



COMMUNITY REDEVELOPMENT AGENCY

Annual Report for Fiscal Year 2005-2006

Fiscal Year 2005-2006 CRA Board

Robert E. Minsky, Chair
Patricia Christensen, Vice Chair
Michelle Berger
Christopher Cooper
Jack Kelly

Current CRA Board

Patricia Christensen, Chair
Jack Kelly, Vice Chair
Linda Bartz
Michelle Berger
Christopher Cooper

Donald B. Cooper, City Manager/Executive Director
Pam Booker Hakim, Counsel
Karen A. Phillips, Secretary

TABLE OF CONTENTS

	<u>Page</u>
<u>PURPOSE</u>	<u>1</u>
<u>BACKGROUND</u>	<u>2</u>
THE CITY	2
THE CRA	2
THE AGENCY	3
THE PLAN	3
THE FUND	11
TAX INCREMENT CALCULATION	12
<u>AGENCY ACTIVITIES IN FISCAL YEAR 2005-2006</u>	<u>13</u>
EAST LAKE VILLAGE	13
WOOD STORK TRAIL	18
CITY CENTER	19
CRA EXPANSION AREA	23
DEVELOPMENT SERVICES	23
SPECIAL EVENTS	26
RESPONSE TO AUDITOR GENERAL	26
<u>AGENCY FINANCIAL PROFILE</u>	<u>27</u>
TAX INCREMENT REVENUE ANALYSIS	27
FISCAL YEAR 2005-2006 BUDGET	30
AGENCY FINANCIAL STATEMENT	30
<u>CLOSING STATEMENT</u>	<u>32</u>

PURPOSE

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.

The purpose of this Annual Report is to satisfy the requirements of Section 163.356(3)(C) and to provide the public with useful information concerning the Community Redevelopment Area and Agency.

Please be advised that the Agency has customarily delayed the filing of the Annual Report until after the City of Port St. Lucie’s adoption of its Comprehensive Annual Financial Report (the “CAFR”) for the corresponding fiscal year, which typically occurs after March 31. This is because the financial statement required as part of the Agency’s Annual Report has traditionally been excerpted from the City’s CAFR. In order to better comply with the required submittal date for the Annual Report and to better address other reporting requirements, the Agency will likely provide for an independent audit for the Fiscal Year 2006-2007 and thereafter.

1.0 BACKGROUND

1.1 The City of Port St. Lucie

Incorporated in 1961, the City of Port St. Lucie, Florida (the “City”) is a predominantly residential community located in southeast Florida between West Palm Beach and Orlando, as illustrated in Figure 1. It was the fastest growing City in the United States in 2005, as recognized by the United States Census Bureau, and is the largest city in St. Lucie County.

The City, as illustrated on a county scale in Figure 2, is approximately 114 square miles in area and has a population of approximately 157,000 residents. Population projections indicate that the population could surpass 200,000 within the next 7 years and that the ultimate population of the City will be approximately 400,000. Several factors are fueling the City’s growth, including access to the Florida Turnpike (the “Turnpike”) and Interstate 95 (“I-95”), the availability of vacant land, 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.

1.2 The Community Redevelopment Area

When the City was designed and incorporated by its original developer 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 the western part of the City, the problems in the eastern portion of the City 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 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. Consequently, the City designated the study area as a Community Redevelopment Area (the “CRA”), created the City of Port St. Lucie Community Redevelopment Agency (the “Agency”) and established the Redevelopment Trust Fund (the “Fund”) in order to undertake community redevelopment activities pursuant to an adopted Community Redevelopment Plan (the “Plan”).

The City’s original CRA is approximately 1,700 acres or 2.7 square miles. As illustrated in Figure 3, the original CRA 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). Since the CRA’s creation in 2001, two

additional areas have been formally designated as part of the CRA, Lentz Grove (now known as “East Lake Village”) and the Port St. Lucie Boulevard/Riverwalk District (the “CRA Expansion Area”). The CRA Expansion Area is illustrated in Figure 4, and the current CRA in its entirety is illustrated in Figure 5.

1.3 The Agency

Soon after the creation of the CRA, the Mayor and City Council of the City (the “City Council”) designated themselves as the Agency Board creating a five person board in charge of carrying out redevelopment activities pursuant to Florida Statutes, the Agency’s adopted by-laws and local controls. In the effectuation of redevelopment activities in the State of Florida, perhaps no local controls are more important than the Plan.

It is important to highlight the following notes regarding the Agency:

- 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.
- The Mayor & City Council appointed themselves as the Agency Board. As a result, the Board is the City Council sitting in another capacity.
- 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.
- As a result of the above, there is extensive overlapping between the Agency and City.

1.4 The Plan

1.4.1 The “Original”

Adopted by the City Council on June 11, 2001, the 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:

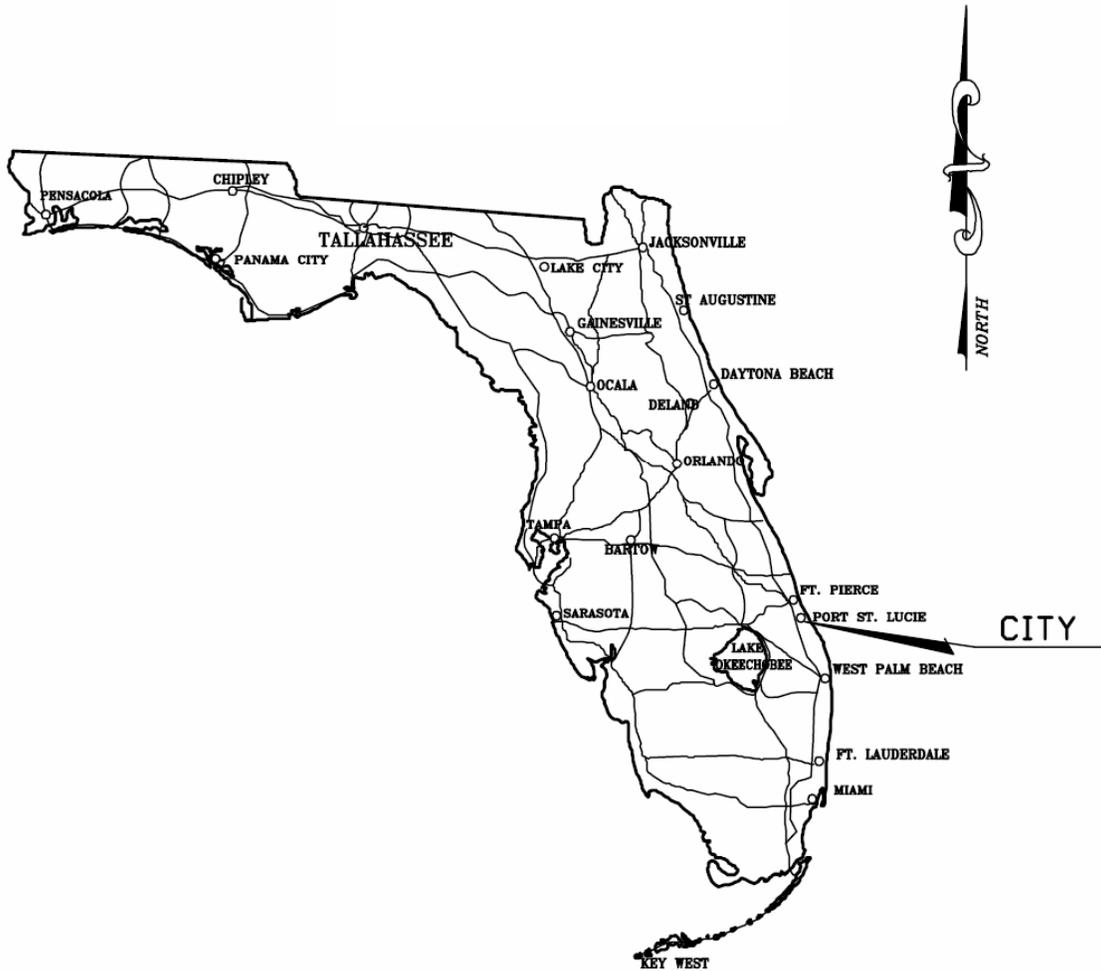
...a central gathering place that creates an identity for the city as well as provides entertainment and economic opportunities. The area will include a variety of development districts and connective open space to better serve Port St. Lucie’s current and future population.

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

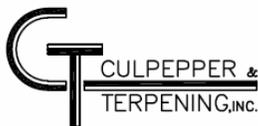
“living” document which must be evaluated and amended from time to time in order to accurately reflect changing conditions and community objectives.

As demonstrated in Figure 6, 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.

[The remainder of this page is intentionally left blank.]

