

Agenda Item #:

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PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: December 5, 2006 [] Consent [X] Regular

[] Ordinance [] Public Hearing

Department: Facilities Development & Operations

I. EXECUTIVE BRIEF

Motion and Title: Staff requests Board Direction: Regarding letter proposal from Secretary Lewis (Florida Department of Management Services) dated October 20, 2006 regarding; 1) co-locating public uses on the State's Dimick Block within the proposed West Palm Beach Transit Oriented Development District and; 2) requesting additional funding in the amount of \$2,900,000 for the construction of the new replacement Health Department Facilities.

Summary: On July 18, 2006, the Board held a workshop to update three County facilities master plans. With respect to the Government Hill Master Plan, the Board indicated support to consider meeting the County's need for four acres on Government Hill in a different location within the City's Transit Oriented Development District. On October 11, 2006, State and County Staff, representatives of the City, Health Department and Health Care District met to work through the planning aspects of co-locating the public uses on the Dimick Block. On October 20, 2006, Secretary Lewis sent a letter detailing the basic deal terms in the form of a proposal to the County which includes the consensus land allocation plan. While the physical aspects of the consensus Dimick Land Allocation Plan are feasible, Staff believes that the financial aspects of the business terms presented by Secretary Lewis to implement the transaction between the State and County are beyond the terms previously contemplated by the Board and the proposal as currently presented is not one that Staff can recommend the Board conceptually approve. (FDO Admin) (Countywide/District 7) (JM)

Background and Policy Issues: See attached letter from Bob Weisman dated November 29, 2006 for discussion of issues.

Attachments:

1. Letter from Bob Weisman dated November 29, 2006
2. Letter from Secretary Lewis dated October 20, 2006
3. Land Allocation Map dated October 20, 2006

Recommended by: Ann Marie Wolf 11/29/06
 Department Director Date

Approved by: [Signature] 11/29/06
 County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2007	2008	2009	2010	2011
Capital Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Operating Costs	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
External Revenues	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Program Income (County)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
In-Kind Match (County)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
NET FISCAL IMPACT	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>	<u><u>-0-</u></u>
# ADDITIONAL FTE POSITIONS (Cumulative)	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Is Item Included in Current Budget? Yes No
 Budget Account No: Fund Department Unit Object
 Reporting Category

B. Recommended Sources of Funds/Summary of Fiscal Impact:

C. Departmental Fiscal Review: _____

III. REVIEW COMMENTS:

A. OFMB Fiscal and/or Contract Development & Control Comments:

<p><u>Elizabeth Blasen</u> 11/30/06 OFMB</p>	<p align="center"><u>N/A</u> Contract Dev. and Control</p>
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DM
11-30-06

B. Legal Sufficiency:
N/A
 Assistant County Attorney

C. Other Department Review:



November 29, 2006

To: Addie L. Greene, Chairperson and Members of the Board of County Commissioners

Thru: Robert Weisman, County Administrator

From: Audrey Wolf, Director
Facilities Development & Operations

Re: December 5, 2006 Regular Agenda Item
County's Government Hill Master Plan and Status of
Discussion with State on Co-Locating on Dimick Block

On 7/18/06, the Board of County Commissioners (Board) held a workshop to update three facilities master plans; Downtown, Government Hill and Airport Center. With respect to the Government Hill Master Plan, the Board indicated support to consider meeting its need for four acres on Government Hill in a different location within the City's Transit Oriented Development District (TOD) providing that it could be done through the creation of a "public use block" on the State's Dimick Block.

On 10/11/06, County and State Staff, along with representatives of the City, the Health Department (DOH) and Health Care District (HCD) met to work through the planning aspects of co-locating the public uses on the Dimick Block. A consensus plan was developed which addressed the physical planning aspects and identified the basic business and operations issues which would have to be addressed in order to implement that plan. In addition at this meeting, the State indicated it intended to request additional local funding to cover delay costs on the DOH Building arising from participating in this planning effort. On 10/20/06, Secretary Lewis sent a letter further detailing the basic business terms in the form of a proposal to the County (State Proposal). An evaluation of the terms of the State's proposal, including the funding deficit request is attached as Exhibit A to this report.

While the physical aspects of the consensus Dimick Land Allocation Plan are feasible, Staff believes that the financial aspects of the plan are beyond the terms previously contemplated by the Board and the proposal as currently presented is not one that Staff can recommend the Board conceptually endorse.

