

BAFO
(BEST AND FINAL OFFER)
Continuum Company / City of Hollywood
Oceanfront Redevelopment Proposal
Due: Feb 11th, 2021

To Whom It May Concern,

We are honored to be given the opportunity to submit our Best and Final Offer to the City of Hollywood for the redevelopment of the 4-acre oceanfront site, aka Continuum Hollywood Beach, and want to thank you for your continued thoughtful and fair analysis of submission.

Prior to setting forth our Best and Final Offer, we wanted to take this opportunity to briefly highlight the two key distinguishing features of our proposal:

1. A 60-unit workforce rental building – constructed by Continuum, but owned by the city of Hollywood -- to provide housing options to the city of Hollywood's workforce families, and residents making 100% AMI (Area Median Income).

Housing options for the city of Hollywood's working class are few and far between. There are currently only 76 active rental units available, all built more than 15 years ago.

With addition of 60 units, our proposed workforce rental building will almost double the # of apartments available. These apartments will range from approx. \$1,500 for a studio to approx. \$1,950 for a 2-bedroom. Comparatively, beachfront market rate apartments rent for substantially more.

It should also be noted that upon completion of the building construction, ownership will be transferred to the city of Hollywood -- at no cost.

2. Support from the South Florida Building & Construction Trades Council.

Attached in the appendix is a letter of support for Continuum Company from Mark Schaunaman, President of the South Florida Building & Construction Trades Council.

In the letter, Mark details his strong support of Continuum Company because of our ongoing efforts to hire locally, in addition to making sure sub-contractors in Broward County use local electricians, plumbers, pipefitters, carpenters, iron workers, operating engineers and use registered apprentices through the Broward County School Board.



THE PROGRAM

There are no changes to the overall vision for this development, but as a reminder, our proposal includes:

1. 20,000 Community Center along the ocean
2. 60-unit Workforce Rental Building
3. 62,000 sq. ft. of NEW Outdoor Public Space, including
 - a. Broadwalk Extension adjacent to Surf Road
 - b. Improvements and extension of Harry Berry Park
 - c. 18,000 SF of Broadwalk Pavilions for public use/outdoor events
 - d. Sun Shuttle Stop on Surf Road
4. 300-unit lease-hold luxury condominium along A1A
5. 118 public parking spaces on the ground level and first floor, and approx. 700 valet parking spaces for condo residents

NOTE: We purposely chose not to include any element of hospitality in our proposal for two reasons: (1) A hotel, by nature, primarily services non-residents of the community, while simultaneously negatively impacting the surrounding environment (e.g., increase in traffic). (2) The hotel amenity space – with comparable views and food service --- would likely have a negative impact on the potential revenue generated by the neighboring Culture & Community Center. Both seem to run counter to the very purpose of the City's intent for this project and that is why we did not include any hospitality in our proposal.

OUR DESIGN

Based on feedback from the city commissioners during our Jan 20th, 2021 presentation, we've made the following changes/clarifications to the design.

See APPENDIX for visual representation of the design changes.

1. Relocation of the Community Center -- CHANGED
 - a. This has changed. It was originally located closer to A1A. Per feedback from the city, we shifted it east to have frontage on the oceanfront side, allowing the community center to fully benefit from beachfront views.
 - b. NOTE: We've also created a connection between the Community Center and Broadwalk Pavilions which allows for a beautiful oceanfront event space with indoor/outdoor possibilities.
2. Relocation of the lease-hold condominium -- CHANGED
 - a. This has changed. It was originally located closer to the oceanfront. Per feedback from the city, we shifted it west (closer to A1A), essentially swapping the location of the condo tower and community center.
 - b. NOTE: We chose to keep the EAST-WEST orientation of the building to allow for maximum flow of light and air, as well as, to maximize the view corridors from A1A to the ocean.
3. Location of the workforce housing building – CLARIFICATION (NO CHANGE)
 - a. This has not changed, but it should be noted that the location of this low-rise (6-story) workforce housing building is strategically placed on the east side of the property to provide the neighboring Summit Tower Condominiums a better tower separation/view corridor.
4. Location of the Broadwalk extension – CLARIFICATION (NO CHANGE)
 - a. This has not changed, but we have provided more clear visuals to show the proximity of the new Broadwalk to Surf Road.
5. Use of tropical vertical gardens that wrap around the parking levels to provide screening – CLARIFICATION (NO CHANGE)
 - a. This has not changed, but we wanted to provide clarity as to why this design was chosen – namely, it's a sustainable approach to providing screening. It also has the benefit of creating more shade on the pedestrian walkway along Azalea Terrace and Bouganvillea Terrace.

FINANCIAL PROPOSAL

For the sake of clarification, please see below summary of our financial proposal, as well as changes to the proposal based on feedback from the commissioners/questions asked throughout the RFP process.

See APPENDIX for an updated project proforma, development budget, and a chart visually summarizing the financial benefits to the city of Hollywood.

