



# Development Feasibility Assessment & Recommended Positioning for 1000 Lake Avenue

Prepared for Lake Worth CRA | Completed by Jon Stover & Associates | August, 2016



Economic  
Development  
Consulting

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SECTION 1

# Summary of Findings & Project Background

- + *Executive Summary*
- + *Project Background*
- + *City & CRA Objectives*

# Executive Summary



# RECOMMENDED POSITIONING FOR 1000 LAKE AVENUE

## EXECUTIVE SUMMARY

### BACKGROUND

The CRA owns the building located at 1000 Lake Avenue in Lake Worth, Florida. Constructed in 1927, the building contains 14,400 sf of space. It is a designated historic structure by the City of Lake Worth and is located in the Old Town National Historic District. The City’s Planning, Zoning, and Historic Preservation Department has jurisdiction over the renovation and redevelopment of the building.

### PROJECT PURPOSE

The CRA hopes to redevelop 1000 Lake Avenue and has secured a variety of potential funding sources to assist in this process. The CRA conducted studies to assess estimated site development and design considerations. **The purpose of this project is to help inform CRA decision making by conducting an in-depth market analysis, determining an optimal land use arrangement, and estimating anticipated revenues on site.**

### LAND USES & BUILDING PROGRAM

The following land uses were assessed:

- Retail
- Office
- Condominiums
- Market-rate apartments
- Subsidized apartments

The following building heights were considered for the site:

- 2.5 stories (current configuration)
- 4 stories (historic footprint)
- 6 stories (potentially allowed by zoning)

### HIGHEST & BEST USE ASSESSMENT

Retail use is recommended for the ground floor and basement space. Condominiums (scenario 1) and apartments (scenario 2) are the most viable above-ground uses.

POTENTIAL LAND USE	PROJECTED RENT/PRICE	COMMUNITY IMPACT	REC. FOR GROUND FLOOR	REC. FOR FLOORS 2+
<b>Retail</b>	<b>High</b> \$1.70/sf/mo.	<b>High</b> Creates value, vibrancy	<b>Yes</b>	<b>No</b>
<b>Condos</b>	<b>Moderate</b> \$157/sf	<b>High</b> Adds density/mixed use	<b>No</b>	<b>Yes</b>
<b>Market-Rate Apartments</b>	<b>Moderate</b> \$1.43/sf/mo.	<b>High</b> Adds density/mixed use	<b>No</b>	<b>Yes</b>
<b>Subsidized Apartments</b>	<b>Lowest</b> \$0.80/sf/mo.	<b>High</b> Adds density/mixed use	<b>No</b>	<b>No</b>
<b>Office Space</b>	<b>Moderate</b> \$1.38/sf/mo.	<b>Low</b> Minimal benefit	<b>No</b>	<b>No</b>

# RECOMMENDED POSITIONING FOR 1000 LAKE AVENUE

## EXECUTIVE SUMMARY

### REVENUES AND VALUATION

Based on the highest and best use analysis, two preferred land use scenarios emerged: (1) ground floor retail with condominiums on the above-ground floors and (2) ground floor retail with market-rate apartments on the above-ground floors. Projected stabilized annual revenues and building values are summarized below for both scenarios given three potential building heights.<sup>1</sup>

#### Scenario 1: Retail and Condominiums

Building Height	Retail Gross SF	Condo Gross SF	# of Units	Stabilized Retail Rev	Tot. Condo Sales	Total Bldg. Value	Value Less Const. Costs
2.5 stories	10,463 sf	9,918 sf	8	\$139,000	\$1,073,000	\$3.25 M	-\$20,000
4 Stories	10,463 sf	20,329 sf	17	\$139,300	\$2,363,000	\$4.54 M	-\$2.3 M
6 Stories	10,463, sf	32,625 sf	28	\$139,300	\$4,105,000	\$6.28 M	n/a

#### Scenario 2: Retail and Apartments

Building Height	Retail Gross SF	Apartm't Gross SF	# of Units	Stabilized Retail Rev	Stabilized Apt. Rev	Total Bldg. Value	Value Less Const. Costs
2.5 stories	10,463 sf	9,918 sf	8	\$139,300	\$109,000	\$3.35 M	\$80,000
4 Stories	10,463 sf	20,329 sf	18	\$139,300	\$251,000	\$4.88 M	-\$1.9 M
6 Stories	10,463, sf	32,625 sf	30	\$139,300	\$455,000	\$6.68 M	n/a

### RECOMMENDED NEXT STEPS

The CRA should consider taking the following next steps:

- **Complete a detailed financial analysis** that incorporates the market findings and positioning recommendations of this report in order to assess potential deal structures and corresponding project costs, equity and debt sources, revenue streams, etc.
- **Finalize the redevelopment strategy** by selecting a building program and land use scenario, determining the CRA's role in the development process, and creating an implementation timeline and work plan.
- **Reach out to potential retail tenants** to assess local demand and preferred buildout.
- **Find additional parking** to make up for the current onsite shortage of 9 spaces.
- **Conduct a feasibility assessment for acquiring and assembling adjacent sites** as part of a strategic and catalytic transit-oriented redevelopment effort.

# Project Background



# ANALYSIS PARTICIPANTS, CONTEXT, AND PURPOSE

## PARTICIPANTS

### Lake Worth CRA

The Lake Worth Community Redevelopment Agency invests in the revitalization of Lake Worth's neighborhood and commercial corridors. Formed in 1989, this quasi-public agency focuses on both public and private community-desired improvements. The CRA concentrates on downtown Lake Worth as well as Dixie Highway and the Gateways at 6th and 10th Avenues. For more information, visit [www.lakeworthcra.org](http://www.lakeworthcra.org).

### Jon Stover and Associates

Jon Stover and Associates (JS&A) is a Certified Business Enterprise (CBE) in the District of Columbia, and has completed dozens of successful projects locally and

nationally pertaining to corridor branding, sector planning, real estate development opportunity and economic impact, and neighborhood economic development strategies. For more information, visit [www.jonstoverandassociates.com](http://www.jonstoverandassociates.com).

## PURPOSE

There are two primary objectives for this analysis:

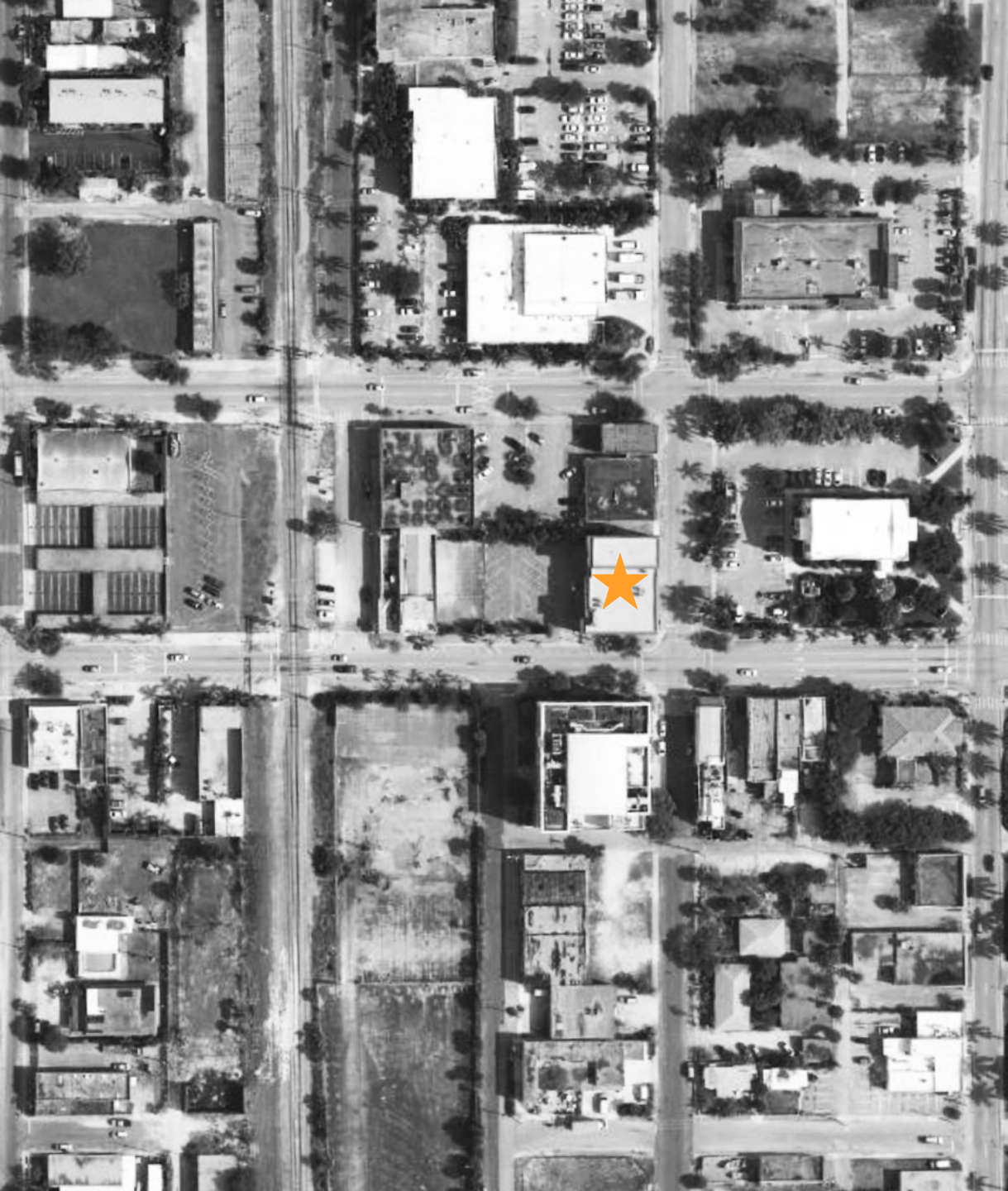
1. **Understand the development opportunity at 1000 Lake Avenue.** By analyzing the current market conditions in proximity to 1000 Lake Avenue, this comprehensive market analysis will assess the expected market viability.
2. **Determine an optimal land use arrangement and estimate corresponding revenues.** By

determining the optimal use of the building, the CRA can estimate the value of the project and understand how expected revenues will compare to expected development costs.

## BACKGROUND

The CRA currently owns the building at 1000 Lake Avenue in downtown Lake Worth, Florida. Constructed in 1927, the building contains 14,400 sf of vacant space and is a designated historic structure by the City of Lake Worth. After securing potential funding sources in the process of redevelopment, the CRA is moving forward with strategies for redevelopment.





## LOCATION

1000 Lake Avenue is located at the intersection of Lake Avenue and North H Street in downtown Lake Worth along the main commercial corridor of the city. The property is adjacent to the City of Lake Worth City Hall and sits a block east of the railroad that runs north-south through Lake Worth.

## CITY CONTEXT

The City of Lake Worth is located at the geographic center of Palm Beach County. Lake Worth is south of West Palm Beach and north of Boynton Beach sitting adjacent to the Lake Worth Lagoon. Palm Beach International Airport is approximately eight miles away from downtown Lake Worth via I-95.



## SITE ZONING

This site is currently zoned as Transit-Oriented Development East (TOD-E) encouraging compact, mixed-use development and diversity in how people live, work, and commute, as indicated in Lake Worth's Comprehensive Plan. As mixed-use development is desired in this district, a ratio of 75% residential and 25% non-residential is encouraged. The Comprehensive Plan also encourages arts, entertainment, and cultural activities and uses within this district.

1000 Lake Avenue is located in the Old Town National Historic District, one of six historic districts in Lake Worth. Directly abutting to the south is the South East Lucerne Historic District with North East Lucerne Historic District to the north. Old Lucerne to the northeast and South Palm Park Historic District to the southeast, are all in close proximity to the Old Town National Historic District. The presence of these historic districts indicate historic preservation as a key priority for Lake Worth as well as implies varying physical built character within the City.

-  TOD-E Zoning District
-  Old Town Historic District

Source: City of Lake Worth

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## BUILDING HISTORY

Constructed in 1927, the building at 1000 Lake Avenue is designated as an historic structure by the City of Lake Worth and is situated within the Old Town National Historic District. Over the past 90 years, this building has had a range of uses from office to retail to restaurant. The building once even featured a hotel.

Originally a four story building, hurricane damage reduced the height of this concrete and wood framed building. Currently, the majority of the building is two stories with the northern portion of the building three stories. The building contains a full basement. Overall, the building consists of approximately 14,381 sf in addition to the unimproved basement:

**Basement: 6,000 sf +/-**

**First Floor: 6,348 sf**

**Second Floor: 6,148 sf**

**Third Floor: 1,885 sf**

# City & CRA Objectives



# IDENTIFIED RELEVANT GOALS & OBJECTIVES: CITY OF LAKE WORTH

Based upon Lake Worth's Comprehensive Plan, there are key city goals relating directly to the development feasibility for 1000 Lake Avenue. Considering Lake Worth's goals in conjunction with the mission of the CRA, ensures the redevelopment of 1000 Lake Avenue complies with both entity's vision.

*“To preserve and enhance the City's community character as a quality residential and business center within the Palm Beach County urban area.”*

Lake Worth discourages the continuation of sprawl and promotes high-quality retail, office, and mixed-uses in the downtown area. Reduction of parking space requirements and recognition of public parking opportunities downtown are both identified strategies to encourage downtown development and redevelopment. Additionally, the City continues to promote compact development through designated

TOD zoned property as well as mixed-use high density residential zoning. The City aims to provide adequate and economical public services for development. Lake Worth's Comprehensive Plan articulates the goal for all future development and redevelopment site design within the City to incorporate land use patterns that are non-strip design and demonstrate the ability to encourage and attract a functional mix of uses.

While Lake Worth aims to preserve the character of the built environment in the city, the City also articulates their prioritization for historic preservation as a specific goal in their plan.

*“Encourage preservation and rehabilitation of historic resources.”*

Lake Worth encourages the redevelopment and renewal of blighted areas of the city and articulate emphasis on rehabilitating and restoring older structures. This priority

is demonstrated in the seven identified historic districts in Lake Worth – four of which are located downtown.

The City of Lake Worth identifies that providing housing options for all incomes is a priority for the City as articulated in their Comprehensive Plan:

*“Achieve a supply of housing that offers a range of residential unit styles and prices for current and anticipated homeowners and renters in all household income levels”*

Furthermore, the City specifies the objective of emphasizing “expanding opportunities within the existing community and housing stock rather than construction of new, large scale multi-family development.” Lake Worth's housing ambitions synchronize successfully with their focus on historic preservation and enhancing the community's character.

# IDENTIFIED RELEVANT GOALS & OBJECTIVES: LAKE WORTH CRA

The Lake Worth Community Redevelopment Authority defines their mission as:

*“The Lake Worth CRA is investing in our community to revitalize and rebuild our neighborhoods and commercial corridors. We are dedicated to maintaining the character of the City, responding to the community needs and encouraging sustainable economic growth to improve the quality of life for our residents and the future health of our City.”*

As indicated in their mission statement, the CRA is focused on the following goals: revitalization, character, and sustainable economic growth. Each of these indicators are key considerations within this analysis:

## **Revitalization**

As the current building at 1000 Lake Avenue sits vacant, the opportunity to redevelop this site has the potential to become a catalyst for the adjacent properties, bringing life and vibrancy into a more desolate area of the downtown.

