

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY**

Meeting Date:	October 19, 2010	[] Consent	[X] Regular
		[] Ordinance	[] Public Hearing
Department:	Facilities Development & Operations		

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends Board approve: the original 8/17/10 recommendation to select the Transit Village proposal for the “wedge” property conditioned on satisfactory results from a traffic study and negotiation of a development agreement, **or provide alternative direction including: 1)** reject the proposal and terminate the RFP process, **or 2)** give Transit Village time to try to arrange/pay for required pre-selection study(s).

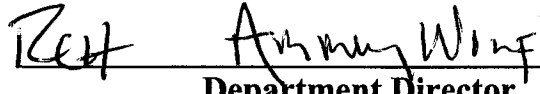
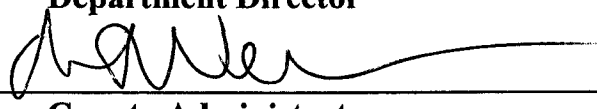
Summary: On August 17, the Board considered Staff’s recommendation to select the proposal submitted by Transit Village LLC. The Board indicated its desire to have traffic and market studies performed up front by the County prior to selection, and directed Staff to inquire of the City/CRA whether they would be willing to pay for the studies. The City/CRA responded that they are not willing to fund these studies, as they normally require the private sector proposers to fund them. Multiple owners of adjacent properties have now expressed concerns regarding the effect of this proposed development upon the depressed office building market and traffic impacts on Clearwater Drive. Staff does not think that a market study will provide definitive answers that can be relied on in making this determination. Details of land cost, estimated present value and equivalent compensation to be paid by Transit Village is provided in the 9/2/10 attachment. **(PREM) Countywide (HJF)**

Background and Policy Issues: In the August 17, 2010 agenda item attached hereto as Attachment 1, Staff recommended that the Board select the proposal submitted by Transit Village, upon condition that Transit Village perform a traffic study to analyze traffic circulation and operational impacts on Clearwater Drive. Several Board members questioned turning over responsibility for analyzing this issue to Transit Village and requested that the study be obtained by the County with Transit Village funding the cost of the study. While Transit Village was willing to fund the cost, it is unwilling to do so without first knowing that its proposal has been selected for further negotiation. As a result, the Board asked the City/CRA to fund the cost. The City/CRA responded in a letter dated September 28 attached hereto as Attachment 2 that it was unwilling to fund the costs, noting that normally such costs are funded by the private sector proposers.

In addition, the Board requested that a market study be performed prior to selection in order to assess the potential impact of this project upon the West Palm Beach central business district office building market. Transit Village does not believe that a market study will adequately assess the ability of the project to be successful, nor the impact of the project upon the market.

(continued on page 3)

- Attachments:**
1. August 17, 2010 agenda item
 2. City/CRA letter
 3. September 2, 2010 Board letter

Recommended By:		10/6/10	
	Department Director	Date	
Approved By:		10/14/10	
	County Administrator	Date	

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2011	2012	2013	2014	2015
Capital Expenditures	_____	_____	_____	_____	_____
Operating Costs	_____	_____	_____	_____	_____
External Revenues	_____	_____	_____	_____	_____
Program Income (County)	_____	_____	_____	_____	_____
In-Kind Match (County)	_____	_____	_____	_____	_____
NET FISCAL IMPACT	<u> --0--*See below </u>				
# ADDITIONAL FTE POSITIONS (Cumulative)	_____	_____	_____	_____	_____
Is Item Included in Current Budget:	Yes _____	No _____			
Budget Account No:	Fund _____	Dept _____	Unit _____	Object _____	
	Program _____				

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

No fiscal impact from this item. Fiscal impact will be identified at the time that a final agreement is negotiated with Transit Village, LLC and presented to the Board for approval.

