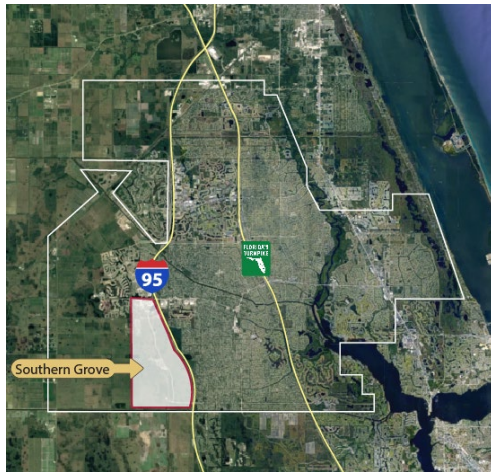


Technical Memorandum #4

Economic Impact Analysis

Southern Grove Master Plan

Port St. Lucie, FL



Prepared for:
Treasure Coast Regional Planning Council
Stuart, FL

On behalf of:
City of Port St. Lucie
Port St. Lucie, FL

January 2021 **FINAL**

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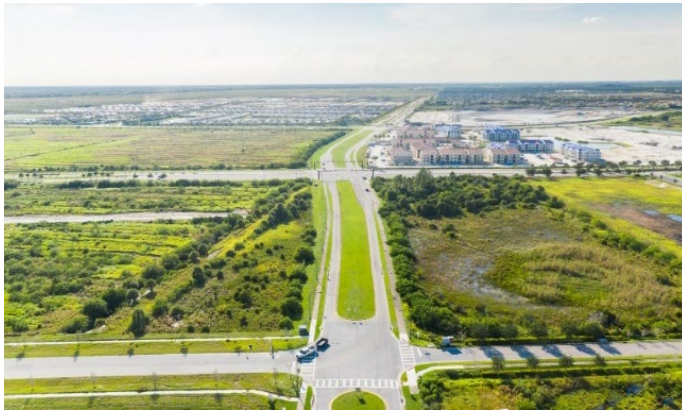
General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this study reflect the most accurate and timely information possible. These data are believed to be reliable at the time the study was conducted. This study is based on estimates, assumptions, and other information developed by WTL +Associates (referred hereinafter as "WTL+a") from its independent research effort, general knowledge of the market and the industry, and consultation with the client and its representatives. No responsibility is assumed for any inaccuracies in reporting by the client, its agent and/or representatives, or any other data source used in preparing or presenting this study.

No warranty or representation is made by WTL+a that any of the projected values or results contained in this study will be achieved. Possession of this study does not carry with it the right of publication thereof or to use the name of "WTL+a" in any manner without first obtaining the prior written consent of WTL+a. No abstracting, excerpting or summarizing of this study may be made without first obtaining the prior written consent of WTL+a. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person, other than the client, without first obtaining the prior written consent of WTL+a. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from WTL+a.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Overview



The City of Port St. Lucie, located in St. Lucie County, Florida, is one of the fastest-growing municipalities in the State of Florida. Established in 1961, its municipal boundaries encompass 121.5 square miles. The City acquired 1,215.9 acres known as the “Southern Grove” property (the “study area”) on June 28, 2018, of which approximately 1,183 acres

are owned by the City of Port St. Lucie Government Finance Corporation (GFC), and the focus of this analysis. The study area is a part of the Southern Grove Development of Regional Impact (DRI), which encompasses approximately 3,606 acres.

Technical Memorandum #4 summarizes the findings of the economic impact analysis, which **estimates the direct, indirect and induced economic impacts accruing to St. Lucie County** and/or the City of Port St. Lucie from future development in the Southern Grove study area. As illustrated in Table 1 below, **the analysis evaluates the impacts generated by land uses identified in the proposed recommended entitlements to GFC-owned land.** The economic impact analysis utilizes an impact model developed by IMPLAN Group, LLC. IMPLAN is a proprietary analytical model which measures the impacts of a specific project or industry on a geographic area’s economic activity in terms of sales, income, employment, and tax revenue. The IMPLAN model includes:

- **Direct Impacts**—defined as employment and spending
- **Indirect Impacts**—defined as secondary effects of spending through incomes generated by a project’s primary uses and relevant employment sectors, and
- **Induced Impacts**—defined as indirect spending by employees.

The IMPLAN model is the national standard for measuring economic activity, and is used by multiple public and private entities across the United States, including municipal, county and state governments.

