



SOUTHERN GROVE

FACT SHEET

What and where is Southern Grove?

Southern Grove is a 3,605-acre Development of Regional Impact (DRI) south of Tradition Parkway. It is a part of an 8,200-acre region known to the public and marketed as "Tradition."

The Southern Grove section is the land to the east and west of Village Parkway, south of Tradition Parkway and north of the Martin County line by Becker Road. This land is approved for a mix of uses, including research and development, industrial, commercial and residential units.

Southern Grove includes the Tradition Center for Innovation, which includes Tradition Medical Center, Keiser University, the Florida Center for Biosciences and the Torrey Pines Institute for Molecular Studies. Southern Grove also includes the developing Tradition Center for Commerce, which will be anchored by a new 400,000 sq. ft. manufacturing facility for City Electric Supply.

With high visibility and easy north-south access to Interstate 95, this land in Southern Grove – which is shovel-ready and entitled for commercial and industrial uses -- has long been envisioned as Port St. Lucie's future jobs corridor and an integral part of the City's long-term economic prosperity.

In fact, as far back as 2004, these 1,321 acres of the jobs corridor were designated as an "employment center" in a report by the Urban Land Institute which analyzed the best uses for the land in this area. Because of the way Port St. Lucie was platted by its original developer, General Development Corp., there are no other similar vacant, large commercial and industrial parcels in Port St. Lucie – and all of South Florida -- that could be developed into this jobs corridor with the potential to create more than 22,500 jobs including retail, office, hotel, warehousing, hospital and research and development.

Who currently owns the undeveloped parcels in Southern Grove?

In early 2000's, developer Core Communities, LLC. owned the land and proposed the original Tradition "Development of Regional Impact." In 2010, during the height of the real estate downturn, Core defaulted on its obligation to Tradition Land Co.'s affiliate. Through a consensual foreclosure process Tradition Land Co. became the owner of Southern Grove by necessity, not by choice. Tradition Land Co. and its affiliates did not intend to be principals or take on the role of master developer when the original loans were made.

Why does Tradition Land Co. now want to liquidate its interests in Port St. Lucie?

Tradition Land Co. is not a developer, marketer or community builder and has determined that it is the appropriate time to transition Southern Grove to owners/developers (such as Mattamy Homes) with the expertise and focus to maximize future development opportunities.

Does Tradition Land Co. have a potential buyer for any of its property in Port St. Lucie?

Yes, it has a conditional agreement with Mattamy Homes, which is an Ontario-based home builder, to buy the remaining Southern Grove land that is approved for residential uses. The agreement with Mattamy Homes also is for the entire Western Grove DRI. Western Grove is the undeveloped western region of Tradition, which consists of 1,593 acres that can eventually be developed into 4,000 residential units. Mattamy Homes founded in 1978 is recognized as North America's largest privately-owned home builder, and Canada's largest residential home builder.

Why hasn't Tradition Land Co. sold a majority of the commercial property in Southern Grove?

Although the land may look the same, there is a great deal of difference between land authorized for residential use and land used for commercial purposes. One big distinction is the ability for property owners or marketing companies to identify buyers.

The 2004 Urban Land Institute Report pointed out that non-residential properties typically are sold at a much slower rate than residential parcels. Tradition Land Co. has stated that potential buyers have expressed concern that special assessments levied on Southern Grove have deterred potential commercial buyers.

What are these special assessments and why are they attached to this property?

In 2007, developer Core Communities worked with the City of Port St. Lucie to establish a Special Assessment District to fund \$165,529,700 in necessary infrastructure in Southern Grove. These improvements included:

- A four-mile divided road (Village Parkway) from Becker Road to Tradition Parkway along with signalization;
- Water and sewer trunk lines on Village Parkway;
- Community Boulevard south of Tradition Parkway;
- The I-95 interchange at Becker Road;
- A four-lane, divided section of Becker Road from I-95 to Village Parkway

Special assessment bonds were issued to pay for the infrastructure work and parcels in Southern Grove and are assessed a yearly fee (called special assessment) to repay the debt on these bonds.

What happens if the property owner, Tradition Land Co., does not pay these special assessments?

In 2007, the City of Port St. Lucie enhanced the credit on the Southern Grove infrastructure bond that included roads, water and sewer by using a tool called a "Covenant to Budget and Appropriate," where the City promises to budget and pay if the owner fails to pay the special assessment.

As a courtesy, Tradition Land Co. notified the city last year of its intent to exit Port St. Lucie. By April 2, 2018 \$5.2 million of Southern Grove taxes and assessments will have been paid. In addition, Tradition Land Co. will make an additional payment of \$1.2 million in 2017 taxes and assessments upon the anticipated Mattamy Homes closing. The City will be responsible for paying the remaining balance which is approximately \$1 million for tax year 2017.

