

*Hotel Melby*  
Downtown Melbourne Hilton Tapestry

FRA  
June 10, 2022

# CRA Eligibility Slum & Blighted Areas F.S. 163.340 & Redevelopment Strategy

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- ✓ Having economic conditions conducive to poverty
- ✓ Deteriorated or deteriorating structures
- ✓ Predominance of defective or inadequate parking facilities
- ✓ Faulty layout in relation to size, adequacy, accessibility, usefulness
- ✓ Deterioration of site or other improvements
- ✓ Inadequate and outdated building density patterns

**FS 163.345** *“Encouragement of private enterprise” – to the greatest extent it determines feasible in carrying out provisions of redevelopment, shall afford maximum opportunity...to the rehabilitation of the CRA by private enterprise...*



# CRA Opportunities Brochure

## Sites For Redevelopment

### Downtown Melbourne Infill Development Opportunities

...at a glance



For development inquiries, please contact the City of Melbourne  
Doug Dombroski, Economic Development Manager | (321) 608-7500  
900 E Strawbridge Avenue, Melbourne, FL 32901  
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### Downtown Melbourne Infill Development Opportunities

Zoning Information

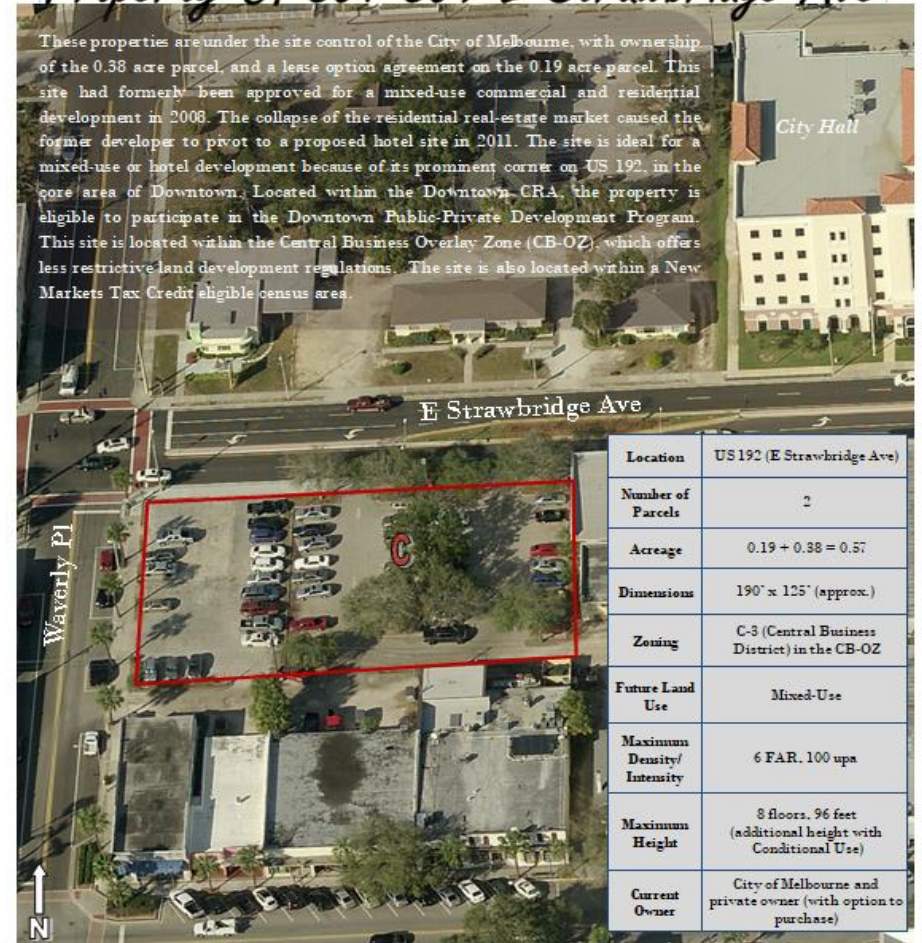
C-3	
Permitted Uses	Assisted Living Facilities, Bed and Breakfast, Accessory Dwelling, Multi-Family Dwelling, Single-Family Dwelling, Two-Family Dwelling, Hotels, Laboratories, Office, Restaurants, Retail, Personal Service
Conditional Uses	Additional Height Bars, Electronic Assembly, Marinas, Microbreweries, Indoor Recreation, Veterinary Clinic/Hospital
Minimum Lot Area	4,000 SF (except townhomes)
Minimum Lot Width/Depth	30 feet/100 feet (except townhomes)
Maximum Building Coverage	100%
Minimum Building Area	300 SF
Maximum Height	8 floors/96 feet (additional height with Conditional Use)
Setback Requirements	Front: None (Max 5' if abutting New Haven Avenue) Side, Interior Side, Corner: None (Max 5' if abutting New Haven Avenue) Rear: None Rear, abutting alley: None
Maximum Intensity/Density	With a Mixed-Use future land use in the Downtown N floor area ratio (FAR) of 6 and up to 100 dwelling units With a Mixed-Use future land use in the Midtown Act up to 30 upa.