1. Ownership structure – CLARIFICATION (NO CHANGE)
 - a. This has not changed. ALL portions of the redevelopment i.e., the Community Center; workforce housing rental building; outdoor public spaces; and public parking are public amenities constructed for and owned by the City of Hollywood, with the exception of the leasehold condo and its attendant parking.
 - b. NOTE: Our proposal does not change the fee ownership of the land: ownership remains with the City.
2. Equity sources – CLARIFICATION (NO CHANGE)
 - a. This has not changed. Continuum is responsible for providing the equity, and our financing proposal consists of 100% private market financing. We have a letter of interest from Fortress Investment Group to provide the debt.
 - b. This has not changed. We are not proposing to leverage the City's balance sheet to enhance our financing capability nor requesting that a CRA be formed for similar reasons.
3. Average condo sale price \$700/sq ft. – CLARIFICATION (NO CHANGE)
 - a. This has not changed. Projected tax revenue to the city is based on an average condo sale price of \$700/sq ft. Thanks to our proven track record at the Continuum on South Beach, quality construction and architecture, and incredible location, combined with a projected average condo sale price of \$700/sq. ft., we believe the demand is there for this type of condo project.
4. Capital stack – CHANGED
 - a. This has changed. The capital stack has been revised to 33% for the pre-sale requirement to secure financing.
5. Projected property tax revenue – CHANGED
 - a. This has changed. The total projected property tax revenue has been revised to \$4,284,000 per annum, based on the calculation of projected condo sale prices. As a result, the city's 39.44% tax revenue allocation is now \$1,788,998 per annum.
 - b. NOTE: Continuum believes that there is an opportunity for the City of Hollywood to capture the full \$4,282,000 per annum projected real estate tax revenue through a Payment in lieu of taxes (PILOT) program.

- i. We propose that (1) because this redevelopment parcel is completely owned by the City of Hollywood and, (2) because the expiration of the Hollywood Beach CRA on December 31st, 2026 unburdens both parties from the archaic formulaic computations for dividing tax revenue emanating from Continuum Hollywood Beach between the City of Hollywood, Broward County, Broward County School District and the Hospital District - that Continuum Hollywood Beach and the City of Hollywood could enter into a Payment in Lieu of Taxes (PILOT) agreement that will allow the city of Hollywood to receive 100% of what would have been deemed traditional real estate tax.

PUBLIC AMENITIES

Continuum's summary breakdown of public amenities both in terms of size and estimated cost to develop (value) is as follows:

2/11/21

Continuum Hollywood Beach - Public Amenity Summary

Item	Public Amenity Summary	Detail	Square Footage of Public Use Areas, or # of Spaces	Estimated cost to develop public use areas
1	Community Center	Includes event space	20,072 SF	\$7,536,468
2	Harry Berry Park	Includes 22,400 SF extension	44,400 SF	\$5,003,506
3	General public area / Plaza Areas / Greenspace for public use without cost to the public	Includes: - Broadwalk Pavilions - Retail Pavilions - Shuttle Stop Pavilion - Broadwalk Extension	18,000 SF	\$2,028,449
4	Public parking	118 spaces (89 indoor, 29 outdoor)	193,012 SF	\$4,127,419
5	Workforce Housing	60 apartments -- studio, 1-bed and 2-beds	69,613 SF	\$14,881,909
6	Retail / Restaurant		1,832 SF	\$428,529
7	Total:		346,929 SF	\$34,006,280

DEED RESTRICTION

The Deed Restriction, in question, provides, in sum, that the property must be used for “open space, park, recreational, and other public and municipal purposes.” Our Project, as has been demonstrated by our proposal, clearly emphasizes open space and park uses (e.g., changes and upgrades to Halle Berry Park) and the construction and development for recreational and public purposes (e.g., new Community Center).

Additionally, the construction (using private funds) of the Leasehold Condominium and the portions of the garage that are reserved for the residences of the Condominium certainly serves the public good because such construction underpins and finances the construction and development of the new public good resources (e.g., community center and improvements to the Park). In other words, without proceeds derived from the sale of the condominium units, the development of the Property for the public good would not be achievable. Therefore, the construction of the Leasehold Condominium should be considered a “public purpose” for purposes of the Deed Restriction.

Finally, it should be noted that the deed restriction permits the Property to be used for “municipal purposes”, and after the City determines that the Property should be redeveloped, then any such redevelopment should be considered a “municipal purpose” considering that the City has acted in accordance with its authority to move forward with the Project.

