



# City of Port St. Lucie

## Memorandum

TO: CRA BOARD

FROM: GREGORY J. ORAVEC, ASSISTANT CITY MANAGER 

DATE: AUGUST 11, 2011

SUBJECT: PROPOSED MODIFICATION OF THE COMMUNITY REDEVELOPMENT PLAN TO INCLUDE AN ADDITIONAL AREA COMMONLY REFERRED TO AS "SOUTHERN GROVE" SUBJECT TO THE CITY COUNCIL'S DETERMINATION THAT REDEVELOPMENT OF THE AREA IS NECESSARY PURSUANT TO CHAPTER 163, FLORIDA STATUTES

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As you are aware, the City has fought for years to create a sustainable vibrant community in spite of the inheritance left to it from its creator, General Development Corporation. Countless efforts and many sacrifices have been made to transform the City into something more than a sprawling residential community of 80,000 quarter acre lots, with no water and sewer facilities, marketed to northerners seeking a retirement paradise. These efforts are highlighted by the water and sewer expansion program, which led to the creation of a first-rate utility and allowed meaningful economic development; the roadway improvement plan, which not only dramatically increased the capacity of the transportation system but beautified the City and should lead to another crossing over the St. Lucie River; the development of a parks system that inspired the moniker "Park St. Lucie"; the approval of St. Lucie West, which led to the creation of the City's first legitimate commercial corridor not named "US 1" and brought the NY Mets, higher learning and more; the initiation of a long term effort to redevelop eastern Port St. Lucie, which, to date, has delivered the Civic Center, Village Square, Wood Stork Trail and increased property values within the area even now; and, the western annexations, the annexation of more than 10,000 acres west of I-95, an area larger than many cities, for the purpose of creating the City's first bona fide large scale employment center.

The area of the western annexations known as "Southern Grove" (please see Exhibit 1) was and remains the most strategically important portion of the annexations because it is the heart of the jobs corridor. Spanning from the I-95/Gatlin Interchange to the Becker Road Interchange, all the while fronting I-95 with ready to build property, Southern Grove is expected to generate more than 15,000 jobs. The initial collaborative successes of the owner-developer and the City within and just outside of Southern Grove are well-known. The Torrey Pines Institute for Molecular Studies and the Landings have been constructed and occupied. The construction of the Vaccine & Gene Therapy Institute and Digital Domain are underway. The development of Martin Memorial's Hospital site has begun, and the Mann Research Center has purchased a 20+ acre site for development. Unfortunately, the Great Recession has obliterated the owner-developer's business model, and the prospect of any future development is hamstrung by the low value of land in today's market and the high cost of carry created by the Southwest Annexation Area Special Assessment District No. 1 (the "SW SAD").

As you may recall, the SW SAD was the mechanism to finance and construct the infrastructure necessary to serve the 3,400+ acres of Southern Grove. More than \$156 million in bonds were issued to complete the project improvements which included roadways, stormwater attenuation facilities, water transmission facilities and wastewater collection and conveyance facilities, as further outlined in Exhibit 2. The costs of these improvements are borne by the property owners of the SW SAD, who have the option of paying the assessments in full at any time or annually over a 30-year period. In order to reduce the borrowing costs associated with the financing of the SW SAD, the City provided a covenant to budget and appropriate non-ad valorem revenues (the "CB&A") for the repayment of the bonds should there be any shortfall in the payments from the property owners.

At the time of the SW SAD bond issue, the CB&A was seen as relatively low risk and advantageous. Low risk because the property was very valuable. Should one property owner falter, there would be three waiting in line to acquire the opportunity. If there were not prospective buyers, certainly the underlying lender would not risk losing such an asset. Even if prospective buyers or the lender failed to move in, the tax certificate process was there to cover any shortfall. Advantageous because it significantly reduced the costs of the assessments to the property owners of the district, which included the City. Unfortunately, the Great Recession changed the fundamentals associated with this viewpoint and, as a result, we must now consider grim possibilities.

At the time of the SW SAD Bond Issue, the Consulting Engineer's Report stated that the "value of the property with the improvements to be funded with the proceeds of the Southwest Assessment Bonds is in excess of \$1,000,000,000" (p. 24). Today, with those improvements complete, but in a drastically changed market, the St. Lucie County Property Appraiser values Southern Grove at closer to \$100,000,000, a 90% drop. Moreover, the total amount of assessments due within the SW SAD, approximately \$165 million, exceeds the assessed value of the land. Even worse, the total amount to be paid in annual installments is over \$300 million. With this high cost of carry and the lack of end users in the current real estate market, an owner-developer has no realistic opportunity to achieve a return on investment. Simply put, the numbers don't work. As a result, an owner-developer may make the decision to walk away, a lender may choose not to take possession of a foreclosed asset and a bidder might pass on a tax certificate. Without the issue of the CB&A, perhaps the need for action by the City and CRA would not be as urgent. The jobs corridor would be delayed, but it would sort out in time. However, because of the CB&A, if the property owner and lenders walk and tax certificate bidders pass, then the City must make up the shortfall, an annual amount which could approach \$9 million.

