Leadership Project

Habitat for Humanity of Broward Report

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Urban Land Institute Southeast Florida/Caribbean

Executive Summary

Project Intent & Approach

The ULI Leadership Project Team (LPT) worked with the Habitat for Humanity of Broward County with developing strategies related to enhancing the success of an existing ReStore in Ft. Lauderdale and meeting the growing needs of the organization. After multiple meetings between the ULI Leadership Project Team and Habitat for Humanity, three scenarios were evaluated:

(1) Habitat for Humanity staying at the current location and remodeling,

(2) redeveloping the property with a development partner and

(3) selling the property and relocating to another location.

***The detailed analysis for these scenarios includes identifying potential risks, anticipated costs, return on investment (ROI), case studies and recommended next steps.

Project Mission. To identify strategies that are consistent with the Habitat for Humanity mission statement of bringing people together to build homes, communities and hope. For this project this includes maximizing the success of the ReStore's retail operations and potential expansion to accommodate back-of-house operations and community outreach programs through analysis of existing site potential and future development considerations.

In light of the market uncertainty caused by the ongoing novel coronavirus (COVID-19) pandemic, meaningful analysis of redevelopment and/or sale/relocation scenarios proved to be challenging. Therefore, the LPT includes information about COVID-19 impacts on the real estate, retail and development industry sectors.

Research & Analysis

Existing site analysis was performed by meeting with the City of Fort Lauderdale records and planning departments, reviewing original onsite approvals and reviewing existing applicable zoning and land use requirements governing the site. Public resources aimed at enhancement of development of affordable housing opportunities in Broward County were provided from LPT member professional knowledge, engagements and experience.

The LPT has closely watched and evaluated the ever-evolving COVID-19 market impacts on the retail, real estate and development industries, its effect on personal, professional and economic confidence, and the unanswered questions left in its wake. Where analysis of future outcomes is best determined by evaluating well-established historical market information and trends, the unprecedented global health crisis and resulting market impacts rendered such information temporarily obsolete, thereby making decisions about future outcomes tenuous at best. As the economy continues to open, uncertainty is reduced, but still present due to rising infections which have the potential to continue to disrupt retail and development.

Recommended Strategies

Without abandoning the ultimate goal of determining the best use of the existing ReStore facility to maximize the mission of Habitat for Humanity, this report provides considerations to help make short term decisions until more reliable information can be obtained once the effects of this unprecedented market disruption and volatility begin to settle. Together with research, review of local plans, governmental guidelines, and team background and expertise, the following short-term strategies were developed in light of COVID-19 impacts on the retail, real estate and construction industry sectors.

Strategies:

1. Asses the viability of maintaining traditional retail operations and migrating towards more of an online presence in light of COVID-19 market impacts.
    - Develop a continuity plan in case of future mandatory shut downs with alternative ways to attain fulfillment and last mile execution.
    - Continue to monitor CDC guidelines for mitigating spread of virus. Implement additional measures where appropriate.
    - Continue to consider non-physical improvements from a business strategy standpoint (i.e., enhance curbside service; focus on advertising and marketing of online services; develop an on-line shopping presence). Coordinate with other Habitat Restore regions and review how competitors have recently made this transition. Salvation's Army online retail website shopthesalvationarmy.com is a specific example.
2. Engage a commercial real estate broker to monitor for opportunities to purchase a second property.
    - Samples of commercial real estate brokerage companies - CBRE, JLL, Avison Young, Marcus & Millichap

- Request specific agents with development experience and who have worked with non-profits before
- Negotiate advantageous commission terms, i.e.
    - No fees earned until closing
    - Broker to contribute a portion of its commission as a donation to Habitat for Humanity

3. Explore development incentives to enhance future redevelopment possibilities.
    - Assess Florida Housing Finance Corporation (FHFC) funding strategies at state level
    - Broward County Housing Finance Division typically has $10-15 million available annually to support affordable & workforce multifamily development
    - Explore city resources directly from City of Ft. Lauderdale
    - Engage with Community Redevelopment Agency (CRA) for local incentives available
4. Develop an internal consensus on how to move forward in the short and long term.
    - Identify what market factors will be key for you to move forward with short and long-term goals (i.e. economic market stabilization or property value increasing by certain dollar amount).
    - In the meantime, continue to do homework on economic market trends in retail and real estate.
    - Enjoy potential increase in activity at the ReStore resulting from market demand for discount home goods.

Acknowledgements

The ULI Leadership Project Team created this report with the guidance and leadership of the ULI Staff, leaders and program liaisons, in consultation with various private and public community professionals and in collaboration with Nancy Robin, Thor Barraclough and the members of the Habitat for Humanity of Broward County Board of Directors.

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Project Intent & Approach

The ULI Leadership Project Team (LPT) worked with the Habitat for Humanity of Broward County with developing strategies related to an existing ReStore in Ft. Lauderdale. The site is comprised of 2 parcels at 501 and 513 W. Broward Blvd totaling 1.22 acres. With the success of Habitat for Humanity's ReStore at this location and community services the facility offers, the existing facility will need to be expanded to meet the organizations growing needs. After multiple meetings between the ULI Leadership Project Team and Habitat for Humanity, three scenarios were evaluated. These include (1) Habitat for Humanity staying at the current location and remodeling, (2) redeveloping the property with a development partner and (3) selling the property and relocating to another location. The detailed analysis for these scenarios includes identifying potential risks, anticipated costs, return on investment (ROI), case studies and recommended next steps.

Project Mission. To identify strategies to maximize the success of the ReStore's retail operations and potential expansion to accommodate back-of-house operations and community outreach programs through analysis of existing site potential and future development considerations.

