



COMMUNITY REDEVELOPMENT AGENCY

Annual Report for Fiscal Year 2003-2004

Fiscal Year 2003-2004 CRA Board

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INTRODUCTION

Pursuant to Section 163.356(3)(C) of Florida Statutes, the City of Port St. Lucie Community Redevelopment Agency (the "Agency") is required to:

... file with the governing body, on or before March 31 of each year, a report of its activities for the preceding fiscal year, which report shall include a complete financial statement setting forth its assets, liabilities, income, and operating expenses as of the end of such fiscal year. At the time of the filing the report, the agency shall publish in a newspaper of general circulation in the community a notice to the effect that such report has been filed with the municipality and that the report is available for inspection during business hours in the office of the clerk of the city and in the office of the agency.

Please be advised that the Agency has customarily delayed the filing of such "report", hereinafter referred to as the "Annual Report", until the City of Port St. Lucie's adoption of its Comprehensive Annual Financial Report (the "CAFR") for the corresponding fiscal year. This is because the financial statement required as part of the Agency's Annual Report is provided by the City's CAFR. Since the City's CAFR has not previously been adopted prior to March 31 and it is unlikely that the CAFR will be adopted earlier in future years, if the Agency is to comply with the March 31 deadline, it will likely be necessary for the Agency to have a financial statement prepared prior to the CAFR. It should be noted that in addition to this written Annual Report, the Agency reports its activities and financial profile to the governing body and the public semi-annually at the noticed City Council Retreats. The Winter Retreat is held prior to the March 31 deadline.

This Annual Report serves to provide the information required by Florida Statutes and other information, which the Agency believes may be useful to the public.

BACKGROUND

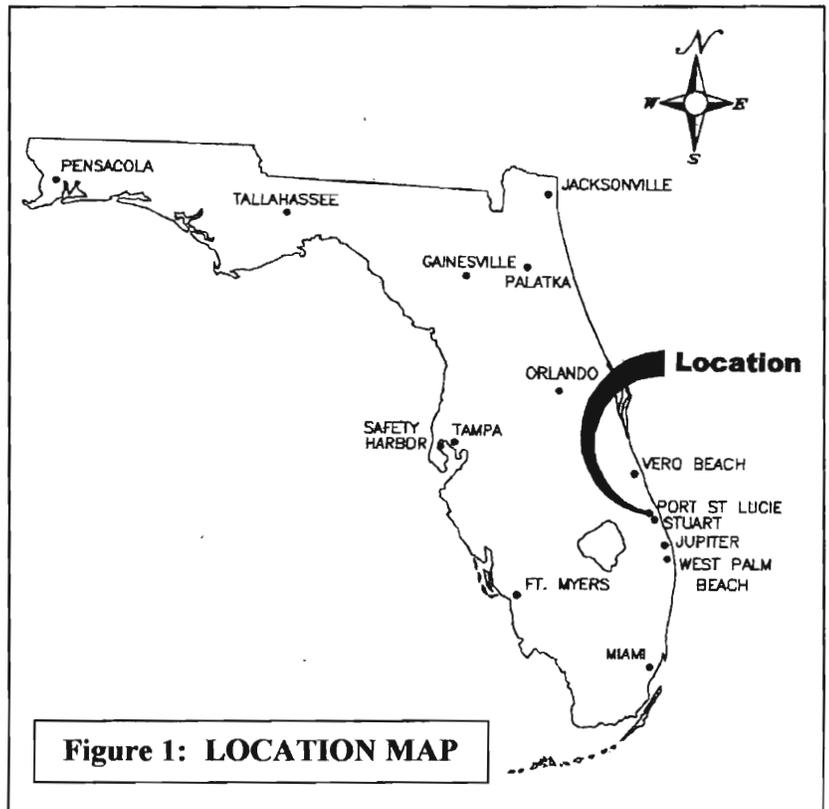
Incorporated in 1961, the City of Port St. Lucie (the “City”) is a predominantly residential community located in southeast Florida between West Palm Beach and Orlando. It is one of the fastest growing areas in the State of Florida and is the largest city in St. Lucie County.

The City is approximately 112 square miles in area and, as of June 2004, has a population of over 118,100 residents. Population projections indicate that the population could surpass 200,000 within the next 10 years. Several factors are fueling the City’s growth, including access to the Turnpike and I-95, the availability of vacant land, the inventory of affordable housing, the near “build-out” conditions of South Florida, natural attractions such as the Atlantic Coast Beaches, Indian River and St. Lucie River and the City’s high quality of life.

When the City was designed and incorporated by the General Development Corporation as a bedroom and retirement community, little consideration was given to the land uses needed to serve a city of this size. As a result, there is no central core or traditional downtown and many residents work, shop and find entertainment outside of the City. This increases traffic, negatively impacts the City’s tax base, hinders the City’s ability to meet the service demands generated by growth, impedes the City’s ability to efficiently utilize its resources and detracts from the quality of life.

Although the City has made great strides in diversifying land uses over the years to address some of these issues and new planned communities have ameliorated conditions in western Port St. Lucie, the problems in eastern Port St. Lucie have been too pervasive, and it was decided that a comprehensive redevelopment effort was needed to achieve sufficient and long-lasting results.

Pursuant to Part III, Chapter 163, Florida Statutes, in January of 2001, the City of Port St. Lucie conducted a study of the socioeconomic and development conditions in its US 1 corridor. This study, known as a “Finding of Necessity”, revealed conditions that are detrimental and impair sound growth management and constitute social and economic liability. Accordingly, the City designated the study area as a Community Redevelopment Area, created the Community Redevelopment Agency and established the Redevelopment Trust Fund in order to undertake community redevelopment activities pursuant to an adopted Community Redevelopment Plan.



PROJECT AREA & ECONOMICS

Size

The Community Redevelopment Area (CRA) is approximately 1,700 acres or 2.7 square miles. The Area boundary includes the City's US 1 corridor from just north of Village Green Drive, south, to the St. Lucie/Martin County line. Lennard Road forms most of the eastern boundary, and the western boundary is predominantly the rear property line of those properties fronting US 1 (Federal Highway).

Location and Transportation Access

The CRA is located prominently on US 1, the most important north-south thoroughfare in the City. The CRA's primary east-west connection is Port St. Lucie Boulevard. More than 70,000 vehicles utilize the intersection of US 1 and Port St. Lucie Boulevard per day. Additional east-west access is provided just north of the CRA by Prima Vista Boulevard (which turns into St. Lucie West Boulevard). The CRA is less than five miles from the Turnpike Interchange and roughly 7 miles from the nearest I-95 interchange. The City is currently planning a third east-west corridor over the North Fork of the St. Lucie

River. This corridor, commonly referred to as the West Virginia Corridor, will most likely connect to US 1 and the CRA at Village Green Drive or Walton Road.

Mass transit on the Treasure Coast has historically been limited to an on-demand system. However, a fixed-route bus system was recently initiated. This bus system serves the US 1 corridor from the City of Fort Pierce to the City of Stuart, and there are several stops within the CRA.

A map of the CRA's street network is provided in Figure 3 on the following page.