Clearly, this is a challenge that should be addressed before next year's tax certificate auction. After careful study, I believe the best way to attack this challenge, and the even greater challenge of escaping the grips of the recession, is to change the economics so that owners, developers and end-users can achieve financial success again. Simply put, the numbers have to work. We should do what we can to ensure that our sites are considered more valuable by developers and end users when they are scouring the region, state and country for sites. Frankly, we have to be better than our competition. To these ends, we can look at impact fee credits for developments like Southern Grove which have made huge investments in the City's infrastructure. We can continue to streamline our development review process. We can support greater entitlements on these lands in order to bring down the cost per unit. But, more to the point of this memorandum,

Southern Grove could be included within the City's Community Redevelopment Area. I believe that community redevelopment is the most comprehensive and well-established tool available to the City to address the challenges presented by Southern Grove and the SW SAD.

Once in the Community Redevelopment Area, the Community Redevelopment Plan would be modified, subject to the Agency and City Council's approval, to include a new section regarding Southern Grove that, among other things, would set forth the redevelopment programs necessary or desirable to carry out the City's vision for the area. Such programs could include a program to reduce the cost of the public infrastructure necessary to support the jobs corridor, a tool common to redevelopment areas across the country. For example, a portion of the tax increment generated by a new project could be applied against its SW SAD special assessment thereby incentivizing development and reducing the City's exposure to the SW SAD bonds or, more simply put, making the numbers work. Additionally, if Southern Grove generates enough tax increment to address the challenges presented by the SW SAD, the Agency could also implement other programs to assist the City in recruiting additional end users and job creators to the area.

As will be more specifically outlined by a forthcoming Finding of Necessity Report, the conditions currently faced by Southern Grove are leading to economic distress and endanger the property. According to Section 163.340 of Florida Statutes, only two factors of a "blighted area" must exist to necessitate redevelopment. As will be detailed in the Finding of Necessity Report, staff has concluded that three or more such factors are present in Southern Grove, including: deterioration of site or other improvements; inadequate and outdated building density patterns; and tax or special assessment delinquency exceeding the fair value of the land. If the City Council concurs, Southern Grove will qualify for inclusion within the City's Community Redevelopment Area.

As you contemplate the requested modification to the Community Redevelopment Plan, I think it is important to consider these additional factors:

- It is a good time to establish a new district of the Community Redevelopment Area. The base value will be relatively very low.
- Unlike the original US 1 corridor, this district should not receive 95% of the tax increment. Since it is and will be a newly developed area, it is important that the City and County receive funds to provide services to the area. Consequently, the increment should be set at 50%.
- The Community Redevelopment Area would help make the numbers work again for development of Southern Grove. Southern Grove and Tradition remain *the* location in the region on the I-95 corridor. Utilities are in place and ready to go. There are two interchanges and brand new beautiful boulevards. If development is going to occur anywhere in our region in the current economic environment or even in an improving one, it will happen here first as long as we create the opportunity and overcome the market barriers. The benefits of job creation, tax value and new residents in a Southern Grove Community Redevelopment Area are not confined to its borders. New jobs realized in Southern Grove put existing Treasure Coast residents to work and spur new housing starts and bring new residents and their family members to live, work and play throughout the region. For the City and County, 50% of some new taxable value within the Community Redevelopment Area, plus all of the associated spin-off, is better than 100% of no new value in the Community Redevelopment Area.

- Community redevelopment areas do not increase taxes or take existing taxes away from the City or other taxing authorities.
- If redevelopment of Southern Grove is completed sooner than anticipated, the City Council can always end the program early.
- Tax increment from the Southern Grove District should be utilized for improvements within this district, not other districts of the Community Redevelopment Area and vice versa.
- If you see fit to recommend approval of this request, this is just the first of many steps. A public hearing would be held on August 29, 2011, for the City Council to consider if redevelopment of Southern Grove is necessary pursuant to Chapter 163, Florida Statutes. You, as the Agency Board, can approve this request and the City Council could still deny the Finding of Necessity Resolution, terminating the process.

On the surface, it may appear that Southern Grove and the City's existing Community Redevelopment Area districts are worlds apart and unconnected, but I have come to believe the very opposite and would suggest that our ability to create and maintain a sustainable vibrant community is in many ways predicated on our ability to realize the envisioned development and job creation associated with Southern Grove and the US 1 corridor and to make a physical connection between the two via the Crosstown Bridge.

Staff recommends that the Agency recommend approval of a proposed modification of the Community Redevelopment Plan to include an additional area commonly referred to as "Southern Grove" subject to the City Council's determination that redevelopment of the area is necessary pursuant to chapter 163, Florida Statutes.

If you have any questions or I can be of assistance, please do not hesitate to contact me.