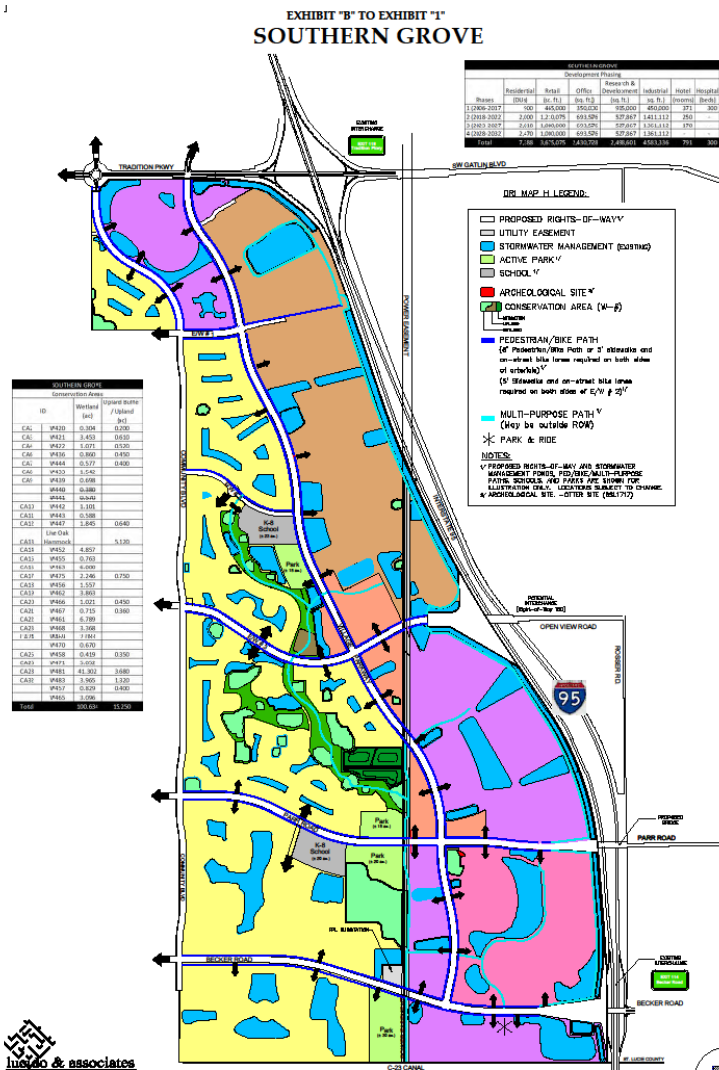
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This memorandum supplements previous technical memoranda, including: #1 (demographic/economic profile); #2 (real estate market conditions, and development potentials); and #3 (financial scorecard analysis).

Figure 1: Southern Grove Study Area



Impacts of the 2020 Pandemic

This report presents the findings of the economic impact analysis. The analysis is **based on data and conditions prior to COVID-19 impacts**. While the timing for future development may be more extended due to the pandemic, there are potentials for selected, well considered new growth and investment. Experience in other Florida markets has demonstrated the best way to fully optimize economic benefits in Port St. Lucie will result from a carefully structured and implemented plan that appropriately integrates different land uses and phases to provide development flexibility.

The most important difference between year-end 2019 (the data-year used for this analysis) and current conditions in December 2020 is the impact of the global Coronavirus pandemic. COVID-19 has already had a significant impact on commercial real estate, although these impacts vary considerably from location to location. It has affected consumer spending, real estate sales, job prospects and recreation options in ways that have profoundly modified pre-COVID conditions. **The office market, especially for technology and other computer-based industries, has responded most rapidly and *not* in ways that are likely to encourage new office development.** At the broadest levels across the country, early reactions to self-isolation and working-at-home have resulted in some companies advising employees to work at home for the remainder of 2020, while Twitter has announced that its employees can work at home *forever*.

The travel, hospitality and retail industries have been particularly hard-hit, with airline passenger volumes reportedly down by upwards of 90% to 95%, major layoffs in the hotel and food & beverage industries, and the May 2020 announcement of a bankruptcy filing by the Hertz Rental Car company. The travel and leisure market based on tourism have been seriously impacted and will likely take several years to stabilize, much less fully recover. **The National Retail Federation speculated in May 2020 that as many as 40% of small retailers *may never re-open*.**

In its bi-annual bankruptcy update of the retail industry, BDO Global (an international network of public accounting, tax, consulting and business advisory firms formerly known as Binder Dijker Otte) identified 18 retailers that headed to bankruptcy court in the first half of the year and another 11 in July through mid-August. In fact, the industry's bankruptcy record so far put it on

pace with 2010, following the Great Recession when there were 48 bankruptcy filings by retailers. The COVID-19 pandemic has essentially interfered with what is normally a cyclical pattern for retailers and set up the industry for yet more bankruptcies in 2020's second half.

According to BDO researchers, 2020 is on track to set the record for the highest number of retail bankruptcies and store closings in a single year. By BDO's measure, bankrupt retailers alone have announced nearly 6,000 store closings this year, more from January through mid-August than the record 9,500 stores that closed throughout 2019, and most of them in malls. More than 15 retailers (including Macy's, Bed Bath & Beyond and Gap) outside of bankruptcy court have announced a total of 4,200 closures.

National unemployment levels in 2020 are at their highest since the Great Depression of the 1930s. From a record yearly low of 3.5% in February, seasonally-adjusted unemployment jumped to 14.7% in April. With uneven recovery generated by the pandemic, the *official* national unemployment rate has steadily declined over the past seven months: 13.3% in May; 11.1% in June; 10.2% in July; 8.4% in August; 7.9% in September; 6.9% in October; and 6.7% in November.