C. Departmental Fiscal Review: _____

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development Comments:

<p>_____ OFMB 10/12/10 10/12/10</p>	<p>_____ Contract Development and Control E. J. 10/13/10</p>
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B. Legal Sufficiency:

Assistant County Attorney
10/14/10

C. Other Department Review:

Department Director

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

Background and Policy Issues continued:

Staff agrees that such a study cannot be definitive, but if required by the Board, could provide information with which to assess possible impacts upon existing office buildings and to a lesser extent, the viability of the project.

While Staff initially recommended that Transit Village perform the traffic study, Staff can easily assume responsibility for management of the consultant performing the study. In addition, the County can contract with a consultant to perform the market study. By managing the consultants performing both studies, Staff can reasonably ensure the quality of the work product. However, substantial input and cooperation by Transit Village will be required for both studies. Arrangements will be made with Transit Village to fund the cost of both studies.

Staff would like to remind the Board that selection of Transit Villages' proposal only enables Staff to negotiate the further details of the transaction. The County will not be bound to sell the land or allow Transit Village to develop the project until such time as the Board approves a contract with Transit Village.

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2010	2011	2012	2013	2014
Capital Expenditures	_____	_____	_____	_____	_____
Operating Costs	_____	_____	_____	_____	_____
External Revenues	_____	_____	_____	_____	_____
Program Income (County)	_____	_____	_____	_____	_____
In-Kind Match (County)	_____	_____	_____	_____	_____
NET FISCAL IMPACT	<u><i>* See below</i></u>	_____	_____	_____	_____
# ADDITIONAL FTE POSITIONS (Cumulative)	_____	_____	_____	_____	_____
Is Item Included in Current Budget:	Yes _____	No _____			
Budget Account No:	Fund _____	Dept _____	Unit _____	Object _____	
	Program _____				

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

* No fiscal impact from this item. Fiscal impact will be identified at the time that a final agreement is negotiated with Transit Village, LLC and presented to the Board for approval.

C. Departmental Fiscal Review: _____

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Development Comments:

[Signature]
 OFMB
ad 8/5/10 mm 8-5-10

[Signature] 8/9/10
 Contract Development and Control

B. Legal Sufficiency:

[Signature] 8/9/10
 Assistant County Attorney

C. Other Department Review:

 Department Director

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

Background and Policy Issues:

In the Phase 2 submittal, the Respondents would be required to submit: 1) a more detailed master plan; 2) transportation network and circulation studies; 3) parking plan including operational plan identifying location of Tri-Rail/Palm Tran spaces and describing access controls for said spaces; 4) identify strategies for increasing mass transit ridership potential; 5) demonstrate impacts of the Project on operation of the ITC; 6) describe economic impact of proposed development including number of workers during development, estimated value of construction, local and SBE participation, market study and financial feasibility analysis and amount of taxes generated; and 7) contingencies to closing.

In light of the fact that only one proposal was submitted, the rationale for requiring a Phase 2 submittal to provide a basis for comparative and competitive evaluation was weakened. Since the County's primary interests in this transaction are 1) ensuring that operation of the ITC is not negatively impacted by the design and construction of the Project; and 2) that the 290 spaces required by Tri-Rail/Palm Tran are provided and are operated in a manner to facilitate and enhance Tri-Rail's/Palm Tran's use thereof, the Selection Committee recommended that Staff obtain further information from Transit Village regarding how Transit Village proposed to address these concerns prior to finalizing the Committee's recommendation for selection of Transit Village's proposal.

In response, Transit Village prepared a revised detailed conceptual design for the first floor of the Project which, if adhered to in subsequent design phases, appears to accommodate the ITC and avoid circulation conflicts within the Project. However, Staff remains concerned with the traffic circulation out of the Project onto Clearwater Drive and at the Clearwater/Australian and Clearwater/Banyan intersections. Transit Village resisted requests by Staff to perform a detailed study of circulation and transit delays in the immediate area of the Project and ITF. As a result, County Traffic Division ran a micro simulation program to analyze traffic on Clearwater Drive. The study identified significant congestion warranting a more detailed (and costly) study. Transit Village is willing to perform a further more detailed study, but wants to know it will be selected to develop the Project before it expends the money for this study. Staff believes this is reasonable, but recommends that the study be commenced immediately after selection and satisfactorily concluded before contract negotiations commence. Staff recommends an end milestone of 6 months be established to complete this transportation study and report back to the Board on the results.