99-YR FINANCIAL BENEFITS TO THE CITY-

BAFO

Feb 11th, 2021

1 CAPITAL IMPROVEMENTS (\$34,000,000)

2 GROUND LEASE RENT (\$47,104,889)

- Assumes \$300,000 per annum for years 1-20, with a 20% increase every 20 years

3 PROPERTY TAXES (City Only - \$300,199,923)

- Year 1 property tax based on 2% of the assessed value (which is 90% of total condo sellout)
- Condo sellout assumes an average sale price of \$700/sq. ft.
- Projected tax escalation based on 1% per annum

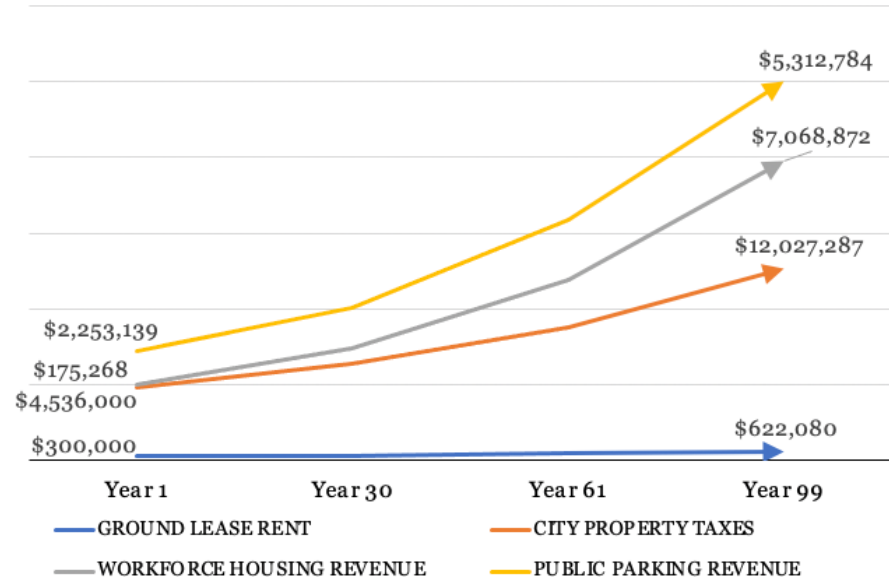
4 WORKFORCE HOUSING REVENUE (\$270,576,523)

- Annual proceeds based on a 2% annual rent escalation, and 1% annual OP-EX escalation
- Debt service is based on a 35-yr amortizing loan @4%
- Cash flows assume no leverage is added to the property after the first mortgage is paid off

5 PUBLIC PARKING REVENUE (\$353,779,576)

- 118 spaces total; assumes a 15% vacancy, and occupancy of 50% resident/50% non-resident parking
- Assumes 10% parking charge escalation every 10 years

Revenue Escalations Over 99 Years



	Financial Benefits to City	Capital Improvements	Year 1	Total Payments for 99 Years	NPV @2.65% Discount Rate
1	Capital Improvements	\$34,000,000			
2	Ground Lease Rent		\$300,000	\$44,027,520	\$13,353,068
3	City Property Taxes		\$1,788,998	\$300,199,924	\$88,866,082
4	Workforce Housing Revenue		\$175,268	\$270,576,535	\$52,909,985
5	Public Parking Revenue		\$2,253,139	\$353,779,577	\$105,806,279
	TOTAL REVENUE		\$4,517,406	\$968,583,555	\$260,935,414

APPENDIX

INCLUDES:

- Architecture Plans & Renderings
- Updated Budget
- Letter of Support

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CONTINUUM HOLLYWOOD BEACH MASTER PLAN

CULTURE AND COMMUNITY CENTER

1301 SOUTH OCEAN DRIVE
HOLLYWOOD, FLORIDA 33020

February 11, 2021



REVISIONS / SUBMISSIONS



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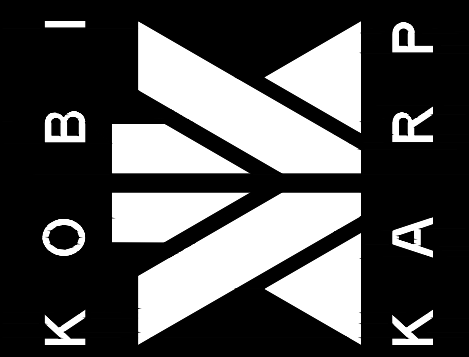
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COVER



