



20 N. Swinton Avenue  
Delray Beach, FL 33444

Agenda Item # 10.A.  
February 23, 2017

~ CRA BOARD SUMMARY ~

**DISCUSSION - PARKING COST SHARING AGREEMENT WITH DELRAY BEACH HOLDINGS, LLC –  
FOURTH & FIFTH REDEVELOPMENT**

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**Background:** At its meeting of December 12, 2013, the CRA Board approved the Agreement for Purchase and Sale with Delray Beach Holdings, LLC (Holdings) for CRA's Fourth and Fifth properties (former Old Library/Chamber of Commerce sites). The development proposal is for the construction of a mixed use building consisting of: 44,979 square-foot iPic Theater (497 seats); 43,880 square feet of Class A office space; 7,487 square feet of retail space; and, a multi-level parking garage with 326 spaces (providing a minimum 90 public spaces). The following are the most recent actions to occur concerning the project.

On March 15, 2016, the City Commission approved the waiver requests associated with the iPic project as well as the associated plat and landscape maintenance agreement. The conditions of approval included a provision that the abandoned alley will be conveyed to the City if the project is not constructed, and that the City is party to the Parking Facility Easement Agreement. The Agreement pertains to the operations, management, and maintenance of the parking garage, including the proposed 90 public parking spaces and a public access easement. It was felt that as the City is party to the agreement for the public spaces and access, it would be cleaner for the City and Purchaser to enter into the Parking Facility Easement Agreement, without the CRA being a party to the agreement. Therefore, at its meeting of May 12, 2016, the CRA Board approved the Sixth Amendment to the Agreement for Purchase and Sale with Holdings to indicate the Parking Facility Easement Agreement shall be negotiated between the Purchaser and the City, and extend the approval of the Parking Facility Easement Agreement with the City to October 31, 2016.

On October 20, 2016, the CRA Board approved the Seventh Amendment to the Agreement for Purchase and Sale with Holdings which included modifying Section 1.12 of the Agreement to eliminate the time frame for the Parking Facility Easement Agreement to be negotiated between the Purchaser and the City. On November 1, 2016, the City Commission approved the Parking Facility Easement and Project Covenant between the City and Holdings. At its meeting of November 3, 2016, the CRA Board approved the Tri-Party Agreement between the CRA, City and Holdings associated with the Fourth & Fifth Project (iPic) and the Assignment of Right to Repurchase between the CRA and City associated with the Purchase and Sale Agreement between the CRA and Delray Beach Holdings, LLC.

**Parking Garage Cost Sharing Agreement:** The CRA and Delray Beach Holdings, LLC have been in negotiations since December 2016 regarding the operations and maintenance costs associated with the 326-space parking garage. A parking cost sharing agreement was anticipated as part of the original purchase and sale agreement, as the CRA will receive the increment revenue generated by the project. It is noted, the City intends to meter the 90 public spaces (two lower parking decks) while the majority of the remaining 236 spaces above the public spaces will be accessible via a gate system. In addition, during evening and peak period iPic will provide valet service for customers.

While the City will meter the public parking spaces, it is reasonable for the City to retain the revenue to utilize for City purposes, as the CRA will receive the increment revenue generated by the project. Thus, the CRA will provide its pro rata share of the operations and maintenance cost for the parking garage. Based on the negotiations and several meetings, Holdings has provided the attached annual parking cost breakdown for the board's consideration at an amount of \$115,348 annually (See Exhibit "A"). The cost breakdown was evaluated by the CRA's Consultant, PMG Associates (See Exhibit "B") and City's Parking Management Specialist Jorge Alarcon. Based on PMG's analysis, a pro rata share in an amount not to exceed \$75,000 (\$833.33 per space annually) is recommended. The difference between Delray

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Beach Holdings request and staff's recommendation is \$40,348.00, which can be attributed to Reserve for Replacement cost at \$400.00 per space.

During negotiations regarding the Parking Cost Sharing Agreement, Delray Beach Holdings, LLC requested assistance from the CRA with regard to the forty (40) additional public parking spaces, which were required as part of the development approvals, requiring a total of ninety (90) public parking spaces for the project. The forty (40) spaces are in addition to the fifty (50) spaces required as part of the RFP. Based on the above, reimbursement in the amount of \$400,000, or \$40,000 per year over 10 years is recommended. The CRA's participation would be structured similar to the CRA's traditional Development Infrastructure Assistance Agreement, which is designed to provide the developer with a reimbursement of 50% of the costs of eligible infrastructure improvements (up to a maximum of 50% of the Tax Increment revenues to be generated by the project over a 10-year period. Based on the analysis provided by PMG Associates (Exhibit "C"), the annual TIF revenues generated by the project will sufficiently to cover those costs.