In light of the market uncertainty caused by the ongoing novel coronavirus (COVID-19) pandemic, meaningful analysis of redevelopment and/or sale/relocation scenarios proved to be challenging. Therefore, the LPT includes information about COVID-19 impacts on the real estate, retail and development industry sectors.

Given the state of the market, meaningful analysis about potential risks, anticipated costs, ROI and recommended next steps in connection with future development of the existing site, relocating the facility to another location (whether through ownership or by lease) and selling or holding the existing site is difficult to ascertain. Evolving trends and market reaction should continue to be watched and taken into consideration when developing short and long term plans for maximizing the ReStore's potential and its contribution toward achieving Habitat's mission.

Research of Existing Site

Habitat for Humanity of Broward County currently owns 2 parcels of property located at 501 and 513 W. Broward Blvd in Fort Lauderdale that total 1.22 acres. The properties are currently within the City of Ft. Lauderdale's Regional Activity Center West Mixed Use (RAC-WMU) and within opportunity zone 12011041600. The research conducted within this section analyses the original approvals for the project, current zoning of the property, existing nonconforming uses and recent development activity around the property.

Original Site Approvals

501 W. Broward Blvd was developed and built in 1984/1985 as a West Marine store. 513 W. Broward Blvd was originally developed and built in 1958. When attempting to obtain the original site plan approvals for both of the sites micro-film files were reviewed at the city of Ft. Lauderdale records department and no approved site plans were found within these records. The ULI Leadership team also met with Tyler LaForme from the City of Ft. Lauderdale planning department to research available documents the city has in their cold storage facility. After these records were pulled and reviewed it was determined that an approved site plan was never recorded and or saved to the cities records for these properties. After further discussions with Tyler LaForme on what development rights and limitations the property has, it was determined that the current site will be utilized as a baseline for what was approved.

Existing Zoning and Land Use

Both properties are within the City of Ft. Lauderdale's Regional Activity Center West Mixed Use (RAC-WMU). Within this zoning district, RAC – WMU falls under the RAC-TMU criteria which does not specify a maximum height and density greater than 25/du/acres is allowable but requires that the Downtown Design criteria guidelines be met. The projects density, height and general design guidelines are governed by this criteria fall with the Near Downtown characteristics. This category recommends retail, and a variety of housing. The maximum floors within this part of downtown is limited to 30 floors and have specific criteria on how the building will need to be designed from an architectural perspective.

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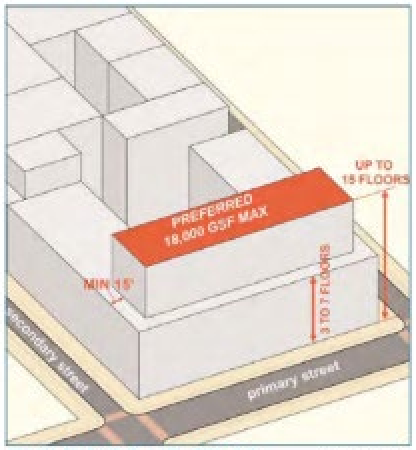
Please see design criteria below on how the city will require the building to be designed based on the height.

[Figure 4.200] The Downtown RAC with Character Area designations

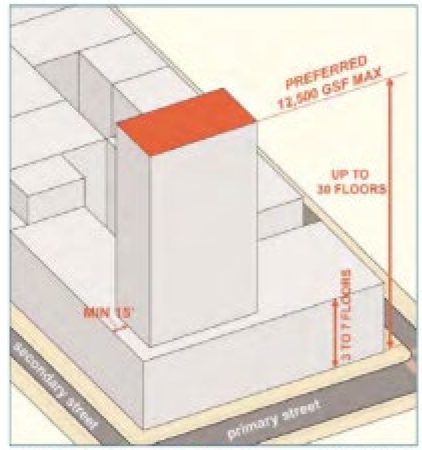
18,000 sf max.



BUILDINGS UP TO 15 FLOORS [Figure 4.210]

RESIDENTIAL

12,500 sf max.



BUILDINGS UP TO 30 FLOORS [Figure 4.211]

Recent Development Activity around the Property

Example projects that fall within the Near Downtown Criteria and have recently been approved or constructed have been summarized below:

Project Name	Address	Acreage	Development Summary	Developer
Fat City	300 N. Andrews Avenue	106,879 sf	30 Stories, 612 residential units, 88k of restaurant and retail and 183k of office	NEWJGA, LLC
Rivers Lofts on 5th	307 SW 5th Ave	62,686 sf	30 Stories, 368 residential units	River Lofts on 5th, LLC
FAT Village East	501. N. Andrews Avenue	166,466 sf	13 Stories, 307 Residential Units, 31k sf of Restaurant/ retail, 70k sf of office 145 hotel room	FAT Village Properties, LLC
Main Las Olas North	212 SE 2nd Avenue	62,413 sf	28 stories, 348 residential units, 32,368	212 Partners, LLC

			SF retail	
Main Las Olas South	201 E. Las Olas	58,325 sf	15 Stories, 16.5k sf retail, 373 k sf office	Broward College Foundations
The Rise	405 NE 2nd Street	37,582 sf	30 Stories, 191 residential units, 2,200 SF retail	Encore Housing Opportunity Fund
333 Victoria	319 NE 7th Avenue	13,700 sf	13 Stories, 63 Residential Units with 3,400 SF Retail	Global Dynamic Group

Nonconforming Uses, Structures and Lots

The project is currently zoned RAC-WMU which does allow consignment, thrift stores, which is consistent with the uses from the main ReStore building. However, building supplies, materials and equipment with outdoor storage, a current use at the auxiliary building on the site, is not permitted under applicable zoning, but are currently grandfathered in constituting a permitted non-conforming use. If a nonconforming use is changed to a permitted use, or terminated in all or portion of a building or property (i.e., in the event of redevelopment), the nonconforming use which was permitted or terminated shall not be resumed.