In order for the Board to fully consider the State's Proposal, Staff believes it necessary to present the likely financial scenario and risks associated with the Board's ongoing participation in the TOD. While not specifically addressed by Staff at the 7/21/06 Board workshop, representations were made in various other presentations since late 2005 that the County's participation in the TOD would not result in out-of pocket expenses to the County and that if and when the property was disposed of to a TOD developer, the County would be able to recover its \$8.1M contribution to the DOH. Staff was never comfortable that the County's participation would result in a financially neutral position and with some of the terms of the County's participation now being defined, Staff can begin to quantify likely financial outcomes.

The following table reflects Staff's preliminary and rough estimate of the range of probable costs associated with its participation in the TOD. These costs should be viewed as minimum County funding requirements (Shortfall) to make the TOD feasible. There are dozens of factors which will influence the ultimate financial outcome. The first two risk factors (described after the table) will not only influence the financial picture, but also could be fatal flaws to proceeding with the TOD at all. Again, the purpose of this table is to provide a new frame of reference for considering on-going participation in the TOD.

It should also be noted that the DOH Facility funding deficit is estimated by the State to be \$2,900,000. Staff's recommendation is that the County not provide additional funding to the DOH. However, the Board's ultimate decision on funding can be independent of its consideration of the County's continued participation in the TOD, and is therefore not included in the following table.

**Preliminary Minimum County Funding Requirements
in the West Palm Beach Transit Oriented Development**

Cost Category	Most Favorable	Least Favorable
Net Revenue From Disposition of County Block and partial purchase of the Dimick Block. See note 1 for assumptions.	\$ 5,380,000	\$ 2,208,000
Other costs associated with the partial purchase of the Dimick Block. See note 2 for assumptions.	\$ 0	\$ (5,055,000)
Costs associated with relocation of Community Services prior to scheduled relocation in 2015-2020. See note 4 for assumptions.	\$ (7,402,000)	\$ (10,600,000)
Costs associated with accelerating remainder of facilities to accommodate Community Services in larger County facility. See note 4 for assumptions.	\$ 0	\$ (46,000,000)
Projected Shortfall	\$ (2,022,000)	\$ (13,447,000)
Projected Accelerated Costs	\$ 0	\$ (46,000,000)

Notes:

1. The value of the County's 6.68 acre holdings (not including the Wedge Property) is estimated to be \$600,000/acre assuming current zoning and land development regulations and \$1,000,000/acre for property with zoning and land development regulations appropriate to support TOD style mixed use development and with requirements for the incorporation of workforce housing. The value of the Dimick Block property is estimated to be the same. The most favorable analysis assumes only 1.3 acres of Dimick are purchased and the least favorable analysis assumes that 3 acres of Dimick are purchased.
2. The State's proposal delineated terms for the State's participation in the TOD. The most favorable analysis assumes that Staff's recommendations are realized and the least favorable analysis assumes that the State's proposal is accepted. The differences between the State proposal and Staff's recommendation are discussed in detail in the Evaluation Terms 3, 4 and 5 and attached as Exhibit A.
3. The Community Services Building is a 36,000 sf building and 120 parking spaces currently located on the County block. The building was constructed in the 1970s, but has had all of its major building systems rehabbed or replaced in the last five to ten years in anticipation of another 15-20 years of service. The Airport Center Master Plan contemplates that the Community Services function would be relocated to Airport Center when those buildings are required in 2015-2020. If the development of the TOD requires an early relocation of this building the investment in the existing building will be lost. The most favorable analysis assumes move and relocation costs and a rental rate

consistent with "throw away" build-out. The least favorable analysis assumes that the County would have to relocate its facilities into space fit up to County standards. Both are for ten years (2008-2017) until the buildings at Airport Center are available.

4. If the needs of the Community Services Department grows faster than that of the Courts or constitutional officers or the interim period exceeds 7-10 years, the County will need to commit the funding necessary to construct the entire 175,000 sf at Airport Center as that property can only be built in one additional phase due to physical property constraints and the impacts on existing operations. The most favorable analysis assumes that no costs are accelerated and the least favorable analysis assumes that the costs of a 139,000 sf facility and 580 parking spaces (difference between 175,000 sf and 700 cars and 36,000 sf and 120 cars) would be accelerated. For comparison purposes all construction costs are shown in current dollars and not escalated to the actual year of construction.

In addition to the assumptions above, the following are four other major factors influencing the magnitude of the Shortfall. The first two of which could also become fatal flaws to the TOD development.

