

9:30 A.M.

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
WORKSHOP SUMMARY

Meeting Date: April 22, 2008 (9:30am)

Department: Facilities Development and Operations

I. EXECUTIVE BRIEF

Title: SOUTH COUNTY GOVERNMENTAL CENTER - REDEVELOPMENT


Summary: The South County Governmental Center ("County Property") is 24.58 acres in size and generally located South of Atlantic Avenue, East of Congress Ave. in the City of Delray Beach (City). The County Property currently supports various governmental agencies and a Tri-Rail Station. The County and City have previously established its shared vision for redevelopment of the County Property as critical to the redevelopment of the Congress Corridor. To that end, the County and City have jointly undertaken an analysis to determine if the existing and proposed governmental uses can be accommodated on less property making some portion of the County Property available for lease or sale for private development ("Residual Property"). The study concluded that the governmental uses could be redeveloped on 15 acres, making approximately 10 acres available for sale or lease. The County's projected cost to redevelop the governmental uses, including future growth space and new tenants, is estimated at \$50M. This \$50M was projected to be offset by \$4M from non-general government revenue sources and \$14M from the sale of the Residual Property, leaving an estimated \$32M funding requirement in FY 10 with debt service beginning in FY 11. The City's projected funding requirement in the form of assistance for structured parking on the Residual Parcel is estimated between \$11M-\$18M. It should be noted that the actual amount of the funding required will be determined by: 1) the responses to the redevelopment Request For Proposals ("RFP"), 2) the incentive, grants and partnerships identified by the County, City and developer during the RFP process, and 3) the market at the time. A significant amount of due diligence and work has already been completed by Staffs. City Council and Board direction to continue to the RFP phase is now necessary to further this project as any further definition of costs needs to be as a result of actual redevelopment plans. On April 1, 2008, the City Council considered the study, its potential funding requirement, and benefits of participation and supported proceeding with the RFP. The redevelopment would fulfill the broadest redevelopment objectives for the Region, City and Corridor, and also; 1) provide an opportunity to create 370+ workforce units, 2) result in all new buildings which meet the program and service delivery requirements of the users into the future, and 3) will provide long term maintenance and energy cost savings. The purpose of this Workshop is to seek Board direction to; 1) develop an interlocal agreement with the City of Delray Beach, 2) prepare a RFP for the redevelopment of the County's property, 3) coordinate with the RTA, and 4) coordinate with local, State and Federal agencies involved in economic development and housing initiatives to identify sources of potential funding assistance. The interlocal agreement and RFP will be concurrently presented to the City and Board for approval prior to issuance of the RFP. (FDO Admin) Countywide/District 7

Background and Policy Issues:

Continued on Page 3

Attachments:

- 1. Redevelopment Report South County Governmental Center
- 2. David Harden, City Manager Letter dated April 3, 2008

Recommended by:		4/17/08
	Department Director	Date
Approved by:		4/16/08
	County Administrator	Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2008	2009	2010	2011	2012
Capital Expenditures	\$ 0	\$ 0	\$50,000,000	\$2,500,000*	\$2,500,000*
Operating Costs	0	0	0	0	0
External Revenues	0	0	46,000,000	0	0
Program Income (County)	0	0	0	0	0
In-Kind Match (County)	0	0	0	0	0
NET FISCAL IMPACT	\$ 0	\$ 0	\$4,000,000	\$2,500,000*	\$2,500,000*
# ADDITIONAL FTE POSITIONS (Cumulative)					

* Estimated debt service payments for a \$32M non-taxable bond sold in FY 10.

Is Item Included in Current Budget? Yes ☐ No ☒

Budget Account No: Fund Dept. Unit Object

B. Recommended Sources of Funds/Summary of Fiscal Impact: There is no fiscal impact associated with the direction being contemplated at the Workshop which is to begin preparation of the RFP. The County (and the City) would not commit to any expenditures or to proceeding with the redevelopment until the RFP responses are received and reviewed; a developer selected and the actual costs known.

