

**MARKET & FEASIBILITY STUDY
PREPARED BY**



FOR

TREASURE COAST REGIONAL PLANNING COUNCIL

**TRANSIT-ORIENTED DEVELOPMENT (TOD) INITIATIVE
WEST PALM BEACH, FLORIDA**

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ACKNOWLEDGEMENT

This Market & Feasibility Study is the result, in part, of interviews with numerous individuals without whose assistance this Report could not have been completed. Individuals from both the public and private sectors have provided valuable insight, and their efforts and contribution are appreciated.

The Market & Feasibility Study has been created by The Staubach Company for The Treasure Coast Regional Planning Council. All members of the Intermodal Task Force, created to consider a possible Transit-Oriented Development on the Subject Property, have provided insight and input for this Study. The assumptions and resulting projections represent the results of The Staubach Company's research and analysis as validated by the Intermodal Task Force.

EXECUTIVE SUMMARY

Introduction

The Staubach Company has prepared this Market & Feasibility Study (the “Report”) for Treasure Coast Regional Planning Council (“TCRPC”), concerning approximately thirty-six acres immediately east and surrounding the West Palm Beach Tri-Rail station (“Subject Property”). The properties are currently owned by the Federal Government, State Government (Department of Health), County Government, Red Cross, and additional private parties. The purpose of this report is to consider the site regarding its potential as a transit-oriented development (“TOD”) and to serve as the basis for a development program.

TOD is a form of mixed use development, located proximate to rail and multi-modal transportation, with a goal of reducing automobile dependency and increasing transit ridership. The Subject Property is ideally situated for a TOD as it contains rail, maintains a connection to three trolley routes, and is adjacent to a major north-south artery and an east-west artery, all in a Downtown environment with sufficient land to create a relatively dense mixed use development.

Market Demand & Use

Introduction

The primary purpose of this Report is to provide an understanding of market demand, recommended uses, and corresponding densities for this site, considering existing uses and practical development assumptions. The use categories of office, retail, residential rental, residential for-sale, workforce housing, education/hospitality/the Arts, and parking are all considered. The site is juxtaposed generally between the Clematis Retail corridor to the east and City Place to the South. There are existing office densities to the west on Australian and to the east and south primarily. Residential is peppered all around the site, except for to the west.

Nearly all existing owned residential is priced above the \$250,000 threshold, with a majority above the \$400,000 price-point.

Office

The outlook for the West Palm Beach office market, comprised of 6,623,841 rentable square feet of Class A, B and C office space in 151 buildings, is mildly positive. Supporting facts and data follow:

- No new commercial buildings have been constructed in past 5 years.
- 250,000 square feet of new office supply may deliver in 2006 to 2007, which equals 3.7% of new supply.
- Vacancy rates hover at 18% having dropped slightly from 19% one year ago in Q2 2003.
- There is positive absorption of 2.5%.
- Time to lease-up is averaging 20.3 months but is dropping.
- 3,000 residential units will deliver over the next 24 months, which will have a positive impact on absorption and the demand for office space.
- County-wide population is reportedly increasing by 2% to 3%, which will also have a positive impact.
- The paucity of land in the Downtown area will play a role.
- Scripps' interest in the County may play a minor positive role.
- These facts predict a projected absorption for new office product demand of 99,000 to 197,000 SF.

Site specific factors impacting demand include:

- The State of Florida Department of Health may require 85,000 RSF.

- The Federal Government’s courthouse expansion (87,000 SF currently with an additional 240,000 SF) will create a demand for “adjacent uses” equal to 240,000 SF in or around 2007.
- The Federal Government onsite use equals 327,000 (240,000 + 87,000).

The total demand for office product relative to this site is projected to equal 424,000 to 522,000 plus an additional 327,000 SF Federal Government Use as follows:

• Department of Health:	85,000 RSF
• Federal Courthouse Adjacent Use	240,000 RSF
• New Demand	<u>99,000 - 197,000 RSF</u>
• SUB-TOTAL	424,000 - 522,000 RSF
• Existing & Planned Fed Use	<u>+327,000 RSF</u>
• TOTAL Public & Private Office Uses:	751,000 to 849,000 RSF.

Class B to B+ buildings with floorplates of 25,000+/- square feet are advisable based on market factors.

Retail

Florida is “under-retailed” compared to the population base with a tremendous inflow of people moving to the State in record numbers. Relevant facts and statistics follow:

- West Palm Beach ranked 8th nationally in terms of the nation’s top retail markets.
- Retail in Palm Beach County remains strong as retailers attempt to position themselves for the continuing residential growth.
- Retail locally has been resilient despite a lackluster economy.
- Retail sales grew last year by over 6% in 2003.
- Dow Jones MicroSector Retail index (a composite of the five of the nation’s leading large-cap retailers) was up 21%.

- Strong retail spending may be accounted for by the low-interest rate environment, the housing boom, cash-out refinancing, and income tax cuts. The increasing interest rate environment may have an adverse impact on this data.
- The vacancy forecast for West Palm Beach MSA is a decrease of 20 basis points to a robust 6.3%.
- Retail rental rates are expected to rise by 2.5% to an average of \$17.78/RSF/year triple net.
- The entire South Florida region is expected to gain 45,000 new jobs in 2004, an increase of 2.4%.
- Developers plan to add one million square feet of retail space in 2004 to the West Palm Beach area, a drop of 800,000 square feet from 2003.
- Land is scarce for retail expansion.

