



ITEM

CRA BOARD WORKSHOP DISCUSSION

UPDATING CRA PROPERTY IMPROVEMENT FUNDING TOOLBOX

TODAY'S TOOLBOX DISCUSSION

PROPERTY IMPROVEMENT INVESTMENTS

Site
Development
Assistance

Paint-Up &
Signage

SOME CHANGES WE'VE MADE OVERTIME

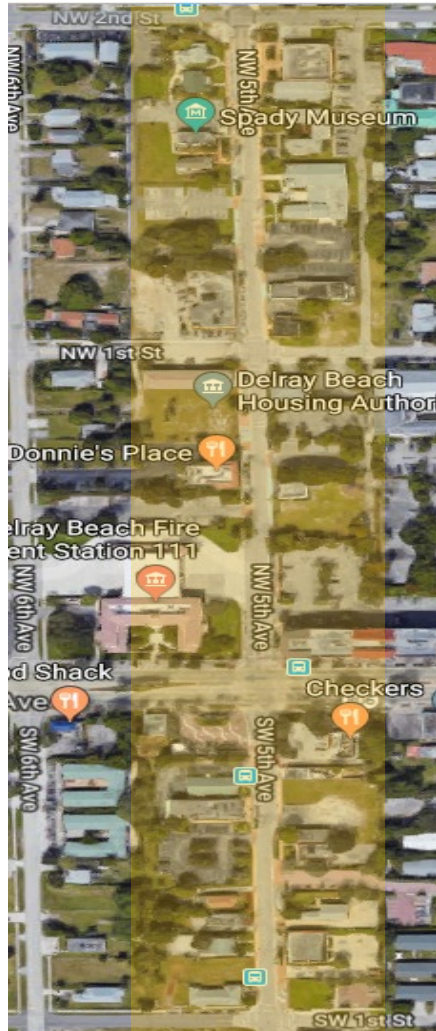
- Restrict funding assistance in Sub-Areas #1 and #2 to ONLY office users, art galleries and art studios *(11/19/15; 05/11/17)*
- Fund permanent interior improvements *(04/14/16)*
- Make partial reimbursement payments available during construction vs. after project completed *(04/14/16)*
- Allow for direct payments to vendors *(05/11/17)*

RECENT REMARKS - FEEDBACK

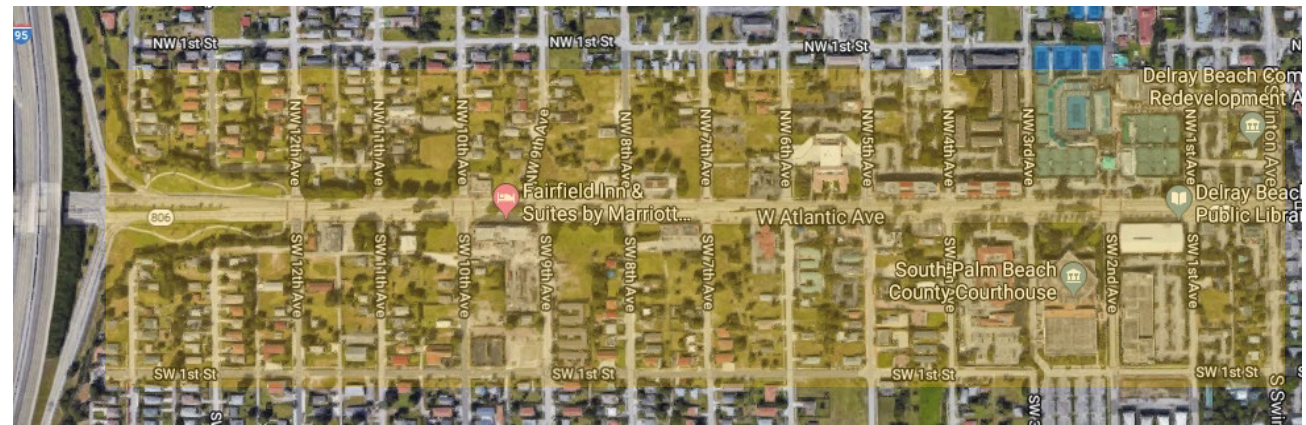
- Why should the CRA fund interior improvements?
- How do we get more aggressive to grow business and fill commercial spaces in the West Atlantic Area of the CRA?
- What new things should we do to support these property owners or businesses that significantly update their places?
- What can we do to help these businesses through the City's processes in order to open more quickly?
- How do we define need and what are the priority areas for our toolbox?