The costs to the County for the redevelopment have been estimated at \$50,000,000. This is estimated to be offset by \$4,000,000 in funding from Fleet Reserves for their facilities and \$14,000,000 in estimated revenues from the sale of the Residual Parcel leaving an estimated net funding requirement of \$32,000,000 in FY 10. This translates to approximately \$2,500,000 in annual debt service payments beginning in FY 11. The proposed funding source is non ad valorem revenue bonds. The capital funding requirement was first included in the CIP in FY 07 and continues to be shown as funding requirement for FY 10 for budgetary and financing projections.

It should be noted that the estimate of funds required to implement the redevelopment of the governmental uses is an estimate using reasonable assumptions, but the actual amount of the funding required will be determined by; 1) the responses to the redevelopment RFP, 2) the incentive, grants and partnerships identified by the County, City and developer during the RFP process, and 3) the market at the time. In addition, if users substantially increase their space requirements beyond the assumptions, costs will increase as well.

Also of importance is that if the County were to remain in the buildings without pursuing the redevelopment, the buildings would require approximately \$6M in renewal and replacement costs and another \$4M in tenant improvements to meet the use's basic needs with minimal growth potential. These expenditures will not allow for the user's stated programmatic requirements to be met, not only in terms of growth space, but in terms of the method of service delivery provided downtown and at the North County Government Center.

C. Departmental Fiscal Review

III. REVIEW COMMENTS:

A. OFMB Budget and/or Contract Development and Control Comments: *THE fiscal impact on operating costs of the new facility is indeterminable at this time*

[Signature] 4/17/08
OFMB Budget

[Signature] 4/18/08
Contract Development and Control

B. Legal Sufficiency:

N/A
Assistant County Attorney

C. Other Department Review:

This summary is not to be used as a basis for payment.

Background & Policy Issues (Cont'd)

The South County Governmental Center is located on the east side of Congress Avenue, south of West Atlantic Avenue. The property is generally located west of, and adjacent to, the CSX Railroad and Interstate 95. The property is +24.58 acres in size and currently supports existing governmental services uses and a Tri-Rail Park and Ride parking lot with access to a Tri-Rail Station to the east. Existing governmental services uses include satellite offices for the Board of County Commissioners (BCC), Facilities Management, Planning, Zoning and Building, Sheriff's Office, Supervisor of Elections, Tax Collector and Property Appraiser offices. Facilities for the Palm Beach County Health Department are also located on County Property. There is an existing communications tower and fleet services, including a fueling facility and maintenance facility.

To the South of the County Property is an existing industrial warehouse and storage facility. The Western boundary of the site abuts Congress Avenue, and to the West of Congress Avenue are various office and industrial parcels. To the North of the property are more "dirty" industrial uses and warehousing.

The subject property is within the City of Delray Beach and had a Community Facilities (CF) Land Use Designation until earlier this year. On February 6, 2007 the City of Delray Beach City Commission adopted Ordinance 38-06 changing the designation to Congress Avenue Mixed Use (CMU). The property also had a Community Facilities (CF) Zoning Designation until earlier this year. On February 20, 2007 The City of Delray Beach City Commission adopted Ordinance 5-07 changing the designation to Mixed Residential, Office and Commercial (MROC). These designations continue to allow for the governmental services and other public uses on the property, including healthcare, social service and special facilities. These uses fall into the principal categories of governmental service, community recreation, and community services as identified in Section 4.4.21 of the City of Delray Beach Zoning Ordinance. The County worked closely with the City in the land use and zoning changes testing the proposed code against the redevelopment models to ensure that the code would encourage and allow for the type of redevelopment activities throughout the corridor and immediately adjacent to the Tri-Rail facility that was envisioned by the City and County.

Palm Beach County shares the City's vision for redevelopment and has undertaken this analysis to determine if the existing and proposed governmental uses needed in the South County Governmental Center can be accommodated on less property to make available residual property that can be leased or sold for redevelopment.