Exhibits:

Exhibit 1 Southern Grove

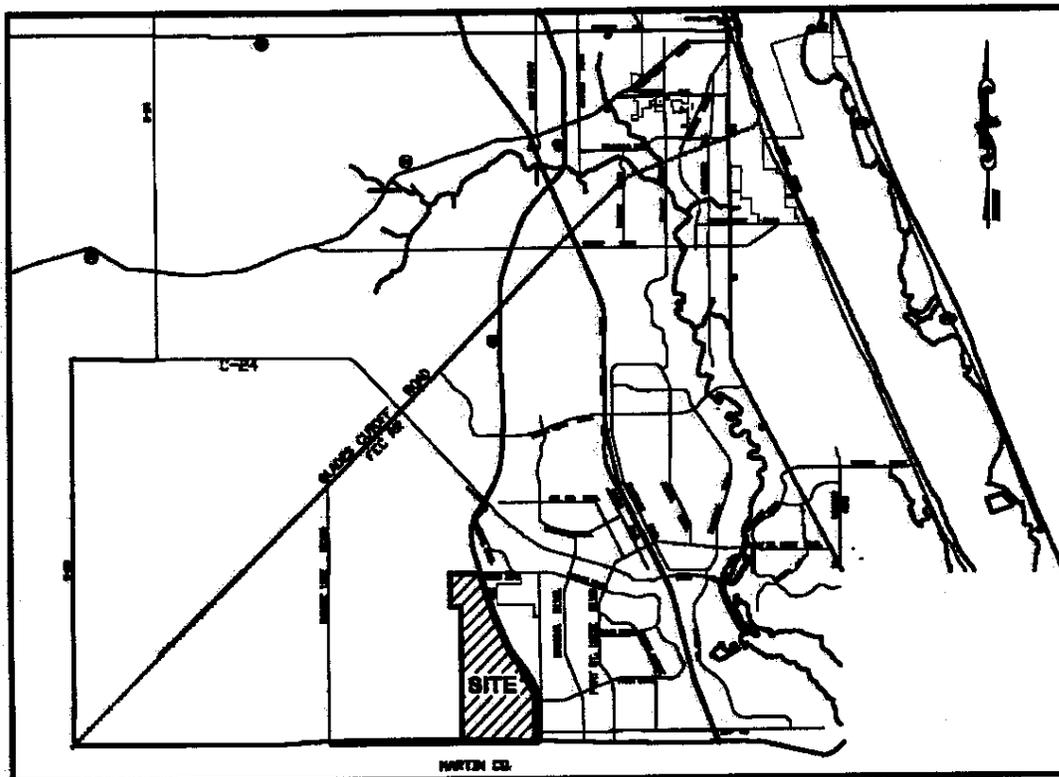
Exhibit 2 SW SAD Improvements

EXHIBIT 1

MAPS



**ENGINEERS REPORT**  
**SOUTHWEST ANNEXATION ASSESSMENT DISTRICT No. 1**  
**SPECIAL ASSESSMENT BONDS**  
**SERIES 2007B**



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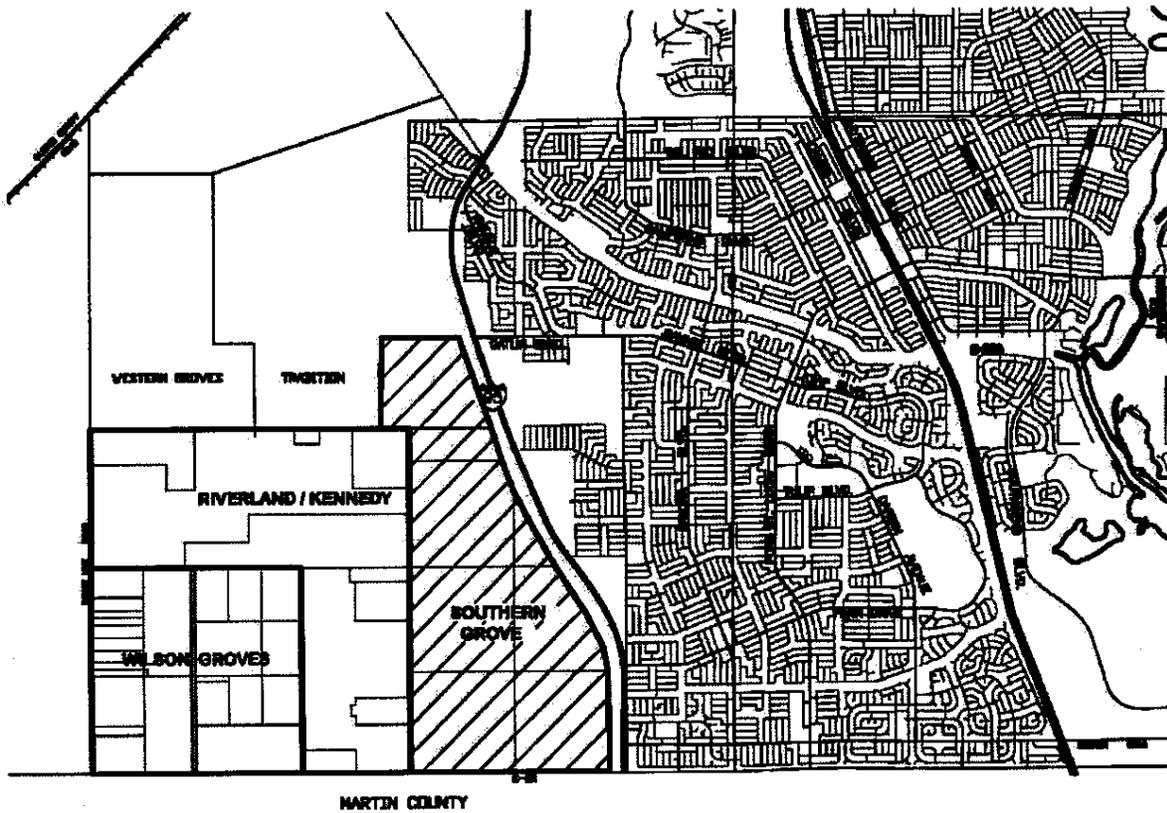
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**LOCATION MAP**  
**FIGURE 2**