By comparison, according to the Department of Economic Opportunity (DEO), Florida's unemployment rate jumped from a low of 2.8% in February 2020 to 13.8% in April; 13.7% in May; 10.3% in June; 11.4% in July; 7.3% in August; 7.2% in September; and remained at 6.4% in both October and November. For a visitor destination like Florida, where the \$111.7 billion annual tourism industry is the state's largest industry, the impact is already great and could become a profound issue as the virus continues prior to widespread vaccinations. Like many states, government policies are seeking to balance social responsibility and safety with the need to re-open businesses and encourage visitors to return. The re-opening of beaches and public spaces across the state has been a relief to millions of Florida residents, but it could also result in a virus rebound that could require retrenchment or (at minimum) more carefully regulated public behaviors.

Taken in total, **these impacts have caused a major slowdown in economic activity across Florida (especially in hospitality and tourism-dependent sectors), and the costs of lost consumer spending will result in near-term increases in vacancy rates for retail and office uses, a massive slowdown in tourism and visitor spending,** and a slow recovery period, due in large part to the number of unknowns about a global pandemic. Until a reliable

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vaccine is developed and produced in sufficient volumes to stabilize the rate of transfer, recreating consumer confidence to travel, to spend time in other places, and to have the money to stimulate local economies will be set back for many months, if not years.

The short-term economic prospects should be cautious and slow. However, there are mitigating factors that could change the mid-to longer-term outlook:

- **Slowing of Unsupportable Speculative Real Estate Development**—an overheated real estate market in Florida has encouraged speculative development and over-entitlements in many submarkets.
- **Time to Plan More Effectively**—a slowdown could encourage a more manageable pace of development and reduce environmental and social impacts that often result from hurried decisions.
- **Business Opportunities for Millennials**—the millennial generation is highly entrepreneurial and will be more willing to start new retail, food & beverage, and consumer service businesses once the pandemic has stopped.
- **Pent up Demand for Social Experiences**—while on-line sales have spiked, consumers are also looking forward to dining out, going out, and shopping; consumer demand for goods and services is pent-up at levels not seen since the 2007 recession.
- **Creative Regulation & Behavior Management**—if reasonable standards can be put into place and safety practices realized, Florida’s beaches, communities, and visitor destinations should rebound faster than other parts of the country.

For Port St. Lucie and Southern Grove, the impacts of COVID-19 are more likely related to time and phasing than a permanent loss of economic activity. The area’s economic recovery period may present opportunities to take advantage of the ‘pause’ and consider how to best optimize prospective agreements to create new jobs, attract business investment, and create an overall plan that will capitalize on the site’s advantages. For example, the Cleveland Clinic has stimulated a bio-health cluster in the northern portion of the Southern Grove study area, and manufacturing and warehouse/distribution companies have been attracted due to the proximity to I-95 and lower land values than more urbanized counties to the south. While economic recovery may take two to three years, the longer-term prospects for Southern Grove remain moderate but steady over time.

Ironically, U.S. financial markets have stabilized more quickly than consumer markets. The reduced costs of debt/capital have encouraged developers to accelerate proposed projects, allowing 18-24 months for regulatory review, approvals, and construction so that they are ready for the rebound when it occurs. The challenge for the City of Port St. Lucie will be to select those projects carefully so that new development in the Southern Grove study area can generate the greatest economic benefits possible for the City of Port St. Lucie over the long-term.

Study Area Entitlements

The Southern Grove Master Plan is intended to build upon the City's prior planning efforts and reorganize the land uses and infrastructure to produce a more sustainable, economically viable development program that accomplishes a range of key goals over time—primarily to **reinforce the development of a high-intensity jobs corridor for the City that generates economic benefits and net new jobs**. The Master Plan recommends the creation of three districts, including Bio/Health and Workplace Districts (within the Southern Grove property) and a Town Center District (in the Tradition DRI located to the north of the study area). In addition, the Master Plan also recommends the assignment of three new Land Use Classifications: Employment Center, Lifestyle/Commercial and Mixed-Use.

The Employment Center classification focuses on industrial warehouse/distribution, research and development, and supporting office uses. The Mixed-Use category focuses on higher density residential, including townhouse and apartment uses, retail/commercial, office, and educational uses, and the Lifestyle/Commercial classification focuses on higher-intensity retail/commercial centers that include office and higher density residential use.

A key recommendation in the plan is to modify land use entitlements and integrate these entitlements into updated assessment rates for the Special Assessment District (SAD) with an increase in industrial and office space and multi-family residential units over current entitlements as well as a decrease in retail entitlements to better correspond to market conditions and supportable development potentials as identified in the WTL+a Market Study.

Current, proposed, and allocated/pending entitlements in the Southern Grove study area are illustrated in Table 1.

Table 1: Recommended Entitlements (Proposed) for GFC-owned Land

RECOMMENDED ENTITLEMENTS FOR GFC-OWNED LAND (1215.9 acres including pending 21-acre transfer from Mattamy)				
CATEGORY	CURRENT	PROPOSED	ALLOCATED/PENDING	REMAINING
Residential (SF units)	-	-	-	-
Residential (TH units)	786	900		900
Residential (Apt units)	900	900	372	528
Retail (SF)	2,582,851	500,000	49,478	450,522
Office (SF)	4,296,480	1,000,000	155,481	844,519
Warehouse/Industrial (SF)	3,838,336	8,000,000	4,353,743	3,646,257
School (SF)	-	-		-
R&D (SF)	(included with Office)	1,000,000		1,000,000
Hotel (Beds)	240	500	204	296
Hospital (Beds)	-	-		-

Source: Treasure Coast Regional Planning Council, December 2020.

