



# CITY CENTER UPDATE

## CITY COUNCIL WINTER RETREAT

Presenter **Bridget Kean**, *CRA Director*

March 3 - 4, 2016

# Port St. Lucie Strategic Plan 2015-2020-2030

- Goal 3 – Balanced and Responsible Sustainable Growth
  - Policy Action 2015-2016
    - High Priority
      - City Center Development



# History of CRA - 2001

- City establishes a Community Redevelopment Agency
- Adopts a Community Redevelopment Plan for U.S. 1 corridor
- Redevelopment Plan envisions CRA as a central gathering place that provides identity for the city as well as opportunities for entertainment and economic development
- Redevelopment Plan identifies the former Village Green shopping center at the corner of U.S. 1 and Walton Road as the future town center



# History of City Center Project - 2005

- George de Guardiola purchases Village Green Shopping Center and proposes the development of City Center as a public private partnership
- Redevelopment Agreement signed between City, CRA, PSL Center, LLC, and de Guardiola Properties, Inc.
- Project to be built in 4 phases and include civic component, public parking structures, and private mixed use development



# City Center Financial Information

- Redevelopment Trust Fund Revenue Bond Series 2006 (City Center Project)
  - \$46.4 million to finance property acquisition, construction of parking garages, a civic center and plaza, and the reconstruction of certain roadways within redevelopment area
- City Center Special Assessment Refunding Bonds, Series 2008A
  - \$31.3 million to fund and construct master stormwater system, roads, sewer and water service, sidewalks and street trees



# History of City Center Project - 2008

- CRA and the City complete construction of Port St. Lucie Civic Center, Village Square public plaza and interactive fountain, City Center Parking Garage, and 4 surface parking lots
- City Center Special Assessment District funded improvements completed including master stormwater system, public roadways, sidewalks, street trees, and water and sewer service



# History of City Center Project - 2010

- De Guardiola Properties fails to fulfill its obligations under the redevelopment agreement
- Tax certificates issued for 22 City Center parcels for delinquent real estate taxes beginning in 2010
- National City Bank institutes foreclosure proceedings on 22 parcels owned by de Guardiola under the entity PSL City Center, LLC
- Final judgement of foreclosure did not occur and was never rescheduled



# History of City Center Project 2011 to 2014

- City and the CRA initiate legal action against PSL City Center, LLC, de Guardiola Properties, and PNC Bank (successor to National City) in 2012
- PSL City Center sells 22 City Center parcels to U.S. Investment, LLC (Lily Zhong) in 2013 for a purchase price of \$500,000
- PNC Bank consents to the short sale and satisfaction of a \$32 million mortgage upon condition of the bank receiving no less than \$475,000
- City & the CRA obtain Final Default Judgement against PSL City Center for approximately \$56 million in 2014



# City Center 2014 - Zhong's Proposal

- City and the CRA meet with Lily Zhong on three occasions – Zhong suggests developing City Center as a International Trade Center to be funded through EB-5 Immigrant Investment Program but never submits any applications to the City
- City and CRA request additional information pertaining to the EB-5 program and the payment of current and delinquent real estate taxes



# City Center - 2015

- No further contact with Lily Zhong
- St. Lucie County BOCC approves 16 of 22 City Center parcels for tax deed sale on 7/21/15
- November 2015 - SEC brings charges against Lily Zhong for use of EB 5 program to defraud investors