## **Character**

Architecturally, 1000 Lake Avenue as a designated historic building attributes to the architectural identity within downtown Lake Worth. Maintaining the character of the building is valued as it sits within the historic district.

## **Sustainable Economic Growth**

With the premise of recommending the most viable building scenario based on market trends, the redevelopment of 1000 Lake Avenue will strategically help create economic growth for downtown Lake Worth.

# IDENTIFIED RELEVANT GOALS & OBJECTIVES: ARTS & CULTURAL INITIATIVES

With their offices in downtown Lake Worth, the Cultural Council of Palm Beach County is a multi-faceted local arts advocate that prioritizing cultural organizations and professional artists in the Palm Beach County area. Their focus and emphasis on cultural tourism is embedded in the unique identities of the communities within Palm Beach County, especially Lake Worth. The Cultural Council is the official designated organization for cultural development through “nurturing, promoting, and celebrating the artistic and cultural community.” The Cultural Council articulates Lake Worth as a key community for arts and culture:

*“As the home of the Cultural Council of Palm Beach County, it’s only natural that Lake Worth is regarded as a focal point of the county’s arts scene. Rich with history and flowing with creativity,*

*the city has much to offer, any given day of the year.”*

Through the Cultural Council of Palm Beach County and initiatives of both the CRA and the City of Lake Worth, arts and culture are a defined priority of the area, particularly in this downtown area.

The CRA helped develop the LULA Lake Worth Arts program that focuses on attracting and emphasizing arts and culture with the redevelopment of downtown Lake Worth. LULA and the CRA developed the Urban Arts Lofts providing live/work space for artists in close proximity to 1000 Lake Avenue. The synergy between Urban Arts Lofts, redevelopment of additional close property such as the shuffleboard courts, and consideration for 1000 Lake Avenue, this western side of the city is often considered a focal point for the arts.



*The Annual Street Painting Festival held each February in downtown Lake Worth attracts 600 artists and thousands of visitors to the city.*



## SECTION 2

# Market Analysis

- + *Real Estate Context*
- + *Population and Employment Trends*
- + *Retail Opportunity*
- + *Office Opportunity*
- + *Market-Rent Residential Opportunity*
- + *For-Sale Residential Opportunity*
- + *Subsidized Rental Opportunity*
- + *Summary of Opportunities*



# Market Analysis Real Estate Context





## LOCAL REAL ESTATE & LAND USE CONTEXT

Downtown Lake Worth features three primary commercial corridors – two running east-west along both Lake Avenue and Lucerne Avenue and one running north-south on Dixie Highway. The east-west corridor is defined as downtown Lake Worth. Lake Avenue consists of predominately retail and restaurant uses in one- to two-story buildings with continuous street frontage. Similarly, Lucerne Avenue features single-story retail and service-retailed commercial development. Single family residential development is located both immediately outside of the commercial corridor to the north of Lucerne Avenue and to the south of Lake Avenue. Downtown residential development is concentrated to east in Lake Worth in close proximity to the Lake Worth Lagoon. This waterfront development typically manifests in higher density condominium development.

# RESIDENTIAL POPULATION PROJECTIONS

## CURRENT AND PROJECTED POPULATION

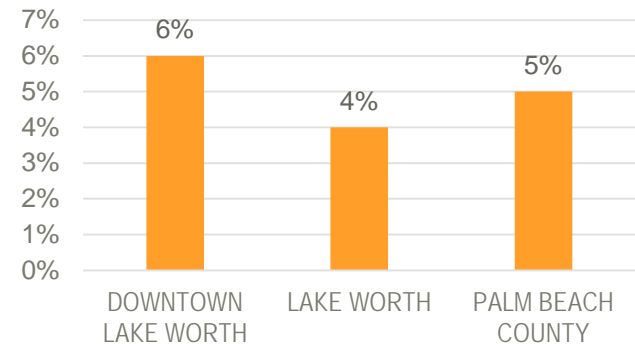
The city of Lake Worth had a relatively small and stable population growth rate of 7% between 2010 and 2015, gaining approximately 900 residents over the past five years. Downtown Lake Worth accounts for only 5% of the City's population - 1,775 of the City's 35,860 residents. However, recently the downtown area's growth rate has increased to 12%, a trend that ESRI projects to continue over the next five years.

Lake Worth is considerably younger and less affluent than most of Palm Beach County (see the chart below). However, the median age and household income is comparable between downtown Lake Worth and the City at large.

## IMPLICATIONS

As additional residents move to downtown Lake Worth, this density will help achieve identified City and CRA goals and objectives. The addition of residential units will help increase the viability for retail development and create a denser, more walkable downtown Lake Worth.

PROJECTED POPULATION GROWTH RATE BETWEEN 2015-2020



LOCATION	POPULATION 2010	POPULATION 2015	POPULATION 2020	MEDIAN AGE	AVERAGE HH SIZE	MEDIAN HH INCOME
DOWNTOWN AREA	1,682	1,775	1,877	35	1.90	\$36,557
LAKE WORTH	34,910	35,860	37,266	36	2.66	\$35,944
PALM BEACH COUNTY	1,320,134	1,368,031	1,432,444	45	2.40	\$52,951

# EMPLOYMENT

## LOCAL EMPLOYMENT

Downtown Lake Worth contains 300 businesses representing a workforce of 1,673 employees. Small businesses constitute the vast majority of establishments within both the downtown area as well as the city at large. Within the city, 74% of local businesses employ only one to four employees. While the average business size in Lake Worth and in the Downtown area is about 6 employees, the Palm Beach County average, on the other hand, is 50% higher (9.4 employees per business). Furthermore, average business sales in Lake Worth are about half that of the Palm Beach County average. Approximately 59% of the workforce within the downtown area are represented by five employment industries: public administration, retail trade, food service and drinking places, construction, and food and beverage stores.

## IMPLICATIONS

Lake Worth businesses are small, local, and oriented toward the service industry. This fits the Lake Worth brand of being quirky, local, fun, and arts-oriented. Lake Worth does not have a strong office market, does not have much industrial use, and is not a destination for large businesses or corporate headquarters. Nor should it be. The eclectic mix of small, service-related businesses helps establish Lake Worth's identity as a desirable place to live and visit. This identity and business niche can be enhanced to help Lake Worth become more of a destination and continue to draw more shoppers and arts patrons from outside areas.

TOP FIVE EMPLOYMENT INDUSTRIES WITHIN STUDY AREA (BY NAICS CODE)	NUMBER OF EMPLOYEES	PERCENT OF WORKFORCE
PUBLIC ADMINISTRATION	249	15%
RETAIL TRADE	247	15%
FOOD SERVICE AND DRINKING PLACES	246	15%
CONSTRUCTION	124	7%
FOOD & BEVERAGE STORES	118	7%

LOCATION	BUSINESSES	EMPLOYEES	EMPLOYEES PER BUSINESS	SALES	SALES PER BUSINESS
DOWNTOWN AREA	300	1,673	5.6	\$216,097	\$720.32
CITY OF LAKE WORTH	1,753	10,674	6.1	\$2,255,895	\$1,286.88
PALM BEACH COUNTY	74,115	697,237	9.4	\$152,647,731	\$2,059.61

# Market Analysis: On-Site Retail Opportunity



# RETAIL REAL ESTATE MARKET

## RETAIL CHARACTER

Downtown Lake Worth has two main retail corridors – Lucerne Avenue and Lake Worth Avenue. The corridors consist of predominantly single-story and some two or three story buildings with ground level commercial uses. Commercial uses feature neighborhood-oriented business uses such as pharmacies, banks, and jewelry and repair shops. An agglomeration of retail uses are also located on Lake Avenue. Both corridors, especially Lake Avenue, have a strong concentration of restaurants and arts and entertainment-related establishments.

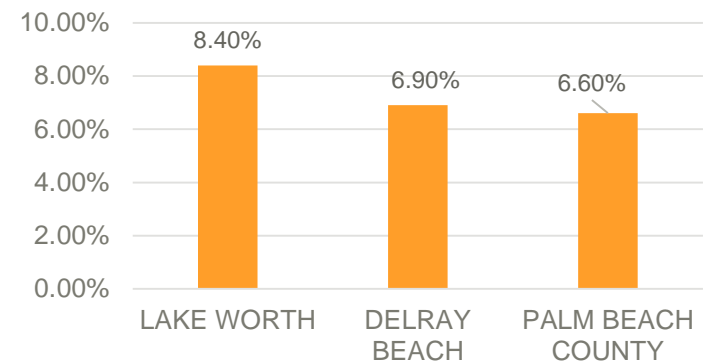
## RETAIL REAL ESTATE MARKET

Vacancy within the city of Lake Worth is higher at 8.4% than Delray Beach as well as the Palm Beach County average (vacancy rates of 6.9% and 6.6%, respectively). In addition, retail rents in Lake Worth (\$15.92/sf) are far below most other areas within the county (\$20.08/sf).

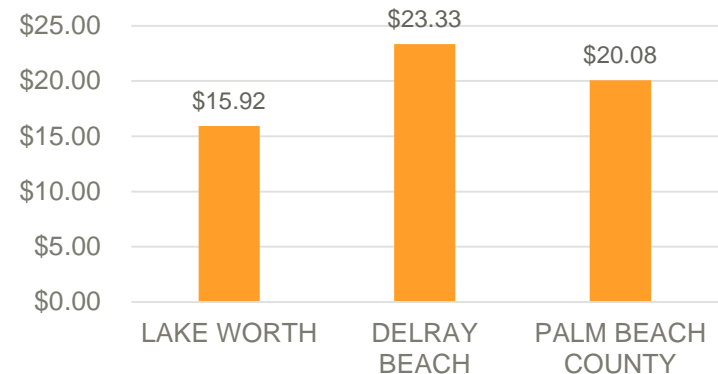
## IMPLICATIONS

Downtown Lake Worth has a relatively healthy and vibrant retail environment. The fact that it has slightly higher vacancy and considerably lower rents may help arts-related uses locate in town when they might not be able to afford to locate elsewhere. An opportunity exists for tenants to lock in long-term leases at these rates before prices potentially rise

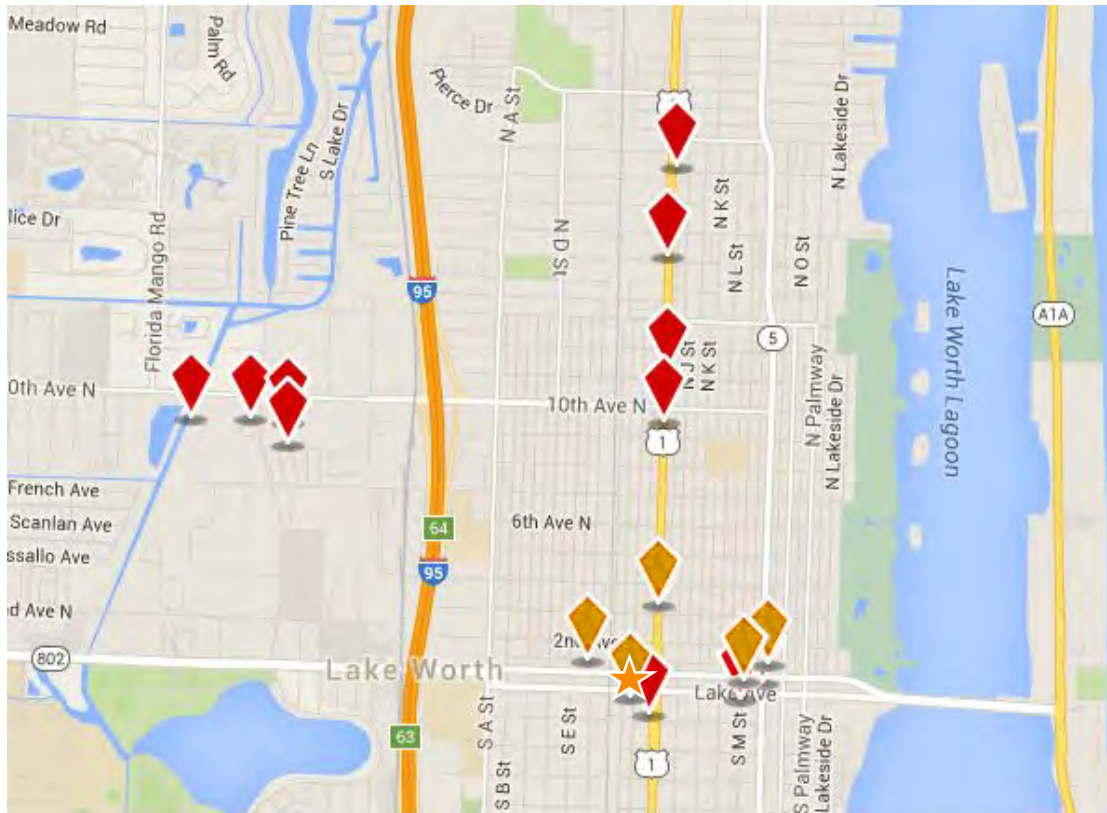
VACANCY RATE  
(Q4 2015)



AVERAGE RETAIL RENT PER SF/YEAR  
(Q4 2015)






# LOCATION OF ACTIVELY LEASING RETAIL SPACES



Available retail space is located throughout downtown Lake Worth and in the surrounding area. Available retail space specifically extends beyond the downtown area and stretches north-south on Dixie Highway. Outside of downtown, retail clusters along Military Trail and Jog Road; the retail spaces that are available outside of the City's core are often strip-center development and as well as multitenant buildings.

The physical retail character of downtown Lake Worth is defined by ground level retail storefronts stretching along both Lake Avenue and Lucerne Avenue.

-  SELECTED COMP
-  1000 LAKE AVENUE
-  AVAILABLE RETAIL SPACE

# DETAIL OF SELECTED COMPETITIVE RETAIL SPACES



## WEST VILLAGE

**Address:** 110 N F Street

**Proximity:** 0.2 miles

**Location:** Located at the north east corner of Lucerne Avenue and F Street

**Year Built:** 2017

**Building Size:** 1,993 SF

**Space Available:** 3

**Size of Available Spaces:** 660 SF Min.

**Asking Rent:** \$20/ SF/ YR

**Property Description:** New construction with expansive storefront with street visibility and signage opportunity. Uses include Office, retail, personal services, cultural and artisanal arts and institutional uses by right. Part of Art Lofts of West Village. Only on-street parking provided.



## THE PROMENADE

**Address:** 120 N Federal Highway

**Proximity:** 0.5 miles

**Location:** Located block north of Lucerne Avenue off N Federal Highway

**Year Built:** 2008

**Building Size:** 31,734 SF

**Space Available:** 13

**Size of Available Spaces:** 586-2,448 SF

**Asking Rent:** \$20/ SF/ YR

**Property Description:** Mediterranean style, three story office/retail building. Ground level suited for retail use. 64 parking spaces available on site.



## PALM BEACH COUNTY RETAIL

**Address:** 402 & 406 N Dixie Highway

**Proximity:** 0.4 miles

**Location:** Located at the northeast corner of 4th Ave N and N Dixie Highway

**Year Built:** 1955

**Building Size:** 4,200 SF (2 Buildings)

**Space Available:** 3

**Size of Available Spaces:** 750 SF, 1,500 SF, & 2,700 SF

**Lease Type:** NNN

**Asking Rent:** \$12.50/ SF/ YR

**Property Description:** Storefront windows looking onto Dixie Highway and 4<sup>th</sup> Avenue. Surface parking lot located on site with 24 parking spaces allocated for entire site.



