



April 14, 2022

Ms. Jennifer Davis  
CRA Project Manager  
City of Port St. Lucie  
121 S.W. Port St. Lucie Blvd.  
Port St. Lucie, FL 34984

**pfm**

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3501 Quadrangle Blvd  
Suite 270  
Orlando, FL 32817  
407.723.5900

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**pfm.com**

Dear Ms. Davis:

PFM Financial Advisors LLC (“PFMFA”) currently provides financial advisory services to the City of Port St. Lucie, a Florida municipal corporation (“City”), pursuant to an Agreement for Financial Advisory Services, dated July 13, 2017, and as further amended (“FA Contract”). The City has requested that PFMFA provide certain economic consulting services with respect to its City Center/CRA Request for Proposal (“RFP”) (the “Economic Consulting Services”). This letter agreement (“Letter Agreement”) is to confirm that PFMFA will provide such Services through its affiliate, PFM Group Consulting LLC (“PFMGC”).

PFMFA and PFMGC (collectively, “PFM”) each acknowledge and agree that such Services by PFMGC shall be provided pursuant to and under the terms of the FA Contract. In reliance upon the foregoing acknowledgments and agreements, the City consents to PFMGC providing the Services.

The Economic Consulting Services to be provided are outlined in Exhibit A to this Letter Agreement. PFMGC performed a related scope of work for the City of Port St Lucie during 2020 regarding City Center financing. Through this work, PFMGC has studied the City Center site and its parcels, in detail. The firm is enthusiastic about this opportunity, and we believe well qualified to continue to expand this work with the City.

Please have an authorized official of the City sign a copy of this Letter Agreement and return it to us to acknowledge the terms of this engagement.



Sincerely,

**PFM FINANCIAL ADVISORS LLC**

A handwritten signature in cursive script that reads "James W. Glover".

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James W. Glover  
Managing Director

**PFM GROUP CONSULTING LLC**

A handwritten signature in cursive script that reads "Michael Nadol".

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Michael Nadol  
Managing Director

**ACCEPTED BY:  
CITY OF PORT ST. LUCIE, FLORIDA**

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Authorized Signature

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Name

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Title

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## **Exhibit A – Economic Consulting Services**

The City recently acquired twenty-two (22) Securities and Exchange Commission Receiver-held parcels at City Center in eastern Port St. Lucie. The City is engaging the TCRPC to assist with master planning efforts for City Center. As such, one strong component of the development of a successful master plan is the incorporation of an economic analysis to support the plan. The City is interested in engaging PFM to provide certain Economic Consulting Services associated with its master planning of its City Center. Consistent with the RFP Project Schedule, PFM has summarized its Economic Consulting Services within Section 1.2 Task Plan herein.

PFMGC performed a related scope of work for SAD financial analysis on behalf of the City of Port St Lucie during 2020. This work occurred prior to the City's acquisition of the receiver-held parcels. PFMGC has studied the City Center site in detail and is well versed with the development and financing opportunities of the project. The prior PFMGC work is currently included as part of the City's supporting documentation provided for the project. PFMGC welcomes the professional collaboration with the City and TCRPC in building a financially feasible development plan.

### **1.2 Task Plan**

#### **Task 1 Staff Work Session #1, Due Diligence & Project Memo**

As requested, PFM will provide demographic characteristics and economic profile of the market in relation to the City Center. PFM will also provide real estate market conditions and trends within the State of Florida, St. Lucie County and the City.

#### **Task 2 Stakeholder Interviews, Financial / Infrastructure Analysis**

PFM will provide analysis of financial and infrastructure documents.



Task 3 Real Estate Market Potentials, Staff Work Session #2, Report

PFM will provide market demand analysis/ for the City Center as is relates to the following product types: 1) Residential (for-sale and for-rent); 2) Office/Workplace; 3) Retail (including retail, food and beverage, consumer services and entertainment); 4) Hotel and 5) Public/Civic/Institutional Uses. This analysis will include a forecast absorption schedule and phasing analysis and supporting presentation documentation.

Task 4 Integrated Financial/TIF Model, SAD & Other Fees

PFM will provide an integrated financial and TIF model (as needed). In addition, PFM will provide special assessment district (SAD) and other revenues analysis combined with property disposition options for the project based on coordination with the City and TCRPC staff.

Task 5 Land Development & Infrastructure Master Plan

PFM will provide project analysis of development options and phasing for City Center and coordinate with the TCRPC team with respect to project phasing consistent with the recommendation master plan elements. This task will include a financial feasibility pro forma analysis.

Task 6 Financial Strategies, Cost Analysis, Implementation, Memo #4

As part of the City Center Master Plan process, PFM will analyze the economic impacts of the recommended development program. This task will include further evaluation of land sale prices and incentives to support the recommended development program along with the preparation of necessary presentation materials.



Task 7 City Council Workshop on Master Plan, Staff Work Session #5

In coordination with the TCRPC team, PFM will prepare project presentation materials and be available for participation in workshops and work sessions.

Task 8 City Council Public Workshop #3, Master Plan Transmittal

In coordination with the TCRPC team, PFM will prepare project presentation materials and be available for participation in workshops and work sessions.



### **Project Team**

The Economic Consulting Services set forth shall be provided by professional employees of PFM and affiliates of PFM as determined by PFM in its sole discretion. The professional employees of PFM set forth below are anticipated to provide the services set forth in this Agreement; provided that PFM may, from time to time, supplement or otherwise amend the team members set forth below.

- Michael Nadol, PFMGC
- Kevin Plenzler, PFMFA
- Stanley Geberer, PFMGC
- Matthew Stitt, PFMGC
- Jackie Berry, PFMGC

### **Fee Schedule**

City shall pay PFM a fixed fee of \$97,425 as professional fees for the Economic Consulting Services (see Exhibit B for detailed pricing breakdown consistent with Project Schedule). All fees shall be due within thirty (30) days of the date of invoice. To the extent PFM is asked to engage in additional services beyond the task items detailed herein, these additional services will be provided on an hourly basis as detailed below.

#### **Hourly Rates:**

Managing Director / Director (Project Leader):	\$450
Sr. Managing Consultant (Project Analyst):	\$375
Sr. Analyst (Project Analyst):	\$375
Analyst (GIS Analyst):	\$250

### **Timetable**

PFM will complete the task plan on a mutually agreed upon schedule with the City.





**Exhibit B – RFP Project Schedule**





**Exhibit C – Project References**



# PFM Group Consulting LLC References

## **PROJECT:**

Celebration Pointe – 2010-ongoing  
Market Study; Retail Development Program; CDD for 125 Acres

## **CLIENT:**

Svein Dyrkolbotn  
SHD Development, LLC  
2579 SW 87th Drive  
Gainesville, FL 32608  
Phone: (352) 333.9333  
Email: svein@shddevelopment.com

## **PROJECT DESCRIPTION:**

PFM Group Consulting LLC conducted a market study for the mixed-use urban form project including neighborhood and community retail, hotel, apartment, and adult living facilities during year 2010. The market analysis included supply/demand analysis by land use type and absorption projections. The project also included pro-forma financial analysis, revenue projections, mobility fee credit analysis and capital funding mechanisms through the formation of a special taxing district (Community Development District). PFM Group Consulting LLC also spearheaded the application process for a State Investment Bank (SIB) loan to construct a reliever bridge over Interstate-75. The SIB loan was granted and PFM assisted in modeling the loan repayment program which includes revenues from CDD assessments and credited mobility fee payments.

PFM also conducted an extensive regional retail market analysis as the first step in marketing retail portions of the project to national department store tenants. These data were used to support an independent retail marketing program.

PFM assisted in CDD formation and PFM prepared the District's special assessment methodology report. Special assessments at Celebration Pointe are partially secured by a 1% user fee, charged to on-site retail sales, in addition to State and local sales tax. PFM currently manages the Celebration Pointe CDD. PFM prepares the annual special assessment tax rolls and maintains an updated debt lien book for Celebration Pointe, allocating CDD debt according to the District Assessment Methodology.



## PFM Group Consulting LLC References

### **PROJECT:**

Magic Place Timeshare Study, April 2016

### **CLIENT:**

Magic Development  
Hector Lizasuain, Associate  
121 South Orange Avenue, Ste 850  
Orlando, FL, 32801  
Phone: (407) 219-9166  
Email: hector@magicdevelopment.com

### **PROJECT DESCRIPTION:**

Magic Development ("Client") is currently in the process of developing its Magic Place ("Magic Place") timeshare resort project, a 90+/- acre parcel located on US 192 east of SR 417 and Celebration in Osceola County. This property is well suited for visitor/tourist development within the tourist corridor in northern Osceola County. PFM Group Consulting LLC ("PFM Group") provided a market analysis and financial analysis of its proposed timeshare/retail-oriented project. The project is large and will be multi-phased. The project as initially modeled would include five towers.

PFM gathered data regarding Florida visitor volumes as well as visitor volumes to Central Florida and the greater Orlando Area.

PFM analyzed timeshare unit growth within the Orange and Osceola County market. Given the planned scale of Magic Place, PFM believes that the resort will draw from the greater Orlando market with respect to timeshare unit demand.

Based on the market data, PFM estimated market capture for the timeshare units and associate retail space. Based on this information, PFM constructed a financial pro forma for the project based on the forecasted sales absorption and estimated the net operating income from Phase 1 and the project in total.



# PFM Group Consulting LLC References

**PROJECT:**

City Center West Orange, May 2021

**CLIENT:**

Brian Robinson  
CBPW Corporation, Chief Operating Officer  
7380 West Sand Lake Road, Ste 305/395  
Orlando, FL 32819  
Phone: 407-409-0685  
Email: brian@ccwo.us

**PROJECT DESCRIPTION:**

CBPW Corporation ("CBPW") is currently in the process of developing CCWO, a 15+/- acre assemblage of parcels adjacent to Lake Bennet north of W. Colonial Drive in the City of Ocoee. At buildout CCWO is anticipated to include the following: 3,680 multi-family units (a mix of both condominium and apartment units), 400,000 square feet of retail/restaurant space, 235,000 square feet of office space and 122 hotel rooms. The first phase of CCWO is under development and will include 578 apartments, 225,000 square feet of restaurant/retail/entertainment space, 50,000 square feet of office space and two parking garages (wrapped with Phase 1 retail and apartments) totaling 1,867 parking spaces. CPBW retained PFMGC to provide a market analysis for the first phase of apartment, retail and office development. In addition, PFM constructed an independent pro forma model to review and test CBPW's financial assumptions.



## PFM Group Consulting LLC References

### **PROJECT:**

Port St. Lucie City Center, December 2020

### **CLIENT:**

Jennifer Davis  
City of Port St. Lucie, CRA Project Manager  
121 S.W. Port St. Lucie Blvd.  
Port St. Lucie, FL 34984  
Phone: 772-344-4342  
Email: [jdavis@cityofpsl.com](mailto:jdavis@cityofpsl.com)

### **PROJECT DESCRIPTION:**

PFM developed a project proforma for the City of Port St. Lucie's 42+/- acre assemblage of parcels ("City Center") at the southeast corner of US Highway 1 and Walton Road. At the time of the analysis, the assemblage of parcels was encumbered with existing bond debt associated with the installation of infrastructure in the amount of \$18,865,000. PFM's pro forma was based on the entitled land uses and the development program as provided by the City. The proforma utilized construction cost estimates as provided by the City or developed by PFM using local cost averages; taking into account debt service and taxes owed for existing infrastructure improvements, and outstanding assessments by parcel (principal and interest, remaining term, etc.).

Based on market rate acquisition comps, average construction cost, and average rental rates, PFM identified the marketable/project sustainable amount of special assessments per unit that could be absorbed by each proposed land use category (retail, office, multi-family and hotel) among the subject properties.

Lastly, PFM's pro forma generated estimated revenues and expenses based on the forecasted absorption of the development program provided. This pro forma provided an estimated net cash flow and internal rate of return estimate.

