Overview of Public-Private Partnerships

City Center

Margate, Florida

April 10, 2024

DRAFT

Accelerating success.

Agenda

- Background on Public Private Partnerships
- Components of RFP For City Center
- Financial Terms & Development Economics

01.

Background on Public Private Partnerships

Strategies to Leverage the Private Sector

In 2013, Florida Legislature passed HB 85 (Florida Statute 255.065) authorizing public private-partnerships (P3) for certain purposes and establishing requirements.

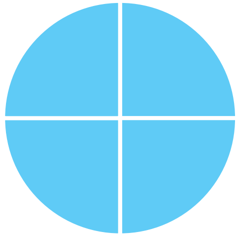
Contractual agreements formed between Public entities and Private sector to allow for greater private sector participation in the delivery and financing of public buildings and infrastructure projects.

Examples of Potential Goals and Objectives	
Finance	– Manage balance sheet / credit impact of the development of non-core assets ○ Debt covenants, internal debt policies – Monetize non-core assets with commercial value – Transfer demand risk
Design / Delivery	– Manage project delivery risk for on-time, on-budget project completion ○ Private sector expertise / efficiency for technically complicated development projects ○ Bundling of assets
Operations	– Transfer operating risks for noncore and/or technically complex assets – Alignment of interests with private partner for asset life cycle responsibility and risk – Private sector efficiency
Governance	– Statutory limitations – Ability to manage procurement or existing labor requirements – Disposition on non-core assets

Procurement for Development of New Capital Asset

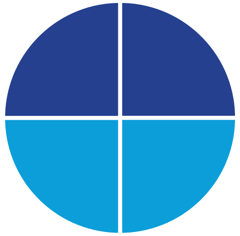
Potential Risk Transfer

Self-Perform; Design Bid Build (DBB)



Public Entity retains all development risk, including design, construction, delivery, financing and O&M / life-cycle costs.

Design Build (DB)

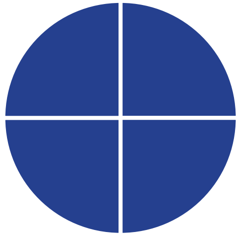


Public Entity transfers some development risk to Private Party and is delivered a turnkey project. Public Entity retains financing and O&M / life-cycle risks.

Design Build Finance (DBF)

Private Entity assumes the project financing risks in addition to development risks

Design Build Finance Operate Maintain (DBFOM)



Private Entity assumes O&M and Life-cycle risks including operating cost escalations and capital investment in addition to development risks.

Sample P3 Structure – City Center

01

City Center Project

Located on land owned by the CRA/City

- Governmental/Civic Functions: City Hall, Community Centers, Police/Fire
- Mixed- Use/Commercial Space: Offices, retail, recreational, housing; all aligned with the City's interests in pursuing economic development

02

Finance and Ownership Goals

Limit impact to City balance sheet / credit capacity

- Transfer lease-up risk for commercial space to a private partner
- Achieve efficient cost of capital
- Participate in financial considerations based on annual performance and upon capital event

03

Proposed Structure

Long-term ground lease to private development partner

- Developer responsibilities
  - Deliver the Project on-time and on-budget
  - Raise capital
  - At risk for lease-up and financial performance
  - Operations and maintenance of entire Project to agreed upon standards

Financial Terms and Development Economics

- Ground Leasing and Land Value—Land Values Increasing with Development
- Subleases (Master Lessor)
- Infrastructure Costs (individual parcels versus entire site)
- Land Values Increasing with Infrastructure
- Economics of development and public spaces - Interest Rates and Debt
- Equity investment/hurdle rates—Market Liquidity and Investor Returns
- Amenity Parking
- Tax Increment Financing

Ground Leasing Considerations

- + Provides greater long-term income and allows the City to participate in the increasing value of the land as the project matures
- + Allows the City to control its circumstances, including speed and type of development—along with future tenants
- + Takes longer to produce a revenue stream than a property sale—but most ground leases include inflation escalators

- \- But…. also requires the City to be a landlord and provide timely approvals and oversight
- \- There will/could be sales of leasehold interests to new owners (could be competitive threats) and requirements related to the lenders’ interests
- \- The City may need to identify a dedicated project manager to manage contractual exposure and obligations

Property Sale Considerations

- + Immediacy of funds—time value of money
- + No need to be a landlord…management of standard city processes only
- + A hybrid strategy allows for some of both – control over key properties and sale of residential parcels or parcels the city does not wish to control.
- + Individual residential interests and city government are a special can of worms!!