# DETAIL OF SELECTED COMPETITIVE RETAIL SPACES



## 502-504 LUCERNE AVENUE

**Address:** 502-504 Lucerne Avenue

**Proximity:** 0.4 miles

**Location:** Located at the northwest corner of Lucerne Ave and N M Street in downtown Lake Worth.

**Year Built:** 1955

**Building Size:** 4,237 SF

**Space Available:** 1

**Size of Available Spaces:** 4,237 SF

**Lease Type:** NNN

**Asking Rent:** \$21.24/ SF/ YR

**Property Description:** Downtown Lake Worth corner lot with spacious outdoor patio. Apartment available on the second floor. Surface parking lot located on site accommodating 14 parking spaces.



## 921 LAKE AVENUE

**Address:** 921 Lake Avenue

**Proximity:** Across the street

**Location:** Located at the southeast corner of the intersection of Lake Avenue and S H Street

**Year Built:** 1937

**Building Size:** 5,044 SF

**Space Available:** 1

**Size of Available Spaces:** 5,044 SF

**Lease Type:** NNN

**Asking Rent:** \$18/ SF/ YR

**Property Description:** Space can be separated into two restaurant spaces – one ground floor and one on the second floor. ADA retrofit with chair lift and no elevator access. On-street parking only with no dedicated lot on site.

# RENT DETAIL FOR ALL NEARBY RETAIL SPACES

In addition to the five retail spaces detailed, there are numerous other retail spaces currently available for lease throughout Lake Worth. In all, these properties have asking rents ranging from \$12.50 up to \$21.25 per square foot per year.

ADDRESS	TENANT TYPE	YEAR BUILT	BUILDING SIZE	RENT RANGE	OWN/RENT	EST. REVENUE
921 Lake Avenue	Restaurant	1937	5,044 SF	\$18.00	Rent	\$90,792.00
120 N. Federal Highway	Retail/Restaurant	2008	32,000 SF	\$15-20	Rent	\$560,000.00
502-504 Lucerne Ave	Restaurant	1978	3,197 SF	\$21.24	Own	\$67,904.28
402 & 406 N. Dixie Highway	Retail/Restaurant	1955	4,200 SF	\$12.50	Rent	\$52,500.00
1200-1300 S. Dixie Highway	Retail Neighborhood Center	1950	60,000 SF	\$20.87	Rent	\$1,252,200.00
1828 N. Dixie Highway	Street Retail	1952	2,100 SF	\$18.00	Rent	\$50,400.00
1601 N Dixie Highway	Retail - Vehicle	1956	15,203 SF	N/A	Rent	N/A
2415 10th Avenue North	Retail Community Center	1981	95,330 SF	\$20.00	Rent	\$1,906,600.00
2224 10th Avenue North	Restaurant - Hotel	2017	3,500 SF	N/A	Rent	N/A
2121 10th Avenue North	Retail Neighborhood Center	1982	29,000 SF	N/A	Rent	N/A
110 N F Street	Retail	2017	2,000 SF	N/A	Rent	N/A
1600 S. Dixie Highway	Retail Strip Center	2008	11,750 SF	\$19.20	Rent	\$225,600.00

# ON-SITE RETAIL OPPORTUNITY: ADJUSTMENT RUBRIC

## Anticipated Achievable Retail Rent

Retail space is currently available throughout downtown Lake Worth. The most comparable retail space currently on the market is West Village – a new construction retail space only one block away being built in association with live-work artist spaces. The Promenade is a comparable project to 1000 Lake Ave and is located approximately a half-mile away on Federal Highway, is predominately an office building with ground-floor retail space available. Space is currently leasing

at \$20.00 a square foot, the same rate as West Village. Additionally, there are several available restaurant spaces in downtown Lake Worth – such as the available spaces at 921 Lake Avenue and 502 Lucerne Avenue. Because of this availability, restaurant tenants might prefer to locate where existing restaurant and kitchen space is already built-out.

Parking availability is a major concern for retail tenants, who predominately prefer on-site parking as well as readily available street parking directly adjacent to the

building. Given the site restrictions at 1000 Lake Avenue, this must be a key consideration. However, available nearby municipal lots could be utilized for parking with branding and marketing of these lots to communicate to the consumers their close proximity.

*Given its positioning within the existing retail landscape, it is expected that ground floor retail space at 1000 Lake Avenue could achieve triple net rents averaging \$20.45 per square foot per year.*

Comparable Actively-Leasing Building	Price/SF	Similarity/ Applicability (Weighted Average)		Age & Condition		Desirability of Location		Size, Amenities, Design, and Other Adjustments		Adjusted On-Site \$/SF
West Village	\$20.00	Most Similar	45%	2016	0%	0.2 miles	0%	n/a	0%	\$20.00
Palm beach County Retail	\$12.50	Least Similar	5%	1955	10%	0.4 miles	20%	Basic Shell	20%	\$18.75
921 Lake Ave.	\$18.00	Somewhat	10%	1937	10%	0.2 miles	0%	Restaurant	0%	\$19.80
502-504 Lucerne Ave.	\$21.24	Somewhat	10%	1955	10%	0.4 miles	-5%	Restaurant	0%	\$22.30
The Promenade	\$20.00	Very Similar	30%	2008	5%	0.5 miles	0%	n/a	0%	\$21.00
										<b>\$20.45</b>

# OPPORTUNITY TO PROGRAM GROUND FLOOR RETAIL ON SITE

The chart below summarizes the strengths, weaknesses, opportunities, and threats, associated with retail uses on site.

*There is a strong opportunity to lease the ground floor space to a retail tenant that helps activate the street and provides an amenity to the occupants of the above-ground floors. The floorplate size, street orientation, and basement space may be desirable for some retailers while incompatible for others: finding the right tenant or tenants will be crucial.*

<p>SITE <b>STRENGTHS</b> FOR RETAIL USE</p>	<ul style="list-style-type: none"> <li>• Healthy local retail market and a valuable location on the prime commercial corridor in town.</li> <li>• The building has street frontage on both Lucerne Ave and H St which is desirable for retail use.</li> <li>• Parking is available onsite in addition to on-street parking on both Lucerne Avenue and H Street.</li> <li>• The current ground floor open floorplate allows for tenant build-out and flexible sizing for initial tenants.</li> </ul>
<p>SITE <b>WEAKNESSES</b> FOR RETAIL USE</p>	<ul style="list-style-type: none"> <li>• Because of the lower concentration of retail uses in this area of downtown compared to the eastern portion of Lake Ave and Lucerne Ave, this area may not be as desirable for prospective tenants who would rather be located where there is a stronger retail agglomeration slightly further to the east.</li> </ul>
<p>SITE <b>OPPORTUNITIES</b> FOR RETAIL USE</p>	<ul style="list-style-type: none"> <li>• Incorporating retail development can increase the vibrancy of this western portion of downtown Lake Worth by increasing foot traffic and providing another destination downtown.</li> <li>• The site's proximity to cultural and art initiatives may allow for expanded concentration of city efforts as well as CRA objectives.</li> </ul>
<p>SITE <b>THREATS</b> FOR RETAIL USE</p>	<ul style="list-style-type: none"> <li>• Competitive retail supply includes several restaurant spaces within downtown Lake Worth that are currently available for lease and includes existing restaurant infrastructure. On-site restaurant build-out at 1000 Lake Avenue will likely be more expensive than the current available spaces making this site less desirable for prospective restaurant tenants.</li> </ul>

# Market Analysis: On-Site Office Opportunity



# OFFICE REAL ESTATE MARKET

## OFFICE CHARACTER

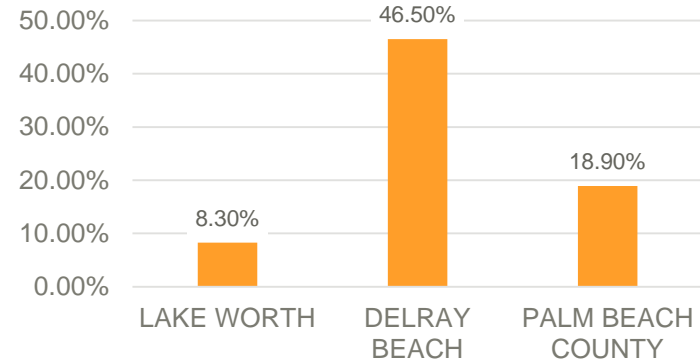
There is a limited supply of office space in downtown Lake Worth. The existing supply consists of smaller spaces located on the ground level as well as above ground on the second and third floors of buildings located in the main commercial corridor.

## OFFICE REAL ESTATE MARKET

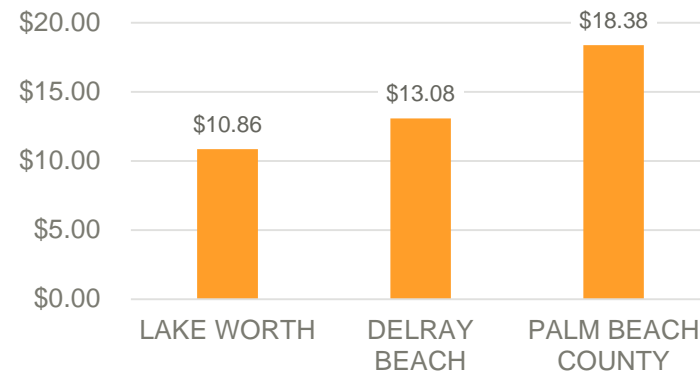
In the downtown area office rents range considerably from as low as \$3.50/sf to \$20/sf per year. On average, office rents lag far behind the county average. New office development in Lake Worth have struggled considerably, which has indicated that there is not strong local office development opportunity.

The low city-wide office vacancy (8.3%) reflects limited supply more than it indicates a strong or active market, and recently-completed product has struggled with high vacancy rates. In addition, the office rates indicated in the graphs to the right reflect only multi-tenant buildings of 30,000 square feet or larger and does not take office condominiums, medical, and government buildings into consideration.

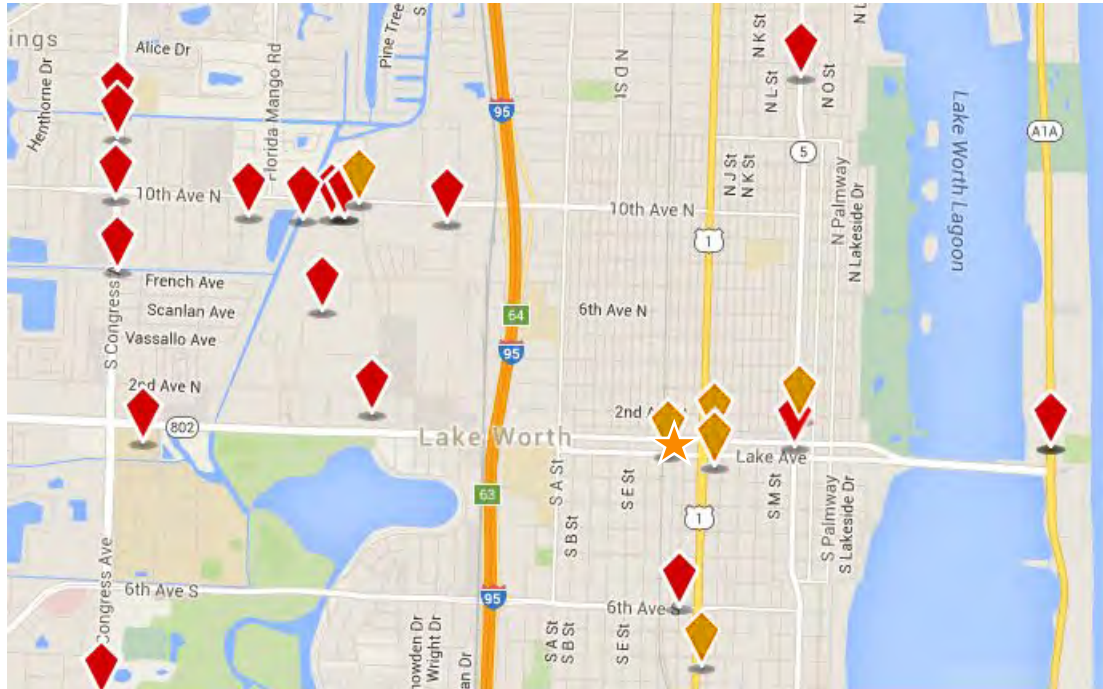
OFFICE VACANCY RATE  
(Q1 2016)



AVERAGE OFFICE RENT PER SF/YEAR  
(Q1 2016)



# LOCATION OF ACTIVELY LEASING OFFICE SPACES



Downtown Lake Worth has some available office space, however, the majority of available space is located northwest of the downtown. This agglomeration of office space features predominately office park development – large, multi-story, multi-tenant office buildings situated in the middle of a parking field. The office space that is actually located in Downtown Lake Worth is more traditional urban development in character with ground floor storefront office space in addition to a few multistory office buildings with limited parking lots.

# DETAIL OF SELECTED COMPETITIVE OFFICE SPACES



## THE PROMENADE

**Address:** 120 N Federal Highway

**Proximity:** 0.5 miles

**Location:** Located block north of Lucerne Avenue off N Federal Highway.

**Year Built:** 2008

**Building Size:** 31,734 SF

**Space Available:** 13

**Size of Available Spaces:** 586-2,448 SF

**Asking Rent:** \$15 - \$20/ SF/ YR

**Property Description:** Mediterranean style, three story office/retail building. Ground level office space available as well as on the upper floors. 64 parking spaces available on site.



## ECO-CENTER

**Address:** 1005 Lake Avenue

**Proximity:** 0 miles

**Location:** Located to the direct south of 1000 Lake Avenue at the intersection of Lake and H Street.

**Year Built:** 2008

**Building Size:** 35,000 SF

**Property Description:** Green building seeking LEED certification. Large atrium as central element. 32 garage parking spaces available. This building faced problems with cost overruns and high vacancy rates, and eventually fell into foreclosure. The building is currently for sale. The broker is hoping for offers in the \$5 million range.



## 12 S Dixie Highway

**Address:** 12 S Dixie Highway

**Proximity:** 0.1 miles

**Location:** Located on S Dixie Highway between Lake Avenue and 1<sup>st</sup> Avenue.

**Year Built:** 1978

**Building Size:** 4,460 SF

**Space Available:** 1

**Size of Available Spaces:** 600 SF

**Lease Type:** Modified Gross

**Asking Rent:** \$17/ SF/ YR

**Property Description:** Industrial style offices with floor to ceiling windows in an art deco style building. Marketed as creative/loft office use. 15 parking spaces available on site.



# DETAIL OF SELECTED COMPETITIVE OFFICE SPACES



## 811 LUCRENE AVENUE

**Address:** 811 Lucerne Avenue

**Proximity:** 0.1 miles

**Location:** Located at the north east corner of Lucerne Avenue and F Street.

**Year Built:** 1971

**Building Size:** 2,500 SF

**Space Available:** Fully leased

**Asking Rent:** \$12/ SF/ YR

**Property Description:** Distinctly curved architectural frontage along Lucerne Avenue. Class B office space. Private parking lot adjacent to the property. Porch area opens along alleyway for rear access.



