

June 11, 2019

Ms. Shyanne Helms
Communications and Economic Development Manager
City Manager's Office
City of Fort Pierce
100 North U.S. 1
Fort Pierce, FL 34950
shelms@city-ftpierce.com

Re: Former H.D. King Plant Site Redevelopment RFP 2019-003 – Initial Observations

Dear Ms. Helms and Members of the Evaluation Committee,

Johnson Consulting was retained by the City of Fort Pierce to provide an independent review of proposals received in response to the City's RFP 2019-003. As it relates to the City's defined Evaluation Criteria, our review focuses primarily on providing an assessment of each proposer's responsiveness to the following:

- A. Economic Feasibility;
- B. Acquisition/ Financing, and;
- C. Schedule.

Our observations in relation to each proposal, as provided in greater detail in the attached document and reflecting responsiveness to the Evaluation Criteria and consistency with industry standards, are summarized as follows:

Proposer #1: Audubon Development

- A. Economic Feasibility: Rent and sales assumptions, sources and uses of funds, cost estimates and proforma are reasonable and consistent with industry standards. Requests \$1.0 million in TIF funds (\$200,000 annually over 5 years), which is reasonable in an emerging market. Some clarification required regarding underlying assumptions and equity strategy. Economic impact projections should consider ongoing operations, and sales and occupancy taxes, in order to be consistent with industry standards.
- B. Acquisition/ Financing: Requires gift of land (valued at \$2.8 million). This is not unusual.
- C. Schedule: 25 months, with project completion by Q4-2021. This is considered reasonable based on industry standards.

Proposer #2: Virgin Trains USA Florida LLC

- A. Economic Feasibility: Not presented.
- B. Acquisition/ Financing: Proposal is to purchase site for \$2.8 million. Additional details related to proposed financing are not specific enough to allow Johnson Consulting to provide an assessment of responsiveness to evaluation criteria nor industry standards.
- C. Schedule: 37 months, excluding Transit-Oriented Development. Not sufficiently detailed enough to allow Johnson Consulting to provide an assessment of responsiveness to evaluation criteria nor industry standards.

Sincerely,



C.H. Johnson Consulting, Inc.

C.H. JOHNSON CONSULTING, INC.