As a result of this key recommendation, the analysis evaluates the economic impacts generated by the following proposed land use entitlements:

- **Residential**—900 townhouse units and 900 multi-family units
- **Supporting Retail**—500,000 sq. ft. of retail uses
- **Workplace**—1.0 million sq. ft. of office (oriented to professional/business services), 1.0 million sq. ft. of research & development (R&D) uses, and 8.0 million sq. ft. of general industrial space, and
- **Lodging/Hospitality**—500 hotel rooms.

Estimates of gross building area, by land use, are illustrated below:

Table 2: Estimated Building Area & Comparison of Current & Proposed Entitlements

	Current Entitlements		Proposed Entitlements		Allocated/Pending	
	Total	SF	Total	SF	Total	SF
Residential						
Townhouse For-Sale	786	1,285,862	900	1,472,361	-	-
Multi-Family Rental	900	884,700	900	884,700	372	365,676
Subtotal (Units):	1,686	2,170,562	1,800	2,357,061	372	365,676
Workplace						
Office	-	4,296,480	-	1,000,000	-	155,481
Commercial Retail	-	2,582,851	-	500,000	-	49,478
Research & Development	-	-	-	1,000,000	-	-
Warehouse & Distribution	-	3,838,336	-	8,000,000	-	4,353,743
Subtotal (SF):	-	10,717,667	-	10,500,000	-	4,558,702
Supporting Services						
Hotel	240	111,120	500	231,500	204	94,452
Subtotal (Rooms & SF):	240	111,120	500	231,500	204	9,006,897
PROJECTED BUILD OUT:	1,926	12,999,349	2,300	13,088,561	576	9,372,573

(1) Anticipated development buildout based on unit and square footage estimates provided by Treasure Coast Regional Planning Council.

(2) Analysis assumes 463 gross sq. ft. per hotel room, based on national industry standards (including Assets America and Cushman & Wakefield, Inc.); and average unit size of 1,636 sq. ft. for townhouses and 983 sq. ft. for multi-family units.

Source: City of Port St. Lucie; Treasure Coast Regional Planning Council; WTL+a, January 2021.

Assumptions, Methodology & Data Sources

The economic impact analysis evaluates how the development program for Southern Grove could be expected to impact St. Lucie County, including the City of Port St. Lucie through the creation of new jobs as well as new tax revenues accruing to the City, County and potential other taxing districts/entities.

As noted, WTL+a utilized IMPLAN (a national software and data provider) that calculates impact multipliers and generates a model that applies inputs from Southern Grove’s proposed development program to estimate corresponding impacts on job growth and fiscal revenues. To strengthen and validate these multipliers, WTL+a also incorporated data from the U.S. Census (on employment growth trends by industry sector) and ESRI Business Analyst (a national analytics and data provider, on number of employees by business type, jobs-to-population ratios and other key metrics).

The following key inputs were utilized in the analysis:

- **Hard and soft construction costs** for the proposed recommended entitlements, including residential (multi-family/townhouse and apartment), commercial (retail), workplace uses (office, industrial and research & development/R&D) and lodging/hospitality are based on industry standards, specific known comparables in/surrounding Port St. Lucie within each land use and/or inputs for similar construction in South Florida using cost estimates from RS Means; and
- **Infrastructure costs** for the Southern Grove’s future infrastructure, public realm and transportation-related improvements are based on the “Civil Infrastructure Order-of-Magnitude Estimate of Probable Cost”, (prepared in December 2020 by Captec Engineering, Inc. for several major categories, including: roadways, utilities, drainage stormwater, Tradition Trail, gateway elements and transit stops.

The results of the economic impact analysis are presented in detail below.

Economic Impacts

During Construction/Sales & Ongoing Operations

Southern Grove’s economic impacts can be classified into two primary categories that affect job growth, tax revenues, and County expenditures:

- **Temporary/One-time Impacts**—during site construction and sales/lease-up of each land use before the project is fully occupied. For example, construction of infrastructure, public realm

improvements and each of the land uses generates temporary construction jobs and associated taxes. Initial home sales of Southern Grove’s residential uses (900 townhouse units) would be expected to generate sizeable property transfer tax revenues; and

- **Ongoing Operations**—ongoing annual impacts once the project is built out and achieves stabilized (95%) and/or full occupancy. Once Southern Grove is built out and achieves stabilized and/or full occupancy, the primary sources of City and County revenues will include property taxes from residents and corporate and sales tax receipts from businesses expenditures that, in turn, can fund municipal services such as fire protection, police protection, EMS, and public-school costs.

Moreover, as fiscal revenues and expenses are so different before and after a project has stabilized, the analysis considers these two periods separately. As such, the results of these analyses are presented in separate tables for (1) the time during construction/sales/lease-up, and (2) the ongoing period after stabilized occupancies have been achieved.

