CCMP - Port St. Lucie, Florida

Economic Impact and Tax Increment Estimates

& Disposition Scenarios

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Development Program - Image

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Development Program Analyzed

	Phase 1	Phase 2	Phase 3	Phase 4	Total	Land Valuation (1)
Development Summary	2024	2028	2032	2037	MAX	
Residential - Apts (units)	300	500	500	500	1,800	3.00%
Retail Space (sq ft)	20,000	25,000	25,000	30,000	100,000	15.00%
Office Space (sq ft) (2)	5,000	35,000	10,000	45,000	95,000	10.00%
Hotel Rooms (units)	0	0	125	125	250	15.00%
Parking Garages (2 & 3) (3)						
Public Space/Amphitheatre (acres)					5.0	

Source: PFM Group Consulting LLC

(1) the data on land valuations is used for illustrative purposes only and do not reflect the actual valuation of land to be used for construction. The actual valuation of land will be subject to an appraisal and market conditions at the time of disposition

(2) assumes 5,000 sqft allocated to police substation and public city annex

(3) parking garage 1 - 900 spaces (existing - assumes 700 public), garage 2 - 620 spaces (335 public), garage 3 - 620 spaces (85 public)

Development Program with Parking Garage Callouts

PUBLIC (UNASSIGNED) PARKING ESTIMATE		
On-Street (Existing + New)		566
Garage 1 (Existing, Public # Spaces)		700
Garage 2 (New, Public # Spaces)	335	
Garage 3 (New, Public # Spaces	85	
Garage 4 (New, Public # Spaces)	200	
SUB-TOTAL, NEW GARAGE PUBLIC SPACES		620
TOTAL, ALL PUBLIC SPACES		1,886
NOTE: All new garages can be expanded pending funding & demand		

Parking Review – General Parking Approaches

- On-Street Parking
  - Free
  - Metered
- Structured Parking
  - Free garage parking
  - Paid garage parking
  - Time-limited paid garage (e.g. evenings, special events)

CCMP Parking & Options

- On-street parking will be offered
  - Currently envisioned as free, open to the public
  - Potentially metered in the future
- Structured parking (Garages 2, 3 & 4 to be constructed by developer(s))
  - Garage 1 (existing): 900 spaces (est. 700 spaces for public / 200 allocated to hotel and retail)
  - Garage 2: 620 spaces (est. 335 spaces for public / 285 spaces to residential and commercial)
  - Garage 3: 620 spaces (est. 85 spaces for public / 525 spaces to residential and commercial)
  - Garage 4: 300 spaces (est. 200 spaces for public / 100 spaces to office space)
- Options
  - Paid structured parking
  - Free structured parking
    - Would require either partial funding/financing of the garages or annual payment by the City to the private owner/operator

Estimated Additional Costs*

- Infrastructure
  - Plaza - $500,000
  - Roundabout - $500,000 to $1 million
  - Village Square Drive “Flexible Street” - $1 million to $4 million

- Amphitheatre
  - $4 million to $8 million

*Notes:

- Assumes developer financing for rebuild of Village Square Drive
- Excludes costs for Event Center Expansion and/or Recreation Center

Summary of Economic Impact of CCMP

- Construction Impact

Impact	Employment	Labor Income	Value Added	Output
1 – Direct	3,335	$153,898,669	$196,837,978	$379,878,660
2 – Indirect	734	$27,551,196	$48,123,015	$110,477,904
3 – Induced	576	$22,956,891	$48,333,341	$88,632,361
Total	4,645	$204,406,757	$293,294,335	$578,988,925

Source: PFM Group Consulting LLC

- On-going Impact at Buildout

Impact	Employment	Labor Income	Value Added	Output
1 – Direct	882	$22,001,924	$48,629,426	$127,068,670
2 – Indirect	474	$17,571,436	$31,449,990	$75,290,462
3 – Induced	401	$16,184,590	$33,323,686	$60,982,881
Total	1,757	$55,757,950	$113,403,103	$263,342,014

Source: PFM Group Consulting LLC

Summary of Economic Impacts (Continued)

- **Direct Effects**
  - Direct effects are the set of expenditures applied to the multipliers for an impact analysis

- **Indirect Effects**
  - Indirect effects are the business-to-business purchases in the supply chain taking place in the specified geography (typically at the County level)
  - As the industry specified spends their money in the region with their suppliers, this spending is shown as the indirect effect

- **Induced Effects**
  - Induced effects are the values stemming from household spending of labor income (after removal of taxes, savings and commuter income)
  - The induced effects are generated by the spending of the employees within the business' supply chain

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Summary of CCMP TIF Increment