WEST ATLANTIC AREA COMMERCIAL AREAS

Historic 5th Avenue



West Atlantic Avenue



SW Industrial Area



WEST ATLANTIC AREA COMMERCIAL AREAS

Historic 5th Avenue

- 3 City Blocks
- Total # of buildings: 18
- 45,416 sq. ft. of office, retail and civic
- Vacancy rate: 7.1%
- Avg. rental rate (all): \$22 sq. ft.
- Average age of properties: 57 years
- 18 properties generating \$115,852 in total assessed taxes
- Total market value = \$5.44 million

West Atlantic Avenue

- 12 City Blocks
- Total # of buildings: 15
- 34,564 sq. ft. of office, commercial, retail
- Vacancy rate: 2.5%
- Avg. rental rate (all): \$27.26 sq. ft.
- Average age of properties: 54 years
- 15 properties generating \$170,117 in total assessed taxes
- Total market value = \$7.25 million

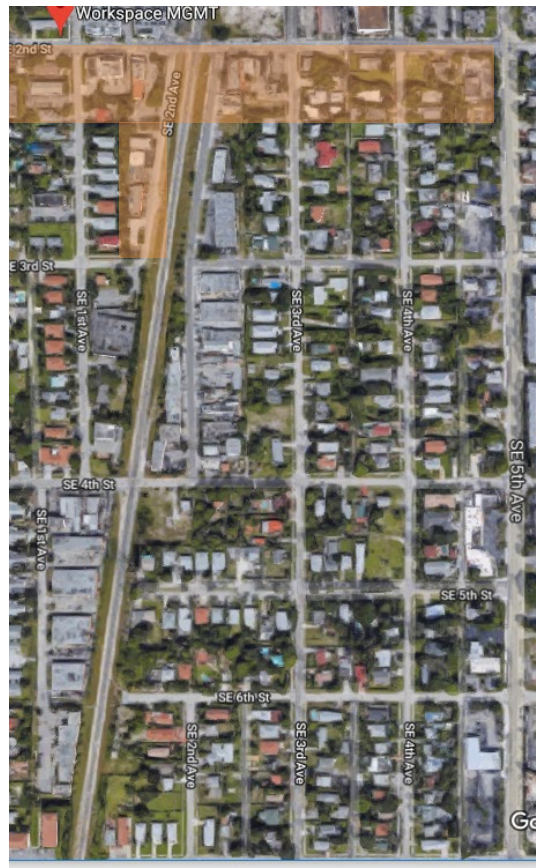
SW Industrial Area

- 3-1/2 City Blocks
- Total # of buildings: 29
- 263,409 sq. ft. of light manufacturing, warehouse, warehouse condo, distribution, storage, multi-family
- Vacancy rate: 1%
- Avg. rental rate (all): \$14 sq. ft.
- Average age of properties: 34 years
- 32 properties generating \$441,448 in total assessed taxes
- Total market value = \$19.4 million

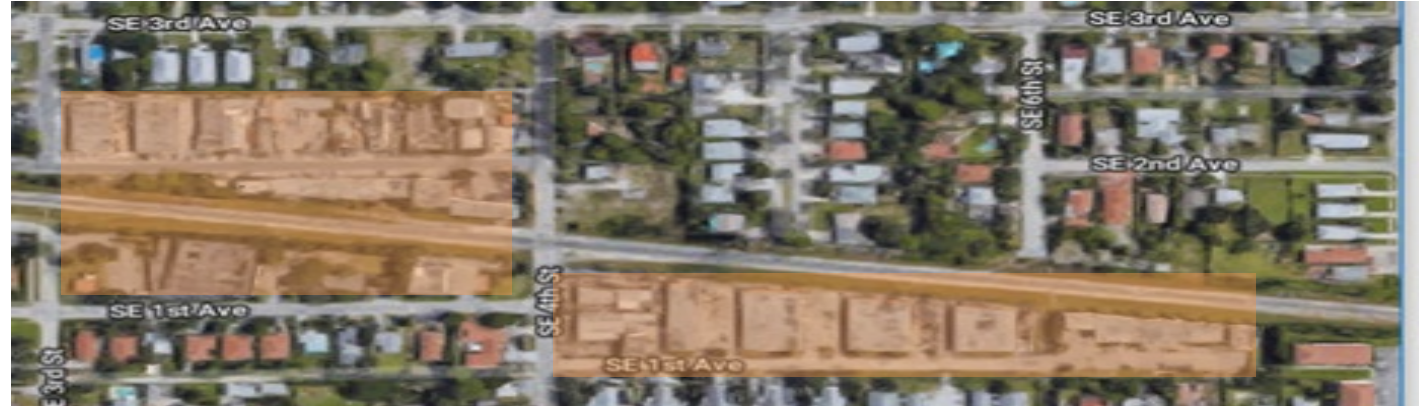
Compounded Annual Rate of Taxable Value Growth in CRA Subareas (1985-2015): 4.69% for WAA and 3.09% for SW Neighborhood; well under 6.35% for the entire CRA District

OSCEOLA PARK COMMERCIAL-INDUSTRIAL AREAS

Osceola Commercial



Osceola Industrial



South Federal Highway (South of 4th Street)