**Recommended Action:**

Board's direction is requested at this time.

**Submitted By:** Jeffrey A. Costello, Executive Director

Attachment: 4<sup>th</sup> and 5<sup>th</sup> Garage Annual Cost Breakdown (Exhibit "A"); PMG Associates Analysis – Garage Cost Breakdown (Exhibit "B"); PMG Associates - TIF Analysis (Exhibit "C")

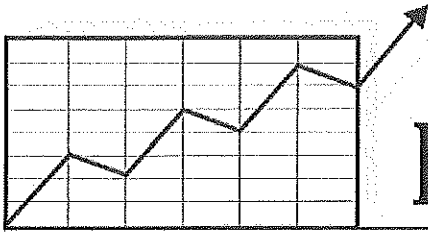
## 4th and 5th Garage Annual Cost Breakdown

Total Garage Spaces (4th and 5th Delray)

326

Garage Costs	Amount	Per Space	CRA Charge Per Space	City's 90 Spaces	Notes
Payroll	198,000	607.36	535.36	48,183	
Power Washing and Sweeping	22,800	69.94	70.00	6,294	
Licenses and Permits	1,750	5.37	0.00	0	(operating license issued by city, operator only pays license for 236 spaces)
Management Contract	24,000	73.62	0.00	0	
General Expense and Startup	4,478	13.74	13.74	1,236	
Uniforms and Laundry	3,850	11.81	6.67	600	
Printing	4,955	15.20	0.00	0	
Supplies	750	2.30	2.30	207	
Repairs & Maintenance	11,410	35.00	35.00	3,150	\$35/space
Liability Insurance	30,400	93.25	61.16	5,504	
Telephone	720	2.21	2.21	199	
Data Processing/Admin	3,845	11.79	0.00	0	
Employee Processing	2,376	7.29	5.28	475	
Property Insurance	22,820	70.00	70.00	6,300	
Utilities	26,080	80.00	80.00	7,200	
Real Estate Taxes Based on Current City-Owned Garages	187,982	576.63		0	CRA/City agree to cooperate and support application to minimize tax implication of city spaces
Debt Service (30 yr amortization, 4.5% interest rate)	730,300	2,240.19		0	
Reserve for Replacement (30 year useful life calculation)	400,369	1,228.13	400.00	36,000	\$400/space
<b>Total Garage Annual Costs</b>	<b>1,676,886</b>	<b>5,144</b>	<b>1,282</b>	<b>115,348</b>	

EXHIBIT "A"



# PMG Associates, Inc.

Economic, Marketing and Management Consultants

Deerfield Beach, FL

Miami, FL

Hendersonville, NC

## MEMORANDUM

TO: Jeff Costello  
 FROM: Phil Gonot  
 SUBJECT: Allocation of Parking Garage Costs to the CRA  
 DATE: February 23, 2017

We have reviewed the Parking Garage Cost Allocation prepared by IPIC for the 4<sup>th</sup> and 5<sup>th</sup> Avenue project. The review is based on the annual amount that the CRA should pay for the Operation and Maintenance Costs associated with the 90 spaces that are allocated as public. Additional information was obtained from national industry sources as well as local municipal operators and consultants.

The initial review indicated a wide disparity between the costs provided by IPIC and the estimates prepared independently by the City's Parking Manager and our firm. A meeting was held that included IPIC representatives, their Parking Consultant as well as Jeff Costello, Jorge Alarcon and Phil Gonot. During the discussion, all aspects of the operation and costs were addressed. The end result was a new estimate from IPIC and from the CRA's Consultant. These revised estimates narrowed the gap significantly. However the estimates are still substantially apart. The final figures from IPIC are an annual payment of \$115,348, while the CRA's Consultant provided an estimate of \$75,000 (rounded).

### Pro Forma Research

The most significant research included a review of the Pro Forma for a new garage under development by the City of Fort Lauderdale. This facility is located at Las Olas and A1A in a very upscale neighborhood. The garage has been designed and will be operated at a much higher level than most of the City's parking structures. The tenants in the area have demanded this upscale approach.