A nonconforming structure is any structure which is in compliance with the zoning regulations applicable at the time the structure was established and for which all required permits were issued, which structure would be prohibited, restricted, or would otherwise not conform to the ULDR. Nonconforming structures shall include those structures which do not comply with the yard, lot coverage, height or any other structural restrictions of the ULDR with the exception of regulations relating to parking facilities or vehicular use areas.

Continuation of a nonconforming structure. A nonconforming structure may continue in existence subject to the following:

a. A nonconforming structure may not be enlarged or altered in a way which increases its nonconformity, but a nonconforming structure may be altered to decrease its nonconformity.
b. An addition may be made to a nonconforming structure provided that the addition meets all current ULDR requirements except an addition described in Sec. 47-3.2.B.3.

Existing Non-Conforming Parking: Any parking facility which is in existence on the effective date of this ordinance which is in compliance with the zoning regulations applicable at the time the parking facility was established and for which all permits were issued which parking facility would be prohibited, restricted or would otherwise not conform to the ULDR may continue in existence as a nonconforming parking facility in accordance with the provisions of this section.

Except as provided in the ordinance, a structure or use with nonconforming parking may not be enlarged, increased in floor area, use extended or changed to a use which is not approved in accordance with the provisions of Section 47-3.5.

A nonconforming parking facility may increase the number of parking spaces up to fifty percent (50%) of its existing spaces without losing its nonconforming status if the additional spaces conform to the provisions of the section in effect at the time a permit is issued for construction of the additional spaces subject to the provisions of Section 47-21, Landscape and Tree Preservation Requirements.

Where any nonconforming parking facility is reconstructed or enlarged to the extent that greater than fifty percent (50%) of the number of parking spaces is provided, or alterations or improvements exceed fifty percent (50%) of the replacement value of the parking facility, the full amount of off-street parking and loading spaces shall be supplied and maintained for the structure or use.

Bulk Zoning Requirements Based on Existing Zoning

Required to provide 60% of the required parking for (nonresidential uses): Retail Sales 1/250 sf gfa (Gross Floor Area), Furniture Store 1/800 sf gfa, Wholesale Sales 1/800 sf gfa.

Recommended Strategies

Expansion of Existing Facilities

One of the development strategies considered was evaluating what improvements can be made to the existing buildings and site without triggering any threshold requirements to improve any currently approved nonconforming uses. On 12/23/19, the city of Ft. Lauderdale Zoning Department confirmed that the site currently has no violations on file with the city and that there is no approved site plan on file. As described under the nonconforming uses and structure section of the report, any adjustments made to existing nonconforming scenarios with parking, use of site and building could trigger the site to be brought up to current City of Ft. Lauderdale standards.

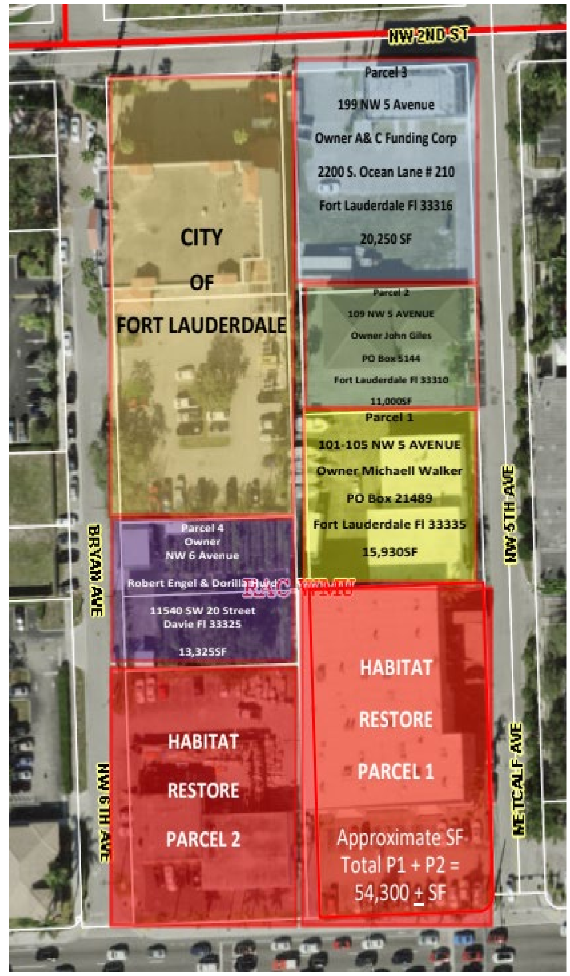
Prior to making any modifications or improvements to the building or site, a meeting should be coordinated with Ft. Lauderdale Urban Design and Planning Department to discuss the planned improvements and if they will trigger the site and/or building to be brought up to current code.

Below are the primary contacts at the city that are familiar with this site.

Tyler LaForme, LEED Green Associate, URBAN PLANNER II
954-828-5633
TLaForme@fortlauderdale.gov

Jim Hetzel, AICP, LEED Green Associate, PRINCIPAL URBAN PLANNER
954-828-5019
JHetzel@fortlauderdale.gov

Redevelop Existing Property



It is our understanding that in exploring options to redevelop the existing parcels on Broward Boulevard, Habitat is open to exploring adjacent parcels to enhance a redevelopment scheme. Proposed alternatives take into account Habitat's wish to maintain a retail presence at the location in any redevelopment and for the proposals to incorporate the goal of facilitating affordable, quality housing for Broward County's residents. Most appropriate public resources to assist in maintaining affordable places to live in Broward County are oriented to multi-family rental housing and both schemes proposed below seek to connect Habitat with the best resources known at this time.