In general, there exists an abundance of retail in the Downtown West Palm Beach area. Clematis, City Place, a nearby Publix, and other smaller area retail create limited market demand for substantial new retail development. Although City Place's restaurants have been successful, the balance of its retail has not enjoyed the same success. Sensitivity to not compete with Clematis and City Place is important.

In summary, it appears that there is market demand for between 50,000 and 57,000 rentable square feet of retail use onsite. The retail use categories that the Report recommends are:

- Drugstore: 8,000 – 10,000 RSF
- Food service: 10,000 – 12,000 RSF
- Coffee shop: 3,000 RSF
- Dry-cleaner / tailor: 2,000 RSF
- Day care: 7,000 -- 10,000 RSF
- Fitness: 20,000 RSF
- TOTAL: 50,000 – 57,000.

Residential – Rental (Market-Rate)

The residential rental housing market is generally strong. The recent historic and projected data for this use category are:

- Rents for all types (efficiency, 1 – 3 bedrooms) of rental housing are increasing.
- West Palm Beach vacancies remain a healthy 7.2%,
- Absorption has averaged (for a 6 month period) 70 units per month in West Palm Beach.
- A supply of 475 existing vacant units exists which equates to 6.8 months worth of absorption.
- An additional 461 rental units have either been approved for development or are under construction for delivery, which equates to approximately a 6.7 months supply.
- The relevant current absorption rate of 70% is expected to increase to 75% (based on the fact that rents are rising) and is anticipated to remain stable over a 36 month time horizon.
- Based on the foregoing, demand for all types of rental housing in West Palm Beach is expected to be 2,700 to 3,600 units. Subtracting the 475 current vacancies as well as the 461 units underway, there is an overall need for 1,764 to 2,664 units in the City of West Palm Beach.
- Based on the desirability of the urban location of the Project, the convenience to Tri-Rail and developing trends, it appears that rents for the Project should be somewhat higher than average area-rents.

In summary, residential rental housing demand for this project follows:

Number of Units	850
Rents:	Efficiency - \$1,000, One Bedroom - \$1,250, and

Two Bedroom - \$1,750.

Residential – For-Sale (Market-Rate)

In general, residential for-sale housing in West Palm Beach has remained very strong. Absorption particularly for price-points at or below \$350,000 and especially below \$250,000 is particularly vibrant and is expected to continue. Support and demand for residential for-sale housing follow:

- In West Palm Beach, sales are sharply increasing.
- Population continues to increase.
- There exists a paucity of land.
- Demand last year averaged 62 units per month (185 per year).
- Supply of 2,658 units is either underway or planned.
- An increasing interest rate environment is anticipated, which is expected to have an adverse impact on absorption; however this may be offset by the continuing population increase.
- Assuming the current overall absorption rate of 62 units per month, the new supply of 2,658 for-sale units delivering will be absorbed over a 42-month period. This would suggest that there exists little or no demand for new for-sale units in general.
- However, with the majority of for-sale housing that is planned or underway in West Palm Beach in the \$400,000 to \$600,000 range, and with an estimated supply of new or underway units of 400 at or below the \$250,000, assuming the current absorption rate of 54 per month for this price group, supply for units in the \$250,000 and less range will be fully absorbed within eight months.
- Assuming a continued and unchanged absorption rate of 54 per month, over a 36 to 48 month horizon, demand of 1,944 to 2,592 minus the current supply of 400 equals a

remaining demand for 1,544 to 2,192 over this period for for-sale housing of \$250,000 or less.

- On this basis, most units should be priced near to or below the \$250,000 price-point.

10% of the units should be priced between \$250,000 and \$350,000.

In summary, for-sale housing for this site should reflect:

Number of units:	850
Price-Points:	90% -- up to \$250,000
	10% -- \$250,000 to \$350,000.

Residential – Workforce Housing

“Workforce housing” is understood to mean housing suitable for “working families and individuals employed by both private and public sector, including but not limited to, government employees, teachers, police, firefighters, and nurses, ... [to provide] for affordable housing near their places of employment and to provide those families with an affordable housing alternative.”

Incomes of \$22,000 to \$55,000 appear to define this group, which is expected to equate to for-sale housing of \$125,000 to \$165,000 and for-rent housing of \$650 (efficiency) to \$1,100 (two bedrooms).

Up to 15% of the residential component (300 of the 2,000 total units) of the site shall be dedicated to Workforce Housing, as that term is described herein. Therefore, there should be 850 for-sale market-rate units, 850 rental market-rate units and 300 workforce housing units (150 for-sale and 150 rental).

Education, Hospitality & The Arts

Several major South Florida institutions of higher education were interviewed for this Report. Each reported a very strong desire or interest in this TOD. Various programs from general studies to special programs such as a hospitality program in conjunction with a smaller

100+/- room hotel operated by students, an evening graduate program, and a lifelong learning center in conjunction with daycare.

Overall, necessary square footage estimates for an education component are between 50,000 and 75,000 rentable square feet, plus a 50,000 square foot hotel, and 5,000 to 10,000 square feet for “the Arts”.

Suggestions have been given to the existence of demand for a 365-day-per-year ballfield that would also be used as an off-season training field for the Baltimore Orioles for this site, which would require five to nine acres. Based on the data provided by proponents to date, it does not seem advisable that this use is the “best and highest” for this site. If such a use is to be pursued, a separate analysis should be undertaken.

The Red Cross currently has plans to create a new aquatic center estimated to require approximately 40,000 square feet in addition to its current 40,000 square feet of administrative use, thereby totaling 80,000 square feet. An additional 20,000 square feet should be reserved for a community center (inclusive of the lifelong learning center).