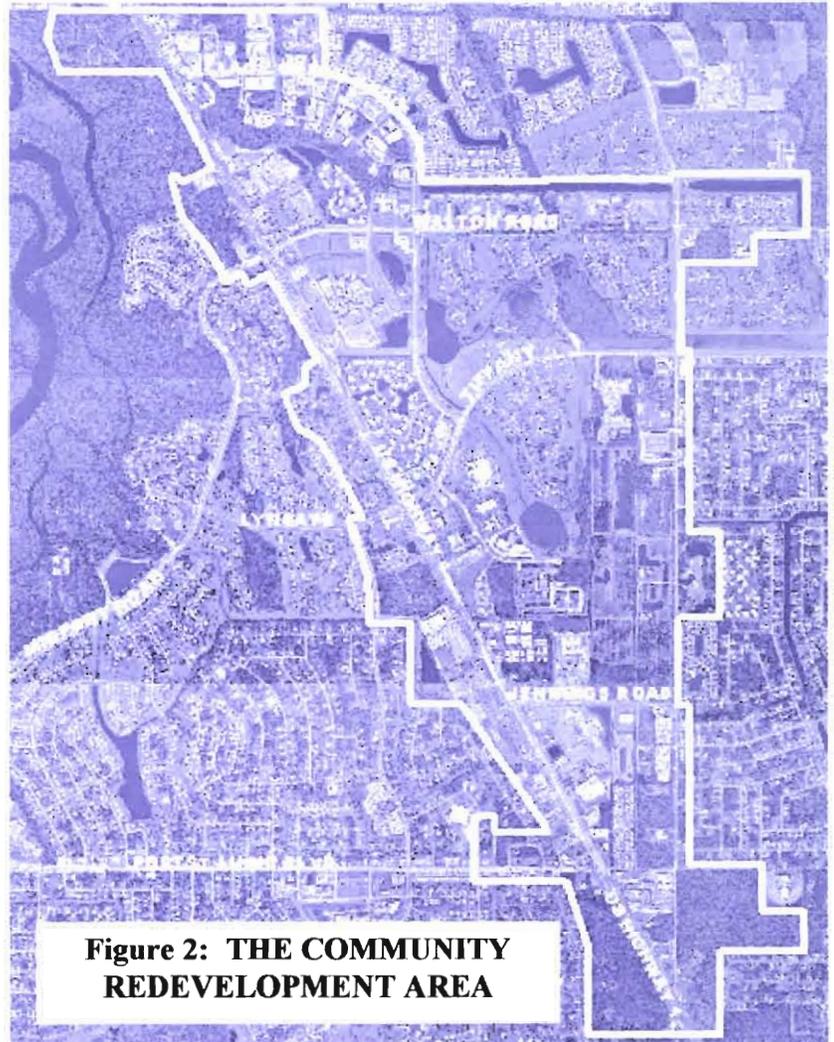
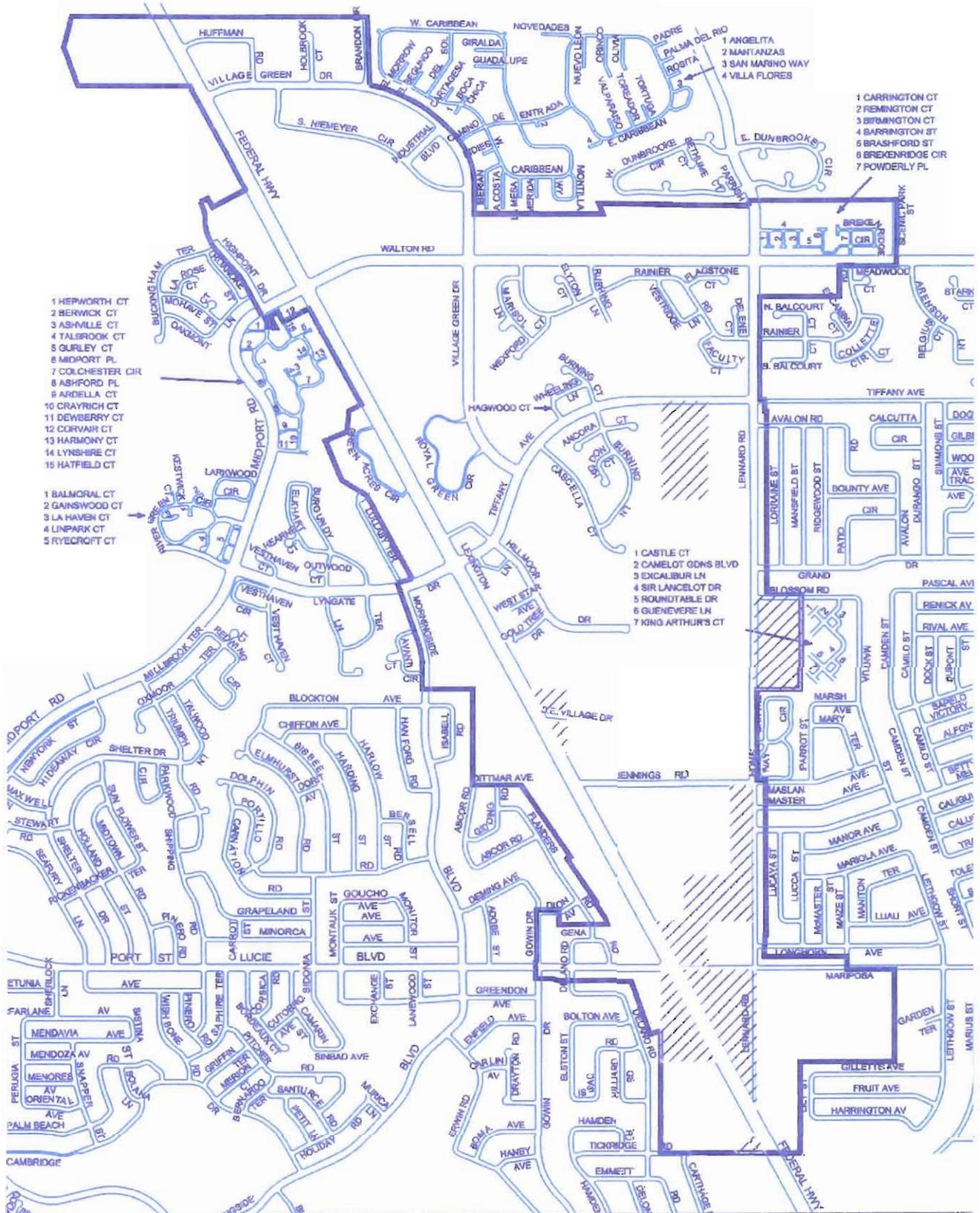


Figure 2: THE COMMUNITY REDEVELOPMENT AREA

Please see the Appendix for a full-size color aerial of the Community Redevelopment Area.

Figure 3: THE STREET NETWORK OF THE COMMUNITY REDEVELOPMENT AREA



CITY OF PORT ST. LUCIE COMMUNITY REDEVELOPMENT AREA

 UNINCORPORATED ST. LUCIE COUNTY

ZONING & LAND USE

The CRA is the City's primary commercial corridor, and most of the properties fronting US 1 have been developed for commercial uses. However, a detailed analysis of the CRA's zoning reveals that, overall, the area is primarily zoned residential. As shown in Table 1, the CRA is 53 percent residential (40 percent single-family), 14 percent commercial and 3 percent open space. However, as shown in Table 2 on the following page, the City has approved Future Land Uses which will provide for a much more balanced mix of uses. Residential land use is expected to decrease to less than 35 percent of the total land area, commercial land use is expected to increase to 23 percent and open space and preservation categories are expected to increase to 11 percent. Of the CRA's approximately 1,719 acres, approximately 214 acres are undeveloped and buildable.

Table 1: EXISTING ZONING IN THE COMMUNITY REDEVELOPMENT AREA

Zoning Category	Acres	Percent
Estate Residential	0.2	0.01%
General Commercial	227.5	13.2%
General Use	5.2	0.3%
Highway Commercial	7.0	0.4%
Industrial	1.9	0.1%
Institutional	88.7	5.2%
Limited Mixed District	1.5	0.09%
Mobile Home Residential	4.5	0.3%
Multi-Family Residential	211.0	12.3%
Neighborhood Commercial	5.0	0.3%
Open Space-Conservation	28.1	1.6%
Open Space-Recreational	25.7	1.5%
Planned Unit Development	75.7	4.4%
Professional	25.0	1.4%
Service Commercial	1.1	0.06%
Shopping Center Commercial	0.2	0.01%
Single-Family Residential	694.0	40.4%
Special Exception Use	6.4	0.4%
Warehouse Industrial	10.0	0.6%
Unincorporated St. Lucie County	299.4	17.4%
Unknown	1.1	0.06%
TOTAL	1719.2	100%

Source: City of Port St. Lucie GIS.

**Table 2: FUTURE LAND USE SUMMARY FOR
THE COMMUNITY REDEVELOPMENT AREA**

Future Land Use Category	Acres	Percent
Commercial General	387.3	22.5%
Commercial Service	8.1	0.5%
Institutional	50.4	2.9%
Open Space	24.3	1.4%
Preservation	159.5	9.3%
Residential	468.0	27.2%
Residential/Office/Institutional	134.0	7.8%
Utilities	62.6	3.6%
Warehouse/Industrial	108.0	6.3%
Unincorporated St. Lucie County	299.4	17.4%
Unknown	17.9	1.0%
TOTAL	1,719.5	100.0%

ECONOMIC DIVERSITY

As noted in the Zoning & Land Use section, the CRA contains significant concentrations of residential and commercial land uses, and it is the City's intent to further balance the mix of these uses. In addition to this data, analysis of employment by industry can also provide information relevant to economic diversity.