Direct, Indirect & Induced Impacts

The analysis considers not only direct (i.e., on-site) job growth and fiscal revenues but also indirect and induced fiscal impacts. Indirect impacts reflect the “trickle-down” nature of money. For example, when a new job is created, an employee generates economic activity through the purchase of goods and services with that income (and income tax revenues in those states with income taxes). That spending is taxed via various taxing categories such as retail sales and business taxes. Not only does this employee generate additional indirect tax revenues but this spending generates “induced” impacts, such as another business hiring additional employees and the resultant spending that occurs with that new employee. These additional economic impacts are incorporated into the analysis.

Other Development Impacts

Other key inputs and assumptions pertain to types of workplace/industry sectors and tenants that would be expected to locate at Southern Grove, including the potential types of businesses; the amount of commercial office, research & development, industrial and warehouse/logistics and/or supporting retail space each could be expected to occupy; reasonable annual sales estimates for each business enterprise; and order-of-magnitude hard and soft construction costs for the entire project using the proposed recommended entitlements illustrated in Table 1 above. These are critical inputs required in the IMPLAN model to generate total estimated jobs and tax revenues for each type of job, by industry sector.

WTL+a has estimated property tax revenues accruing to St. Lucie County's General Fund and School District if Southern Grove is developed as proposed. While there are multiple other tax revenues that could be created by new development at this stage of the analysis these other tax revenues—such as communications and utility taxes, retail sales tax receipts, business licensing and the like—cannot be determined because of uncertainties associated with types of businesses phasing/annual unit absorption, annual retail sales, etc.

Estimated Construction Costs

As illustrated in Table 2 under the proposed recommended land use entitlements, **potential development costs are estimated to total \$1,761,847,300** (in current/2021 dollars). WTL+a notes, however, that this *excludes* costs associated with land acquisition as such costs cannot be determined for future deals. However, land acquisition costs could be expected to enhance the project's overall economic impacts beyond those identified in this analysis. As detailed below, estimated construction costs will also sustain a significant number of one-time jobs in construction, engineering, design, and other related fields during Southern Grove's buildout. Estimated construction costs for each use are as follows:

Residential

- The project's potential 1,800 housing units, comprising 900 townhouse units and 900 rental apartments with more than 2.357 million sq. ft. of gross building area, are estimated to cost \$282,847,300, or 16% of total construction costs

Workplace

- The project's 1.0 million sq. ft. of workplace office uses are estimated to cost \$175,000,000 (\$175 per sq. ft.), or 9.9% of total construction costs
- The project's significant industrial/warehousing & distribution entitlements (8.0 million sq. ft.) are estimated to cost \$960 million, or 54% of total construction costs
- The project's 1.0 million sq. ft. of research & development uses are estimated to cost \$180,000,000, or 10.2% of total construction costs

In sum, **Southern Grove's workplace uses, at buildout, are estimated to cost \$1.315 billion, or fully 75% of all-in development costs** in 2021 dollars.

Supporting Services

- The project's 500,000 sq. ft. of retail space is estimated to cost \$90 million (\$180 per sq. ft.) and lodging/hospitality uses are estimated to cost \$74 million. These supporting uses are estimated to comprise 9% of all-in construction costs in 2021 dollars.

Table 3: Estimated Construction Costs at Buildout (2021 \$)

	Total Units	Average SF / Unit	Average Unit Cost	Total SF (1)	Hard Costs	Unit of Measurement	Estimated Hard Costs (2)	Soft Costs	Estimated Soft Costs (3)	TOTAL COSTS
Residential (4)										
Townhouse For-Sale	900	1,636	\$ 265,025	1,472,361	\$ 90.00	Per SF	\$ 132,512,500	\$ 30.00	\$ 44,170,833	\$ 176,683,333
Multi-Family Rental	900	983	-	884,700	\$ 90.00	Per SF	79,623,000	\$ 30.00	26,541,000	106,164,000
Total/Weighted Average:	1,800	1,309		2,357,061			\$ 212,135,500		\$ 70,711,833	\$ 282,847,333
										16%
Workplace										
Office				1,000,000	\$ 131.25	Per SF	\$ 131,250,000	\$ 43.75	\$ 43,750,000	\$ 175,000,000
Research & Development				1,000,000	\$ 135.00	Per SF	135,000,000	\$ 45.00	45,000,000	180,000,000
Warehouse & Distribution				8,000,000	\$ 90.00	Per SF	720,000,000	\$ 30.00	240,000,000	960,000,000
Total/Weighted Average:				10,000,000			\$ 986,250,000		\$ 328,750,000	\$ 1,315,000,000
										75%
Supporting Services										
Commercial Retail				500,000	\$ 135.00	Per SF	\$ 67,500,000	\$ 45.00	\$ 22,500,000	\$ 90,000,000
Hotel (5)	500	463	\$ 148,000	231,500	\$ 111,000	Per Key	55,500,000	\$ 37,000	18,500,000	74,000,000
Subtotal	500			731,500			\$ 123,000,000		\$ 41,000,000	\$ 164,000,000
										9%
TOTAL: (6)	2,300			13,088,561			\$ 1,321,385,500		\$ 440,461,833	\$ 1,761,847,333

(1) Land uses/entitlement square foot estimates provided by Treasure Coast Regional Planning Council. Residential unit sizes are based on WTL+a market study.

