

CITY OF PORT ST. LUCIE
COMMUNITY REDEVELOPMENT AGENCY MEETING MINUTES
AUGUST 15, 2011

A Regular Meeting of THE COMMUNITY REDEVELOPMENT AGENCY (CRA) of the City of Port St. Lucie was called to order by Chairman Faiella on August 15, 2011, at 2:00 p.m., at Port St. Lucie City Hall, 121 SW Port St. Lucie Boulevard, Port St. Lucie, Florida.

1. MEETING CALLED TO ORDER

2. ROLL CALL

Members Present: Chairman JoAnn M. Faiella
Vice Chairman Linda Bartz
Michelle Lee Berger
Jack Kelly
Shannon M. Martin

Others Present: Jerry A. Bentrrott, Executive Director
Gregory J. Oravec, Asst. City Manager/
CRA Director
Pam E. Booker Hakim, Senior Assistant City
Attorney
Sherman A. Conrad, Parks and Recreation
Director
Ann Cox, Assistant P&Z Director
Edward Cunningham, Communications Director
Marcia Dedert, Finance Director/Treasurer
Kim Graham, Assistant City Engineer
Karen A. Phillips, City Clerk
David Pollard, OMB Director
Tricia Swift-Pollard, Director of Community
Services
Patricia Roebeling, City Engineer
Brian E. Reuther, Chief of Police
Sally Walsh, Records Analyst
Carol M. Heintz, Deputy Clerk Supervisor

3. PLEDGE OF ALLEGIANCE

Chair Faiella led the Assembly in the Pledge of Allegiance.

4. APPROVAL OF CONSENT AGENDA

a) APPROVAL OF MINUTES - June 20, 2011

Vice Chair Bartz moved to approve the Consent Agenda. Ms. Berger seconded the motion. The City Clerk restated the motion as follows: for approval of the Consent Agenda. The motion passed unanimously by roll call vote.

5. 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.

Mr. Oravec said, "As the Board may recall, the Community Redevelopment Plan has been revised before. It was modified for East Lake Village, Port St. Lucie Boulevard, and the Riverwalk District. As you are aware, the City has fought for years to create a 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 led 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 and higher learning; 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 today. The western annexation of more than 10,000 acres west of I-95, an area larger than many cities, was for the purpose of creating the City's first bona fide large scale employment center. Today we are here about the area known as Southern Grove. This is the heart of the annexation because this is the jobs corridor. There are four miles running along I-95 with two interchanges. This area has ready to build pads. The infrastructure is already in place. The collaborative efforts of the developer and the City in creating that corridor are well known."

Mr. Oravec continued, "The unfortunate thing is that the great recession has obliterated the owner-developer's business model. 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. As you may recall, the Southwest SAD was the mechanism to finance and construct the infrastructure necessary to serve the more than 3,400 acres of Southern Grove. More than \$156,000,000 in bonds were issued to complete the project improvements. This included roadways, stormwater attenuation facilities, water transmission facilities, and wastewater collection facilities. The costs of these improvements are to be borne by the property owners over a thirty year period. In order to reduce the borrowing cost associated with the financing, the City provided a Covenant to Budget and Appropriate (CB&A). This would back stop those bonds. In the event of a shortfall, for repayment of those bonds, the City covenanted to budget and appropriate non-ad valorem revenue to cover it. At the time the CB&A was seen as a relatively low risk and advantageous. It was considered low risk because the property was very valuable. Should any one property owner falter there would be several more waiting to seize the opportunity. If prospective buyers or the lender failed to move, there was the tax certificate process to fall back on. In today's market we have tax certificate bidders taking a pass on property because they do not see the end use or the opportunity for someone to come in and pay them their percentage."