Table 3: EMPLOYMENT BY INDUSTRY

Industry Description	Redevelopment Area
Agriculture, Forestry, Fishing	3.7%
Mining	0.2%
Construction	12.9%
Manufacturing	8.5%
Transportation	1.7%
Communications & Public Utilities	2.2%
Wholesale Trade	4.2%
Retail Trade	21.3%
Finance, Insurance, Real Estate	11.0%
Services (All)	31.3%
Business and Repair	5.4%
Personal	3.5%
Entertainment and Rec.	2.5%
Health	8.7%
Educational	6.6%
Other Professional	4.6%
Public Administration	2.8%

Source: US Census, 1990.

As exhibited in Table 3, the dominant form of employment in the CRA in 1990 was the Services sector, which includes business and repair, personal, entertainment and recreation, health, educational, and professional and related. Of the Service sector employment categories, health services composed the largest percentage of the total. The Agency believes that the importance of health services has increased over the last decade, as the City's only major hospital, the St. Lucie Medical Center, and the surrounding medical district have grown considerably.

The next largest employment sector is Retail Trade. Retail Trade businesses employed over 20 percent of the workforce in the CRA in 1990. The third largest employment sector is Construction, and the Agency also believes that this sector has increased significantly as construction starts have risen dramatically in the City and the Treasure Coast.

Major Taxpayers & Employers

According to the FY 2003-2004 Tax Roll, the CRA has a total taxable value of \$306,825,247. This taxable value is well-diversified across the CRA's many properties. In fact, only one taxpayer in the CRA, the St. Lucie Medical Center, has a taxable value that exceeds 5% of the CRA's total taxable value. Although well-diversified, the CRA is fortunate to have some of the largest taxpayers and employers in the entire City, and is further benefited by the fact that these entities are well-established, stable and, for the most part, of great importance to the community. Table 4, found on the following page, provides a schedule of the 10 largest taxpayers in the CRA. As illustrated in the table, many of these taxpayers are also major employers.

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Table 4: SCHEDULE OF LARGEST TAXPAYERS WITHIN THE COMMUNITY REDEVELOPMENT AREA (CRA)
 Information Compiled from the Fiscal Year 2003-2004 Tax Roll

Rank	Property Name	Type of Business	Number of Employees	Taxable Real Property Value	Percentage of CRA's Taxable Real Property Value
1	Hospital Corporation of America	St. Lucie Medical Center	> 750	19,286,500	6.3
2	Port St. Lucie Retirement Investments	Harbor Place	45	14,597,300	4.8
3	Wal-Mart East	Super Wal-Mart	>230	13,773,400	4.5
4	Liberty Medical	Liberty Medical/ Liberty Medical Home Pharmacy	1400**	10,563,637	3.4
5	Regency Centers Inc.	East Port Plaza Shopping Center	*	10,398,600	3.4
6	Port St. Lucie Partners, LLC	City Center	*	6,661,000	2.2
7	Hillmoor Townhomes	Hillmoor Townhomes	5	5,903,300	1.9
8	St. Lucie S C Co. Limited	Town Center Shopping Center	*	5,743,800	1.9
9	Marketplace Port St. Lucie	Market Place Shoppes	*	5,520,800	1.8
10	SPTMRT	Brighton Gardens	82	5,342,200	1.7

* These taxpayers own commercial centers, which are leased to a number of separate businesses. The aggregate number of persons employed at each property is unknown.

** Expected to grow to 2000 employees by 2004.

Growth Potential

With its strategic location along US 1 and relatively undervalued properties, the CRA has tremendous growth potential as the City continues to be the second fastest growing city in the nation. The following pictures represent projects, which were recently completed:



Liberty Medical Complex, 8881 S. US 1



Eckerd Drugstore, 9801 US 1



Star Medical Office, 1310 SE West Star Avenue



Goldtree Medical Office Center, 1405 SE Goldtree Drive



Florida Orthopedic Specialists, 9075 US 1



Super Wal*Mart, 10855 US 1



Improvements to the St. Lucie Medical Center, 1800 SE Tiffany Avenue



Liberty Medical, 10045 US 1
Rehabilitation of a big-box



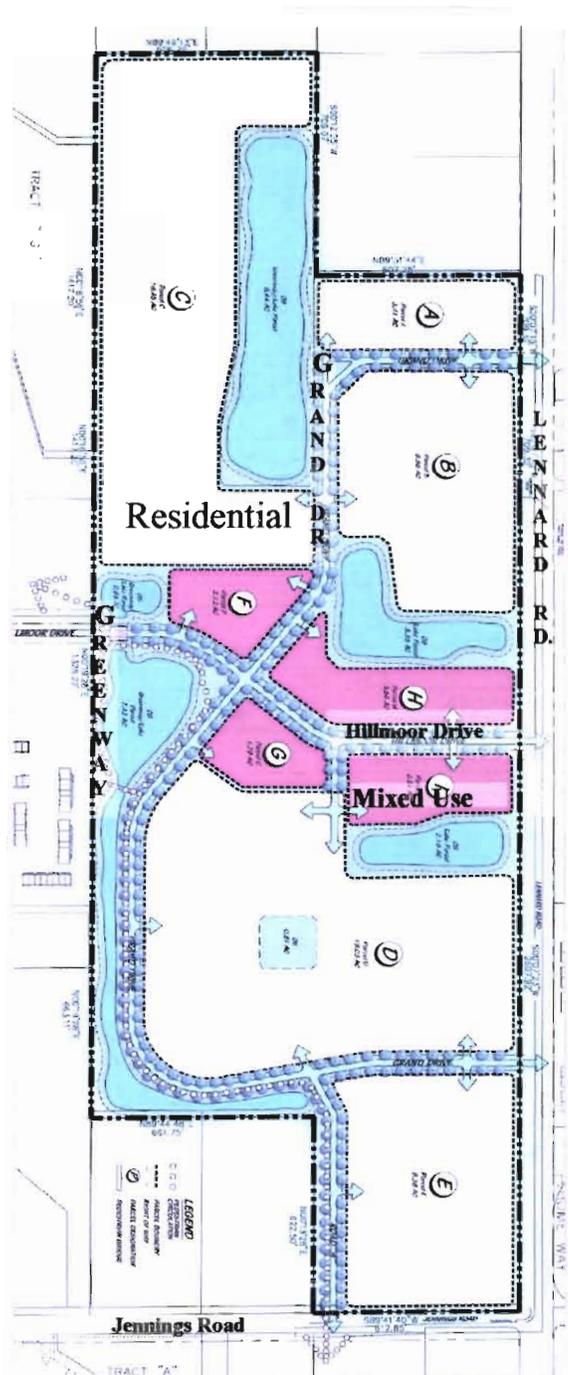
Lyngate Medical Office, Address to be determined

Although many parcels within the CRA offer the prospect of significant growth, there are two properties within the CRA, which are of special importance: Lentz Grove and the Village Green Shopping Center.

Lentz Grove was a 97.98 acre orange grove centrally located within the CRA west of Lennard Road and north of Jennings Road. Lentz Grove Property was the largest undeveloped tract within the CRA, and given its location and potential for development, the Community Redevelopment Plan targeted the property for a mixed-use development.

In the Fall of 2002, the St. Lucie East Development Company, LLC, (the “Developer”) submitted a development proposal for the Lentz Grove Property, which included the necessary annexation, land use, and zoning applications to allow the development of “East Lake Village”, a traditional neighborhood development (TND) consisting of up to 200 multifamily units, 230 town home units, 220 semi-detached town home units, 240 single family units, 82,000 square feet of commercial space and a network of trails and public places. The Developer also requested that the Agency participate in public infrastructure improvements on the Lentz Grove Property and in the surrounding area in order to make the proposed development viable.