- - If all properties are sold, expect a loss of control over the speed of development, the future tenants, and the next buyers
- - Are sale proceeds restricted as to use?
- - May the land be sold? Or is it protected by City Charter?
- - Will a sale of property send a message that there are "financial concerns"

Introduction to Tax Increment Financing (TIF)

1

Tax incremental financing (TIF) can be an important tool for local governments to attract economic development projects, create jobs, foster infrastructure investment, and/or redevelop blighted areas.

2

TIF is a technique for funding a qualifying capital project, its related infrastructure, or maintenance of the project from a stream of revenue generated within the geographic area defined as a TIF district.

3

Depending on state and provincial regulations, primary governments with taxing powers can often use TIF, but redevelopment agencies may also be party to a TIF project.

4

TIF generally relies on incremental property taxes generated in a specific area, but it can also apply to other taxes, including sales taxes.

TIF Process

Once an area is legally designated as a TIF district, the base valuation amount of the property values is "frozen."

Improvements to properties within the boundaries of the TIF district will then result in increases to this base of the increment which is captured through additional taxes and expended solely within the TIF district.

This increment can serve as a source of revenue to pay debt service, upfront development costs for additional improvements, or for individual projects on a pay-as-you-go basis.

The maximum period of time a TIF may exist is determined by state law; legislation generally allows time for development efforts and a traditional 20-30-year financing period.

02.

Components of City Center ITN/RFP

Vision Elements

The City Center zone is intended to create a unified development plan for a high-intensity, highly walkable district with the following features:

- **New Main Street** with ground-floor shopfronts and restaurants and on-street parking that connects to Margate Boulevard and State Road 7.
- **Shopfront buildings** assure frequent entries and a high level of transparency into stores and restaurants.
- **Urban fabric with housing** and/or workplace uses in buildings ranging from two (2) to eight (8) stories, to a maximum of one hundred twenty-two (122) feet in height.
- **Highly amenitized & aesthetic public** realm including public plazas, ornamental street trees/lights, and public art.
- The majority of **parking consolidated** in structures and at curbs of public streets.
- **Residential:** Blend of styles that create a unique , diverse environment and sense of place
- **Retail:** Restaurants, food hall, brewery, shopping
- **Hotel/Office:** Relocating City Hall, Library, Community center and other public facing uses to create an engaging Civic Center
- **Entertainment:** Ground floor and roof top activation
- Public plaza component that can be used as a gathering space for community events.
- Artistic and aesthetically pleasing components throughout
- Connectivity throughout the project and with rest of the city
- Waterfront activation using the City’s existing canals to provide some type of water access for kayaks, paddleboards, etc.

Required Information Components

A. Company Profile & Background Information

B. Qualifications, Experience, References and Comparable Projects

C. Scope of Project

D. Development Timeline

E. Community/Public Benefit

F. Deal Structure

03.

Financial Terms & Development Economics

Preliminary Valuation Discussion – Base Line Assumptions (to be confirmed)

Colliers will assist the City with developing a cash flow model to analyze and evaluate the financial impact of the proposed project, once we understand the assumptions proposed by Developers/respondents.

- Base Land Value: $30m (Est.)
- Straight Ground Lease: @ 6% Value (grow @1% per annum) = Total Cash Flow (99 years) $300m, $40m NPV
- Component Ground/Lease Value/Cash Flow:
- MF (3 Phase – 2034): @$2/psf @Ground rent of 5%
- Hotel @$5/SF: Ground rent of 5%
- Office @$35/SF: Ground rent of 6% *
- Retail @$30/SF: Ground rent of 6%
- Total (Est): $320m (99 years), $40m NPV
- Component Costs (Estimated):
- Parking (3,150) @$25,000/space = $80m **
- Shell Costs/Interior @$275/SF = $425m
- Tenant Improvements@$75/SF = $25m
- Total Buildout (includes soft costs) = $600m

Thank You

Questions?

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We maximize the potential of property and real assets to accelerate the success of our clients, our investors and our people.

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