1. A major factor in the value of the County property will be having land development regulations in place which support TOD style developments, in advance of the RFP being advertised and negotiated. Without same, there is substantial risk to a purchaser under the RFP who will not know what development regulations they will be subject to. This risk equates to a reduction in price. This report assumes that the RFP will be held until the City modifies its comprehensive plan, zoning and land development code as well as the Downtown Master Plan to support a TOD style development.
2. No area-wide traffic studies have been conducted to determine whether the downtown West Palm Beach roadway network can support this level of development. Those studies when completed may; 1) reduce the overall development potential of the TOD to match available capacity thus reducing value of County property, 2) require the TOD developer or governmental partners to make costly roadway infrastructure improvements, 3) require the TOD developer or governmental partners to make significant financial contributions to transit operations and/or 4) result in the last partner(s) to develop having no development capacity.
3. While the structure of the governmental entities participation in the TOD presented in this report greatly simplifies the transaction from a developer's perspective (only work with the County), the existence of the Community Services Building and its on-going operation remains a tough issue for a future developer. Any additional conditions placed on the developer (ie: to replace surface parking, regulate timing of development to meet a non-market driven schedule) will reduce the value of the County property and/or reduce the viability of the TOD in general. A major example of such condition is that discussed in the Evaluation of the State Proposal, Term #3.
4. All projections as to parking demand are based on the actual parking demand reducing over time. Due to the large amount of governmental offices planned for the Dimick Block, if the parking demand does not diminish, the parking requirements would be underestimated by about 20% which would make the Dimick Master Plan infeasible if all entities built out to their max potential. Furthermore, this would require construction of additional garage spaces at our estimated costs of another \$9,000,000 to the governmental partners and create some operational issues.

The reason for including the preceding analysis in this particular report is to clarify that the County will likely not be in a financially neutral or revenue receiving position and that should be acknowledged by the Board, along with the non-financial benefits of participation, in evaluating its continued participation in the TOD.

Based on the above there are two overall policy questions for the Board.

1. **Does the Board want to fund the funding deficit in the estimated amount of \$2,900,000 in whole or in part in order to ensure that the new DOH facilities move forward (Evaluation Item 6 below)?**
2. **Does the Board want to continue its participation in the planning and implementation of the West Palm Beach TOD based on an estimated funding contribution between \$2,000,000 and \$ 13,400,000 (Evaluation Items 2-5 and 7-8 below)?**

Staff's comments on each deal term presented in the State's proposal as well as Staff's alternate recommendation are contained in Exhibit A for the Board's consideration.

Exhibits

- A. Evaluation of Secretary Lewis' October 20, 2006 Proposal
- B. Letter from Secretary Lewis dated 10/20/06
- C. Land Allocation Map dated 10/20/06

cc: Ross Hering, Director Property and Real Estate Management
Dwight Chenette, CEO, Health Care District of Palm Beach County
Lois Frankel, Mayor, City of West Palm Beach
Kim Briesemeister, Executive Director, West Palm Beach CRA
Secretary Colleen Castille, Florida Department of Environmental Protection
Secretary M. Rony Francois, Florida Department of Health
Tim Cerio, General Counsel, Florida Department of Health
Ron Walsh, Project Manager, Florida Department of Health
Dr. Jean Malecki, Director PBC Health Department
Tom Arnedos, Director, General Services, PBC Health Department
Steve Ferst, General Counsel, Florida Department of Management Services
Tim Dimond, Director, Florida Department of Management Services
Dean Izzi, Program Manager, Florida Department of Management Services

Exhibit A
Evaluation of Secretary Lewis' October 20, 2006 Proposal Letter

Definitions

The following definitions are used in the evaluation of the State's letter proposal.

1. City: The City of West Palm Beach
2. County: Palm Beach County
3. County Block: A portion of the County's holdings on Government Hill, specifically the northern most County owned property being the majority of the block between Datura and Evernia Street.
4. Dimick Block: The State owned property between Clematis and Datura Streets.
5. DOH: The Department of Health commonly known as the Heath Department.
6. DOH Phase I Building: The 92,000 sf building planned by the DOH, sufficient to meets its current needs.
7. HCD: Health Care District of Palm Beach County
8. Phase I Development: The total of DOH Phase I Building, the HCD Building and the parking facilities necessary to accommodate both buildings.
9. Phase II Development: The expansion to Dimick Building by the State, the County Building, or the Phase II DOH Building; whichever comes first.
10. Staff: Palm Beach County Staff
11. State: The State of Florida, specifically the Board of Trustees of the Internal Improvement Fund managing the State's real estate portfolio on behalf of the State agencies.
12. TOD: Transit Oriented Development