CCMP Estimated Assessed Value		2022	2023	2026	2030	2035	2040	2045	2050	2053
Residential - Apts (units)		$0	$0	$52,222,616	$150,739,839	$270,447,063	$413,439,800	$456,470,946	$503,980,809	$534,828,466
Retail Space (sqft)		$0	$0	$3,889,508	$9,472,790	$16,269,128	$25,660,617	$28,331,395	$31,280,149	$33,194,744
Office Space (sqft)**		$0	$0	$989,418	$8,567,827	$11,824,466	$24,804,815	$27,386,520	$30,236,931	$32,087,674
Hotel Rooms		$0	$0	$0	$18,804,011	$41,522,296	$45,843,970	$50,615,447	$55,883,544	$59,304,064
Total		$0	$0	$57,101,543	$187,584,466	$340,062,954	$509,749,202	$562,804,309	$621,381,433	$659,414,948
CRA Value	2000 Orig Base Value	2022 CRA Value	2023	2026	2030	2035	2040	2045	2050	2053
Existing CRA + CCMP	$231,826,024	$525,539,840	$525,539,840	$582,641,383	$713,124,306	$865,602,794	$1,035,289,042	$1,088,344,149	$1,146,921,273	$1,184,954,788
Total			$525,539,840	$582,641,383	$713,124,306	$865,602,794	$1,035,289,042	$1,088,344,149	$1,146,921,273	$1,184,954,788
Estimated Incremental Assessed Value		2022	2023	2026	2030	2035	2040	2045	2050	2053
CCMP Increment Only			$0	$57,101,543	$187,584,466	$340,062,954	$509,749,202	$562,804,309	$621,381,433	$659,414,948
Total			$0	$57,101,543	$187,584,466	$340,062,954	$509,749,202	$562,804,309	$621,381,433	$659,414,948
Estimated Tax Increment (95%)	Millage	2022	2023	2026	2030	2035	2040	2045	2050	2053
County General	4.2077		$0	$228,253	$749,834	$1,359,339	$2,037,628	$2,249,706	$2,483,857	$2,635,889
County Fines & Forefieture	2.7294		$0	$148,060	$486,393	$881,759	$1,321,744	$1,459,312	$1,611,199	$1,709,817
Total			$0	$376,313	$1,236,228	$2,241,098	$3,359,372	$3,709,018	$4,095,056	$4,345,706
				2026	2030	2035	2040	2045	2050	2053
Tax Increment Attributed to CCMP				**$376,313**	**$1,236,228**	**$2,241,098**	**$3,359,372**	**$3,709,018**	**$4,095,056**	**$4,345,706**

Source: PFM Group Consulting LLC

- TIF increment forecasted to be higher from the broader CCMP if including privately owned parcels adjacent to the CCMP (e.g., the adjacent medical office, etc)
- The CRA is currently in place through 2031 and can be extended 30 years
- Current TIF increment is committed to paydown of Events Center Bonds (current target repayment is 2025)

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Disposition Scenarios for CCMP Property

- **Scenario A – Sale**
  - Sale of Property for Hotel, Residential, Retail, and Office Locations
  - Retention of Property designated for municipal purposes

- **Scenario B – Ground Lease**
  - Ground Lease property for Hotel, Residential, Retail, and Office Locations
  - Retention of property designated for municipal purposes

- **Scenario C – Hybrid**
  - Sale of Residential Property
  - Ground Lease property for Hotel, Retail, and Office Locations
  - City retains property to be used for municipal purposes

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Scenario A – Sale of CCMP Property

- Advantages:
  - Eliminate special assessment debt with sale to third party
  - Faster development schedule since developers are incentivized to move more quickly (capital costs from day 1 and exposure to special assessments)
  - City controls land use restrictions
  - Ability to fund other municipal needs from sale proceeds
  - Likely to result in advanced development timeline
  - Developers are more familiar with this strategy
  - Land is increasingly valued in the current economic cycle
  - Time value of money (receipt of funds for future development)
- Disadvantages
  - Loss of control over pace and (some loss of control) over CCMP development
  - No restrictions on subsequent sale (or even flipping)
  - City has limited gains from increasing value of the property (other than through assessed valuation)

Scenario A – Results

- Estimated Sale Price of $2,250,000

- Notably underwhelming sale price; however, this assumes the sale of any and all future exposure to the remaining special assessment debt that runs with the land
  - $1,871,152 annually (est. total P&I $22.5 million)
  - Bond maturity in 2035

- Per an existing settlement agreement, a sale generates proceeds for repayment to St. Lucie County of $427,304.80

Scenario B – Ground Lease of CCMP Property

- Ground Lease Considerations
  - City retains control over the takedown of properties
    - Takedown of properties in a phased approach is contingent on developer's performance
    - If developer fails to perform to "thresholds" City may decide to move to other parties
  - Generally, three phases defined in the ground leases
    - **Phase 1: Option phase** – a nominal payment to lock in the ability to ground lease the properties
    - **Phase 2: Construction phase** – a fractional payment of the full ground lease payment during the construction period
    - **Phase 3: Full completion phase** – full ground lease payments begin when the property is completed. There will be multiple ground leases as property is developed.
  - Phase 3 starts the typical ground lease term for each parcel.
  - Historically, lenders prefer that the ground lease term is double the mortgage term