(2) Construction costs comprise 75% hard costs and 25% soft costs based on industry standards. Townhouse construction costs are based on anticipated average unit sale price from comparables.

(3) Analysis assumes that soft costs comprise the following: 60% real estate/financials, 30% architectural/engineering and 10% legal/administrative.

(4) Analysis assumes a 50-50% split between 2BR and 3BR townhomes, with \$252,600 average unit price for 2 BR townhomes (\$162 per sq. ft.) and \$277,450 for 3 BR townhomes (\$155 per sq. ft.).

(5) Analysis assumes construction costs of \$111,000 per key (room) for "Upper Midscale" hotel product and 463 gross sq. ft. per room (based on industry standards from Assets America, Cushman & Wakefield).

(6) Estimated development costs for each use at buildout (i.e., year of delivery) in current (2021) dollars.

Source: Treasure Coast Regional Planning Council; Jon Stover & Associates, Inc.; WTL+a; January 2021.

One-time Impacts: Construction

The analysis estimates that Southern Grove could create a significant number of temporary (or “one-time”) construction jobs generated by the project’s potential 13,088,561 sq. ft. of gross building area under the proposed recommended entitlements.

Table 4: One-time Economic Impacts of Construction (2021 \$)

Impact Type	Employment (1)	Labor Income (2)	Value Added (Sales - Costs)	Output (Total Sales)
Construction-Hard Costs				
Direct Effect	15,665	\$ 669,173,484	\$ 832,930,423	\$ 1,400,885,500
Indirect Effect	2,303	88,247,316	159,044,644	327,158,392
Induced Effect	2,853	103,329,020	206,491,764	378,100,230
Subtotal - Hard Costs:	20,821	\$ 860,749,819	\$ 1,198,466,830	\$ 2,106,144,122
Construction-Soft Costs				
Direct Effect	2,739	\$ 87,074,422	\$ 203,217,406	\$ 374,211,833
Indirect Effect	1,085	37,180,582	63,083,959	125,009,446
Induced Effect	487	16,858,360	33,847,546	61,878,540
Subtotal - Soft Costs:	4,312	\$ 141,113,364	\$ 300,148,911	\$ 561,099,819
Total Construction Impacts				
Direct Effect	18,405	\$ 756,247,906	\$ 1,036,147,829	\$ 1,775,097,333
Indirect Effect	3,388	125,427,897	222,128,602	452,167,837
Induced Effect	3,340	120,187,379	240,339,310	439,978,770
TOTAL: (3)	25,133	\$ 1,001,863,183	\$ 1,498,615,742	\$ 2,667,243,941

(1) Direct effect employment is an estimate by IMPLAN based on total sales of all construction-related material. Employment, labor income and sales are provided for the entire construction period. To understand annual impacts, these estimates must be divided by total years of construction.

(2) Labor Income includes both employee compensation and proprietor income.

(3) Estimated impacts are presented in current (2021) dollars.

Source: IMPLAN Group, LLC; Jon Stover & Associates, Inc.; WTL+a, January 2021.

As illustrated in Table 4, this includes:

- A total of **15,665 direct construction job years** (i.e., the amount of labor needed for one year’s work) over the entire construction period (which is unknown at this time), plus another

2,739 *direct* construction job years in architecture, engineering, design, and other professional services. Income from these jobs would be expected to be spent on a variety of goods and services, which could support an additional 3,380 *indirect* and 3,340 *induced* job years in various industry sectors; and

- In summary, the construction period could be expected to generate the following direct, indirect and induced impacts:
 - More than 25,100 construction job years
 - Approximately **\$1.498 billion** in “value-added” business revenues, and
 - An estimated **\$1.0 billion** in total labor income.

One-time Impacts: Infrastructure

According to the “Civil Infrastructure Order-of-Magnitude Estimate of Probable Cost”, prepared by Captec Engineering, Inc. on December 4, 2020, the estimated costs of infrastructure for Southern Grove are \$62.04 million (in 2021 dollars). This includes: \$44.31 million for various road improvements (roadway, lighting, landscape, roundabout, Dutch intersection and transit stops); and \$17.7 million for engineering, design, administration and contingency costs.

Table 5: One-time Economic Impacts of Infrastructure (2021 \$)

Impact Type	Employment (1)	Labor Income (2)	Value Added (Sales - Costs)	Output (Total Sales)
Total Infrastructure Costs				
Direct Effect	296	\$ 14,828,284	\$ 29,213,796	\$ 62,034,000
Indirect Effect	127	5,203,138	9,588,820	21,020,614
Induced Effect	76	2,745,185	5,485,963	10,045,172
TOTAL: (3)	499	\$ 22,776,607	\$ 44,288,579	\$ 93,099,787

- (1) Direct effect employment is estimated by IMPLAN based on total sales. Employment, labor income and sales are provided for the entire construction period. To understand annual impacts, these estimates must be divided by the total years of construction.
- (2) Labor Income includes both employee compensation and proprietor income.
- (3) Estimated impacts are presented in current (2021) dollars.