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### Downtown Melbourne Infill Development Opportunities

Property C: 801-809 E Strawbridge Ave

These properties are under the site control of the City of Melbourne, with ownership of the 0.38 acre parcel, and a lease option agreement on the 0.19 acre parcel. This site had formerly been approved for a mixed-use commercial and residential development in 2008. The collapse of the residential real-estate market caused the former developer to pivot to a proposed hotel site in 2011. The site is ideal for a mixed-use or hotel development because of its prominent corner on US 192, in the core area of Downtown. Located within the Downtown CRA, the property is eligible to participate in the Downtown Public-Private Development Program. This site is located within the Central Business Overlay Zone (CB-OZ), which offers less restrictive land development regulations. The site is also located within a New Markets Tax Credit eligible census area.



Location	US 192 (E Strawbridge Ave)
Number of Parcels	2
Acreage	0.19 + 0.38 = 0.57
Dimensions	190' x 125' (approx.)
Zoning	C-3 (Central Business District) in the CB-OZ
Future Land Use	Mixed-Use
Maximum Density/Intensity	6 FAR, 100 upa
Maximum Height	8 floors, 96 feet (additional height with Conditional Use)
Current Owner	City of Melbourne and private owner (with option to purchase)

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Doug Dombroski, Economic Development Manager | (321) 608-7500 | douglas.dombroski@mlbfl.org  
900 E Strawbridge Avenue, Melbourne, Florida 32901  
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# Location 801-809 E. Strawbridge



# Downtown Hotel- Hilton Tapestry



Photo: Super Crispy

## Project Description

- 156 Rooms
- 4 levels of parking/170 spaces
  - 30 Dedicated Public
- Ground floor lobby
- Floors 5 through 10 - rooms and hotel auxiliary
- 11th floor- roof top event space (4,600sf) & public (4,900sf) lounge