## 2290 N 10<sup>th</sup> AVENUE

**Address:** 2290 N 10<sup>th</sup> Avenue

**Proximity:** 1.8 miles

**Location:** Located near the intersection of N 10<sup>th</sup> Avenue and Boutwell Road

**Year Built:** 1985

**Building Size:** 50,000 SF

**Space Available:** 2 spaces, 1,822 SF – 1,997 SF

**Asking Rent:** \$13/ SF/ YR

**Property Description:** 6-story office building located on a 6.5 acre site. On-site parking available for all tenants. Building features an open reception area. Each space provides all glass views to the exterior.



## 810 S DIXIE HIGHWAY

**Address:** 810 S Dixie Highway

**Proximity:** 2.8 miles

**Location:** Located on the east side of S Dixie Highway near the intersection of Prospect Road. 8 blocks south of Lake Avenue.

**Year Built:** 1952

**Building Size:** 11,000 SF

**Space Available:** 4,0000

**Asking Rent:** \$12/ SF/ YR

**Property Description:** Mixed-use property including retail and office space. Corner building with small storefront windows. 28 parking spaces available onsite. 5,000 sf industrial-warehouse on-site.

# RENT DETAIL FOR ALL NEARBY OFFICE SPACES

In addition to the six office spaces detailed on the prior pages, there are numerous other office spaces available throughout Lake Worth. Rent ranges from \$12 up to \$20 a square foot per year.

ADDRESS	TENANT TYPE	YEAR BUILT	BUILDING SIZE	RENT RANGE	OWN/RENT	EST. REVENUE
509 S H Street	Office	1960	1,100 SF	\$12.00	Rent	\$13,200.00
120 N. Federal Highway	Office	2008	32,000 SF	\$15-\$20	Rent	\$560,000.00
1005 Lake Avenue	Office	2008	35,000	N/A	Own	N/A
2875 South Ocean Blvd	Office	2015	40,000 SF	N/A	Rent	N/A
1622 N Federal Highway	Medical Office	1961	4134 SF	\$18.00	Rent	\$74,412.00
1926 10th Avenue N	Office	1984	88,544 SF	N/A	Rent	N/A
2290 10th Avenue N	Office	1985	50,000 SF	\$13.00	Rent	\$650,000.00
2328 10th Avenue N	Office	1985	50,000 SF	\$13.00	Rent	\$650,000.00
2601 10th Avenue N	Office	1972	94,000 SF	N/A	Rent	N/A
3575 23 Avenue South	Flex Space	1987	16,000 SF	\$12-\$14.55	Rent	\$212,320.00
2223 2nd Avenue North	Office	1990	35,000 SF	\$12.00	Rent	\$420,000.00
2887 Lake Worth Road	Medical Office	1966	2,400 SF	\$19.75	Rent	\$47,400.00

# ON-SITE OFFICE OPPORTUNITY: ADJUSTMENT RUBRIC

## Summary of Opportunity

Available office space in Lake Worth ranges in rent from \$12 up to \$20 a square foot per year with the high-end office space averaging around \$17 a square foot. The Eco Center and the Promenade are the most similar office products available on the market. However, the Eco Center is currently for sale and is no longer available for lease. This building experienced severe difficulty attracting tenants, largely a result of the need to secure high rents that could compensate for construction and maintenance cost overruns associated with

the process of trying to achieve LEED certification.

Most office spaces on the market provide a basic shell for the office with little amenities for the tenants or distinctive features. With the exception of the Eco Center and The Promenade which were both completed within the last ten years, many of the buildings with available space are older, constructed between the 1950s and 1980s. Parking is also a major concern for office tenants. The majority of the comparable spaces provide parking for their workers on-site (and in some instances such as the

Eco Center the parking is covered).

The renovation of 1000 Lake Avenue, space at this location will rent higher than the older, Class B spaces but yield lower rents than The Promenade considering the extra amenities and shared space The Promenade features.

*Given the building's positioning within the competitive supply, it is expected that office space at 1000 Lake Avenue could rent for an average of about \$16.60 per square foot annually.*

Office Comp.	Price/SF	Similarity/ Applicability (Weighted Average)		Age & Condition		Desirability of Location		Size, Amenities, Design, and Other Adjustments		Adjusted On-Site \$/SF
Eco Center	\$21.00	Most Similar	35%	2008	5%	0.1 miles	0%	Eco-friendly	-20%	\$17.85
The Promenade	\$17.50	Most Similar	35%	2008	5%	0.5 miles	0%	Some amenities	-10%	\$16.63
811 Lucerne	\$12.00	Somewhat	10%	1971	10%	0.1 miles	0%	Class B space	10%	\$14.40
2290 N. 10 <sup>th</sup> Ave	\$13.00	Least Similar	5%	1985	10%	2.1 miles	-5%	n/a	0%	\$13.65
12 S Dixie Highway	\$17.00	Somewhat	10%	1978	10%	0.1 miles	0%	Only 600 sf	-10%	\$17.00
810 S Dixie Highway	\$12.00	Somewhat	5%	1950	10%	0.8 miles	0%	Class B space	10%	\$14.40
										<b>\$16.61</b>

# OPPORTUNITY TO PROGRAM OFFICE USES ON SITE

The chart below summarizes the strengths, weaknesses, opportunities, and threats, associated with office uses on site.

*Limited office demand and high vacancy rates for new product present a poor opportunity for above-ground office use on site. Office space is not recommended unless an anchor tenant is secured in advance.*

<p>SITE <b>STRENGTHS</b> FOR OFFICE USE</p>	<ul style="list-style-type: none"> <li>• The close proximity to City Hall may be desirable for potential tenants.</li> <li>• Open floor plan in existing building would allow for dividable tenant space.</li> <li>• Located off the main thoroughfare in Lake Worth, the site at 1000 Lake Avenue is highly visible.</li> </ul>
<p>SITE <b>WEAKNESSES</b> FOR OFFICE USE</p>	<ul style="list-style-type: none"> <li>• Recent nearby office developments have performed poorly</li> <li>• High downtown office vacancy for newer product; limited area office space demand</li> </ul>
<p>SITE <b>OPPORTUNITIES</b> FOR OFFICE USE</p>	<ul style="list-style-type: none"> <li>• Because Lake Worth’s city offices are spread throughout the downtown area, there may be an opportunity to relocate City Hall officials into one building at 1000 Lake Avenue.</li> </ul>
<p>SITE <b>THREATS</b> FOR OFFICE USE</p>	<ul style="list-style-type: none"> <li>• Currently, there is a lack of known anchor tenants. Office use at 1000 Lake Avenue would be more viable if there was an anchor tenant willing to locate in the building. Without an anchor tenant, providing office use creates a risk.</li> <li>• Located directly south of 1000 Lake Avenue is an abundance of available office space at EcoCenter.</li> </ul>

# Market Analysis: On-Site Market-Rate Apartment Opportunity



# RESIDENTIAL REAL ESTATE MARKET

## RESIDENTIAL RENTAL REAL ESTATE MARKET

Lake Worth has a high residential vacancy rate (22%) and the downtown area is even higher than the city-wide average (28%). Lake Worth is more of a rental market (44% renter-occupied vs. 34% owner-occupied) than most of Palm Beach County (27% renter-occupied vs. 55% owner-occupied). Residential product in the downtown area consists predominantly of apartments (51% renter-occupied vs. 21% owner-occupied). Rents throughout Palm Beach County are significantly higher than in Lake Worth, and rent appreciation has far exceeded Lake Worth's rent growth as well.

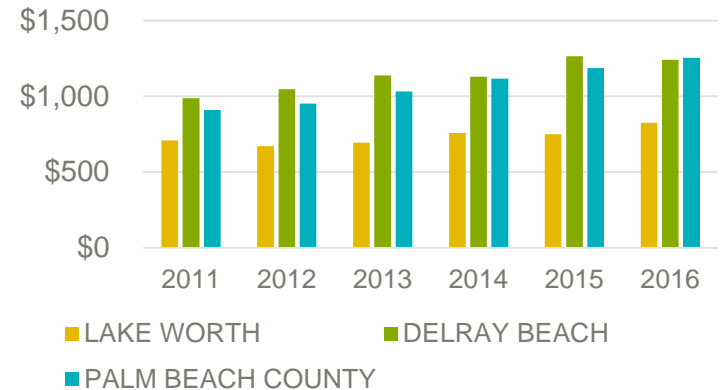
## IMPLICATIONS

Rents in Lake Worth have remained relatively low despite the increases seen elsewhere in the county, providing Lake Worth its reputation as an affordable place to live. Housing affordability is a major part of what drives the continued influx of foreign immigrants as well as artist populations. Given the lack of recent apartment supply – especially downtown – there is likely an unserved, pent-up local demand for downtown apartments.

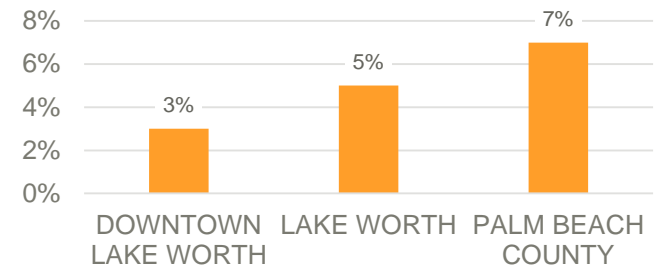
### HOUSING OCCUPANCY BY TYPE (2015)

	% VACANT	% OWNER-OCCUPIED	% RENTER-OCCUPIED
DOWNTOWN	28%	21%	51%
LAKE WORTH	22%	34%	44%
PALM BEACH COUNTY	18%	55%	27%

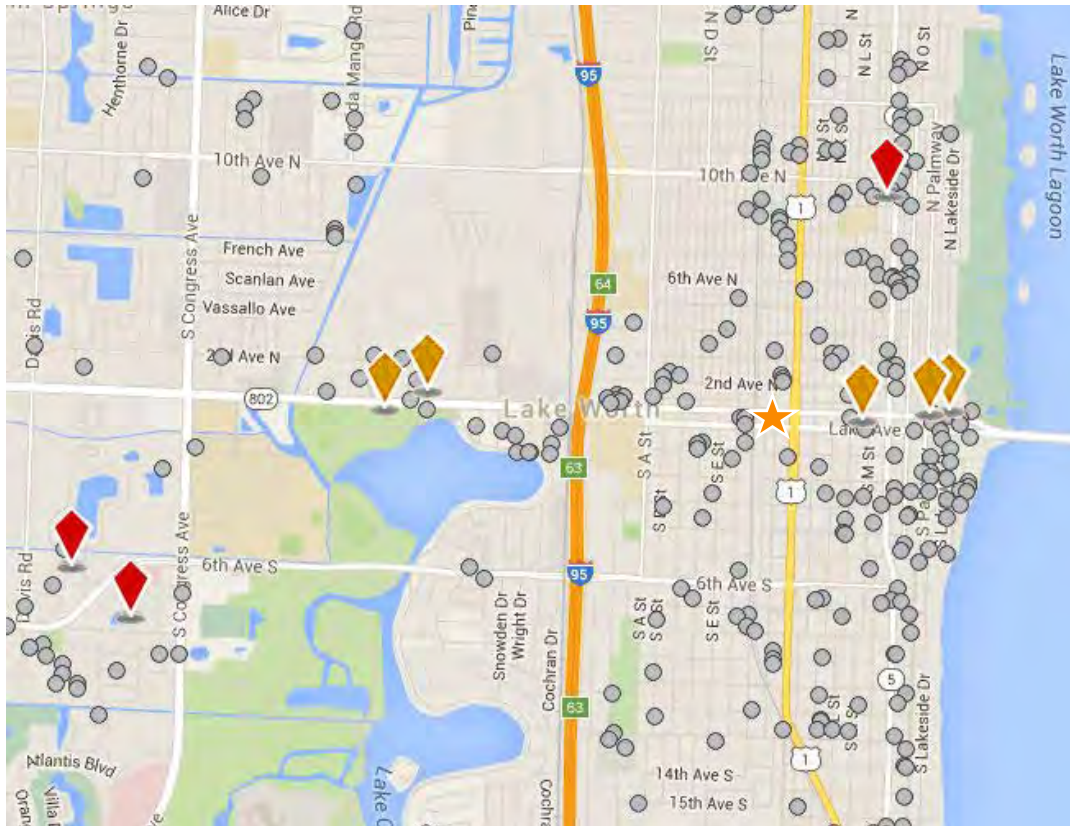
### AVERAGE 1 BEDROOM MONTHLY RENT






### AVERAGE RENT GROWTH RATE (2011-2016)



# LOCATION OF ACTIVELY LEASING MULTIFAMILY APARTMENT BUILDINGS



Lake Worth consists of many rental options for residents – ranging from large suburban-style apartment complexes to condominium units in Downtown Lake Worth for rent to single-family homes portioned into multiple apartments for lease surrounding the downtown corridor. Very little new development or redevelopment of market-rate apartment buildings have been developed recently downtown. New development is predominately to the west of downtown and I-95. Waterfront development was a trend for the city resulting in a cluster of residential units near Lake Worth Lagoon.

-  SELECTED COMP
-  1000 LAKE AVENUE
-  UNAVAILABLE APARTMENT
-  AVAILABLE APARTMENT

# DETAIL OF SELECTED COMPETITIVE APARTMENT BUILDINGS



**VILLAGES AT LAKE WORTH**

**Proximity:** 1.1 miles

**Year Built:** 2015

**Total Units:** 216 units

**Lease Up Pace:** 7 months

**Amenities:** Fitness center, clubhouse, swimming pool, walking trail, onsite surface parking lot



**LAKE PALM**

**Proximity:** 0.5 miles

**Year Built:** 1951

**Total Units:** 10 units

**Lease Up Pace:** Fully leased

**Amenities:** Building entrance directly off Lake Avenue, small outdoor patio, some covered parking onsite, walking distance to beach



**THE LUCERNE – CONDOS FOR RENT**

**Proximity:** 0.4 miles

**Year Built:** 2006

**Total Units:** 80

**Lease Up Pace:** N/A

**Amenities:** Sky terrace, secure garage parking with assigned space, fitness center, community room, bicycle storage, secure extra storage space

	# of Units	Avg. Size	Avg. Rent	Rent / SF
Stud.	None	n/a	n/a	n/a
1 BRs	--	616	\$1,052	\$1.71
2 BRs	--	855	\$1,318	\$1.54
3 BRs	--	1,009	\$1,450	\$1.44

	# of Units	Avg. Size	Avg. Rent	Rent / SF
Stud.	4	600	--	--
1 BRs	4	750	--	--
2 BRs	1	1,000	--	--
3 BRs	1	1,200	--	--

	# of Units	Avg. Size	Avg. Rent	Rent / SF
Stud.	12	600	--	--
1 BRs	20	720	\$1,465	2.05
2 BRs	40	1,100	\$1,700	\$1.54
3 BRs	8	1,250	--	--



# DETAIL OF SELECTED COMPETITIVE APARTMENT BUILDINGS



LAKE AVENUE LOFTS – CONDOS FOR RENT

**Proximity:** 0.5 miles

**Year Built:** 2005

**Total Units:** 12 units

**Amenities:** Balcony, covered parking, roof-top sundeck and pool, walking distance to beach

**Note:** This is a condominium building that occasionally has units available for lease.

	# of Units	Avg. Size	Avg. Rent	Rent / SF
Stud.	--	--	--	--
1 BRs	--	--	--	--
2 BRs	--	1,976	\$2,150	\$1.54
3 BRs	--	--	--	--



THE VILLAGES AT LAKE OSBORNE

**Proximity:** 1.1 miles

**Year Built:** 2016

**Total Units:** 118 units

**Lease Up Pace:** TBD

**Amenities:** Balconies, gym, recreational area with hot-tub, covered BBQ areas, community room

**Note:** This project is currently under construction. Rent information is unavailable.

	# of Units	Avg. Size	Avg. Rent	Rent / SF
Stud.	None	n/a	n/a	n/a
1 BRs	4	616	TBD	TBD
2 BRs	1	855	TBD	TBD
3 BRs	None	n/a	n/a	n/a

# ON-SITE MARKET-RATE APARTMENT OPPORTUNITY: ADJUSTMENT RUBRIC

## Summary of Opportunity

Recent market-rate apartment development is primarily located to the west of downtown Lake Worth. These projects, such as Villages at Lake Worth and the under construction Village at Lake Osborne feature more traditional, suburban-style development consisting of multiple residential buildings surrounded by an abundance of parking for both residents and visitors. New developments provide residents with extensive amenity packages consisting of pools, community rooms,

fitness centers, and recreational outdoor spaces. Renters seeking location at these new developments vocalized a lack of desire to locate in downtown Lake Worth citing limited parking and concerns for safety in the area of 1000 Lake Avenue.