8-10-07  
05-483 PSL WEST ANNEX PUD



**ENGINEERS REPORT**  
**SOUTHWEST ANNEXATION ASSESSMENT DISTRICT No. 1**  
**SPECIAL ASSESSMENT BONDS**  
**SERIES 2007B**



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8-10-07  
08-483 PSL WEST ANNEX PUD

**PARCEL MAP**  
**FIGURE 3**

EXHIBIT 2

EXCERPT OF SUPPLEMENT TO CONSULTING ENGINEERS REPORT  
FOR SW SAD

#### 4.0 SW Annexation No. 1 Project Description

The SW Annexation No. 1 Project component improvements are described in subsections 4.1 through 4.4. These improvements will be financed with the proceeds of the Series 2007B Bonds. The special benefit provided by the SW Annexation No. 1 Project is equitably apportioned to all parcels located within the SW SAD No. 1.

#### 4.1 SW Annexation No. 1 Project Roadway Improvements

The roadway improvements, as illustrated in Figure 7, included in the SW Annexation No. 1 Project consist of:

- Contribution of \$38,500,000 to the design and construction costs for the Becker Interchange at I-95. The City has awarded the construction contracts for the interchange and improvements from Becker Road to Village Parkway. ***This project has been completed.***
- Contribution of \$5,100,000 to the construction costs for the Tradition/Gatlin Boulevard and I-95 Interchange modifications project, including the expansion of Tradition Parkway from four to six lanes and the Florida Department of Transportation (the "FDOT") approval. The City has awarded a construction contract for Phase 1 of the construction and the engineering design and permitting for Phase 2 of this improvement. ***This project has been completed.***
- Design and construction of widening Tradition Parkway from four lanes to six lanes from Village Parkway to I-95, including sidewalks, landscaping, fiber optic street lighting, and signal modification to the intersection of Tradition Parkway and Village Parkway. ***This project has been completed.***
- The design and construction of Village Parkway from Tradition Boulevard to Becker Road, approximately 21,350 feet, as follows:
  - A six-lane divided urban roadway including street lighting, sidewalks, underground power lines, landscaping and fiber optics.
  - A signal at the intersection of East/West ("E/W") #1 roadway, with full turn lanes in all directions.
  - A signal at the intersection of E/W #3 roadway, with full turn lanes in all directions.
  - A signal at the intersection of Parr Drive, with full turn lanes in all directions.
  - Two signals located within Plat No. 4 of Southern Grove Development located at the intersection of the Torrey Pines Facility and at the entrance to the Hospital.

***Due to the circumstances arising out of the action by SBA and requests by the property owners, the following changes were made to this component of work. Village Parkway from E/W#1 (Discovery Way) to Becker Road has been reduced from a six-lane divided roadway to a four-lane divided roadway. Six-lane divided roadway configuration remains from Tradition Parkway to E/W#1. Traffic signals were deleted at the intersections of Village Parkway and E/W#3 and at Village Parkway and Parr Drive. These intersections were designed and constructed so as to allow the signalization to be installed at a later date when required. The traffic signal at Torrey Pines Facility has been deleted. Construction is expected to be completed by December 2010.***

- The design of Community Boulevard from Tradition Boulevard to E/W #1, approximately 4,600 feet, as follows:
  - A four-lane divided urban roadway including street lighting, sidewalks, underground power lines, landscaping and fiber optics.
  - Construction of Community Boulevard shall include only the northern 3,400 feet.

*Due to circumstance arising out of action by SBA and requests by the property owners the following changes were made to this component of work:*

*Community Boulevard was reduced from a four-lane divided roadway to a two-lane divided roadway. The roadway was extended to E/W#1 (Discovery Way) an extension of 1200 feet. Roadway lighting, underground power lines and the sidewalk on the west side of the roadway were deleted from the construction. 1400 feet of 16" wastewater force main was designed and constructed adjacent Community Boulevard was added to this project.*

*E/W#1(Discovery Way) was extended from Community Boulevard approximately 1400 feet to connect to Village Parkway as provided within the WATTS study. The roadway was designed for an ultimate four lane configuration and constructed as a two lane divided roadway with a sidewalk on the north side of the roadway. Fiber optics and other associated improvements were included.*

*E/W#1( Discovery Way) was also extended to the east of Village Parkway approximately 1000 feet to provide access to the VGTI site. The roadway was designed as a four lane roadway and constructed as a two lane divided roadway with sidewalks, street lighting, fiber optics, and other associated improvements. The utilities necessary to serve the VGTI site were installed and sized to accommodate future utility requirements for the development in the immediate area. This project was added to provide for the development of the VGTI site which is expected to start construction in the fall of 2010.*

*Construction of these projects is expected to be completed by December 2010.*

- The City has awarded contracts for the design and construction of Becker Road from Village Parkway to the Becker Interchange at I-95, approximately 4,000 feet, as follows:
  - A six-lane divided urban roadway including street lighting, sidewalks, underground power lines, landscaping and fiber optics.
  - A signal at the intersection of Village Parkway, with full turn lanes in all directions.