<u>Scheme 1</u>: Affordable Housing

The main route via which multifamily rental housing is developed is through the Low Income Housing Tax Credit (LIHTC) program. The LIHTC program is a federal income tax credit provided by the IRS which is administered by each state according to a defined set of policies and procedures. In the state of Florida, the Florida Housing Finance Corporation (FHFC) is the state entity charged with administering federal tax credits. Through this program, developers and owners are incentivized to provide rental units to income-qualified individuals at a below market rate, generally restricted at or below 60% of Area Median Income, by awarding one-for-one offsets against federal income tax liability. There are two types of credits that can be achieved, 9% and 4% credits, for which the percentages refer to the portion of eligible development costs that the tax credits are calculated on. In Florida historically both types of credits require a competitive award (i.e. there are more applicants for these credits than credits available). For the 9% credits, these are administered geographically, and Broward County's proposed developments are considered alongside those in Hillsborough, Pinellas, Orange, Palm Beach, and Duvall for funding. Typically 1-2 developments are funded in Broward County each year with 9% credits. Once awarded, the tax credits are then (typically) sold by the developer to an investor who has federal income tax liability that they want offset (most usually large banks or Fortune 500 company) and a limited partnership structure will be created between the investor (who is the controlling member of the LP) and the originally awarded developer as the general partner. Many of these general partnerships will also be a sub-joint venture between a not for profit (like Habitat) whose mission is to provide affordable housing and a developer who has the capacity and expertise to demonstrate to the Investor that they can successfully develop a proposed project. Should Habitat for Humanity have an interest in pursuing partnership further, there are several developers active in South Florida that they could begin a dialogue such as Atlantic Pacific Communities (note one of the leadership project participants is an employee), the Richman Group, and Vestcor Companies. The mechanics of these partnerships (in terms of responsibilities matrix & financial splits) are typically negotiated between the parties and can vary significantly. For instance, some not for profits get a share of financial benefits (developer fee & cash flow) while retaining the ability to assume the general partner interests at some point in the (15 year) compliance term or the full limited partner interests at the end via a right of first refusal. Other non-profits prefer to receive the full land value up front and passive economic benefits but not have a continuing participation in the partnership responsibilities on an ongoing basis.

1a: When a project is awarded tax credits, the credits cover a period of 10 years over which they are administered annually. 9% credits in Broward County are limited by FHFC at $2,561,000 annually per project. That means that over the 10 year credit flow period, a project will be entitled to $25,610,000 in total credits (this functions as the equity in the capital stack to offset the restricted rents that hold down the debt sizing that an unrestricted development could otherwise support) provided that the project's eligible costs support the annual credit basis at or above the cap. Additionally, the tax credit market once credits are awarded is fluid, meaning investors compete to offer the developers awarded credits the best price on the dollar (called the syndication rate). Before tax reform in 2017, tax credits in Broward County were regularly trading for more than a dollar on the dollar (sometimes as high as $1.15 in equity being offered for every $1 in tax credits awarded to the development). However, with corporate tax rates significantly cut in tax reform the market saw around a 15% decrease to where many developments were getting $1 to $0.95 for every tax credit awarded. COVID has also significantly affected tax credits (with banks having much of their corporate gains erased by the market dropping and wider economy dropping into recession there is much less need to offset income tax liability) where most investors are projecting an additional 5-10% decrease to pricing. This means most equity pricing for a development of this type would be in the $0.93-0.96 range. Each decrease by $0.01 in equity pricing typically means $285,000 lost in potential equity for the capital stack. This directly impacts the number of units a developer can place on a site (since the income to size debt is capped). Pre-covid a proposed mid-rise development scheme (7-8 stories) on Habitat's site could potentially have supported around 130 units, with the reduction to pricing this would be closer to 100 units.

<u>1b</u>: Another route could be the 4% program. These credits are much less competitive (they are less than half the value of the 9% credits) and typically require some other source of funding to partner with the tax credit equity and the amount of debt that can be size. 4% credits do benefit by automatically allowing the development to access tax exempt bonds as the source of debt (which is a type of debt that the market greatly values at this time, meaning very low interest rates). In order to get the financial (and operational) efficiencies to size the debt needed to pair with the 4% credits, most of the deals are larger (150+ units) and Habitat's ability to go vertical (or expand the site) could make this an opportunistic fit. This proposed scheme would need to combine with parcels 1 & 4 to create an optimized development program. In terms of typical gap resources that have been used to bridge a gap on 4% deals in Florida these have included CDBG funds from HUD, property tax relief/abatement, direct funds from local municipalities (like the City of Ft. Lauderdale or Broward County), & direct support from CRAs. Unfortunately (and unlike 9% credits) the 4% rate floats in an inverse relationship to bond yields (i.e. US Treasuries). One of the notable capital markets trends of the COVID era has been a notable decrease to Treasuries, which would help debt sizing in a 4% scheme, but also has led to a decrease in the 4% rate to near-historic lows. There are active proposals in Congress to fix the 4% rate (at 4%) and if this were to pass it would go a long way toward allowing 4% deals to pencil without additional gap financing. For now, though, a 4% scheme could optimize at 250 units in a high-rise configuration but the development still has a projected gap of around $5 million.