Currently, no recent market-rate rental communities have been developed within the downtown area. Condominium development situationally caters toward market-rate renters, as some units in both The Lucerne and Lake Avenue Lofts are available for rent. The available units at

The Lucerne are the most applicable comparable development as the building and site development are very similar to the opportunity at 1000 Lake Avenue. However, it should be noted that The Lucerne features an extensive amenities package – access to a rooftop pool, fitness center and an assigned parking space in the covered parking garage on site.

*Based on the selected comparable market-rate apartments in Lake Worth, anticipated market-rate apartments at 1000 Lake Avenue would likely rent at \$1.43 per sf.*

Market Rate Comp.	Rent/ SF	Similarity/ Applicability (Weighted Average)		Age & Condition		Desirability of Location		Amenities & Design		Size of Units		Adjusted On-Site \$/SF
Villages at Lake Worth	\$1.56	Least Similar	25%	2015	0%	1.5 miles	0%	Amenities Package	-10%	Similar	0%	\$1.40
Lake Ave Lofts (Condo)	\$1.11	Somewhat	35%	2005	10%	0.5 miles	-5%	Rooftop Pool	-5%	Large units	20%	\$1.33
The Lucerne (Condo)	\$1.79	Most Similar	40%	2006	5%	0.3 miles	-10%	Amenities Package	-15%	Slightly larger	5%	\$1.52
Lake Palm	n/a	Somewhat	0%	1951	15%	0.5 miles	-5%	n/a	0%	n/a	n/a	n/a
												<b>\$1.43</b>

# RECOMMENDED MARKET-RATE APARTMENT POSITIONING

## Summary of Development Opportunity (Based on Competitive Supply & Overall Local Market Context)

- Despite regional and national trends of downtown living and walkable neighborhoods, there is a lack of new construction supply within the downtown area.
- Significant competitive supply is located to the west, outside of downtown Lake Worth and is consistent with more 'traditional' apartment development. For example, The Villages at Lake Worth has been so successful that the developer is completing a second project, The Villages at Lake Osborn with similar product-type nearby.
- The competitive supply has high-quality construction and numerous community amenities such as swimming pools, community centers, and fitness centers.
- The downtown location of the site is a valuable asset, especially considering Lake Worth has one of the most affordable downtowns in the region.

## Recommended Position and Expected Development Outcomes:

**Building Consideration:** Recommend apartment units on floors 2 through 4 of the building with approximately 6 units per floor.

**Amenities:** The relatively small size of the building and site may restrict the opportunity to provide amenities found in some other apartment communities such as a community room, lounge, gym, rooftop pool, and structured parking. The ideal retail tenant would provide a service that provides value to the residential tenants, such as a fitness center (in such a scenario, residents could receive a discounted membership). A rooftop deck should be incorporated in build-out of additional floors.

**Parking:** Site restrictions limit available on-site parking. Parking strategies should be further considered as the market anticipates a minimum one parking space per bedroom.

## Recommended Unit Mix:

	Unit Mix	Avg. Size	Avg. Rent	Rent/SF
Studio	None	n/a	n/a	n/a
1 BR	40%	650	\$1,050	\$1.62
2 BR	60%	1,000	\$1,365	\$1.37
3 BR	None	n/a	n/a	n/a
Total	100%	860	\$1,240	\$1.44

# OPPORTUNITY TO PROGRAM MARKET-RATE APARTMENTS ON SITE

The chart below summarizes the strengths, weaknesses, opportunities, and threats, associated with market-rate apartment uses on site. *There is a strong market opportunity for market-rate apartments on site. Apartments would add to downtown's vibrancy and, if successful, may help catalyze additional development. The question remains whether the rental revenue generated by apartments would justify building redevelopment costs.*

<p>SITE <b>STRENGTHS</b> FOR MARKET-RATE APARTMENT USE</p>	<ul style="list-style-type: none"> <li>• There has been relatively few new apartment developments in Lake Worth but the new projects have leased up at a fast pace.</li> <li>• As the redevelopment of the current building at 1000 Lake Avenue will increase the number of stories of the building, amenity space may be added to the roof of the building.</li> <li>• Apartments are a complementary use for ground floor retail.</li> <li>• The recommended apartment unit sizes and mix fit nicely within the building floorplate.</li> </ul>
<p>SITE <b>WEAKNESSES</b> FOR MARKET-RATE APARTMENT USE</p>	<ul style="list-style-type: none"> <li>• Location in the western part of downtown Lake Worth may not be desirable to prospective tenants because competitive supply is located outside of the downtown area.</li> <li>• Because of the site's limited on-side and lack of covered parking, this location may not be as desirable for tenants when there is supply available that ensures tenant parking directly on-side.</li> </ul>
<p>SITE <b>OPPORTUNITIES</b> FOR MARKET-RATE APARTMENT USE</p>	<ul style="list-style-type: none"> <li>• There is an opportunity to take advantage of pent-up demand for new downtown apartment product.</li> <li>• Residential apartment use will add to vibrancy of this area and set a precedent for mixed use.</li> <li>• Because this will be the first new apartment building in the immediate neighborhood, a successful project could help catalyst for additional downtown mixed-use residential development.</li> </ul>
<p>SITE <b>THREATS</b> FOR MARKET-RATE APARTMENT USE</p>	<ul style="list-style-type: none"> <li>• Because of a lack of recent market-rate apartments in downtown Lake Worth, the exact lease pace and rent rates are difficult to predict, adding a level of risk.</li> <li>• New market-rate apartments are developing west of downtown Lake Worth; these apartments offer comprehensive amenity packages such as pools, fitness centers, and community space. Site restrictions with the current building at 1000 Lake Avenue limit the amount and types of amenities are feasible for this redevelopment.</li> </ul>

# Market Analysis: On-Site Condominium Opportunity



# RESIDENTIAL FOR SALE REAL ESTATE MARKET

## RESIDENTIAL OWNERSHIP REAL ESTATE MARKET

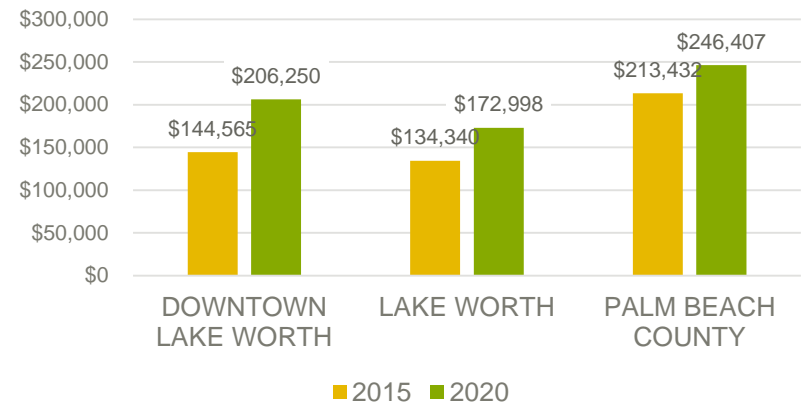
The median home value downtown is higher than the city-wide median value by approximately \$33,000. However, home values elsewhere in Palm Beach County are notably higher.

ESRI projects median home values in the downtown area to increase considerably over the next five years – a prognostication which is also being made by an influx of outside investors that are purchasing Downtown Lake Worth properties with the expectation of near-term property value increases.

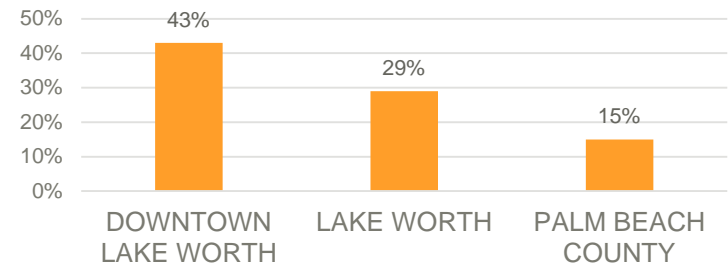
## IMPLICATIONS

A major asset of Lake Worth is housing affordability. However, there are numerous signs that local housing prices could start to increase at a higher rate than seen in recent years. This may signal an opportunity to enact programs to help first-time homebuyers purchase their homes.

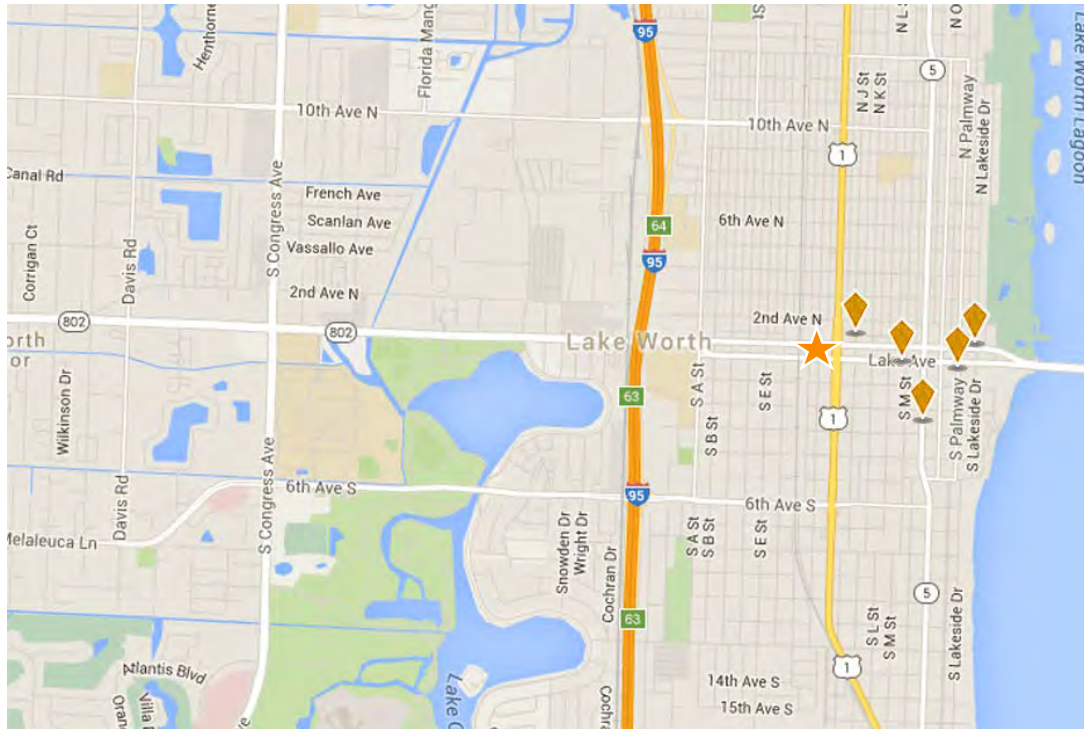
## CURRENT AND PROJECTED MEDIAN HOME VALUE





## EXPECTED GROWTH CHANGE IN MEDIAN HOME VALUE BETWEEN 2015 - 2020



# LOCATION OF ACTIVELY SELLING MULTIFAMILY CONDOMINIUM BUILDINGS



-  SELECTED COMP
-  1000 LAKE AVENUE

Condominium development in Lake Worth has increased in popularity over the past several years. This development is predominately new development and is located in close proximity to downtown Lake Worth, although the most recently completed projects are not located directly on Lucerne or Lake Avenue. Townhome-style development is typical for new construction featuring two- to three-story units with a two-car garage tucked into the unit. Additional proposed development of this typology are currently slated for the area.

# DETAIL OF SELECTED COMPETITIVE CONDOMINIUM BUILDINGS



## LUCENTE

**Address:** 114 N J Street  
**Proximity:** 0.3 miles  
**Year Built:** 2016  
**Total Units:** 23 units  
**Lease Up Pace:** 2.6 units sold/month (90% occupied)  
**HOA Fees:** \$175  
**Parking:** Private two-car garage  
**Amenities:** Townhome-style condos, private entry, modern Key West architectural accents, granite kitchen



## TUSCANY SQUARE

**Address:** 224 S Federal Highway  
**Proximity:** 0.6 miles  
**Year Built:** 2016  
**Total Units:** 20 units  
**Lease Up Pace:** 2.5 units sold/month (100% occupancy)  
**HOA Fees:** \$225  
**Parking:** Private two-car garage  
**Amenities:** Three-story, townhome-style condos, 2 bedroom plus den or 3 bedroom option, stainless steel appliances upgraded landscaping



## THE LUCERNE

**Address:** 511 Lucerne Ave  
**Proximity:** 0.3 miles  
**Year Built:** 2006  
**Total Units:** 80  
**Lease Up Pace:** N/A  
**HOA Fees:** \$383  
**Parking:** Deeded parking space  
**Amenities:** Sky terrace, secure garage parking with assigned space, fitness center, community room, bicycle storage, secure extra storage space, high ceilings, balconies

	# of Units	Avg. Size	Avg. Price	Price / SF
Stud.	None	n/a	n/a	n/a
1 BRs	None	n/a	n/a	n/a
2 BRs	None	n/a	n/a	n/a
3 BRs	23	2,100	\$285K	\$135

	# of Units	Avg. Size	Avg. Price	Price / SF
Stud.	None	n/a	n/a	n/a
1 BRs	None	n/a	n/a	n/a
2 BRs	20	2,252	\$257K	\$114
3 BRs	None	n/a	n/a	n/a

	# of Units	Avg. Size	Avg. Price	Price / SF
Stud.	12	607	--	--
1 BRs	20	683	\$161K	\$236
2 BRs	48	1,130	\$215K	\$208
3 BRs	8	1,252	--	--



# DETAIL OF SELECTED COMPETITIVE CONDOMINIUM BUILDINGS



## LAKE AVENUE LOFTS

**Address:** 114 N J Street

**Proximity:** 0.5 miles

**Year Built:** 2005

**Total Units:** 12 units

**HOA Fees:** \$366 / month

**Parking:** Covered spaces; 2 per unit

**Amenities:** Balcony, covered parking, roof-top sundeck and pool, walking distance to beach, modern interiors with two-story loft

## THE ONE

**Address:** 1 South Palmway

**Proximity:** 0.5 miles

**Year Built:** TBD

**Total Units:** 14 units

**HOA Fees:** TBD

**Parking:** 18 parking spaces on site; 6 on-street parking spaces

**Amenities:** Public plaza, ground floor retail, exterior spa area for residents, balconies, proximity to beach

**Note:** This project is currently a proposed development and has yet to break ground.

	# of Units	Avg. Size	Avg. Price	Price / SF
Stud.	None	n/a	n/a	n/a
1 BRs	None	n/a	n/a	n/a
2 BRs	11	1,976	\$267,500	\$135.41
3 BRs	None	n/a	n/a	n/a

	# of Units	Avg. Size	Avg. Price	Price / SF
Stud.	None	n/a	n/a	n/a
1 BRs	6	1,030	TBD	TBD
2 BRs	8	1,300	TBD	TBD
3 BRs	None	n/a	n/a	n/a

# ON-SITE FOR-SALE RESIDENTIAL OPPORTUNITY: ADJUSTMENT RUBRIC

## Summary of Opportunity

The Lucerne, Lucente, Lake Avenue Lofts, and Tuscany Square are the most comparable condominium product downtown. The Lucerne is the most applicable project given its close proximity to 1000 Lake Avenue. Lucente and Tuscany Square are multilevel townhome projects with individual garages— a very

different product type than multifamily condominiums.