In summary, the uses and density for this section are projected to be:

Education	50,000 to 75,000 SF
Hotel	50,000 SF
The Arts	5,000 to 10,000 SF
Aquatic, Community & Lifelong Learning Center	100,000 SF.

Parking & Total Density & Mix Breakdown

Table 3.7.1 provides a breakdown of the parking that a development program for this TOD could require.

Table 3.7.1 – Density Summary & Parking			
Use	Amount	Parking Ratio	# Spaces
Federal	327,000 SF	2 / 1,000	654
Office	424,000 to 522,000 SF	2 / 1,000	848 to 1,044
Residential – Sale	850 units	1 / unit	850
Residential – Rent	850 units	1 / unit	850

Workforce Housing	300 units	1 / unit	300
Retail	50,000 to 57,000 SF	2 / 1,000	100 to 114
Education	50,000 to 75,000 SF	4 / 1,000	200 to 300
Hotel	50,000 SF (100 rooms)	1.7 / room ¹	170
Arts	5,000 to 10,000 SF	3.3 / 1,000	17 to 33
Aquatic & Community Center	80,000 to 100,000 SF	2 / 1,000	160 to 200
Current Tri-Rail Parking Deficit	-----	-----	421
TOTAL			4,570 to 4,936

Factors Impacting Density & Cost

There are two key factors impacting cost that should be highlighted. They are the strategy of assemblage and the reality of height restrictions and transfer development rights (“TDR’s”).

To create the densities and scale necessary for the Project to make financial sense, it appears that assemblage may be required.

The City of West Palm Beach adopted a Master Plan which controls and restricts density by an approach that avoids FAR, and instead focuses on building types with correspondingly differing height restrictions and building formats, depending on location within the City. The concept of Transfer of Development Rights (TDRs) has also been adopted. TDRs can be used to increase heights above that which are permitted “by right” per the standard Building Type height restrictions.

The site includes areas of varying permissible heights. In the western area (6.6 acres) which includes the current Tri-Rail station, heights of fifteen stories are permitted “by right” and up to twenty stories are allowed with TDRs; uses can include any category. The southeastern quarter of the site (corner of Fern and Sapodilla) permits only three stories “by right,” and up to

¹ The Parking Codes provide a ratio of 1/room plus 1/15 rooms for employees = 1.7 / room for a 100 room hotel.

five stories with TDRs; uses are restricted to residential only. The remainder of the site provides for heights of five stories “by right” and up to eight with TDRs with no restriction on use classes.

Stakeholders’ Goals

The site contains 56 individual parcels with eighteen different owners. The largest landowners are the Federal Government, the American Red Cross, the County, and the State. As of the drafting of this Report, each of the larger landowners has generally expressed support for pursuing this Project through a charrette stage (currently scheduled for January 2005). The Federal Government will not relocate, but it may be willing to coordinate or share parking areas or other “common areas.” The Red Cross has expressed a willingness coordinate the location of its intended facility with recommendations for the remainder of the Project and site, so long as they receive equitable and market treatment. South Florida Regional Transportation Authority’s (“RTA”) objective is to maximize a dedicated revenue stream and to further its broader goals of increasing ridership. The State of Florida Department of Health has expressed a willingness to participate. Generally, the County and City appear to desire “smart growth”, increased tax base, and positive economic impact. The County will require that the Community Services Department be provided for either on-site or elsewhere.

Financial Considerations

Projected payback has been considered in two ways: Dedicated Annual Revenue and Ad Valorem Tax Yield. However, it should be strongly emphasized that a project of this size, scale and density will provide tremendous overall economic impact, beyond these two financial measures. Determination of the broader economic impact is beyond the scope of this Report.

The body of the Report provides great detail concerning the assumptions relating to individual use categories and assigned values for determining Dedicated Annual Revenue and Ad Valorem Tax Yield. Three assumptions must be highlighted as follows:

- For Dedicated Annual Revenue purposes, both taxable and non-taxable use categories have both been included; however, for Ad Valorem Tax Yield purposes, non-taxable use categories have been removed from consideration.
- For Dedicated Annual Revenue purposes, the for-sale residential use category values have been removed as sales will create an upfront, but not ongoing or dedicated revenue stream, whereas these values are relevant for Ad Valorem Tax Purposes.
- The Dedicated Annual Revenue and Ad Valorem Tax Yield are projected both with and without the land value as it has not been determined whether the public landowners would prefer to lease or sell their properties with the project site.

A resulting ground lease of the site to a developer or developers will likely yield Seven Percent (7%) to Ten Percent (10%) of the basis. Resulting Dedicated Annual Revenue appears in the following table in the right-most column.

Table 6.4.1 – Dedicated Annual Revenue (\$ Millions) (Land & Improvements)			
Assumption	Gross Value (Basis) of Improvements	Land Value	Dedicated Annual Revenue (7% - 10% of Basis)
Including For-Sale Residential	\$640.3 to \$669.7	\$189.0	\$58.1 to \$85.9
Excluding For-Sale Residential	\$453.3 to \$499.8	\$189.0	\$44.9 to \$67.2

The potential ad valorem tax yield is based on an overall millage rate of 24.3985. Table 6.4.2 below provides the overall Ad Valorem Tax Yield as well as potential ad valorem tax revenue breakdown based on the millage rate breakdown among relevant taxing authorities.

Yields appear in the two right-hand columns.