The Pro Forma for the operation was made available and reviewed against the IPIC estimate. Several major differences stand out. The following table illustrates some of these differences on a expense per space basis.

Category	IPIC Proposal	Fort Lauderdale Pro Forma
Labor	\$458	\$85
Reserve for Repair and Replacement	\$400	\$50
Insurance	\$131	\$35

### **Rationale for Disallowing Expenses**

Manager Payroll – The Managers will be spending the bulk of their time with the valet. When IPIC's Parking Consultant described the activities of the managers, there was no mention of the 90 spaces. We adjusted this amount to 10% of their time.

Liability Insurance – In our opinion, the bulk of this insurance would be for the valet. Based on the Pro Forma in Fort Lauderdale, a lower amount was included.

Uniforms/Laundry and Employee Processing – This figure was reduced to a pro rata amount and IPIC agreed.

Reserve Account – IPIC originally recouped 100% of the building cost through this account. A Renewal and Replacement Fund is appropriate, however the amount was excessive. IPIC later reduced this amount to \$400 per space per year. Our research revealed that the figure in Fort Lauderdale is \$50 per space per year, and this location is close to the ocean and the Intracoastal Waterway, which would evidence higher deterioration. The highest figure we learned was from the City's Parking Consultant which put an upper limit of \$125 per space per year.

### **Summary**

The review of the parking garage expenses has concluded that the IPIC operation will produce a quality product that fits the concept of their overall operation. However, these costs are not reflective of the operation of the 90 spaces allocated to the City. Our recommendation is to approve a payment for maintenance of the 90 spaces at a figure of \$75,000 per year. A breakdown of the IPIC proposal, and our recommendation, is found on the following page.

## 4th and 5th Garage Annual Cost Breakdown

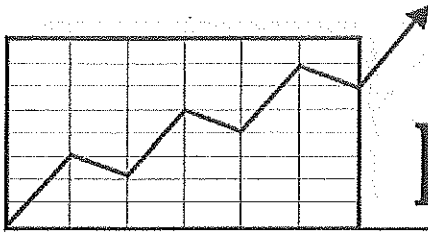
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### Recommended Case Scenario

Total Garage Spaces (4th and 5th Delray)

326

Garage Costs	Amount	Per Space	IPIC City Amount	Consultant City Amount
Payroll (Security and non-valet)	198,000	607	48,183	33,592
Manager Salary				7,632
Power Washing and Sweeping	22,800	70	6,294	6,294
Licenses and Permits	1,750	5	0	-
Management Contract	24,000	74	0	-
General Expense and Startup	4,478	14	1,236	1,236
Uniforms and Laundry (4 of 16 employees)	3,850	12	600	600
Printing	4,955	15	0	-
Supplies	750	2	207	207
Repairs & Maintenance	11,410	35	3,150	3,150
Liability Insurance (reduced to 1/3)	30,400	93	5,504	3,685
Telephone	720	2	199	-
Data Processing	3,845	12	0	-
Employee Processing (4 of 16 employees)	2,376	7	475	600
Property Insurance	22,820	70	6,300	6,300
Utilities	26,080	80	7,200	7,200
Real Estate Taxes Based on Current City-Owned Garages (based on data below)	187,982	577	0	-
Debt Service (30 yr amortization, 4.5% interest rate) (lowered project cost)	730,300	2,240	0	-
Reserve for Replacement (30 year useful life calculation)	400,369	1,228	36,000	4,500
<b>Total Garage Annual Costs</b>	<b>1,676,885</b>	<b>5,143</b>	<b>115,348</b>	<b>74,996</b>



# PMG Associates, Inc.

Economic, Marketing and Management Consultants

Deerfield Beach, FL

Miami, FL

Hendersonville, NC

## MEMORANDUM

TO: Jeff Costello  
 FROM: Phil Gonot  
 SUBJECT: Allocation of Parking Garage Costs to the CRA  
 DATE: February 23, 2017

We have reviewed the TIF amount generated by the IPIC project on the City property at 4<sup>th</sup> and 5<sup>th</sup> Avenues. The TIF is generated based on the Taxable Value of the entire completed project which includes the Theater, Office, Commercial, Garage and other elements. At present, we have received construction figures for the shell buildings only, which do not include Interiors. Based on conversations with IPIC, I have estimated the total project cost at \$50 million, which is approximately \$31 million for the shell and \$19 million for the interiors.