The total financial impact for tax year 2018 in Special Assessment District assessments and taxes is estimated to be approximately \$5.1 million. As parcels are sold, the City's obligation will decrease as new owners assume payments on their properties.

How is this possible?

Just like any property owner, you can choose to stop paying taxes on your property. Eventually, you will lose this property. In this case, Tradition Land Co. deemed the annual costs of taxes and assessments greater than the value of holding the property. As an alternative to just 'walking away,' Tradition Land Co. has offered to transfer 1,247 acres of land to the City. This allows the City to develop a focused disposition action plan and it will avoid disrupting the robust market in Southern Grove.

What options does the City have now that Tradition Land Co. is pulling out of the market and will no longer pay the special assessments and taxes?

Representatives of Tradition Land Co. are offering to transfer 1,247 acres of unsold commercial land to the City of Port St. Lucie in Southern Grove.

The City Council has three options to consider. Because of the Covenant to Budget and Appropriate, the City is responsible for paying the special assessments until the land is sold no matter which option is chosen. At a special meeting on March 29, 2018, the City voted to approve option 3. This will be brought to the Port St. Lucie Governmental Finance Corp for final approval at the June 25 meeting. Staff is recommending GFC accept the transfer of 1,223 acres. The remaining acres would be transferred to the City at a later date.

THE CITY'S THREE OPTIONS

OPTION 1: TAKE NO ACTION

The City could take no action. The property would go to a tax certificate sale, and it would be tied up and off the market for several years during this process similar to the situation with City Center. Throughout this period, the City would continue to be obligated to pay the taxes and assessment until another entity begins paying them. Mattamy Homes has stated it will not buy the residential sections of Southern Grove if this option is chosen because of the uncertainty surrounding the non-residential property. The City would have no control over who purchases the non-residential property, which could put its vision for a jobs corridor in jeopardy.

OPTION 2: TAKE NO ACTION, BUT AGGRESSIVELY PURCHASE TAX CERTIFICATES

The City could take no action and aggressively pursue tax certificates, which would enable the City to push for a quick sale by the tax collector. However, this still could take several years, with no guarantee the City would be the highest bidder on the tax certificates. The City would have to continue paying taxes and assessments during this period. Mattamy Homes has stated it will not buy the residential sections of Southern Grove if this option is chosen because of the uncertainty surrounding the nonresidential property. The City would have no control over who purchases the non-residential property, which could put its vision for a jobs corridor in jeopardy.

OPTION 3: ACCEPT THE TRANSFER

The GFC could accept this transfer of 1,223 acres of land from Tradition Land Co. The City would have to continue paying taxes and assessments, but this obligation will decline as parcels are sold back into the private sector. Staff is recommending this option as most beneficial to the City because the City would occupy the position of master developer of the jobs corridor and thus control its destiny. Mattamy Homes has said this is its preferred option and it will continue with the purchase of the balance of the residential parcels if the City takes possession of the land.

The City's overall debt has been decreasing in recent years due to principal paydowns and refinancing. Will the City's debt increase again now that it has to assume payment of these special assessments until the land is sold?

No. The debt associated with Southern Grove has been taken into consideration and included in the City's overall debt portfolio since 2007. In the past, the debt service was paid for by the land owner. Now, the City's cash flow will be impacted and it must find funds in its budget to pay the debt service, but the overall amount of debt will not increase as a result of this.

How will this situation in Southern Grove affect residents and taxpayers?

The City has a goal to not increase property taxes. City staff will evaluate the budget to identify funds to pay about \$5 million in debt service and taxes next fiscal year. Currently, the market is robust and there is significant investment in Southern Grove. The City's long-term goal of creating a jobs corridor in Southern Grove remains intact. Port St. Lucie will still be in control of its vision to create employment opportunities for its residents. The City will be focused on selling the parcels and carrying out the disposition plan as quickly as possible.

Why does the City believe it can sell these commercial properties when Tradition Land Co. could not?

Because Tradition Land Co. is not a specialized developer or marketer, it did not adequately invest in marketing the area. The City has a solid vision and plan for the jobs corridor that will be instrumental in guiding staff and its consultants to aggressively market this land to the appropriate potential buyers. With Council's vote on March 29 to conceptually accept the land transfer, staff immediately began working on a disposition action plan for the sale of these properties. Staff conducted due diligence, advertised for possible joint venture partners and negotiate all closing costs. The City is highly motivated to ensure that the market remains stable and its vision for the jobs corridor remains intact.