The One, new development located at South Palmway, is a very comparable product to what could be expected at 1000 Lake Avenue. The project has yet to break ground and pricing has yet to be finalized, but The One factored into the analysis of unit mix, size, and positioning landscape.

*Based on selected comparable condominium buildings in Lake Worth and adjustments for similarity, age, condition of the building, desirability of the location, and additional amenities provided for each development, the anticipated on-site sale price for 1000 Lake Avenue equates to an average of about \$157 per square foot.*

For-Sale Residential Comp.	Price/ SF	Similarity/ Applicability (Weighted Average)		Age & Condition		Desirability of Location		Amenities & Design		Size of Units		Adjusted On-Site \$/SF
		Least Similar	Most Similar	Year	Condition	Miles	Adjustment	Feature	Adjustment	Unit Type	Weight	
Lucente	\$135.00	Least Similar	10%	2015	0%	0.3 miles	0%	2-story townhome + garage	-5%	Large Units	15%	\$148.50
Lake Avenue Lofts	\$135.00	Somewhat	30%	2005	10%	0.5 miles	-5%	Rooftop pool	-5%	Large Units	15%	\$155.25
Tuscany Square	\$114.00	Least Similar	10%	2016	0%	0.6 miles	10%	3-story townhome + garage	-5%	Large Units	15%	\$136.80
The Lucerne	\$205.00	Most Similar	50%	2006	5%	0.3 miles	-10%	Amenities package + pool & parking	-15%	Similar Size	0%	\$164.00
The One	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
												<b>\$157.11</b>

# RECOMMENDED CONDOMINIUM POSITIONING

## Summary of Development Opportunity (Based on Competitive Supply & Overall Local Market Context)

- Significant new construction is located nearby and more developments are planned over the next years.
- While in the past, the waterfront served as main attractor for for-sale residential units, there is an increasing desire to locate in close proximity to downtown Lake Worth.
- The competitive supply is condominium townhomes that are two to three bedrooms with individual two-car garages.

## Recommended Position and Expected Development Outcomes:

**Building Consideration:** Recommend apartment units on floors 2 through 4 of the building with approximately 6 units per floor.

**Amenities:** The relatively small size of the building and site may restrict the opportunity to provide amenities found in some other apartment communities such as a community room, lounge, gym, rooftop pool, and structured parking. The ideal retail tenant would provide a service that provides value to the residential tenants, such as a fitness center. A rooftop deck should be incorporated in build-out of additional floors.

**Parking:** Site restrictions limit available on-site parking. Parking strategies should be further considered as most comparable produce provides a minimum of one parking space per bedroom.

## Recommended Unit Mix:

	Unit Mix	Avg. Size	Price / Unit	Price / SF
Studio	None	n/a	n/a	n/a
1 BR	40%	750 sf	\$123,750	\$165
2 BR	40%	1,120 sf	\$168,000	\$150
3 BR	20%	1,250 sf	\$181,250	\$145
Total	100%	998 sf	\$153,000	\$153

# OPPORTUNITY TO PROGRAM FOR-SALE RESIDENTIAL UNITS ON SITE

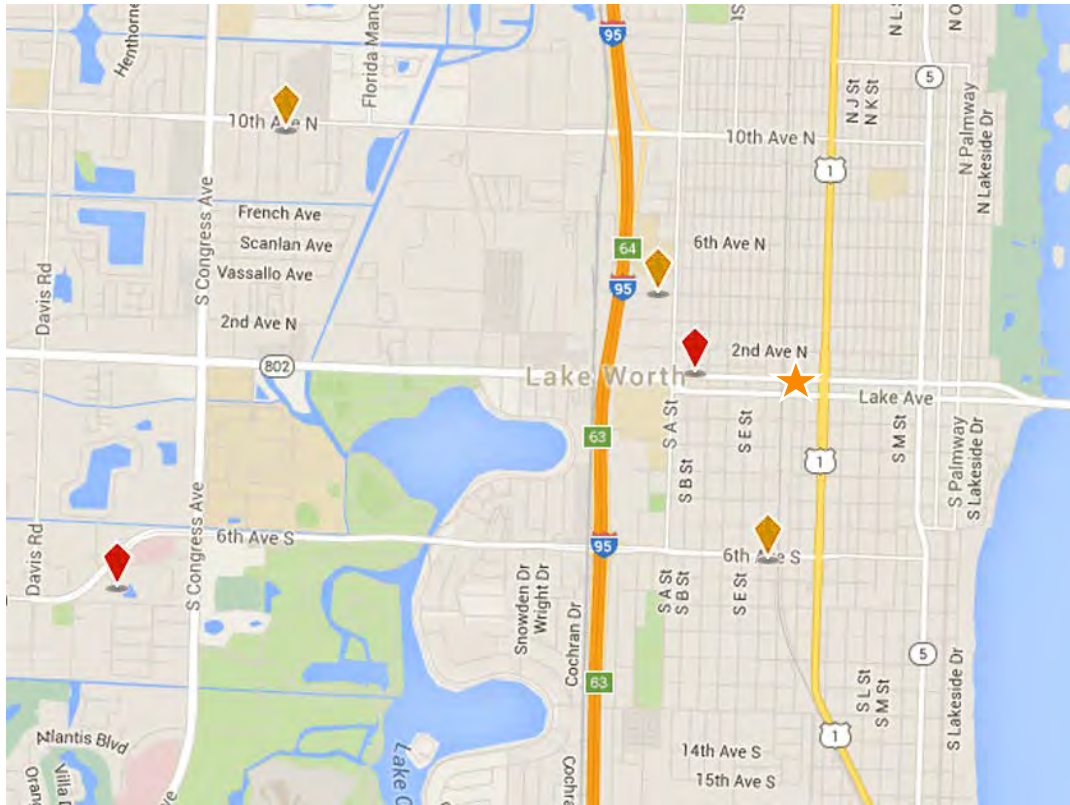
The chart below summarizes the strengths, weaknesses, opportunities, and threats, associated with condominium development on site. *New condo projects have sold at a healthy pace and a successfully executed project may spur more downtown multifamily projects. As such, there is a strong opportunity for condominium units on site if the expected sales prices can justify building redevelopment costs.*



<p>SITE <b>STRENGTHS</b> FOR CONDOMINIUM USE</p>	<ul style="list-style-type: none"> <li>• Recent condominium developments have sold at a healthy pace, indicating strong demand.</li> <li>• Condominiums are a complementary use for ground floor retail.</li> <li>• Condominium use – and the corresponding unit sizes and mix – fit nicely within the building floorplate.</li> </ul>
<p>SITE <b>WEAKNESSES</b> FOR CONDOMINIUM USE</p>	<ul style="list-style-type: none"> <li>• This location in the western part of downtown Lake Worth may not currently be desirable to buyers.</li> <li>• Available on-site parking is limited. Current competitive supply provides either an underground parking garage or private two-car garages for each unit. Incorporating garage parking is costly and likely unfeasible for the current building and site.</li> </ul>
<p>SITE <b>OPPORTUNITIES</b> FOR CONDOMINIUM USE</p>	<ul style="list-style-type: none"> <li>• A successful condominium project on site could spur additional multifamily, mixed-use condominium development in downtown Lake Worth.</li> <li>• Developing new residential uses will add to the vibrancy of this area of downtown.</li> <li>• Added residential density will help support additional retail in the area.</li> </ul>
<p>SITE <b>THREATS</b> FOR CONDOMINIUM USE</p>	<ul style="list-style-type: none"> <li>• The competitive supply features townhome-style condominiums. The multifamily condominium product achievable within the existing building will have smaller units, higher rents per square foot, and a shared parking lot—a product type some locals may be unaccustomed to.</li> </ul>

# Market Analysis: On-Site Subsidized Apartment Opportunity



# LOCATION OF ACTIVELY LEASING SUBSIDIZED APARTMENT BUILDINGS



-  SELECTED COMP
-  1000 LAKE AVENUE

Few subsidized apartment communities are located in Lake Worth with three communities located near downtown and only a handful of other communities in greater Lake Worth. Typically, the actively leasing subsidized apartments are new construction featuring multiple buildings on the site surrounded by parking for both residents and visitors. There is high demand for subsidized apartments in the area for new construction – the most recently completed project continuously has a waiting list for new residents, signally significant available demand.

# DETAIL OF SELECTED COMPETITIVE SUBSIDIZED APARTMENT COMMUNITIES



## LA JOYA VILLAGES APARTMENTS

**Address:** 1105 6<sup>th</sup> Avenue S

**Proximity:** 0.6 miles

**Year Built:** 2014

**Total Units:** 55 units

**Lease Up Pace:** 100% occupied with waiting list

**Type of Affordability:** 60% AMI LIHTC

**Amenities:** Pool, children splash pad, community room, art studios, exercise room, gated community, surface parking lot



## PALM GARDENS APARTMENTS

**Address:** 1710 4<sup>th</sup> Avenue N

**Proximity:** 0.8 miles

**Year Built:** 2008

**Total Units:** 80 units

**Lease Up Pace:** n/a

**Type of Affordability:** 30% & 60% AMI LIHTC

**Amenities:** Building entrance directly off Lake Avenue, small outdoor patio, some covered parking onsite, walking distance to beach

	# of Units	Avg. Size	Avg. Rent	Rent / SF
			60% AMI	60% AMI
Stud.	None	n/a	n/a	n/a
1 BRs	None	n/a	n/a	n/a
2 BRs	29	900	\$715	\$0.82
3 BRs	26	1,200	\$773	\$0.69

	# of Units	Avg. Size	Avg. Rent		Rent / SF	
			30% AMI	60% AMI	30% AMI	60% AMI
Stud.	None	n/a	n/a	n/a	n/a	n/a
1 BRs	None	n/a	n/a	n/a	n/a	n/a
2 BRs	40	1,060	\$388	\$903	\$0.37	\$0.85
3 BRs	40	1,390	\$439	\$1,035	\$0.31	\$0.74

# DETAIL OF SELECTED COMPETITIVE SUBSIDIZED APARTMENT COMMUNITIES



## VILLAS AT COVE CROSSING

**Address:** 2730 Lantana Road

**Proximity:** 3.5 miles

**Year Built:** 1998

**Total Units:** 94 units

**Lease Up Pace:** n/a

**Type of Affordable:** 50% & 60% AMI LIHTC

**Amenities:** Swimming pool, clubhouse, fitness center, on-site laundry facilities, patios/balconies

	# of Units	Avg. Size	Avg. Rent		Rent / SF	
			50% AMI	60% AMI	50% AMI	60% AMI
Stud.	None	n/a	n/a	n/a	n/a	n/a
1 BRs	24	590	\$794	\$795	\$1.34	\$1.35
2 BRs	38	760	\$954	\$957	\$1.25	\$1.26
3 BRs	32	990	\$1,099	\$1,106	\$1.11	\$1.12



## PORTOFINO APARTMENTS

**Address:** 2767 10<sup>th</sup> Avenue N

**Proximity:** 2.3 miles

**Year Built:** 2003

**Total Units:** 270

**Lease Up Pace:** n/a

**Type of Affordability:** 60% AMI LIHTC

**Amenities:** Gated community, clubhouse, business center, game room, resort-style swimming pool, tennis courts, playground, on-site laundry

	# of Units	Avg. Size	Avg. Rent	Rent / SF
			60% AMI	60% AMI
Stud.	None	n/a	n/a	n/a
1 BRs	66	825	\$830	\$1.01
2 BRs	120	1,107	\$1,000	\$0.91
3 BRs	84	1,274	\$1,150	\$0.91



# DETAIL OF SELECTED COMPETITIVE SUBSIDIZED APARTMENT COMMUNITIES



## CONGRESS PARK APARTMENTS

**Address:** 3000 Congress Park Drive

**Proximity:** 3.0 miles

**Year Built:** 1985

**Total Units:** 288 units

**Lease Up Pace:** n/a

**Type of Affordable:** 40% & 60% AMI LIHTC

**Amenities:** Swimming pool, basketball courts and outdoor recreational areas, playground, business center, scheduled youth activities, screened patios and balconies, washer and dryer in unit

	# of Units	Avg. Size	Avg. Rent		Rent / SF	
			40% AMI	60% AMI	40% AMI	60% AMI
Stud.	None	n/a	n/a	n/a	n/a	n/a
1 BRs	None	n/a	n/a	n/a	n/a	n/a
2 BRs	144	1,100	\$603	\$875	\$0.55	\$0.80
3 BRs	144	1,300	\$704	\$980	\$0.54	\$0.75



## VILLAGE OF VALOR

**Address:** 2431 2<sup>nd</sup> Avenue N

**Proximity:** 1.5 miles

**Year Built:** Broke ground in 2014

**Total Units:** 128

**Lease Up Pace:** TBD

**Type of Subsidy:** 25% of units eligible for project based vouchers; 20% of units allocated for Stand Down Program; LIHTC at 35% and 60% AMI; 10% of units at market rate

**Note:** This community is designated for homeless veterans and families as well as veterans at risk for homelessness

	# of Units	Avg. Size	Avg. Rent	Rent / SF
Stud.	None	n/a	n/a	n/a
1 BRs	36	TBD	TBD	TBD
2 BRs	62	TBD	TBD	TBD
3 BRs	30	TBD	TBD	TBD

# ON-SITE SUBSIDIZED APARTMENT OPPORTUNITY: ADJUSTMENT RUBRIC

## Summary of Opportunity

Of the subsidized apartments available in Lake Worth, the recently completed La Joya Apartments provide the most similar and applicable comparable development to the potential at 1000 Lake Avenue. Palm Gardens Apartments, which is located a few blocks northwest of 1000 Lake Avenue consists of similar conditions and factors as

La Joya Apartments but is a few years older. Congress Park Apartments, Portofino Apartments, and the Villas at Cove Crossing have similarities – all three apartments are approximately located the same distance from 1000 Lake Avenue and feature extensive amenities packages and suburban development patterns. Given the age-restriction at Lake Worth Towers and high-rise building, this development

was excluded when calculating the adjusted on-site rent per square footage.