On December 2, 2002, the Community Redevelopment Agency Board (the “Board”) conceptually approved conditional public infrastructure investments in the Lentz Grove Property and the surrounding area; and on March 17, 2003, the City Council and the Board formally adopted a Redevelopment Agreement (the “Agreement”) between the City, Agency and Developer. The Agreement obligates the Developer to build the above-described TND in two phases and to provide the City with the rights-of-way necessary to complete roadway, stormwater, water, sewer and recreational improvement projects. The Agreement also obligates the City to construct the following infrastructure improvements: the Lennard Road Widening Project, the Hillmoor Drive Extension Project, the Grand Drive Extension Project, the Jennings Road Widening Project, the Greenway and the Village Square (collectively, the “CRA Improvements”). Lastly, the Agreement obligates the Agency to fund \$3.5 million of the Lennard Road Widening Project and \$6.7 million for the other improvements. In addition to this \$10.2 million obligation under the Agreement, the CRA has augmented the CRA Improvements to include additional features, most notably an interactive play fountain within the Village Square. Consequently, the total cost of the CRA



Land Use Plan for East Lake Village

Improvements is estimated at \$11.6 million; and the Agency has funded the CRA Improvements through the issuance of its Redevelopment Trust Fund Revenue Bonds, Series 2004, utilizing the CRA's tax increment revenues.

As a TND, East Lake Village will feature a mix of land uses within the same neighborhood and, at times, within the same buildings. The mix of residential housing types will be delivered in a neighborhood setting of pedestrian friendly streets, public open spaces, neighborhood squares and greens. An inter-connected greenway trail system for active and passive recreation will connect East Lake Village to the rest of the CRA, including the Village Green Shopping Center. A mixed-use Village Center will anchor the central portion of the East Lake Village development and will line the extension of Hillmoor Drive with retail shops, restaurants, offices, residential uses, a bandshell for outdoor events and an interactive play fountain (an interactive water attraction).



An example of the band shell to be provided within the Village Center.



An example of the Interactive Play Fountain to be provided within the Village Center.

The Developer plans to develop East Lake Village in two phases over the course of three years. Phase I will include the development of 370 residential units and a portion of the Village Center consisting of 22,000 square feet of non-residential use (commercial/office) to be constructed between Jennings Road to the south, Hillmoor Drive to the north, Lennard Road to the east and Grand Drive to the west. The development of neighborhood parks, greens and open spaces will also be included in Phase I.

Phase II will include the development of the remaining 320 residential units 60,000 square feet of non-residential

use (commercial/office) and 200 multi-family units within the Village Center. The residential units will be located north of Hillmoor Drive with the non-residential square footage being developed along both sides of Hillmoor Drive. The multi-family units may be developed as condominium units, individual rental units or rental units located above the non-residential ground floor uses.

Another noteworthy feature of the East Lake Village Development is that a Special Assessment District (SAD) was created to fund the public infrastructure necessary to serve the development. These public infrastructure improvements, which are separate from the CRA Improvements, include internal streets, drainage, sidewalks, lighting and utilities (collectively the “SAD Improvements”) which will be turned over to the City upon completion. The cost of the SAD Improvements is estimated at approximately \$9 million.

As of August 2004, both the CRA Improvements and the SAD Improvements are under construction and expected to be complete by the first quarter of 2006. Additionally, sale of the residential housing product in East Lake Village has commenced. Seventy percent of the single-family product was sold within the first two days of initial offering and is now completely sold out. The townhouse product has not been made available to the general public; but, at the time of this printing, the CRA is aware that significant sales have already been made through special initial offerings. Based upon robust sales and demand in the market, it is expected that this development will have a taxable value of more than \$150 million at build-out. Additionally, the commercial portion of the development is expected to create over 270 new jobs.

While East Lake Village is a hallmark project for the Community Redevelopment Area, the focal point of the Community Redevelopment Plan is clear—the redevelopment of the old Village Green Shopping Center.

The Village Green Shopping Center, now known as “City Center”, is targeted as the site for the City’s “new old downtown” or “town center”. The roughly 72-acre greyfield located at the southeast corner of the intersection of US 1 and Walton Road was originally opened as a regional shopping center in September of 1981. Billed as the area’s first mall, the center was designed as an open-air “California Style” facility. Unfortunately, the property never performed as its designers and owners had hoped; and for the past fifteen years, the mall has been in a state of general decline marked by the loss of major anchors. This decline has been reflected in the public perception of the property.



City Center (former Village Green) today.

In fact, the Community Redevelopment Plan states that “the appearance and layout of the Village Green shopping center was viewed as the biggest weakness (by the public) of the CRA”. However, the Community Redevelopment Plan also recognizes the great potential of the property and envisions the transformation of the greyfield into a vibrant central business district and traditional downtown. The Community Redevelopment Plan describes this “City Center” as the central gathering place that will function as the heart of Port St. Lucie, offering a lively mix of “24-hour” uses including shopping, entertainment, civic, office, restaurant and residential uses.

Important steps have already been taken to implement this vision. A new ownership group acquired the property in 2002 and has successfully stabilized the leasing of the facility. The existing mall is now nearly 90% leased, and the property’s success has convinced the owners to acquire some of the site’s peripheral outparcels. The new ownership group has also worked with the Treasure Coast Regional Planning Council, the City and Agency to complete a formal master plan for the property. The master plan calls for the creation of a traditional downtown on the site replete with a street grid, multistory buildings and structured parking. It is hoped that a formal public-private partnership will be developed in the near future to implement this master plan.

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THE COMMUNITY REDEVELOPMENT PLAN & TAX INCREMENT FINANCING (TIF)

Soon after the designation of the CRA, the City of Port St. Lucie Mayor & City Council designated themselves as the Community Redevelopment Agency Board and began the process of adopting a Community Redevelopment Plan. Adopted by the City Council on June 11, 2001, the Community Redevelopment Plan, also known as the "CRA Master Plan", was the culmination of an extensive community-driven planning process, which included design charrettes and workshops. Based on hundreds of hours of input from citizens, business owners, property owners, elected officials, city staff, professional consultants and other community stakeholders, the CRA Master Plan serves to set forth the vision, goals, objectives, policies and critical projects of the CRA. As voiced by the community throughout the creation of the CRA Master Plan, the CRA will be:

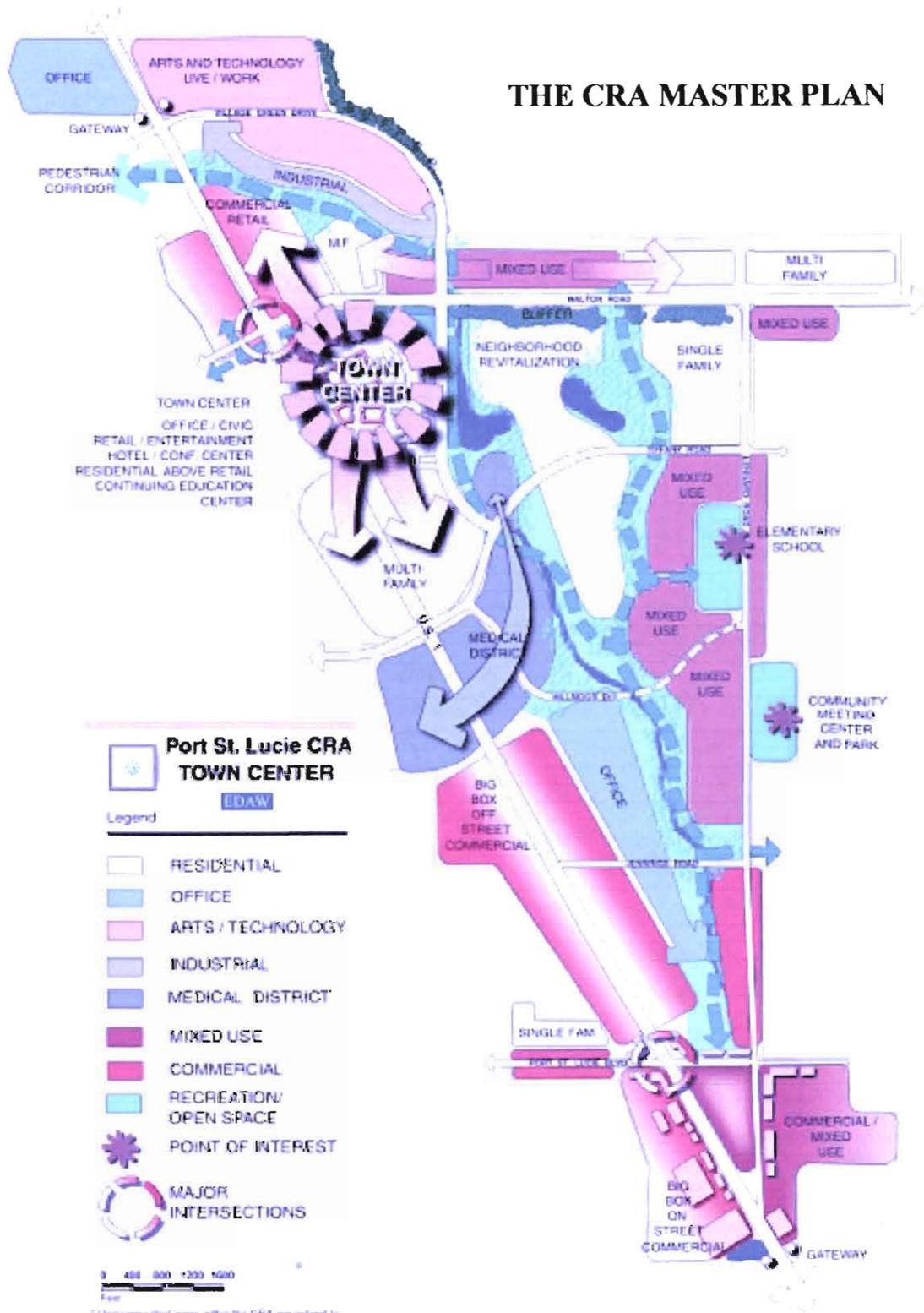
... a central gathering place that creates an identity for the city as well as provides entertainment and economic opportunities. The area will include a variety of development districts and connective open space to better serve Port St. Lucie's current and future population.