<u>1c</u>: Finally, there are affordable rental housing developments that are done without tax credits. These deals are usually done by partnering with Broward County's Housing Finance Agency. Broward HFA typically has $10-15 million in direct resources (in any given funding year) to fill the gap that would otherwise be filled by tax credit equity and then administered tax exempt bonds to follow their gap funds (however they typically split the above amount between 2-3 developments). As a result, the development would need to reduce back to a mid-rise scheme at around 100 units and would need significant other resources from the City, CRA & property tax relief to pencil.

<u>Scheme 2</u>: Mixed-income Workforce Housing

Another route that could work for this site, given the density that is allowed (up to 30 stories) is to create a mixed-income workforce housing development. This would allow a mix of affordable units at higher AMI percentages (including 100% and 80% AMI households) alongside market rate units. This scenario would have a much higher unit count (500-600 units) in a high-rise configuration (to maximize the 30 stories allowed). This proposed scheme would need to combine with parcels 1 & 4 to create an optimized development program. The higher unit count would support the debt sizing necessary to cover 70-80% of total project costs. The remaining 20-30% would come from Broward County, CRA, &/or City support (any scenario would need property tax relief as well to help with the debt sizing) and through the raising of an Opportunity Zone fund. A real estate tax abatement or PILOT would also need to be negotiated to stimulate additional debt sizing in return for part of the development having restricted rents. Opportunity Zones were allowed by the IRS to foster investment by the private sector in under-invested census tracts by granting federal income tax benefits to developer that undertake investments in those areas. Opportunity Zone funds allow those investing in them to essentially write-down the gain from any capital appreciation in previous investments. Some investors remain wary of investing in Opportunity Zone funds due to the volatility of the market in the COVID-era, but with the positive market trajectory since May many investors have recouped the long-term gain that was lost in the early market (March/April) declines from COVID and this has come to be an active and viable financing strategy again.

PROCESS TO INCORPORATE EXISTING ALLEY IN REDEVELOPMENT

The Alley between Lots 25-48 of Block 8 of BRYAN SUBDIVISION OF BLOCKS 5, 8, & 19, FT. LAUDERDALE, FLA. as recorded in Plat Book 1 at Page 18 of the Public Record of Dade County, Florida (Location: from West Broward Boulevard to N.E. 2nd Street between 5th and 6th Avenues) has been vacated pursuant to Ordinance No. C-84-52 recorded in Official Records Book 11843, Page 35 of the Public Records of Broward County, Florida. The effect of the vacation is such that (i) the easterly ½ of the alley should revert in ownership to the owners of the lots adjacent thereto and (ii) the Resolution approving the vacation retained a 10ft. utility easement by the City over the vacated property.

Development over the vacated alley would likely require removing and/or moving the referenced utility easement. The process to remove a utility easement is as follows:

1. Survey and Legal description. From a professional surveyor, obtain:
   - a short form or simple legal description of area to be vacated

- a survey of the site

2. County Action, if applicable:
   - Schedule a pre-application meeting with **Broward County** Planning and Development Management Division to confirm that County action is needed and understand their survey requirements.

3. City Action:
   - Schedule a pre-application meeting with **City of Fort Lauderdale** Sustainable Development

4. Apply to **City**, review/recommend/approval steps are:
   - Submit application to the Development Review Committee
   - Submit application to the Planning & Zoning Board with notice
   - Submit application to City Commission with notice
   - Upon approval, the City will issue a resolution.

5. Once the final City Resolution is in hand, apply to the **County**
   - Submit an opinion of title (no more than 30-days old). This requires professional legal services.
   - Must obtain no-objection responses from utilities. This process can be quite time consuming and often involves assistance from the surveyor
   - Advertising and sign posting
   - Public hearing
   - Recordation of Resolution

Relocate Facility to another location

Due to the instability of markets from Covid-19 impacts, meaningful analysis about potential risks, anticipated costs, ROI and recommended next steps in connection with relocating the facility to another location (whether through ownership or by lease) and with selling or holding the existing site is difficult to ascertain. We hope to see some market stabilization in the coming months and supplement this report with more helpful information at that time. In the meantime, the LPT recommends that Habitat keep an eye on the market for possible unexpected opportunities and evolving trends in retail leasing.

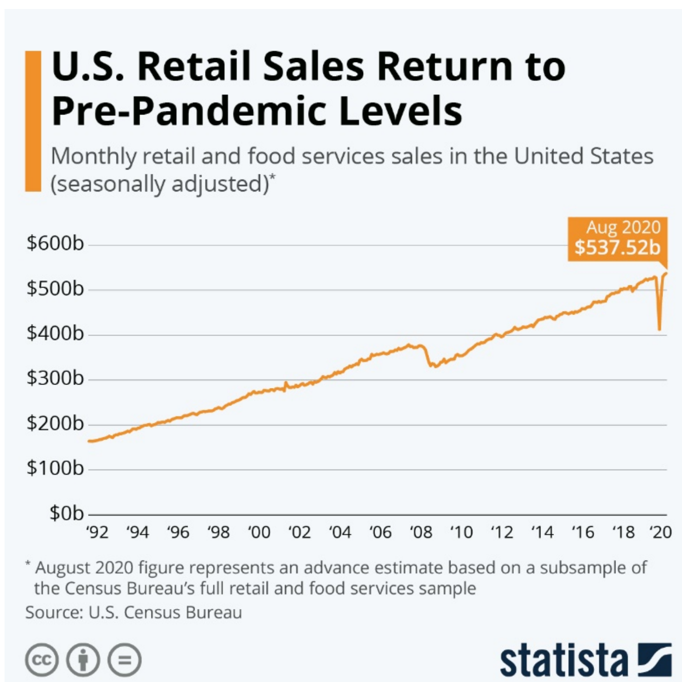
COVID-19 Impacts/Considerations

Overview

Due to impacts of the COVID-19 pandemic, all sectors of real estate, construction and retail industries have been affected in response to public health restrictions across the board. It will be difficult to accurately predict when the economy will fully recover.