There are four primary joint objectives to redeveloping the County Property. These include:

- providing new and modern government services buildings which are functional and user-friendly designed to better serve the various departments and programs that exist at the South County Governmental Center, as well as providing better service to the public;
- providing the opportunity for workforce housing and market-rate housing to serve the South County community and providing the opportunity for people to live and work along the Congress Avenue Corridor;
- encouraging transit ridership from the adjacent Tri-Rail Station as well as access to the many Palm Tran routes that connect to the Tri-Rail System;
- jump-starting the redevelopment of the Congress corridor.

In addition to the four joint objectives identified above, redevelopment of the County Property would allow for the replacement of several buildings that are 40-55 years of age with buildings which will be less costly to maintain and more energy efficient, and meet the programmatic objectives of the various users. The existing buildings are serviceable from a maintenance perspective but the major building systems (mechanical, electrical and fire safety) have never been updated, are well past their renewal replacement cycle and maintenance costs are increasing. If the County were to remain in these facilities approximately \$6M in renewal replacement costs are anticipated and another \$4M in tenant improvements to meet the users basic needs with minimal growth potential. This expenditure will not allow for the user's stated programmatic requirements to be met, not only in terms of growth space, but in terms of the method of service delivery provided downtown and at the North County Government Center.

To determine if there were viable redevelopment opportunities, several analysis tasks were undertaken. These include;

- 1) preparation of a physical redesign of the site to determine the residual land area;
- 2) estimation of the cost of construction for redevelopment of the government facilities, including buildings and other infrastructure;
- 3) planning the ability to phase the construction of the governmental services to allow for these existing uses to continue to provide uninterrupted services;
- 4) preparing and analyzing the ability of the project to comply with concurrency requirements including traffic concurrency; and
- 5) an analysis of the redevelopment program to determine if the residual property is of such a value that it will generate the funds needed to make the redevelopment of the governmental services uses financially feasible.

Governmental Services Development Plan

There were a number of base assumptions which were made to allow the development of the Governmental Services Development Plan to proceed. They include;

- 1) providing uninterrupted governmental operations and services during the redevelopment of the site;
- 2) retaining the Palm Beach County Health Department/Clinic facilities in the existing building in the present location on the property and accommodate future expansion opportunities for both building area and parking in the same location;
- 3) retaining the tower and equipment building as well as the underground fuel tanks and fueling island in their existing locations and provide for expansion opportunities;
- 4) increasing the redevelopment opportunities on the site and provide for state-of-the-art facilities to accommodate the various departments and services by demolishing and reconstructing the existing buildings; and
- 5) providing a shared structured parking garage between Tri-Rail and the residential development and allocate land required for same to the residual parcel.

Assumptions also had to be made regarding the tenant list and future growth for each tenant in order to estimate the cost of developing replacement facilities for this analysis. The actual requirements of each tenant will be the result of a general program developed between FDO and the individual tenant prior to the issuance of a RFP and then confirmed upon selection of a developer and prior to contract. The total space requirements for governmental uses are identified below.

Governmental – Total Program

User	Required Gross Sq. Footage
Administrative	67,000 sf Parking: 335
Health Department & Clinic	75,000 sf Parking: 375
Industrial	16,800 sf 5,600 sf (8 service bays) 700 sf Cell Tower Employee Parking: 65 Equipment Parking: 140
Total Facility Square Footage	165,100 sf

To determine if the governmental facilities can be redeveloped in a manner which would create adequate residual land area to support the reconstruction of the governmental facilities yet continue to operate during the period of redevelopment, two phased governmental land use allocation plans were developed. These plans are generally similar with regard to the proposed program and location of uses on the site but each plan addresses the phased construction of buildings, parking lots and parking structures differently. Utilizing these land use allocations plans, it has been determined that all of the desired government facilities uses, building area, parking and other improvements can be accommodated within approximately 14.5 to 16 acres, resulting in 8 to 10 acres of residual land area on the southern portion of the property being created.