Evaluation of Project Concept Set Forth in Secretary Lewis' 10/20/06 Letter

1. Dimick Block Master Plan – State Uses

- a. *10/20/06 Secretary Lewis Proposal.* State uses including the DOH and HCD would ultimately occupy the western portion of the block, shown on Attachment 2 in yellow and orange. Approximately 1200 parking spaces (3 spaces/1000 sf with a total of 393,000sf at build-out) for these uses combined would be provided within a structured parking garage to be located on the western portion of the Dimick Block, within the footprint of the identified County uses.

- b. *Staff Comments.* Staff concurs with the final land allocation plan, but does not agree that the land for the parking garage serving primarily non-County uses should be within the land to be conveyed to the County (discussed in Item #2 below).
- c. *Staff Recommendation.* Staff recommends that the State be encouraged to proceed with the re-design of the DOH facility for the location shown on Attachment #3 and proceed to construction as soon as possible. Staff also recommends that it be authorized to continue negotiations with the State on the conceptual business terms. It is recommended that such terms be finalized after the disposition of the County holdings.

2. Dimick Block Master Plan – County Uses

- a. *10/20/06 Secretary Lewis Proposal.* A 12-15 story, 350,000 sf building would be located on the western most portion of the Dimick Block along with a 1800 space structured parking garage serving the non-County uses and approximately 600 of the County's 1400 required parking spaces. The remainder of the County's parking spaces would be located in a parking structure on the County Block. The County would acquire the Dimick Block property at fair market value.
- b. *Staff Comments.* Staff concurs with the physical aspects of the land allocation plan, but is not in agreement that the land underlying the parking structure should be acquired by the County. The County is the only entity acquiring land within the Dimick Block for its use and to require the County to acquire the land underlying the parking structure which is primarily for the benefit of the State is completely inequitable. The cost of proceeding with the TOD should be shared amongst the partners. Further, the County previously donated 6 acres of property at 45th St and Australian for the DOH with no conditions and has agreed to fund \$8.1 M towards construction of the new DOH Phase I facility with no conditions. For these two reasons there is a good argument to be made that the land underlying the proposed County building should be donated to the County to increase the viability of the TOD (by reducing the County's shortfall) and recognizing the on-going partnership between the County and the State with respect to planning and facilities delivery in Palm Beach County.
- c. *Staff Recommendations.* Staff recommends that at a maximum it acquire only the property underlying the proposed County building at fair market value using the revenues derived from the sale of the County's holdings on Government Hill and that it not pay for its pro rata share of the land underlying the parking garage (approximately .6 acres). The County could pay either in cash or by the delivery of improvements on the Dimick Block.

Staff recommends that the County (as well as all other partners) fund the pro rata share of the design and construction costs associated with its assigned parking spaces at such time that the structured parking is constructed. In order to implement this, Staff would have to negotiate a parking development, operations and management agreement between the Health Department, HCD and State which would have; 1) each party funding its share of the design and construction costs, 2) the County responsible for daily garage operations and maintenance,

and 3) the State responsible for funding garage renewal and replacement and capital costs.

3. Construction of Structured Parking for Phase 1 Development on Dimick Block

- a. *10/20/06 Secretary Lewis Proposal.* The County would build a parking garage concurrent with the development of the HCD Building of sufficient size to accommodate the parking needs of the Phase 1 Development (existing Dimick Building, HCD Building and the DOH Phase 1 Building (at 2 spaces/1000 sf)) within the Dimick Block. The components of the Phase 1 Development which must be accommodated in this garage are; a) the surface parking lost by the development of the HCD Building, b) the parking for the HCD Building at 3 spaces/1000 sf, c) parking for the Dimick lost by the development of the garage, and d) surface parking lost by the dedication of the property for the street and linear park. The total of same is estimated to be 250 spaces.
- b. *Staff Comments.* This term shifts all costs associated with parking for the HCD development to the County as well as the cost of replacement parking for the Dimick Building as a result of the sublease between the State and the DOH; to which the County is not a party and but for the County's participation in the TOD planning efforts would have been borne by non-County entities. These costs are standard costs associated with development of a building and should be borne by the governmental partner developing its facilities.