Mr. Oravec continued, "At the time of the SAD bond issue, the Consulting Engineers Report stated that the value of the property with the improvements to be funded with the proceeds of the Southwest Assessment Bonds was in excess of \$1,000,000,000. 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 the assessments due within the SAD, approximately \$165 million, exceeds the assessed value of the land. When you think of what this is over thirty years of the bond life, it is over \$300 million. With this high cost to carry, which for the property owner is roughly \$10 million, the lack of end users in the current real-estate market, an owner developer has no real opportunity to achieve a return on their investment. I hope this doesn't shock anyone in the audience, but owners and developers do things for money. They do it for a profit. It is not an evil thing; that is what drives them. If there is no profit, they don't do it. That is what government is for; we do things that do not have a profit. Simply put, the numbers don't work. That is why we are seeing owner developers walk away. That is why we are seeing lenders choose not to foreclose on the property so that they actually become the

owner. Maybe if there wasn't a CB&A action by the City, it wouldn't be as necessary. With the CB&A, even if everyone else takes a pass, the City cannot. This past year there was a delinquency of \$9.4 million. There is more than one owner in the SAD. The City is an owner and Martin Memorial is an owner now as well. We can sit by and hope that this does not happen, but face it when it does, or we can look at the tools that are available to the Board and the City Council to deal with it. My job is to provide you with the information. You then have the task of making the tough decisions. I would not be comfortable going to the City Council after the tax certificate auction and telling them we have to do a budget amendment for \$2, \$3, \$4, or \$9 million. Everyone here knows how much money that is, because everyone sitting here also sits as the City Council and has had to cut a budget, laying off 20% of the work force. We are not talking about rosy prospects with this. This may never come to be, and certainly it was not a proposed idea of the CRA to include Southern Grove as a magic bullet. This is a tool to make the property more valuable, to encourage the property owner to reauthorize the marketing efforts to sell the property. When you think about the tax certificate option and what is before us, it seems like we have to attack it. We have to attack this greater issue of the recession. I know economists that will tell you that the recession ended; I don't think it ever ended here. We have to change the economics. We have to make the numbers work. I think that there are a few ways we could do this. We could look at impact fees, especially in an area like this where over \$100 million has been invested in public infrastructure. We can continue to streamline our development review process, because time is money. We can support greater entitlements on the lands to bring down the cost per unit of development."

Mr. Oravec continued, "More to the point of this presentation, Southern Grove could be included within the City's Community Redevelopment Area. I believe a CRA is the most comprehensive and well established tool available to the City to address the challenges presented by Southern Grove and the Southwest SAD. Once in the CRA, the Community Redevelopment Plan would be modified, subject to approval, to include a new section regarding Southern Grove. This would set forth the redevelopment programs necessary to reduce the cost of the public infrastructure needed to support the jobs corridor. All of these things would be fleshed out and developed after modification and drafting of the plan. There will be public workshops, meetings, and hearings involved. The end result will be that the City as well as the county will have invested in infrastructure for 15,000 jobs. If Southern Grove generates enough tax increment to

address the challenges presented by the SAD, the agency could also implement other programs to assist the City in recruiting additional end users. I believe the Economic Development Fund that was used to bring Digital Domain into the City has run dry. There is the opportunity that the CRA could be that vehicle to put additional incentives and deals together to make other things happen. All of this is contingent upon the City Council finding the need for redevelopment. We cannot carry out redevelopment because we want to; an area has to qualify under Florida Statutes. If the Board sees fit to approve this item today, subject to City Council approval, there will be a Finding of Necessity Report forthcoming. I can tell you that I have looked at it. Florida Statutes requires slum and or blight. In this case there is clearly not slum. Slum is an established area with overcrowding, unsafe buildings, and elevated crime levels. Blight under the statute must have two factors. There are about fourteen different factors and in this case after studying it there are at least three present. One is deterioration of site or other improvements; all of the infrastructure in the ground is deteriorating every day. Another is inadequate and outdated building density patterns, the density that was proposed for this development three years ago does not work in today's market. There is also the issue of the special assessment delinquency that exceeds the fair value of the land. If we do not do something to change the conditions, the ingredients are there for that to happen again. I hope that it does not happen again, but I am worried about it. It is ultimately the City Council's decision. If you see fit to approve this item, then a Public Hearing will be set on August 29, 2011, to discuss this item."