**CITY CENTER  
ASSESSMENT ANALYSIS**

Prepared for  
City of Port St. Lucie  
December 21, 2020

Prepared by:  
PFM Group Consulting LLC



# **CITY CENTER ASSESSMENT ANALYSIS**

December 2020

Prepared for:

City of Port St. Lucie

Prepared on December 21, 2020

**PFM Group Consulting LLC**  
12051 Corporate Blvd.  
Orlando, FL 32817



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### Appendix 1 – Market Analytics, Class A Apartments – Port St. Lucie (15-Minute Drive of City Center)



## Executive Summary

- The City of Port St. Lucie ("Client") is currently in the process of evaluating the development potential of its 42+/- acre assemblage of parcels ("City Center") at the southeast corner of US Highway 1 and Walton Road within Port St. Lucie, Florida. The Client retained PFM Group Consulting LLC ("PFM") to provide an assessment analysis associated with the proposed development potential at the City Center.
- Based on information provided by the Client, PFM summarized the proposed development potential as shown in Table E1 and Map E1.

Table E1. Summary of City Center Development Program (Hypothetical)

LandUse	Units
Office Bldg (Sq Ft)	100,000
Retail Bldg (Sq Ft)	100,000
Residential (Units)	700
ALF (beds)	300
Hotel (Rms)	300

Source: City of Port St. Lucie

Map E1. Development Program (Hypothetical)



Source: City of Port St. Lucie



- Based on data provided by the Client, the existing bond debt is \$18,865,000 with maximum annual debt service (principal and interest) of \$1,871,152. This debt is associated with the City Center Special Assessment Refunding Bonds Series 2008A Bonds issued in the amount of \$31.3 million, which funded the site's infrastructure including the following: the master stormwater system, roadways, sewer service, water service, sidewalks and street trees. The associated allocation of debt and annual assessments are summarized in Table E2 and Table E3, respectively.

**Table E2. Allocation of Assessments (Debt)**

	Units	ERU Factor	ERUs	% Allocation	Bond Principal	\$ per Unit
Office Bldg (Sq Ft)	100,000	0.001	100	6.7%	\$1,257,667	\$12.58
Retail Bldg (Sq Ft)	100,000	0.001	100	6.7%	\$1,257,667	\$12.58
Residential (Units)	700	1	700	46.7%	\$8,803,667	\$12,576.67
ALF (beds)	300	1	300	20.0%	\$3,773,000	\$12,576.67
Hotel (Rms)	300	1	300	20.0%	\$3,773,000	\$12,576.67
<b>TOTAL</b>			1,500	100.0%	\$18,865,000	

Source: PFM Group Consulting LLC

**Table E3. Allocation of Assessments (Annual Assessment)**

	Units	ERU Factor	ERUs	% Allocation	Bond Principal	\$ per Unit
Office Bldg (Sq Ft)	100,000	0.001	100	6.7%	\$124,743	\$1.25
Retail Bldg (Sq Ft)	100,000	0.001	100	6.7%	\$124,743	\$1.25
Residential (Units)	700	1	700	46.7%	\$873,204	\$1,247.43
ALF (beds)	300	1	300	20.0%	\$374,230	\$1,247.43
Hotel (Rms)	300	1	300	20.0%	\$374,230	\$1,247.43
<b>TOTAL</b>			1,500	100.0%	\$1,871,152	

Source: PFM Group Consulting LLC

- PFM assumed a 10-year development horizon for the City Center. While it is understood that the development program will likely deviate from this exact absorption, it provides a reasonable method to evaluate the project on a financial pro-forma basis. Table E4 summarizes the estimated product absorption on an annual basis.

**Table E4. City Center – Project Absorption Summary**

Development Volumes	Phase 1					Phase 2						TOTAL
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Office Bldg (Sq Ft)		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	100,000
Retail Bldg (Sq Ft)		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	100,000
Residential (Units)		350					350					700
ALF (beds)		60		60		60		60		60		300
Hotel (Rms)			150					150				300
<b>TOTAL</b>												

Source: PFM Group Consulting LLC



- PFM's recommended market-rate assessment levels and estimated exposure to the developer / City are provided in Table E5.

**Table E5. Recommended Assessment Levels & Exposure**

LandUse	Units	% Allocation	Bond Principal	\$ per Unit	MADS	\$ per Unit
Office Bldg (Sq Ft)	100,000	5.3%	\$1,006,133	\$10.06	\$99,795	\$1.00
Retail Bldg (Sq Ft)	100,000	5.3%	\$1,006,133	\$10.06	\$99,795	\$1.00
Residential (Units)	700	23.3%	\$4,401,834	\$6,288.33	\$436,602	\$624
ALF (beds)	300	18.0%	\$3,403,246	\$11,344.15	\$337,556	\$1,125
Hotel (Rms)	300	18.0%	\$3,403,246	\$11,344.15	\$337,556	\$1,125
TOTAL (pass Through)		70.1%	\$13,220,594		\$1,311,303	
Developer / City Exposure		29.9%	\$5,644,406		\$559,849	
TOTAL		100.0%	\$18,865,000		\$1,871,152	

Source: PFM Group Consulting LLC

- The project is expected to generate approximately \$18.8 million dollars in revenue and create \$17.3 million dollars in total costs (assumes land acquisition costs of \$6.0 million). Over the duration of the project, this amounts to a net cash flow of an estimated \$1.5 million with an internal rate of return ("IRR") of 5.2% suggesting that with the current assumptions the City Center project represents a challenging investment at the proposed acquisition cost. Table E6 summarizes the findings.

**Table E6. Summary of Net Cash Flow**

<b>Closing Activity</b>	<b>Total</b>
Lot Sales	700
Non-Residential Closings (acres)	13
<b>Cash In</b>	
Lot Sale Closings	\$8,400,000
Non-Residential Closings (acres)	\$10,377,410
<b>Total Cash In</b>	<b>\$18,777,410</b>
<b>Cash Out</b>	
Bank Loan Costs	\$0
Additional Owner-Developer Costs	\$3,957,996
Property / Land Acquisition	\$6,000,000
Developer Share of Outstanding Infrastructure Debt	\$4,918,018
Developer Exposure to Pass Through Infrastructure Debt	\$2,388,197
<b>Total Cash Out</b>	<b>\$17,264,211</b>
<b>Net Cash Flow</b>	<b>\$1,513,200</b>
<b>IRR</b>	<b>5.2%</b>

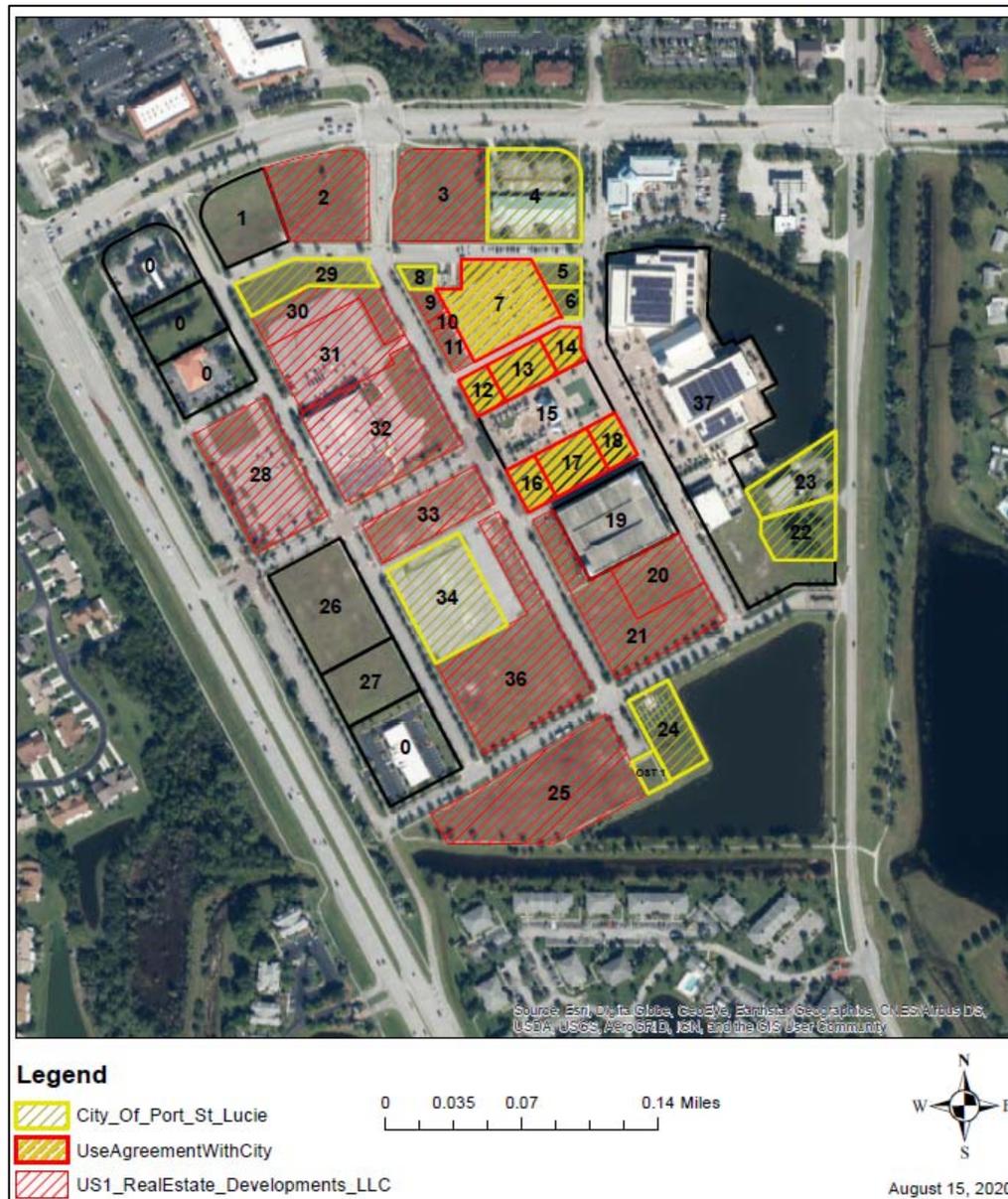
Source: PFM Group Consulting LLC



## 1.0 Introduction and Background

The Client is currently in the process of evaluating the development potential for its 42 +/- acre City Center assemblage of parcels at the southeast corner of US Highway 1 and Walton Road within Port St. Lucie, Florida. The assemblage of parcels is encumbered with existing bond debt associated with the installation of infrastructure in the amount of \$18,865,000. The Client retained PFM to provide an analysis of debt assessments associated with a proposed development program at the site. Map 1 shows a parcel site map of the property location. Table 1 summarizes the existing allocation of debt by parcel. Map 2 and Table 2 provide a detailed look at a proposed development program.

Map 1. Site Location Map



Source: PFM Group Consulting LLC



**Table 1. Existing Parcels and Allocation of Existing Debt**

Lot No.	DEED_ACRE	LU-revised	2019 Principal	2019 Interest	2019 P&I	Remaining Debt	\$ per Acre
0	1.222		-	-	-	-	-
0	0.814		-	-	-	-	-
0	0.752		-	-	-	-	-
0	0.970		-	-	-	-	-
1	0.937		-	-	-	-	-
2	1.327	ret/off	\$6,602	\$12,831	\$19,433	\$195,922	\$147,622
3	1.404	ret/off	\$6,602	\$12,831	\$19,433	\$195,922	\$139,531
4	1.428	ret/off	-	-	-	-	-
5	0.194	mfr	-	-	-	-	-
6	0.144	mfr	\$6,059	\$11,774	\$17,833	\$179,791	\$1,245,039
7	1.324	mfr	\$14,359	\$27,905	\$42,264	\$426,108	\$321,889
8	0.118	mfr	-	-	-	-	-
9	0.121	mfr	\$5,146	\$10,001	\$15,147	\$152,710	\$1,261,651
10	0.043	mfr	\$488	\$948	\$1,435	\$14,472	\$338,915
11	0.178	mfr	\$7,489	\$14,554	\$22,044	\$222,243	\$1,249,145
12	0.220	civic	\$9,694	\$18,838	\$28,531	\$287,653	\$1,304,685
13	0.406	civic	\$31,028	\$60,299	\$91,327	\$920,759	\$2,267,416
14	0.238	civic	\$18,164	\$35,300	\$53,464	\$539,025	\$2,265,195
15	1.276	civic	-	-	-	-	-
16	0.256	hotel	\$10,127	\$19,680	\$29,807	\$300,517	\$1,171,937
17	0.472	hotel	\$34,006	\$66,086	\$100,092	\$1,009,135	\$2,136,648
18	0.256	hotel	\$10,127	\$19,680	\$29,807	\$300,517	\$1,171,939
19	1.351	civic	-	-	-	-	-
20	0.735	mfr	\$26,223	\$50,960	\$77,183	\$778,165	\$1,058,528
21	1.636	mfr	\$58,125	\$112,956	\$171,081	\$1,724,842	\$1,054,550
22	0.630	office	-	-	-	-	-
23	0.704	office	-	-	-	-	-
24	0.657	civic	-	-	-	-	-
25	2.532	ALF	\$39,581	\$76,919	\$116,499	\$1,174,550	\$463,812
26	1.530		-	-	-	-	-
27	0.812		-	-	-	-	-
28	1.840	ret/off	\$46,218	\$89,817	\$136,035	\$1,371,509	\$745,382
29	0.684	mfr	-	-	-	-	-
30	0.775	mfr	\$31,817	\$61,831	\$93,648	\$944,163	\$1,218,730
31	1.339	mfr	\$14,511	\$28,200	\$42,711	\$430,610	\$321,578
32	2.308	ret/off or mfr	\$123,480	\$239,965	\$363,446	\$3,664,268	\$1,587,709
33	0.915	ret/off	\$44,500	\$86,479	\$130,979	\$1,320,535	\$1,443,616
34	1.426	mfr	-	-	-	-	-
35	0.400	mfr					
36	2.553	mfr	\$91,376	\$177,576	\$268,953	\$2,711,585	\$1,062,201
37	5.619	civic	-	-	-	-	-
<b>Total</b>	<b>42.5</b>		<b>\$635,723</b>	<b>\$1,235,430</b>	<b>\$1,871,152</b>	<b>\$18,865,000</b>	<b>\$443,392</b>
<b>Dev Total</b>	<b>21.825</b>						