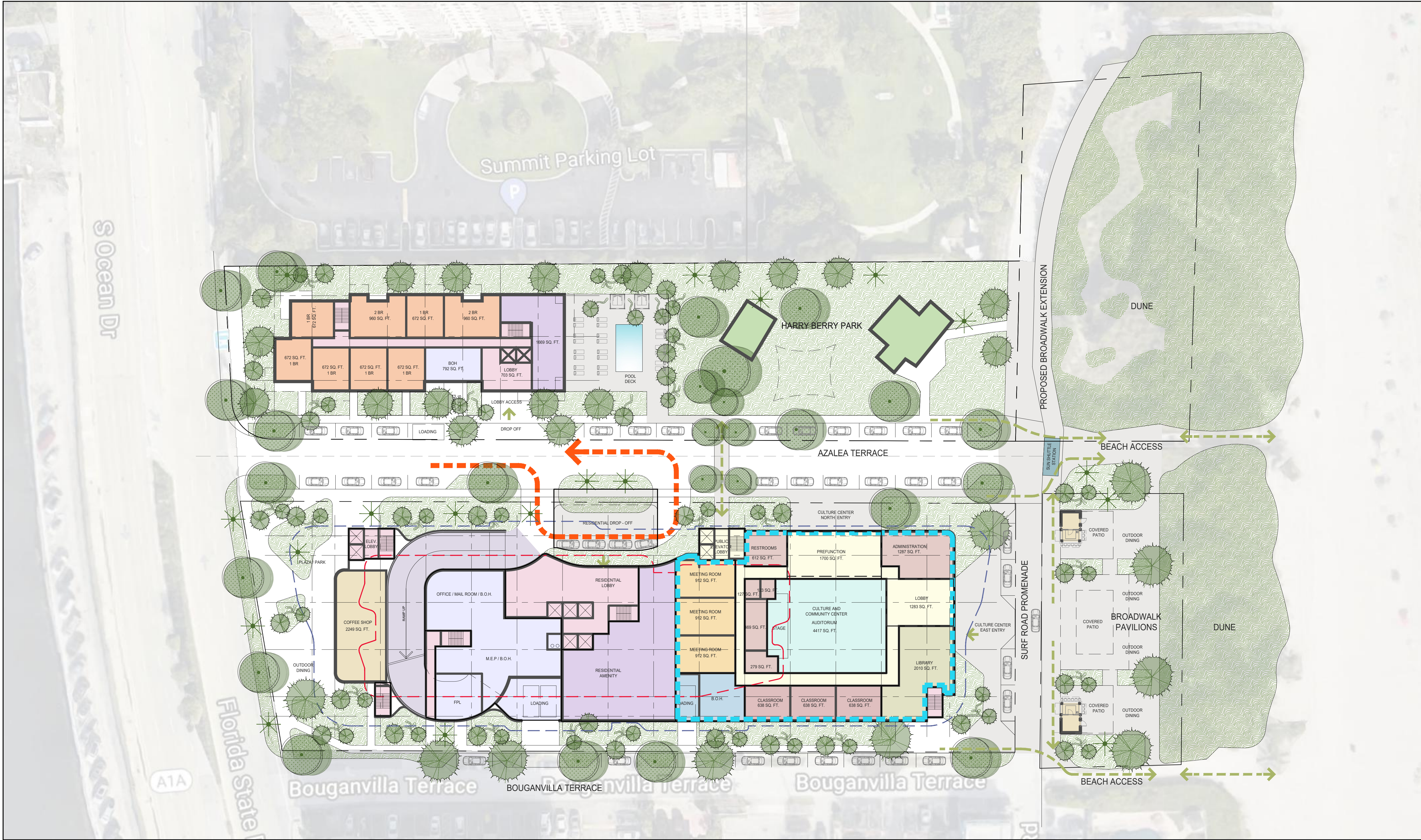
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1 SITE PLAN

Scale: 1" = 30'

REVISIONS / SUBMISSIONS



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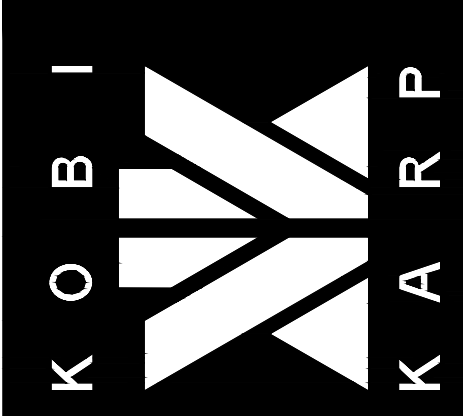
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SITE PLAN