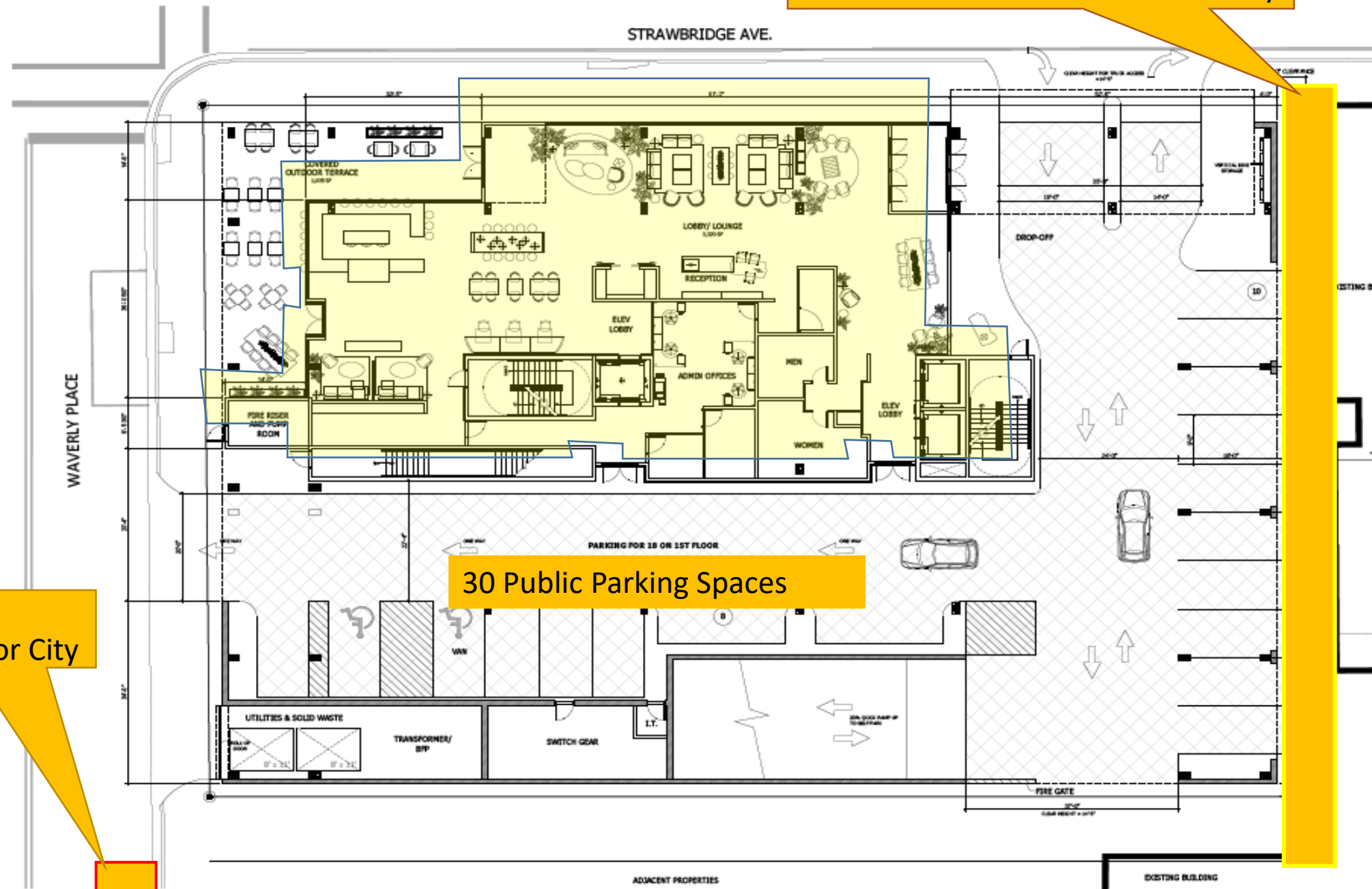
# Hotel Offsite Public Improvements Site Plan