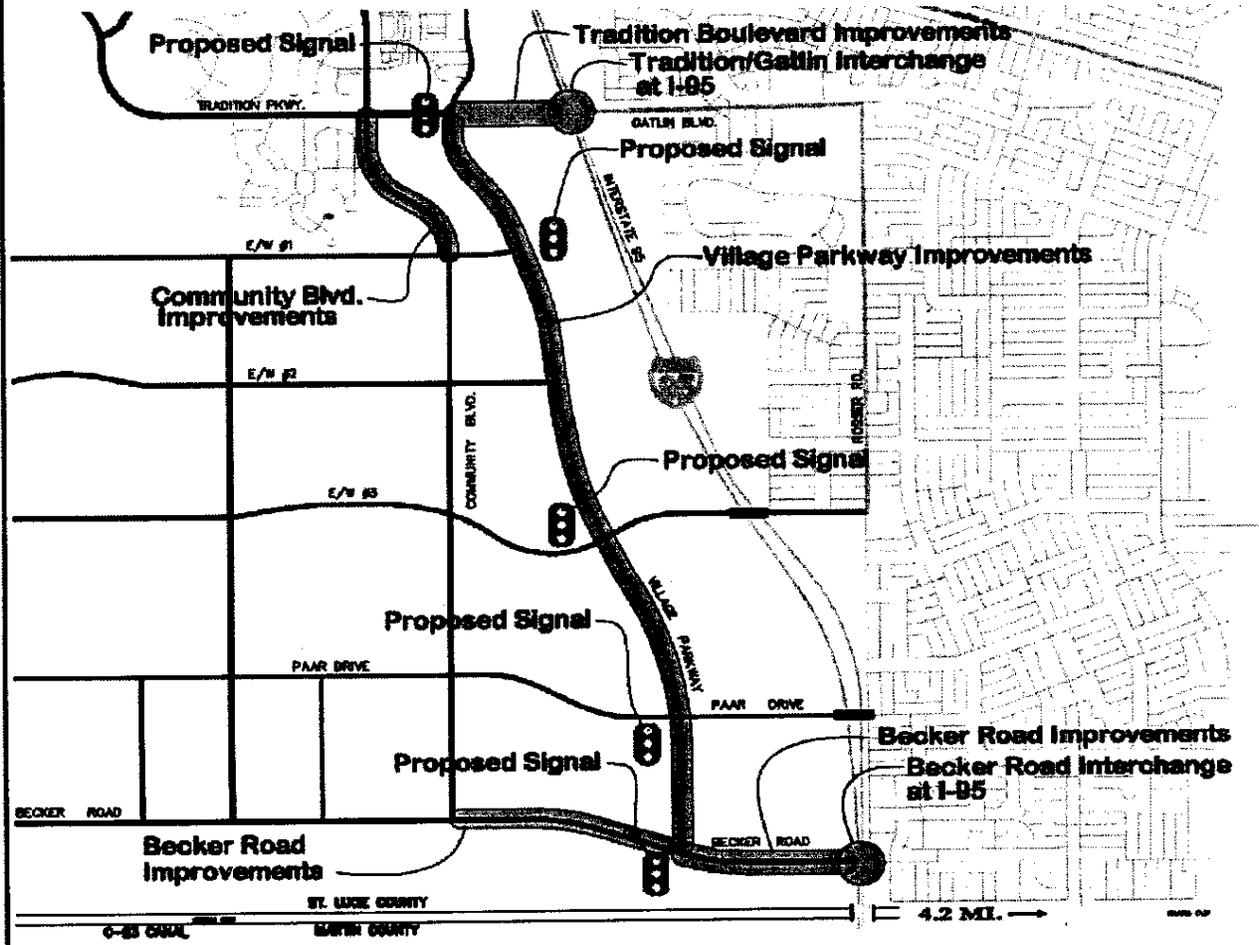
*This project has been completed.*

- The design and permitting of the following roadway and intersection improvements:
  - Becker Road from Community Boulevard East to Village Parkway, approximately 6,900 feet, including one proposed intersection.