Source: City of Port St. Lucie

\*The Dev Total is the total acres subject to assessment plus City-owned parcels 8 & 29



Map 2. Development Program (Hypothetical)



Source: City of Port St. Lucie

Table 2. City Center Development Program (Hypothetical)

LandUse	Units
Office Bldg (Sq Ft)	100,000
Retail Bldg (Sq Ft)	100,000
Residential (Units)	700
ALF (beds)	300
Hotel (Rms)	300

Source: City of Port St. Lucie



## 2.0 Summary of Existing Debt - Debt Service and Proposed Allocation of Assessments

### 2.1 Existing Debt Service

Based on data provided by the Client, the existing bond debt is \$18,865,000 with maximum annual debt service is \$1,871,152.

### 2.2 Proposed Allocation of Assessments

Based on the current debt service and proposed development volumes provided in Table 2, PFM developed an allocation of the existing bond debt. Table 3 and Table 4 summarize the proposed allocation of assessments.

**Table 3. Allocation of Assessments (Debt)**

LandUse	Units	ERU Factor	ERUs	% Allocation	Bond Principal	\$ per Unit
Office Bldg (Sq Ft)	100,000	0.001	100	6.7%	\$1,257,667	\$12.58
Retail Bldg (Sq Ft)	100,000	0.001	100	6.7%	\$1,257,667	\$12.58
Residential (Units)	700	1	700	46.7%	\$8,803,667	\$12,576.67
ALF (beds)	300	1	300	20.0%	\$3,773,000	\$12,576.67
Hotel (Rms)	300	1	300	20.0%	\$3,773,000	\$12,576.67
<b>TOTAL</b>			1,500	100.0%	\$18,865,000	

Source: PFM Group Consulting LLC

**Table 4. Allocation of Assessments (Annual Assessment)**

LandUse	Units	ERU Factor	ERUs	% Allocation	MADS	\$ per Unit
Office Bldg (Sq Ft)	100,000	0.001	100	6.7%	\$124,743	\$1.25
Retail Bldg (Sq Ft)	100,000	0.001	100	6.7%	\$124,743	\$1.25
Residential (Units)	700	1	700	46.7%	\$873,204	\$1,247.43
ALF (beds)	300	1	300	20.0%	\$374,230	\$1,247.43
Hotel (Rms)	300	1	300	20.0%	\$374,230	\$1,247.43
<b>TOTAL</b>			1,500	100.0%	\$1,871,152	

Source: PFM Group Consulting LLC



### 3.0 City Center Financial Pro Forma

#### 3.1 Methodological Overview

PFM has placed primary reliance on the income approach to value using the discounted net cash flow method. In the current market environment it is our opinion that this method provides the most reliable basis for valuation. Furthermore, it is expected that prospective purchasers of properties utilize the discounted net cash flow approach to estimate how much they are willing to pay for a property.

PFM developed a detailed cash flow pro forma model for City Center as it relates to the 42+/- acres. The pro forma incorporates the projected development and absorption schedules for the project, along with expected development and operational costs and appropriate financing vehicles. Net profits over the duration of the development schedule are taken to present value. The creation of each pro forma consists of seven steps:

1. Development Schedule
2. Revenue Generation
3. Development Costs
4. Financial Modeling (CDD and/or other bond financing)
5. Additional Costs
6. Bank Financing (if applicable)
7. Cash Flow

#### 3.2 Valuation of the Project

PFM utilized a pro forma analysis in order to estimate the net cash flow of the project over the forecasted absorption period. The seven steps referenced are discussed herein.

#### 3.3 Development Plan, Absorption, and Pricing

As a basis for the Project pro forma analysis, PFM utilized the development totals as provided by the Client. Table 5 summarizes the development totals. Table 6 summarizes PFM's estimates of residential and non-residential pricing and the development totals by phase.

**Table 5. City Center Development Program (Hypothetical)**

LandUse	Units
Office Bldg (Sq Ft)	100,000
Retail Bldg (Sq Ft)	100,000
Residential (Units)	700
ALF (beds)	300
Hotel (Rms)	300

Source: City of Port St. Lucie



**Table 6. City Center - Development Acreage, Schedule and Pricing**

Residential Development		Units					
Product	Total Units	Phase 1	Phase 2	Home Price	Lot % Home	Lot Price	
Residential-Apartment (Units)	700	350	350	\$ 120,000	10.0%	\$12,000	
<b>Total</b>	<b>700</b>	<b>350</b>	<b>350</b>				
Product		Acres		Total Acres			
Density	Phase 1	Phase 2	Total Acres				
Residential-Apartment (Units)	75.00	4.7	4.7	9.3			
<b>Total</b>		<b>4.7</b>	<b>4.7</b>	<b>9.3</b>			
Non-Residential Development		Units			Price per Acre		
Product	Total Units	Phase 1	Phase 2	Price per Acre			
Office SqFt	100,000	40,000	60,000	\$ 275,000			
Retail SqFt	100,000	40,000	60,000	\$ 325,000			
ALF (beds)	300	120	180	\$ 1,500,000	\$20,000	per alf bed	
Hotel (rms)	300	150	150	\$ 750,000	\$10,000	per hotel rm	
					\$15,000	Blended per unit	
Product		Acres		Total Acres			
FARs / Density	Phase 1	Phase 2	Total Acres				
Office SqFt	1.00	0.9	1.4	2.3			
Retail SqFt	1.00	0.9	1.4	2.3			
ALF (beds)	75	1.6	2.4	4.0			
Hotel (rms)	75	2.0	2.0	4.0			
<b>Total</b>		<b>5.4</b>	<b>7.2</b>	<b>12.6</b>			
					<b>TOTAL (acres)</b>	<b>21.9</b>	

Source: PFM Group Consulting LLC

### 3.4 Revenue Generation

The total revenue generated by the development in any given year is a function of the annual absorption rate and corresponding lot price for residential and corresponding acreage price for non-residential uses. The pro forma assumes that the multi-family – apartments will be sold in two pods of 350 units each. The total annual revenue for the residential lot sale component of the project is estimated at \$8.4 million (\$12,000 per unit). A market study for the multi-family residential was not conducted; however, market analytics via CoStar for Class A apartment units within a 15-minute drive radius are provided in Appendix 1. Table 7 summarizes the metrics of the existing comparable Class A complexes.



**Table 7. Class A Apartments Summary (15-Minute Drive-Time)**

Property Name	Property Address	Year Built	Units	Avg Unit SF	Vacancy %	Avg Asking \$/SF	Avg Asking \$/Unit	Stories
Bella Vista Apartments	1900 Bella Vista Way	2002	268	1,003	4.1	1.29	1,290	2
Portofino at Jensen Beach	3817 NW Mediterranean Ln	2001	384	882	4.4	1.51	1,336	3
Harbour Pines Apartments	1810 SE Pinewood Trl	1997	152	1,064	NA	1.06	1,123	2
Stuart Pointe	3521 NW Treasure Coast Dr	2004	192	951	1.6	1.35	1,285	2
		TOTAL	996					

Source: CoStar

The commercial development component of the project will encompass an estimated 12.6 acres. PFM estimates that the improved commercial acreage with respect to retail and office space will be valued at an average of \$300,000 per acre. Revenue from the ALF component of the project is estimated at \$6.0 million (\$20,000 per ALF bed) and revenue from the hotel component of the project is estimated at \$3.0 million (\$10,000 per hotel room). The total non-residential revenue for the project is estimated at \$10.4 million.

### 3.5 Infrastructure costs

Based on data provided by the Client, the existing bond debt is \$18,865,000 with maximum annual debt service (principal and interest) of \$1,871,152. This debt is associated with the City Center Special Assessment Refunding Bonds Series 2008A Bonds issued in the amount of \$31.3 million which funded the site's infrastructure including the following: the master stormwater system, roadways, sewer service, water service, sidewalks and street trees.

Based on PFM's experience, PFM adjusted the assessment allocation in Table 3 and Table 4 with respect to the final pass through assessments. It is important to note that this model assumes the ability to allocate assessment debt to the total volume of development. In this case, as detailed in Table 6, any currently non-debt burdened parcels subject to this development will need to agree to assessments on vertical development within the City Center project. If this is not possible, given the nature of the existing debt allocation, an alternative allocation to the project acreage will need to be re-evaluated.

Table 8 summarizes the allocation and exposure to assessment debt not allocated to the proposed end-users. The Table 8 assessment levels are supportable from a market perspective and consistent with assessment debt levels seen in similar projects.



**Table 8. Recommended Assessment Levels & Exposure**

LandUse	Units	% Allocation	Bond Principal	\$ per Unit	MADS	\$ per Unit
Office Bldg (Sq Ft)	100,000	5.3%	\$1,006,133	\$10.06	\$99,795	\$1.00
Retail Bldg (Sq Ft)	100,000	5.3%	\$1,006,133	\$10.06	\$99,795	\$1.00
Residential (Units)	700	23.3%	\$4,401,834	\$6,288.33	\$436,602	\$624
ALF (beds)	300	18.0%	\$3,403,246	\$11,344.15	\$337,556	\$1,125
Hotel (Rms)	300	18.0%	\$3,403,246	\$11,344.15	\$337,556	\$1,125
TOTAL		70.1%	\$13,220,594		\$1,311,303	
Developer / City Exposure		29.9%	\$5,644,406		\$559,849	
TOTAL		100.0%	\$18,865,000		\$1,871,152	

Source: PFM Group Consulting LLC

### 3.6 Additional Development Costs

Additional development represents un-financed costs for the project. In this case, these costs were associated with the project engineering, project management, sales and marketing, and other property/development costs.

The majority of these cost estimates were estimated by PFM. The sales and marketing budget was based on PFM's knowledge and prior research of the industry. The project site is currently located in market known for active adult living; therefore, the marketing budget needs to be enough for the project to capture its fair share of the region's growth.

The total additional development costs are estimated \$3.9 million over the development time horizon. Table 9 summarizes the additional costs.

**Table 9. Summary of Additional Costs (un-financed)**

Indirect Development	TOTAL
Planning/Design	\$389,865
Engineering/Survey/Permit/Bond	\$175,000
Environmental	\$100,824
Legal	\$325,000
Insurance & Property Tax	\$446,656
Property Tax	\$517,345
Project Management/Office Staff	\$250,000
Other	\$0
Marketing/Advertising	\$345,000
Commissions	\$1,126,645
Closing Costs	\$281,661
<b>Total Indirect Development</b>	<b>\$3,957,996</b>

Source: PFM Group Consulting LLC



In those years where cash flow was greater than the development costs, the costs were paid in that period with cash. If the cash flow was not great enough to cover the additional costs, the costs were financed with a bank mortgage. In this case, the model assumes these costs are paid in cash annually.

