



Legislation Text

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TO: CRA Board of Commissioners
FROM: Kim N. Phan, Esq.
THROUGH: Renée A. Jadusingh, Executive Director
DATE: October 20, 2021

HATCHER CONSTRUCTION AND DEVELOPMENT, INC. LOAN COMMITMENT LETTER AND THIRD AMENDMENT TO THE GROUND LEASE AGREEMENT - 20 AND 26 NW 6th AVENUE

Recommended Action:

Approve the Loan Commitment Letter providing a \$1.4 million dollar loan to Hatcher Construction and Development, Inc., for the purpose of constructing two separate 2-story commercial buildings on CRA owned land located at 20 and 26 NW 6th Avenue.

Ratify the Third Amendment to the Ground Lease Agreement with Hatcher Construction and Development, Inc. to extend the Site Plan Analysis period from September 16, 2021 to December 14, 2021.

Background:

On June 11, 2019, the CRA Board approved a Ground Lease with Hatcher Construction & Development, Inc. ("Hatcher") to construct a two-story 6,000 SF office building on two (2) adjacent, vacant CRA-owned parcels located at 20 and 26 NW 6th Avenue ("Properties"). The Ground Lease was executed on July 18, 2019.

In February 2020, Hatcher submitted a Conditional Use and Class V Site Plan applications to the City of Delray Beach ("City") for the development of the Properties. The development proposal consists of the following: construction of two separate 2-story, 3,556 SF commercial buildings for a total of 7,112 SF of office/retail/commercial space. The first floor of each building will have the flexibility to accommodate office/retail/commercial with office space on the second floor of each building. The applications are currently going through the City's permitting review process.

Loan Commitment Letter

The attached Loan Commitment Letter provides that Hatcher will receive a \$1.4 million loan from the CRA to bridge their private financing gap. The loan would be repaid in seven (7) years with interest. Interest will accrue on the loan at three percent (3%) per annum. The collateral for the loan will be the improvements to the Properties.

The CRA funds shall not be available to be drawn until such time that Hatcher's equity interest, equal to twenty percent (20%) of the total cost of the project, has been expended. Draws requests shall be a minimum of \$50,000 and accompanied by a certificate of work completed by a certified architect. The CRA will have the right to have all costs and expenses identified by Hatcher in its draw request certified by an independent third party.

As a condition of the loan, Hatcher shall hire local contractors and/or subcontractor(s) to perform the construction work associated with the project that equates to fifteen percent (15%) of the total construction cost of the Project.

Third Amendment to the Ground Lease

At the November 12, 2020 CRA Board meeting, the Board approved the First Amendment to the Ground Lease Agreement, which included the extension of the Site Plan Analysis period (the period during which all permits, approvals and licenses must be obtained) from January 18, 2021 to July 18, 2021. At the August 31, 2021 CRA Board meeting, the Board approved and ratified the Second Amendment to the Ground Lease Agreement to extend the Site Plan Analysis period from July 18, 2021 to September 16, 2021 due to City review timeframes.

The City is still in review of Hatcher's Conditional Use and Class V Site Plan applications. Accordingly, Hatcher is requesting an additional extension from September 16, 2021 to December 14, 2021 for the Site Plan Analysis period.

At this time, CRA staff request the Board to approve the Loan Commitment Letter providing for a \$1.4 million loan to Hatcher for the purposes of developing two separate 2-story commercial buildings on CRA owned land located at 20 and 26 NW 6th Avenue and approve the Third Amendment to the Ground Lease with Hatcher.

Attachments: Exhibit A -Loan Commitment Letter; Exhibit B - Third Amendment to the Ground Lease

CRA Attorney Review:

The CRA Attorney has reviewed the Loan Commitment Letter and the Third Amendment to the Ground Lease and has determined it to be acceptable as to form.

Funding Source/Financial Impact:

Funding has been allocated from General Ledger #5123 NW 600 Block Redevelopment.