



# CITY CENTER Q&A



The City Center project has been at the heart of Port St. Lucie's vision for the redevelopment of its eastern side for nearly two decades. After a thorough analysis, the City Manager determined that the City of Port St. Lucie is the entity best suited to redevelop City Center. The Questions and Answers below lay out the complicated history of this project, address the recommendation for the City Council to authorize a purchase and sale agreement with the Securities and Exchange Commission (SEC) Receiver, and outline the transaction for the purchase of the 22 City Center parcels that took nearly 16 months to complete.

City leaders believe we are at a turning point for the City Center project, and the timing is right for the City to be able to step in and bring positive change and needed stability for this project and subsequently revitalize the entire eastern side of Port St. Lucie. In 2017, the City was in a very similar position regarding a much larger tract of land (nearly 1,200 acres) in Tradition, which is known as the Southern Grove Jobs Corridor. Though larger in geographic area and carrying greater liability due to even larger SAD Bonds, the City stepped in and took possession of the Southern Grove land instead of allowing it to fall into foreclosure and tax deed sales. Essentially, the City stepped up and assumed the role of developer in order to guide Southern Grove according to the community's vision for this very important stretch of land along Interstate 95. So far, the City has been very successful in developing Southern Grove, leading to land sales and partnerships with national and international companies that will bring in jobs above the current average wage. The fact that the City is in control of developing the land gave buyers the stability and confidence they needed, and didn't have previously, to invest in Southern Grove.

The City's administration is in the position to draw on the experience gained as developer of Southern Grove. City leaders believe the City can replicate that success at City Center. After years of complicated delays, the City finally controls this important strategic asset with the goal of redeveloping the property according to its long-held vision for it to be a thriving gathering place for economic and entertainment activity that will bring new opportunities for Port St. Lucie's eastern side.

## **How does the City taking ownership of these parcels benefit the City?**

Taking ownership of the parcels gives the City control over the development of these parcels and allows it to be developed according to the community's vision for the eastern part of Port St. Lucie. The City will jump-start and breathe new life into the redevelopment of this area. Since the City was already paying the special assessments and would not be subject to taxes for parcels used for public purposes, then it would cost the City about \$465,000 for the acquisition. Because City Center is in a designated redevelopment area, it is appropriate for the City to become the master developer and bring the stability needed to make this project successful.

## **Why now?**

Since 2015, the property was under the control of the SEC Receiver, who attempted to market the entire property to one private sector developer without success. City administration believed because of the accrued taxes, special assessments, interest and fees, the chance for a private master developer to be willing and able to purchase the 22 parcels was very low. As stated above, the City has successful experience acting as developer in a redevelopment area, which it hopes to replicate at City Center. The 2019 completion of the Crosstown Parkway bridge is another factor that City leaders believe will help them to successfully market the property as a destination for the entire City.

## **What was the City's original vision for the City Center project?**

In the early 2000's, City leaders envisioned a revitalized hub on the eastern side of Port St. Lucie, with a mix of retail, civic, entertainment, office, residential, and public spaces. It would transform the aging Village Green shopping center (built by the City's original developer General Development Corp.), which was one of the City's original gathering places, and replace it with a modern mixed-use town center area where residents could shop, work, play and engage in civic events.

## What is the history of the City Center project?

The City Center project has a long and complicated history that dates back nearly 20 years.

In 2001, the City established a Community Redevelopment Agency and adopted a redevelopment plan for the U.S. 1 Corridor. This plan envisioned the area as a central gathering place that provided identity for the city as well as opportunities for entertainment and economic development. The plan identified the former Village Green shopping center at the corner of U.S. 1 and Walton Road as the future town center.

In 2005, private developer George de Guardiola, who successfully developed Abacoa in Jupiter, purchased the Village Green shopping center and proposed the development of “City Center” as a public-private partnership. A redevelopment agreement was signed between the City, CRA, PSL Center, LLC and de Guardiola Properties, Inc. The project was to be built in four phases and include a civic component, public parking structures and private mixed-use development.

In 2008, the CRA and City completed construction of the Port St. Lucie Civic Center (now known as the MIDFLORIDA Credit Union Event Center), Village Square public plaza and interactive fountain, parking garage and several surface parking lots.