### 3.7 Bank Financing

With respect to the modeling, this model involved was developed as unlevered with no bank financing assumptions.

### 3.8 Cash Flow Summary

All of the revenues and expenses described above flow into the cash flow worksheet. The cash flow worksheet is separated into two sections: (1) "cash in" and (2) "cash out." It is important to note that during the modeling process. Total "cash in" for the project is estimated at \$18.8 million. This figure includes \$8.4 million in residential sales and \$10.4 million in non-residential sales. Table 10 shows the total revenue over the development time horizon.

**Table 10. Total Revenue/Cash In**

<b>Closing Activity</b>	<b>Total</b>
Lot Sales	700
Non-Residential Closings (acres)	13
<b>Cash In</b>	
Lot Sale Closings	\$8,400,000
Non-Residential Closings (acres)	\$10,377,410
<b>Total Cash In</b>	<b>\$18,777,410</b>

Source: PFM Group Consulting LLC

The "cash out" section is a function of six expense items: bank loan costs, operating costs, equity and working capital (inclusive of a land acquisition price if applicable), repayment of principal and interest (developer's obligation), developer exposure (associated with exposure to unallocated A Bonds during development process), and other operating expenses. Table 11 shows the total expenses for the project.

**Table 11. Total Expenses/Cash Out**

<b>Cash Out</b>	<b>\$</b>
Bank Loan Costs	\$0
Additional Owner-Developer Costs	\$3,957,996
Property Acquisition	\$6,000,000
Developer Share of Outstanding Infrastructure Debt	\$4,918,018
Developer Exposure to Pass Through Infrastructure Debt	\$2,388,197
<b>Total Cash Out</b>	<b>\$17,264,211</b>

Source: PFM Group Consulting LLC



The project is expected to generate approximately \$18.8 million dollars in revenue and create \$17.2 million dollars in total costs (including land acquisition costs of \$6.0 million). Over the duration of the project, this amounts to a net cash flow of an estimated \$1.5 million. The IRR of 5.2% indicates that the project absorption along with the market pricing assumptions represent a challenging investment at the current acquisition price. Table 12 summarizes the cash-in, cash-out and net cash flow.

**Table 12. Summary of Net Cash Flow**

<b>Closing Activity</b>	<b>Total</b>
Lot Sales	700
Non-Residential Closings (acres)	13
<b>Cash In</b>	
Lot Sale Closings	\$8,400,000
Non-Residential Closings (acres)	\$10,377,410
<b>Total Cash In</b>	<b>\$18,777,410</b>
<b>Cash Out</b>	
Bank Loan Costs	\$0
Additional Owner-Developer Costs	\$3,957,996
Property / Land Acquisition	\$6,000,000
Developer Share of Outstanding Infrastructure Debt	\$4,918,018
Developer Exposure to Pass Through Infrastructure Debt	\$2,388,197
<b>Total Cash Out</b>	<b>\$17,264,211</b>
<b>Net Cash Flow</b>	<b>\$1,513,200</b>
<b>IRR</b>	<b>5.2%</b>

Source: PFM Group Consulting LLC

## APPENDIX 1

# Search Analytics

INVENTORY UNITS

996 +0%

Prior Period 996

UNDER CONSTRUCTION UNITS

0 -

Prior Period 0

12 MO ABSORPTION UNITS

(4) -127.7%

Prior Period 14

VACANCY RATE

3.2% +0.5%

Prior Period 2.7%

MARKET RENT/UNIT

\$1,281 +4.4%

Prior Period \$1,227

MARKET SALE PRICE/UNIT

\$143K +3.6%

Prior Period \$138K

MARKET CAP RATE

5.1% -0.1%

Prior Period 5.2%

## Key Metrics

Availability	
Vacant Units	32 <span>↑</span>
Asking Rent/SF	\$1.34 <span>↑</span>
Concession Rate	0.3% <span>↑</span>
Studio Asking Rent	\$1,216 <span>↑</span>
1 Bedroom Asking Rent/Unit	\$1,304 <span>↑</span>
2 Bedroom Asking Rent/Unit	\$1,620 <span>↑</span>
3 Bedroom Asking Rent/Unit	-

Inventory	
Existing Buildings	4 <span>↓</span>
Average Units Per Bldg	249 <span>↓</span>
12 Mo Demolished Units	0 <span>↓</span>
12 Mo Occupancy % at Delivery	-
12 Mo Construction Starts Units	0 <span>↓</span>
12 Mo Delivered Units	0 <span>↓</span>
12 Mo Avg Delivered Units	-

Sales Past Year	
Asking Price Per Unit	-
Sale to Asking Price Differential	-
Sales Volume	\$0 <span>↓</span>
Properties Sold	0 <span>↓</span>
Months to Sale	-
For Sale Listings	-
Total For Sale Units	-

Demand	
12 Mo Absorp % of Inventory	-0.4% <span>↓</span>
Median Household Income	70.9K
Population Growth 5 Yrs   20-29	7.5%
Population Growth 5 Yrs   30-39	14.1%
Population Growth 5 Yrs   40-54	5.5%
Population Growth 5 Yrs   55+	6.9%
Population Growth 5 Yrs	8.5%

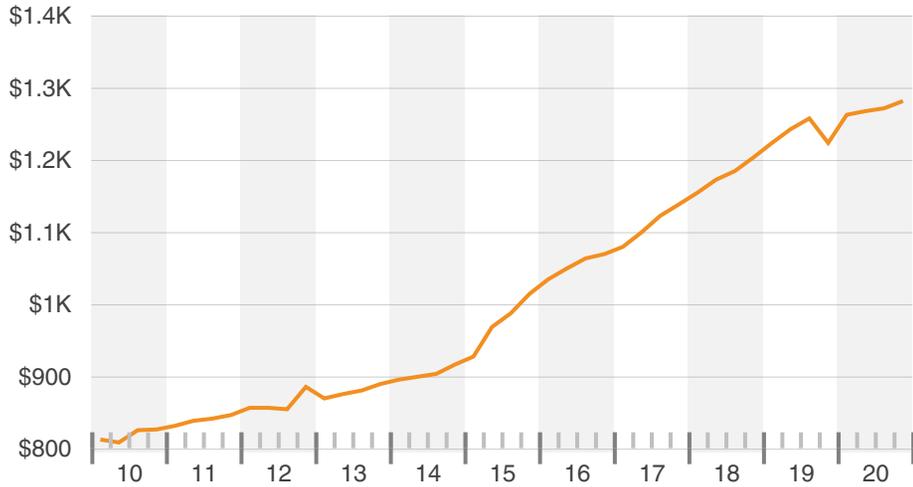
# Search Analytics

## Key Performance Indicators

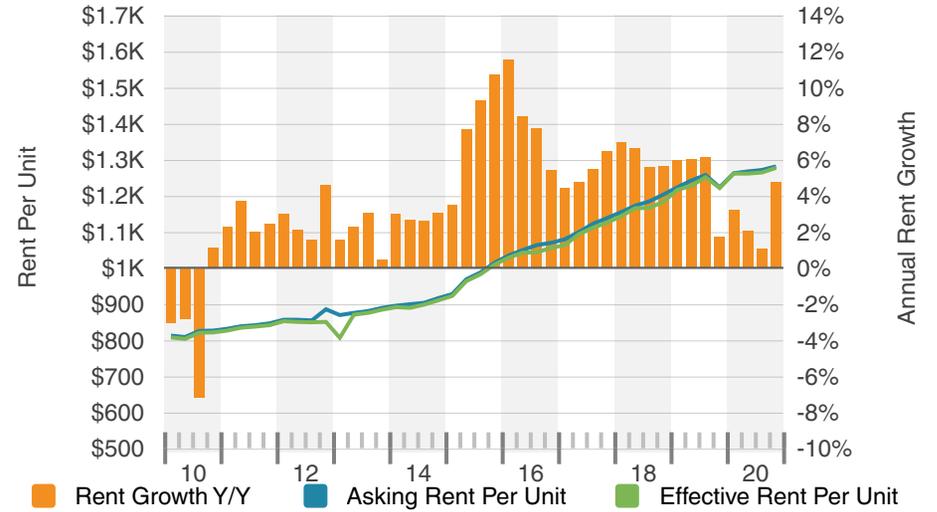


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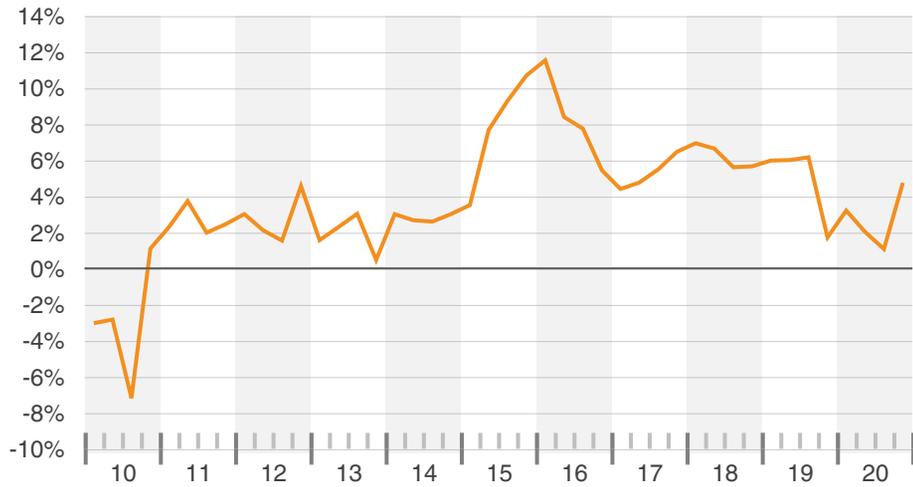
## Market Asking Rent Per Unit