Mr. Oravec continued, "As you contemplate the modification of the plan, I feel it is important that you consider some additional factors. It is a good time to establish a new district to the CRA. The base value is very low. Unlike the original US 1 corridor, this district should not receive 95% of the tax increment; it should receive only 50%. This will allow the county and the City to receive incremental revenue so that they can provide services to the area. The CRA would help to make the numbers work. Southern Grove and Tradition remain the location in the region. There is no place better. If development is going to occur anywhere in our region it will happen here first. We must overcome the barriers and create the opportunity. The benefits of job creation, tax value, and new residents in a Southern Grove CRA are not confined to its borders. New jobs realized in Southern Grove put existing Treasure Coast residents to work, spur new housing starts, and bring new residents and

their families to live, work, and play throughout the region. For the City and the county, 50% of new taxable value within the CRA, plus all of the associated spin-off, is better than 100% of no new value in the CRA. If we sit back and do nothing for the next five or ten years, there will be no new growth and no new revenue. You have to ask yourselves, do we want 50% of something or 100% of nothing? CRA's do not increase taxes or take existing taxes away from the City or other taxing authorities. If redevelopment of the Southern Grove is completed sooner than anticipated, the City can always end the program early. This is a standalone area; tax increments from the Southern Grove District should be utilized for improvements within this district, not other districts of the CRA and vice versa. If this Board recommends approval, a Public Hearing will be set for August 29, 2011, for the City Council to consider the redevelopment of Southern Grove. The City Council could deny the Finding of Necessity Resolution, which would terminate the process."

Mr. Oravec continued, "This was an interesting issue for me. Back when the annexations came in, my opinion was not asked, but I was very hesitant, because bringing in ten thousand acres is like bringing in another City within the City. None of that matters today because that area is in the City. Though it seems as though Southern Grove and the City's existing CRA are worlds apart, I have come to believe the very opposite. I 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. I would be happy to answer any questions."

Mr. Kelly said, "This is a really hard vote to make. I know we are only voting to look into creating a new CRA, but either way I will be voting reluctantly. The buildings that exist now in the northern part of Southern Grove, such as Torrey Pines, VGTI, Digital Domain, and the hospital that is being built now, which I believe is a 501(c)(3). . . . Are Torrey Pines and VGTI 501(c)(3) too? I am asking you, do they pay taxes?" Mr. Oravec replied, "They pay an assessment. I will have to look at the actual receipt, but the hospital, no." Mr. Kelly asked, "Greg, what we are voting on today is not whether there is going to be a new CRA, we are voting on moving forward to see if this meets the requirements? What is the time line? Does the county have to participate, or can they bow out, taking away 50% of the money that would go against the debt?" Mr. Oravec responded, "What the

Board would be saying today is that this would be worth looking at a little more. There is a lot of work that will go into it, and there is no need to do all of that work if the Board feels that they don't want to look at this further. This is the very first step to many. If the Board chooses to look at this further, a Finding of Necessity Report will go before the City Council. At that time if the Council finds the need for redevelopment pursuant to Florida Statutes, staff will then prepare a draft version of an amended Community Redevelopment Plan. This will be just as you did for the expansion area and the original CRA. It will be a little book with a master plan for the area, the programs that are authorized, and the projections of how much tax increment revenue will be generated. At some point, probably in November, that book will come back before the Board, at which time you can say whether changes are needed, etc." Mr. Kelly asked, "So the next step will be on the 29th?" Mr. Oravec answered, "The 29th will be a Public Hearing. If the Council says this is a blighted area under Florida Statutes then staff will draft the documents. Those documents once they are in a good form will get transferred to the P&Z Board, the City, and the county. St. Lucie County has thirty days from receipt of that document to advise the City as to their position on the plan." Mr. Kelly asked, "Do we have to have a meeting with the County Commissioners?" Mr. Oravec replied, "No. Not unless they have an issue with the plan. If they state that they have an issue or if they state that they have competing policy goals for the revenue that would be generated in that area, then there would have to be a joint meeting." Mr. Kelly asked, "Then what is the time line?" Mr. Oravec replied, "There has to be a meeting within ninety days. Following that meeting the City could not move forward for thirty days. It does not state that the City has to change its plan, it just says that the City cannot move forward with the plan until thirty days after the meeting." Mr. Kelly asked, "If the county says no, do they still have to participate?" Mr. Oravec answered, "Yes. I hope it does not become adversarial; we have put calls out and we have a meeting scheduled for the 25th. I truly hope it is a collaborative effort, because if it is going to happen anywhere in the county it is going to happen there." Mr. Kelly asked, "Looking at the math, this will take about five, maybe six months to complete?" Mr. Oravec replied, "I have a preliminary time line; I would be happy to send it to you. If the County objects essentially, it would delay the final until March 2012." Mr. Kelly said, "I would like to ask a question to the engineer that is here. Mr. Fishkind, can you give me a growth project over the next five years or ten years?"