Easement Pedestrian Connection  
Constructed and Deeded to the City

Ground Level

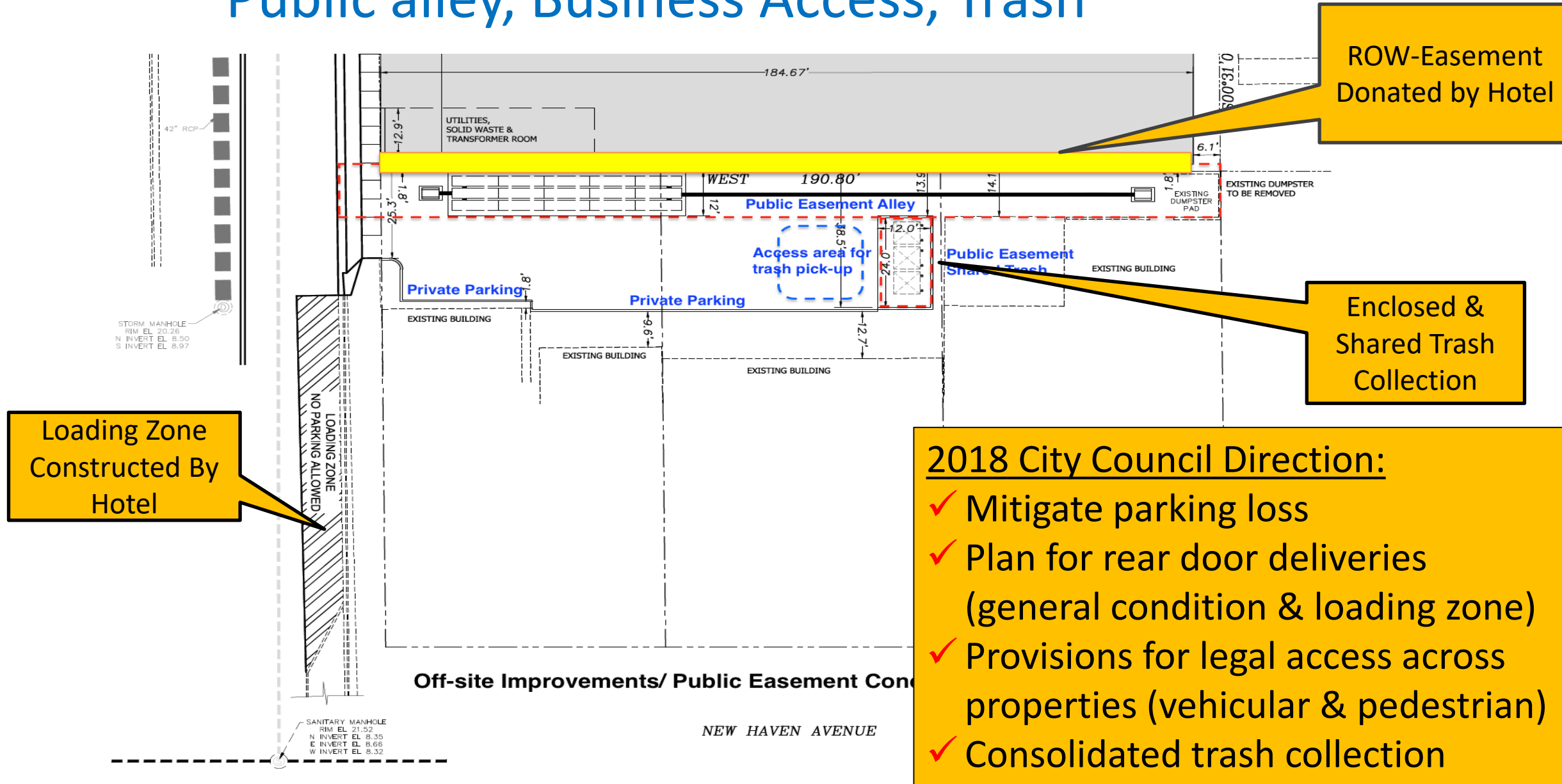
Loading Zone  
Constructed for City

30 Public Parking Spaces



# Hotel Offsite Public Improvements Site Plan

## Public alley, Business Access, Trash



# Master Redevelopment Agreement 3-Party Development Agreement

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*Between: City, CRA & Developer*

*Includes 5 sub-agreements:*

1. HUD Section 108 agreement (City & Developer)
2. 20-year TIF grant reimbursement (CRA & Developer)
3. Transfer Agreement- (City, CRA & Developer)
4. Public Parking Agreement- (City & Developer)
5. Offsite Public Infrastructure Agreement- (CRA & Developer)



# Downtown Hotel Commitments

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- Purchase of property at City's appraised value of \$500,000
- Construct a Hilton Tapestry hotel approximate \$35 M investment
- Provide pedestrian easement to the City on east property line (includes construction, lighting, maintenance)
- Provide an approximate 2'x 128' easement to the City for coordination of public ROW alley access
- Provide 30 permanent parking spaces to serve neighboring businesses
- Construct off-site public improvements
  - Includes storm water system, pavement, dumpster enclosure, loading zone



# CRA and City Commitments

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- Sell the property at City appraisal \$500K
- Apply to HUD on the Developer's behalf for a \$2M HUD Section 108 Loan Guarantee
- Provide a TIF reimbursement on the tax assessed new investment (\$12.5M)
  - 75% during stabilization (years 1-3)
  - 50% (years 4-20)
- Provide reimbursement for construction of *off-site public Improvements*
- Provide 30 space of overflow parking on the top floor of City Hall Parking Garage



## Hotel General Financial Overview

• Total Hotel Facility Cost	\$35,191,278	
• Private Sources	<u>\$32,384,185</u>	(92%)
○ \$20,929,273 commercial loan		
○ \$11,454,912 private equity		
❖ Identified Approx. Gap	\$2,800,000	(8%)

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## City & CRA Sources Gap Finance