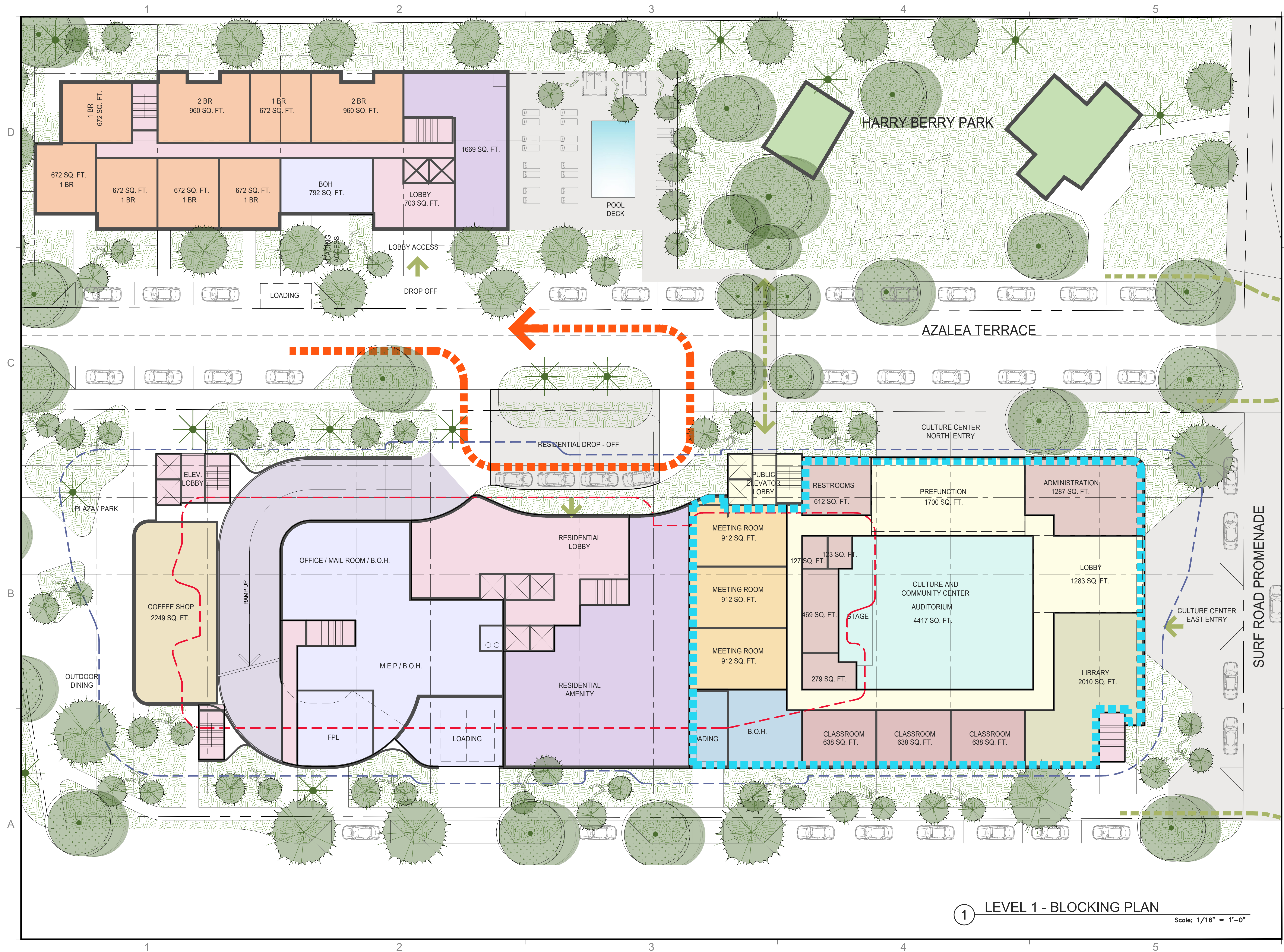
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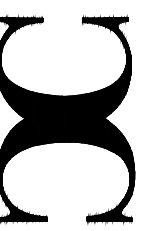
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GROUND LEVEL
OVERALL PLAN



CONTINUUM
COMPANY

Lic. # AR0012578

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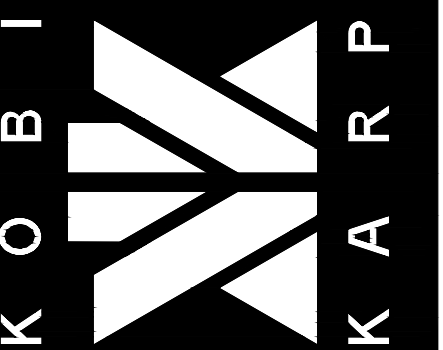
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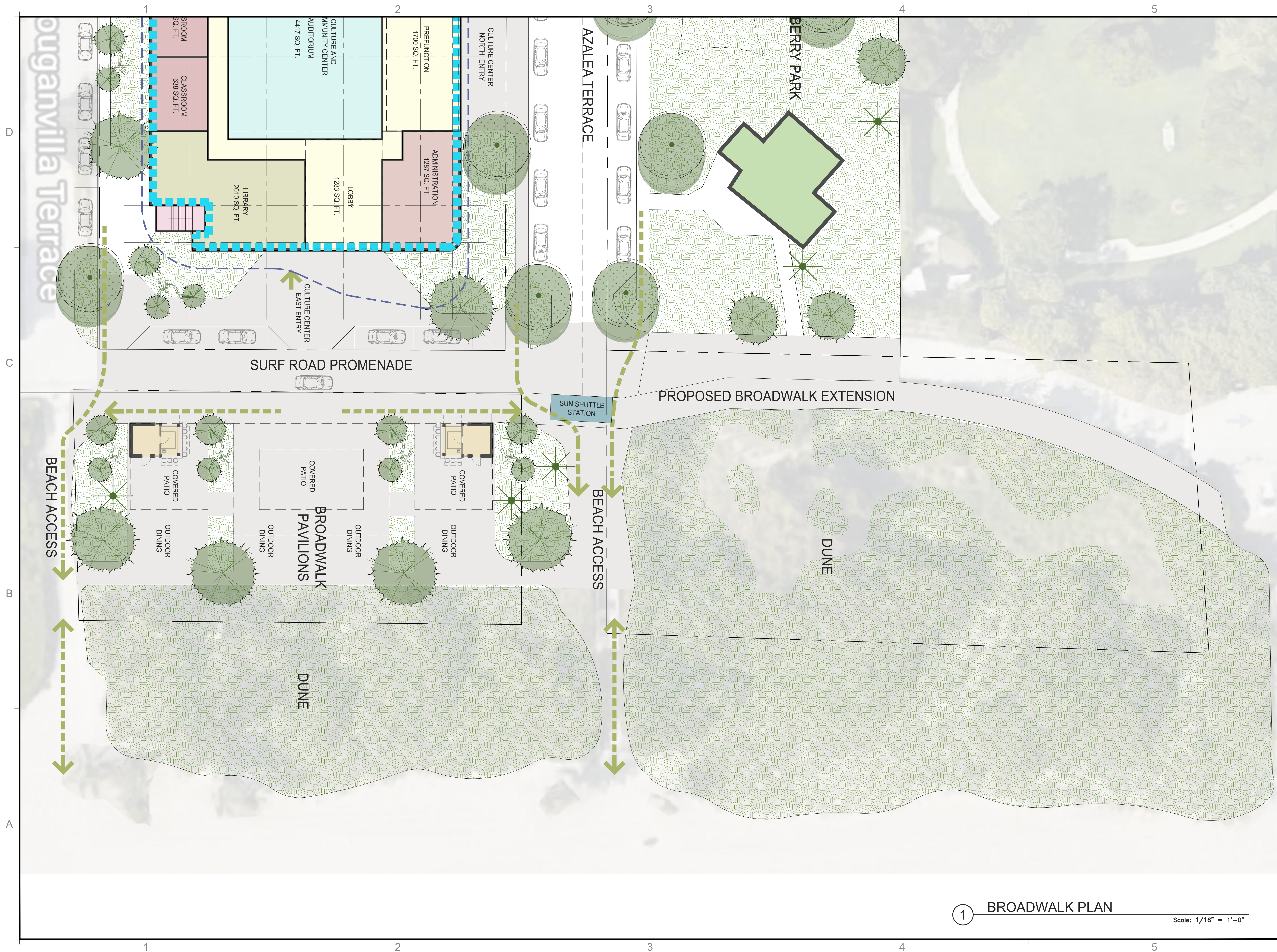
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BROADWALK PLAN
OVERALL PLAN