Table 6.4.2 – Ad Valorem Millage Rate Breakdown & Yield				
Taxing Authority	Notes	Rate	Ad Valorem Taxes With Land	Ad Valorem Taxes Without Land
City	Operating .79 Debt Serv. .5808	1.3708	\$623K to \$651K	\$364K to \$392K

County	Operating Debt Serv.	4.5 2910	4.7910	\$2.2M to \$2.3M	\$1.3M to \$1.4M
South Florida Water Management District (SFWM)			.5970	\$271K to \$283K	\$158K to \$170K
Florida Inland Navigation District (FIND)			.0385	\$17K to \$18K	\$10K to \$11K
Healthcare District			1.130	\$513K to \$537K	\$300K to \$323K
Everglades Construction			.10	\$45K to \$47K	\$27K to \$29K
School Board	State Local Debt Serv.	5.652 2.599 .32	8.571	\$3.9M to \$4.1M	\$2.3M to \$2.4M
TOTAL			24.3985	\$11.1 to \$11.6	\$6.5 to \$7.0

SECTION 1.0 -- SCOPE OF REPORT

The Staubach Company has been retained by the Treasure Coast Regional Planning Council (“TCRPC”) to perform and deliver a Market & Feasibility Report (the “Report”), concerning thirty-six acres immediately east of and surrounding the West Palm Beach Tri-Rail station (“Subject Property”) regarding its potential as a transit-oriented development (“TOD”).²

The purpose of the Report is to create the basis for a development program, to identify the appropriate mix of uses and square footage per use category, based on market demand, and factors including location and adjacencies of this site. The market of existing and surrounding uses, regional demographics, and community needs are considered.

The methodology utilized by Staubach included review of market data on all major use categories, GIS maps, tax maps, the Downtown Master Plan, various recent studies concerning Downtown West Palm Beach, and interviews of at least forty individuals from the private and public sectors. Several potential end-users were interviewed. From the private sector, experts from relevant use categories were solicited for input.

The Report presents a detailed description of the site’s existing conditions, including an understanding of the physical characteristics of the site and of the ownership of all parcels. The Report provides a detailed market demand analysis and projections of use classes and densities, including a focus on parking for the site. Within this context sensitivity is afforded to existing uses and developments, including the Clematis corridor and City Place, while the greatest weight is placed on objective data. All major use categories are considered independently. Factors impacting density, including the City of West Palm Beach’s approach to height restrictions restriction is presented as it relates to the site, and attention is given to Transfer Development

² TOD is described as some form of mixed use development, including relatively dense residential, retail, and/or commercial space, combined with proximity to a transit destination. Its goals include reduced dependency on automobiles along with increased transit ridership. Transit villages typically involve the creation of pedestrian and bicycle friendly environments to complement a mix of uses.

Rights (“TDRs”). Individual stakeholder goals are explained to the extent they are understood at this point in time. Finally, financial considerations are presented focusing on projected payback in terms of Dedicated Annual Revenue and Ad Valorem Tax Yield.

SECTION 2.0 -- EXISTING CONDITIONS

The Subject Property is located in an attractive site for a TOD. It includes rail and is adjacent to multiple public ground transportation routes, within a five-minute walk to the heart of Downtown, and the retail, office and residential densities generally. Significantly, it provides the possibility of up to thirty-six acres of contiguous developable density in an urban environment.

The Subject Property extends primarily from Banyan to Fern and Tamarind to Sapodilla (east of Tamarind), with an additional significant triangularly-shaped portion extending west of Tamarind to Clearwater Drive. Ownership of the largest parcels is fragmented between the Federal Government, State Government (Department of Health), County Government, Red Cross, and additional private parties³. The Subject Property is on the outer perimeter of what is considered a five-minute walk (1,350 feet) to the heart or center of Downtown (i.e. Clematis & Quadrille).

The existing Tri-Rail station is situated on 6.6 acres currently owned by Palm Beach County, located west of the Subject Property across a relatively major north-south artery, Tamarind, but this land is expected to be conveyed to the Regional Transit Authority. Railroad tracks cross Banyan at the outer perimeter of the site. To the South is Palm Beach Community College. To the North is a parking strip, and to the East are privately owned, residential properties.

In terms of access, Australian curves into Banyan creating a major access-point into the Downtown area from the South and West. There are three roadways that trisect the property,

³ For a complete list of all owners, addresses, and respective Property Control Numbers (PCN's), please refer to Exhibit I at the end of the Study.

each running east-west: Clematis, Datura and Evernia Streets. Clematis Street is a designated historic route.

The northern quadrant of the Subject Property is owned by the Federal Government and represents 6.96 acres. Immediately to the south is the parcel owned by the State of Florida, representing 6.89 acres, upon which currently sits a 40,000 square foot building. Moving south is a portion of the site owned by the County, which encompasses nearly 7.5 acres. Further south is the Red Cross's site (2.36 acres) which currently maintains a 40,000+/- square foot building onsite. The remainder of the site is owned by several private owners, encompassing a total of 4.3+/- acres. The Tri-Rail station sits on the area west of Tamarind which represents 6.6 acres with the tallest possible heights that the City permits.

In addition to understanding the current conditions, it is important to understand at least one factor that is not currently in place, but which has been approved, and is consistent with the fundamental goals of a TOD. One essential component for a successful TOD is the interrelationship of multiple modes of transportation.

An expanded trolley service has already been developed by the City of West Palm Beach and has been funded by the Palm Beach County Metropolitan Planning Organization (MPO). The City's current trolley service will be expanded in several ways, including the expansion of one existing route along with the addition of two new routes. All three routes will have a nexus with the Project and the site. The expanded and new service is expected to commence in or around October 2004, and riders will incur a \$.25/use fee. This expansion was funded in part by a Federal Transit Authority grant of \$2.2 Million.

