



Cover Memorandum/Staff Report

File #: 18-0283 CRA

Agenda Date: 3/12/2019

Item #:

TO: CRA Board of Commissioners
FROM: Jeff Costello, CRA Executive Director
DATE: March 12, 2019

LETTERS OF INTENT TO LEASE COMMERCIAL SPACE - 606 W. ATLANTIC AVENUE

Recommended Action:

Reject the Letters of Intent to lease the CRA-owned property located at 606 W. Atlantic Avenue, pending the outcome of negotiations for the CRA-owned properties in the SW 600-700-800 Blocks.

Background:

The building located at 606 W. Atlantic Avenue (formerly Shuler's Memorial Chapel) is approximately 5,811 sq. ft. (4,854 sq. ft. commercial space, 957 sq. ft. apartment), is currently vacant and will be demolished in conjunction with the redevelopment of the CRA-owned properties within the SW 600-700-800 Blocks on West Atlantic Avenue (600-800 Property).

On December 26, 2018, the CRA received a Letter of Intent from Johnson's Memorial Chapel to lease the referenced building (Exhibit B), while the CRA was in the process of selecting a developer to redevelop the 600-800 Property. The intent outlined in the letter is for Johnson's Memorial Chapel to provide professional funeral services, embalming, and contracted cremation services to the community. The establishment will also provide visitation services and chapel services on premises for the community as well. The letter further states the business will provide several jobs for individuals within the community such as funeral attendants, interns for mortuary schools, and auto detailers. The request was scheduled for the January 15, 2019 CRA Board meeting for consideration.

On January 15, 2019, the CRA received a Letter of Intent another Letter of Intent to lease the building from Cornerstone Funeral and Cremation Services, PLLC (Exhibit C). The intent outlined in the letter is for Cornerstone Memorial Chapel to provide funeral services, embalming, arranging funerals, funeral wakes and viewings, family gatherings, memorial services, and floral arranging, as well as casket, burial containers, monuments and headstone sales. and contracted cremation services to the community. The letter further states the tenant will employ at least 3 Delray Beach residents and offer a summer program for one person considering the Funeral Service as a profession.

At the January 15, 2019 CRA Board meeting, the Board tabled the item to enter into negotiations with Johnson's Memorial Chapel and authorized issuance of a 30-day public notice of the CRA's intent to lease the property at 606 W. Atlantic Avenue in accordance with Florida Statutes Section 163.380(3)(a). The notice was issued on January 20th and no other letters of intent were received by February 20th.

At the January 29, 2019 Special CRA Board Meeting, the CRA Board selected BH3, LLC for the purpose of negotiating a Purchase and Sale Agreement for the SW 600-800 Blocks W. Atlantic Avenue Properties. The Board stipulated that the time frame for the negotiations was 60 days (March 30, 2019). CRA Staff and General Counsel are actively engaged in negotiations with BH3, LLC. Given the on-going negotiations, it is not recommended that the CRA enter into negotiations with a potential tenant to lease the property at this time.

Any leasehold agreement on the property could potential impact the developer's ability to proceed with necessary due diligence and timing related to the overall project. However, the following is provided for the Board's information as it relates to the Letters of Intent to Lease the premises.

Letters of Intent - Proposed General Lease Terms:

The following provides a comparison of the lease terms suggested by the proposers:

| | <i>Johnson's</i> | <i>Cornerstone</i> |
|---------------------|---|---|
| Lease Rate | \$3,800 to \$4,000 plus taxes per month - \$7.85 to \$8.26 per sq.ft | \$3,900 to \$4,200 per month - \$8.05 to \$8.67 per sq.ft |
| Lease Term | 2 years with each month thereafter being a month to month lease until sold to a developer | 2 years with option to lease month to month after initial 2-year period |
| Expenses | Utility expenses and insurance costs | Utility expenses and insurance costs |
| Tenant Improvements | Any improvements will be completed to code with landlord's approval | |

It is noted, all expenses including repairs, maintenance and/or improvements to the building and premises will be the obligation of the tenant. Further, funeral homes are only allowed as a conditional use within the Central Business District (CBD) zoning district, which is the current zoning of the property. As the previously existing funeral home was discontinued for a period over 180 days, the re-establishment of the use requires conditional use approval by the City Commission. Once the Conditional Use application is submitted to the City, the estimated time frame for City Commission approval is approximately 4 months. The estimated time frame for tenant improvements is up to 3 months. Thus, the term of the lease agreement would not commence until the tenant is able to occupy the premises.

Terms of Proposed Lease: If the direction is provided to negotiate a Commercial Lease Agreement with one of the proposers to occupy the premises at 606 W. Atlantic Avenue, the following is recommended:

| | |
|---------------------|---|
| Lease Rate | Negotiated rate plus Triple Net |
| Lease Term | No more than 2 years with a 90-day termination provision |
| Expenses | All expenses and costs relative to the maintenance and operation of the property including taxes and insurance will be borne by the tenant. |
| Additional Terms | Neither the CRA nor the future developer would be required to relocate the business or provide space for the business. |
| Tenant Improvements | To be borne solely by the tenant |

Attachments: Exhibit A - Location Map; Exhibit B - Letter of Intent from Johnson's Memorial Chapel; Exhibit C - Letter of Intent from Cornerstone Funeral and Cremation Service, Inc.

CRA Attorney Review:

N/A

Finance Review:

N/A

Funding Source/Financial Impact:

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Timing of Request:

N/A