Adoption of the CRA Master Plan signaled the beginning of a comprehensive long-term approach to redevelopment, which will span the next twenty to thirty year period. The CRA Master Plan provides a flexible framework to guide the Agency in its redevelopment efforts; and it addresses near-term and long-term development scenarios and options, identifying realistic projects for implementation, which are based on the opportunities, needs, and fiscal resources of the community. The CRA Master Plan strives to: account for the needs of citizens and business interests, enhance the community, encourage smart growth and acknowledge the existing economic conditions of the region. Like the City's Comprehensive (Master) Plan, the CRA Master Plan is a "living" document which must be evaluated and amended from time to time in order to accurately reflect changing conditions and community objectives.

As demonstrated on the following page, the CRA Master Plan calls for the development of a town center at US 1 and Walton Road (City Center) and for a variety of mixed-use, commercial, office, residential and recreational districts.

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THE CRA MASTER PLAN



The implementation of the CRA Master Plan and efforts of the Agency are primarily funded through tax increment financing (TIF). TIF allows a community redevelopment agency to utilize the incremental increase in property tax revenues of the corresponding community redevelopment area to fund improvements and redevelopment projects within that community redevelopment area. Through this funding source, community redevelopment agencies can repave or reroute streets; construct other public improvements such as parks; provide development incentives; acquire property for redevelopment; or undertake other redevelopment activities authorized by an adopted plan.

In the case of the CRA, a Redevelopment Trust Fund was established in which taxing authorities levying property taxes within the CRA are required to annually deposit 95% of the incremental property tax revenues they receive from properties within the CRA. The taxing authorities that contribute to the Redevelopment Trust Fund are: the City of Port St. Lucie, St. Lucie County, St. Lucie County Fine & Forfeiture Fund (a separate taxing authority of the County), and the St. Lucie County Fire District. The manner in which this incremental revenue is calculated is more specifically described below:

Total Taxable Value of the Redevelopment Area (as determined by the St. Lucie County Property Appraiser)
- Total Taxable Value in the base year of 2000
= Increment

Annual Revenue = (95%)(City millage)(increment) + (95%)(County millage)(increment) + (95%)(County Fine & Forf. millage)(increment) + (95%)(Fire District millage)(increment)

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AGENCY MANAGEMENT & TAX PROCEDURES

Separate or Overlapping Administration

The Agency is classified by the State of Florida as a dependent special district. One of the primary reasons it is dependent upon the City, as opposed to independent, is that the City Council has the ability to appoint the Board members of the Agency and to abolish the Agency. Furthermore, the Mayor & City Council appointed themselves as the Agency Board. As a result, the Board is the City Council sitting in another capacity. Additionally, the Agency staff consists of an Executive Director, who is the City Manager serving in another capacity, and a Director who reports to the City Manager. Consequently, there is extensive overlapping between the Agency and City.

Tax Assessment & Collection Procedures

The St. Lucie County Property Appraiser is responsible for certifying property values for all properties within the Community Redevelopment Area. Each individual taxing authority is responsible for setting their millages in accordance with Florida law. The St. Lucie County Tax Collector is then responsible for collecting the resulting ad valorem taxes and distributing them to the taxing authorities.

As previously discussed, the participating taxing authorities make payments to the Agency's Redevelopment Trust Fund in accordance with the following equation:

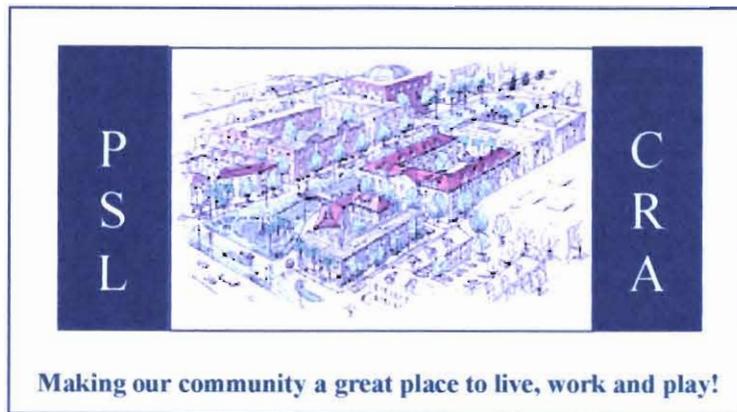
Total Taxable Value of the Redevelopment Area (as determined by the St. Lucie County Property Appraiser)
- Total Taxable Value in the base year of 2000
= Increment

Annual Revenue = (95%)(City millage)(increment) + (95%)(County millage)(increment) + (95%)(County Fine & Forf. millage)(increment) + (95%)(Fire District millage)(increment)

Pursuant to Part III, Chapter 163, Florida Statutes, these payments must be made to the Agency prior to January 1 or be subject to a 5% penalty.

As alluded to in this section, the Agency does not have any significant responsibility for or the ability to impact the setting of valuation or millages. However, the Agency does benefit from the Property Appraiser's proactive reassessment policy and the fact that millages very rarely decrease significantly over time.

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To the Mayor, Vice Mayor, City Council and Citizens of Port St. Lucie:

I am pleased to present you with the Fiscal Year 2003-2004 Annual Report of the City of Port St. Lucie Community Redevelopment Agency (the "Agency"). This Report serves to highlight the accomplishments of the Agency in Fiscal Year 2003-2004; provide its financial profile, final budget and financial statements; and examine Agency goals.