In this case, there is already a sublease agreement between the State, HCD and DOH addressing, albeit conceptually, the intent of the parties with respect to parking. The sublease indicates that the parties will provide shared surface parking for their employees and guests within the DOH Leased and HCD subleased property pursuant to a future license agreement. This agreement also contemplated that the surface parking would be allocated by proportionate share. This agreement further contemplated that the surface parking would have to be vacated and replaced at some point and specifically stated "the parties shall cooperate in developing plans to assure that their future parking needs on the property are met."

- c. *Staff Recommendation.* Staff recommends that the State continue to surface park as many spaces as can be accommodated on the Dimick Block, with the remainder of the parking spaces required for Phase 1 Development being accommodated through surface parking on the County Block. DOH and HCD would each pay their fair share of the design and construction costs associated with the surface parking whether it be accommodated on the Dimick or County Blocks. This is consistent with the intent of the current agreement and does not shift the responsibility for same to the County.

Since the Dimick Block will accommodate all but about 100 spaces required for Phase I Development, we understand why it was suggested that the first portion of the garage be constructed on the Dimick. Due to the small size of this early phase of the garage when compared to the overall garage ultimately required for the Dimick Block, it is not advisable to tie the State and County into making decisions on the design and operation of a constrained 1800 car parking garage which is likely not needed for 15-20+ years, solely to accommodate

approximately 100-125 vehicles (6%-8% of the total garage). These 100-125 vehicles can be currently accommodated on the County Block at a very low cost.

If permitted by the City (see #4 below for more details), the County could make land available within the County Block to accommodate unmet non-County surface parking needs of Dimick Block users until; 1) the structured parking on Dimick Block is funded and constructed as part of the Phase 2 Development, 2) the County disposes of its holding and acquires the property on the Dimick Block, or 3) develops the County Block for its purposes, whichever comes first. This strategy maintains the current intent of the parties for parking on Dimick (State, HCD and DOH), reduces the cost to all parties, and allows the parties to maintain flexibility for the future. In order to implement this recommendation, additional terms would have to be added to the parking agreement discussed above to address the interim parking scenario. The value of use of the land is not considered in the Shortfall as the use does not present out of pocket costs.

It should be noted that while recognizing and enabling the parking shortfall of the State, HCD and DOH on the County Block benefits all governmental partners by reducing current costs and preserving flexibility for the future, it does represent an additional condition on the County Block which could result in; 1) a reduction in the value of the County Block and/or 2) a reduction in the viability of the TOD.

4. Use of County Block for surface parking for DOH not accommodated on Dimick Block.

- a. *10/20/06 Secretary Lewis Proposal.* The County would provide DOH use of surface parking spaces until the structured parking is available on Dimick. This actually represents the difference between the 2 spaces/1000 sf provided on Dimick and the 3 spaces/1000 sf required for that facility. This equates to 100-125 parking spaces.
- b. *Staff Comments.* With or without the TOD, continued use of the County's holdings for parking by the DOH was never contemplated by the County in its existing agreement with the State/DOH for the DOH to vacate the County property. During the course of the discussions regarding the TOD, it became evident that the DOH and State were assuming that the County Block would be made available for surface parking for the DOH so that the State could meet all of its parking requirements via surface parking.
- c. *Staff Recommendations.* Staff recommends that the County and State prepare an interim surface parking study which lays out the State's, (Dimick Building, DOH and HCD) surface parking needs on the undeveloped portion of Dimick Block (with the excess programmed for the County Block), to determine; 1) how many spaces are required to be located off Dimick, 2) the configuration of the parking on both the Dimick and County Blocks, 3) whether the City will permit the land to be transitionally used for surface parking and the requirements of that permit, and 4) the construction costs associated with the development of the surface parking lots, if any.

5. Development of Surface Parking for DOH Phase I on Dimick Block.

- a. *10/20/06 Secretary Lewis Proposal.* The County would develop, at no cost to the State or DOH, the surface parking required within the Dimick Block to accommodate the DOH Phase I building.
- b. *Staff Comments.* The County has already committed to \$8.1M toward the overall development costs of the DOH Phase I Building and associated parking. To require the County to pay for surface parking separate from that funding contribution represents an approximately \$500,000-\$600,000 funding increase. It is Staff's opinion that it is inappropriate to use this forum to request additional funding for parking as it is a basic expense and has nothing to do with the TOD development.
- c. *Staff Recommendation.* The DOH should fund all costs associated with the DOH Phase I Building from its project budget including parking.