SECTION 3.0 – MARKET DEMAND & USE

3.1 Introduction

The TOD must be coordinated and compatible with existing uses and developments. It must reflect and be consistent with the demographics of the Tri-Rail ridership.⁴ Uses surrounding the site include City Place to the south, Clematis and the proposed City Center to the east, Downtown to the east, and Tri-Rail on the western portion of the site itself. Consequently, the TOD site must be developed in a way that integrates these factors. The concept of coordination has impact on the mix and extent of individual use categories. It is important to ensure that the TOD does not include a major retail presence to maintain compatibility with other existing sites and areas, especially considering the significant amount of retail within CityPlace. Similarly, a potential Arts component must not directly overlap this pre-existing use in the general area.

In general, the local real estate market appears healthy overall, with generally sound market conditions. Continued and rapid population growth is one of several factors that supports and stabilizes the local real estate market. Although each use category behaves somewhat differently from the others, it is generally fair to say that across use categories, South Florida and more specifically West Palm Beach is in a healthy state currently, and signs are generally positive for continued growth. Each use category is examined and presented separately in this section, and projections in terms of use and density are offered for the subject site.

3.2 Office

The office market of West Palm Beach includes approximately 6,623,841 rentable square feet of Class A, B and C office space in 151 buildings. No new commercial buildings have been constructed in the past five years. City Place Partners plans a two-phase 300,000 total rentable square foot office product, while a project known as City Center may offer a 200,000+/- rentable square foot office building over the next few years, of which approximately one-half will be

⁴ It appears that Tri-Rail ridership is comprised of mostly lower to middle income individuals with a diverse, ethnic composition. It is important that the TOD and particularly its residential component take reasonable measures to maintain some level of consistency with this demographic.

occupied by local government (i.e. 100,000 RSF).⁵ It is anticipated that City Place will deliver 150,000 square feet in 2006, while the City Center project may deliver 100,000 square feet of supply between 2006 and 2007. 250,000 square feet of new supply equals 3.7% of the overall market square footage. The second phase of City Place will increase that figure from 3.7% to 5%.

Vacancy rates hover around 18% and have shown signs of dropping from a high of around 19% mid-last year. Absorption is positive by only about 2.5%. Of the over Six Million rentable square feet of office, *net* absorption has been only 43,670 rentable square feet, year-to-date, while overall leasing activity has been 242,000 square feet. Office space appears to be staying on the market prior to lease-up for an average of 20.3 months; however, that lag time is beginning to drop.

Table 3.2.1 Vacancy Rates

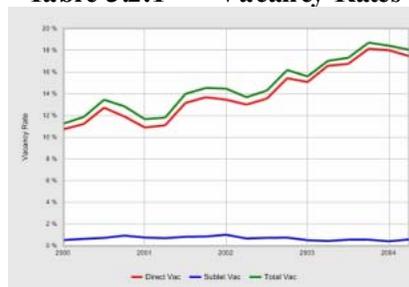


Table 3.2.2 Absorption

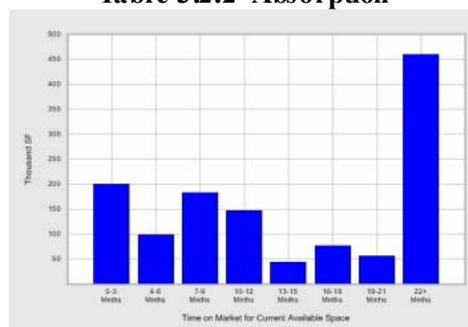
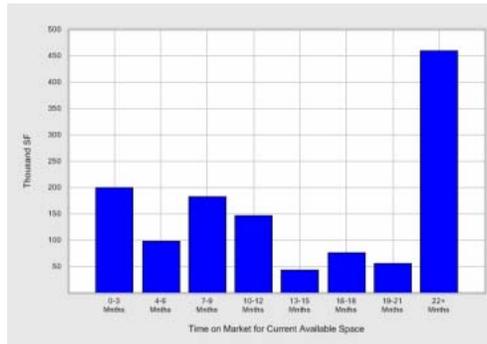


Table 3.2.3 Time on Market

⁵ This project is in a very preliminary stage of development. The City has recently selected a developer to begin the planning and development process.



The outlook for the West Palm Beach office market is mildly positive, and there are other factors expected to play a positive role. 3,000 residential units have been approved or are under construction for the area. The delivery of these units will have a positive impact on absorption and the demand for office space. Similarly, Scripps’ interest in the County and the State will have a positive economic impact on the entire region, including the relevant submarket.⁶ County-wide population is reportedly increasing by 2% to 3%, which will also have a positive impact.

Given its geography, there is little or no land available in the Downtown area sufficient to support a significant office building. This suggests a time will come in the foreseeable future when absorption will overtake supply, with no further opportunity to create new office product.

In sum, factors external to the site reveal low absorption levels, coupled with extensive time on market data, combined with the anticipated delivery of City Place Partners building and the City Center project indicate that some limited demand for office space in the Downtown area exists. On the other hand, the lack of land area sufficient to handle significant office buildings, coupled with the longer-term economic impact of Scripps, and slowly developing signs of increasing absorption indicate that modest demand exists for additional office product.

⁶ According to the Progressive Policy Institute, West Palm Beach ranks as one of the top 50 metro areas in terms of being a high-tech center. The County maintains 1,900 high tech companies that employ over 21,000 people. These jobs tend to pay higher than non-high tech jobs, and are therefore desirable. The impact of Scripps is expected to not only create bioscience jobs but also increased high-tech jobs as well.