Both governmental services development plans:

- 1) utilize a horizontal integration of the uses themselves as the transitional integrating elements;
- 2) allow for a higher density residential development along the Congress Avenue corridor;
- 3) increase ridership of Tri-Rail for both residential and workforce purposes by preserving and expanding the employment opportunities associated with and at the South County Governmental Center,
- 4) allow for a private development of residential, office and/or commercial retail on the residual properties;
- 5) provide for cross access for various modes of transportation;
- 6) provide for controlled and efficient shared access for the governmental services site and the residual parcel as well as a internal transportation system and loop road would facilitate access to and from the sites and allow for the Tri-Rail Park and Ride lot would be easily accessible to residents of the residual parcel and employees, as well as public coming to the Tri-Rail Station from off-site; and
- 7) buffer Congress Avenue.

Residential Development Concept Plans

After the Governmental Services Development Plans were completed, two Residual Parcel Development Concept Plans were developed incorporating primarily residential uses and assuming a residual parcel area of 10 acres in size in order to maximize the development potential and value.

Residential Scheme 1 depicts a multi-family apartment style development that focused on creating attainable housing to serve the workforce and be conducive to a transit oriented development. This plan has approximately 438 units with a net density of 43.8 units per acre. To meet the parking needs of the project based on this number of units, this plan includes two parking structures with a total of 886 parking spaces. This development program is aggressive and most likely would need to be reduced an average of 15% to allow for needed drainage, and open space, resulting in a more realistic estimate of 375 units, a net density of 37.5 units per acre, and a reduction in the parking to 753 spaces. After a preliminary cost analysis of this plan, it was determined that a developer may opt for less residential units in order to avoid paying for the parking structures.

So a second plan, Residential Scheme 2, was created with only surface parking. This plan built-out at approximately 170 units and a net density of 17 units per acre. Due to the decrease in density, this project would most likely focus on market-rate units.

Staffs of both the County and City determined that Residential Scheme 1 best fits the objectives of the County and the City as it provides significant opportunities for a mix of multi-family housing, including workforce housing, and expands transit ridership opportunities. In addition, the higher density and intensity increases the value of the land which in turn further helps fund the redevelopment project.

The overall redevelopment plan anticipated that there would be some convenience retail opportunities on the site in support of the transit users residential development and employees. The location and extent of retail commercial opportunities were not defined but could occur on either the governmental or residential parcels (or both) as long as the retail uses were not planned for the same structure as the government uses.

Financial Analysis

A cost analysis for the Governmental Services Development Plan based upon the proposed phasing program was developed and resulted in a cost of \$50 million.

For the purposes of identifying the County's funding requirements for the redevelopment and an estimate of the funds currently allocated, anticipated, or would be funded from non-financed sources were identified.

\$14.0M	Estimated revenue from sale of Residual Parcel *
\$ 3.2M	Fleet Management to fund their improvements
<u>\$ 0.5M</u>	Health Department expansion space being reserved for future, but not programmed, requested or included in budget
\$31.9M	Funds needed to implement the redevelopment of the governmental uses.
<ul style="list-style-type: none">o Due to the higher density, Residential Scheme 1 could provide the County with approximately \$14-\$16M in revenue if the developer is provided financial assistance for the parking structures. However, if no financial assistance is provided, the most viable use of the land may be Scheme 2, which only provides 170-200 market-rate residential units. Therefore, the anticipated value of the property with this lower density is approximately \$8.5-\$10.5M.	

It should be noted that the estimate of funds required to implement the redevelopment of the governmental uses is an estimate using reasonable assumptions, but the actual amount of the funding required will be determined by: 1) the responses to the redevelopment RFP, 2) the incentive, grants and partnerships identified by the County, City and developer during the RFP process, and 3) the market at the time. In addition, if users substantially increase their space requirements beyond the assumptions, costs will increase as well. That being said, \$32M was previously included and remains included in the FY 10 CIP and long term financing projections for budgetary purposes.

