

CITY OF FORT LAUDERDALE

OFFICE OF THE CITY AUDITOR

Bahia Mar Redevelopment Revenue Projections

Report #17/18-01

December 4, 2017



Memorandum

Memo No: 17/18-02

Date: December 4, 2017

To: Honorable Mayor and Commissioners

From: John Herbst, CPA, CGFO, CGMA
City Auditor

Re: **Bahia Mar Redevelopment Revenue Projections**

Last week I received a revenue projection schedule from Jimmy Tate, consistent with the plans for the Site Plan Level IV submittal for the redevelopment of the Bahia Mar property.

Since the configuration is conceptual at this point, a formal business plan was not available for review. The revenue figures should be viewed as a rough estimate of the potential impact to the City's lease revenue, assuming no changes to the lease terms are made.

The attached schedule was provided with the following caveats:

Attached hereto, please find a proposed revenue projection analysis, as requested. Although the report is based upon the disclaimers and assumptions highlighted therein, please make note that we did try to be as accurate as possible in regard to potential realities of current revenue streams from the hotel (we assumed a 25% decrease in tower building from the adjusted revenue stream which takes into consideration any potential loss of revenue due to nearby construction) and marina (we assumed a 15% decrease in the marina income (not boat show income) just in case there is a little decrease of revenue although we don't see that occurring since we are developing in phases and the buildings are relatively small and the marina can easily be protected).

Again, this report is based upon multiple future projections and assumptions, many of which we can't control and some that we can control. Hence the assumptions are subject to change once the development commences. Additionally, we make no representation that these forward looking projections and assumptions are accurate and or binding.

My review was limited solely to assessing the reasonableness of the projections, based on the assumptions herein. I did not audit the schedule, examine evidence supporting the amounts and assumptions made, nor independently attempt to develop figures for the average room rates, average occupancy rates or potential impact of construction on existing revenue streams.

Based on my review, the worksheet formulas are generally accurate, the amounts used for residential and commercial rates appear reasonable, and the reductions in revenue due to the construction and lease-up phases make the revenue figures more conservative. In short, the total revenue and associated annual rent to the City offer a practical starting point for estimating the financial impact of the proposed redevelopment.

By the end of the 10 year construction and leasing period, the City can expect to see its annual rent go from \$1.6 to \$3.7 million, an increase of \$2.1 million.

One additional revenue stream not included in this analysis is the increased ad valorem taxes that will be generated by the new construction. City staff is presently working with the Property Appraiser's Office to come up with a preliminary estimate of that amount.

Attachment

cc: Lee R. Feldman, City Manager
Cynthia A. Everett, City Attorney
Jeff Modarelli, City Clerk
Stanley Hawthorne, Assistant City Manager
Christopher Lagerbloom, Assistant City Manager

Rahn Bahia Mar LLC
Schedule of Projected Revenues

						2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
HOTEL																	
current																	
	rooms	ave. rate	ave. occ.	adj.	annual increase												
Tower Bldg	181	167.23	85%	105.0%	2.50%	9,860,385	10,106,894	10,359,567	10,618,556	8,163,015	new hotel						
Marina Wing	115	167.23	85%	95.0%	2.50%	6,668,505	6,835,218	7,006,098	7,181,251	5,520,587	new hotel						
Other Income					2.50%	1,512,000	1,549,800	1,588,545	1,628,259	1,251,724	new hotel						
	296					18,040,890	18,491,912	18,954,210	19,428,065	14,935,325	0	0	0	0	0	0	
new																	
Tower Bldg	256	235.00	85%		2.50%					old hotel	18,664,640	19,131,256	19,609,537	20,099,776	20,602,270	21,117,327	
Other Income					2.50%					old hotel	1,350,000	1,383,750	1,418,344	1,453,802	1,490,147	1,527,401	
											20,014,640	20,515,006	21,027,881	21,553,578	22,092,418	22,644,728	
MARINA																	
											under constr. 95.0%	under constr. 95.0%	under constr. 90.0%	under constr. 90.0%	under constr. 85.0%	under constr. 85.0%	under constr. 90.0%
Marina Revenue					2.50%	18,343,000	18,801,575	19,271,614	19,753,405	19,234,878	19,715,750	19,145,031	19,623,657	18,996,790	19,471,709	21,132,532	
Other Income					2.50%	770,000	789,250	808,981	829,206	849,936	marina commercial leases included below						
						19,113,000	19,590,825	20,080,596	20,582,611	20,084,814	19,715,750	19,145,031	19,623,657	18,996,790	19,471,709	21,132,532	
						sq. ft.	ave. rate	ave. occ.	annual increase								
PHASE 1																	
Building 1 Residential	150,650	2.75	25%							1,242,863							
Construction 1/1/20 - 6/30/21										75%							
Lease up 7/1/21 - 6/30/22										95%	2.50%						
Building 1 Commercial	3,724	75.00	25%							69,825							
Construction 1/1/20 - 6/30/21										95%	2.50%						
Lease up 7/1/21 - 12/31/21											265,335	271,968	278,768	285,737	292,880	300,202	307,707
Building 2 Residential	150,650	2.75	25%							1,242,863							
Construction 1/1/20 - 6/30/21										75%							
Lease up 7/1/21 - 6/30/22										95%	2.50%						
Building 2 Commercial	3,724	75.00	25%							69,825							
Construction 1/1/20 - 6/30/21										95%	2.50%						
Lease up 7/1/21 - 12/31/21											265,335	271,968	278,768	285,737	292,880	300,202	307,707
Building 5 Commercial	6,000	75.00	25%							112,500							
Construction 1/1/20 - 6/30/21										95%	2.50%						
Lease up 7/1/21 - 12/31/21											427,500	438,188	449,142	460,371	471,880	483,677	495,769
PHASE 2																	
Building 3 Commercial	12,001	75.00	25%							225,019							
Construction 1/1/21 - 6/30/22										95%	2.50%						
Lease up 7/1/22 - 12/31/22											855,071	876,448	898,359	920,818	943,839	967,435	