Source: IMPLAN Group, LLC; Jon Stover & Associates, Inc.; WTL+a, January 2021.

As illustrated in Table 5, the \$62.04 million investment in infrastructure could be expected to generate 296 person-years of employment, which could be expected to generate \$14.8 million in direct labor income and \$29.2 million in “value-added” business revenues. In total, the one-time impacts of infrastructure could be expected to generate the following direct, indirect and induced impacts:

- 499 construction job years
- Approximately \$44.3 million in “value-added” business revenues, and
- Approximately \$22.7 million in total labor income.

Permanent Impacts: Ongoing Operations

Once development of Southern Grove is complete, there will be significant annual impacts from “ongoing operations and occupancy” of the project. These impacts will be generated throughout Port St. Lucie, St. Lucie County and beyond; however, due to data limitations with multipliers available only at the County level, the economic impact analysis is focused on **only those impacts generated by ongoing operations on St. Lucie County itself**. These impacts, which are illustrated in Table 6, are highlighted below:

- **At buildout, the project could potentially create up to 16,937 direct jobs** plus an additional 8,655 indirect and more than 4,000 induced jobs—for a total of more than 29,600 jobs at stabilized operations;
- Because of the project’s significant amount of proposed workplaces uses (including general industrial, warehousing/logistics, office and research & development), fully 58% of the direct jobs (16,937) would be generated by these uses, which may include employment sectors such as warehousing, distribution, logistics/freight movement, light assembly/device manufacturing, medical and bio-tech research and development, etc.;
- At buildout and stabilized occupancies (95% for workplace office, industrial and R&D uses and 92% for supporting retail), **buildout of Southern Grove could potentially generate more than \$1.06 billion in annual labor income** based on current annual salaries among various industry sectors used by IMPLAN in the analysis;
- The project could potentially **create up to \$1.59 billion in annual value-added business revenues** (i.e., gross sales less costs across multiple business types)—irrespective of

location—generated by direct, indirect and induced economic activity. Fully \$798 million of total business revenues could be generated in direct (i.e., on-site) annual business sales and activity at buildout; and

Table 6: Total Economic Impacts at Buildout—Ongoing Operations & Occupancy (2021 \$)

Impact Type	At Buildout			
	Employment	Labor Income (1)	Value Added (Sales - Costs)	Output (Total Sales)
Economic Impacts: Housing				
Direct Effect				
Indirect Effect				
Induced Effect	668	\$ 23,211,362	\$ 46,576,320	\$ 85,673,532
Subtotal:	668	\$ 23,211,362	\$ 46,576,320	\$ 85,673,532
Economic Impacts: Workplace & Supporting Services				
Direct Effect	16,937	\$ 635,377,514	\$ 798,404,105	\$ 1,947,870,225
Indirect Effect	8,655	\$ 282,529,300	\$ 506,410,466	\$ 1,227,227,062
Induced Effect	3,371	\$ 122,189,963	\$ 244,130,006	\$ 446,988,255
Subtotal:	28,963	\$ 1,040,096,776	\$ 1,548,944,576	\$ 3,622,085,542
Overall Economic Impacts at Buildout				
Direct Effect	16,937	\$ 635,377,514	\$ 798,404,105	\$ 1,947,870,225
Indirect Effect	8,655	\$ 282,529,300	\$ 506,410,466	\$ 1,227,227,062
Induced Effect	4,038	\$ 145,401,325	\$ 290,706,325	\$ 532,661,787
TOTAL:	29,631	\$ 1,063,308,139	\$ 1,595,520,896	\$ 3,707,759,074

(1) Labor Income includes both employee compensation and proprietor income.

Source: IMPLAN Group, LLC; Jon Stover & Associates, Inc.; WTL+a, January 2021.

- In summary, if the proposed Southern Grove entitlements are constructed as described in the master plan, the IMPLAN economic impact model estimates that **Southern Grove could generate more than \$3.7 billion in annual economic output across direct, indirect, and induced economic activity** in ongoing operations if buildout is achieved, and stabilized occupancies (ranging from 92% to 95%) are achieved across all land uses.

Annual Tax Revenues: Ongoing Operations

Once development of Southern Grove is complete, there would be significant annual ad valorem tax revenues accruing to the City of Port St. Lucie and St. Lucie County (as well as other taxing entities) in the form of net new real estate taxes for real property created by new housing, supporting retail and workplace uses.