Factors internal to the site suggest that demand will exist for much more office space than the external factors alone suggest. The State of Florida Department of Health may be displaced by the Project. The Department of Health is expected to require approximately 85,000 rentable square feet in the immediate area. In fact, the State of Florida Department of Health is in the process of attempting to identify a site sufficient to accommodate an 85,000 square foot building. It is recommended that attempts be made to capture this demand.

The Federal Government's courthouse expansion will have a positive impact on the office market generally, as well as this site particularly. Typical adjacent courthouse uses, including law firms and court-reporting firms are likely to increase at a rate proportional to the increase in the courthouse size. The Federal Government will supplement the Roger's Building (87,000 rentable square foot) by adding a new 240,000 rentable square foot courthouse in or around 2007, an increase of 375%.

The development of a Federal Courthouse creates an opportunity for the related development of "adjacent uses". Currently, there exists between 50,000 and 100,000 rentable square feet of "adjacent uses" connected to the existence of the current courthouse in the Roger's Building (87,000). This represents a likely 1:1 ratio of Courthouse uses to adjacent uses, and it is reasonable to assume that the new 240,000 square foot Courthouse will impose new demand for 240,000 square feet of "adjacent use" in or around 2007.

The State Department of Health combined with the Federal Courthouse expansion will create demand for 325,000 square feet around the calendar year 2007.

Other factors internal to the site create the potential to provide for somewhat higher demand than that which is documented in this Study.⁷

⁷ The creation and delivery of a significant residential use component on a given site has a positive impact on the demand for office space on that given site. Despite reasonable efforts to obtain this ratio or metric, to date all efforts have been unsuccessful.

The current vacancy rate is 18%. This, coupled with the new product delivery of 3.7% to 5%, leaves a 21.7% to 23% total vacancy rate, assuming a flat rate of projected absorption. Applying the current annual absorption rate of 2.5% reveals that a healthy vacancy rate of 10% to 12% will be achieved three to five years from now. At or around the time for delivery of the Project, it is reasonable to project that demand for new office product of 1.5% to 3% of overall market size will be absorbed, which equals 99,000 to 197,000 square feet.

The fact that little or no land exists coupled, with the overall positive economic outlook, suggests that the 2.5% current absorption is not only sustainable, but it is likely to increase. Moreover, the continuing population increase at the current rate is expected to increase demand for office product as well.

It appears that demand for office space on this site, at or around the time for delivery, is expected to be 424,000 to 522,000 square feet, in addition to the 327,000 SF Federal Government use, as follows:

- Department of Health: 85,000 RSF
- Federal Courthouse Adjacent Use 240,000 RSF
- New Demand 99,000 - 197,000 RSF
- SUB-TOTAL 424,000 - 522,000 RSF
- Existing & Planned Fed Use +327,000 RSF
- TOTAL Public & Private Office Uses: 751,000 to 849,000 RSF

In terms of the type or class of building that is appropriate based on market demand, consideration must be given to factors including location and use types. A location within the urban core, “connected” to rail and Department of Health users and Federal Courthouse adjacency users, dictates that the appropriate class of buildings would be Class B to Class B+.

Finally, buildings with relatively larger floor-plates of around 25,000 rentable square feet per floor are under-represented in West Palm Beach. It is advisable to consider buildings with a 25,000+/- rentable square foot floorplate.

3.3 Retail

3.3.1 Facts & Figures:

As the office market is on solid foundation, with some modest increasing demand, retail is similarly sound; however, there are competing developments immediately adjacent to the site, including Clematis and City Place, which limit the attractiveness of a major retail component of the Project. Moreover, there exists an abundance of retail in the downtown West Palm Beach area. Clematis, City Place, a nearby Publix, and other smaller area retail create limited market demand for substantial new retail development. Although City Place's restaurants have been successful, the balance of its retail has not enjoyed the same success. In general, this section reveals a minor to modest "neighborhood" retail use component is appropriate.

Florida is "under-retailed" compared to the population base, with a tremendous inflow of people moving to the State in record numbers and South Florida "as arguably the most 'happening place' in the state for retail development".⁸ West Palm Beach ranked 8th nationally in terms of the nation's top retail markets.⁹ Urban infill retail developments in West Palm Beach are regarded as particularly attractive since "the market is right there around them... you buy a fully mature market when you sign a lease."¹⁰

Retail in Palm Beach County remains strong as retailers attempt to position themselves for the continuing residential growth. Retail locally has been resilient despite a lackluster economy. Retail sales grew last year by over 6% in 2003, and the Dow Jones MicroSector Retail index (a composite of the five of the nation's leading large-cap retailers) was up 21%. Strong retail spending may be accounted for by the low-interest rate environment, the housing boom, cash-out refinancing, and income tax cuts. The increasing interest rate environment may have an adverse impact on this data.

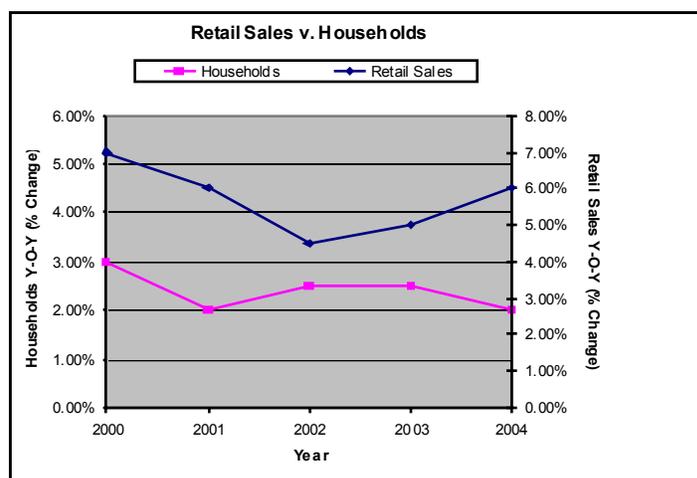
⁸ ICSC's Shopping Center Business (August 2003).