Transit Village has proposed to provide 290 spaces in its parking garage for use by Tri-Rail/Palm Tran at no cost. While additional detail on how the garage will be operated will need to be provided, this logically would take place at a later stage of the Project.

The County's goal in this Project was always to develop the property in manner that enhances transit ridership. Monetary benefits were projected to be limited due to the very limiting site constraints. The determination as to whether the proposed compensation is sufficient will be heavily influenced by the FTA's review of the negotiated contract and determination that the Project will in fact enhance transit ridership sufficient to sign off on the development of the land that was previously purchased with 80% federal grant funds and protected by grant conditions. FTA approval will be a contract contingency.

Assuming that the parties are able to develop a workable management plan for the traffic issues and move on to contract negotiations, the complexity of this Project will require an artful balance allowing the developer substantial flexibility in pursuing design changes to meet regulatory approval requirements while protecting the interests of Palm Tran, SFRTA, FDOT and FTA. Staff contemplates that, in order to achieve that balance, the contract will contain numerous contingencies on the parties obligations to proceed with the transaction.

Transit Village, LLC provided the Disclosure of Beneficial Interest attached as Attachment 2. The entity structure of Transit Village is extremely complex, but in essence the ownership interests are comprised of several publically traded banks and the Masanoff family members. Michael Masanoff has been the primary contact with Staff on this Project.



File: WPB/
TOD



Office of the CRA Executive Director

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Mayor and Chair

Molly Douglas
Commissioner

Kimberly Mitchell
Commissioner

William Moss
Commissioner

Geraldine "Jeri" Muoio
Commissioner

Isaac "Ike" Robinson, Jr.
Commissioner

Kim Briesemeister
CRA Executive Director

Randy Sherman
Treasurer

Blane Kauthen
Secretary

September 28, 2010

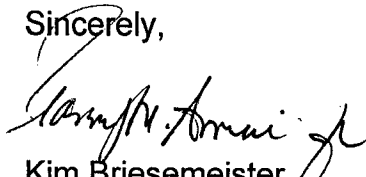
Mr. Ross Hering, Director
Palm Beach County
Facilities Development & Operations Dept
Property & Real Estate Management Division
2633 Vista Parkway
West Palm Beach, FL 33411

Dear Mr. Hering,

We received your letter dated September 2, 2010 inquiring whether the CRA or City would be willing to pay for a traffic and market study to analyze the proposal submitted by Transit Village, LLC for the TOD project. While we agree this type of analysis is useful, the CRA does not fund these studies. The Agency generally requests these studies be funded and submitted by the private sector proposers, therefore, we will not be willing to fund either study.

Please feel free to contact me if you have any additional questions.

Sincerely,


Kim Briesemeister
CRA Executive Director

RECEIVED

SEP 29 2010



Facilities Development &
Operations Department
Property & Real Estate
Management Division

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West Palm Beach, FL 33411-5605
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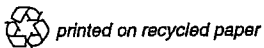
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2

MEMORANDUM

TO: Burt Aaronson, Chair, and
Members of the Board of County Commission

FROM: Ross C. Hering, Director
Property and Real Estate Development Division *RCH*

DATE: September 2, 2010

RE: TOD / Wedge RFP

Attached is a copy of our correspondence to the City of West Palm Beach Community Redevelopment Agency asking whether the City/CRA would be willing to fund the cost of a traffic study and a market study prior to the Board making a decision on selection of the proposal submitted by Transit Village, LLC. We will notify the Board of the City/CRA's response as soon as we hear from them.

At the last meeting, the Board asked how much the County paid for the land and questioned the purchase price proposed to be paid by Transit Village. The acquisition cost of the land was \$3,600,000, which was funded with \$3,212,000 from FTA, \$401,500 from FDOT, \$200,750 from the County and \$200,750 from the City.