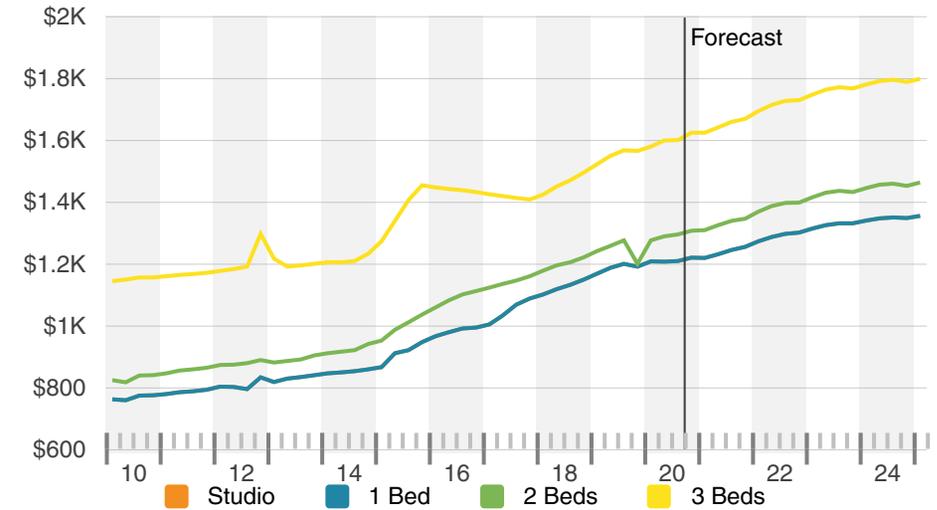
## Market Rent Per Unit & Rent Growth



## Market Rent Growth (YOY)

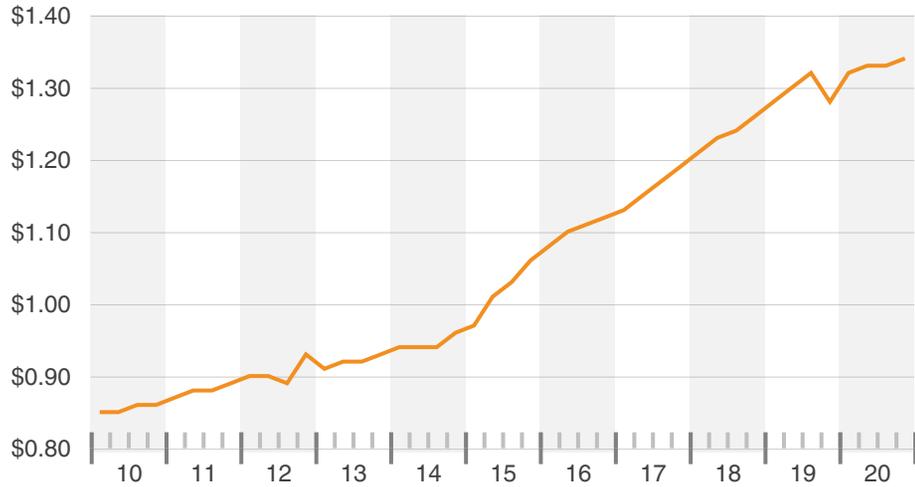


## Market Asking Rent Per Unit By Bedroom

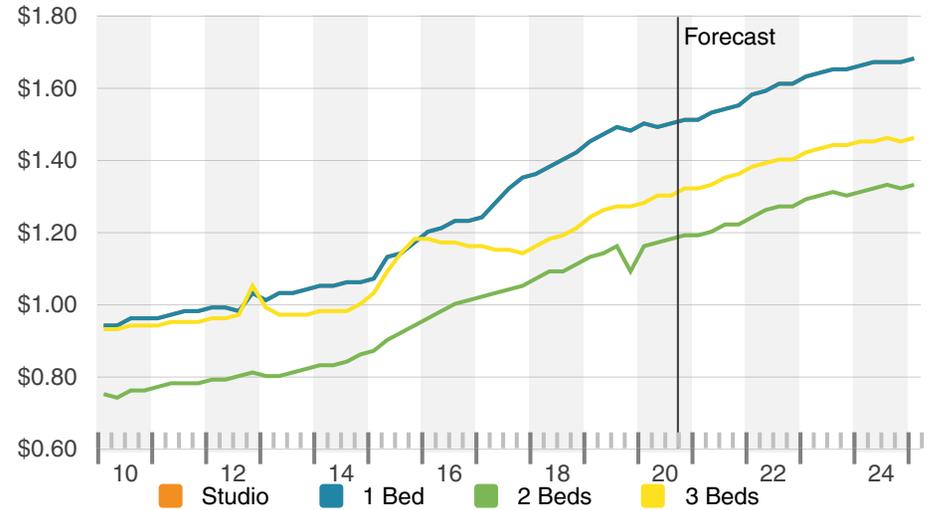


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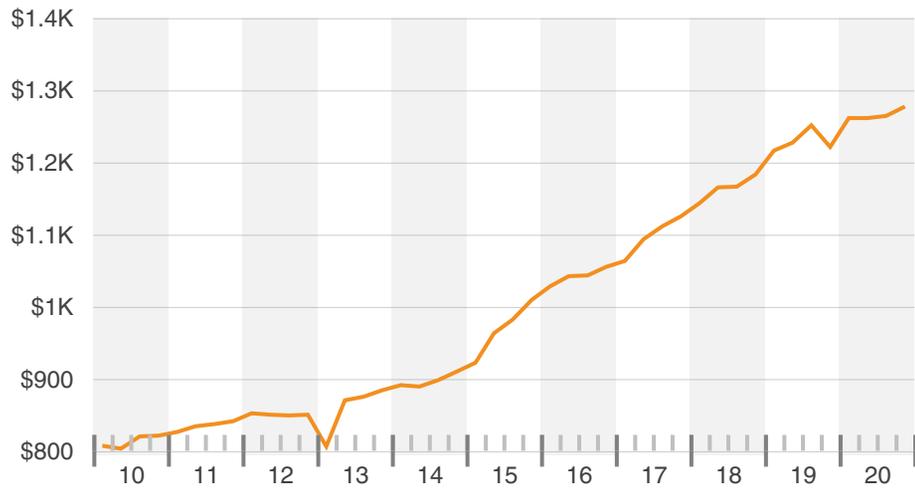
## Market Asking Rent Per SF



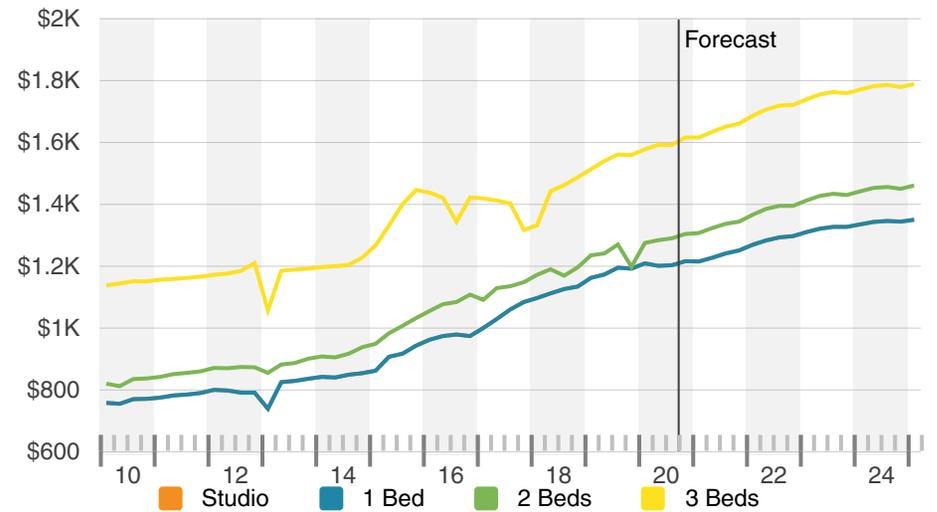
## Market Asking Rent Per SF By Bedroom



## Market Effective Rent Per Unit

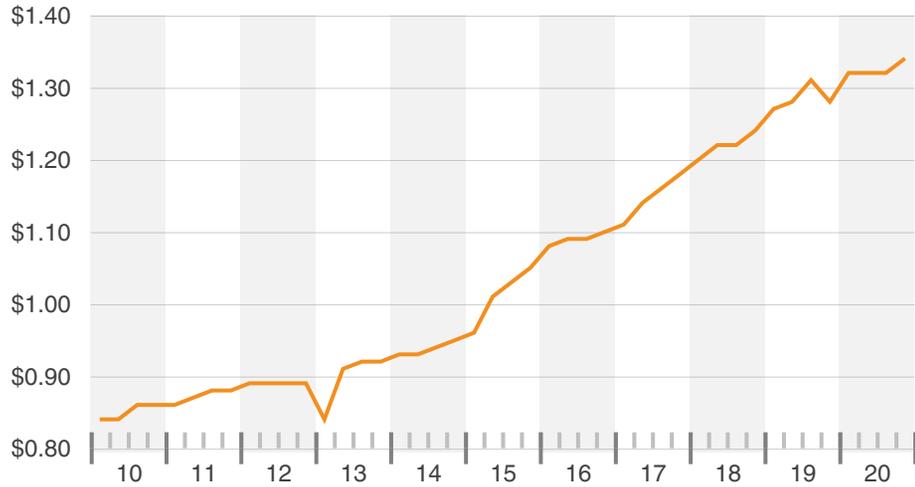


## Market Effective Rent Per Unit By Bedroom

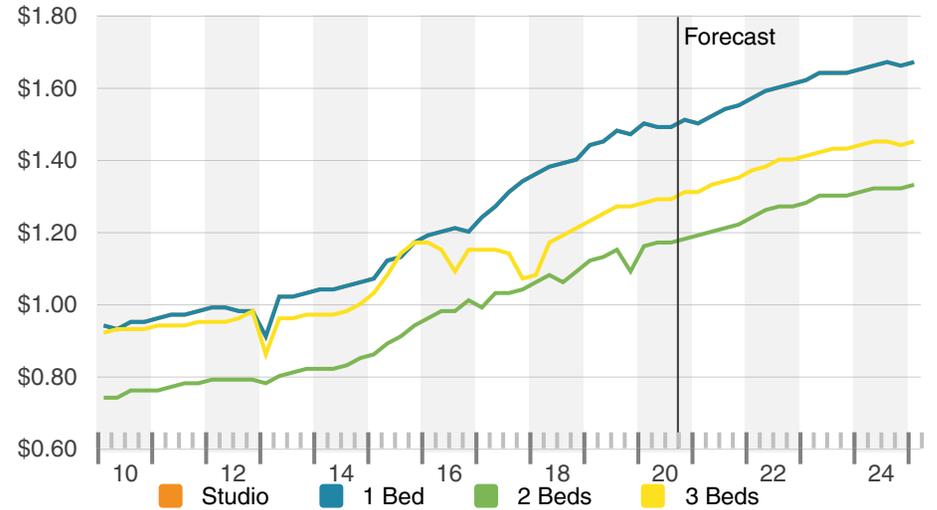


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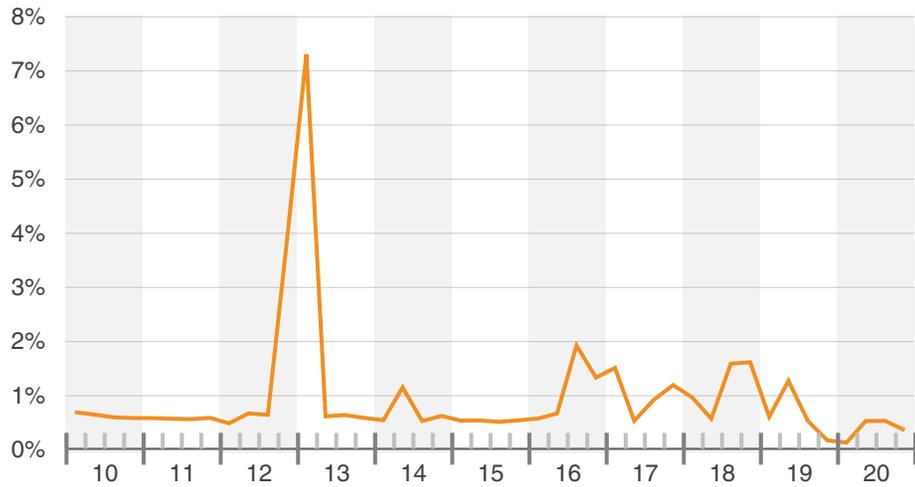
## Market Effective Rent Per SF



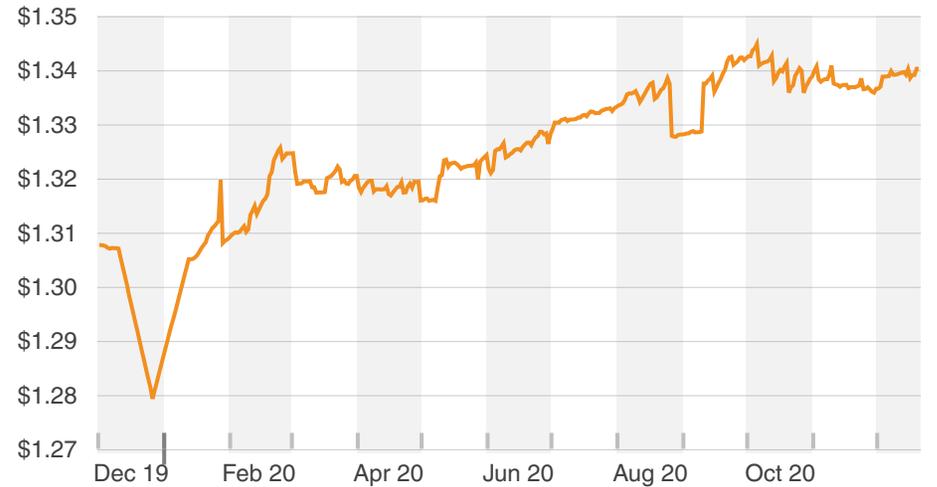
## Market Effective Rent Per SF By Bedroom



