the project. • Will establish training and apprenticeship program for Project. • De-Bundle project to allow smaller contractors opportunity. 	<ul style="list-style-type: none"> • Agrees to terms in RFP. • Has agreement with a Delray Beach-based minority contractor to build at least 3 buildings. • Has agreements with two Delray Beach-based, minority contractors to assist in identifying and contracting with local small businesses. • Will give preference to artists with connection to “The Set” for public art included in Project • Will give 3% bidding preference on long term maintenance contracts to businesses based in “The Set” after construction. 	<ul style="list-style-type: none"> • Agrees to terms in RFP. • Will hold job fairs in conjunction with General Contractor and Thrive, LLC 	<ul style="list-style-type: none"> • Agrees to terms in RFP. • Job fairs to be conducted by Pugliese Creative Ventures and/or the project General Contractor 	<ul style="list-style-type: none"> • Agrees to terms in RFP. • Will conduct job fairs themselves. • Have already reached out to subcontractors in the target Zip Codes • Will continue program developed for the existing hotel construction 	<ul style="list-style-type: none"> • Agrees to terms in RFP. • Will engage Dahlia Baker to conduct job fairs

BENEFIT MATRIX

Tenant Relocation Plan

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Category	BH3	Jones/New Urban	Kayne Anderson	Land America	Prime	Uptown Delray
Tenant Relocation Plan	<ul style="list-style-type: none">• Commits to offering tenants relocation to space comparable to each's existing space.• Will offer each tenant first right of refusal to return when project complete.• Will make space available in project for existing tenants and other community-based tenants at below-market rents.	<ul style="list-style-type: none">• Has reached out to tenants and provided information as requested in RFP where available. Including provision of below market rents.	<ul style="list-style-type: none">• Has reached out to tenants and provided information as requested in RFP where available.	<ul style="list-style-type: none">• Has reached out to tenants and provided information as requested in RFP where available.• Supply temporary relocation space• Offer existing tenants same rates as current	<ul style="list-style-type: none">• Commits to temporary relocation of existing tenants during construction.• Will offer reduced rent to relocated tenants	<ul style="list-style-type: none">• Commits to contacting tenants upon selection.

BENEFIT MATRIX

Community Engagement

Category	BH3	Jones/New Urban	Kayne Anderson	Land America	Prime	Uptown Delray
Community Engagement Strategy	<ul style="list-style-type: none">• Will continue Community Engagement through website creation, social media, brochures, attendance at community meetings, a bi-monthly newsletter, hosting stakeholder meetings and other methods.• Will host weekend event "The Junction" to create opportunities and education for entrepreneurs and community members.• Other community programming for kids and adults.• Door-to-door community outreach• Wealth building initiative	<ul style="list-style-type: none">• Proposes creation of a Community Fund for "The Set" which they commit an annual contribution of \$50,000 for ten years. Requests CRA match these funds.• Will work with DB Public Art Advisory Board to identify artists to design outdoor works for both internal and external project locations.	<ul style="list-style-type: none">• Designed Project to allow public art to celebrate area history• Will support Community Wealth Building through housing ownership opportunities with DBHA• Decide with community the type of grocery store to best fit community wants and needs.• 15,000 s.f. of co-working and small business incubator space with support• 2 day Rate Equity Workshop for• Planting Pride funded by KA• Stock Our Schools program• Support Emmanuel Jackson Sr. Project	<ul style="list-style-type: none">• Proposes establishing a training center and mentoring hub to establish opportunities and placement for local residents with leading companies.	<ul style="list-style-type: none">• Will continue existing outreach program	<ul style="list-style-type: none">• Will engage Dahlia Baker to conduct community outreach