After the original developer, de Guardiola, defaulted on the properties in 2009, the City began budgeting and paying the special assessments for these parcels since 2010. Tax certificates were issued for the 22 privately held City Center parcels for delinquent real estate taxes and the project lender began foreclosure proceedings.

In 2013, de Guardiola sold the 22 parcels to U.S. Investment, LLC, operated by Lily Zhong for a purchase price of \$500,000, subject to the outstanding taxes and special assessments. The CRA and City met with Ms. Zhong on three occasions, and she suggested developing City Center as an International Trade Center to be funded through the EB-5 Immigrant Investment Program. However, applications were never submitted to the City and Ms. Zhong had no further contact with the City. In November 2015, the US Securities and Exchange Commission (SEC) brought charges against Ms. Zhong for use of the EB-5 program to defraud investors.

Soon thereafter, in 2015, a court-appointed SEC Receiver took control of the City Center parcels. The SEC Receiver was unsuccessful in selling the parcels as a whole to private developers.

## Why was the SEC Receiver not able to sell these properties?

Over the years, several private developers submitted letters of interest to the SEC Receiver for the properties but, after completing due diligence, none were able to proceed forward with the purchase of all 22 parcels. The Receiver preferred to sell all 22 parcels to one buyer. In addition to taxes and tax certificates owed, there were special assessments owed to the City for the infrastructure, such as the water and sewer lines and roads. Even if they could acquire the parcels from the SEC Receiver, the cost of paying the special assessments and taxes appeared to be too high for the private developers to “carry” during the development phase as they sold off individual properties, which takes time. In the end, the private developers that had shown interest in the City Center parcels felt the carry costs were too much and could not make the financial situation work.

## Considering the private sector’s unsuccessful efforts with the property, what is the City of Port St. Lucie’s plan to help this project finally move forward?

On November 2020, City Council authorized staff to negotiate the purchase of the 22 parcels from the SEC Receiver. Acquisition of the 22 parcels allows the City to combine these parcels with the city-owned parcels within the City Center project site. The City proposes using some of the assembled parcels for governmental purposes to enhance the MIDFLORIDA Event Center and public events. (Some of the land that has been used for many city events and festivals outside the Event Center was not actually owned by the City.) The strategic assemblage and structured marketing of the parcels will ensure the City can continue to use that property for cultural events into the future. The City will redevelop the other parcels for a variety of uses, such as office, hotel, residential, entertainment, medical or retail.

## Why would the City be successful in this endeavor when the private sector has not been?

As part of the transaction with the SEC Receiver, the City was required to settle all the outstanding debt associated with the City Center parcels, most of which was owed to the City. And, because the City is tax exempt, the carry costs would be much lower than that of a private developer while marketing some of the parcels to private buyers. This makes holding some of the properties until a buyer can be found much easier for the City. As the parcels are sold, they will be added back into the City’s tax base.

## How much more every year would this cost the City?

Historically, the City has budgeted and paid the special assessments on these parcels since they were under control of the SEC Receiver. Being that these parcels are being acquired by the City for a public purpose, the parcels would not be subject to taxes until such time as any of the parcels are sold to a private developer. Which means that, other than the purchase price, this transaction will not cost the City any more money going forward. As the parcels are sold off, the new owners will be responsible for paying the special assessments. The City intends recover the acquisition costs associated with this transaction through those sales.

## How much was owed on the property?

Interest and fees were accruing on the back taxes and assessments owed on these parcels since 2009, resulting in a total outstanding financial obligation of approximately \$47.7 million. Of this amount, during this time, the City paid on the bonds associated with the special assessments of just over \$21.5 million, as a result of its covenant to budget and appropriate. The City Council recently adopted a resolution stating the City would not be seeking reimbursement of the special assessments paid. The City is appreciative of the larger local taxing authorities’ willingness to seek creative alternatives to compensation as part of the City’s purchase of the parcels.

## What is the City’s vision for this property?

City Center continues to be envisioned as a very important cultural and entertainment hub for the eastern side of Port St. Lucie. Complimentary uses including residential, retail, office and hotel uses are desired to provide a well-balanced experience for the residents and visitors of Port St. Lucie. The City will be partnering with the Treasure Coast Regional Planning Council to initiate master planning efforts, which will be strong in focus group activities, online surveys and multiple opportunities for public engagement to refine the vision for City Center.