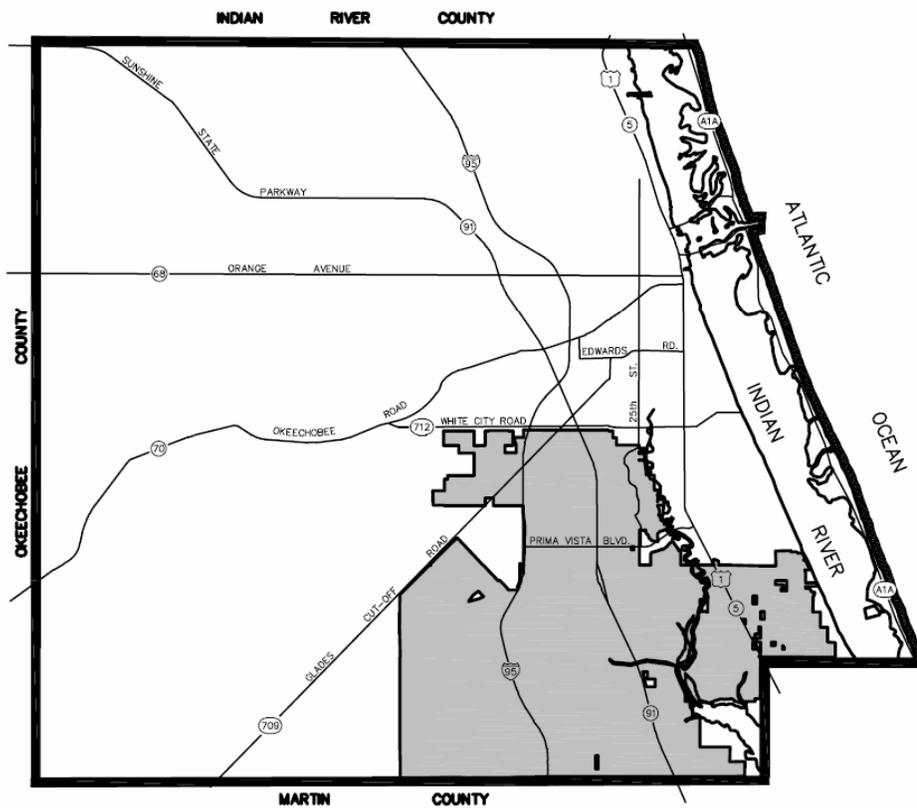


prepared by



CONSULTING ENGINEERS
&
LAND SURVEYORS
2980 SOUTH 25th STREET
FORT PIERCE, FLORIDA 34982
(772) 464-3537

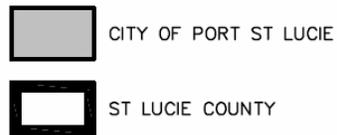
CITY OF PORT ST LUCIE
GENERAL LOCATION
FIGURE 1



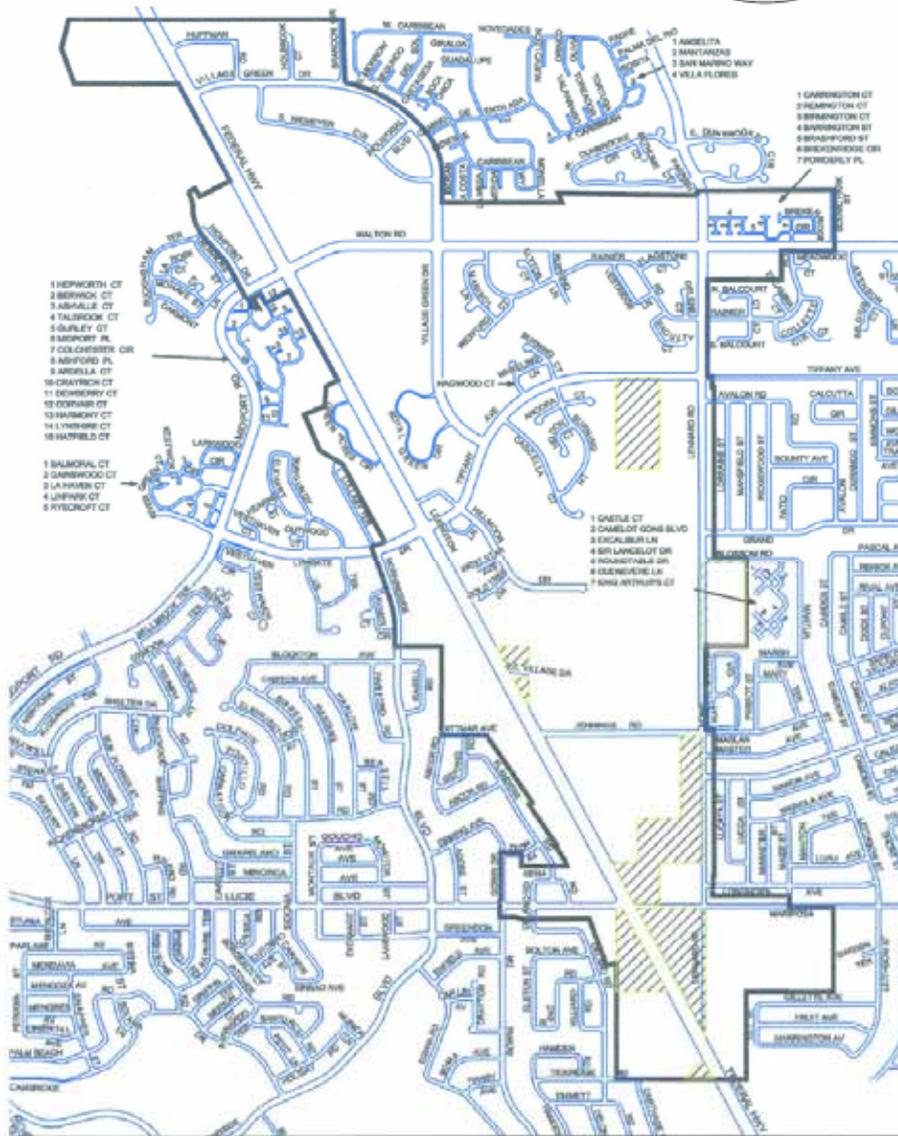
prepared by



CONSULTING ENGINEERS
&
LAND SURVEYORS
2980 SOUTH 25th STREET
FORT PIERCE, FLORIDA 34982
(772) 464-3537



LOCATION MAP
FIGURE 2



 UNINCORPORATED ST. LUCIE COUNTY

prepared by
G **CULPEPPER & TERPENING, INC.**
 CONSULTING ENGINEERS
 &
 LAND SURVEYORS
 2980 SOUTH 25th STREET
 FORT PIERCE, FLORIDA 34982
 (772) 464-3537

CRA BOUNDARY MAP
FIGURE 3

04-104 Feasibility Report.dwg



prepared by

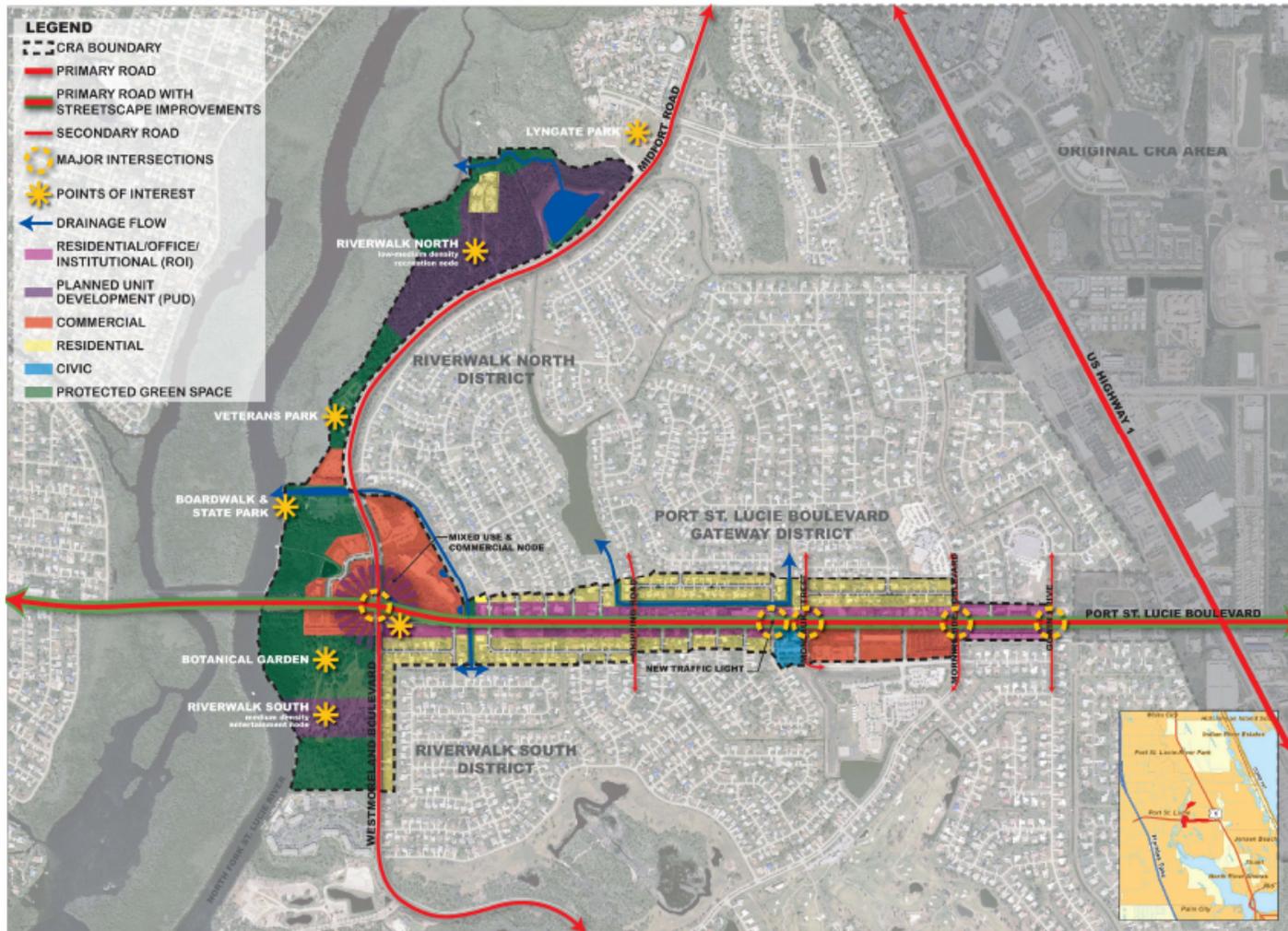
GUILPEPPER & TERPENING, INC.
 CONSULTING ENGINEERS & LAND SURVEYORS
 2980 SOUTH 25th STREET
 FORT PIERCE, FLORIDA 34602
 (772) 464-3037