HANK FISHKIND, PH.D., PRESIDENT FISHKIND AND ASSOCIATES, said, "If we can change the economics as Mr. Oravec described, we feel strongly that we can develop more than five million square feet over the next five years. We have interested parties, but the economics don't allow us to close the transaction given the current loads of the assessment debt." Mr. Kelly asked, "Beyond five years?" Dr. Fishkind responded, "I don't remember exactly, but I know we can do at least another five million square feet. We have built an entire business plan around it. We have a whole program to re-launch the project pending a change in the economics." Mr. Kelly asked, "For the next meeting on the 29th, I will need to know that cost projection not just in square footage but in dollars as well." Dr. Fishkind responded, "We will be sure to provide that to Mr. Oravec to include in his findings document."

Ms. Berger asked, "Dr. Fishkind, since some of the Council is new, can you let us know just what part of the CB&A you were a part of?" Dr. Fishkind responded, "None." Ms. Berger said, "Were you a consultant to the City or anything along those lines during that time?" Dr. Fishkind replied in the negative. Ms. Berger said, "You were not a consultant to the City; were you to any other party involved?" Dr. Fishkind responded, "I served as the District Manager to the Southern Grove Community Development Districts. Our company serves as the property manager for the property association, but we had no input into the findings."

Ms. Bartz said, "I have mixed feeling about this, but not enough to draw the line here. I feel that we need to go forward and see how this could work." Ms. Martin commented, "I too have mixed feelings about this, which I have made clear to staff and to the Southern Grove participants. However, I do feel that we need to move forward and look at this further. I will be looking very closely to the details as we move forward with this process." Ms. Berger said, "Mayor, while you were away, we had the Coffee with the Mayor without you. At your request, I spoke at that and part of what we spoke about was the vision that the City has had. That vision goes back a long way and included a study that was commissioned by the Urban Land Institute. That study gave us some very strong guidelines of what we should be looking out for and the end result of what the City should be. We need a good tax base that creates opportunities that are not just a burden to the residents themselves and also creates opportunities for a variety of jobs. In 2003 and 2004, we had everyone driving to West Palm for work. Part of the vision was to change the landscape of the City. The decisions that were made after that were not made with any malice, we were just trying to make the

right decisions to support that vision. This is a vehicle that will help us pursue that vision. I look forward to getting more information. Hindsight is 20/20 on the CB&A. I would love to know what is in the future, but unfortunately none of us do. Moving forward on this initiative allows us to possibly even go back and have some communications with interested parties and make it more attractive. In the State of Florida right now, we have to be open for business; this makes us competitive. Whatever the landscape change is in front of us, we have to be dynamic enough to make those changes." Mr. Kelly said, "Ms. Berger did an excellent job at the Coffee with the Mayor. When the Urban Land Institute came in, we had twelve or fourteen people come in here and go over everything in our vision of what the City would be. At that time we had thirteen or fourteen annexations. The Urban Land Institute came in and told us to go ahead and annex those areas. They also said we had to diversify. The first three things they said were no more annexations, no more annexations, and no more annexations. A year later we annexed another city into the City. We could have diversified just on the Southern Grove people, but we decided to add everything else. It is in the City and I am taking responsibility. I voted for those bonds because once it is in the City I want it to thrive and do its best. Reluctantly I will go along with this because as Mr. Oravec said, we can stop it at any time we want. If we receive information that doesn't show that we can pay off the debt in the proper time then we can back away. If I support this it will be because of the jobs."