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				2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
PHASE 3														
Building 4 Residential	143,570	2.75	25%						1,184,453					
Construction 1/1/22 - 6/30/23			75%							3,553,358				
Lease up 7/1/23 - 6/30/24			95%	2.50%							4,500,920	4,613,442	4,728,779	4,846,998
Building 4 Commercial	38,665	75.00	25%						724,969					
Construction 1/1/22 - 6/30/23			95%	2.50%						2,754,881	2,823,753	2,894,347	2,966,706	3,040,873
Lease up 7/1/23 - 12/31/23														
Building 7 Grocery	30,000	35.00	75%							787,500				
Construction 7/1/22 - 12/31/23			95%	2.50%							997,500	1,022,438	1,047,998	1,074,198
Lease up 1/1/24 - 06/30/24														
Building 7 Commercial	13,072	75.00	75%							735,300				
Construction 7/1/22 - 12/31/23			95%	2.50%							931,380	954,665	978,531	1,002,994
Lease up 1/1/24 - 06/30/24														
PHASE 4														
Building 8 Residential	143,570	2.75	25%							1,184,453				
Construction 1/1/23 - 6/30/24			75%								3,553,358			
Lease up 7/1/24 - 6/30/25			95%	2.50%								4,500,920	4,613,442	4,728,779
Building 8 Commercial	8,677	75.00	25%							162,694				
Construction 1/1/23 - 6/30/24			95%	2.50%							618,236	633,692	649,534	665,773
Lease up 7/1/24 - 12/31/24														
Building 10 Residential	143,570	2.75	25%							1,184,453				
Construction 1/1/23 - 6/30/24			75%								3,553,358			
Lease up 7/1/24 - 6/30/25			95%	2.50%								4,500,920	4,613,442	4,728,779
Building 10 Commercial	8,677	75.00	25%							162,694				
Construction 1/1/23 - 6/30/24			95%	2.50%							618,236	633,692	649,534	665,773
Lease up 7/1/24 - 12/31/24														
Building 11 Commercial	3,634	75.00	25%							68,138				
Construction 1/1/23 - 6/30/24			95%	2.50%							258,923	265,396	272,030	278,831
Lease up 7/1/24 - 12/31/24														
PHASE 5														
Building 14 Residential	138,982	2.75	25%									1,146,602		
Construction 1/1/25 - 6/30/26			75%										3,439,805	
Lease up 7/1/26 - 6/30/27			95%	2.50%										4,357,086
Building 14 Commercial	5,061	75.00	25%									94,894		
Construction 1/1/25 - 6/30/26			95%	2.50%									360,596	369,611
Lease up 7/1/26 - 12/31/26														
Building 15 Residential	132,695	2.75	25%									1,094,734		
Construction 1/1/25 - 6/30/26			75%										3,284,201	
Lease up 7/1/26 - 6/30/27			95%	2.50%										4,159,988
Building 15 Commercial	5,061	75.00	25%									94,894		
Construction 1/1/25 - 6/30/26			95%	2.50%									360,596	369,611
Lease up 7/1/26 - 12/31/26														

Rahn Bahia Mar LLC
Schedule of Projected Revenues

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total Revenues	37,153,890	38,082,737	39,034,806	42,748,551	43,660,503	52,922,762	61,818,530	70,361,350	75,151,505	81,983,590	86,832,177
Rent Rate	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
Annual Rent	1,579,040	1,618,516	1,658,979	1,816,813	1,855,571	2,249,217	2,627,288	2,990,357	3,193,939	3,484,303	3,690,368
	INCREASE OVER PRIOR YEAR			157,834	38,758	393,646	378,070	363,070	203,582	290,364	206,065
	INCREASE OVER PREVIOUS CONFIGURATION			237,773	276,531	670,177	1,048,247	1,411,317	1,614,899	1,905,262	2,111,327

Notes:

These assumptions are only projections, actual results may vary.

Rental income, occupancy, and timing of each phase of the project are all subject to matters both within and beyond the developer's control.

These assumptions will be adjusted based upon, among other matters, the timing of each phase, general market conditions (local, state, federal and international), the economy, the financial markets, weather events, Boat Show, availability & costs of construction, etc.

The developer makes no representations on the accuracy of these forward-looking projections.

	sq. ft.
Commercial	108,296
Residential	1,003,687
Grocery	30,000
	<u>1,141,983</u>