Figure E-1

Port St. Lucie
 CRA Expansion
 Master Plan

Master Plan

EDAW



**CRA EXPANSION
 MASTER PLAN
 FIGURE 4**

*Graphic for this figure obtained from EDAW.



City of Port St. Lucie CRA

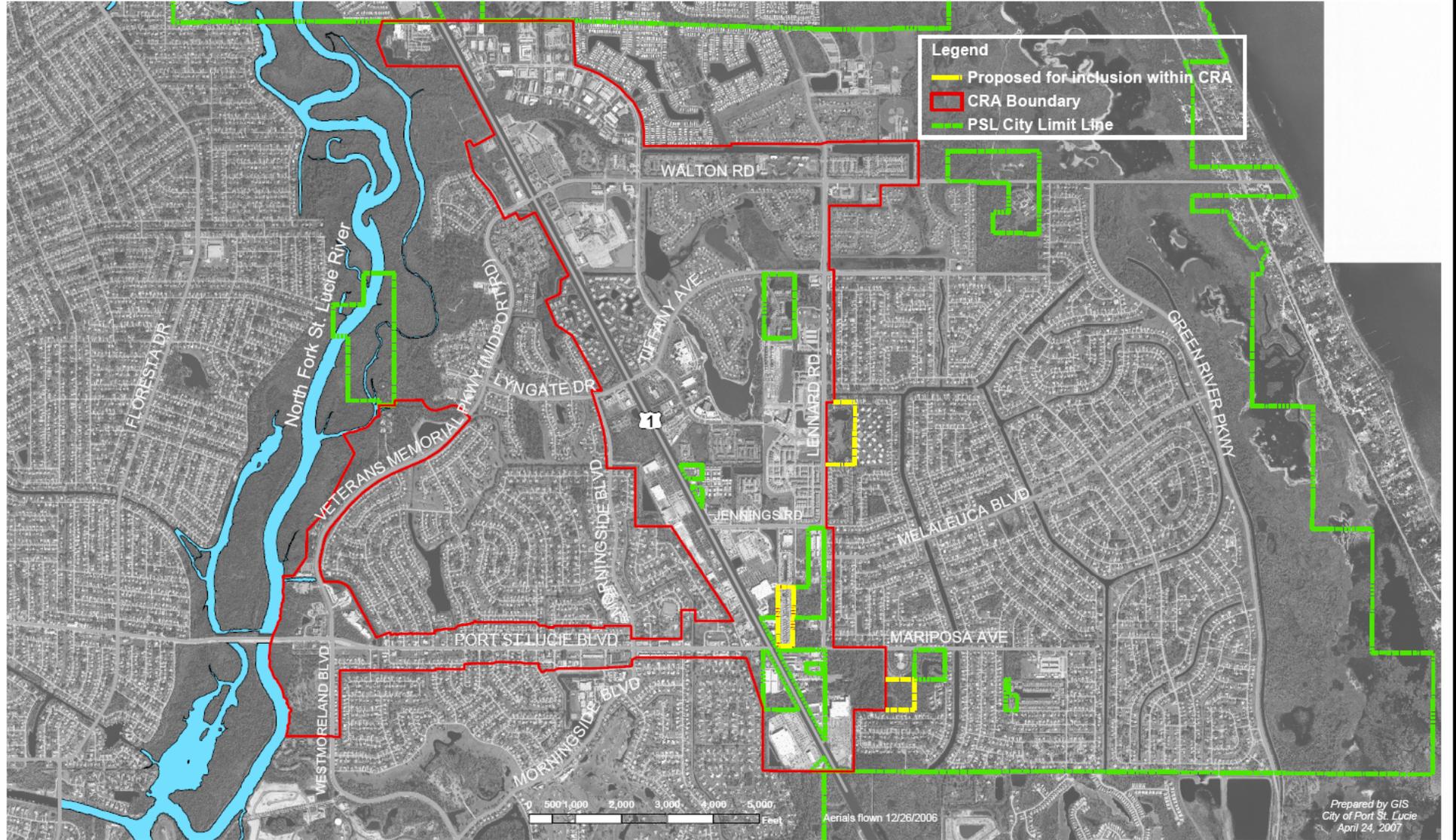
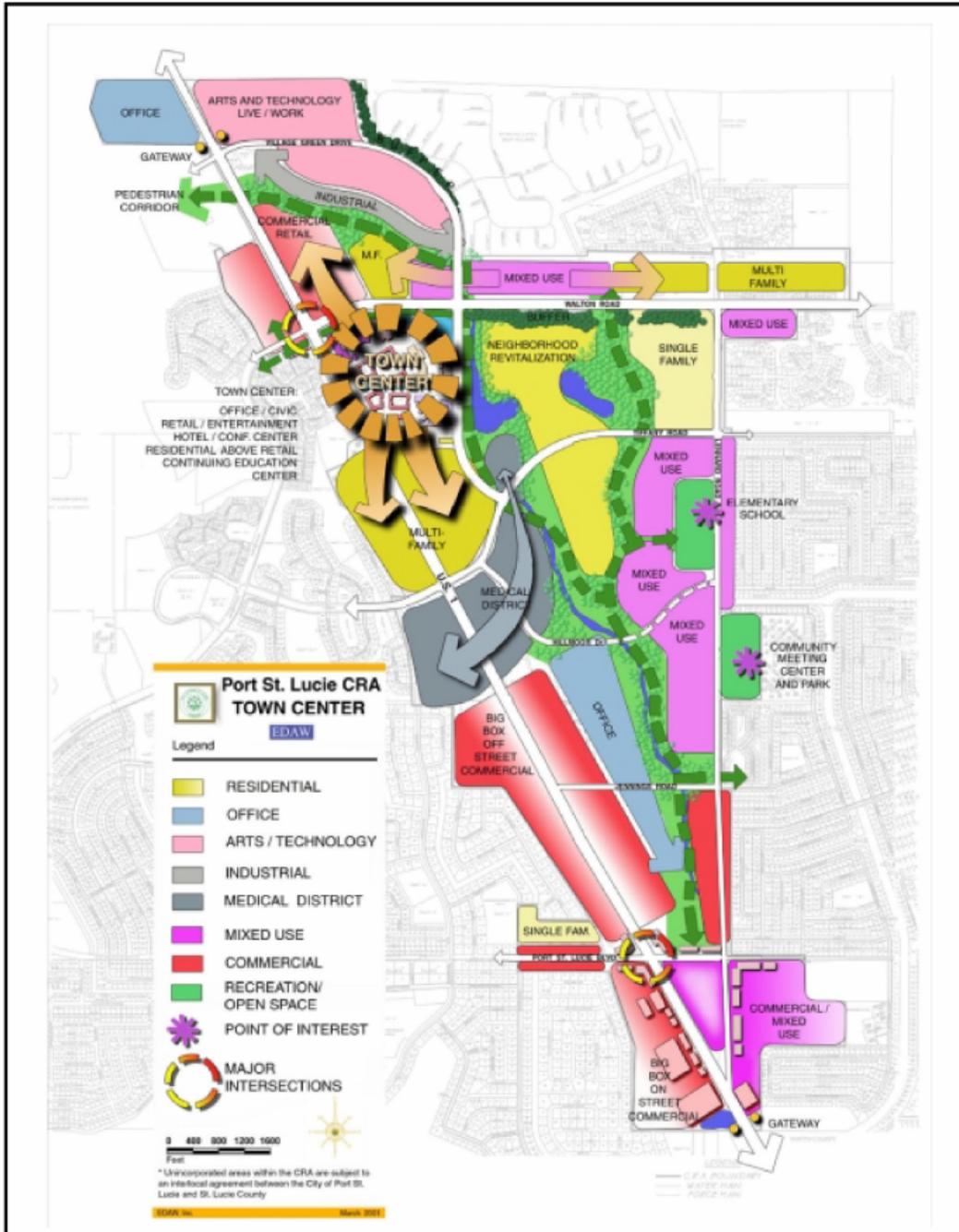


