



CITY CENTER Q&A



The City Center project has been at the heart of Port St. Lucie's vision for the redevelopment of its eastern side for nearly two decades. After a thorough analysis, the City Manager has determined that City of Port St. Lucie is the entity best suited to redevelop City Center. The Questions and Answers below lay out the complicated history of this project, and address the recommendation for the City Council to authorize a purchase and sale agreement with the Securities and Exchange Commission (SEC) Receiver for the purchase of 22 City Center parcels.

City leaders believe we are now at a turning point for the City Center project, and the timing is finally right for the City to be able to step in and bring positive change and needed stability for this project and subsequently revitalize the entire eastern side of Port St. Lucie. In 2017, the City was in a very similar position regarding a much larger tract of land (nearly 1,200 acres) in Tradition, which is known as the Southern Grove Jobs Corridor. Though larger in geographic area and carrying greater liability due to even larger SAD Bonds, the City stepped in and took possession of the Southern Grove land instead of allowing it to fall into foreclosure and tax deed sales. Essentially, the City stepped up and assumed the role of developer in order to guide Southern Grove according to the community's vision for this very important stretch of land along Interstate 95. So far, the City has been very successful in developing Southern Grove, leading to land sales and partnerships with national and international companies that will bring in jobs above the current average wage. The fact that the City is in control of developing the land gave buyers the stability and confidence they needed, and didn't have previously, to invest in Southern Grove.

The City's administration is now in the position to draw on the experience gained as developer of Southern Grove. City leaders believe the City could replicate that success at City Center. After years of complicated delays, the City would finally control this important strategic asset with the goal of redeveloping the property according to its long-held vision for it to be a thriving gathering place for economic and entertainment activity that will bring new opportunities for Port St. Lucie's eastern side.

How would taking ownership of these parcels benefit the City?

Taking ownership of the parcels would give the City control over the development of these parcels and allow it to be developed according to the community's vision for the eastern part of Port St. Lucie. The City could jump-start and breathe new life into the redevelopment of this area. Since the City is already paying the special assessments and does not have to pay the taxes, it would only cost Port St. Lucie \$400,000 more than it has already budgeted. Because City Center is in a designated redevelopment area, it is appropriate for the City to become the master developer and bring the stability needed to make this project successful.

Why now?

Since 2015, the property has been under the control of the SEC Receiver, who has attempted to market the entire property to one private sector developer without success. City administration believes because of the accrued taxes, special assessments, interest and fees, the chance for a private master developer to be willing and able to purchase the 22 parcels is very low. As stated above, the City now has successful experience acting as developer in a redevelopment area, which it hopes to replicate at City Center. The 2019 completion of the Crosstown Parkway bridge is another factor that City leaders believe will help them to successfully market the property as a destination for the entire City.

What was the City's original vision for the City Center project?

In the early 2000's, City leaders envisioned a revitalized hub on the eastern side of Port St. Lucie, with a mix of retail, civic, entertainment, office development, and public spaces. It would transform the aging Village Green shopping center (built by the City's original developer General Development Corp.), which was one of the City's original gathering places, and replace it with a modern mixed-use town center area where residents could shop, work, play and engage in civic events.

What is the history of the City Center project?

The City Center project has a long and complicated history that dates back nearly 20 years.

In 2001, the City established a Community Redevelopment Agency and adopted a redevelopment plan for the U.S. 1 Corridor. This plan envisioned the area as a central gathering place that provided identity for the city as well as opportunities for entertainment and economic development. The plan identified the former Village Green shopping center at the corner of U.S. 1 and Walton Road as the future town center.

In 2005, private developer George de Guardioli, who successfully developed Abacoa in Jupiter, purchased the Village Green shopping center and proposed the development of “City Center” as a public-private partnership. A redevelopment agreement was signed between the City, CRA, PSL Center, LLC and de Guardioli Properties, Inc. The project was to be built in four phases and include a civic component, public parking structures and private mixed-use development.

In 2008, the CRA and City completed construction of the Port St. Lucie Civic Center (now known as the MIDFLORIDA Credit Union Event Center), Village Square public plaza and interactive fountain, parking garage and several surface parking lots.