*Based on comparable apartment communities, subsidized apartments for LIHTC 60% AMI at 1000 Lake Avenue would expect to rent at an average of approximately \$0.80 per square foot.*

Subsidized Residential Comp.	Price/SF	Similarity/ Applicability (Weighted Average)		Age & Condition		Desirability of Location		Amenities & Design		Size of Units		Adjusted On-Site \$/SF
La Joya Apartments	\$0.76	Most Similar	45%	2014	3%	0.5 miles	5%	Amenities Package	-5%	Similar Size	0%	\$0.78
Lake Worth Towers	\$0.97	Dissimilar	0%	1967	15%	0.4 miles	-5%	55+ Community/ High-rise	-5%	Small Units	-5%	\$0.97
Congress Park Apartments	\$0.66	Least Similar	10%	1985	10%	2.8 miles	-5%	Amenities Package	-5%	Slightly Larger	5%	\$0.69
Palm Gardens Apartments	\$0.72	Somewhat	25%	2008	5%	0.8 miles	0%	Amenities Package	-5%	Slightly Larger	5%	\$0.76
Portofino Apartments	\$0.93	Least Similar	10%	2003	5%	2.3 miles	-5%	Amenities Package	-5%	Slightly Larger	5%	\$0.93
Villas at Cove Crossing	\$1.23	Least Similar	10%	1998	5%	3.5 miles	-5%	Amenities Package	-10%	Small Units	-10%	\$0.98
												<b>\$0.80</b>

# RECOMMENDED SUBSIDIZED APARTMENT POSITIONING

## Summary of Development Opportunity (Based on Competitive Supply & Overall Local Market Context)

- The most recently completed subsidized apartment project in Lake Worth – La Joya Villages – leased up immediately and has a waiting list.
- Proximity to downtown Lake Worth is considered a valuable asset to the development of subsidized apartments.
- Programming subsidized apartments in 1000 Lake Avenue brings local pedestrian traffic and provides an important housing product type.
- Recently completed competitive supply has extensive on-site amenities including a fitness center, splash pad for children, community center, and meeting rooms.

## Recommended Position and Expected Development Outcomes:

**Building Consideration:** Recommend apartment units on floors 2 through 4 of the building with approximately 6 units per floor.

**Amenities:** Some outdoor amenity space and gathering area for community. On-site laundry, either in-unit or dedicated laundry room for building.

**Parking:** Site restrictions limit available on-site parking. Parking strategies should be further considered. Typically, the market anticipates a minimum one parking space per bedroom. However, tenants may not own a car so parking expectations may be lower.

**Income Orientation:** LIHTC at 60% AMI is recommended based on what has been successful in the local market.

## Recommended Unit Mix (60% AMI):

	Unit Mix	Avg. Size	Avg. Rent	Rent/SF
Studio	None	n/a	n/a	n/a
1 BR	25%	700 sf	\$815	\$0.86
2 BR	45%	980 sf	\$890	\$0.90
3 BR	30%	1230 sf	\$1,000	\$0.82
Total	100%	975 sf	\$900	\$0.87

# OPPORTUNITY TO PROGRAM SUBSIDIZED APARTMENT UNITS ON SITE

The chart below summarizes the strengths, weaknesses, opportunities, and threats, associated with affordable rental development on site. ***This use is not recommended as condo or market-rate apartments would create more financial value and play a stronger role in kick-starting downtown development.***

<p>SITE <b>STRENGTHS</b> FOR SUBSIDIZED APARTMENT USE</p>	<ul style="list-style-type: none"> <li>• The proximity in downtown Lake Worth would be desirable to residents without a car. The commercial district of downtown provides opportunities for residents to walk to work rather than rely on a vehicle or public transportation.</li> <li>• Subsidized apartments are in demand in Lake Worth – recently completed La Joya Villages have a substantial waiting list.</li> </ul>
<p>SITE <b>WEAKNESSES</b> FOR SUBSIDIZED APARTMENT USE</p>	<ul style="list-style-type: none"> <li>• There is limited parking available and no covered parking onsite. Lack of parking may be a concern for renters while competitive supply provide sufficient parking for both residents and visitors. However, this may not be an issue if tenants do not own a car.</li> </ul>
<p>SITE <b>OPPORTUNITIES</b> FOR SUBSIDIZED APARTMENT USE</p>	<ul style="list-style-type: none"> <li>• By providing subsidized apartment units, this is an opportunity to satisfy the city of Lake Worth’s identified goal of providing more affordable housing as articulated in the city’s Comprehensive Plan.</li> <li>• The CRA helps ensure a diversity of housing options for residents of Lake Worth as demonstrated through commitment to the Art Lofts as well as La Joya Villages. The redevelopment of 1000 Lake Avenue can be another opportunity for this.</li> <li>• Mixed-use development is viable for the site by incorporating residential apartment use above ground floor. Residents in the building may support additional retail in the area, particularly retail on the ground floor of the building or in close proximity to the site.</li> </ul>
<p>SITE <b>THREATS</b> FOR SUBSIDIZED APARTMENT USE</p>	<ul style="list-style-type: none"> <li>• Subsidized apartments will not produce the highest return on investment which creates increased risk for the redevelopment.</li> </ul>

# Market Analysis: Summary of Opportunities



# MARKET ANALYSIS SUMMARY MATRIX

LAND USE	\$ / SF	STRENGTHS & OPPORTUNITIES	WEAKNESSES & THREATS	TAKEAWAY
RETAIL	<b>\$20.45</b> (\$1.70/m)	Providing ground floor retail will help improve the vibrancy of this area. Street frontage exists on both Lake Avenue and H Street. A retail tenant has the opportunity to add value for the above-ground uses.	Successful retail requires high street visibility. While there is street frontage along the corner of the building, the north west corner of the building lacks frontage. Available parking may be of concern for prospective tenants.	There is a strong opportunity for retail on the ground floor. The floorplate size, street orientation, and basement space may be desirable for some retailers while incompatible for others: finding the right tenant will be crucial.
OFFICE	<b>\$16.61</b> (\$1.38/m)	Due to the site's close proximity to the outdated City Hall building, 1000 Lake Avenue could house office space for city agencies, thus serving as an anchor tenant.	There is currently high vacancy rates for downtown office space and recent nearby office developments have performed poorly.	Office space is not recommended unless an anchor tenant is secured in advance. The City of Lake Worth would be an ideal tenant if they were to pay rent.
MARKET RATE APARTMENTS	<b>\$1.43</b>	Likely pent-up demand given lack of recent supply; highest available expected rent for above-ground floors. Apartments would add to downtown's vibrancy and, if successful, may help catalyze additional development.	The population growth in Lake Worth has been relatively slow. Providing additional market-rate apartments carries some risk given the limited amount of new supply that has come online downtown. Limited onsite parking.	There is a strong market opportunity for market-rate apartments on site.
CONDOMINIUMS	<b>\$157.11</b>	New condo projects have sold at a healthy pace and a successfully executed project may spur more downtown multifamily projects.	Identified competitive supply has a greater supply of structured, secure, or covered parking spaces than possible on site.	There is a strong opportunity for condominium units on site.
SUBSIDIZED APARTMENTS	<b>\$0.80</b>	Providing affordable housing is a city goal and the downtown location is ideal for residents who do not have a car. Existing product has leased very quickly.	Anticipated achievable rents are significantly less for subsidized apartments compared to market-rate units. Less catalytic potential than condos or market-rate apts.	This use is not recommended as condo or market-rate apartments would create more financial value and play a stronger role in kick-starting downtown development.



## SECTION 3

# Development Recommendations

- + *Site Highest and Best Use Assessment*
- + *Value of Potential Tax Credits*
- + *Stabilized Revenue Estimates*
- + *Recommended Building Program*
- + *Next Steps*

# Highest & Best Use Assessment





# HIGHEST & BEST USE ASSESSMENT: GROUND FLOOR AND BASEMENT SPACE

The highest and best uses for 1000 Lake Avenue are based on the market analysis findings, conversations with the CRA, the opportunity to meet both CRA and City goals and objectives, and expected revenue streams associated with each land use. **Retail is recommended for the ground floor of 1000 Lake Avenue because it has the highest achievable rents, it adds the most value to the above-ground users, and it helps to activate the street.**

POTENTIAL GROUND FLOOR LAND USE	PROJECTED RENT/PRICE	COMMUNITY GAIN	OVERALL VIABILITY
<b>Retail</b>	<b>Highest</b> \$1.70/sf/mo.	<b>Highest</b> Adds value/vibrancy	<b>Highest</b> Suggested use Opportunity for tenant to use basement and ground floor space; adds the most value to the above-ground uses; enhances walkability
<b>Condominiums</b>	<b>Moderate</b> \$141/sf*	<b>Moderate</b> Minimal benefit	<b>Moderate</b> Not recommended Does not add value to the above-ground uses; does not significantly add to area vitality or walkability.
<b>Market-Rate Apartments</b>	<b>Moderate</b> \$1.29/sf/mo.*	<b>Moderate</b> Minimal benefit	<b>Moderate</b> Not recommended Does not add value to the above-ground uses; does not significantly add to area vitality or walkability.
<b>Subsidized Apartments</b>	<b>Lowest</b> \$0.72/sf/mo.*	<b>Moderate</b> Minimal benefit	<b>Moderate</b> Not recommended Does not add value to the above-ground uses; does not significantly add to area vitality or walkability.
<b>Office Space</b>	<b>Moderate</b> \$1.24/sf/mo.*	<b>Moderate</b> Minimal benefit	<b>Moderate</b> Not recommended Does not add value to the above-ground uses; does not significantly add to area vitality or walkability.

# HIGHEST & BEST USE ASSESSMENT: ABOVE-GROUND SPACE

The highest and best uses for 1000 Lake Avenue are based on the market analysis findings, conversations with the CRA, the opportunity to meet both CRA and City goals and objectives, and expected revenue streams associated with each land use.

**Condominium product or market-rate apartments should be considered for the above-ground floors as they will create value on site as well as help to play a role in creating more density and mixed use downtown.** Subsidized apartments may also be consider if there is strong City will; however, affordable housing would have a stronger catalytic effect in other locations.

POTENTIAL ABOVE-GROUND LAND USE	PROJECTED RENT/PRICE	COMMUNITY GAIN		OVERALL VIABILITY
<b>Condominiums</b>	<b>Highest</b> \$157/sf	<b>Highest</b> Help establish condo mixed use downtown	<b>Highest</b> Strong opportunity	Potential catalytic opportunity to establish the market for new multifamily condominium product and set precedent for mixed-use
<b>Market-Rate Apartments</b>	<b>Highest</b> \$1.43/sf/mo.	<b>Highest</b> Help establish rental mixed use downtown	<b>Highest</b> Strong opportunity	Opportunity to provide additional density and mixed-use downtown; highest achievable rents
<b>Subsidized Apartments</b>	<b>Lowest</b> \$0.80/sf/mo.	<b>Highest</b> Help establish afford. mixed use downtown	<b>Moderate</b> Serves a need; has a lower financial return	Opportunity to provide additional affordable housing and mixed-use downtown; relatively low rents
<b>Office Space</b>	<b>Moderate</b> \$1.38/sf/mo.	<b>Lowest</b> Help establish an office market	<b>Lowest</b> Not recommended	The office market is struggling in downtown Lake Worth and there is significant office vacancy; stronger opportunity if the City agrees to fully occupy the space

# Value of Potential Tax Credits



# SITE TAX CREDIT EVALUATION: HISTORIC TAX CREDITS AND NEW MARKET TAX CREDITS

LAND USE	TOTAL POSSIBLE VALUE OF EVALUATED TAX CREDITS	FEDERAL HISTORIC TAX CREDITS	LOCAL PROPERTY TAX EXEMPTION FOR HISTORIC PROPERTIES	NEW MARKETS TAX CREDITS	LOW INCOME HOUSING TAX CREDITS
SITE ELIGIBILITY	<b>Strong potential for FHTC and for a local Historic Property Tax Exemption. Moderate potential for NMTC (high preference for site, potentially lower preference given high amount of residential on site).</b>	Site is eligible for 20% credits due to location in historic district, the bldg.'s Mediterranean Revival architecture, and because rehab costs exceed the building's value.	Site is eligible as a contributing building in a local historic district. Rehab work must be in accordance with Sec. of Interior Standards for rehabilitation.	Site is eligible for NMTC, has selection preference due to "high distressed" census tract conditions (44% indv. poverty rate, median income is 70% of MSA avg., 17.1% unemployment.) Over 20% of income must come from retail space.	Not evaluated
EXPECTED RATE	<b>Eligible for 20% FHTC and up to 10 years exemption for increase in local property taxes. Expected NMTC value is undetermined.</b>	Qualified expenses do not include furnishings, acquisition costs, nor expansion costs. <i>(20% credit x \$2.4M in rehab costs.)</i>	100% of increase in assessed improvem'ts resulting from rehab. Tax exemption may last up to 10 years. <i>(2.35% property tax rate x expected change in assessed value x 10 yrs.)</i>	Tax credit received is 39% of QEI, credited over 7 years. Approved QEI could be as much as 100% of project cost but that would be highly unlikely. <i>(Project cost x 39% x 50% awarded.)</i>	Not evaluated
MAX. POTENTIAL CREDIT FOR RETAIL + MARKET RATE APARTMENTS	<b>2.5 Floors: \$1.52 M 4 Floors: \$2.59 M 6 Floors: \$3.67 M</b>	2.5 Floors: \$483,000 4 Floors: \$483,000 6 Floors: \$483,000	2.5 Floors: \$404,200 4 Floors: \$763,750 6 Floors: \$1.19 Million	2.5 Floors: \$637,650 4 Floors: \$1.34 million 6 Floors: \$2.00 million	n/a
MAX. POTENTIAL CREDIT FOR RETAIL + CONDOMINIUMS	<b>2.5 Floors: \$638,000 4 Floors: \$1.34 M 6 Floors: \$2.00 M</b>	Owner-occupied dwellings are not eligible for FHTCs	A condominium building would not capitalize on property tax exemptions	2.5 Floors: \$637,650 4 Floors: \$1.34 million 6 Floors: \$2.00 million	n/a

# Revenue Estimates and Building Value



# STABILIZED REVENUES AND PROJECTED BUILDING VALUE FOR 3 BUILDING HEIGHTS AND 2 LAND USE SCENARIOS

## Land Use Scenario 1: Condominium Building (with Ground Floor Retail)

Redeveloping the building at its current height with retail and condo units could generate \$600,000 in value. Expansion would likely be unprofitable.

Building Height	Retail Gross SF	Retail Net SF <sup>1</sup>	Condo Gross SF	Condo Net SF <sup>2</sup>	Approx. # of Units	Stabilized Retail Rev <sup>3</sup>	Tot. Condo Sales	Total Bldg. Value <sup>4</sup>	Constr. Cost Est. <sup>5</sup>	Potential Tax Cred.	Profit
2.5 stories	10,463 sf	9,521 sf	9,918 sf	6,828 sf	8	\$139,347/yr	\$1,073,000	\$3.25 million	\$3.27 mil.	\$638,000	<b>\$618,000</b>
4 stories	10,463 sf	9,521 sf	20,329 sf	15,677 sf	17	\$139,347/yr	\$2,363,000	\$4.54 million	\$6.85 mil.	\$1.34 mil.	<b>-\$970,000</b>
6 stories	10,463, sf	9,521 sf	32,625 sf	26,129 sf	28	\$139,347/yr	\$4,105,000	\$6.28 million	n/a	\$2.00 mil.	n/a

## Land Use Scenario 2: Apartment Building (with Ground Floor Retail)

Apartment use is more profitable than condos on site if historic tax credits are utilized. An expansion to 4 floors would lose value but create density.