FIGURE 5



prepared by



CONSULTING ENGINEERS
&
LAND SURVEYORS
2980 SOUTH 25th STREET
FORT PIERCE, FLORIDA 34982
(772) 464-3537

**CRA MASTER PLAN
FIGURE 6**

04-194 Feasibility Report.dwg

1.4.2 The CRA Expansion Master Plan

While it references the “original” CRA and the Plan, the CRA Expansion Master Plan is truly a stand alone document and provides the redevelopment plan for the CRA Expansion Area. Written by the same consultant who authored the Plan, the CRA Expansion Master Plan very much mirrors the Plan, providing similar analyses and formatting. The important differences between the CRA Expansion Master Plan and the Plan are the vision, goals and objectives. The CRA Expansion Master Plan has a unique vision, goals and objectives for the Expansion Area. As excerpted from the CRA Expansion Master Plan:

Extending its reach across Port St. Lucie Boulevard to the North Fork of the St. Lucie River, this expansion addresses the City’s aspirations of developing an economically viable riverfront area to complement a downtown or central business district...An important attribute of the redevelopment expansion plan is its mixed-use approach to future development and redevelopment within the CRA, especially the creation of a Riverwalk and associated development on the St. Lucie River...Three character districts make up the CRA Expansion Area: the Port St. Lucie Boulevard Gateway District, the Riverwalk South District, and the Riverwalk North District...The major themes of the CRA Expansion Master Plan...include:

- Protect residential neighborhoods
- Improve aesthetics of Port St. Lucie Boulevard
- Increase pedestrian and bicyclist safety
- Create additional recreation and open space
- Increase residential options and affordability.

The CRA Expansion Mater Plan is illustrated in Figure 4.

1.5 The Fund

As set forth by Section 163.387 of Florida Statutes, after approval of the Plan, the City created the Fund for the Agency and “funds allocated to and deposited into this Fund shall be used by the Agency to finance or refinance any community redevelopment it undertakes pursuant to the approved Plan”. The Fund is primarily funded through the collection of tax increment revenue, as more particularly described under “TIF Calculation”. Tax increment revenue is derived from the incremental increase in property tax revenues of a corresponding community redevelopment area, which accrue after inception of the community redevelopment area, agency and trust fund (the “base year”). 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 community redevelopment plan. Since the tax increment is used to “finance” redevelopment, the term “tax increment” is commonly referred to as “tax increment financing” (the “TIF”).

TIF Calculation

In the case of the Agency, a Fund was established in which taxing authorities levying property taxes within the CRA are required to annually deposit an amount equal to 95% of the incremental property tax revenues they receive from properties within the CRA. The taxing authorities which currently contribute to the Redevelopment Trust Fund are: the City of Port St. Lucie, St. Lucie County, St. Lucie County Fine and Forfeiture Fund (a separate taxing authority of the County), and the St. Lucie County Fire District. Since the CRA was amended to include Lentz Grove two years after the creation of the original district, two separate databases are maintained and utilized to calculate the annual TIF contribution. This is necessary to account for the two different base years. Consequently, the calculations for the original CRA and Lentz Grove have to be calculated individually and then totaled. The manner in which this incremental revenue is calculated is more specifically described below:

Total Taxable Value of the Original CRA (as determined by the St. Lucie County Property Appraiser)
- Total Taxable Value in the base year of 2000
= Increment for Original CRA (A/K/A Increment 1)

Annual TIF Revenue = (95%)(City millage)(Increment 1) + (95%)(County millage)(Increment 1) +
(95%)(County Fine & Forf. millage)(Increment 1) + (95%)(Fire District millage)(Increment 1)

PLUS

Total Taxable Value of Lentz Grove (as determined by the St. Lucie County Property Appraiser)
- Total Taxable Value in the base year of 2002
= Increment for Lentz Grove (A/K/A Increment 2)

Annual TIF Revenue = (95%)(City millage)(Increment 2) + (95%)(County millage)(Increment 2) +
(95%)(County Fine & Forf. millage)(Increment 2) + (95%)(Fire District millage)(Increment 2)

EQUALS TOTAL ANNUAL TIF REVENUE

On November 10, 2003, the City approved an Interlocal Agreement with the St. County Fire District which exempts the St. Lucie County Fire District from contributing to the Redevelopment Trust Fund after tax year 2006 (City and Agency Fiscal Year 2006-2007). Consequently, beginning in Tax Year 2007 (Fiscal Year 2007-2008), the Fire District's contribution will be deleted from the TIF equation.

Additionally, it is important to note the expectation that the City will soon adopt an ordinance relating to the deposit of additional TIF revenue into the Fund as a result of the CRA Expansion Area. When this occurs, there will be three separate databases maintained and utilized in the calculation of annual TIF revenue. At such time, the TIF equation will have to be changed to add the revenue derived from the CRA Expansion Area Increment.

2.0 AGENCY ACTIVITIES IN FISCAL YEAR 2005-2006

In Fiscal Year 2000-2001, the City began a multi-decade commitment to fundamentally improve and revitalize its US 1 corridor by designating the CRA, appointing the Agency, creating the Fund and adopting the Plan. Just five years into its existence, the Agency has already implemented a number of successful large-scale redevelopment initiatives. Fiscal Year 2005-2006 was another incredibly active and exciting year in which the Agency worked to complete on-going projects and initiate new ones. A report of major Agency activities in Fiscal Year 2005-2006 is found below.

2.1 East Lake Village

East Lake Village is a traditional neighborhood development project consisting of approximately 200 multifamily units, 230 town home units, 220 semi-detached town home units, 240 single family units, 52,665 square feet of commercial/retail space, a greenway (linear park) and a family park which is currently under development on the 97.98 acres formerly known as “Lentz Grove”. The project is being developed pursuant to a public-private partnership agreement (the “East Lake Village Redevelopment Agreement”) between the Agency, City and St. Lucie East Development Company, LLC. The Agency’s obligations under the Redevelopment Agreement include the management and/or funding of the following improvements:

- East Lake Village SAD Improvements Project.

The construction of the road network and public facilities, such as water, wastewater and stormwater, necessary to serve the project was funded by the \$10.35



For a larger East Lake Village Master Plan, please see Exhibit “A”.

million Series 2003D East Lake Village Special Assessment District (SAD) Bonds and is referred to as the SAD Improvements Project. More specifically, the SAD Improvements Project includes:

- Roadway Improvements – Internal roadway improvements consist of the continued construction of approximately 14,100 linear feet of local curb and gutter roadway with integral stormwater drainage, approximately 15,180 linear feet of residential alleys with integral stormwater drainage, approximately 2 acres of mixed-use parking areas with integral stormwater drainage, including landscaping and irrigation of residential roadways.
- Stormwater Collection Facilities – The integral stormwater drainage and collection improvements consist of the continued construction of drainage pipes, gutters and drains within the roadways and parking areas.
- Water Transmission Facilities – The potable water transmission and distribution improvements consist of the continued construction of approximately 14,470 linear feet of 8 inch water main pipes, approximately 530 linear feet of 10 inch water main pipes, together with connection pipes to property lines, and fire hydrants.
- Wastewater Facilities – The wastewater transmission improvements consist of the continued construction of two master lift stations, a 6 inch force main line for connection to the transmission facilities at Lennard Road, approximately 9,610 linear feet of 8 inch gravity sewer pipes and approximately 2,560 linear feet of 10 inch gravity sewer pipes, together with connecting pipes to the property lines. Lennard Road Widening Project.

The East Lake Village SAD Improvements Project is funded by the property owners of the special assessment district, not the Agency. However, the Project is managed by the Agency and is expected to be closed out in early Fiscal Year 2007-2008.

- Lennard Road Widening Project (Mariposa Avenue to Walton Road).



The widening of a 10,150 linear foot section of Lennard Road from a 2-lane rural road to a 4-lane divided road which includes sidewalks, lighting, landscape and irrigation.

This project was in St. Lucie County's capital improvements program, but at a much later date than needed by East Lake Village and the City. As a result, the City successfully petitioned the County for ownership of the roadway and carried out the \$12 million project. The CRA contributed \$3.5 million to the project and provided project management. The project was substantially complete in Fiscal Year 2005-2006 and was closed out in May 2007.

- Hillmoor Drive Extension.

An approximately 2,050 linear foot extension of the 2-lane Hillmoor Drive from its original terminus to Lennard Road, including the construction of sidewalks, street lighting, landscaping and irrigation. This project was funded from the Agency's \$11.87 million Redevelopment Trust Fund Revenue Bonds, Series 2004, managed by the Agency and substantially completed in Fiscal Year 2005-2006.

- Jennings Road Widening Project.

The widening of a 1,900 linear foot section of Jennings Road from a 2-lane road to a 4-lane divided road. This project was funded from the Agency's \$11.87 million Redevelopment Trust Fund Revenue Bonds, Series 2004, managed by the Agency and substantially completed in Fiscal Year 2005-2006.



- Grand Drive Extension.

An approximately 4,330 linear foot extension of the 2-lane Grand Drive from its original terminus to Jennings Road, including the construction of sidewalks, street lighting, landscaping and irrigation. This project was funded from the Agency's \$11.87 million Redevelopment Trust Fund Revenue Bonds, Series 2004, managed by the Agency and substantially completed in Fiscal Year 2005-2006.