The analysis of the proposed purchase price is more complex. The RFP established minimum requirements to: i) provide 290 parking spaces within the proposed development for use by Tri-Rail and Palm Tran, as required by the existing Interlocal Agreement with SFRTA; ii) provide at least 20 workforce/affordable housing units on-site or an in-lieu payment of \$81,500 per unit; and iii) comply with existing NEPA approvals requiring remediation of existing contamination.

The requirement for 20 workforce housing units was established based upon Board direction to apply the County's standard workforce/affordable housing policy (generally 20% of all proposed residential units) to the 100 units envisioned for this property by the Charrette.

Attached is a copy of Section 4: Financial Terms of Transit Village's proposal which is summarized below:

Transit Village's estimated land value	\$5,775,000
Cash payment for the land	\$ 100,000
Transit Village's estimated cost of minimum requirements:	
- Value of parking spaces provided at no cost - 290 @ \$20,000/space	\$5,800,000
- Workforce housing units provided/subsidy - 20 units @ \$81,500/unit	\$1,630,000
- Environmental Remediation	\$ 100,000
Total non-cash contributions	\$7,530,000

It should be noted that the \$1,630,000 expense associated with the 20 workforce housing units is based upon the County's \$81,500 "buy out" price and is included to demonstrate the financial impact of fulfilling the minimum requirements of the RFP. The proposal actually contemplates constructing 20 to 120 workforce housing units, as well as an additional 20 to 120 student housing units and only 15 to 25 market rate housing units.

As outlined above, Transit Village projects that the cost of complying with the minimum requirements will exceed their estimated value of the land. While Staff has not obtained an appraisal of the land value, Staff believes Transit Village's value is a reasonable estimate. Staff will obtain an appraisal of the property and this transaction prior to finalizing a contract with Transit Village, should they be selected.

RCH/bw
Attachments

cc: Robert Weisman, County Administrator
Audrey Wolf, Director, FD&O
Selection Committee Members

Section 4: Financial Terms

The County desires to ensure the financial feasibility of the Project and market demand/acceptance thereof for the benefit of the larger TOD District. In addition, as has been described in this RFP, development of the "Wedge" property requires Proposers to address financial obligations to State and Federal agencies. As a component property within the larger TOD District, development of the "Wedge" property also requires construction of, or payment of the cash equivalent for, an appropriate share of workforce/affordable housing. Accordingly, the Respondent shall submit a narrative statement addressing the following:

A. General financial approach, including proposed development quantities (public, private, infrastructure), costs, timing, revenues, and level of financial commitment by the Proposer.

TV notes that the County is offering its property for purchase, subject to conditions that TV has agreed to comply with, and as such, TV's offer is being structured as a purchase.

TV as the Respondent will be responsible for the development process and will be the designated contact for negotiations with the County. As the proposed developer, TV has assembled a team of professionals necessary to address the physical, environmental, economic, and political issues that is part of the planning, financing and construction of such a comprehensive public/private development. The overall master development plan is estimated to cost between approximately \$250 million and \$500 million based on a minimum of approximately 800,000 square feet and a maximum of 1,300,000 square feet and with construction costs estimated to be \$250 to \$350 per square foot (excluding tenant improvements). Revenues will be the then selling prices and/or market rents for the area. According to recent CB Richard Ellis reports, office rents for Class A space are now approximately \$32 per SF, and it has not yet been determined whether some or all of the improvements will be sold as condominiums. More detailed financial planning will commence promptly after the award of the RFP and construction can be started upon completion of the required NEPA, FTA, County and City reviews and receipt of all approvals to construct the project as proposed. Accordingly, the timing of when this project will be constructed and the then existing market conditions are not yet able to be determined at the time of the submission of this first phase to this RFP.