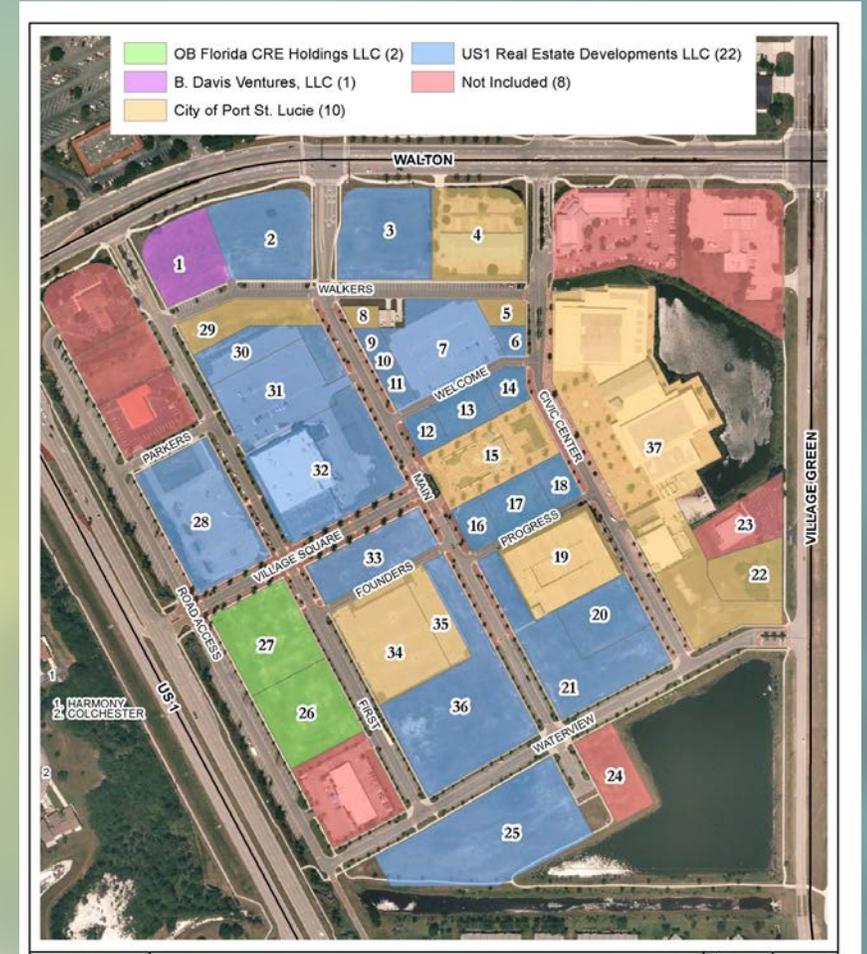
# City Center – SEC Intervention

- SEC alleges Zhong raised \$8.5 million from foreign investors
- Court order freezing Zhong’s assets including 22 City Center parcels
- Asset freeze blocks St. Lucie County Tax Collector from moving forward with tax deed sale for 16 parcels
- Court appoints a Receiver with power to take legal control of and protect assets through a court-approved plan
- SEC Receiver options include: Liquidation (sale) of Zhong’s assets including 22 City Center parcels
- January 2016 - SEC Receiver meets with City staff to discuss outstanding tax liability and to explore the potential for City/CRA to acquire 22 City Center parcels



# City Center Parcels & Property Ownership

- 37 lots associated with City Center project:
  - 22 lots known as City Center parcels (formerly owned by George de Guardiola sold to Lily Zhong)
  - 12 lots owned by City of PSL
  - 2 lots owned by OB Florida, CRE Holdings, LLC
  - 1 lot owned by B. Davis Ventures, LLC



# Costs Associated with City Center Parcels

- Excluding special assessments, approximately \$5 million is due to tax collector for taxes, fees, etc. (includes cost to redeem privately held tax certificates)
- Delinquent special assessments including interest, fees, etc., is approximately \$14 million (E&I Report may eliminate)
- Cost to acquire parcels from SEC Receiver is unknown at this time



# City Center Additional Financial Information

- \$46.4 Million Redevelopment Trust Fund Revenue Bonds, Series 2006
  - Outstanding balance is approximately \$38 million
- \$31.3 Million City Center Special Assessment Refunding Bonds, Series 2008A
  - Outstanding balance is approximately \$28 million
- The remaining special assessments principal balance for the 22 City Center parcels is approximately \$19.3 million
- Total delinquent special assessments for 22 City Center parcels is approximately \$10.2 million including 2015 assessments
- Non-payment of special assessments requires City to pay approximately \$1.8 million annually to cover special assessment debt as result of covenant to budget and appropriate (CBA)



# Port St. Lucie Eastern CRA Market Analysis - 2015

Use	Program	Comments
Residential	600-800 multifamily (market rate)	Primary Households; likely mid-rise rental product; financial feasibility is challenging given current rent levels
Retail	125,000-150,000 sq. ft.	Exposure to US 1 is key; General merchandise, miscellaneous, eating/drinking places (discount) Initial demand supports vacant/under-utilized space
Industrial	80,000 to 100,000 sq. ft.	Initial demand absorb existing vacant and underutilized space
Hotel	100-120 rooms	Limited Service; dependent upon surrounding mixed use
Office	40,000 to 60,000 sq.ft.	Small professional/medical use within mixed use; opportunity to attract larger tenant (ie. call center) but need incentive

\*Estimated market demand based on ten year development horizon - does not automatically translate into development as financial feasibility plays a major factor.



# Market Analysis - Estimate of Development Potential for City Center

Use	Phase 1	Phase 2	Total
Residential (units)	250	250	500
Retail (sq.ft.)	20,000	60,000	80,000
Office (sq.ft.)	0	30,000	30,000
Select Service Hotel (rooms)	0	120	120

- Limited development potential within 3 year period
- Phase 1 a 5 $\pm$  year development timeline; Phase 2 a 10 $\pm$  year development timeline
- Demand may be enhanced over the long term as a result of Crosstown Parkway  
*But not considered a “game changer”*
- Financial viability is a key challenge



# Other Considerations

- Civic Center events
- Parking



# Further Discussion and Questions



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