Is the City bailing out a private developer?

The City would expend no funds to purchase this property, rather, the land would be a transfer. No matter which option the City Council chooses, the city will have to pay the debt service if Tradition Land Co. exits our market without buyers for its land in Southern Grove. This land is extremely critical to the City's future jobs corridor and the City must stay engaged with it. The City would be preserving its future by accepting the transfer of 1,247 acres from Tradition Land Co.

How is this situation different from what happened with City Center in eastern Port St. Lucie?

If the City were to accept option one or two, the results could be similar to the situation that occurred with City Center in eastern Port St. Lucie. In that case, the original developer pulled out of the City during the Great Recession. The land went to a tax sale and it fell into the hands of a private developer. After that new owner was accused of fraudulent dealings, the property ended up in the hands of a US Securities and Exchange Commission (SEC) receiver for several years. The City lost control of the land, making it even more difficult for the City to fulfill its vision for that land as a multi-use cornerstone for eastern Port St. Lucie. Additionally, the debt service continued to accumulate over the years making it much more challenging to sell the property. The City is working to avoid any possible repeat of this situation regarding Southern Grove.

How is this situation different from what happened with VGTI and Digital Domain?

With both VGTI and Digital Domain, the City used a Covenant to Budget and Appropriate to guarantee the bonds on those facilities, which were envisioned as major economic development projects that could open Port St. Lucie to the bioscience and technology industries. However, the recession and loss of government funding caused the companies to shut down in Port St. Lucie.

Because of the Covenant to Budget and Appropriate, the City was forced to assume the debt service for these facilities. The Digital Domain building was subsequently sold to Christ Fellowship Church, and the City now has control of the former VGTI building and is aggressively marketing it for sale as the Florida Center for Biosciences. Southern Grove is not a single purpose building.

The Covenant to Budget and Appropriate for Southern Grove addresses infrastructure available to all residents, business and visitors in the City, not for buildings to support specific entities.

The funded improvements included:

- A four-mile divided road (Village Parkway) from Becker Road to Tradition Parkway along with signalization;
- Water and sewer trunk lines on Village Parkway;
- Community Blvd. south of Tradition Parkway;
- The I-95 interchange at Becker Road;
- A four-lane, divided section of Becker Road from I-95 to Village Parkway.

What is the City doing to ensure that it will never be in this situation again?

Unfortunately, the City does not have the ability to go back in time and undo past decisions. However, more than two and a half years ago, the City Council changed the rules to prevent this type of situation from ever happening again in Port St. Lucie.

As a result, the City Council voted unanimously to prohibit any future use of Covenant to Budget and Appropriate provisions on economic development projects. In short, that type of economic development, where the City guarantees bonds for such projects, cannot again occur in Port St. Lucie.

This debt has already been taken into consideration in calculating the City's overall debt since 2007. There will be no other similar situations in the future.

What has happened since the March 29 City Council meeting?

City Council on March 29, 2018 agreed to pursue option 3. Staff began working on a disposition action plan for the sale of these properties. Staff has engaged legal council to assist in the title review, negotiation and preparation of a transfer agreement and reviewing due diligence materials related to the property. Staff has conducted due diligence, advertised for possible joint venture partners and negotiated all closing costs.

Why is the Governmental Finance Corp. accepting the transfer and not the City Council?

The property is subject to six community development districts, which are called the Southern Grove Community Development Districts Nos. 1-6 (the "CDDs"). A CDD is an independent special district, created pursuant to, and existing under, the provisions of Chapter 190, Florida Statutes. A CDD offers a means of providing the financing and management of major infrastructure systems and services to support the development of new communities. A CDD is a unit of local government like a county or city, although it does not have the regulatory powers of a county or city.

The CDDs were established by Ordinance (No's 07-33 through 07-38) approved by the City Council on April 9, 2007 and amended Ordinance No. 09-68 enacted August 24, 2009. The Districts include within their boundaries the entire 3,605 acres of land within the Southern Grove DRI. Each CDD is governed by a five-member Board of Supervisors, elected initially by District landowners on a one vote to one-acre basis. Under Chapter 190, Florida Statutes, a governmental entity shall not be counted as a landowner, does not have voting rights and need not be notified of CDD proceedings. Given the financial purposes associated with the CDDs as they relate to the property, legal counsel has recommended that title to the property be taken by Port St. Lucie Governmental Finance Corporation to preserve voting rights under the CDDs. The Port St. Lucie Governmental Finance Corporations board is made up of the City Council.

When will the closing take place?

If the Governmental Finance Corp. formally approves the transfer at its meeting on June 25, the closing will be scheduled for June 29th.