## Concession Rate

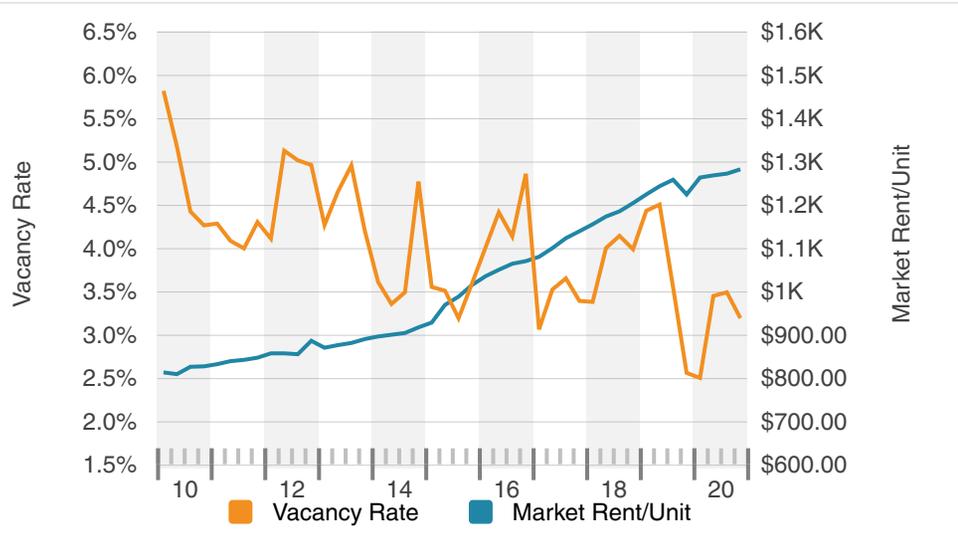


## Daily Asking Rent Per SF

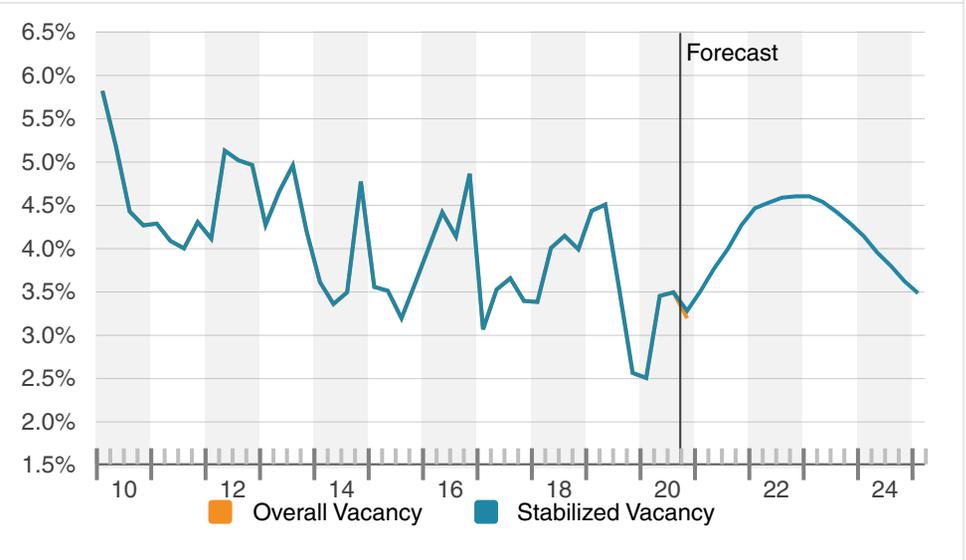


# Search Analytics

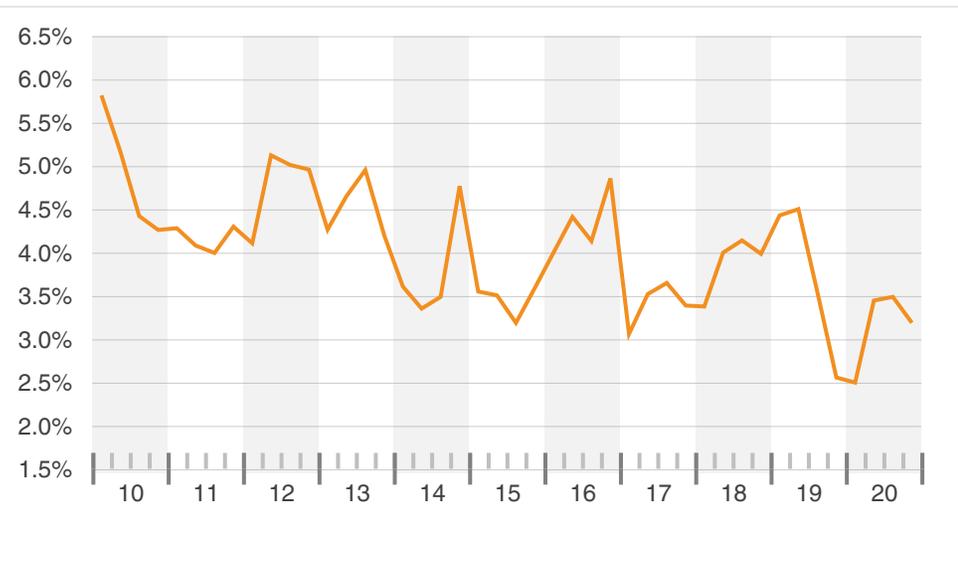
## Vacancy & Market Asking Rent Per Unit