*Due to the circumstances arising out of the action by SBA and requests by the owners this project was deleted from the project after partial design had been completed.*



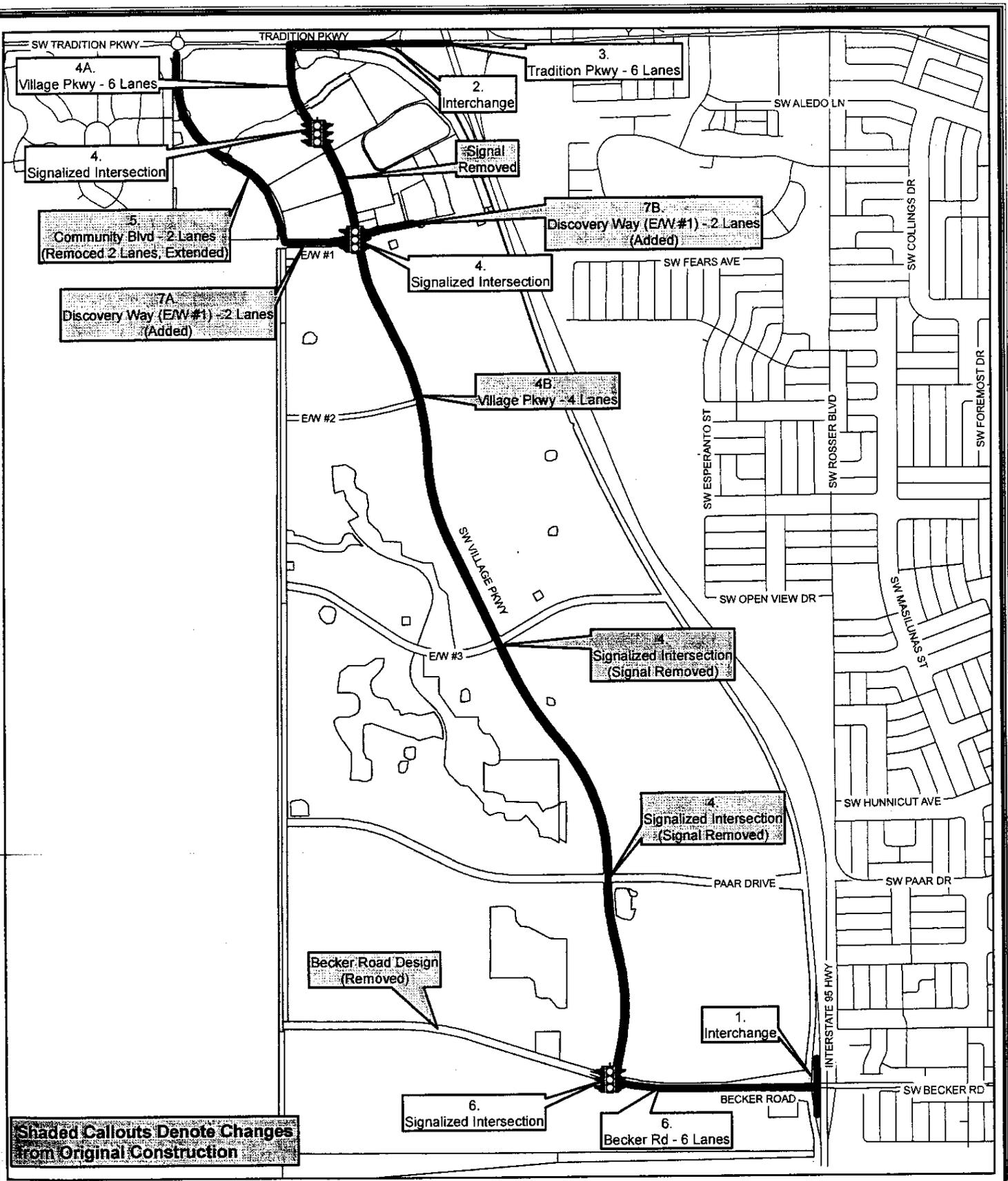
**ENGINEERS REPORT**  
SW SAD No. 1  
SPECIAL ASSESSMENT BONDS  
SERIES 2007B



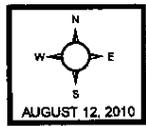
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**ROADWAY IMPROVEMENTS**  
**FIGURE 7**

