



Legislation Text

File #: 18-0045 CRA, Version: 1

TO: CRA Board of Commissioners
FROM: Jeff Costello, CRA Executive Director
DATE: July 12, 2018

DEVELOPMENT OF CRA-OWNED PROPERTIES - SW 600-800 BLOCKS - WEST ATLANTIC AVENUE

Recommended Action:

A recommendation will be forthcoming subsequent to the workshop meeting scheduled for Monday July 9th.

Background:

On April 9, 2018, the CRA received a letter of interest from Equity Delray, LLC expressing their continuing interest in the CRA-owned properties in the SW 600 - 800 Blocks of W. Atlantic Avenue, based on the original agreement between the CRA and Equity Delray, LLC (Exhibit A - Location Map; Exhibit B - Letter of Interest), subject to the following revised conditions:

1. Production of a Bond after contract closing and prior to commencement of construction
2. Vacant possession of the land and existing buildings, free of tenancies.
3. Equity will be responsible for the Agreement with Publix to locate on the property. Equity requests an exclusive due diligence and negotiating period of 90 days after contract signing and prior to closing the sale to allow them to recommence negotiations with the various tenants with whom they had reached agreement earlier or to find suitable replacements.
4. Inclusion of a reverter clause if significant construction progress is not undertaken within twelve months of closing.
5. The reversion clause is null and void once Clause 4 above is satisfied.

At the May 7, 2018 CRA Board Meeting, the CRA Board of Commissioners ("CRA Board") directed Staff to negotiate a Purchase and Sale Agreement with Uptown Atlantic, LLC (formerly Equity Delray, LLC) ("Uptown") based on the April 9, 2018 Letter of Interest submitted by Uptown. The CRA Board also directed Staff to publish a thirty (30) day notice of the CRA's intent to accept the offer to purchase the CRA-owned properties as required by Florida Statutes Chapter 163.380(3)(a) ("May 11th Notice"). Thereafter, the Staff published the thirty (30) day notice on May 11, 2018 and began negotiating the Purchase and Sale Agreement ("P&S Agreement") with Uptown.

Uptown Atlantic, LLC (formerly Equity Delray, LLC):

Since the May 7, 2018 CRA Board Meeting, Staff and the CRA Board Attorney have been in negotiations with Uptown. On May 29, 2018, Uptown provided a P&S Agreement to the CRA Attorney and Executive Director (Exhibit C). On June 7, 2018 Uptown emailed the CRA Board a letter (Exhibit D) with additional terms and a draft Community Benefits Agreement by and between Uptown and the Community Coalition (West Atlantic Redevelopment Coalition, Village Elders, the Northwest Neighborhood Alliance and the Southwest Neighborhood Alliance) (Exhibit E). Uptown also indicated that they would commit to making two retail units available to the two longer term tenants in the 700 block (Blanc Fresh Cut Barber Shop & Klein's Multi-Services) at a reduced rent on a sliding scale to the market level over 5 years. If either of the units are not

leased by the existing tenants, Uptown would undertake to offer the units to an acceptable local/minority tenant on the same basis. In addition, subject to discussion and agreement with the CRA, Uptown has indicated they are willing to commit a specified amount of office space, for a 5-year period, that the CRA can use for start-up businesses, commercial, training or educational uses deem appropriate Uptown and the CRA at a reduced rent, subject to gradual increases that result in market rate after 5 years.

Key points from the P&S Agreement submitted by Uptown include:

1. Purchase Price: \$1,200,000 - \$120,000 Earnest Money
2. Closing Date: 30 days following expiration of the Inspection Period
3. Inspection Period: 90 days commencing on the Effective Date
4. Option Property: Option for Purchase to acquire approximately 1 acre of CRA-owned property currently not part of the Uptown project in the amount of \$250,000. Option to be exercised by Purchaser no later than 1 year of the Effective Date of the Purchase and Sale Agreement.
5. Right to Repurchase: If Purchaser fails to commence construction within 12 months following the Closing Date.
6. Performance Bond: Prior to commencement of construction, contractor shall obtain a performance bond.