TV proposes a unique and innovative business plan, one that is built on both economic benefit and enhanced asset value for the County, the City and other applicable governmental agencies as well as its users and participants. To do this, TV is preparing its plan based upon a user perspective and perceived market demand to ensure acceptance, separating the multi-use development into distinct development sectors, including office; hotel; World Trade Center; SciEnergy Center, residential, retail and public uses. The proposed financing mechanisms may include 10% to 50% equity and mezzanine-level financing mechanism, 50% to 90% structured debt, tax increment revenue or abatement mechanisms, grants, contributions and/or other sources, such as Affordable Housing Tax Credits, New Market Tax Credits, tax-exempt financing mechanisms and other state and federal programs that can be considered for each element of the proposed plan permitting the utilization and maximization of each specific source of funds. However, note that as more viable financing mechanisms come to market, the utilization and maximization of each of the foregoing

are subject to change. TV believes that its experts in financing will provide the requisite skill set to appropriately financially engineer the development of this project.

TV's proposal is to provide the uses and approximate intensities set forth in Section 3B above. TV believes that it has developed a unique project that will be attractive to users. To date, TV has identified potential users as listed in Section 5F below.

The preparation and evaluation of financial structuring is a very complex and focused activity at this preliminary stage of planning. The criteria and industry standards for office, hotel, trade centers, learning facilities, and retail are extremely diverse. As current market conditions are in flux, until such time as TV is awarded the rights to develop the Wedge and an occupancy date is determined, institutional and commercial users are generally unwilling to commit where TV cannot assure prospective users that TV has rights to the property and occupancy can only occur at an undetermined future date. Market conditions, user demand, construction costs and other conditions, all materially affect many of the variables for the development of the Wedge. Therefore, preparation of prospective sources and uses of funds will be prepared as part of Phase 2. Even at this early stage, TV has received indications of financial interest from Community Reinvestment Partners II, LP, TV's financial partner managing assets of over \$500 million and Wells Fargo, one of the world's largest and highly rated banks, of their continuing interest in TV's project.

In addition as set forth in Section 5D below, in order to enhance the terms of purchase and mass transit TV intends to form a Transit Assessment District ("TAD") under Florida Statutes Chapter 189 (Special Districts) pursuant to which the TAD will collect an assessment against space occupied by users within the project. TV would request that such amount be directed towards maintaining the ITC, supporting Tri-Rail, Palm Tran and any other mass transit providers. In return for paying the assessment, residents and occupants subject to the TAD will be entitled to participate in any then offered Tri-Rail and Palm Tran discount programs.

As the Wedge is located within the West Palm Beach CRA, TV also believes that it will obtain a substantial portion of the tax increment generated from the project to pay permitted development costs. Various grants are also expected to be available for transportation-related components.

TV's principals have invested seven years and millions of dollars of capital in acquiring property, preparing plans, assembling a world-class team, obtaining proposed users and generally advancing the concept of the TOD. As set forth in Section 5F below, TV has obtained letters of interests from its financial partner as well as one of the world's leading financial institutions. Additional equity will be contributed to TV as required. Thus TV believes it has ably demonstrated its level of financial commitment to the project.

B. *Financial proposal to address provision of no fewer than 250 spaces for Tri-Rail patrons, including any anticipated subsidies from public entities*

TV will request that SFRTA provide a TBD amount per parking space provided for reimbursement of the capital costs of construction for such spaces. Such amount will be determined as the estimated costs of the parking spaces are determined. SFRTA and other appropriate agencies will be required to cooperate with TV to obtain grants for the project for parking and certain transit and other costs of the project.

C. Workforce/affordable housing requirement of no fewer than 20 workforce/affordable housing units to be provided on-site or provided otherwise via an in-lieu payment ("cash-out") in an amount of \$81,500 per unit.

TV intends to provide a minimum of 20 workforce/affordable housing units on site.

D. Proposed purchase price(s) and/or annual land rent payment(s) for the "Wedge" property, including air rights over the ITC.