FY 2003-2004 AGENCY ACCOMPLISHMENTS

THE THIRD YEAR IS THE CHARM— STRATEGIC PLANNING LEADS TO REAL ACTION

While strategic planning is critical to the successful implementation of any program or initiative and will always be an important part of the Agency's annual activities, there is nothing quite like the actual implementation, when planning gives way to action. Accordingly, Fiscal Year 2003-2004, the Agency's third funded year, should be remembered as a special year. A year in which, for the first time in the Agency's young life, the Agency's strategic planning led to real action, as the strategic planning carried out in Fiscal Year 2002-2003 led to the commencement of construction on the CRA Improvements Project, the Lennard Road Widening Project and the East Lake Village Special Assessment District. These much-anticipated capital improvement projects represent a public investment of more than \$30 million and serve as a clear indication that the Agency is about much more than planning hyperbole. It is about profound change, and it is committed to the actions necessary to implement the community's vision for the future, as set forth in the



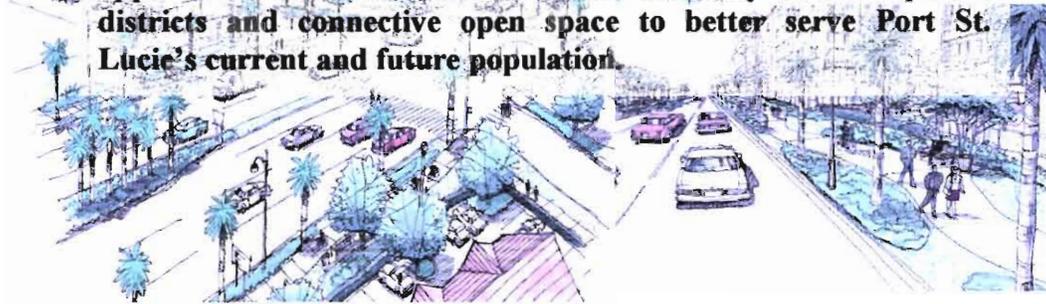
Construction underway on the CRA Improvements Project, the Lennard Road Widening Project and the East Lake Village SAD.

adopted Community Redevelopment Plan:



CRA VISION STATEMENT

The City of Port St. Lucie's Community Redevelopment Area will be a central gathering place that creates an identity for the city as well as provides entertainment and economic opportunities. The area will include a variety of development districts and connective open space to better serve Port St. Lucie's current and future population.



It should be noted that the transition from planning to action was not easy. It required something very important—money. The CRA Improvements Project, the Lennard Road Widening Project and East Lake Village Special Assessment District all required bond financing to make them a reality. The Board, City Council, staff and consultants worked admirably to complete the necessary financings, especially on the Agency's bond issue for the CRA Improvements, which was the Agency's first bond issue and required the bond validation process. You should be proud that Standard & Poor's rated the Agency's very first bond issue AAA with an underlying rating of A-. Moreover, this rating came after the City Council voluntarily agreed to exempt the St. Lucie County Fire District (SLCFD) from its required contributions to the Agency starting in Fiscal Year 2007-2008, which had the effect of reducing the Agency's future income by 18.6% per year from Fiscal Year 2007-2008 onward. Still being able to finance the necessary amount of funding and to achieve such a high rating despite this loss of revenue were noteworthy indications of the Agency's firm financial footing and bright future.

Undeniably, the efforts of the Agency over the course of FY 2003-2004 were focused on the SLCFD Exemption Application, the Agency's first bond issue and the aforementioned capital improvement projects; however, the Agency did carry out other important work in FY 2003-2004, including but not limited to responding to two natural disasters and setting its sights on its most important project, as outlined below:

Hurricane Response and Recovery

The Agency worked with the City and other governmental entities in the response and recovery efforts for Hurricanes Frances and Jeanne. Agency staff worked during and

immediately after the storms to procure necessary supplies, address contingencies and secure the Village Green Shopping Center as a FEMA Disaster Recovery Center. Additionally, Agency staff then had to grapple with the challenge of putting the capital improvements projects, which had been severely impacted and delayed by the storms, back on track.

Greenway Master Plan (A/K/A “The Wood Stork Trail Master Plan

The Agency and its consultants continued work on the Wood Stork Trail Master Plan. As you know, the Wood Stork Trail Master Plan will set forth how the Agency will transform the Community Redevelopment Area’s patchwork of open space into a vibrant greenway and blueway system pursuant to the Community Redevelopment Plan. The goals of the project are to:

- create a dedicated trail and waterway to connect the opposite ends of the US 1 Corridor and encourage pedestrian and bicycle travel and recreational use;
- serve as a linear park;
- enhance stormwater drainage capacity;
- improve water quality;
- restore native vegetation and habitat;
- provide an opportunity for environmental education;
- promote an urban rather suburban form of development; and
- positively impact the quality of life for the residents and visitors of Port St. Lucie.

The preliminary work done on this important project was sufficient to demonstrate its exemplary goals and potential to the Florida Department of Environmental Protection (the “DEP”), as the Agency was selected by the DEP to receive \$550,000 in Section 319 grant funding for the implementation of a phase of the Wood Stork Trail. The Agency’s grant application was selected from a pool of 42 applications seeking \$42 million worth of funding in a year when only \$9 million was available.

Cultural and Special Events

Although Hurricanes Frances and Jeanne caused the cancellation of Oktoberfest, the Agency and its committee, the Cultural and Special Events Advisory Committee, worked with its not-for-profit partners, most notably the Friendly Sons and Daughters of Ireland and the St. Lucie County Professional Arts League, and a host of sponsors to produce the St. Patrick’s Day Parade & Celebration and Art & All That Jazz 2004.

Development Services

Worked with property owners and their agents to facilitate the development of the following projects:

- Constitutional Officers Annex at City Center;



- CVS Drugstore;



- Lyngate Professional Office Building; and



- Liberty Medical rehabilitation of the old Wal*Mart store.



City Center

The Community Redevelopment Plan sets forth a number of important redevelopment projects and initiatives; however, it clearly identifies one project as being the most important. That project is the transformation of the former Village Green Shopping Center into a “town center” consistent with the Community Redevelopment Plan’s description as a “new-old downtown”. While this project is the most important, it may also be the most difficult. It was too large and complex to tackle first. The Agency must have significant financial resources to adequately participate in its redevelopment as called for by the Community Redevelopment Plan and the market environment has to be right to enable the desired private redevelopment. While the time was not right in the Agency’s first and second year, that started to change in FY 2003-2004. With East Lake Village and the aforementioned capital improvements underway, the Treasure Coast’s real estate boom and overall national economic and development trends, perhaps for the first time, there was a real opportunity to redevelop the Village Green Shopping Center. Accordingly, staff began earnest negotiations with Port St. Lucie Partners, LLC, and its potential partners, to redevelop the former Village

Green Shopping Center into “City Center”, the “new old downtown” envisioned by the Community Redevelopment Plan. These negotiations first led to a proposal for the phased redevelopment of City Center, which would redevelop the area around the former, K-Mart and Village Green Movie Theater and would eventually lead to the similar redevelopment of



Rendering of the Proposed City Center Redevelopment Project.

the remaining shopping center at an unspecified future date. However, not wanting to leave the remaining shopping center until an unspecified future date, the negotiations soon led to a proposal calling for the simultaneous redevelopment of the entire site. At the end of Fiscal Year 2003-2004, it seemed that a redevelopment agreement that would make this proposal a reality was within reach. Unfortunately, in early FY 2004-2005, it became clear that a mutually acceptable or beneficial proposal was eluding the parties and negotiations were terminated.

Although it was unfortunate that neither of the proposals led to the desired redevelopment of the Village Green Shopping Center, it is important to note that significant groundwork was laid in negotiating and evaluating these proposals, and this will make the evaluation and conceptualization of future proposals easier. I fully expect that another credible proposal for the redevelopment of the Village Green Shopping Center will be made in FY 2004-2005.

THE FINANCIAL PROFILE OF THE COMMUNITY REDEVELOPMENT AGENCY

As discussed in the "Background Section", the Agency's most important revenue source is Tax Increment Financing (TIF). In FY 2003/04, 97.3% of the Agency's revenue was derived from TIF revenue. As discussed previously, the local implementing ordinance and state law sets forth that the annual TIF revenue of the Agency is an amount equal to 95% of the incremental increase in ad valorem taxes levied each year in the CRA by the City of Port St. Lucie, St. Lucie County, St. Lucie County Fine & Forfeiture Fund, and the St. Lucie County Fire District, as represented in the below equation.

Total Taxable Value of the Redevelopment Area (as determined by the St. Lucie County Property Appraiser)
 - Total Taxable Value in the base year of 2000
 = Increment

Annual Revenue = (95%)(City millage)(increment) + (95%)(County millage)(increment) + (95%)(County Fine & Forfeiture millage)(increment) + (95%)(Fire District millage)(increment)

As previously mentioned, in Fiscal Year 2003/04, the City Council exempted the St. Lucie County Fire District from its required contribution beginning in Fiscal Year 2007-2008. Consequently, beginning in Fiscal Year 2007/08, the St. Lucie County Fire District will be removed from the above equation.