After the original developer, de Guardioli, defaulted on the properties in 2009, the City began budgeting and paying the special assessments for these parcels since 2010. Tax certificates were issued for the 22 privately held City Center parcels for delinquent real estate taxes and the project lender began foreclosure proceedings.

In 2013, de Guardioli sold the 22 parcels to U.S. Investment, LLC, operated by Lily Zhong for a purchase price of \$500,000, subject to the outstanding taxes and special assessments. The CRA and City met with Ms. Zhong on three occasions, and she suggested developing City Center as an International Trade Center to be funded through the EB-5 Immigrant Investment Program. However, applications were never submitted to the City and Ms. Zhong had no further contact with the City. In November 2015, the US Securities and Exchange Commission (SEC) brought charges against Ms. Zhong for use of the EB-5 program to defraud investors.

Soon thereafter, in 2015, a court-appointed SEC Receiver took control of the City Center parcels and still has control today. The SEC Receiver has been unsuccessful in selling the parcels as a whole to private developers.

Why has the SEC Receiver not been able to sell these properties?

Over the years, several private developers have submitted letters of interest to the SEC Receiver for the properties but, after completing due diligence, none were able to proceed forward with the purchase of all 22 parcels. The Receiver preferred to sell all 22 parcels to one buyer. In addition to taxes and tax certificates owed, there are special assessments owed to the City for the infrastructure, such as the water and sewer lines and roads. Even if they could acquire the parcels from the SEC Receiver, the cost of paying the special assessments and taxes appeared to be too high for the private developers to “carry” during the development phase as they sold off individual properties, which takes time. In the end, the private developers that had shown interest in the City Center parcels felt the carry costs were too much and could not make the financial situation work.

Considering the private sector’s unsuccessful efforts with the property, what is the City of Port St. Lucie’s plan to help this project finally move forward?

On November 9, City staff will ask the City Council to purchase the 22 parcels from the SEC Receiver for \$400,000. Acquisition of the 22 parcels will allow the City to combine these parcels with the city-owned parcels within the City Center project site. The City proposes using some of the assembled parcels for governmental purposes to enhance the MIDFLORIDA Event Center and public events. (The land that is used for many city events and festivals outside the Event Center is not currently owned by the City.) The strategic assemblage and structured marketing of the parcels will ensure the City can continue to use that property for cultural events into the future. The City would redevelop the other parcels for a variety of uses, such as office, hotel, entertainment, medical or retail.

Why would the City be successful in this endeavor when the private sector has not been?

Because the City is tax exempt, the carry costs would be much lower than that of a private developer while marketing some of the parcels to private buyers. This makes holding some of the properties until a buyer can be found much easier for the City. As the parcels are sold, they would be added back into the City’s tax base.

How much more every year would this cost the City?

Historically, the City has budgeted and paid the special assessments on these parcels since they have been under control of the SEC Receiver. Being that these parcels are being acquired by the City for a public purpose, the City would not have to pay current or outstanding back taxes on the parcels until such time as the parcels are sold to a private developer. Which means that, other than the purchase price, this transaction would not cost the City any more money going forward. As the parcels are sold off, the new owners would pay the back taxes and some or all of the special assessments. The City could recover the acquisition costs associated with this transaction through those sales.

How much is currently owed on the property?

Interest and fees have been accruing on the back taxes and assessments owed on these parcels since 2009 resulting in an outstanding financial obligation of approximately \$46 million. Of this amount, to date the City paid annual special assessments of just over \$20.5 million, as a result of its covenant to budget and appropriate. If it takes ownership, the City may consider waiving the prior special assessments for a buyer and/or negotiating the special assessments going forward.

What is the City’s vision for this property?

City Center continues to be envisioned as a very important cultural and entertainment hub for the eastern side of Port St. Lucie. Complimentary uses including residential, retail, office and hotel uses are desired to provide a well-balanced experience for the residents and visitors of Port St. Lucie. Citizens will have an opportunity to provide public input at upcoming public meetings that will be held as part of the planning process to refine the vision for City Center.

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