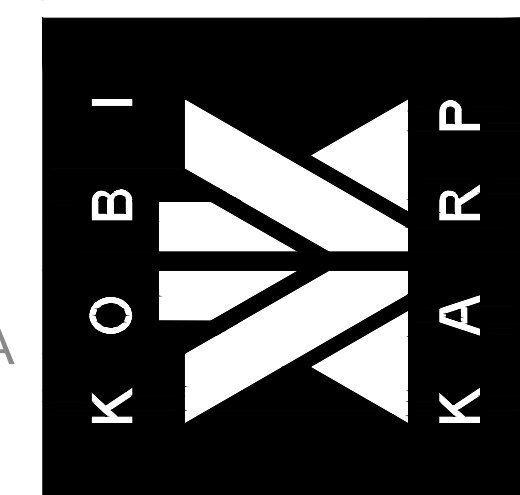
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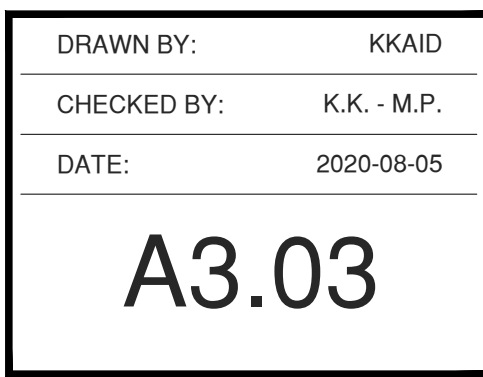
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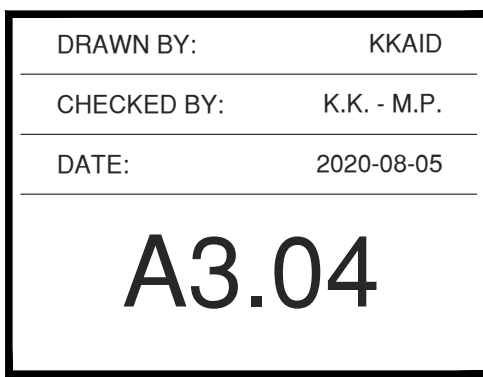
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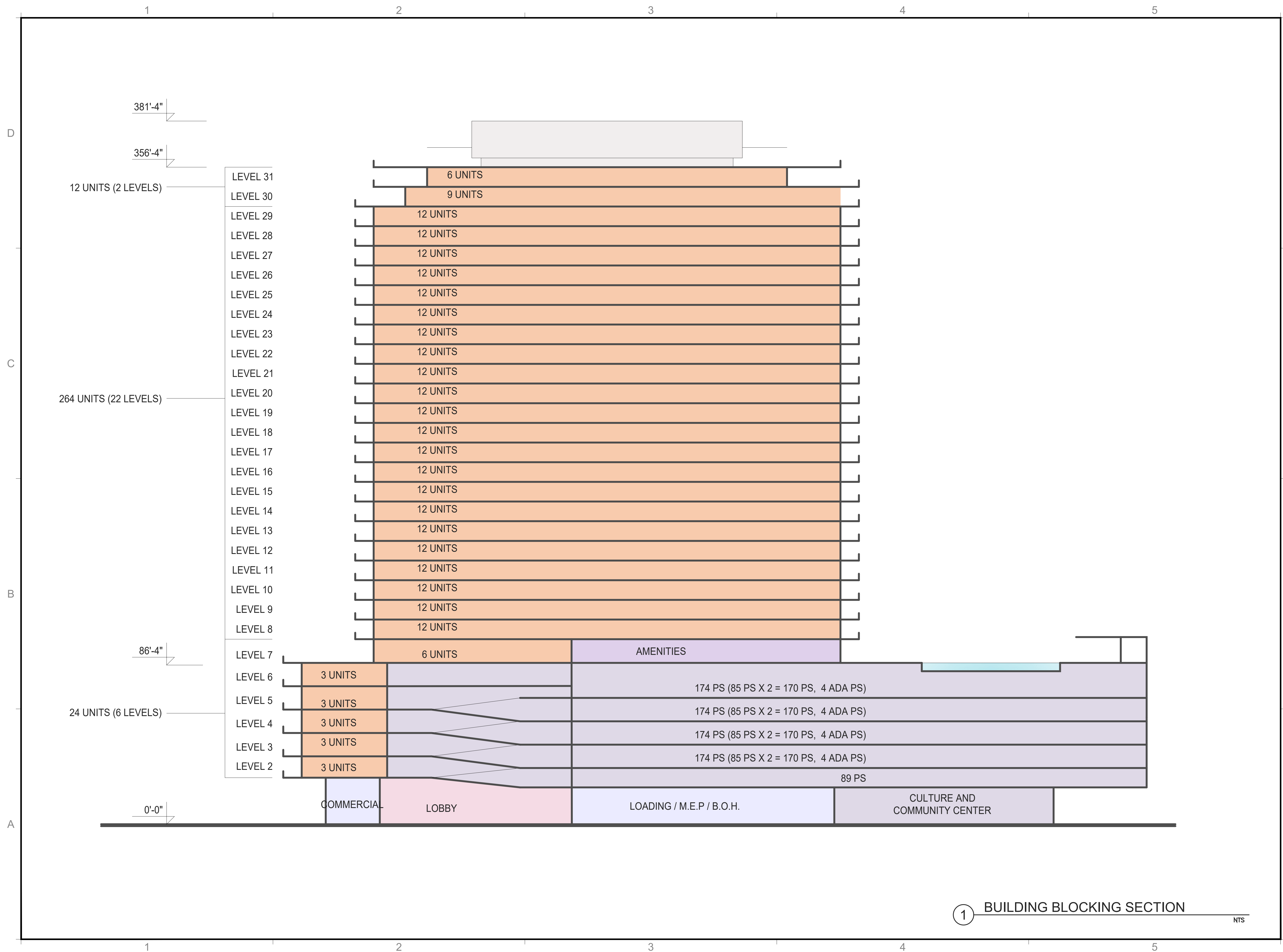
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BUILDING SECTION