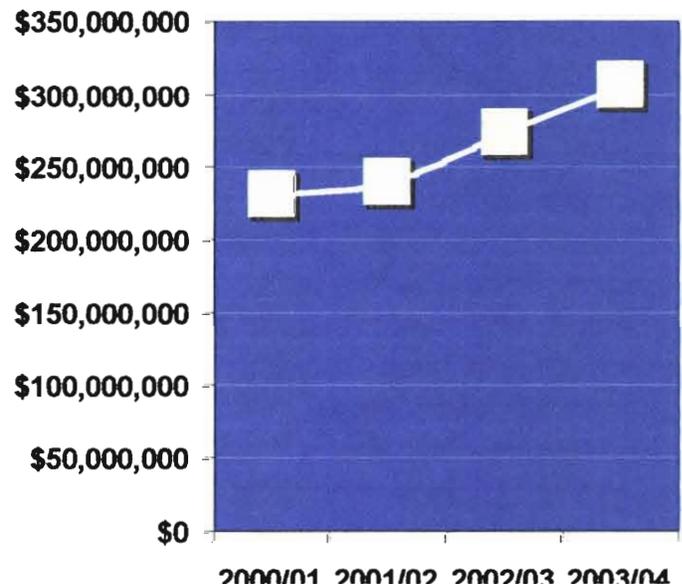
Since the inception of the Agency, the Total Taxable Value of the CRA has risen dramatically. As illustrated in Figure 1, Total Taxable Value grew by nearly \$8 million in the Agency's first year and has since grown at a rate exceeding \$30 million per year. Calculated as a percentage, annual growth was 3% in FY 2001/02, 14% in FY 2002/03 and 12% in 2003/04. Total growth since inception is an even more impressive 32%.

This robust growth in Total Taxable Value has resulted in a spectacular increase in the Agency's TIF revenue. In fact, due to the manner in which TIF revenue is calculated, its rate of growth far exceeds the rate of growth of the Total

Figure 1: Total Taxable Value of the CRA, 2000-2004

Fiscal Year	Total Taxable Value (TTV) of the CRA	Annual % Increase in TTV
2000/01 (Base Year)	\$231,826,024	NA
2001/02	\$239,330,269	3%
2002/03	\$273,336,594	14%
2003/04	\$306,825,247	12%

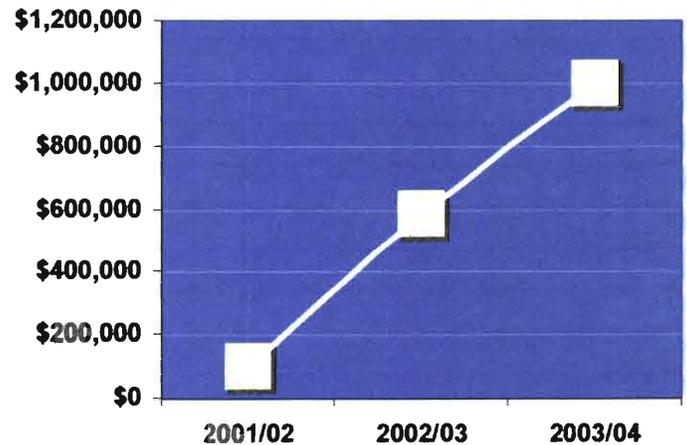
Taxable Value.



As shown in Figure 2, TIF revenue in FY 2001/02 was \$103,000, \$585,000 in Fiscal Year 02-03 and nearly \$1 million in Fiscal Year 2003/04. Calculated as a percentage, annual revenue increased by 466% in Fiscal Year 2002/03 and 70% in Fiscal Year 2003/04.

Fiscal Year	Tax Increment Financing (TIF) Revenue	Annual Increase in TIF Revenue
2000/01 (Base Year)	NA	NA
2001/02	\$103,551	NA
2002/03	\$585,950	466%
2003/04	\$997,485	70%

Figure 2: CRA TIF Revenue, 2000-2004

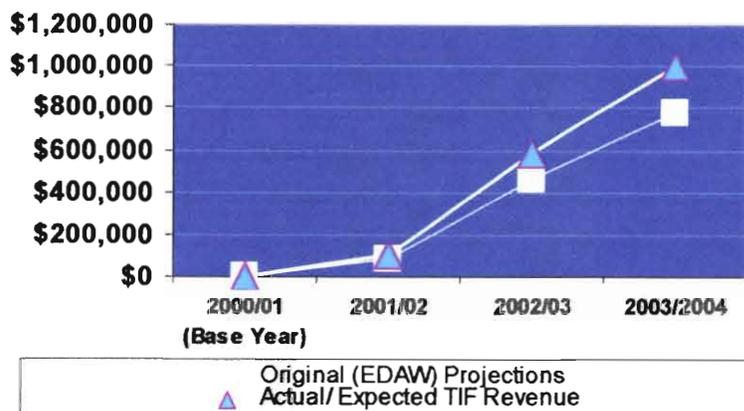


The 12% growth in TTV and corresponding 70% increase in TIF revenue are attributable to two factors:

- 1) The significant increase in value of a few properties, as follows:
 - a. Super Wal*Mart increased by \$6 million +
 - b. St. Lucie Medical Center increased by \$5 million
 - c. East Port Plaza increased by \$2.4 million
- 2) The cumulative impact of small increases in value to many properties. According to an analysis of the tax roll, 80% of the properties within the Community Redevelopment Area experienced an increase in value.

As in previous fiscal years, the FY 2003/04 growth in TTV and the corresponding growth in TIF surpassed the projections provided by the Community Redevelopment Plan. A direct comparison of the actual growth in TIF revenue to what was originally projected as part of the Community Redevelopment Plan demonstrates that the Agency is exceeding expectations. Furthermore, as evidenced in Figure 3, the Agency is successfully widening the gap between actual and expected performance, earning \$21,365 more than projected in Fiscal Year 2001/02, nearly \$124,000 more in Fiscal Year 2002/03 and \$221,030 more in Fiscal Year 2003/04.

Figure 3: Original (EDAW) Annual TIF Projections versus Actual Annual TIF Revenue



Both the Total Taxable Value (TTV) of the CRA and the Agency's TIF revenue are expected to continue to increase at a significant rate over the next three years due to the completion of known developments currently under construction or in the approval process. The table on the following page provides a detailed analysis of the Agency's TIF revenue to date and a forecast to the year 2034.¹

Fiscal Year	Original (EDAW) Projections	Actual/Expected TIF Revenue	Difference
2000/01 (Base Year)	\$0	\$0	\$0
2001/02	\$82,187	\$103,551	\$21,364
2002/03	\$462,261	\$585,950	\$123,689
2003/04	\$776,455	\$997,485	\$221,030

It is important to remember that prior to the creation of the Agency, property values within the CRA were stagnant and even declining. Since the designation of the CRA and creation of the Agency, the annual increase in property values has been significant: As a total percentage since inception, the TTV of the CRA has increased a very robust 32%. This is phenomenal and atypical growth for a community redevelopment area. As I have previously discussed with the City Council and Agency Board, the City of Port St. Lucie is in a very fortunate position. Many other community redevelopment areas have been so designated for decades without experiencing this rate of growth.

¹ Please note the dichotomy between Total Taxable Value (TTV) for the County versus the Fire District and City. This is due to the different Property Tax Exemptions which are offered by the entities, which has the effect of creating different TTV's.

