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7/16/2007	0	Community Redevelopment Agency	Approved as Recommended	Pass

Revised proposal for Lot 9/Hampton Inn Redevelopment (B)

On September 19, 2005, the CRA authorized Staff to prepare a Request for Proposals to solicit developers interested in building a hotel or a hotel with other uses on Lot 9 in Downtown. A response by Windsor Aughtry was subsequently selected for this project. Windsor Aughtry’s original submission proposed a seven-story, 122-room Hampton Inn and Suites Hotel, and included requests for upfront incentives as well as a request that CRA return 75% of the increment generated by the project for three years, reducing to 60% for an additional 10 years. The application included requests for connection to the community stormwater bank at no cost to the developer, CRA-funded relocation of the existing utility transformers off site, and the free use of the sidewalk and existing parking on Southeast 1st Avenue as a drop off and loading zone for hotel guests. The developer also requested that the CRA cover half of the cost for the balconies on SE 2nd Avenue. The total amount of incentives requested was approximately \$317,500 in upfront incentives and TIF reimbursements at 75% for three years and then dropping to 60% TIF reimbursement for the following 10 years. The net present value of this request totaled to approximately \$800,000.

At the time when Windsor-Aughtry’s initial proposal was considered, the CRA approved of the general nature of the project and of the incentive request. However, the applicant was advised that the CRA cannot offer front-end incentives and was encouraged to return at a future date with a revised incentive request tailored to back-end TIF revenue sharing, which is allowed by the CRA.

Since that time, the applicant has revised and adjusted certain details of this development, including the construction staging plan, number of stories, and reconfiguration of a back-end only incentive request. Additionally, the developer has separately negotiated a parking agreement with the private parking garage located adjacent to Lot 9.

On May 29, 2007, Windsor Aughtry submitted a revised development proposal. The revised hotel project will include 124 units (97 rooms and 27 studio suites), as well as 7,750 ft2 of retail space. Additionally, the project will be one story smaller than in the original proposal. These details are consistent with the original RFP for

redevelopment on Lot 9. As in the initial application, the development will still be oriented and designed to reflect the existing Downtown pattern. However, the proposed SE 2nd Avenue balconies have been deleted due to budget constraints. Additionally, the request for \$317,500 in front-end incentives has been removed. The revised application includes an incentive request and project proforma which, according to the applicant, accounts for current market conditions (including increased construction costs) and back-end only reimbursements. Based on these conditions and costs, the application requested a 90% TIF reimbursement for twenty years.

The revised application also includes a construction timetable and staging plan. This plan shows a smaller staging area than originally envisioned. Additionally, staging will not occur on the Plaza, as was once discussed. The revised staging plan has been approved by CRA staff and by Public Works; it is also based on input received from Alachua County staff and the owner and tenants of the Star Garage, which is adjacent to the building site. In order to minimize the impact to Downtown, the developer has aimed to produce a staging area with the smallest footprint possible. The construction plan will result in the closure of the on-street parking on the east side of SE 1st Street, between SE 1st and SE 2nd Avenues. Additionally, the southern lane of SE 1st Avenue will be closed from a location just west of the Star Garage to the intersection with SE 1st Street. These areas will all be enclosed within the construction fencing and will not be accessible by the general public. During construction, SE 1st Street will be open to one-way, westbound traffic. On street parking will still be available on SE 1st Street, including reserved parking and loading space for the Star Garage. Access to the Star Garage will not be impeded due to construction on Lot 9; all entrances to the Star Garage will remain open and functional. Windsor Aughtry will provide a covered, ADA compliant walkway from the west Star Garage entrance to the north end of the building. This walkway will be lighted and will have secure access for safety purposes. Additionally, the developer has agreed to utilize a more costly foundation system which will result in less vibrations and noise felt by the Star Garage occupants and other neighbors. The developer has also agreed to make a special effort to coordinate construction activities on special election days with the neighboring Office of Elections, in order to minimize any adverse impacts.

In addition to CRA Staff review, this application has also been reviewed by Real Estate Research Consultants (RERC), of Orlando, Florida. RERC's evaluation included verification of certain expenses claimed by the applicant in addition to a financial review and modeling of the applicant's incentive request as well as other potential reimbursement options. Initially, the revised application from Windsor-Aughtry requested TIF reimbursement for capital expenses as well as some operating expenses. Staff reviewed the material associated with this project and concluded that incentives are warranted to alleviate capital (though not operating costs. Staff requested that the applicant provide information regarding reimbursable hard costs only. (For this project, staff used the same criteria as is applied in the Transformational Projects Incentive Program as a baseline in considering what costs are eligible for reimbursement.) The applicant complied with this request and Staff and RERC were able to identify a "but for" gap of approximately \$800,000 associated with this project. This gap is comprised of hard costs associated with construction such as: foundation technology, facade upgrades, utilities improvements and relocation, streetscape upgrades, covered walkway to the Star Garage, etc.

In determining an appropriate technique to provide incentives for this project, Staff aimed to use a framework based on the 70% TIF increment and 15-year timeframe benchmarks set in the Transformational Projects Incentive Program. Based on Staff review, input from RERC, and negotiations with Windsor-Aughtry, Staff was able to develop the following reimbursement plan for this development: a 13-year payment period in which there is 90% TIF reimbursement for the first 5 years, and 60% reimbursement for the final 8 years. The blended average of these reimbursements is equal to an overall 59% level of increment sharing during the 13-year time span. As stated above, Staff aims to achieve a blended average that is less than or equal to 70% of the increment, which is in line with the CRA's Transformational Program. In total, the net present value of the TIF rebate to the developer will be approximately \$802,000. Through this financing plan, the CRA is able to support the development and meet the gap requirements of this project while also maintaining overall incentive levels similar to other programs and projects currently supported by the CRA.

Staff believes this funding plan is appropriate for the project and thus recommends a 90% TIF reimbursement for the

first 5 years and 60% reimbursement for the final 8 years. Assuming an 11% rate of return, the net present value of this plan is approximately \$802,000. This amount is approximately equal to the sum originally requested when the CRA approved the initial Windsor-Aughtry project proposal in 2005. Additionally, the payback period is identical to that proposed by the applicant in 2005.

Any incentives paid to this project are limited by the tax increment generated by the project and no other increment from the Downtown Expansion Redevelopment Area.

Executive Director to the CRA: (1) Approve the general project concept as described in the initial application as approved September 19, 2005; (2) That the “but for” gap of \$802,000 present value, \$3,015,200 gross payments cap and an 11% discount rate apply to this approval, construction must commence within 6 months of the date of the approval; (3) That the CRA and Developer will be the only parties to this Development Agreement; (4) That the increment reimbursed be clearly limited to that generated by the project and that the funding or bonding power of the CRA not be significantly negatively affected; and (5) Authorize Executive Director and CRA attorney to prepare and execute any and all documents necessary and consistent with the foregoing.