COVID-19 Impact on Retail

Traditional bricks and mortar retail businesses not associated with grocery and food retailers have seen significant declines since March. Retail spending dropped overall by 16.4% in April. Overall, retail has returned to pre-pandemic levels[1], but the recovery has not been even. Sales have increased for on-line retailers, while sales at traditional brick and mortar stores have declined.



[1] Statista, U.S. Retail Sales Return to Pre-Pandemic level, September 17, 2020, https://www.statista.com/chart/21760/monthly-retail-sales-in-the-united-states/.

Below is a summary of how different parts of retail in August compared to the end of 2019[2].

- Online (nonstore) retailers: +19.6%
- Grocery stores: +12.2%
-
- General merchandise stores: +2.2%
- Gas stations: -16.9%
- Department stores: -18.9%
- Restaurants and bars: -20.9%
- Sports, music and other hobby stores: -.07%
- Furniture stores: -11.3%
- Clothing and accessories stores: -34.9%

Over the last six months, retail industry leaders have turned their attention to how to restructure their business in the face of the current pandemic. Retail has re-opened under a state-by-state patchwork of restrictions[2]. On September 14, 2020, Broward County was moved into Phase 2 of re-opening.[3] Under phase 2, retail business should consider the following mitigation measures:

- Operate at no more than 75 percent of building capacity.
- Post signage to direct the flow of customers within the premises to promote social distancing.
- Regularly clean and disinfect working stations and commonly touched surfaces at the greatest frequency feasible.[4]

In-store second hand sales are expected to recover in 2021, while online second hand sales are predicted to continue to rise substantially.[5]

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[2] U.S. Census, Advance Monthly Sales for Retail and Food Services, August 2020, https://www.census.gov/retail/marts/www/marts_current.pdf (last visited October 14, 2020).
[2]RetailDive, Opinion - COVID-19: The Ultimate Stress Test for Retailers, April 9, 2020, https://www.retaildive.com/news/covid-19-the-ultimate-stress-test-for-retailers/575565/.

[3] State of Florida Office of the Governor, Executive order Number 20-223, available at https://www.flgov.com/wp-content/uploads/orders/2020/EO_20-223.pdf.
[4] Report to Govenor DeSantis from the Re-Open Florida Task Force, Safe. Smart. Step-by-Step. Plan for Florida's Recovery, available at https://www.flgov.com/wp-content/uploads/covid19/Taskforce%20Report.pdf.
[5] Thread Up, 2020 Resale Report, https://www.thredup.com/resale/#resale-growth.

COVID-19 Impact on Real Estate Development

Under the Department of Homeland Security guidance residential and commercial real estate services, including settlement services, are an essential service[6]. This means that the leasing and transfer of real property could continue while the safer at home orders remain in effect.

Anecdotal Observations

Covid-19 Industry Challenges. Notwithstanding that real estate services have been declared an essential service by the Department of Homeland Security, as a result of the novel Coronavirus (Covid-19) pandemic, developers have been presented with new challenges to overcome almost daily. These include dealing with the impacts of practicing social distancing, learning to work remotely and with reduced staff and continuing with "business as usual" despite market uncertainty, business and agency closures, travel restrictions, logistics coordination, to name just a few. Real estate development and sales is a hands-on business, from pure physical construction, to selection of design materials, to pre-closing walk-throughs and the physical act of signing, recording and delivering documents and funds between various parties to conclude a closing.

Evolving Trends (observation only). From a real estate development perspective, during this pandemic, 3 trends have evolved: First, developments that are nearing completion and have pre-sales are proceeding without too much resistance. Scheduling building inspections, obtaining approvals and coordinating logistics with purchasers has been an adjustment, but developers with resourcefulness and flexibility seem to be the most successful. Second, new sales have slowed. There seems to be less new contracts being entered into and those that are, are being more heavily negotiated. Third, despite the slower new sales pace, the more sophisticated and seasoned developers are continuing to pursue new development. Given the lead time involved in the zoning, planning and design stages, many developers want to be ready to go when the market stabilizes. [7]

On-going impacts upon Reopening: How does this impact new development considerations for the ReStore?

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[6] U.S. Dept. of Homeland Security, Advisory Memorandum on Identification of Essential Critical Infrastructure Workers During COVID-19 Response, March 28, 2020, https://www.cisa.gov/sites/default/files/publications/Version_3.0_CISA_Guidance_on_Essential_Critical_Infrastructure_Workers_1.pdf

[7] Miami Herald, Escarra: Developers Continue to Buy Real Estate in Miami's Rising Neighborhoods, May 6, 2020, https://www.miamiherald.com/news/business/real-estate-news/article242511611.html

a. Timing. The real estate industry continues to adjust. The Safe, Smart, Step by Step order [8] that is currently being implemented by Governor DeSantis is allowing markets to slowly get back up and running but no one can predict if we will see a resurgence of the disease. Expect short staffing and remote working delays to continue. Also, due to back log and social distancing guidelines, anything requiring a public hearing will likely take longer once they are fully resumed.

b. Financial motivation from municipalities. States will likely be hurting financially as a result of the pandemic and they may be looking for ways to recover. This may fuel motivation to approve projects that will generate tax income. New incentives for development in this regard may be implemented and should be closely watched.