TV notes that the County is offering its property for sale, subject to conditions that TV has agreed to comply with, and thus TV's offer is structured as a purchase.

TV values the land on the Wedge at \$1,500,000 per acre for fee simple title without encumbrances. TV notes that this value is substantially greater than that which the County has previously publicly reported during better market conditions. As the County is not offering fee simple title on the 3.7 acres on which the ITC is located but is only offering development rights above the ITC, a 50% discount has been applied to this parcel giving a subtotal value of \$2,775,000 to this parcel. For the 2.0 acres the County is offering fee simple ownership, TV has provided a value of \$3,000,000, thus the total purchase price before offsets resulting from encumbrances and restrictions is \$5,775,000.

TV believes that there are significant offsets to the value of the property offered as a result of the encumbrances and restrictions placed upon the property that must be offset against the purchase price.

- First, a purchaser is required to provide 290 parking spaces at an estimated cost of \$20,000 per space or a total cost of \$5,800,000.
- Second, the cost of environmental remediation is unknown (see the letter from Gunster included in **Appendix E**) but was estimated by the County to be at least \$100,000. Also due to the requirement to provide workforce housing as well as provide a substantial financial investment to complete any project, remediation must be completed prior to development activities commencing.
- Third, the requirement to provide at least 20 workforce/affordable units is estimated to require a subsidy of at least \$81,500 per unit, resulting in an additional offset to value of \$1,630,000.
- In addition, there are other restrictions such as a limitation on construction activities in, over and around the ITC. There could also be additional offsets for federalization, NEPA and FTA compliance issues.

The total amount of the first three offsets alone to the purchase price is \$7,530,000.

To the extent that the County provides funding for these offsets, the resulting payment will be increased and should same result in a positive number, TV will pay such additional amounts to the County. Notwithstanding the offsets, the payment shall never be less than \$100,000 plus the payments to be made under the TAD, which under the minimum development will be \$80,000 per year and the maximum will be \$130,000. TV is requesting that the purchase price payment and TAD payments be used for the ITC and funding Palm Beach County mass transit.

E. Anticipated reimbursement amounts of FTA and State/FDOT for their prior contributions towards land acquisition.

Other than payment of the purchase price set forth above, for which the County has the right to determine the allocations among various government agencies, TV does not anticipate providing any reimbursement amounts to FTA and State/FDOT since the property will continue to be used for the purposes for which the funding was provided. However, in the unlikely event that payment is required, TV will consider contributing its equitable share to same.

F. Anticipated phasing of the project and proposed timing of the above payments.

TV proposes that the purchase price be paid as follows:

1. \$100,000 paid upon the execution of the definitive agreement, at which time the \$100,000 surety bond will be released.
2. Remainder of purchase price upon issuance of the first building permit.
3. \$100 per year per 1,000 square foot occupied space (payment made pursuant to the TAD).



**Facilities Development &
Operations Department
Property & Real Estate
Management Division**

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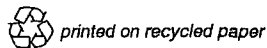
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County Administrator

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September 2, 2010

Kim Briesemeister, Redevelopment Manager
City of West Palm Beach Community Redevelopment Agency
401 Clematis Street, Second Floor
West Palm Beach, FL 33401

RE: Transit Oriented Development / Wedge RFP

Dear Kim:

As you are aware, at their August 17, 2010 meeting the Board of County Commissioners reviewed the Selection Committee's recommendation that the proposal submitted by Transit Village, LLC be selected. The Board questioned the purchase price proposed by Transit Village and directed that the traffic study, as well as a market study, be performed up front so that the information could be utilized in the selection process. The Board also directed Staff to inquire as to whether the City/CRA would be willing to pay for said studies. We estimate that the studies will cost between \$100-\$150,000. We need to report back to the Board before this transaction can proceed, so your prompt response will be appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "RCH".

Ross C. Hering
Director

RCH/bw

cc: Burt Aaronson, Chair, Board of County Commissioners
Robert Weisman, County Administrator
Audrey Wolf, Director, FD&O

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