Chairman Faiella asked, "Mr. Oravec, if we choose after the 29th not to go forward, do we have a Plan B in motion? I need you to be honest. Be transparent; if you don't know then you don't know." Mr. Oravec responded, "I am going to be honest. I say that this is the best option; that is my opinion. You have to take my opinion just like you would take anyone else's and weigh it out. You then have the difficult job of making the decision. I think that there are a couple things that we can do. We are basically in a competition; we are competing with other people in the region, the state, and the country. We need to be Number One or as close to it as we can get. Do you know that it cost \$250,000 to develop a gas station here in the City? With things like that, if you find something you better grab it. If the board shuts this down or the City Council shuts this down at any time then I think we need to look at impact fees. We talked about that at the Retreat. We have done a good job at streamlining; we just need to continue doing that. Time really is money, so the better the process the more people want to work with you. For this particular property the property owners may

pay their taxes there next year, and if they don't, someone may buy the tax certificates. It could happen. I personally don't want to be there without an additional tool to help the situation. Let's say that half of the tax certificates are sold; we are still looking at \$4.5 million. In one year you could take that out of the contingency, but you know as well as I do that the City budget is built on not spending that contingency and pulling it forward to the next year. So the one year you have to spend it is fine, but the next year you have to replenish that fund. I go back to the concept of we are in this together. We said we were going to create a jobs corridor, we put a CB&A behind it, so we better work with the property owner to make it work. With any partnership you want it to be fair. You don't want your partner to take advantage of you, or it is not much of a partnership at all. That is where the devil is in the details, making sure that it is fair for all parties involved. Other than looking at the assessments there are no other powerful weapons in the arsenal. Mr. Bentrrott, do you have anything other than that?" Mr. Bentrrott replied, "No. Since the beginning of the year we have been working on this. We have looked at all sorts of possible ways. We have come to the conclusion that this is the most palatable of several other items that we have looked at. Several of the items that we looked at were very complicated and some of them there was no way that I would recommend that we do. This may actually be Plan G, I don't know, but I don't think you wanted A-F."

Mr. Oravec said, "There were some things that were just rubbish. I want to make sure that I put this out there; staff is not advocating any additional bonds. This would be an incremental approach based on the revenue that is generated off of the new development. This is showing to the end user that instead of paying \$2 million a year for assessments, now you only have to pay this. This will show the user that they are in one of the best places in Florida and they can make money. I understand that there is a perception because of the challenges out east, but the CRA is still going to collect \$1.4 million this year." Ms. Martin asked, "Mr. Oravec, so in laymen terms for the public there is no new money? No new bonds having to do with us possibly establishing a CRA? Some people can get confused about that when they look at this." Mr. Oravec replied, "You are right now sitting as the Board. The Council is the governing body. It is their right to issue Redevelopment Bonds. In the Redevelopment Plan, within the modification if we ever get to that, you can put it in there that no bonds will be issued. If it is not in the plan you cannot do it." Ms. Berger said, "When we look at the Tradition area and where it has come from,

although there may have been some disagreement as to whether that annexation should have occurred way back when, that was a courageous decision by the sitting Council at that time. Many people enjoy going out to that area. Having people shopping there keeps our tax dollars here in the City versus people going to Martin County. That whole area allows us to really grow as a City and be more diversified. We have the hospital going in out there, and regardless of paying taxes or not paying taxes it is going to create jobs. It will also provide a level of healthcare service that we did not have available on the west side of the City. These are all very important factors. The biotech companies that have moved in would not be here if we did not have those opportunities there. Regardless of the CB&A thing, it has allowed for some great things to happen here in the City as well." Mr. Kelly said, "Not to take away from anything that Ms. Berger has just said, because I agree. Tradition was part of the City already; it was not part of the annexation. Southern Grove and the other part were the annexation. Southern Grove worked with the City for three years before we annexed it; that is where the jobs corridor is. It was the other twelve or fourteen square miles that I had a problem with at the time. Tradition started as Westchester and then became Tradition. I agree that it is the only place that we can diversify." Ms. Berger explained, "These are the same people that we have been working with. I feel that it is important to put some positive information out there about these relationships we have had with these individuals and the successes that we have had as an organization with those partnerships. It is important to look at what has worked so that we try to duplicate the successes of the past."

Vice Chair Bartz **moved** to approve Item 5. Ms. Berger **seconded** the motion. The City Clerk restated the motion as follows: for approval of Item 5, to proceed with the proposed modification to the CRA program. The motion **passed unanimously** by roll call vote.

6. OTHER ISSUES BY BOARD MEMBERS

There was nothing scheduled for this item.

7. ADJOURN

There being no further business, the meeting adjourned at 2:50 p.m.

Karen A. Phillips, City Clerk

Sally Walsh, Record Analyst