- Mary Ann Cernuto Family Park.

Located at the northeast corner of Grand and Hillmoor Drives, the Mary Ann Cernuto Family Park is envisioned as a “village square” to the East Lake Village Center and will feature a performance pavilion, gardens and public art. In Fiscal Year 2005-2006, the Agency worked with its consultant to prepare the construction plans for the park. Construction began in December of 2006.



- East Lake Village portion of the Wood Stork Trail

Running through the project, the East Lake Village master surface water management (stormwater) system was designed to be more than a stormwater collection and conveyance system, it was designed to be a recreational and environmental amenity and has become an integral element of the CRA’s greenway system (A/K/A the “Wood Stork Trail”). The East Lake Village portion of the Wood Stork Trail is in place and is expected to be complete in Fiscal Year 2006-2007. For additional information regarding the Wood Stork Trail, please see page 18.



Conceptualized in 2002, contractualized in 2003, East Lake Village was the Agency's first big project. In Fiscal Year 2005-2006, the vision of a TND (Traditional Neighborhood Development) featuring a mix of residential housing types within a neighborhood setting of pedestrian friendly streets, public open spaces, neighborhood squares and a greenway trail system linking its residents to the rest of the CRA was more than 50% complete. Moreover, the CRA Improvements funded by the Series 2004 Bonds were substantially complete.

At the time the Series 2004 Bonds Feasibility Report was drafted, East Lake Village's total assessed value at build out was conservatively estimated at approximately \$75 million. Today, the assessed value of East Lake Village is already \$43 million despite the fact that only a small portion of the overall project is actually on the tax roll and, therefore, generating TIF revenue. Based upon current estimates, it is now estimated that East Lake Village's assessed value will likely exceed \$150 million shortly after buildout. Consequently, not only will the Agency's investment in East Lake Village pay for itself, it will help fund the next major redevelopment initiative.



2.2 Wood Stork Trail

The Plan envisions that the CRA will include “connective open spaces to better serve Port St. Lucie’s current and future population”; and, to effectuate this vision, the Plan contemplates transforming the drainage swales, ditches and ponds of the CRA into a better functioning stormwater drainage system and a linear park connecting the entire district. To this end, in Fiscal Year 2004-2005, the CRA undertook an extensive community-driven public planning process to create a master plan for this project; and, at the beginning of Fiscal Year 2005-2006, on October 17, 2005, after a number of public workshops, the Agency adopted the “Wood Stork Trail” Master Plan. As set forth in the Wood Stork Trail Master Plan, the Agency proposes to transform the CRA’s patchwork of open spaces into a vibrant greenway and blueway system of more than 3 linear miles. When fully developed, the “Wood Stork Trail”, will have: 1) created a dedicated trail and waterway to connect the entire CRA and encourage pedestrian and bicycle travel; 2) provided a linear park and many recreational opportunities; 3) enhanced stormwater drainage storage and conveyance capacity; 4) improved water quality; 5) restored native vegetation and habitat; 6) provided an opportunity for environmental education; 7) promoted an urban form of development by providing a unified common open space instead of requiring each developable parcel to provide a small fractured set aside on each individual parcel; and 8) positively impacted the quality of life for the residents and visitors of the City.

Soon after the approval of the Wood Stork Trail Master Plan (WSTMP), the Agency commenced construction of WSTMP design districts and basins 7, 8 and 9, which include more than 5 acres of littoral plantings, approximately 1.5 acres of upland plantings, approximately 6,500 linear feet of trails, wooden boardwalks and wooden outlooks. The construction effort is still on-going and is expected to be completed at the beginning of Fiscal Year 2007-2008.

The Agency is very grateful to have a number of key partners contributing to the implementation of the WSTMP, including the Kodak Company Greenway Awards Program, the Conservation Fund, the Florida Department of Environmental Protection and the St. Lucie River Issues Team.



2.3 City Center

While the Plan sets forth many important projects and initiatives intended to realize the community's vision for the CRA, there can be no denying that the primary project is the creation of a "new old downtown" at the Village Green Shopping Center. Identified as the "Town Center" in the Plan and since named "City Center", the Plan states that City Center will be:

...a more traditional downtown with a mix of uses. This proposed reworking of the former shopping center will create for Port St. Lucie a central gathering place for the City, a place to shop and dine as well as work and live, all at a scale reminiscent of traditional Florida small towns. (p. 46 of the Plan)

In the Spring of 2005, de Guardiola Properties, Inc., and PSL City Center, LLC, approached the City and Agency with a proposal to comprehensively redevelop and revitalize the Village Green Shopping Center in accordance with the Plan; and, by the end of Fiscal Year 2004-2005, de Guardiola Properties, Inc. (the "Developer"), PSL City Center, LLC (the "Owner"), City and Agency (the "Parties") had forged a public-private partnership contractually obligated, as embodied in the adopted Redevelopment Agreement (the "Redevelopment Agreement"), to develop a mixed-use project of 208,500 square feet of retail space, 443,000 square feet of office space, 1,082 residential dwelling units which includes a civic center, police station, governmental services building and civic plaza with interactive play fountain and band shell (the "City Center Redevelopment Project").

As with the East Lake Village Redevelopment Project, the success of the City Center Redevelopment Project relies upon each Party's ability to successfully carry out its mutual obligations under the Redevelopment Agreement. These obligations are summarized as follows: the City is a steward providing for the timely review of the many necessary entitlement applications and a direct investor in the civic center and police station; the Developer is responsible for financing the bulk of the horizontal improvements via a special assessment district (SAD) and constructing the majority of the vertical improvements (downtown buildings); and the Agency funds half the cost of the civic center and invests in the off-site infrastructure improvements, land assemblage, parking garages and recreational amenities necessary to serve the City Center Redevelopment Project.

In Fiscal Year 2005-2006, the Parties made great progress in carrying out these obligations, as highlighted below:

- The City Center Redevelopment Project was fully entitled. This was a very complex yearlong planning effort which included land use and zoning changes, a Transportation Agreement with the Florida Department of Transportation and State designation of the site as an urban infill and redevelopment area.
- A re-plat of the underlying property and first site plan were nearing completion by the end of Fiscal Year 2005-2006 and were completed by the Second Quarter of Fiscal Year 2006-2007.
- The Parties created the City Center SAD so that the property owners could finance the construction of the road, stormwater, water and wastewater utilities necessary to serve the project.

- The City and Agency commenced the engineering and design of the City Center SAD Project improvements, which include:

Roadway

The roadway improvements of the SAD Project consist of the construction of an urban street grid system within the SAD. This system includes the construction of two roadway typologies: streets and alleys. The proposed street grid is illustrated in the City Center Master Plan.

Both roadway typologies provide access to the benefited parcels and include curb, gutter and integrated stormwater structures. Additionally, the street typology provides on street parking, streetscape, lighting and irrigation. Approximately 9,400 linear feet of streets and 1,270 linear feet of alleys are to be constructed.

The roadway improvements of the SAD Project include the cost of constructing roadway connections between the street grid and US Highway 1, approximately 300 linear feet of which are outside of the SAD.

Stormwater Facilities

The stormwater improvements of the SAD Project consist of the modification of the existing drainage collection, conveyance and outfall system which was approved for the Village Green Shopping Center by the South Florida Water Management District pursuant to Permit Number 56-00274-S. The stormwater improvements of the SAD Project will provide stormwater service up to the property line of each of the benefited parcels within the SAD. The stormwater lines will be sized to handle the discharge from each benefited parcel as they connect. Additionally, the stormwater improvements include the clearing and grading of the benefited properties in order to ensure that stormwater system functions properly. Lastly, it is important to note that the stormwater improvements also include enhancements to the Southern Greenway, which may include but not be limited to littoral shelves, landscaping, lighting and pathways. Environmental site assessments have been provided by the owners and there are no noteworthy environmental issues presented by the site.

Potable Water Facilities

The potable water transmission improvements of the SAD Project include a pro-rata contribution to the City's capital improvement program for the cost of required offsite facilities upgrades in accordance with the City's latest Utilities Service Model. Examples of such offsite facilities upgrades include supply and treatment capacity upgrades, upsizing of transmission lines and expansion of pumping stations.

The potable water distribution improvements of the SAD Project consist of the construction of an approximately 7,480 linear foot potable water distribution system within the district which will provide water service up to the property line of each of the benefited parcels within the SAD.

Wastewater Facilities

The wastewater collection improvements of the SAD Project include a pro-rata contribution to the City's capital improvement program for the cost of required offsite facilities upgrades in accordance with the City's latest Utilities Service Model. Examples of such offsite facilities upgrades include upsizing of transmission lines, upgrading of pump stations and expansion of plant capacity.

The wastewater conveyance improvements of the SAD Project consist of the construction of approximately 5,030 linear feet of wastewater conveyance pipelines, a lift station and a force main tie-in to the City's Wastewater System, which will provide wastewater service up to the property line of each of the benefited parcels within the SAD.