6. Funding for DOH Phase I Funding Shortfall due to DOH's participation in the local planning efforts.

- a. *10/20/06 Secretary Lewis Proposal.* City and the County commit to funding the estimated \$2.9M DOH Phase I project funding shortfall due to the DOH's participation in the planning activities since February 2006. The proposal does recognize that part of the \$2.9M is included within the County's proposed obligation under #4 above. While not addressed in the proposal, Staff was told that this represents the increased construction costs during this period as well as the costs associated with the re-design of the building to another location within the Dimick Block.
- b. *Staff Comments.* There are basically three concepts that should be considered by the Board with regard to this term.
 - 1) Should the County participate (in whole or in part) in funding the DOH project deficit? In April 2001, the County committed to fund \$1.3 M toward to the development of what is now known as DOH Phase I and the DOH committed to vacate the County buildings and land by January 1, 2005. In mid-2005, DOH approached the County and requested "deficit funding" in the amount of an additional \$6.8 M to make DOH Phase 1 happen. The County committed to funding that deficit without conditions, thereby raising the total funding commitment to \$8.1M. Thereafter, the State and DOH decided to participate in the local planning efforts associated with the TOD concept. The State made the decision to participate on its own and the City is the most significant benefactor of proceeding with the TOD the planning effort that resulted in the delay and costs.
 - 2) If the Board chooses to participate in funding the project shortfalls, should it be the only partner funding the deficit? Based on correspondence from the City to Secretary Lewis dated 10/26/06, "the CRA statute limits the ability of using tax increment for governmental

uses including public administrative offices. In addition, this block and the construction of the DOH building will not generate any taxes; therefore, there is no readily identifiable source of funds for the CRA or the City to access." No discussion or evaluation of other funding sources was provided.

Regardless of the amount of additional funding committed by the County, Staff recommends any commitment be specific and defined by a not to exceed amount.

- 3) Should the County make funding commitments which are necessitated solely to preserve the option to dispose of its land without knowing the total costs associated with the disposition and redevelopment on adjacent property? All of the terms set forth in Secretary Lewis' letter have an estimated financial impact of approximately \$5 M to the County. Staff is recommending alternative terms that would reduce those costs, however their acceptability to the State is not known at this time. Further, the overall costs to the County associated with its participation is estimated to be between \$2,022,000 to \$13,447,000; based upon the assumptions contained earlier in this report. It should be noted that the County can meet its long term development objectives on the County Block with greater flexibility at less costs than by relocating to the Dimick Block.

- c. *Staff Recommendation.* Staff recommends that the County not participate in funding the DOH Phase I project deficit and that the deficit be addressed by the State/DOH (additional legislative appropriation) and the City.

However, if the Board is considering providing some level of funding in order to facilitate the DOH project, it should be done to facilitate the replacement facilities for the DOH specifically and with no conditions or obligations from the State on further County participation in co-location. In addition, the County's participation should be limited to only those costs associated with the delay and not toward any costs that would be incurred by the State, DOH, HCD and/or City regardless of the outcome of the TOD development.

Notwithstanding the foregoing, Staff recommends that the County withhold the development, issuance and evaluation of an RFP for a TOD style development until; 1) the City has adopted new comprehensive plan, zoning and land development regulations which support a TOD style development, 2) the State conceptually agreeing to proceed with the DOH Phase I in the location shown on Attachment 2, and 3) the State conceptually agreeing to terms more closely matching Staff's recommendations than contained in the Secretary Lewis proposal.

7. New Street and Linear Park

- a. *10/20/06 Secretary Lewis Proposal.* The New Street proposed would be developed (funded and designed) by the City only after the structured parking is constructed. The land would be conveyed by sublease, sale at fair market value or dedication for TDR credit at the sole option of the State.

- b. *Staff Comments.* Based on a 10/26/06 letter from the City, they indicate that “there will be expenses related to public right of way improvements however, that the State will be required to construct, that the City or CRA may be able to participate in and are allowable expenses in our redevelopment plan.....Section 7 in your letter mandates the City fund the cost of the New Street and linear park and that the State through some form of transfer or sale, would retain the Transfer of Development Rights. We concur it is in the State’s best interest to retain those development rights which we estimate to be values at approximately \$1.4 million. The only way for the State to capture those funds is to use the sale of the TDRS from the public green and the new street which the City would build at no cost to the State.” The timing of conveyance of the land by the State is consistent with the timing of the land for the connecting southern portion of the land within the County Block.
- c. *Staff Recommendation.* This term is really between the State and the City as proposed, however if the County is participating in the TOD, it should negotiate a similar condition a part of its dedication of right of way for this purpose and that the County only have the obligation to convey the land for New Street in the event that the State does.