1. HUD Section 108 Loan	\$2,000,000
• Repaid by the development/developer	
2. TIF Reimbursement grant (NPV)	\$807,093
• 20 year of TIF site specific	
☐ 75% 1-3	
☐ 50% 4-20	
• Discounted utilizing cap rate 9.25%	

# Sources and Uses



USES OF FUNDS			PERMANENT SOURCE OF FUNDS	AMOUNT	%
	\$	Per Room		\$	%
Land	\$500,000	\$3,205	108 Loan	\$2,000,000	6%
Hotel Construction Costs	\$21,667,941	\$138,897	Commercial Loan	\$20,929,273	59%
Rooftop Construction Costs	\$2,945,000	\$18,878	GP Developer Equity	\$1,173,400	3%
Garage Construction Costs	<u>\$2,811,949</u>	\$18,025	LP Investor Equity	<u>\$11,088,605</u>	32%
Total Construction	\$27,924,890	\$179,006	TOTAL SOURCES OF FUNDS	\$35,191,278	100%
Contingency	\$2,568,119	\$16,462			
Working Capital	\$345,060	\$2,212			
Subtotal	<u>\$30,838,069</u>	\$197,680			
Soft Costs	\$3,789,509	\$26,916			
Section 108 Application Fee	\$20,000	\$128			
Section 108 Guarantee Fee	<u>\$43,700</u>	\$303			
TOTAL USES OF FUNDS	\$35,191,278	\$225,585			



# Stabilized Operating Pro Forma



STABILIZED OPERATING PRO FORMA (Yr 3)		Amount	Comments		
Revenues		\$9,841,050	Based on 76.5% occupancy		
Departmental Expenses		(\$3,032,000)			
Gross Operating Income		\$6,809,050			
Undistributed Operating Expense		(\$1,739,000)			
Licenses and Fees		(\$824,000)			
Insurance		(\$116,000)			
Real Estate Taxes		(\$262,042)			
RR Reserve		(\$414,000)			
Net Operating Income (NOI)		\$3,454,008			
Commercial Loan Debt Service		(\$1,924,624)			
Section 108 Debt Service		(\$197,548)	Interest only for 7 years incl. construction period		
Cash Flow		\$1,331,835			
Partial Tax Reimbursement		\$36,876	75% Yr 1-3 and 50% thereafter of City and County Taxes		
Adjusted Cash Flow		\$1,368,711			
Debt Coverage Ratio		1.63			
Cash on Cash		11%			



# Substantiation of Financial Package



- City financial package totals \$2.8 million (8% of total development costs)
- Private investment ratio (12.54:1) exceeds the (7:1) required by the City P3

CITY FINANCIAL PACKAGE SUMMARY	
Land Contribution	\$0
Section 108 Loan	\$2,000,000
Tax Increment Reimbursable (NPV w/ 9.5% discount)	<u>\$807,093</u>
Total City Package	\$2,807,093
Total Project Cost	\$35,191,278
Private Sources	\$32,384,185
Ratio of Private to Public Debt	\$12.54 : \$1

- The financial incentive package addresses the high cost to deliver structured parking and the limitations of conventional debt at 60% Loan to Cost.



# Community Impacts

## \$12 million New Tax Assessment

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- Job Creation- Direct, and Construction
  - Temporary Construction = **108 jobs \***
  - Permanent after construction/operation = **50 jobs (LMI residents)**
- Fiscal Impacts
  - Annual City & County Property Tax increase = **\$120,000/Annual**
  - Schools property tax = **\$78,000/annual**
  - Sales taxes from direct spending = **\$1,113,000 \*\***

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\*Source- IMPLAN economic impact software

\*\* Source- 2018 Tourist Development Council TDC Study on direct spending and applied sales tax rate



# Community Impacts

## \$12 million New Tax Assessment

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- Economic Impact of guest direct spending = **\$8.8 million \***
  - Supports Downtown Businesses
- Eradication of blighted conditions & public enhancements
  - Former Big Al's razed in 2008
  - Highest and best use, streetscape, storm water, hotel public amenities, public easements and off-site improvements