⁹ Marcus & Millichap's 2003 National Retail Report rankings.

¹⁰ Charlie Aug, Garrick-Aug Associates Store Leasing, quoted in ICSC's Shopping Center Business (August 2003).

The vacancy forecast for West Palm Beach MSA is a decrease of twenty basis points to a robust 6.3%. Retail rental rates are expected to rise by 2.5% to an average of \$17.78/R SF/year triple net. The entire South Florida region is expected to gain 45,000 new jobs in 2004, an increase of 2.4%. Developers plan to add one million square feet of retail space in 2004 to the West Palm Beach area, a drop of 800,000 square feet from 2003. Land is scarce for retail expansion.

There exists a high correlation between year-over-year household changes and year-over-year retail sales changes.¹¹



This statistic tends to suggest that: (a) generally, the increase in delivery of new residential units correlates with a proportional increase in area retail sales, and (b) as to the Subject Property, there should be a direct correlation between the delivery of new residential units and an increase in demand for retail in the vicinity.

These statistics suggest the creation and delivery of 2,000 units of residential onsite and the creation and delivery of several hundred thousand rentable square feet of office combined with the proximity to rail, adjacency to the intersection of Tamarind & Banyan, abundant parking

¹¹ 2000 Increase in Households (7.5%) & Increase in Retail Sales (7.5%); 2001 Households (4.2%) & Retail Sales (6%); 2002 Households (5%) & Retail Sales (4.2%); 2003 Households (4.2%) & Retail Sales (4.2%); & 2004 Households (4.2%) & Retail Sales (5%); according to Marcus & Millichap's 2004 Annual Report, West Palm Beach.

and adjacency to the Federal Courthouse, will create demand for retail, most likely of the traditional “neighborhood” type of retail (i.e. drugstore, restaurant, coffee shop, dry cleaner / tailor, daycare, and fitness).

3.3.2 Relevant Retail Use Categories:

3.3.2.1 Neighborhood Retail -- Generally:

Two retail experts surveyed agreed that a theoretical development in the Downtown area, with 2000 residential units coupled with 400,000 to 500,000 square feet of office space, will create demand for approximately 20,000 to 30,000 of traditional “neighborhood” retail (e.g., drugstore, restaurant, coffee shop, dry cleaner / tailor, and daycare).

3.3.2.2 Neighborhood Retail -- Drugstore

Retail investors have gravitated heavily toward investing in retail drugstore chains as aggressive expansion by leading chains continues. One such retailer set a record in Q1 2004 with same-store sales increases of 13%. This company plans to open 450 stores in Fiscal Year 2004. Another experienced net sales increase of 17.7% in 2003, and this retailer intends to open 150 new stores in 2004. The creation of a larger mixed use development, with access from a high traffic intersection like Tamarind and Banyan¹², coupled with the population count and demographics for the area surrounding the site¹³, in the context of this segment’s growth, demonstrates that demand for an 8,000 to 10,000 rentable square foot drugstore would exist.

3.3.2.3 Neighborhood Retail -- Food Service / Restaurant

The fast-food segment is experiencing rapid growth nationally, both in terms of the proliferation of new concepts as well as the expansion of existing ones. One major, well-recognized, well-established, three-meal per day sit-down concept is currently opening a new location every three days. Another recently increased its investment in a new concept by 70%.

¹² Traffic counts for this intersection are estimated to be 30,000. Australian serves as a major artery to access the Downtown area.

¹³ Within a 3 miles radius of the Subject property there are 73,814 people, with an average household income of \$66,389, and an average age of 39.64.

Most have experienced gains of between 6% and 10% in 2003. The expansion of this segment has created a highly competitive environment generally among and between these retailers, and therefore, they are aggressively seeking available and desirable sites. The Subject Property with its demographics profile and traffic count at Tamarind and Banyan, coupled with the projected amount of office and residential, suggests that two restaurants, along the lines of nicer, three-meal-per-day concepts, will find this site desirable. The two restaurants would account for approximately 10,000 to 12,000 rentable square feet.

3.3.2.4 Neighborhood Retail – Coffee/News & Drycleaner

Other typical neighborhood retail includes a retail “coffee house” and newspaper facility, which would be supported by the size and scale of the TOD. A typical facility will require approximately 3,000+/- rentable square feet. Similarly, a dry cleaner would be supported by this type and size development. A typical dry cleaner would require roughly 2,000 rentable square feet. In total, these uses would require approximately 5,000 rentable square feet.

3.3.2.5 Neighborhood Retail -- Daycare

The substantial office and residential components for this TOD will create substantial demand for a daycare use. Moreover, the lack of Downtown daycare facilities, coupled with the size of the existing residential and office Downtown market, creates a substantial demand for daycare. Daycare will require 7,000 to 10,000 rentable square feet of space, plus some fenced outdoor space. One interviewee suggested the possibility of extending the daycare subsidy program which exists for certain qualified employers to apply to occupants of the onsite residential community. Sections 3.5 and 3.6 below provide for complementary facilities for adult care and learning and general community center activities as well.