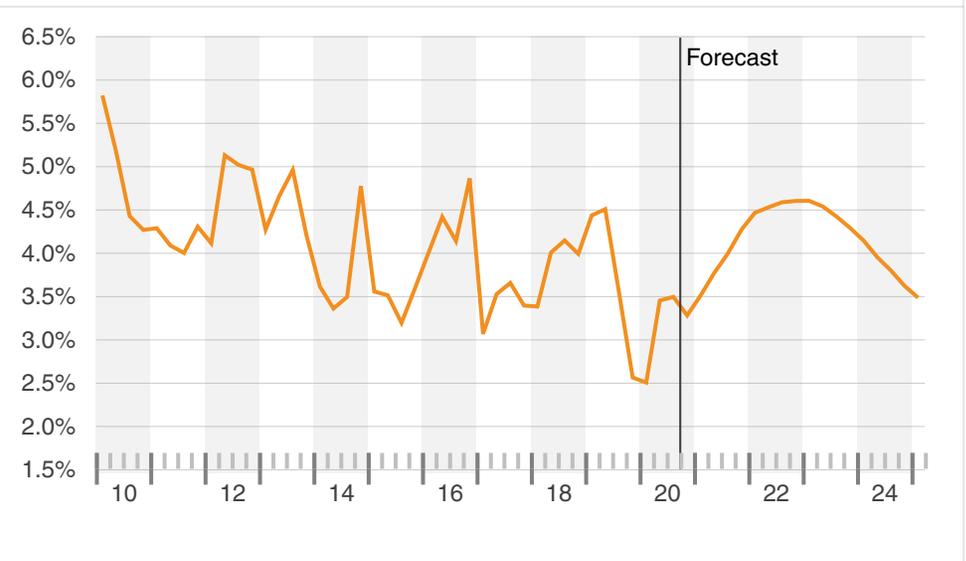
## Overall & Stabilized Vacancy



## Vacancy Rate

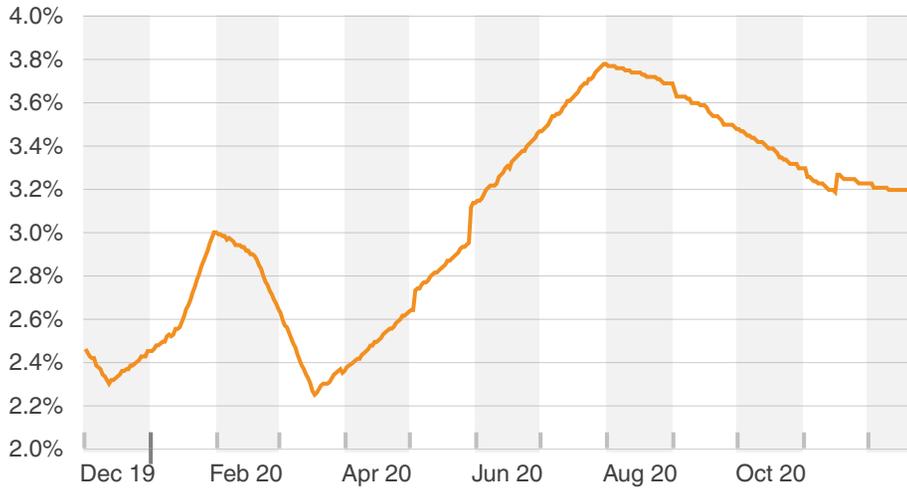


## Stabilized Vacancy Rate

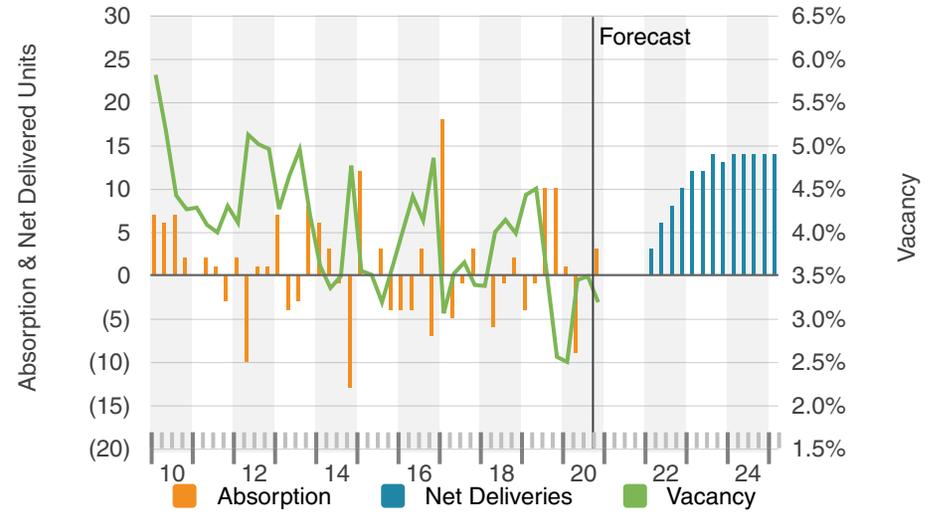


# Search Analytics

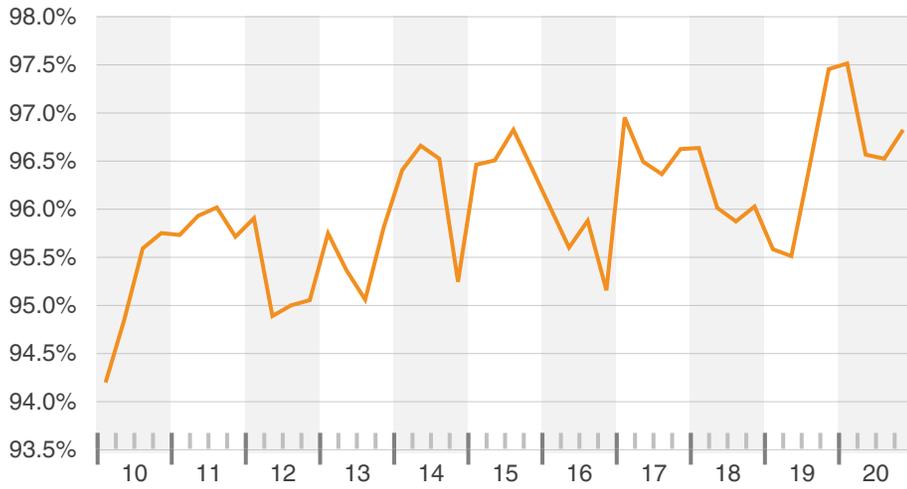
## Daily Vacancy Rate



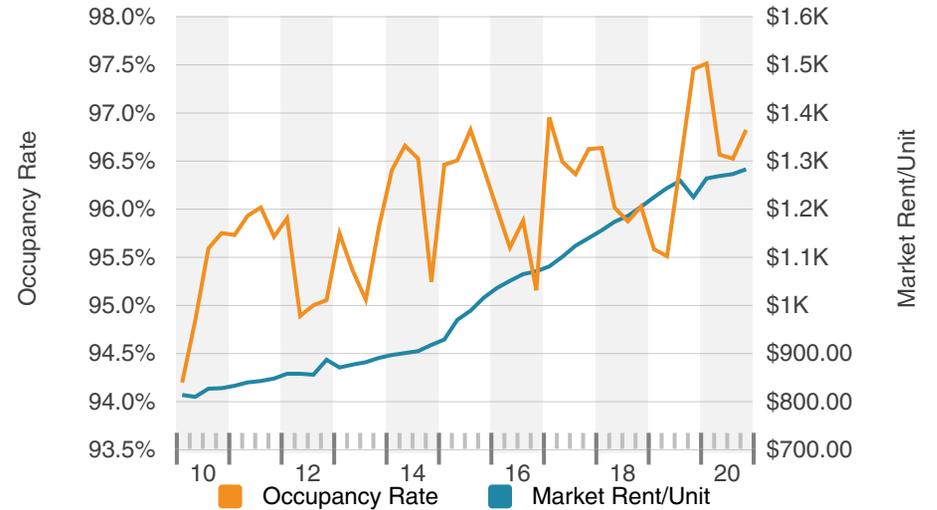
## Absorption, Net Deliveries & Vacancy



## Occupancy Rate



## Occupancy & Market Rent Per Unit



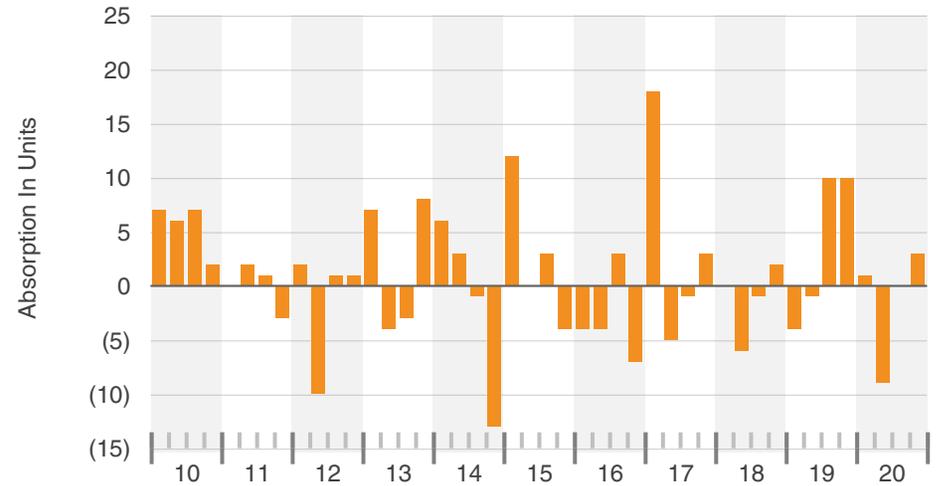
## Occupancy At Delivery

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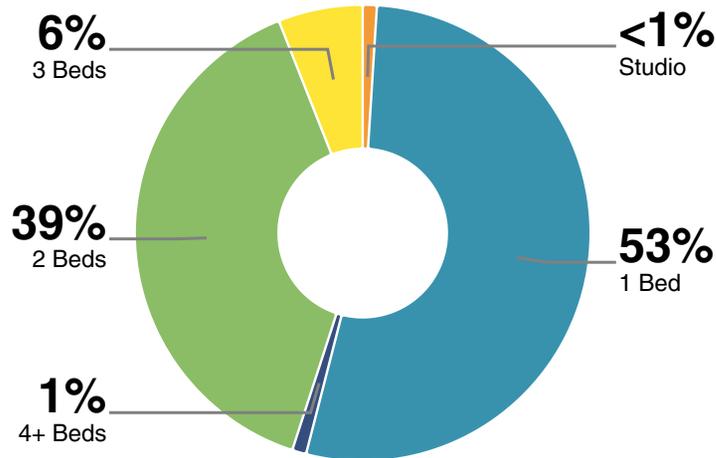


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## Absorption Units



## Total Units By Bedroom



## Construction Starts

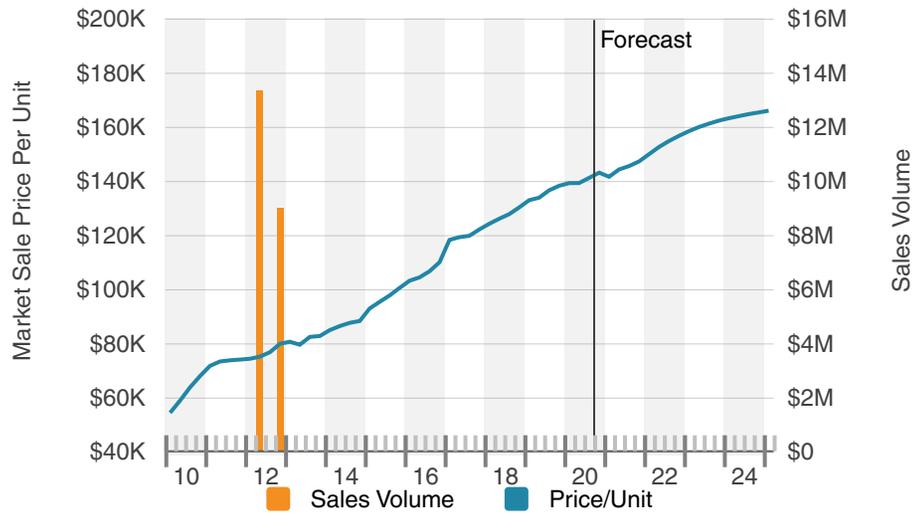
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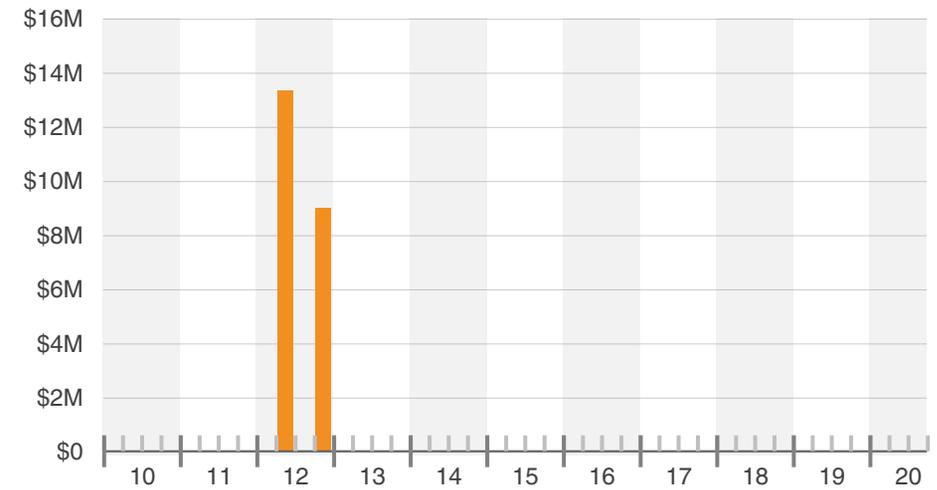
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# Search Analytics

## Sales Volume & Market Sale Price Per Unit



## Sales Volume



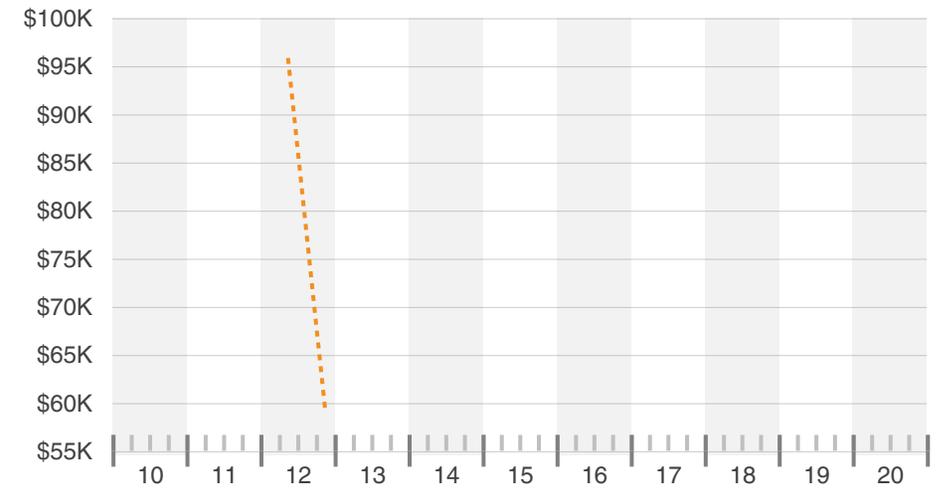
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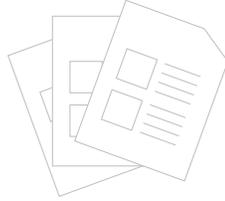
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## Sale Price Per Unit



## Cap Rate By Transaction Type

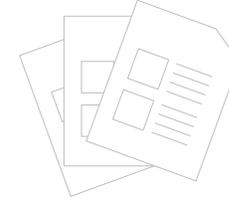
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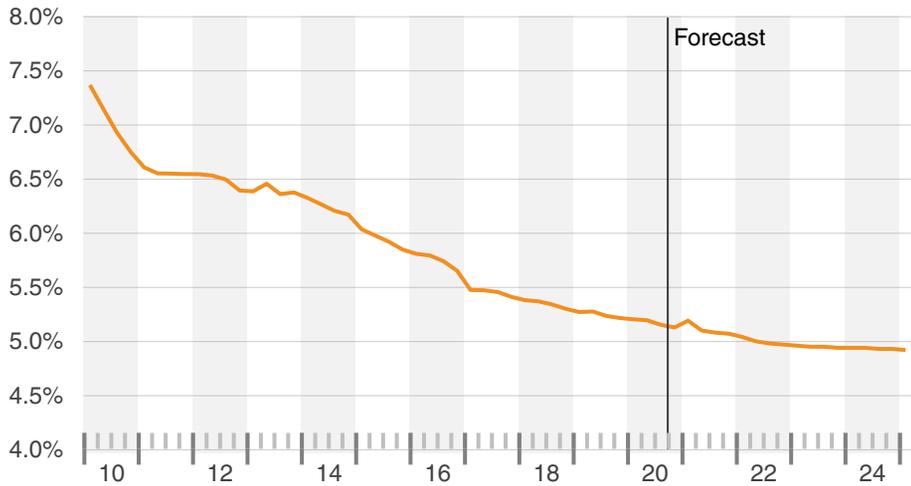
## Cap Rate By Location Type

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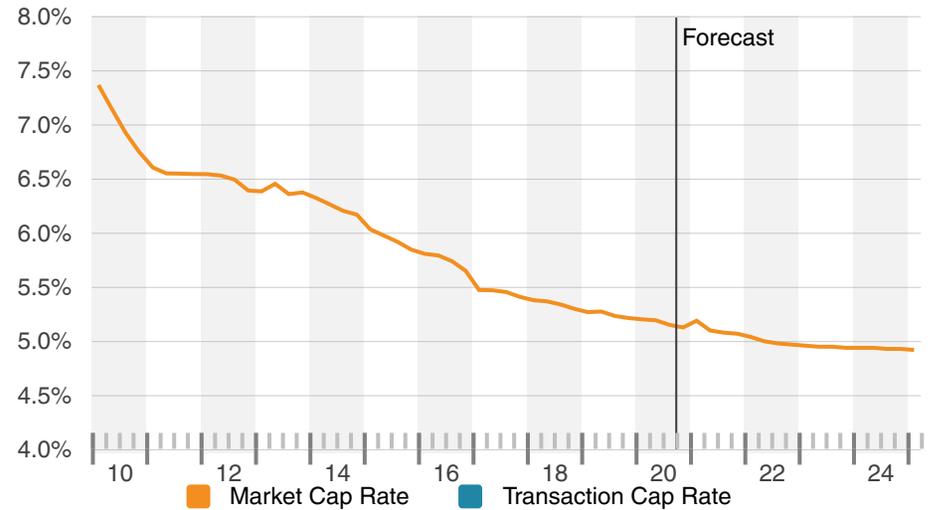


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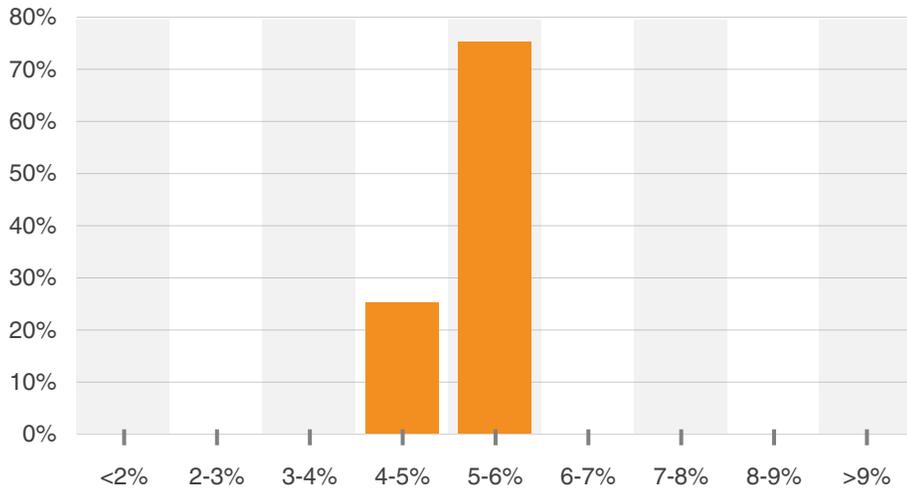
## Market Cap Rate