Figure 4: Actual & Projected CRA Revenue from Fiscal Year 2000-2001 through Fiscal Year 2033-2034

Categorized by Taxing Authority Contribution

Fiscal Year	County General	County F&F	Fire District	City	Total	Comments
2000-2001 (Base Year)	NA	NA	NA	NA	NA	
2001-2002	21,130	32,904	19,053	30,464	103,551	
2002-2003	116,882	182,012	105,394	181,661	585,950	
2003-2004	259,601	223,511	198,073	316,300	997,484	
2004-2005	466,270	375,047	328,178	533,260	1,702,755	
2005-2006	602,119	484,317	421,129	688,031	2,195,597	Estimate
2006-2007	715,002	575,115	498,357	816,636	2,605,111	Estimate
2007-2008	1,207,134	970,963	exempt	1,407,561	3,585,658	Estimate
2008-2009	1,446,450	1,163,458	exempt	1,681,416	4,291,324	Estimate
2009-2010	1,548,993	1,236,674	exempt	1,754,827	4,540,494	Estimate
2010-2011	1,603,693	1,289,937	exempt	1,830,320	4,723,950	Estimate
2011-2012	1,671,791	1,344,712	exempt	1,907,954	4,924,456	Estimate
2012-2013	1,741,822	1,401,041	exempt	1,987,793	5,130,656	Estimate
2013-2014	1,813,842	1,458,972	exempt	2,069,901	5,342,715	Estimate
2014-2015	1,887,911	1,518,549	exempt	2,154,344	5,560,804	Estimate
2015-2016	1,964,087	1,579,822	exempt	2,241,190	5,785,099	Estimate
2016-2017	2,042,433	1,642,839	exempt	2,330,510	6,015,781	Estimate
2017-2018	2,123,010	1,707,652	exempt	2,422,375	6,253,037	Estimate
2018-2019	2,205,886	1,774,313	exempt	2,516,859	6,497,058	Estimate
2019-2020	2,291,126	1,842,876	exempt	2,614,040	6,748,042	Estimate
2020-2021	2,378,800	1,913,397	exempt	2,713,996	7,006,194	Estimate
2021-2022	2,468,979	1,985,933	exempt	2,816,809	7,271,721	Estimate
2022-2023	2,561,736	2,060,543	exempt	2,922,561	7,544,841	Estimate
2023-2024	2,657,147	2,137,287	exempt	3,031,340	7,825,774	Estimate
2024-2025	2,755,290	2,216,229	exempt	3,143,233	8,114,751	Estimate
2025-2026	2,856,244	2,297,431	exempt	3,258,332	8,412,006	Estimate
2026-2027	2,960,091	2,380,962	exempt	3,376,730	8,717,783	Estimate
2027-2028	3,066,917	2,466,888	exempt	3,498,524	9,032,330	Estimate
2028-2029	3,176,810	2,555,280	exempt	3,623,815	9,355,905	Estimate
2029-2030	3,289,857	2,646,210	exempt	3,752,704	9,688,772	Estimate
2030-2031	3,406,154	2,739,754	exempt	3,885,297	10,031,204	Estimate
2031-2032	3,525,793	2,835,987	exempt	4,021,702	10,383,482	Estimate
2032-2033	3,648,875	2,934,988	exempt	4,162,032	10,745,894	Estimate
2033-2034	3,775,499	3,036,838	exempt	4,306,402	11,118,739	Estimate

As illustrated in Figure 4, the Agency's annual TIF revenue is projected to increase significantly over the next five years. This latest projection has a conservative bias, and it is quite possible that these estimates will have to be adjusted upward in the future. Consequently, the Agency is in a very strong financial position relative to its age.

THE FISCAL YEAR 2003-2004 FINAL BUDGET

The Agency's expenditures are made in accordance with its adopted Budget. Budgets can and do change through the progression of the corresponding Fiscal Year, but are modified pursuant to official action and the policies of the administration and/or Board and City Council. The following represents the Agency's adopted Fiscal Year 2003-2004 Budget.

Revenue Source	Estimated FY 03-04
TIF Funding	
City of Port St. Lucie Contribution	316,300
St. Lucie County Contribution	259,601
St. Lucie County Fine & Forfeiture Contribution	223,511
St. Lucie County Fire District Contribution	198,073
TOTAL	997,484
Interest Earning and Other Income	2,600
Budgeted Cash Carryover	391,490
Bond Proceeds	11,600,000
GRAND TOTAL	12,991,574

In Fiscal Year 2003-2004, it is important to note that the Agency received and began expending the proceeds from the Series 2004, Redevelopment Trust Fund Revenue Bonds on the CRA Improvements Project. These funds were in addition to the Agency's TIF Revenue. Notable expenditures of the Agency's TIF Revenue included a \$500,000 payment to the City for its Covenant to Budget & Appropriate for the Agency Bond Issue and the Agency's first interest payment on the bond issue.

EXPENDITURES

Object Code/ Account #	Account Description	Approved FY 03-04
5120	Salary & Wages	84,557
5310	Professional Services	148,908
5404	Travel Expenses	2,000
5410	Communication Services	800
5420	Transportation (incl. Postage)	500
5462	Repair & Maintenance	100
5470	Printing & Binding	1,000
5490	Other Current Charges	1,600
5510	Office Supplies	800
5520	Operating Supplies	1,000
5540	Books, Publication, Memberships	1,700
5541	Training & Education	3,240
501000	Contingency	102,356
	Fund Transfer for Lennard Road Project	
	Fund Transfer for Lennard Road Project and/or "CRA Improvement" Projects	
	Fund Transfer for CB&A	500,000
	Debt Service or Debt Reserve--Tax Increment Bonds, Series 2003	175,000
	Transfer of Bond Proceeds--Lennard Road	3,500,000
	Transfer of Bond Proceeds--CRA Improvements	8,100,000
	Total	12,623,561

FISCAL YEAR 2003-2004 FINANCIAL STATEMENT OF THE AGENCY

The following financial information was excerpted from page 87 of the City of Port St. Lucie's Comprehensive Annual Financial Report (the "CAFR") for Fiscal Year 2003-2004. For additional information, please see the CAFR, which is available for inspection in the Office of the City Clerk and in the Office of the Executive Director of the Agency.

AGENCY GOALS

The recommended goals and priorities of Fiscal Year 2003-2004 were:

Goal 1: Successfully carry out CRA Improvements.

The CRA improvements have the potential to transform the Community Redevelopment Area and to set the stage for even greater redevelopment in the future. However, this can only occur if the project is successfully completed. It is vital that the CRA's resources be focused on this project to facilitate its success.

Goal 2: Aggressively seek additional funding sources.

Although TIF funding will remain the most important source of income to the CRA through its lifetime, TIF revenue should be utilized to leverage additional grant funds. Several projects within the Community Redevelopment Plan could be funded through State, Federal and foundation grants. One of the more notable examples is the proposed CRA greenway and blueway. The CRA should aggressively seek additional funding sources to make such projects a reality.

Goal 3: Continue to reach out to the community, developers and investors.

The CRA was built on community support, and the Redevelopment Area's future will be built upon the input of the community and the actions of developers and investors. It is vital that the CRA continue to reach out to these constituencies through all available mediums, including PSL TV, radio, newspaper, Board Member and staff speaking engagements, internet, conferences and special events.

Goal 4: Continue commitment to develop cultural and special events.

Not only are cultural and special events a way to reach out to the community, they provide several direct benefits to the community including: promoting additional commercial business, enhancing the quality of life and creating a sense of place. Cultural and special events will directly assist the CRA in implementing the Community Redevelopment Plan, and it is important that the CRA continue its commitment in the next fiscal year.

Goal 5: Continue cooperation and team approach with the City of Port St. Lucie.

Although a separate legal entity, the CRA is a dependent special district. The City Council and City Administration, through their diverse talents and abilities, have done a remarkable job of seizing collective opportunities and realizing that "we" are striving for the same goals. The continuation of this approach is critical to "our" success.

Overall, I feel that the Agency was successful in reaching these goals. Construction commenced on the CRA Improvements; the Agency was awarded its first grant; there was increased awareness of the Agency and the CRA; the Agency successfully carried out special and cultural events; and the City and Agency worked as a team. However, it is vital that we redouble our efforts on the CRA Improvements Project, as the hurricanes, the cost of construction and materials and the lack of qualified and, or, motivated contractors has caused delays to the schedule, and increased the cost, of this important project.

In Fiscal Year 2004-2005, I believe that the above goals will serve us well. However, I feel that the time is now right to add an additional goal, as follows:

Goal 6: Continue and intensify the effort to make the desired redevelopment of the Village Green Shopping Center a reality.

A number of factors have come together, including expected TIF revenues, the regional development boom and national economic and development conditions, making now an opportune time to transform the Village Green Shopping Center into City Center. The Agency should take advantage of this opportunity to realize its most important project.

CONCLUSION

Market dynamics and the actions of the Board, community, and staff have put the Agency in a very strong financial and strategic position. We have begun the construction of infrastructure improvement projects which will profoundly change the Community Redevelopment Area as it exists today and which will leverage the private investment that generates the TIF revenue to fund the Agency projects of tomorrow. We are truly on the verge of something special, and the best is yet to come.

It is a continuing honor and pleasure to work with you as we strive to make our community a better place to live, work and play.

Respectfully yours,

Donald B. Cooper
CRA Executive Director