COVID-19 Impact on Construction Industry

The construction industry was deemed essential under governmental stay-at-home orders first issued in Miami-Dade[9] and Broward Counties[10], and then state-wide for Florida[11]. Therefore, construction work continued on most new building projects already under way in South Florida. Construction industry groups have propagated new safety guidelines intended to reduce the likelihood of disease transmission on construction sites. These guidelines have been adopted by some municipalities and are being enforced by law enforcement. Building Department have also implemented new procedures to minimize personal contacts. Face coverings are required for all essential workers while indoors.[12]

At least one in-progress construction project in Fort Lauderdale for build-out of a new restaurant was stopped for several month by the project owner presumably due to cash-flow concerns by the restaurant chain. However, the closing of in-progress construction projects is rare as May 2020.

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[8] Report to Govenor DeSantis from the Re-Open Florida Task Force, Safe. Smart. Step-by-Step. Plan for Florida's Recovery, April 29, 2020, available at https://www.flgov.com/wp-content/uploads/covid19/Taskforce%20Report.pdf

[9] Miami-Dade County Emergency Order 07-20, March 19, 2020, available at https://www.miamidade.gov/information/library/coronavirus-emergency-order-07-20-businesses.pdf.

[10] Broward County Administrator's Emergency Order 20-01, March 22, 2020, available at https://www.broward.org/CoronaVirus/Documents/BerthaHenryExecutiveOrder20-01.pdf

[11] State of Florida Executive Order 20-91, April 1, 2020, available at https://www.flgov.com/wp-content/uploads/orders/2020/EO_20-91-compressed.pdf.

[12] Declaration of Emergency Regulations (Face Coverings), City of Ft. Lauderdale Mayor, April 10, 2020, available at https://www.fortlauderdale.gov/home/showdocument?id=45993.

On the other hand, for projects not yet begun by March, anecdotal information shows that many project developers delayed the start of project which were previously scheduled to start in the first or second quarter of 2020 until the third quarter of 2020. Some project owners requested better pricing from contractors due to reduction in commodity prices and other reasons. Commodities prices slipped significantly in mid-March but have now recovered with the exception of oil.

Commodity	1 Year Price Change (May 1, 2019 to May 26, 2020)	10 Month Price Change (Jan. 1, 2020 to October 13, 2020)	Commercial Construction Components Affected
Oil[13]	-48%	-35%	plastics (pvc, cpvc), freight, asphalt
Aluminum[14]	-16%	2%	Windows frames, handrail, appliances, electrical, drywall framing, bus duct
Copper[15]	-13%	9%	electrical wire, electrical switchgear, bus duct, plumbing pipe, HVAC coils
Iron Ore[16]	-7%	34%	rebar, structural steel
Lumber[17]	+13%	32%	trim, cabinetry, trusses

COVID-19 Supplemental Resources:

Resources are available on-line that provide additional information on the impact of the novel coronavirus and the economic response legislation enacted by the federal government.[18] The federal legislation has an impact on both non-profits[19] and on the real estate industry.[20]

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[13] Markets Insider, *Oil (WTI) Commodity*, https://markets.businessinsider.com/commodities/oil-price?type=wtc (last visited May 26, 2020).
[14] Markets Insider, *Aluminum Commodity*, https://markets.businessinsider.com/commodities/aluminum-price (last visited May 26, 2020).
[15] Markets Insider, *Copper Commodity*, https://markets.businessinsider.com/commodities/copper-price (last visited May 26, 2020).
[16] Markets Insider, *Iron Ore Commodity*, https://markets.businessinsider.com/commodities/iron-ore-price (last visited May 26, 2020).
[17] Market Insider, *Lumber Commodity*, https://markets.businessinsider.com/commodities/lumber-price (last visited May 26, 2020).
[18] Covid-19 Economic Stimulus Information. https://www.gtlaw.com/en/general/covid19/covid-economic-stimulus-information (last updated September 16, 2020).
[19] GT Alert – The Impact of the CARES Act on Non-Profits, March 31, 2020, https://www.gtlaw.com/en/insights/2020/3/the-impact-of-the-cares-act-on-nonprofits.
[20] GT Alert – Real Estate Provisions of the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act), March 31, 2020, https://www.gtlaw.com/en/insights/2020/3/real-estate-provisions-of-the-coronavirus-aid-

Conclusions

Habitat for Humanity's mission to bring people together to build homes, communities and hope is more vital than ever in 2020 due to the massive disruptions and economic impact of the novel coronavirus pandemic. Despite changing market conditions, Habit's ReStore property remains a very valuable asset for Habit for Humanity to use in support of its mission. However, due to current uncertainty, the LPT recommends a cautious analysis when considering options, while remaining open to new opportunities which may arise. The following four action items are recommended for the next three to six-month period while the world adjusts to the "new normal".

1. Access the viability of maintaining traditional retail operations in light of COVID-19 market impacts.
2. Engage a commercial real estate broker to monitor for opportunities to purchase a second property.
3. Explore development incentives to enhance future redevelopment possibilities.
4. Develop an internal consensus on how to move forward in the short and long term.

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Team Bios

Chris Capellini, PE, CFM, LEED BD+C
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Chris is Principal of the Florida operations for Bohler, a 700-person civil consulting firm with offices across the Northeast, Mid-Atlantic and Southern markets. As Principal, Chris is responsible for the growth, operations and results, leading staff, and driving initiatives that enhance the client and employee experience at Bohler. As a veteran development consultant to clients ranging from local and regional developers, commercial real estate owners/investors and retail organizations including numerous Fortune 500 brands, Chris has the technical consulting, project advisory and client experience skills that deliver successful project and business results.