The City also will be required to make a financial contribution to the development of parking structure(s) on the Residual Parcel jointly serving both the residential development and the transit users. The City's contribution is estimated to be between \$11M-\$18M, again dependent on the same variables identified above and without taking into account offsets from the developer for the cost of surface parking and the RTA's participation in the structured parking. The City has identified the additional taxes generated off the Residual Parcel as well as surrounding properties as the primary funding source for payment of debt service either through a CRA or directly through its budgetary process. The City has requested that the County issue the debt for the parking structures as part of the County's financing and then pay the County its share of the debt service via interlocal agreement. This is possible from a financing perspective, but the portion of debt issued on behalf of the Residual Parcel will have to be taxable debt.

In order to make the redevelopment more financially feasible for both the County and the City, the County and City will need to identify sources of financial assistance to reduce the cost of the required parking structures.

Conclusion

On April 1, 2008, the City Council considered the study and their potential obligations and supported proceeding with the RFP. The redevelopment fulfills the redevelopment objectives of the City and County and also provides an opportunity for 1) 370+ workforce units, 2) results in all new buildings which meet the program and service delivery requirements of the users into the future, and 3) reduces the square footage cost for maintenance and energy.

The following are the next steps to proceeding with this partnership.

1. Develop an interlocal agreement which will; 1) document the County's agreement to issue debt on behalf of the City for the residential parking structure in addition to the debt for the redevelopment of the governmental facilities, 2) identify the City sources of funding for the debt service on the residential parking structure and how the debt service payments would be made and secured by the City, 3) assign the County responsibility for the development, issuance and management of the RFP, and 4) identify the City's opportunities to participate in the development of the RFP, selection and negotiation process.

2. Begin preparation of the RFP for the redevelopment of the County Property using the Redevelopment Study as the basis for the most critical objectives of the County and City. Staff has envisioned an RFP which is very broad, allowing the respondents to be creative, respond with a purchase or lease scenario, and submit a proposal which can either propose to construct the governmental facilities as part of the redevelopment or for the County to construct the governmental facilities. This type of structure should provide for both residential and commercial developers to respond – making the responses as competitive as possible. It is envisioned that the most heavily weighted factors in the selection will be: 1) financial contribution requirements of the both the County and City, 2) number and quality of workforce housing units proposed, 3) quality of conceptual development plan and 4) financial and experience qualifications of the developer. The RFP would be presented to both the BCC and City Councils for approval at the same time that the interlocal agreement is presented for approval.
3. Coordinate with the RTA on its long term parking requirements, its financial contribution to the addition parking spaces (if any) and for the incremental costs associated with structured vs. surface parking. This will result in an amendment to the current lease with the RTA for the surface parking spaces on the property.
4. Coordinate with local, State and Federal agencies involved in economic development and housing initiatives to identify sources of potential funding assistance.

CITY OF DELRAY BEACH



April 3, 2008

100 N.W. 1st AVENUE

DEL RAY BEACH, FLORIDA 33444

561/243-7000

RECEIVED

APR - 7 2008

DIRECTOR'S OFFICE

Audrey Wolf, Director
Palm Beach County
Facilities Development & Operations Department
2633 Vista Parkway
West Palm Beach, FL 33411-5603

Re: Redevelopment Proposal for South County Administrative Complex

Dear Audrey:

At our March 18 City Commission meeting you made a presentation concerning the subject proposal. Earlier you had transmitted to us a report on this proposal by Kilday and Associates together with Catafumo, Ltd. In the transmittal letter the County requested City Commission action on five points. At our Commission meeting on April 1, the following action was taken on these points.