In response to the Uptown's draft P&S Agreement and Uptown's June 7th letter, the CRA Attorney provided Uptown's attorney with a new agreement for discussion (Exhibit F). The key points include the following:

1. The project description modified to be consistent with approved development plans.
2. Tenant Relocation Plan: To temporarily relocate the 4 existing tenants with ability for the two long term tenants Klein's Multi-Services and Blanc Fresh Cut Barber Shop to be incorporated into the final development.
3. Requirement for a signed letter of intent from a full-service grocery store.
4. Requirements for local hiring during construction for laborers and subcontractors with alternatives for community participation if the number of qualified candidates is not identified.
5. Requirement to pay Living Wages for laborers.
6. Requirement to hold job fairs.
7. Requirement for Job monitoring.
8. Closing: Within 30 days of issuance of all required permits for to construct the project.
9. Right to Repurchase: If Purchaser fails to include full service grocery store; fails to commence construction within 60 days of Closing; fails to commence installation of the concrete foundation for at least one structure within 180 days following commencing construction.
10. Financial Commitment: 60 days prior to closing.
11. Performance Bond or Letter of Credit: Deliver to Seller 10 days prior to Closing.
12. Does not include Option Property as the property was not included in Uptown's Letter of Interest.

Attached are the color renderings for the Uptown project (Exhibit G).

Responses to the May 11th Notice:

On June 11, 2018, the CRA received six (6) responses to the May 11th Notice as follows:

1. Altman Development Corporation (Exhibit H)
2. BH3 Management, LLC (Exhibit I)
3. KAREP Acquisitions, LLC (Exhibit J)
4. Keller Williams on behalf of Muesh "Mike" Patel & Niranjankumar Patel (Exhibit K)
5. New Urban Communities, LLC (Exhibit L)
6. Prime Investors and Developers, LLC (Exhibit M)

A spreadsheet summarizing the terms of Uptown's draft P&S Agreement and proposals received in response to the May 11th Notice are included with this summary. The following key points are noted:

1. The purchase offers for the properties ranged from \$2,000,000 to \$6,000,000.
2. The proposals consist of approximately the same acreage, except for Prime, which proposed additional acreage in the 900 block, adjacent to the Fairfield Inn & Suites Hotel.
3. The proposals consisted of mixed-use projects consisting of retail, office, and residential, with the intent of providing a grocer.

Other Items:

The following are noted as it relates to the above:

Title Issue: Some of the property subject to the approvals for the original Uptown Atlantic Development Project are still encumbered by recorded documents that were between Equity Delray, LLC and the City of Delray Beach as part of the City's approvals. Thus, these issues will need to be addressed if the property is developed by another developer other than Uptown.

Appraised Value: Based on an Addendum dated June 26, 2018 to the appraisal prepared by Anderson & Carr, Inc. on May 10, 2018 related to the subject property, the market value of the property is \$15,450,000.

Building Permit: It is noted, the approvals for the original Uptown Atlantic Development Project are currently valid until October 7, 2020. If the P&S Agreement with Uptown is approved, Uptown will be required to submit new building permit applications for the construction of all aspects of the referenced project and that building plans must comply with the Florida Building Code effective December 31, 2017, as applicable.

Alternative Actions:

1. Continue the negotiations with Uptown and reject the Letters of Interest.
2. Terminate the negotiations with Uptown and accept a Letter of Interest and commence negotiations.
3. Terminate negotiations with Uptown, reject the Letters of Interest and direct staff to issue a Request for Qualification/Proposals for CRA-Owned properties in the SW 600-700-800-900 Blocks.

Attachments: Summary Spreadsheet; Exhibit A - Location Map; Exhibit B - April 9, 2018, Letter of Interest; Exhibit C - May 29, 2018, Uptown P&S Agreement; Exhibit D - June 7, 2018 Letter from Uptown; Exhibit E - Draft Community Benefits Agreement; Exhibit F - CRA P & S Agreement; Exhibit G - Color renderings for Uptown project; Exhibit H - Altman Development Corporation proposal; Exhibit I - BH3 Management, LLC proposal; Exhibit J - KAREP Acquisitions, LLC proposal; Exhibit K - Keller Williams on behalf of Muesh "Mike" Patel & Niranjankumar Patel proposal; Exhibit L - New Urban Communities, LLC; and Exhibit M - Prime Investors and Developers, LLC proposal.

CRA Attorney Review:

N/A

Finance Review:

N/A

Funding Source/Financial Impact:

N/A

Timing of Request:

N/A