OSCEOLA PARK COMMERCIAL-INDUSTRIAL AREAS

Osceola Park Commercial and Industrial

- 8 City Blocks
- Total # of buildings: 29
- 156,401 sq. ft. of office, retail, auto, warehouse, warehouse condo
- Vacancy rate: 5%
- Avg. rental rate (all): \$35 sq. ft.
- Average age of properties: 54 years
- 29 properties generating \$396,783 in total assessed taxes
- Total market value = \$18.13 million

South Federal Highway

(South of 4th Street)

- 6 City Blocks
- Total # of buildings: 20
- 59,596 sq. ft. of office, commercial, retail, auto sales
- Vacancy rate: 1.7%
- Avg. rental rate (all): \$30 sq. ft.
- Average age of properties: 62 years
- 20 properties generating \$341,449 in total assessed taxes
- Total market value = \$16.19 million

EXTERIOR & INTERIOR IMPROVEMENTS

Barriers

- Lack of significant investment over time, due to longevity of businesses or age of properties
- Adaptive reuse of non-conforming buildings triggers substantial upgrades required by City codes and requires higher-level site plan approvals needing professional services and project management
- Property owners not regularly participating in tenant build-outs
- Some tenants undercapitalized to fund entire build-out on their own and unfamiliar with site plan, permitting and construction processes

The Result:

Key properties remain vacant or underutilized contributing to the look of slum & blight

CASE STUDY: MANJAY RESTAURANT

Processes Triggered:

- Change of Use
- Site Plan Approval
- Parking In-Lieu
- Permits (Building; Sidewalk Café)

Departments Involved:

- Planning & Zoning
- Community Improvement
- OED



Result: Prospect lost after 1 year

Lesson Learned: Inexperience with city processes and/or construction industry professionals can result in deal-breaking delays and project costs.

CURRENT CRA GUIDELINES

- CRA currently funds architectural, design, engineering, landscape design/architect and building permit fees
 - Paid by reimbursement
 - Generally funded at 40% of costs
 - Payable after improvements have been completed
- Project management fees are currently unfunded
- Funding assistance applications can only be approved once site plan approval is finalized.

EXTERIOR & INTERIOR IMPROVEMENTS

The Opportunity:

New Tools focused on Professional Services

Project Consultant Services

- Pre-leasing & pre-development services to determine scope of project & feasibility
- Business gets preliminary design concepts that can be shared with their own designer
- Leveraging consultants under continuing contract with CRA
 - CRA issues work assignments for each project

Average Estimated Costs:
\$1,000/project

Pre-Development Design Services

- Design services to produce signed/sealed plans to facilitate site plan/building permit approval
- CRA will offer a courtesy list of pre-qualified professional service providers
- CRA fully underwrites fees up to \$15,000
 - Funding administratively approved by CRA ED
 - Funds disbursed directly to professionals
- Available to tenants with signed lease

Average Estimated Costs:
\$5,000/project

EXTERIOR & INTERIOR IMPROVEMENTS

The Opportunity:

Update Existing Tool with Greater Target Area Focus

Proposed Changes to Site Development Assistance Program

- Increase maximum award amount to \$75,000 in target areas only (vs. \$50,000)
- Fund eligible costs at an increased rate of 75% in target areas only (vs. 100% of first \$10K + 40% additional)
- Standardize disbursement options for all awards to include reimbursement to grantee or direct pay to vendors (vs. reimbursement as only option)
- Standardize disbursement schedule for all awards to allow for frequent payments throughout construction (vs. a maximum of two progress payments)
 - CRA continues to withhold 25% of award amount until after project completion/C.O. is issued

Average Estimated Award Amount in Target Area:
\$60,000

EXTERIOR & INTERIOR IMPROVEMENTS

- An Example of How New Tools Can Make an Impact

Change of use (general and restaurant)

Comprehensive exterior and interior improvements to non-conforming buildings

ADA Accessibility; Life Safety Code Compliance; Sustainability

High renovation costs vs. lower rental rates

RECOMMENDATIONS

- Create 2 New Direct Assistance Programs for the West Atlantic (The Set) and Osceola Park areas for a period of 3 years designed to accelerate private investment in underutilized commercial properties
 - Project Consultant Services
 - Pre-Development Design Services
- Modify Site Development Assistance Program guidelines
- Consider reallocating staff resources to assist with Project Management / Business Navigator functions

NEXT STEPS

1. Develop Program Guidelines for New Tools with Funding Levels
2. Draft revisions to Site Development Assistance Program
3. Seek Approval of Program Guidelines from CRA Board (*March 12 or April 9*)
4. Determine prequalification procedure for professional services and recruit firms to participate
5. Launch New Tools and Conduct Community Outreach Program
6. Add Tools to new Delray Beach Business Navigator Program
7. Recruit Projects – Properties to the Programs



CRA BOARD DISCUSSION AND DIRECTION