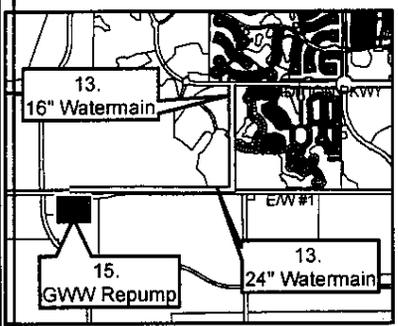
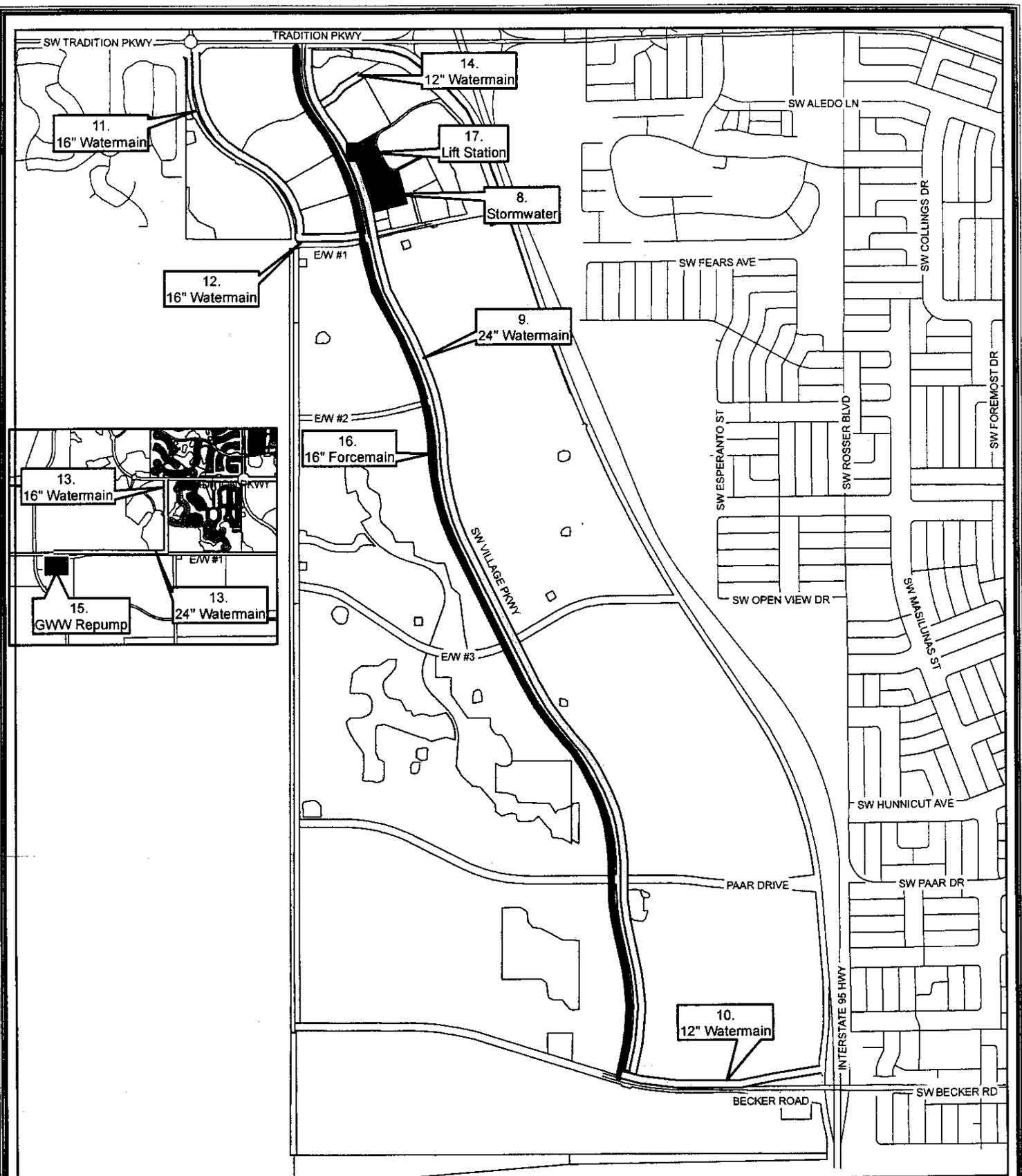
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06-483 P.S. WEST ANNEX PUD