At the end of Fiscal Year 2005-2006, the City was preparing to issue the nearly \$25.2 million "City of Port St. Lucie, Florida Special Assessment Bonds, Series 2006A, to finance the SAD Project; the design and engineering of the SAD Project improvements was 98% complete; and the demolition of the existing Village Green Shopping Center was scheduled to commence with a formal ceremony scheduled for November 9, 2006. Construction of the above-described improvements is expected to commence in Fiscal Year 2006-2007 and to be complete in 2007-2008.

- The Agency undertook the planning effort necessary to carry out its obligations under the Redevelopment Agreement which include:
 - the acquisition of four pieces of property (the "Property Acquisition");
 - the funding of the professional work up to \$100,000 necessary to effect a comprehensive plan amendment (the "Professional Planning Services");
 - the design, engineering and construction of the following four parking garages:
 - "G" of approximately 1,022 parking spaces
 - "H1" of approximately 754 parking spaces
 - "H2" of approximately 754 parking spaces
 - "H3" of approximately 754 parking spaces
 - the funding of approximately 50% of the \$30 million Civic Center (multipurpose facility) (the "CRA Portion of Civic Center");
 - the construction of a recreation area known as the "Civic Square", which features an interactive play fountain and band shell; the design, engineer and construction of the Walton Road Improvements Project, the Village Green Drive Widening Project and the US 1 Landscaping Improvements Project; and
 - the provision of adequate contingency for a project of this caliber and complexity.

The total cost of these obligations (the "City Center TIF Project") is currently estimated at approximately \$76.22 million by the Consulting Engineers.

The construction of the City Center Redevelopment Project, a large-scale, complex, dynamic project, will not be accomplished overnight. In fact, the Agreement calls for it to be constructed in four main phases (Phase IA, Phase IB, Phase II and Phase III) over the next six years in accordance with the "Development Timeline" exhibit of the

Agreement. Depending upon market conditions and the other circumstances which can impact a project of this magnitude, the City Center Redevelopment Project could easily take a decade to fully buildout.

Given the expense of the City Center TIF Project and the phasing of the City Center Redevelopment Project, the Agency has decided that it is not necessary and, or, desirable to fund and construct the City Center TIF Project as a single phase. Instead, after careful study, the Agency has determined to effect the City Center TIF Project in phases, the first being “the Phase I Project” defined below:

- Property Acquisition;
 - Professional Planning Services;
 - CRA Portion of Civic Center;
 - Civic Square; and
 - Parking Garages G and H1.
- The Agency undertook the effort necessary to issue the more than \$46 million Agency Redevelopment Trust Fund Revenue Bonds, Series 2006, to finance the Phase I Project. The Bonds closed in the First Quarter of Fiscal Year 2006-2007. However, to avoid delaying its efforts in Fiscal Year 2005-2006, the Agency issued a bond anticipation note (BAN) in the amount of \$5 million to commence property acquisition and to fund the initial design effort.
 - With funding available, the Agency succeeded in acquiring the following properties:

TABLE 1: CITY CENTER PROPERTY ACQUISITION

Parcel ID	Property Address	Tract	Property Size in acres	Building Size in SQ FT	Total Acquisition Cost	Comments
3420-805-0005-010-8	TBD US 1	Part of D	0.38	vacant	\$ 125,000	10/13/2005
3420-806-0002-000-7	TBD Village Green Drive	M-2	0.63	vacant	\$ 565,000	1/16/2006
3420-805-0012-000-7	1654 SE Walton Road	J	1.52	14,000	\$ 3,060,400	7/17/2006
3420-805-0016-000-5	TBD Village Green Drive	N	0.79	vacant	\$ 900,000	Purchased in FY 06-07
3420-805-0002-010-7	Village Green 6 Movie Theater	Part of A	0.88	26,885	\$ 700,000	Purchased in FY 04-05

- The City and Agency hired the Suffolk Construction Company as the design/build contractor for the Civic Center. By the end of Fiscal Year 2005-2006, the preliminary work had been complete, a guaranteed maximum price of \$25,295,526 was set and the team was focused on delivering a completed facility by November of 2008.

Background on the Civic Center: Given that the Plan envisions civic and cultural uses within the City Center, including a cultural arts facility, conference center and other governmental uses, in 2004, the City and Agency began contemplating the possibility of partnering to construct a multipurpose recreational/cultural/meeting

facility to respond to the demand for recreational and cultural services and spur the redevelopment of City Center. Support for this facility quickly galvanized, and it was dubbed the “Civic Center” by City and Agency officials.

The Civic Center is a central element to City Center and is specifically included within the Redevelopment Agreement and City Center Master Plan. The Civic Center is noted with “K” in Exhibit “G” of the Redevelopment Agreement.

The Civic Center is envisioned as a multipurpose facility of a minimum of 100,000 square feet capable of withstanding a Category 5 hurricane, which:

- houses excellent recreational, cultural and meeting facilities;
- anchors the main street of, and provides the draw for, City Center;
- provides a “WOW” factor and is compatible with Florida Vernacular or Mediterranean Architecture;
- is architecturally significant; and
- helps to make City Center the City’s central gathering place as envisioned by the Plan.

Given its size, complexity and importance to the community, City Center will likely remain the focus of the Agency for the next several years.

2.4 CRA Expansion Area

At the onset of Fiscal Year 2005-2006, the Agency was actively engaged in evaluating the feasibility and appropriateness of expanding the CRA to include Port St. Lucie Boulevard and Becker Road. Throughout Fiscal Year 2005-2006, the Agency and City carried out a community-driven planning and public hearing process, receiving valuable input from local citizens. In early Fiscal Year 2006-2007, the City Council formally expanded the CRA to include Port St. Lucie Boulevard to the North Fork of the St. Lucie River and the Riverwalk District. Please see Section 1.0 for additional information regarding the CRA Expansion Area.

2.5 Development Services

The Agency fields thousands of customer inquiries on an annual basis, many of which are development-related. In Fiscal Year 2005-2006, the Agency reviewed a number of development applications and worked with property owners and their agents to facilitate the development of several projects in addition to those previously discussed, including the following:



Addition to the Town Center



Gulfstream Business Bank



Sam's Club



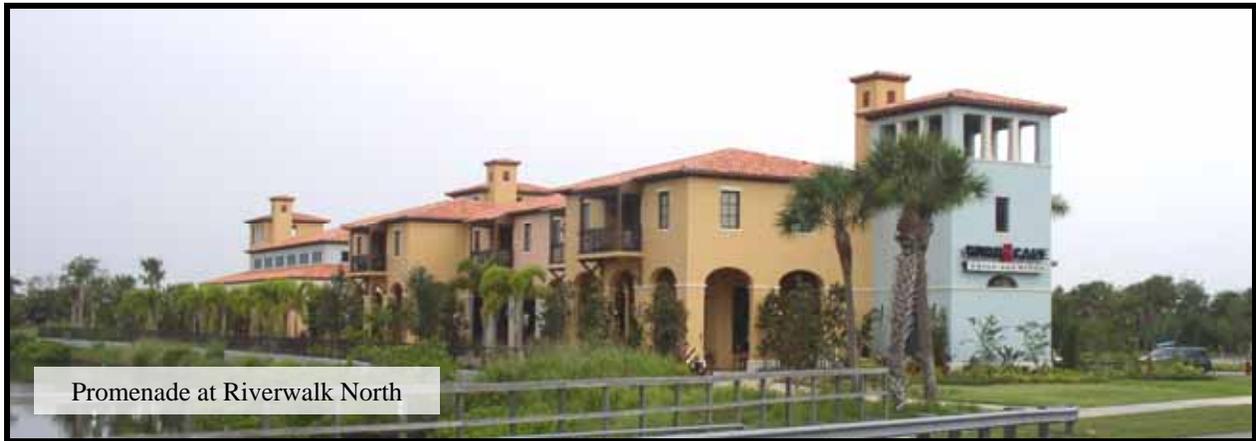
Infill at Eastport Plaza



9109 S. US Highway 1



East Lake Village Office Center



Promenade at Riverwalk North



New Office Building off of Hillmoor Drive

2.6 Special Events

As previously noted, the Plan envisions the CRA as a “central gathering place”. As part of its strategy to realize this vision, the Agency has been committed to supporting cultural and special events within the CRA. In Fiscal Year 2005-2006, the Agency continued its collaboration with volunteers, not-for-profit organizations and the City to produce *Oktoberfest*, a two day celebration of German culture; *Art & All That Jazz*, a two day celebration of art and jazz music; and the *St. Patrick’s Day Festival*, a two day celebration of Irish culture.



2.7 Response to Auditor General’s Performance Audit

In June of 2006, the State Auditor General issued the “Local Government Financial Reporting System Performance Audit”, which shared his office’s findings concerning the compliance of community redevelopment agencies with Florida Statutes. The Audit was based upon in-depth audits of 20 randomly selected community redevelopment agencies, including the Agency. While the results of the Audit confirmed that the Agency was operating in substantial accordance with Florida Statutes, the City and Agency devoted a great deal of time and effort to educate the auditors and respond to minor comments.

The Agency activities reported above represent the major thrust of the Agency’s efforts in Fiscal Year 2005-2006; however, it should be noted that the Annual Report does not include every activity of the Agency, such as responding to thousands of customer inquiries, attending hundreds of coordination meetings and public workshops, reviewing tens of development applications or even the processing of the three amendments to the City Center Redevelopment Agreement.

