

Memorandum

To: Ms. Sharon Cino, City of North Miami Beach
From: Lambert Advisory, LLC
Date: May 22, 2020
Subject: Dezer Intracoastal Mall Fiscal Impact Analysis Assessment

Lambert Advisory (Lambert) has completed an assessment of the Dezer Intracoastal Mall Fiscal Impact Analysis (ICM Fiscal Impact), dated April 16, 2020, for the City of North Miami Beach (City). The ICM Fiscal Impact study was submitted to the City on behalf of Dezer Intracoastal Mall, LLC (referred to herein as Developer and/or Applicant) as part of its site plan approval application for the redevelopment of the Intracoastal Mall property.

There are two main tasks undertaken as part of this review and summarized as: *Task 1*: review the ICM Fiscal Impact to confirm the methodology, assumptions and findings supporting the analysis are applicable, comprehensive and in-line with a standardized processes for this type of study; and, *Task 2*: Assess the public benefits set forth within the ICM Fiscal Impact and assist the City with an understanding of the extent to which the proposed Developer contributions will benefit the ICM redevelopment and, particularly, its surrounding community.

For each task, the following provides a summary of the key aspects of the ICM Fiscal Impact Analysis and offers some recommendations that the City may consider in its response to the Applicants study.

Task 1:

The study is comprehensive for a fiscal impact assessment. There's considerable discussion of the site plan, massing and design features. The study also provides a substantial amount of economic overview and context at the County and City level, indicating broader land use and economic conditions are generally supportive of the proposed ICM redevelopment plan.

There is a separate section referred to as "Market Metrics" that provides support for a number of assumptions that underlie the fiscal impact assessment including but not limited to: construction costs, general operating performance parameters for multifamily and commercial components (i.e. lease rates, vacancy, operating margins), and capitalization rates associated with property valuation (and expressly stated as not to be representative of appraised value). This information is helpful to the process and generally supportive of development/performance assumptions but should not be construed as a full validation of the construction costs, build-out/phasing, and performance of the project.

The Fiscal Impact Analysis is provided in its own section. The analysis utilizes IMPLAN, a nationally recognized input/output model that measures direct, indirect and induced impacts that factors both one-

time (construction) impacts and long-term/recurring impacts from operations once the project is built. As it relates to these two factors, the following is noted:

One-time/Construction Impacts: The model's primary input is based upon construction costs, and the resultant output calculates total direct and indirect/induced jobs and wages created by the development and provided by Applicant. The construction expenditures are based upon an estimate of total construction costs for the development's entire build-out which is planned over a roughly 10 year timeline. While we understand it is very difficult to accurately define construction timing and expenditures during any given year of the phased development plan, which is further complicated by the current COVID-19 crisis, it would be beneficial for the study to consider estimates of job creation on an annual basis over the build-out period; or, at least in correlation with proposed phasing.

In addition to IMPLAN's job-related results, the study also includes one-time benefits to the City in the form of impact fees, including estimates for Police, Parks, Water and Fire Flow. These fees are significant and beneficial to the City and it too would be helpful to gain an understanding of impact fees in connection with phasing.

Long-term/Recurring Benefits: The long-term/recurring impacts provide insight into job/wage creation, resident growth, and fiscal impacts including ad valorem tax revenue and other revenues such as utility tax, license fees, services fees, among others. Following is a summary of each:

Job/Wage Creation: Job creation is a key component of the fiscal impact and the study utilizes a standardized methodology to determine direct job creation through "employment to space/unit ratios" among other metrics. The direct job count is the input into IMPLAN and the output (result) is wages and indirect/induced jobs and wages. We agree with the methodology and findings associated with the new proposed redevelopment. The only modification we recommend is to address the "net new" jobs that will be created from the development, since there is an existing 234,000 square feet of retail and 33,000 square feet that is currently operational.

Ad Valorem Tax Revenue: The revenue/performance assumptions provided by Developer and supported by the study's market assessment is agreeable. However, it would be beneficial to indicate that the property does currently generate approximately \$1.2 million in taxes to the City - though we clearly recognize that this is somewhat marginal given the \$10+ million in net ad valorem tax that may be produced upon stabilized operations.

Similar to the notes above, it would be helpful to gain perspective on the level of estimated ad valorem tax that will be generated during the build-out/phasing periods.

New Residents: Given the magnitude of new residential development proposed for the project, the impact from potential resident/household expenditures will be measurable. We recommend the report highlight these expenditure impacts as it will be directly beneficial to local businesses.

Summary of Recommendations

Based upon the discussion above, the following is a list of recommendations associated with Task 1 herein that the City may request of the ICM Fiscal Impact analysis :

- 1.) Provide estimates of one-time job creation and impact fee expenditures on a periodic basis during the proposed construction/build-out timeline which can be annually, or in correlation with development phasing;
- 2.) Provide an estimate of net new long-term/recurring jobs created by the ICM development;
- 3.) Provide an estimate of net new ad valorem tax to be created by the ICM development, as well as estimates of incremental ad valorem tax during the construction/build-out phasing (annually or in correlation with development phasing).
- 4.) Provide estimates of net new annual expenditures (non-auto related retail goods and services) that will be generated by the residents and workers within the ICM development.