8. **Structure of Transaction between the State and County**

- a. *10/20/06 Secretary Lewis Proposal.* There were two items that pertained to the County in this Section. The first was the State sell the area reflected in blue on Attachment #2 to the County; and the second was that the State approve the project concept, subject to the basic conditions set forth in the 10/20/06 letter proposal.
- b. *Staff Comments.* Staff’s comments about the size and purchase approach as well as the basic terms are set forth above, in some cases with alternate recommendations for consideration by the BCC.
- c. *Staff Recommendation.* Staff recommends that it be authorized to proceed with further negotiations with the State and that a new set of basic conditions based on direction received on 12/5/06 be drafted for conceptual approval by the State.



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October 20, 2006

Mr. Dwight Chenette, CEO
Health Care District of Palm Beach County
324 Datura Street
Suite 401
West Palm Beach, Florida 33401-5432

Mr. Robert Weisman, County Administrator
Palm Beach County
Post Office Box 1989
West Palm Beach, Florida 33402

The Honorable Lois J. Frankel, Mayor
The City of West Palm Beach
Post Office Box 3366
West Palm Beach, Florida 33402

Dear Mr. Weisman:

Based on the meeting held in West Palm Beach this October 11th we are in agreement on an approach that allows the Department of Health (DOH) facility to be moved to the east [from the previous Department of Management Services (DMS) recommended location], to the location most preferred by the Community Redevelopment Agency (CRA) shown in the area shaded orange on the attached Exhibit A (to approximate scale) and referred to herein as the "state block." We are prepared to revise the current 5 story design site plan to reflect that location based on your agreement to the following conditions as applicable:

1. The area reflected in orange and yellow on the attached Exhibit A would be allocated to accommodate the facility needs of the Health Care District (HCD), the initial Department of Health Administration facility and future expansions for DOH and DMS facilities.
2. The area shown in blue would be the location of the County's future Administration Building and a Parking Garage sufficient to accommodate, at a minimum, all parking needs of users of the "state block" (i.e. Dimick/Dimick expansion, DOH/DOH expansion, HCD and County Administration Building - I believe someone estimated a total of 1,800 spaces). Palm Beach County would purchase the area shaded in blue for fair market value to be used exclusively for that purpose.

Mr. Robert Weisman
October 20, 2006
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3. The County will commit to build a Parking Garage concurrent with the development of the HCD facility, whenever it occurs. The Garage will accommodate, at a minimum:
 - A. Surface parking lost by development of the HCD Facility.
 - B. Surface parking lost by development of the Garage.
 - C. Surface parking lost, or to be lost, by the City's development of the Street and Linear Park west of the existing Dimick Building.
 - D. Required spaces to accommodate the HCD, based on 3 spaces/1000 GSF.

We project this would require the county to develop a Garage with a minimum of 599 spaces (but that needs to be verified based on 3.A. - 3.D.). The County may elect to build a larger Garage should it be more efficient. Future expansions to any Garage on the site will be horizontal, not vertical.

Should the unlikely event occur that the PBCHD and/or Dimick Building expansion occur before the HCD develops its projected 50,000 GSF facility; the state would provide the funding for a portion of the Garage, as necessary to accommodate its parking requirements. The County's obligation remains: (i) triggered by development of an HCD facility; and (ii) sized based on 3.A. - 3.D. above.

At the time the County develops its Administration Building, it will enlarge the Parking Garage sufficient to replace the number of spaces lost by the expanded Garage and development of the new facility and provide the number of spaces required by its new building.

4. The County will continue to provide DOH use of surface parking spaces until the Garage accommodating the total required spaces is open.
5. Concurrent with the development of the new DOH facility, the County will develop the surface parking reflected in the area shaded blue on the attached Exhibit A. That parking will be designated for use by those working at or using the facilities on the state block, without cost to the State.
6. The City and County will commit to provide the short-fall funding in the current DOH 5-story project caused by delays due to DOH's participation with the City and County in the various planning activities since February of 2006. Part of that funding is accomplished by the fulfillment of the County's obligation in "4" above. We project the total amount to currently be \$2.9 million not including what the County would do in "4" which would reduce this number).