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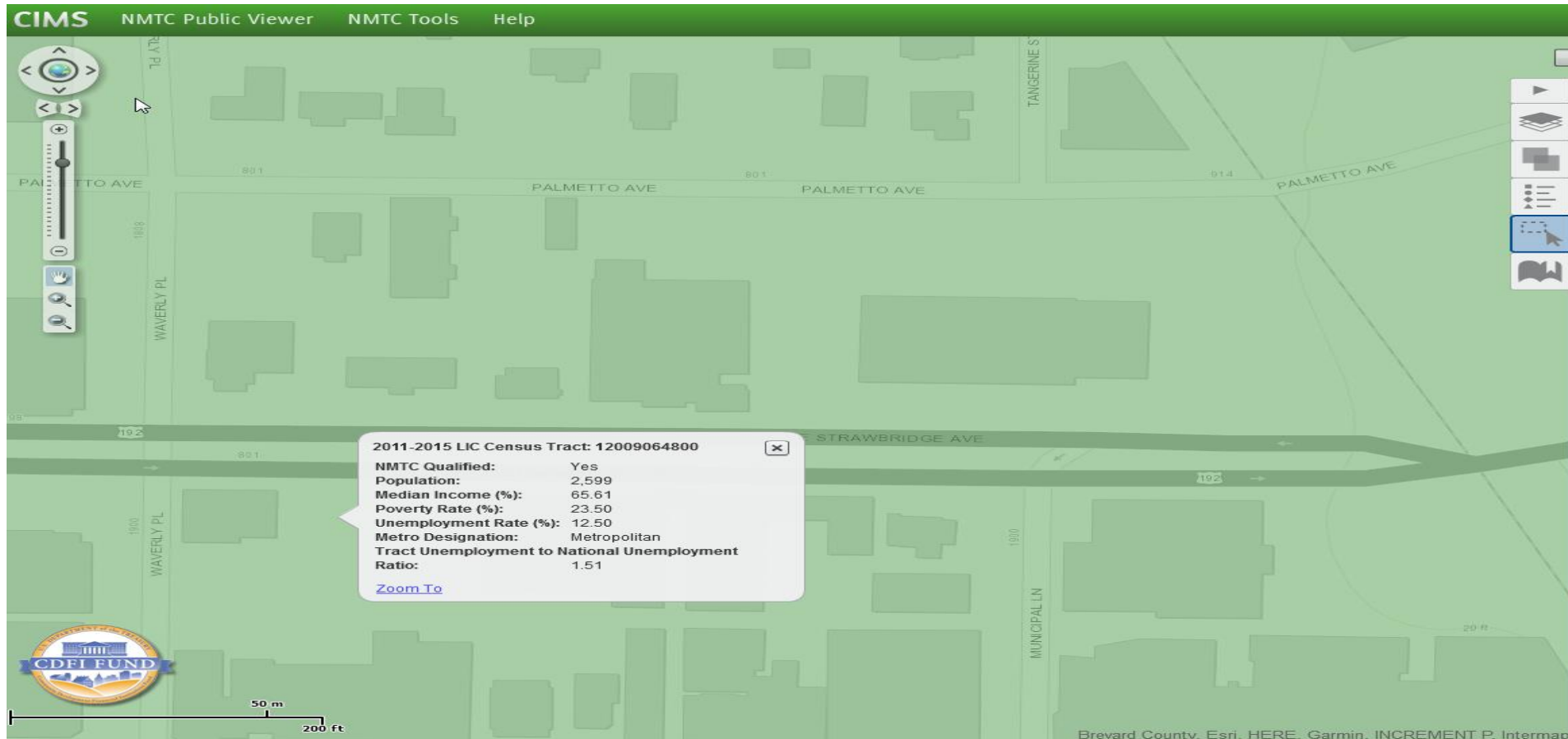
\* Source- 2018 Tourist Development Council TDC Study on direct spending



# CDFI IA Census Area

## 23% Poverty & 12.5% Unemployment

- Challenge = Federal Treasury CDFI determination lack of access to capital/commercial lending



## \$2.0 HUD Section 108 Loan Guarantee National Objective & Eligibility

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- Location in LMI census tract (67% LMI)
  1. Special Economic Development Activities (*CFR 570.203*)
  2. Limited Clientele- job creation LMI 51% (*CFR 570.208 (a)4*)
  3. Public Benefit- Assistance/FT job (*CFR 570.209(b)* )



# Before & After looking South



Substandard building  
condemned and  
demolished in 2008



# Before & After Looking East



# Construction to Completion

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