3.0 AGENCY FINANCIAL PROFILE

3.1 Tax Increment Revenue Analysis

The Agency's most important revenue source is tax increment revenue. As discussed in Section 1, the local implementing ordinance and state law set forth that the annual tax increment 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 2003-2004, 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 2007-2008, 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 7 and Table 2, Total Taxable Value grew by nearly \$8 million in the Agency's first year and has since grown at an average rate of more than 13.5%. This robust growth in Taxable Value has resulted in a spectacular increase in the Agency's tax increment revenue. In fact, due to the manner in which tax increment revenue is calculated and that tax increment revenue started at close to zero, its rate of growth far exceeds the rate of growth of the Total Taxable Value. As shown in Figure 8 and Table 2, tax increment revenue in FY 2001-02 was \$103,000, \$585,000 in Fiscal Year 02-03, more than \$1 million in Fiscal Year 2003-04, nearly doubled to \$1.7 million in FY 04-05 and broke the \$2 million mark in FY 05-06. Calculated as a percentage, the lowest increase in annual revenue has been 27%.

As a result of the significant appreciation in real estate values and the success of East Lake Village and other projects within the CRA, the Agency's revenue, from inception to FY 05-06, has significantly outpaced the original projections for the Agency outlined in the Plan as illustrated in Figure 9. This fact is even more impressive when considering that the actual aggregate millage rate is 12% lower than the millage rate projected by the Plan, 14.192 mills originally projected versus FY 06-07's actual rate of 12.551 mills.

It is hoped that the Agency's financial success can be sustained. Certainly, FY 06-07 will be another banner year for the Agency. However, tax reform has the potential to significantly alter taxable value, millages and, therefore, tax increment revenue. As a result, it is not possible to create reliable projections for future revenue at this time.

TABLE 2: AGENCY TAXABLE VALUE AND TAX INCREMENT REVENUE
2000-2006

Fiscal Year	Taxable Value!	% Increase in TV	Tax Increment Revenue	% Increase in TIR
2000-2001 (Base Year)	\$ 231,826,024	NA	\$ -	NA
2001-2002	\$ 239,330,269	3.2%	\$ 103,551	NA
2002-2003	\$ 273,616,075	14.3%	\$ 585,950	465.9%
2003-2004	\$ 300,627,948	9.9%	\$ 1,002,937	71.2%
2004-2005	\$ 351,793,831	17.0%	\$ 1,702,755	69.8%
2005-2006	\$ 398,043,581	13.1%	\$ 2,163,366	27.1%

! Taxable Value is the sum of Taxable Value of the CRA and the Taxable Value of East Lake Village. Each Taxing Authority may have a different Taxable Value for a redevelopment area due to differences in the exemptions (i.e. Seniors Exemption, Economic Development, etc.) granted. The City's Taxable Value of the CRA is utilized in this table.

FIGURE 7: AGENCY TAXABLE VALUE, 2000-2006

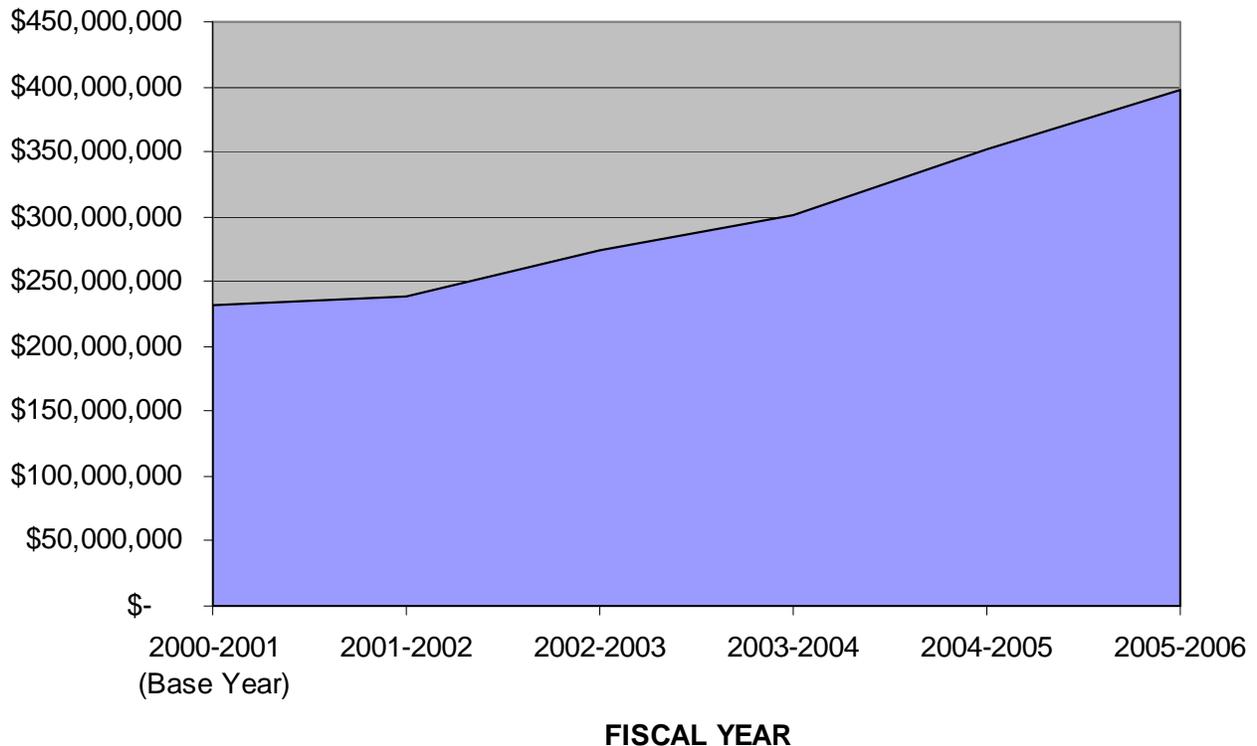


FIGURE 8: AGENCY TAX INCREMENT REVENUE, 2000-2006

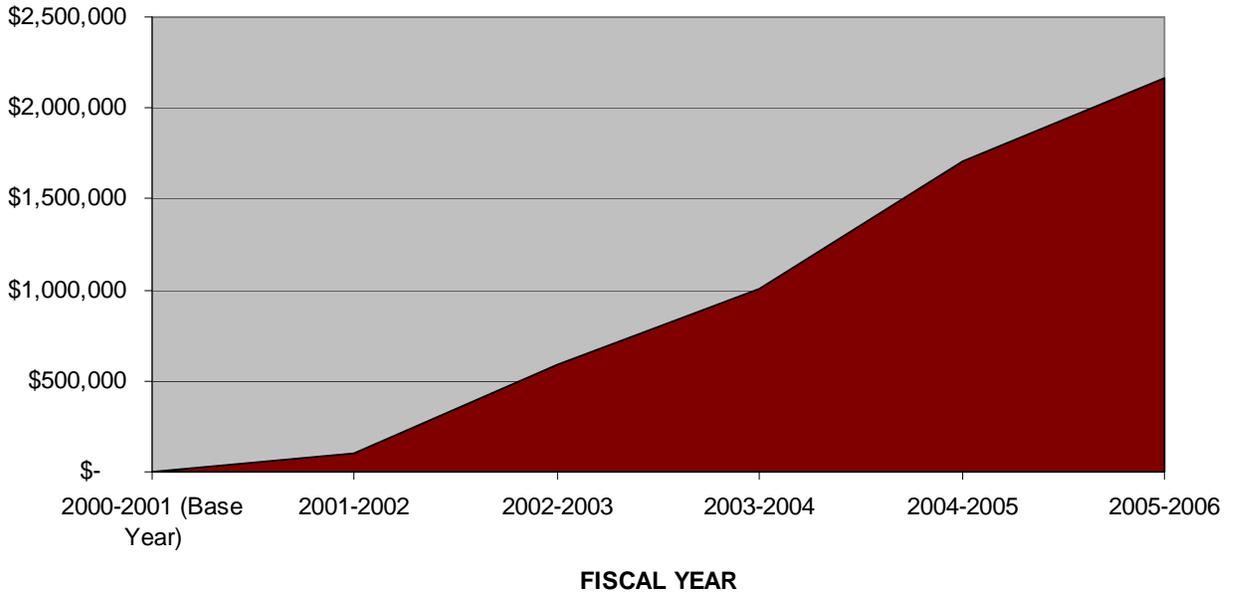
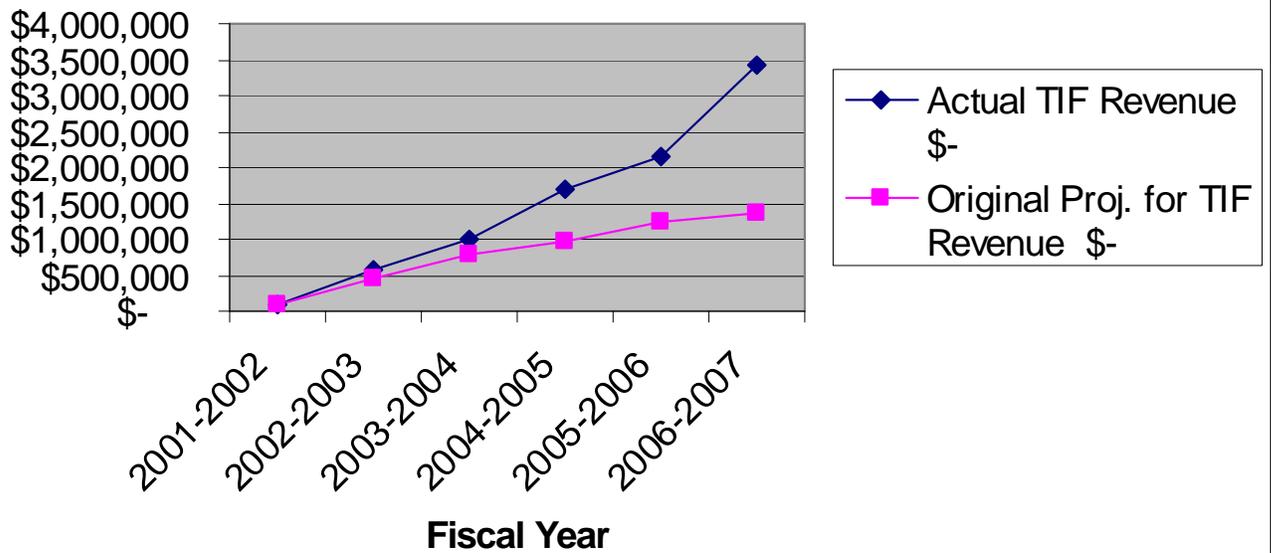