Why is it recommended that the GFC accept 1,223 acres rather than the full 1,247 acres?

This reduction is the result of the exclusion of 2.63 acres being conveyed to the City separately as part of a road right-of-way which provides access to the new City Electric Supply facility and the surrounding area. It also excludes 21.66 acres at the Northeast corner of Village Parkway, which is expected to be transferred in the future.

What are the closing costs and who will pay them?

Tradition Land Co. will be responsible for payment of:

- \$1,200,000 toward 2017 outstanding RE Tax Bills,
- Recording costs and documentary stamp tax on the Deed and the Drainage Easement,
- The cost to record the Post-Closing Agreement and Assignment and Assumption of Development Agreement;
- It's attorneys' fees.

The Governmental Finance Corp. will be responsible for payment of:

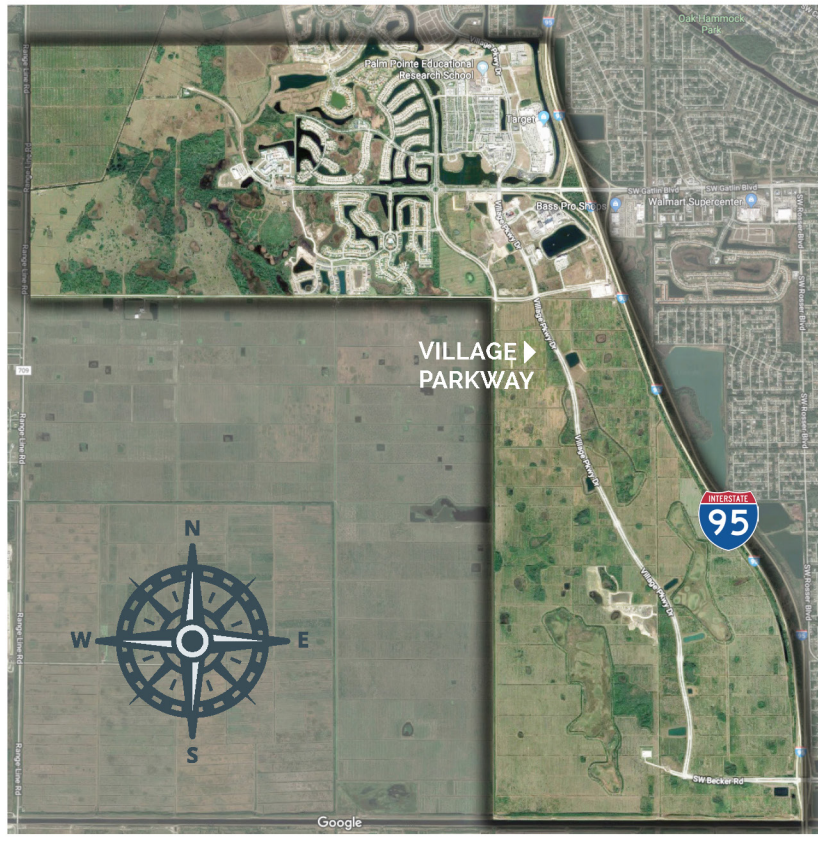
- 2017 outstanding RE Tax bills, minus the \$1.2 million payment from Tradition Land Co. That means the City is responsible for about \$1 million for the 2017 taxes.
- The cost of the Investigations (staff time)
- The costs to issue and to obtain the title commitment or any survey
- It's attorneys' fees

What will happen after the GFC officially accepts the transfer of the 1, 223 acres and the closing?

City administration will evaluate the Request For Proposal responses, and the City Council could potentially select Joint Venture partners. City staff will refine and implement the disposition plan. The City anticipates working with the Urban Land Institute Advisory Services Panel to help update a master plan for this region. The City also anticipates conducting a market study. If GFC closes on the transfer, this then Mattamy homes has indicated the company will purchase the balance of the property within the Tradition, Western Grove and Southern Grove DRIs.

From lessons learned of the past, we are correcting, adjusting and rebuilding something greater to ensure a prosperous future for Port St. Lucie.

The jobs corridor is the City's future. It is too important to allow it to sit dormant and be entangled in delays or uncertainty.



SOUTHERN GROVE LOCATION

The Southern Grove Section is the land to the east and west of Village Parkway, south of Tradition Parkway and north of the Martin County line by Becker Road. This land is approved for a mix of uses, including research and development, industrial, commercial and residential units.

Southern Grove has a current estimated market value of \$225,395,103, and it has an estimated value of \$2,003,341,448 at 80 percent build out. The jobs corridor in Southern Grove is the only location for a large footprint commercial and industrial development in Port St. Lucie.