Scenario B – Ground Lease of CCMP Property

- Valuation of Property
  - Before a ground lease is signed, the City and its partner will pursue appraisals
  - The appraisals will consider: (1) density; and (2) proposed use
  - The appraisals will be used to determine the economic rent paid by the lessee (the developer) in Phase 2 (construction) and Phase 3 (completion)
  - The option payment is often a notional amount that recognizes the value of the exclusive right to develop the property for a discrete time period
  - A typical assumption is that ground rent will be 5.5-6.5% of the appraised value of the property underlying each parcel
  - There could be staggered ground leases, with different effective dates
  - Landlord controls general approvals related to subleasing and change of ownership

Scenario B – Assumptions

- Using the forecast provided by the City and assumptions about land value as a percentage of each type of building, PFM developed a forecast that assumes:
  - Existing special assessment debt service of $1,871,152 annually
  - Three-year construction period
  - 50-year ground lease term, starting on staggered dates
  - Construction period rent of 1/3 of full ground rent upon completion
  - Inflation of 3% each year in the ground rent paid

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Scenario B Results - ***Ground Leasing CCMP Properties (Residential, Hotel, Office and Retail)***

- Because development is staggered over multiple years, and construction rent is lower than full ground rent
- It takes 12 years in the forecast before ground rent produces sufficient revenue to pay for the special assessment debt service
- However, over the 50 years of ground rent for each subsequent phase of development, the total ground rent produced far exceeds the debt service
- The biggest factor producing the outsized returns is the 3% inflator assumption
- The biggest unknown factor is the starting value of the property underlying each future ground lease parcel

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Scenario C Results - ***Sale of Residential and Ground Leasing on Non-Residential (Hotel, Office and Retail)***

- This scenario assumes a hypothetical sale of the parcels allocated for residential properties at $20.1 million ($16.3 million alternate scenario)
  - Year 1: $2.7 million ($2.2 million – alt scenario)
  - Year 5: $5.1 million ($4.2 million – alt scenario)
  - Year 9: $5.7 million ($4.7 million – alt scenario)
  - Year 14: $6.6 million ($5.4 million – alt scenario)
- Per an existing settlement agreement, sales generate proceeds for repayment to St. Lucie County of $427,304.80
- Ground lease assumptions for other key properties mirror the assumptions for Scenario B
- Appraisals will drive the actual sale prices for the residential parcels, and land inflation will likely play a role in the sales price
- Appraisals will be used to price the ground rent for the remaining parcels.
- In the forecast, the City has more resources in the near term to pay debt service or redeem the debt completely.
- But the total rent produced over the long term is half the estimate of the full ground leasing of all properties

Summary of Findings

	Scenario A:	Scenario B:	Scenario C:
	Sale of Property	Ground Lease (All Parcels)	Hybrid (Ground Lease & Sale) (1)
Total Revenue	$2,250,000	$308,908,292	$184,508,074
Total SAD PMTS $ (2)	$22,453,827	($22,453,827)	($22,453,827)
Net Revenues (Thru 2086)	$24,703,827	$286,454,465	$162,054,247
Net Revenues (Thru 2054)	$24,703,827	$59,086,923	$37,602,771
Breakeven from SAD	Year 1	Year 12	Year 8
NPV(3)	$2,250,000	$2,954,096	$4,312,566

(1) hybrid scenario: ground lease of commercial parcels and sale of residential apartment parcels

(2) including SAD payments not made as revenue given the removal of debt service exposure to the City

(3) NPV of ground lease and hybrid scenarios assumes a 10% discount rate

Source: PFM Group Consulting LLC

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Key Takeaways – Ground Leasing

- Allows the City to control its circumstances, including speed and type of development
- Provides greater long-term income and allows the City to participate in the increasing value of the land as it develops
- Takes longer to produce a revenue stream sufficient to pay for the debt service
- But…. also requires the City to be a landlord and provide timely approvals and oversight
- There will/could be sales of leasehold interests to new owners and requirements related to the lenders' interests
- The City will need to identify a dedicated CCMP project manager

Key Takeaways – Property Sales

- If all properties are sold, a loss of control over the speed of development, and who might step in after the initial sale
- Proceeds may be used to for other municipal improvements in the CCMP
- Immediacy of funds
- No need to be a landlord…management of standard municipal processes only
- A hybrid strategy allows for some of both – control over key properties and sale of residential parcels
- Municipalities rarely take on a ground lease for residential properties

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