Proposal Element	Audubon Development	CHJC Comments	Virgin Trains USA Florida LLC	CHJC Comments
Overview of Development Concept	60,000 SF office, commercial and restaurant space, 80 residential units (60 condos, 8 courtyard homes and 12 townhomes), and a 120-room boutique hotel	Vibrant, mixed-use development that is pedestrian friendly; larger commercial/ retail/ restaurant inventory than alternative proposal	Fort Pierce Virgin Trains Station; 5-story residential (100 units); 5-story hotel (100 keys), and 10,000-15,000 SF retail.	Transit-oriented development, anchored by train station; pedestrian-focused with walkways and bike paths; Reference is made to "their developments in Miami, Ft. Lauderdale and West Palm Beach - was Virgin Trains the master developer of the mixed-use elements of these projects?"
Responsiveness to CRP Goals:				
1. Improve the overall visual appearance of the CRA	Cohesive design, unobstructive heights and vibrant storefronts connecting Edgartown and downtown; active entertainment area to encourage nearby development	Responsive	Buildings will preserve line of sight to waterfront and take advantage of views of the Indian River waterfront and downtown Fort Pierce; Active greenspace	Responsive
2. Increase the overall level of economic activity in the CRA	Create 752 jobs and generate \$1.8M in tax revenues, annually	Responsive	Passenger train service will connect with Miami, Ft. Lauderdale, West Palm Beach, and Orlando; Hotel will support marine-oriented activity; Economic expansion and new job opportunities based upon tourism, water-based activities, a thriving downtown business and entertainment district, and connections with Florida's major metro areas.	Responsive
3. Improve the existing housing stock in the CRA	New housing stock will include mix of for sale and rental properties	Mix of housing types	Multi-Family housing with views to Fort Pierce Marina and Indian River Lagoon will help to grow residential development north of downtown	Diversity of housing types unclear
Traffic Impact	3,219 Daily Trips; 114 AM peak hour trips and 259 PM peak hour trips	Higher impact than alternative proposal, with exception of AM peak hour trips	2,190 Daily Trips; 183 AM peak hour trips and 155 PM peak hour trips	Lower impact than alternative proposal, with exception of AM peak hour trips
Detailed Development Program	Condos: 104,788 SF SFR Townhomes: 14,160 SF Multifamily (Rentals): 10,360 SF Restaurant: 16,411 SF Retail: 40,196 SF Office: 3,595 SF Banquet Hall: 5,000 SF Surface Parking Lot: 12,596 SF Total: 207,136 SF	In the absence of feasibility study, this appears to be reasonable and adheres to goals	No additional detail provided	N/A
Rent and Sales Assumptions (\$ per SF)	Condos: \$275 SFR Townhomes: \$650,000 per unit Multifamily (Rentals): \$1.40 per SF Restaurant: \$35 NNN Retail: \$30 NNN Office: \$20 NNN	What is the source of these figures? CoStar Q2-2019 (Fort Pierce): - Multi-Family: \$0.94 per SF - Restaurant: \$10.35 NNN - Retail \$14.98 NNN - Office: \$12.90 NNN Trulia: - Median residential price: \$123 per SF	Not provided	Required as part of proforma
Sources and Uses of Funds	Total: \$65,089,617 30% Sponsor Equity (\$16,828,417) 70% Senior Construction Loan (\$48,261,200)	Standard ratio in industry. 1. Does developer have back up strategy if pre-sales do not materialize? Will they carry project with equity injection? 2. No purchase of land (assumed to be free along with \$200,00 year stipend for 5 years). This is not unreasonable in an emerging market.	No detail provided	Required in order to compare proposals; do note they will pay for land and are not asking for stipend for first 5 years
Cost Estimates	Land Value: \$2,800,000 (Contributed by City) Hard Costs: \$39,283,507 Soft Costs: \$9,627,398 Hard/ Soft Contingency: \$2,395,245 Financing Costs: \$13,783,467 Total (Less Land): \$65,089,617	Reasonable	Not provided	Required in order to compare proposals
Proforma	5-year operating proforma	Requires explanation of assumptions	Not provided	Required in order to compare proposals

Job Creation	<p>Hard Construction Costs: 681 Architectural and Engineering Services: 48 FF&E Purchases: 18 (Indirect and Induced Only) Leasing Commissions: 5 Total: 752 RIMS II Multipliers</p>	<p>1. Include Direct, Indirect and Induced (with the exception of FF&E Purchases)? 2. Construction only, no impact of ongoing operations?</p>	Not provided	Required in order to compare proposals
Annual Tax Revenue	<p>Condos: \$458,583 SFR Townhomes: \$91,946 Multifamily (Rentals): \$384,690 Retail/ Restaurant/ Office: \$357,884 Hotel: \$471,520 Banquet/ Event Space: \$11,051 Surface Parking Lot: \$12,481 Total: \$1,788,156</p>	<p>1. Millage Rate of 25.62 - is this property taxes only? Need to consider sales and hotel tax. 2. Construction only, no impact of ongoing operations?</p>	Not provided	Required in order to compare proposals
Financing and Acquisition Plan	<p>Developer has secured 100% of equity investment through private partners; Developer will establish single-purpose entity for build, management and sale of project; City requirements: 1. Grant of Land (\$2.8M) 2. \$1M in TIF funds over 5 years (\$200,000 annually)</p>	Reasonable	<p>Commercial development to be financed through traditional construction loans; Station and Infrastructure development to be financed with a combination of debt and equity and available government bond issues; Expectation that City and County will be supportive of State-issued tax-exempt bonds; Purchase of site for \$2.8M</p>	What is the value of tax-exempt bonds that will be required?
Schedule	<p>Total 25 months (excluding RFQ/P process; including 380 days construction) Completion: Q4 2021</p>	Shorter timeframe than alternative proposal	37 months, excluding timeline for Transit-Oriented Development	<p>Lengthier than alternative proposal and doesn't include TOD component 1. Train Station is complex and makes project influences/ delays unknowable; If they purchase land, what claw back does City have if they do not perform?</p>