The proposal also includes a payment of \$3.6 million for the land. However, the CRA is also proposing to remit \$400,000 to IPIC in the incentive program.

TIF generation is assumed to begin in the year 2020 based on a two-year construction program. The project will be completed in 2019, but be added to the tax rolls in 2020.

The first year of TIF is estimated at approximately \$390,000, which will provide sufficient funds to meet the incentive payments. After consideration of the Incentive, the amount reduces to \$316,000. A summary of the TIF analysis follows. The full calculations are found on the following page.

Category	Amount
Incentive amount	\$400,000
Present Value TIF less Incentive 10 year	\$2,429,651
Present Value TIF less Incentive 20 year	\$5,760,776
PV first 10 Years of TIF	\$3,135,435

**DELRAY HOLDINGS TIF CALCULATIONS**

Time Period	Year	Project Cost	Taxable Value	Incremental Taxes	Collectable Rate	Total TIF	TIF		Incentive PV	Net to CRA
							Present Value	Incentive		
1	2017	\$0	\$0	\$ -	0.95	\$ -	\$0	\$0	\$0	\$0
2	2018	\$0	\$0	\$ -	0.95	\$ -	\$0	\$0	\$0	\$0
3	2019	\$0	\$0	\$ -	0.95	\$ -	\$0	\$0	\$0	\$0
4	2020	\$50,000,000	\$35,000,000	\$ 410,991	0.95	\$ 390,441	\$352,156	\$40,000	\$36,078	\$316,078
5	2021	\$51,500,000	\$36,050,000	\$ 423,321	0.95	\$ 402,155	\$350,455	\$40,000	\$34,858	\$315,597
6	2022	\$53,045,000	\$37,131,500	\$ 436,020	0.95	\$ 414,219	\$348,762	\$40,000	\$33,679	\$315,083
7	2023	\$54,636,350	\$38,245,445	\$ 449,101	0.95	\$ 426,646	\$347,077	\$40,000	\$32,540	\$314,537
8	2024	\$56,275,441	\$39,392,808	\$ 462,574	0.95	\$ 439,445	\$345,400	\$40,000	\$31,440	\$313,960
9	2025	\$57,963,704	\$40,574,593	\$ 476,451	0.95	\$ 452,629	\$343,731	\$40,000	\$30,376	\$313,355
10	2026	\$59,702,615	\$41,791,830	\$ 490,745	0.95	\$ 466,208	\$342,071	\$40,000	\$29,349	\$312,722
11	2027	\$61,493,693	\$43,045,585	\$ 505,467	0.95	\$ 480,194	\$340,418	\$40,000	\$28,357	\$312,062
12	2028	\$63,338,504	\$44,336,953	\$ 520,631	0.95	\$ 494,600	\$338,774	\$40,000	\$27,398	\$311,376
13	2029	\$65,238,659	\$45,667,061	\$ 536,250	0.95	\$ 509,438	\$337,137	\$40,000	\$26,471	\$310,666
14	2030	\$67,195,819	\$47,037,073	\$ 552,338	0.95	\$ 524,721	\$335,509	\$0	\$0	\$335,509
15	2031	\$69,211,694	\$48,448,185	\$ 568,908	0.95	\$ 540,462	\$333,888	\$0	\$0	\$333,888
16	2032	\$71,288,044	\$49,901,631	\$ 585,975	0.95	\$ 556,676	\$332,275	\$0	\$0	\$332,275
17	2033	\$73,426,686	\$51,398,680	\$ 603,554	0.95	\$ 573,376	\$330,670	\$0	\$0	\$330,670
18	2034	\$75,629,486	\$52,940,640	\$ 621,661	0.95	\$ 590,578	\$329,072	\$0	\$0	\$329,072
19	2035	\$77,898,371	\$54,528,860	\$ 640,311	0.95	\$ 608,295	\$327,482	\$0	\$0	\$327,482
20	2036	\$80,235,322	\$56,164,725	\$ 659,520	0.95	\$ 626,544	\$325,900	\$0	\$0	\$325,900
				\$ 8,943,817		\$ 8,496,626	\$5,760,776	\$400,000	\$310,546	\$5,450,231