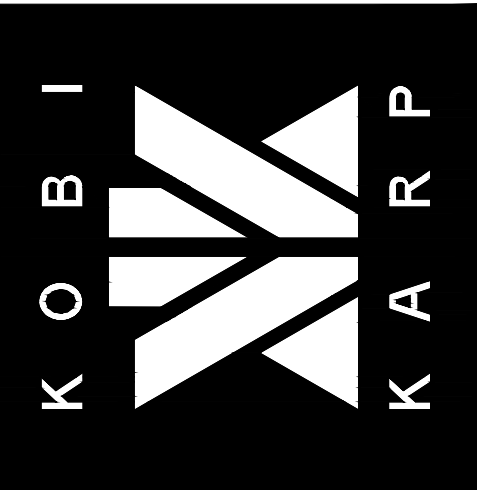
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The Continuum Company, LLC

Date: 2.11.21

City of Hollywood Program and Condo Program Sources and Uses

Sources & Uses of Capital

Sources

	Total
Equity	35,408,349
Pre Sales Deposits - 33%	84,000,000
Construction Loan	98,692,789
Total	218,101,138

Uses

Hard Costs	166,710,642
Soft Costs	43,504,281
Construction / Bridge Loan Interest	7,886,215
Total	218,101,138

Residential Condo Revenue

	<u>Saleable SF</u>	<u>\$/SF</u>	
Resi Condo Gross Proceeds	360,000	\$700	252,000,000
Less Closing Costs / Commission	8%		(20,160,000)
Less Presales			(84,000,000)
		Condo Proceeds	147,840,000
Residential Condo Proceeds			147,840,000