FIGURE 9: TIF REVENUE ACTUAL VS. ORIGINAL PROJECTIONS



3.2 Fiscal Year 2005-2006 Budget

Prior to the beginning of every fiscal year, the Agency prepares a budget which outlines its expected revenues, expenditures and priorities for the upcoming fiscal year. The budget is a strategic document which is intended to systematically plan the expenditure of the Agency's available income in an effort to efficiently realize its goals and objectives, as set forth by the Plan, in accordance with applicable law. A budget is prepared for each of the Agency's funds, including operating and capital. The Agency's Budget is provided as Exhibit "B".

3.3 Agency Financial Statement

Section 163.356(3)(C) of Florida Statutes requires the Annual Report to include a complete financial statement setting forth the Agency's assets, liabilities, income and operating expenses. Pursuant to generally accepted accounting principles applicable to governmental units, the Agency is considered a blended component unit of the City. As a blended component unit, the Agency's operating fund and capital improvements funds are actually accounted for as nonmajor government funds of the City, and the Agency's financial statement is included as part of the City's combined financial statements.

The City annually analyzes its combined financial statements and reports the findings of an independent audit of those financial statements via the Comprehensive Annual Financial Report (the "CAFR"). Since the Agency's financial statement is part of the CAFR and the CAFR includes an audit, the Agency has typically awaited the adoption of the CAFR prior to issuing the Annual Report so that it could provide the applicable excerpts of the CAFR as its "complete financial statement" as required by Section 163.356 of Florida Statutes. In order to better comply with the deadline for submittal of the Annual Report and other provisions of Florida Statutes, the Agency may prepare a stand-alone financial statement and receive a stand alone independent financial audit in the future. However, for Fiscal Year 2005-2006, the Agency once again relies upon the CAFR to a great extent.

Sections of the CAFR relevant to the Agency are identified and discussed below. Additionally, the referenced pages of the CAFR are attached to the Annual Report as Exhibit "C". The CAFR, in its entirety, is available for inspection in the Office of the City Clerk and in the Office of the Executive Director of the Agency.

Sections of the CAFR Relevant to the Agency

1. Page 17 identifies the Agency as a blended component unit of the City.
2. Pages 39-40 list the long-term debt of the City, including the following instruments which are debts of the Agency.
3. Unnumbered Page between 64 and 65, entitled "Nonmajor Government Funds Special Revenue Funds", describes the Port St. Lucie Community Redevelopment Agency fund which is often referred to as the "Community Redevelopment Agency Fund" within the tables of the CAFR.

4. Unnumbered Page between 64 and 65, entitled “Capital Project Funds”, describes the Agency’s capital improvements funds: “the Community Redevelopment Agency Capital Improvement Fund” and the “Community Redevelopment Agency, City Center Capital Improvement Fund”. Additionally, it should be noted that the Agency serves as the project manager for the City’s “East Lake Village Special Assessment District Collection Fund”. Within the tables of the CAFR related to capital project funds, these funds are referred to as the “Community Redevelopment Agency Fund”, “City Center TIF Fund” and “East Lake Village Fund”, respectively.
5. Page 67 provides the balance sheet for the Community Redevelopment Agency Fund.
6. Pages 71 and 72 provide the Balance Sheet for the City Center TIF Fund, Community Redevelopment Agency Fund and East Lake Village Fund.
7. Page 74 provides the statement of revenues, expenditures and changes in fund balance for the Community Redevelopment Agency Fund.
8. Pages 78 and 79 provide the statement of revenue, expenditures and changes in fund balances for the City Center TIF Fund Community Redevelopment Agency Fund and East Lake Village Fund.
9. Page 86 provides the schedule of revenues, expenditures and changes in fund balances budget and actual for the Community Redevelopment Agency Fund.

Discussion of the Relevant Sections of the CAFR and the Agency’s Financial Statement

As previously referenced, Section 163.356(3)(C) of Florida Statutes requires the Annual Report to set forth the Agency’s assets, liabilities, income and operating expenses. The CAFR directly or indirectly addresses each of these reporting requirements with the exception of assets, as noted below.

1. Assets. The CAFR does not provide an itemized list of Agency assets. However, the City’s Finance Department has provided a report of the Agency’s capital assets as found in Exhibit “D”. As noted in Exhibit “D”, the Agency’s net assets increased dramatically in FY 2005-2006. This increase is attributable to the Agency’s land purchases at City Center and its many construction projects, including the Hillmoor Drive Extension Project, the Grand Drive Extension Project, the Mary Ann Cernuto Family Park and the East Lake Village portion of the Wood Stork Trail. .
2. Liabilities. Included within the City’s liabilities listed on Pages 39-40 of the CAFR are the Agency’s liabilities:
 - a. \$11,870,000 Redevelopment Trust Fund Revenue Bonds, Series 2004. The proceeds from these bonds were deposited into the Community Redevelopment Agency Capital Improvement Fund to fund the construction, in whole or in part, the Lennard Road Widening Project, the Hillmoor Drive Extension Project, the Jennings Road Widening Project, the Grand Drive Extension Project, the Mary Ann Cernuto Family Park and the East Lake Village portion of the Wood Stork Trail.
 - b. \$5,000,000 Community Redevelopment Agency Bond Anticipation Note. The proceeds from this line of credit were deposited into the Community Redevelopment Agency, City Center Capital Improvement Fund to fund initial activities relating to the City Center Redevelopment Project, including land acquisition and work on the Civic Center. This Note was retired in FY 06-07 by the

\$46,450,000 Redevelopment Trust Fund Revenue Bonds, Series 2006, which will be discussed in the FY 06-07 Annual Report.

- c. The repayment schedule for Agency liabilities is attached as Exhibit "E".
3. Income. The Agency's revenues are listed as \$1,629,076 on page 86 of the CAFR. However, please be aware that the City's contribution to the Agency is recorded as a "Transfer In" and not as revenue. Consequently, the Agency's "income" could be considered \$2,210,756.
4. Operating Expenses. The Agency's operating expenses are listed as \$346,921 on page 86 of the CAFR under the line item entitled "Expenditures-Downtown Development". As exhibited by the Agency's Budget, approximately \$125,000 of the Agency's Operating Expenses can be categorized as "Personal Services". Of the remaining operating expenses, the largest is related to professional services and special events. Additionally, although it is not listed as an expenditure, it should be noted that the Agency also "expended" \$1,050,000 on capital projects by transferring this amount to its Community Redevelopment Agency Capital Fund. This amount is recorded in "Transfers Out".

4.0 CLOSING STATEMENT

Market dynamics and the actions of the Board, community, and staff have put the Agency in a very strong financial and strategic position. The Agency had more than \$10 million in capital projects under construction in FY 2005-2006, and most of those projects were more than halfway complete by the close of the fiscal year. These projects will profoundly change the Community Redevelopment Area as it exists today and will help to generate the tax increment revenues which will fund the Agency projects of tomorrow. In fact, the evidence of this is already apparent. The tax increment generated by East Lake Village and other CRA improvements, even prior to their final completion, has enabled the Agency to commence the development of the long-awaited City Center in earnest. The Agency is truly on the verge of something special, and the best is yet to come.

EXHIBIT "A"
EAST LAKE VILLAGE MASTER PLAN

EXHIBIT "B"
FISCAL YEAR 2005-2006 BUDGET

EXHIBIT "C"
EXCERPTS OF THE CITY OF PORT ST. LUCIE COMPREHENSIVE ANNUAL FINANCIAL
REPORT (THE "CAFR") FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

EXHIBIT "D"
AGENCY ASSETS REPORT

EXHIBIT "E"
AGENCY LIABILITIES REPAYMENT SCHEDULE