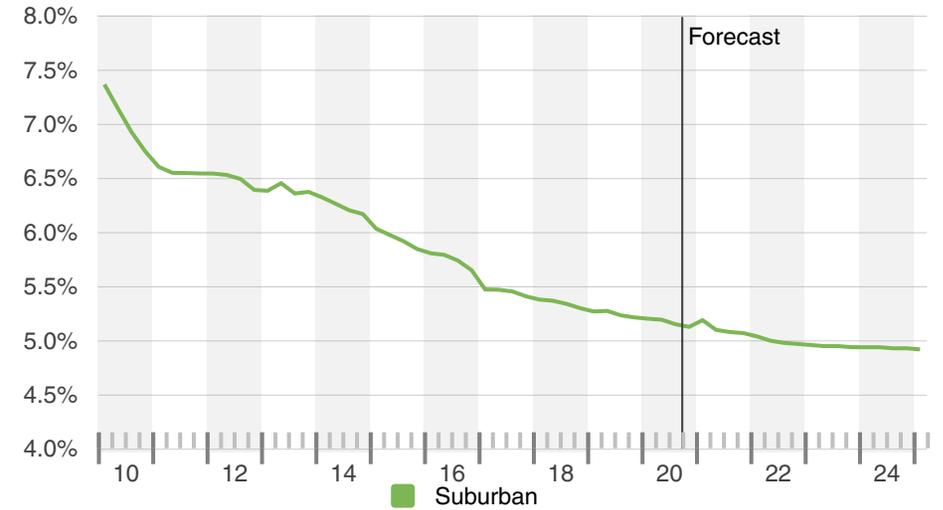
## Market Cap Rate & Transaction Cap Rate



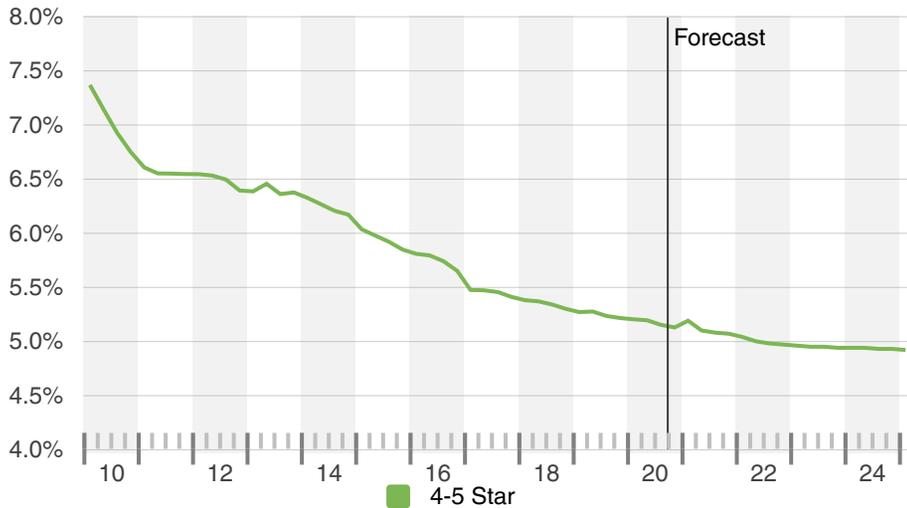
## Market Cap Rate Distribution



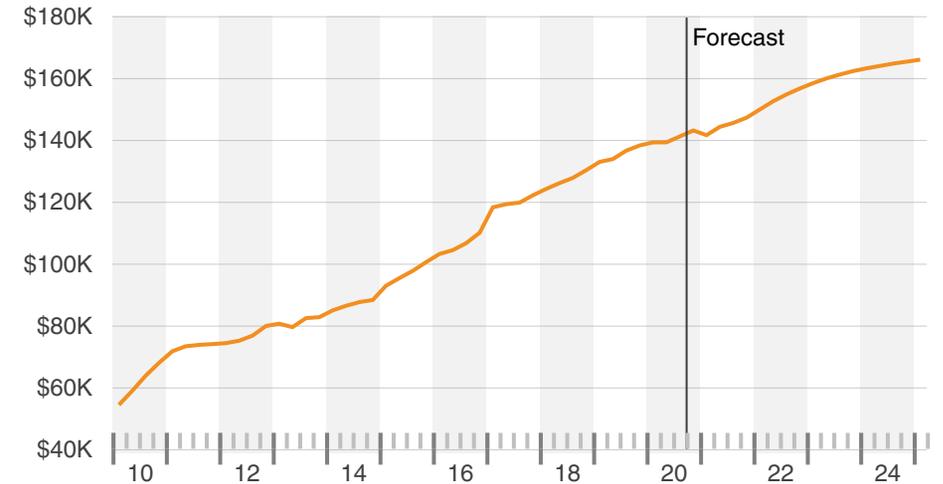
## Market Cap Rate By Location Type



## Market Cap Rate By Star Rating

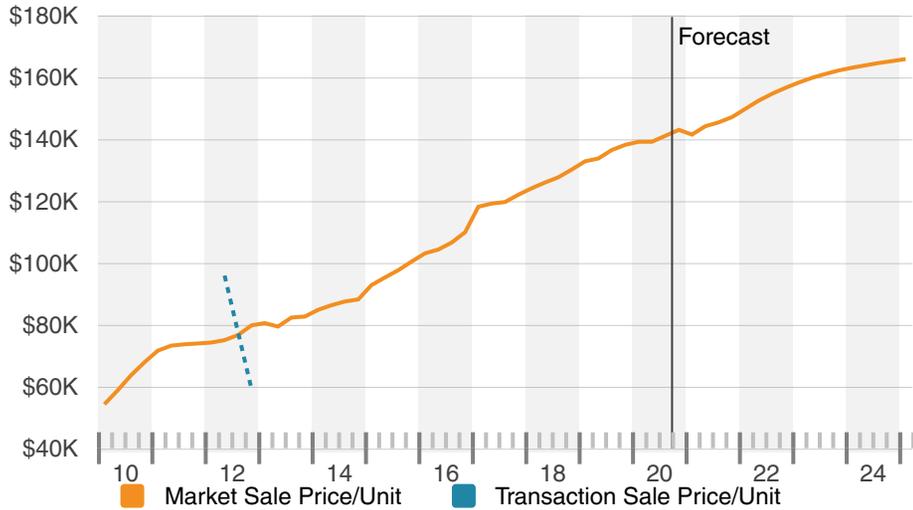


## Market Sale Price Per Unit

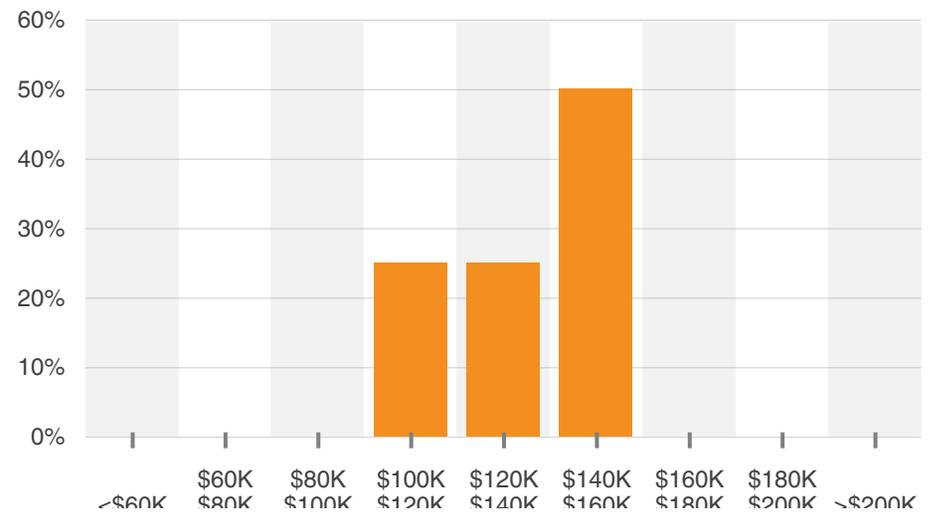


# Search Analytics

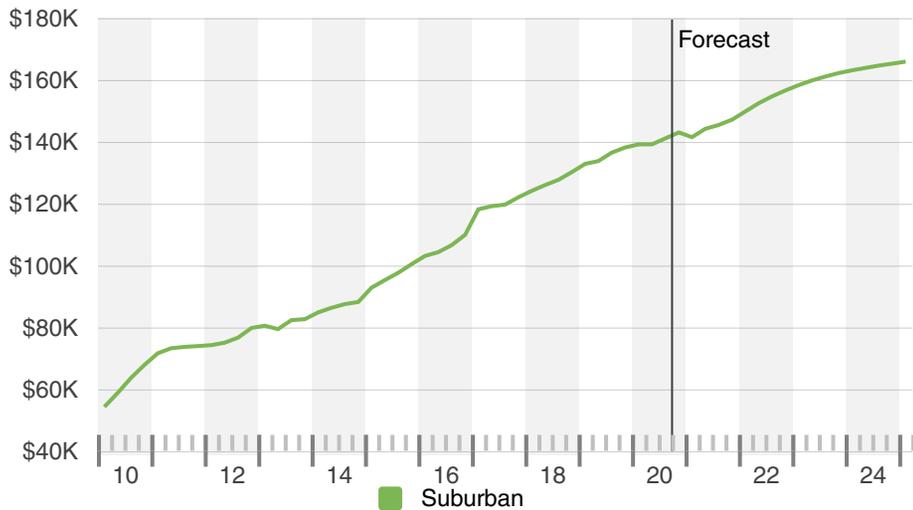
## Market Sale Price & Transaction Sale Price Per Unit



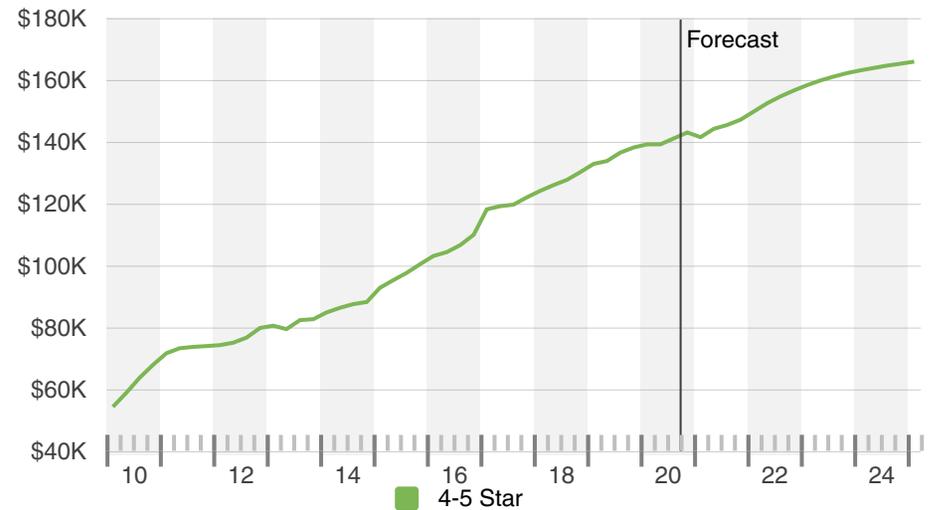
## Market Sale Price Per Unit Distribution



## Market Sale Price Per Unit By Location Type



## Market Sale Price Per Unit By Star Rating



## Report Criteria

---

- 4 Properties / 0 Spaces
- Construction Status: Existing +2
- Secondary Type: Apartments
- Class: A
- Rent Type: Market +1
- Market Segment: Exclude All Corporate +3
- Exclude: Residential Condos
- Exclude: Co-Ops
- # of Units: 5 +
- 15 min Travel Time