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7. The City's "Street and Linear Park" west of the Dimick Building will not be developed until the Parking Garage discussed in 3 above is opened. The cost of the Street/Park will be funded by the City. DMS will reserve the right to approve the design. Transfer of the property required for the Street/Linear Park may be by sublease, sale at fair market value or dedication in return for Transfer of Development Rights credit, at the sole option of the state.

Obviously, the DOH/DMS agreement to the terms herein are subject to the approval of the Board of Trustees. In order to support this concept, DOH and DMS are prepared to recommend to the Board of Trustees (BOT) that:

- i. BOT sell the area reflected in the blue (on the attached Exhibit A) to Palm Beach County;
- ii. DMS would "lease-swap" the area reflected in the orange with DOH;
- iii. DOH would "lease-swap" the area reflected in the yellow to DMS;
- iv. BOT would either sublease or dedicate the land needed for the City's Street and Linear Park.
- v. The Board of Trustees approves the project concept, subject to the basic conditions described herein.

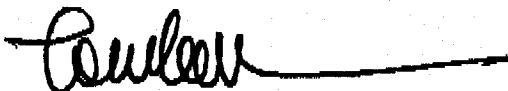
If these conditions are acceptable to you, please so indicate by signature respectively below and we will proceed to revise the 5 story design locations. Since time is of the essence and DOH is ready to submit its plans, we need your response not later than October 30, 2006. Please call me if you have any questions. I look forward to working with you.

Palm Beach County

By: _____

Its: _____

Sincerely,

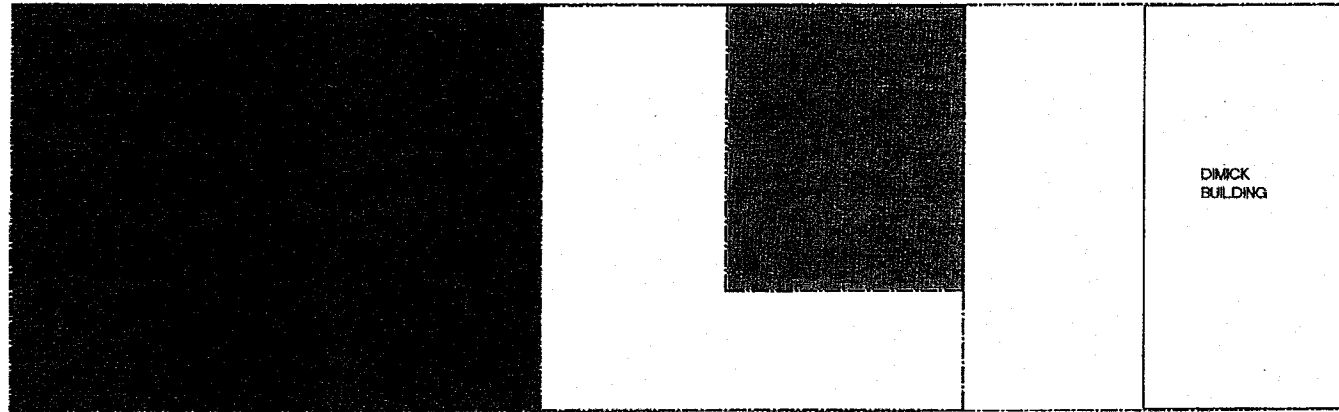


Tom Lewis, Jr.
Secretary

Mr. Robert Weisman
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Attachment

cc: Kim Briesemeister, Community Redevelopment Agency
Secretary Colleen Castille, Florida Department of Environmental Protection
Ron Walsh, Project Manager, Florida Department of Health
Secretary Rony Francois, Florida Department of Health
Tim Cerio, General Counsel, Florida Department of Health
Steve Ferst, General Counsel, Florida Department of Management Services
Tim Dimond, Director, Florida Department of Management Services
Dean Izzo, Program Manager, Florida Department of Management Services



SUBLEASE SCALE: 1/8" = 1'-0"

LEGEND:

- DIMICK BUILDING
- DOH SUBLEASE TO PALM BEACH COUNTY
- DOH SUBLEASE TO DMS
- DMS SUBLEASE TO DOH

DATE: _____



NO.	REVISION

SCALE: _____

DATE: _____

PROJECT: _____

SUBLEASE MASTER SITE PLAN

SCALE: A1.00

Exhibit C