Building Height	Retail Gross SF	Retail Net SF <sup>1</sup>	Apartm't Gross SF	Apartm't Net SF <sup>2</sup>	Approx. # of Units	Stabilized Retail Rev <sup>3</sup>	Stabilized Apt. Rev <sup>4</sup>	Total Bldg. Value	Constr. Cost Est. <sup>5</sup>	Potential Tax Cred.	Profit
2.5 stories	10,463 sf	9,521 sf	9,918 sf	6,828 sf	8	\$139,347/yr	\$109,000	\$3.35 million	\$3.27 mil.	\$1.52 mil.	<b>\$1.60 mil.</b>
4 stories	10,463 sf	9,521 sf	20,329 sf	15,677 sf	18	\$139,347/yr	\$251,000	\$4.88 million	\$6.85 mil.	\$2.59 mil.	<b>\$620,000</b>
6 stories	10,463, sf	9,521 sf	32,625 sf	26,129 sf	30	\$139,347/yr	\$455,000	\$6.68 million	n/a	\$3.67 mil.	n/a

1 Residential lobby, amenities, and storage are assumed to occupy 943 sf of ground floor and 943 sf of basement, leaving 5,406 ground floor sf and 5,958 basement sf for retail (943 sf of which is for HVAC/storage); an ideal retail user will occupy some or all of the basement space

2 Net/leasable residential space includes 85% of the gross square footage on above-ground floors and does not include basement nor lobby

3 Assumes market rent for 5,406 sf of leasable ground floor retail space (\$20.45/sf) and \$7.00/sf for 4,115 sf of leasable basement retail space

4 Assumed average vacancy of 8%; apartment values calculated by applying product-specific Lake Worth cap rates (Loopnet.com: 6.5% for multifamily, 6.4% for retail) to the stabilized NOI (70% of revenues)

5 Cost estimates by Conkling & Lewis Construction, Inc. (2014) and includes buildout on residential floors; estimates for the 2.5-story building use their provided shell cost estimates added to their per-room build-out estimates as per their 4-story building cost estimate.

# Recommended Building Program



# RECOMMENDED BUILDING PROGRAM: SUMMARY

*As per the findings of the market analysis, the highest and best use analysis, and the stabilized revenue estimates, 1000 Lake Avenue is best-suited for ground floor retail and either condominium or market-rate apartments in a four-story building – completing the existing third floor and adding a fourth floor.*

Additionally, this mixed-use development of residential and retail uses will support CRA and City objectives of working to transition this area of downtown into a more walkable, vibrant neighborhood.





# RECOMMENDED BUILDING PROGRAM: GROUND FLOOR RETAIL

Given the relatively high anticipate achievable rent per square foot and great street frontage visibility, 1000 Lake Avenue is ideally positioned for a retail tenant. The ground floor has approximately 5,400 square feet of viable retail space— a number that may change slightly depending on how much space a residential lobby and other residential uses occupy on the ground floor. The building has a basement that could likely provide an additional 4,100 square feet of commercial space.

For a successful revitalization, careful consideration must be given to the type of tenant in this building. To achieve a vibrant mixed-use development, synergy between the type of tenant and the residential use should be emphasized when marketing this space.

The retail tenant or tenants for the ground floor of the building would ideally lease the vast majority of the basement in addition to the first floor. However, given the lack of window wells and daylight for the basement, ideal tenants would include uses such as gyms that would want controlled lighting.

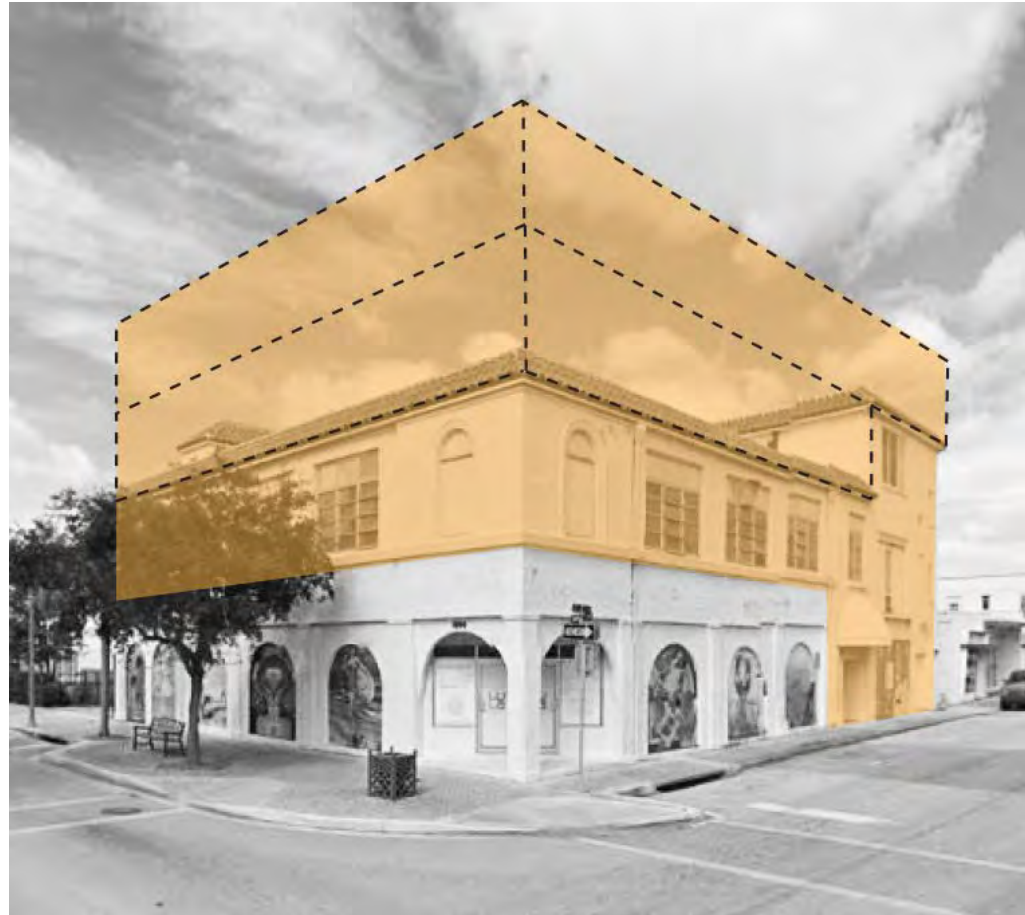


# RECOMMENDED BUILDING PROGRAM: RESIDENTIAL

Based on comparable residential developments and demographic considerations, both one-bedroom and two-bedroom residential units are ideal for the upper floors of 1000 Lake Avenue for condominium units as well as market-rate apartments.

Street access for the residential units should be located off H Street, directly across from City Hall. The entry to the building should feature a seating area with a small lounge space in addition to unit mailboxes. To compete with competitive developments, these residential units should feature in-unit washer and dryers and higher-end appliances and finishes.

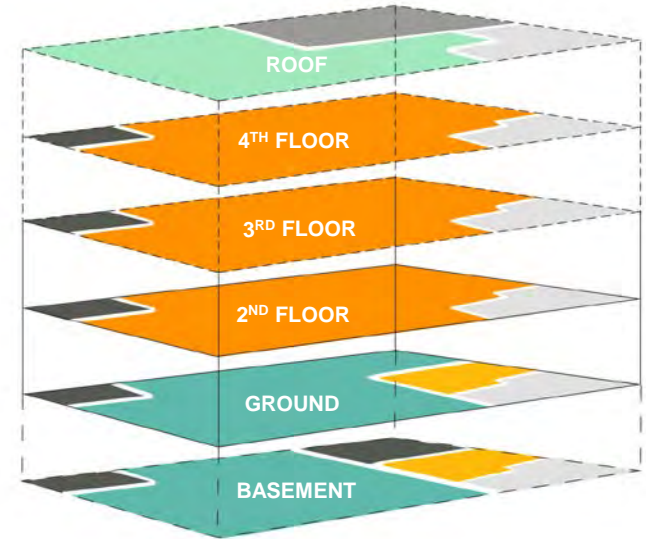
In both residential scenarios, amenity space is crucial to meet the demands of the market given the comparable residential properties in Lake Worth. Typically, apartment and condominium buildings feature community space, gym room, business center, swimming pool, and recreational space. Due to both site constraints with the existing building as well as a relatively low number of units, a high-quality, outdoor rooftop lounge is recommended as the key residential amenity.



# RECOMMENDED BUILDING PROGRAM: LEASABLE VS. NON-LEASABLE SPACE

## Leasable vs. Non-Leasable Building Space

To understand the overall anticipated revenue of the building for both scenarios, the square footage for each of the uses – retail and residential – were defined between leasable and non-leasable space. Non-leasable space includes circulation space (based on the existing floor plan) as well as allocated mechanical/storage space in the basement. Residential circulation space also includes the existing elevator shaft for access to all floors. Additionally, the residential use for both scenarios include storage space as well as lobby/entry space for apartments or condominiums. It is recommended that the roof contains an accessible patio with seating to serve the residents. *The figures in the table below are rough estimates and the diagram to the right is intended to be conceptual: the exact amount of leasable square footage will vary depending on the building design.*



	Total SF	Retail SF		Residential SF	
		Leasable	Non-Leasable	Leasable	Non-Leasable
<b>Basement</b>	6,000	4,115	943	0	943
<b>Ground Floor</b>	6,348	5,406	0	0	943
<b>Upper Floors</b>	6,148	0	0	5,226	922

- RETAIL
- RESIDENTIAL LEASABLE
- ROOF-TOP AMENITY
- NON-LEASABLE
- RESIDENTIAL NON-LEASABLE (CIRCULATION)
- RESIDENTIAL NONLEASABLE (LOBBY & STORAGE)

# RECOMMENDED BUILDING PROGRAM: RETAIL + MARKET-RATE APARTMENTS

## Recommended Scenario: Retail + Market-Rate Apartments

The market-rate apartment scenario features 18 units. The building program aims to maximize the amount of leasable square footage while providing approximately the target unit mix (33% 1BR and 66% 2BR) and target unit sizes. Overall, the anticipated achievable rents range between approximately \$1,050 and \$1,370 depending on the unit size, type, and location within the building.

	Unit Mix	Avg. Size	Rent / Unit	Rent / SF
Studio	None	n/a	n/a	n/a
1 BR	33%	660 sf	\$1,056	\$1.60
2 BR	67%	975 sf	\$1,365	\$1.40
3 BR	None	n/a	n/a	n/a
<b>Total</b>	<b>100%</b>	<b>870 sf</b>	<b>\$1,260</b>	<b>\$1.45</b>

Building Floor	Land Use	Floor Size	# of 1 BR Units	Total SF (1 BR)	# of 2 BR Units	Total SF (2 BR)
Basement	Retail	TBD	--	--	--	--
First Floor	Retail	6,000 SF	--	--	--	--
Second Floor	Apartments	5,220 SF	2	1,320	4	3,900
Third Floor	Apartments	5,220 SF	2	1,320	4	3,900
Fourth Floor	Apartments	5,220 SF	2	1,320	4	3,900
<b>Total</b>			<b>6</b>	<b>3,960</b>	<b>12</b>	<b>11,700</b>

# ADDITIONAL CONSIDERATIONS

## BUILDING PARKING REQUIREMENTS

Currently, there are approximately 18 available parking spaces on the site of 1000 Lake Avenue in the surface lot directly behind the building to the west. The CRA also owns the adjacent basketball court which, according to a parking study by Hillard T Smith Architects, could be combined to create 31 total onsite parking spaces. *Even after redeveloping the basketball court for parking, there will still be a shortfall of 11 spaces for the proposed uses on site.*

The chart below details the parking requirements for the site as per §23.4-10H of the City of Lake Worth’s Land

Development Regulations. Because this property is considered part of Lake Worth’s “Core” per regulation, payment in lieu of parking is applicable to satisfy the condition of the Development Regulations. Given the ample availability of parking at competitive residential and retail projects, apartment renters and retail tenants will expect available and secure parking.

*We recommend reserving the 31 on-site spaces for the apartment residents and allocating or reserving between 5 and 9 spaces in the adjacent city lot to the north for retail staff and/or customers.*



BUILDING PROGRAM	PROPOSED RETAIL		PROPOSED 1 BR UNITS		PROPOSED 2 BR UNITS		TOTAL PARKING REQUIRED (PER CODE)	POTENTIAL AVAILABLE ONSITE PARKING <sup>1</sup>	ESTIMATED PARKING SHORTAGE
	SF	PARKING (1 / 500 SF)	UNITS	PARKING (1.5 / UNIT)	UNITS	PARKING (2 / UNIT)			
<b>Market-Rate Apartments</b>	4,463+ sf	9 spaces	6	9 spaces	12	24 spaces	<b>42 spaces</b>	<b>31 spaces</b>	<b>11 spaces</b>

# Recommended Next Steps



# RECOMMENDED NEXT STEPS

## Complete a detailed financial analysis

Conduct a pro forma analysis that incorporates the market findings and positioning recommendations of this report in order to assess potential deal structures and corresponding project costs, equity and debt sources, revenue streams, etc.

## Decide on a redevelopment strategy

CRA staff and board members should discuss and make final decisions regarding the following: (a) preferred redevelopment height (2.5, 4, or 6 stories); (b) land use scenario; (c) development strategy including whether to sell the building to an outside developer, build and manage the property in-house, etc.; (d) develop a timeline and work plan for moving forward with site redevelopment.

## Reach out to potential retail tenants

Begin discussions with owners of retail businesses that may be a strong fit for the

ground floor and/or basement space of 1000 Lake Ave. These conversations will help the CRA evaluate the likely demand for the space as well as preferred space usage and build-out.

## Find additional parking for the building

City code requires between 30 and 33 parking spaces for the project's residential units and either 9 spaces for the retail user or a payment in lieu of parking (\$7,500 per space). We recommend allocating the 31 onsite spaces exclusively for the residential users. The CRA should evaluate the following options to avoid paying nearly \$68,000 in lieu of parking: (a) allocate between 5 and 9 spaces in the adjacent city lot for the ground floor user(s) (oriented toward retail staff); (b) consider waiving the payment in lieu of taxes requirement for the site; (c) leverage on-street parking via meters or permits; and/or acquire adjacent underutilized properties and consolidate

parking uses for multiple properties.

## Conduct a feasibility assessment for acquiring and assembling adjacent sites

Currently, multiple underutilized properties are available adjacent to 1000 Lake Ave. The CRA should assess the strategic implications of acquiring and assembling these sites in order to promote a cohesive transit-oriented redevelopment adjacent to the light rail station that is planned on the western side of the block. A coordinated, city-led redevelopment effort of these properties may help catalyze this area of downtown Lake Worth, and lead to the first truly transit-oriented portion of the city.

The CRA should evaluate the opportunity for site acquisition and assemblage and assess the design, financial, economic, and political feasibility and implications.



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