Task 2:

It is our understanding that the City, with input from its various departments, is requiring Developer to meet certain regulatory and design conditions, as well as provide capital improvements for public benefit to be set forth within the terms of a Development Agreement (in-process) with Dezer Intracoastal Mall LLC. Developer will be providing notable contributions to the public realm, including but not necessarily limited to: roadway improvements on N.E. 35th Avenue; improvements to public infrastructure; improvement, relocation, and/or redevelopment of the existing fire station on the property; on-site police sub-station; park/open space; development and maintenance of a publicly accessible Waterfront Promenade; and, streetscape improvements within and/or immediately surrounding the property. However, other than mention of the Developer's commitment to provide more than 100,000 square feet of open space and extension of waterway/canal through the site, there is no discussion of the Developer's estimated capital expenditures and/or benefits associated with these improvements.

Nonetheless, and based upon a general understanding of what is being proposed for Developer contributions, these improvements will be significant and, especially, as it relates to:

N.E. 35th Avenue Roadway Improvements: Developer will obtain design approval from the FDOT access management board that provides for multiple access points with direct east and west access to and from SR 826/NE 163rd Street and traffic mitigation so that the development does not over burden NE 35th Avenue.

Public Improvement to Infrastructure: Developer has acknowledged that the Lift Station in center median on NE 35th Avenue is to be relocated and also considers amendments to the other station

located at the northwestern corner of the property. The proposed pump station will replace existing station near NE 35 Ave and NE 164 Street. Additionally, Developer will provide an extension of the natural gas line along NE 35th Avenue, from 3405 NE 163 Street at an estimated cost of \$800,000±.

Relocation and/or Development of the Fire Station, On-site Police/Marine Patrol Substation: The Developer is required to relocate/redevelop a fire station on-site, as well as construct a police substation (with storage) that will also provide space for a Marine Patrol unit with a separate dock space for a police boat at the center waterway.

Waterfront Promenade/Open Space: As envisioned within the current site plan, the ICM development provides for significant open space that is accessible to the public including a boardwalk along much of the waterfront, greenspace and pathways along N.E. 163rd Street and N.E. 35th Avenue, and a park with tot-lot on N.E. 35th Avenue. The greenways, open space and promenade not only provides significant enhancements to the ICM property, but the buffers along N.E. 163rd Street and N.E. 35th Avenue add considerable enhancements to the surrounding community. In particular, certain streetscape improvements will be provided for the Eastern Shores community and the extent to which will be determined through the completion of an independent Impact Fee Study. The study is proposed to be funded by the Applicant with a not-to-exceed amount of \$100,000.

The capital expenditures summarized above represent the more notable contributions the Developer is reportedly committing to the City. It is our understanding that the City is also discussing with Developer additional contributions including but not limited to: transit connections including bus stop, trolley stop on NE 35th Avenue, as well as water-taxi access; air-conditioned transit facility for trolley; transit signage; creation of a bike-lane on NE 163rd Street; connection from property to Oleta State Park, among others.

We understand that the Developer will be providing the City with estimates of demand for these contributions, though we have not seen them as of yet. Nonetheless, based upon the proposed improvements outlined above, the Developer's contributions to public infrastructure, public safety and public-access to open space on the property seems adequate to offset the public economic costs of the project on the surrounding communities. However, given the acute demand for affordable housing, many cities have required developers to include an affordable or attainable housing element within their developments in order to begin to address the need one bite at the apple at a time. Given a 10 or 15 percent affordable housing requirement does not impact marketability of a project of significant scale, requiring an affordable housing element does not negatively impact the value of the market rate units. Yet, requiring affordable housing in luxury developments, does have financial implications for the developer as it relates to return-on-investment and depending upon the level of affordability requires market rate units to carry a portion of the cost of the affordable units. As a result, this carry effectively represents another public improvement which needs to be accounted for in the total value which the developer is investing. Considering this, other public amenities and improvements and may need to be offset by reducing those other improvements or provide a tax incentive (which are quite common elsewhere in the country) to make it viable for the developer to include affordable units.

Summary of Recommendations:

Based upon the discussion above, the following is a list of recommendations associated with Task 2 herein that the City discuss with Developer/Applicant:

- 1.) Provide estimates costs related to the notable Developer contributions (capital improvements) outlined above, as well as Applicants contribution to fund an Impact Fee Study for Streetscape Improvements for the Eastern Shores community (with a not-to-exceed amount of \$100,000). It is recommended that these cost estimates be included in the ICM Fiscal Impact Analysis but may be provided to the City independently if needed.
- 2.) Consider the integration of affordable/workforce housing into the ICM development in lieu of select Developer contributions.