**FIGURE 7A**  
**SW ANNEXATION SAD ROADWAY**  
**POST CONSTRUCTION**



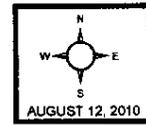
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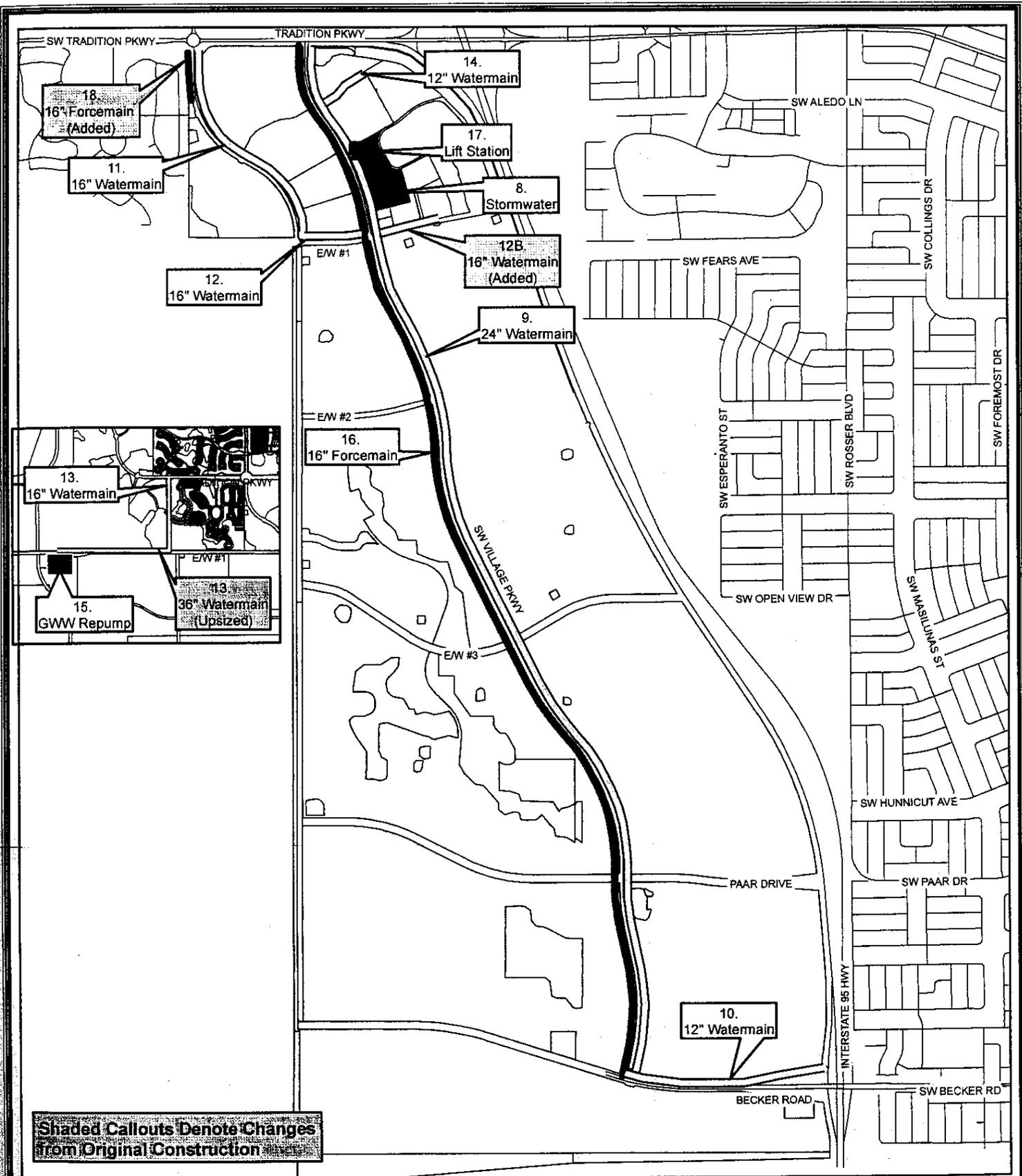
Water  
 Wastewater  
 Stormwater Retention

0 500 1,000 2,000 3,000 4,000 Feet

**FIGURE 7B**  
**SW ANNEXATION SAD UTILITY**  
**ORIGINAL CONSTRUCTION**



  
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Shaded Callouts Denote Changes from Original Construction

Water  
 Stormwater Retention  
 Wastewater

0 500 1,000 2,000 3,000 4,000 Feet

**FIGURE 7C**  
**SW ANNEXATION SAD UTILITY**  
**POST CONSTRUCTION**

AUGUST 12, 2010

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#### 4.2 Stormwater Attenuation Facilities

The stormwater attenuation improvements of the Southwest Annexation No. 1 Project will be limited to an area known as Southern Grove Development Plat No. 4 Parcel. This area contains approximately 20 acres, and the improvements consist of the construction of stormwater facilities for the Torrey Pines Facility. ***This project has been completed.***

#### 4.3 Water Transmission Facilities

The potable water transmission improvements, which will provide a benefit to all the parcels located within the SW SAD No. 1 and a general benefit to the City, will comprise the construction of approximately 36,600 feet of 12", 16" and 24" water mains as follows:

- The design and construction of a 24" main along Village Parkway from Tradition Boulevard to Becker Road, approximately 21,350 feet. The City has awarded the construction contracts for this improvement. ***This project has been completed.***
- The design and construction of a 12" main along Becker Road from Village Parkway to the east side of the Becker Interchange at I-95, approximately 4,000 feet. The City has awarded the construction contracts for this component. ***This project has been completed.***
- The design and construction of a 16" main along Community Boulevard from Tradition Boulevard to E/W #1, approximately 4,600 feet. ***Under construction and expected to be completed by December 2010.***
- The design and construction of a 16" main along E/W #1 from Community Boulevard to Village Parkway, approximately 1,900 feet. ***This project has been completed.***
- The design and construction of 16" and 24" mains for providing an interconnection lying in the SW SAD No. 1 between the Southwest re-pump station and the north line of the SAD, approximately 4,800 feet. ***This project has been completed. The 24" main was upsized to a 36" at the request of City to ensure fire flow without looping of the water main.***
- Design and construction of a 12" main internal to Plat No. 4. ***This project has been completed.***

#### 4.4 Wastewater Collection and Conveyance Facilities

The wastewater conveyance improvements, which will provide a benefit to the SW SAD No. 1, will include the construction of wastewater conveyance facilities and approximately 21,350 feet of 16" wastewater force mains as follows:

- Contribution of \$2,268,878 to the construction costs of a new Glades Wastewater Re-pump Station. The City has awarded the construction contracts for the improvements, and the improvements are scheduled to be complete in January 2008. ***This project has been completed.***
- The design and construction of a 16" wastewater force main along Village Parkway from Tradition Boulevard to Becker Road, approximately 21,350 feet. The City has awarded the construction contracts for the improvements. ***This project has been completed.***
- The design and construction of a triplex lift station and collection system to serve Plat No. 4. The City has awarded the construction contracts for the improvements. ***This project has been completed.***