1. **Choose a preferred concept plan.** The report presents two concepts; 438 units in three seven story buildings, or 200 units in two three story buildings and one four story building. The report estimates that the unit count would be reduced by 15% to accommodate drainage and Tri-Rail operational issues, giving a net unit count of approximately 370 or 170. The report refers to the 370 units as all attainable or work force units while the 170 units would be market rate. The report also states that, "This density (for 370 units) is only feasible if the developer is afforded financial assistance for the parking structures." We recognize that Palm Beach County would look to the City to make this assistance available. Our Commission concluded that the higher density option is more consistent with Transit Oriented Development and the redevelopment we seek to encourage in the Congress Avenue Corridor, and we know that the resulting \$5.5 million higher land value makes the whole project more feasible for the County. It would also include a significant contribution

ATT. # 2

Audrey Wolf, Director
April 3, 2008
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to workforce housing in the City. For these reasons the City Commission chose the 370 unit option.

2. **Confirm County's interpretation of any code assumptions that are critical to the redevelopment or that will need to be defined in the RFP.** As you know, we worked closely with the County in developing the MROC and this redevelopment proposal, and we have carefully reviewed the Report. We believe that all aspects of this proposed redevelopment are allowable under our current code provision.
3. **Consider likely funding requirements and sources for parking structure for non-County government uses.** Estimating the funding requirement for the parking structures must be based on some assumptions. The 438 unit concept proposes 886 parking spaces. If we reduce this number by 15% to correspond with the reduction in the number of units, then this concept would include 753 parking spaces. Under our code, assuming no reduction in parking requirements for transit oriented development, 753 parking spaces would accommodate 140 one bedroom units and 230 units with two or more bedrooms, including the 83 required guest parking spaces. This concept proposes 36 surface parking spaces, leaving 717 garage spaces. Based on Finrock's cost estimate for design-build construction, we would use a per space cost of \$15,000, or \$10,755,000. Catafumo gave us examples of costs ranging from \$17,000 to \$27,000 per space. We expect that the developer would pay a substantial part of this cost. Based on these assumptions we believe our funding requirement should not exceed \$1,000,000 per year, and we are willing to make that level of funding available. We understand that Palm Beach County would be willing to issue the bonds for this funding assistance, and we would make annual payments to the County in accordance with our interlocal agreement. Taking into account the doubling of the homestead exemption, the report estimates city taxes from the residual parcel with 370 units at about \$300,000 per year. The Alta Congress project across Congress Avenue should generate another \$300,000 or more. We are confident that redevelopment within one-half mile of this project will generate enough tax increment to fund the assistance needed to make this project feasible. If the Florida Supreme Court rules that CRA's can pledge their TIF, then I would recommend that a small CRA be created around this project with the City Commission acting as the Board for this CRA. If the Supreme Court ruling is unfavorable, the Tax Increment will still be there, and can be used to

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provide the needed funding assistance. The TIF just could not be pledged for debt service.

4. **Identify any other City sponsored financial assistance and/or programs that can be included in the RFP.** It is possible that some SHIP funds might be made available for this project, or the Community Land Trust may be able to make some funding available. The extent to which funding may be available for these sources would have to be determined as the RFP is developed in the future. We would also support a CWHIP application as well as applications for other potential source of funds.
5. **Identify City's desired involvement in the County RFP.** Since we are making a financial commitment to the project, the City wants to be involved as a partner in developing the RFP and evaluating responses. The RFP will involve important issues that we will want to have a voice in. For example, should the project involve a mix of work force and market rate housing, rather than being exclusively workforce? We would prefer a mix. Certainly we will want to ensure that the response to the RFP which is chosen is not unduly reliant on City financial support.

Thank you for making Ross Herring available for our meeting. The City Commission and our staff are very excited about this project and believe it will be a catalyst for others along Congress. We look forward to working with you to move this project forward as rapidly as possible.

Sincerely,



David T. Harden
City Manager

DTH/gb

cc: City Commission
Bob Wiseman, County Administrator
County Commission