City of Hollywood Workforce Rental Income

Residential Rental Gross Income

Rents based on approx.95% AMI

	<u>Unit Type</u>	<u>Unit Count</u>	<u>Monthly Rent</u>	
	Studio	16	\$1,500	288,000
	1 BDRM	34	\$1,600	652,800
	2 BDRM	10	\$1,950	234,000
		60		1,174,800
Vacancy	3.00%			(35,244)
Rental Opex	5,445 Unit			(326,692)
			Net Residential Rental Income	812,864
Net Operating Income - Workforce Housing				812,864

City of Hollywood Parking Income

	<u># of Spaces</u>	
Parking Revenue	118	2,650,752
Parking Vacancy - 15%		(397,613)
		Net Parking Income
Net Operating Income - Parking Garage		2,253,139

NOTE: Parking Revenue Assumes Option A - 50% Resident & 50% Non Resident

Permanent Financing - Workforce Housing

	<u>perm financing</u>	
Construction Loan - 35 year amortizing at 4%	12,000,000	(637,596)
NOI		812,864
Annual Proceeds		175,268

Proceeds Summary

Residential Condo Proceeds	147,840,000
Developer Fee - 3% TDC	6,543,034
Repayment Construction Loan, less permanent financing on rental	(86,692,789)
Repayment of 1% Construction Loan Exit Fee	(986,928)
Repayment of Equity	(35,408,349)
Net Proceeds for Distribution	31,294,968

PROJECT DEVELOPMENT BUDGET

Date: 2.11.21

	Total
	46 months
Hard Costs	
<u>Hard Costs - City of Hollywood Program</u>	
Site Work and Site Improvements	2,800,000
Construction (Workforce Residential)	10,556,754
Construction Community Center - incl. \$75/ft TI's	4,745,533
Construction (Parking)	4,478,984
Boardwalk Pavilions	850,000
Harry Barry Park Improvements	500,000
Historic Hollywood Beach Boardwalk Extension	188,000
Retail Pavilion	183,678
Retail Pavilion TI's	48,000
Shuttle Stop Pavillion	150,000
<u>Hard Costs - Condo Program</u>	
Site work and Site Improvements	1,678,163
Construction (Residential)	108,127,326
Construction (Parking)	15,733,140
Owner's Contingency - 10%	16,671,064
Total Hard Costs	166,710,642
<u>Soft Costs</u>	
Architect/Design	3,436,540
Engineering	2,125,830
Consultants	1,889,470
Project Management	6,000,000
Insurance - CCIP provided by Suffolk	3,929,626
Legal - Borrower	320,000
Legal - Lender	405,000
Legal - General	295,000
Legal - Condo Offering Plan	115,000
Title Insurance	140,000
Financing Fees & Loan Costs - 1%	986,928
Mortgage Broker Fees - .5%	493,464
Marketing - Sales Gallery	5,260,000
FF & E, including Community Center	875,000
Developer Fee - 3% TDC	6,543,034
CBRE Fee - .95% TDC	2,071,961
Misc Hollywood Fees, Building Permit Fee and Impact Fees	1,450,000
Bonded Deposits 2%	1,947,000
Condo Association & Turnover Fees	870,000
Soft Cost Contingency 10.00%	4,350,428
Subtotal Soft Costs before Interest	43,504,281
<u>Interest</u>	
28 Month Construction Loan - L+7 7.13%	7,886,215
Interest	7,886,215
Total Development Costs	218,101,138



South Florida Building & Construction Trades Council
North America's Building Trades Unions

January 27, 2021

Mark Schaunaman
IUOE Local 487

Kenneth Scott
UA Local 725

Danniel Villarruel, Rec.
Sec. Tres.
SMW Local 32

Greg Levenson, Trustee
IUEC Local 71

John Sherman
Teamster Local 769

Miguel Aragon, Trustees
LIUNA Local 1652

Jeffery Penniston,
Sergeant of Arms
UA Local 519

Hollywood City Commissioners
2600 Hollywood Blvd.
Hollywood, FFL 33020

RE: Continuum Hollywood Beach Project

Dear Distinguished Commissioners,

The South Florida Building & Construction Trades Council and the National Building Trades has had the opportunity to work with the Continuum on past projects. The Continuum Company prioritizes local hiring of construction workers and uses State registered apprentices. Residents in the construction will have the opportunity to work on the project, they will also have the opportunity learn a trade on this project with the Continuum Company.

Please take this into consideration in your decision in selecting a developer on the project. The South Florida Building & Construction Trades strongly supports the Continuum Company because of their efforts to make sure sub-contractors in Broward County use local electricians, plumbers, pipefitters, carpenters, iron workers, operating engineers and use registered apprentices through the Broward County School Board.

Thank you for all you do for the Hollywood residents, including myself who was born and raised in Hollywood FL.

Sincerely,

Mark Schaunaman
President

Value on Display. EVERY DAY.

20375 NE 15th Court | North Miami Beach, FL 33179