In 2018, Chris joined Bohler's office in Boca Raton to lead the firm's South Florida operations. He assumed this leadership role to expand operations capabilities and efficiencies in the firm's current and future locations statewide.

Prior to entering the Florida market, Chris was the Branch Manager of Operations in the firm's Charlotte, North Carolina office where he launched and grew the firm's office from initial start-up to 25 professionals contributing to retail, mixed-use, industrial, multifamily and residential projects and programs. His native Florida roots, combined with project experience across the Southeast and East Coast, arm Chris with the regulatory and development knowledge to support new construction, redevelopment and expansion projects across the commercial and residential real estate sectors.

A graduate of Florida State University with a Bachelor of Applied Science, he is a licensed professional engineer, certified floodplain manager and a LEED AP BD+C credentialed professional. He is active in industry organizations such as Urban Land Institute (ULI), International Council of Shopping Centers (ICSC) and NAIOP. He is married to his wife Jen and raising their family with two young children in Boca Raton, Florida.

Meredith L. Singer
Attorney
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Meredith joined Greenberg Traurig in 2001 after receiving her law degree from the University of Florida. Her practice focuses primarily on representing developers in the structuring, creation and operation of residential, commercial, mixed-use and hotel condominiums, vertical subdivisions and attached developments, warehouse/office parks and planned developments. Meredith's experience centers around the structuring and initial sales and marketing of condominium and vertical subdivision projects, planned communities and complex mixed-use developments. Her practice also focuses on advising developers and lenders in confronting the issues related to fractured condominiums, exit strategies and subsequent developer issues.

Recent representative projects include: Park Grove, Coconut Grove, 87 Park, Miami Beach, Brickell City Centre, Miami, Brickell Flatiron, Miami, SLS LUX, Miami, 1000 Museum, Miami, Hyde Midtown, Oceana Bal Harbour, 15701 Collins, Sunny Isles Beach, 18975 Collins, Sunny Isles Beach, 4010 South Ocean, Hollywood, 100 Las Olas, Fort Lauderdale, Auberge Beach, Fort Lauderdale Beach and The Bristol, West Palm Beach.

Meredith currently lives in Coconut Grove and works in the downtown Miami area. From there, she's enjoys her role in helping the surrounding communities literally grow up around her. Before law school, Meredith earned her undergraduate degree in Psychology from the University of Florida and her master's degree in Education with a focus on mental health counseling from the University of Miami. Meredith is an avid traveler and participant in goal-oriented events, such as long distance running, ropes courses and other adventure challenges.

Diana Manning Yankee
Project Executive
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Diana has over twenty years of commercial construction experience in South Florida. She combines her construction experience with a legal education to mitigate construction risks and deliver safe, high quality, successful projects.

Diana was born to a military family and grew up in seven states and two foreign countries. After graduating from high school in England, Diana briefly studied architecture, but soon turned to construction. She earned a Bachelor of Science degree in Construction Management from the University of Florida and later returned to UF during the construction recession to also earn a law degree.

In her early career, Diana worked on iconic South Florida projects including the Delano Hotel in Miami Beach, the Jade Ocean Condominium in Sunny Isles, the Santa Maria Condominium in Miami and the Four Seasons Tower in Miami.

Recently, Diana led Kast's team building Fort Lauderdale's tallest building - 100 Las Olas - a 47-story hotel/condominium tower.

Scott Kriebel
Senior Development Manager
Atlantic Pacific Communities
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Scott Kriebel is a native of Tennessee and has been a resident of South Florida since 2018. Scott received his undergraduate degree from the University of Richmond in Virginia and a master's degree from the London School of Economics in England. His previous professional roles include working for a real estate developer and sovereign wealth fund in London, England as well as for a real estate developer focused on providing affordable housing in Tennessee.

Currently, Scott works for Atlantic Pacific Communities as a senior development manager. In this role he oversees a team of developers working on the entitlement, regulatory compliance, & financial structuring of new construction and rehabilitation developments in South Florida, Texas, Maryland, and Washington DC. Atlantic Pacific's developments are a mix of affordable and market-rate multifamily communities. Scott is an active member of ULI, having previously served on product committees including capital markets, housing, and governmental relations. He is also an avid traveler, hockey fan, and volunteer in the historic preservation community.

Teneka James –Feaman
Associate Director
West Palm Beach Downtown Development Agency
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Teneka James joined the DDA team in November 2007 as Business Coordinator. Teneka earned her bachelor's degree from the University of Florida and has since developed an impressive career, including working for the Florida Citrus Sports, Palm Beach County Sports Commission and the American Cancer Society, fine-tuning her skills in marketing and branding strategies, business development and event planning.

In 2012, Teneka was promoted to Associate Director. While working for the DDA Teneka received her master's in business administration with a specialization in management from Nova Southeastern University in 2014. In 2016, Teneka was one of twenty-six accepted into the International Downtown Association's Emerging Leader Fellowship Program, focused on urban placemaking and management. Most recently she was appointed as the Director of the West Palm Beach Arts and Entertainment District.

As the Associate Director of the DDA and Director of the A&E District, Teneka works extensively on cultivating business relations, retail recruitment, developing and implementing business programs, and overseeing the marketing and public relations department for the DDA and A&E District. She works closely with stakeholders to address their needs and concerns, and to develop tailored promotions and events.

Teneka serves as a board member of the West Palm Beach Police Athletic League and Friends of the Library for the West Palm Beach Mandel Public Library.