Table 7: Current Ad Valorem Millage Rates—St. Lucie County, 2021

Taxing Entity	Current Millage Rate
City of Port St. Lucie	
Land & Improvements	\$ 4.9807
City Of PSL Voted Debt	\$ 0.9193
Total - City of Port St. Lucie:	\$ 5.9000
Other Taxing Entities	
County Parks MSTU	\$ 0.2313
Co Public Transit MSTU	\$ 0.1269
Erosion District E	\$ 0.1763
Law Enf,Jail,Judicial Sys	\$ 3.2324
Co General Revenue Fund	\$ 4.2077
Children's Service Council	\$ 0.4765
St Lucie Co Fire District	\$ 3.0000
FL Inland Navigation Dist	\$ 0.0320
School Discretionary	\$ 0.7480
School Capital Improvement	\$ 1.5000
School Req Local Effort	\$ 3.7010
School Voter Referendum	\$ 1.0000
Mosquito Control	\$ 0.1352
South FL Water Mgmt District	\$ 0.2675
Total - Other Taxing Entities	\$ 18.8348
COUNTYWIDE MILLAGE:	\$ 24.7348

*Source: St. Lucie County Property Appraiser;
WTL+a, revised January 2021.*

For purposes of this analysis, WTL+a **estimated only those ad valorem/property tax revenues accruing to the General Funds of the City of Port St. Lucie and St. Lucie County** based on the 2020 millage rates illustrated in Table 7 (\$5.9000 per \$1,000 of assessed value in Port St. Lucie and \$18.8348 per \$1,000 in St. Lucie County). We note that **any potential deductions from taxable values (such as Homestead Exemptions, tax abatements, etc.) have been excluded from this analysis as these are unknown at this time.**

Key results are summarized below and illustrated in Table 8:

- The project's residential uses (potentially 1,800 units at buildout) would be expected to generate approximately \$1.66 million per year for the City of Port St. Lucie (and \$5.32 million per year for other taxing entities) based on estimated assessed values of \$282.8 million at buildout;
- **The project's workplace uses (office, R&D and industrial) could be expected to generate the largest amount of annual property taxes** for relevant jurisdictions and taxing authorities. With taxable values estimated at \$1.3 billion at buildout, Southern Grove's workplace uses could be expected to generate approximately **\$7.75 million per year in annual ad valorem revenues for the City of Port St. Lucie** (and \$24.7 million for other taxing entities); and
- The project's supporting uses, including retail and hotel, could be expected to generate more than \$967,600 in annual ad valorem revenues for the City of Port St. Lucie (and \$3.08 million for other taxing entities).

In conclusion, **estimates of annual ad valorem tax revenues are very preliminary as a result of a number of unknown factors** at this time. For example, the ad valorem estimate for general industrial uses does not consider the types of users, such as logistics, that could be located at Southern Grove. High-volume logistics users (such as an Amazon Logistics/Freight facility) typically command much higher values due to fixtures/equipment necessary for operations.

Southern Grove's 13.08 million sq. ft. of land uses identified in the proposed recommended entitlements could be expected to create more than **\$1.76 billion in gross assessed values at buildout** (in current/2021 dollars). At current millage rates, this has the potential to generate

more than **\$10.39 million in annual property tax revenues** for the City of Port St. Lucie at buildout.

The amount of annual property taxes generated by buildout at Southern Grove for both the City and County could be higher or lower depending on a multitude of other factors, including:

- Actual development activity in each land use identified in the master plan
- Degree of quality of building improvements as well as tenant and equipment fitout/improvements
- Actual taxable values
- Actual tenant mix, particularly in workplace uses such as office, research & development and industrial
- Magnitude of tax exemptions and property tax abatements, and
- Other factors unknown at the time of this analysis.

Table 8: Annual Property Tax Revenues at Buildout

Land Use	Development Program	Gross Building Area	Estimated Taxable Value at Buildout (1)		Estimated Gross Annual Property Taxes (2)	
			Total Hard & Soft Costs	All-in Value Per SF	Port St. Lucie \$	St. Lucie County \$
Residential						
Townhouse For-Sale	900	1,472,361	\$ 176,683,333	\$ 120	\$ 1,042,432	\$ 3,327,795
Multi-Family Rental	900	884,700	106,164,000	120	626,368	1,999,578
Total (Units):	1,800	2,357,061	\$ 282,847,333	\$ 120	\$ 1,668,799	\$ 5,327,373
<i>As % of Total</i>		18%			16%	
Workplace						
Office		1,000,000	\$ 175,000,000	\$ 175	\$ 1,032,500	\$ 3,296,090
Research & Development		1,000,000	180,000,000	180	1,062,000	3,390,264
Industrial/Warehouse & Distribution		8,000,000	960,000,000	120	5,664,000	18,081,408
Total (SF):		10,000,000	\$ 1,315,000,000	\$ 132	\$ 7,758,500	\$ 24,767,762
<i>As % of Total</i>		76%			75%	
Supporting Services						
Commercial Retail (SF)		500,000	\$ 90,000,000	\$ 180	\$ 531,000	\$ 1,695,132
Hotel (Rooms)	500	231,500	74,000,000	320	436,600	1,393,775
Total (Rooms & SF):	500	731,500	\$ 164,000,000	\$ 224	\$ 967,600	\$ 3,088,907
		6%			9%	
TOTAL:	2,300	13,088,561	\$ 1,761,847,333	\$ 135	\$ 10,394,899	\$ 33,184,042

(1) For purposes of the analysis, estimated taxable values are based on hard and soft construction costs, as actual taxable values are unknown at this time.
(2) This preliminary analysis excludes potential deducts from annual property taxes (e.g., Homestead Exemption for owner-occupied properties; ad valorem tax abatements, etc.), as these are unknown at this time.

Source: St. Lucie County Property Appraiser; Jon Stover & Associates, Inc.; WTL+a, revised January 2021.