3.3.2.7 Fitness Use

In addition, each retail expert agreed that the site may very well support a fitness use. The Downtown area maintains a relatively limited number of fitness facilities. Olive & 2nd

appears to be the closest one. Two major, nationally recognized franchise fitness companies use the following criteria to gauge whether or not a site is desirable for a 20,000 square foot work-out facility: (a) 80,000 population in a 3-mile radius, (b) 8,000 population in a 1-mile ring, (c) median age of less than 40, (d) a median income greater than \$40,000, and (e) a traffic count close to or better than 30,000. It is important to note that they also consider locations of competition and make many exceptions to the above considerations, based on situational circumstances. Nonetheless, the Subject Property has a population of 73,814 within three miles, a population of 10,986 within one mile, a median age of 37.32 (3-mile radius), a median income of \$66,389 (3 mile radius), and a traffic count of approximately 30,000 (Tamarind & Banyan).¹⁴ Based on these factors, it appears that the TOD site would satisfy the general criteria, and therefore, demand would exist for a 20,000 RSF fitness use facility.

3.3.2.8 Summary

In summary, it appears that market demand exists for between 50,000 and 57,000 rentable square feet of retail use onsite. The retail use categories are summarized as follows:

- Drugstore: 8,000 – 10,000 RSF
- Food service: 10,000 – 12,000 RSF
- Coffee shop: 3,000 RSF
- Dry-cleaner / tailor: 2,000 RSF
- Daycare: 7,000 -- 10,000 RSF
- Fitness: 20,000 RSF
- TOTAL: 50,000 – 57,000.

3.4 Residential

3.4.1 Demographics & the Economy:

Whereas office and retail categories have been mildly strong, the last several years have provided an historically robust for-sale housing market, with sky-rocketing values, particularly in urban and coastal environments like the City of West Palm Beach. Rental housing has been less

¹⁴ These figures reflect 2003 estimates based on the 2000 census coupled with projections.

vibrant yet stable. The result within the residential market of Downtown West Palm Beach has been that market forces have driven away most opportunities for “workforce housing.” Moreover, for-sale housing tends to exceed \$400,000 in the Downtown market, with some yet few notable exceptions.

Underlying the demand for residential housing is a wide range of facts and figures that reveal a vibrant and sustainable amount of growth and development of the residential market. Relevant facts and figures are noted below.

- The West Palm Beach economy remains resilient and has traditionally remained very stable, with only two years of negative employment growth since 1955.
- Strong tourism levels coupled with increasing numbers of businesses seeking expansion northward as the cost of doing business and cost of living associated with Broward and Dade Counties continues to push growth northward.¹⁵ The local economy is expected to grow at a rate of 4.5%.
- In the West Palm Beach MSA, employment conditions in 2002 and 2003 slowed but remained above average as compared to the nation as a whole. For the entire calendar year 2004, an increase of about 12,000 jobs is expected.¹⁶
- Within the West Palm Beach MSA, 15% of the population falls between 35 and 44 years old, with an additional 13% falling between 45 and 54. The over age 55 segment accounts for 33% of the local population. “These figures bode well for a high level of homeownership, with some 75% of the housing units in the metro area occupied by owners” (as opposed to renters).¹⁷

¹⁵ According to the Meyers Group’s 2003 report. March 26, 2004.

¹⁶ *Id.*

¹⁷ *Id.*

- Construction activity for the calendar year 2004 is expected to have slowed. “While significant demand exists for new housing product, a lack of supply and developable land will keep construction levels in check in the coming years.”¹⁸
- “The West Palm Beach MSA remains one of the hottest housing markets in the nation.”¹⁹ While both demand/supply and employment-to-permit ratios are expected to remain below 1.00 (the general equilibrium point), sales activity in the market indicates that demand remains strong. A combination of demand driven by both job growth (younger buyers) and strong in-migration trends (older seasonal and permanent buyers) continues to fuel the new home market.
- Concerns for the market include: (a) housing costs that have outpaced income levels, (b) the increasing cost of living juxtaposed against the volume of lower paying service sector jobs, and (c) limited supply of developable land may constrain future levels of growth.
- According to the City of West Palm Beach, there are currently 3,119 units either recently built, under construction, or approved for development. Of those, 461 (14.7%) are rental units, and the remainder represents for-sale housing. The rental units are offered at \$1,045 for a studio and up to \$2,060 for a three bedroom. The for-sale housing begins at \$125,000 and increases to \$2.250M, with the majority in the \$400,000 to \$600,000 range. Sales have been and continue to be strong.
- Q4 2003, 4,697 new housing units were sold or leased, up 18% over the 3,980 absorbed during Q3 2003, and 75.9% more than the 2,670 absorbed in Q4 2002 (Palm Beach County).

3.4.2 Rental Housing

¹⁸ *Id.*

¹⁹ *Id.*

Facts and figures particular to the rental housing market reveal that rents are increasing; vacancy rates are healthy, with a positive overall absorption rate, and the environment is generally stable. Key facts and figures are as follows:

- New apartment (rental) absorption during Q4 2003 totaled 748 units, 11.8% greater than the 669 absorbed in Q3 2003, and 1.5% greater than the 737 in Q4 2002 (Palm Beach County).
- The vacancy rate in rental apartment units which had been completed for more than eighteen months declined slightly from 6.0% (November 2003) to 5.7% (February 2004). The overall average monthly rent increased by \$19.00 to \$1,024 from Q3 to Q4 2003. This equates to a 5.2% increase year over year. Rents increased for all types of apartments year-over-year. The strongest increase, 26.8% was found in studio/efficiencies. Two bedroom units experienced the second highest increase of 5.4% (Palm Beach County).
- As of February 2004, apartment vacancy rates for West Palm Beach were 7.2% for buildings eighteen months or older.
- Rental apartment absorption in West Palm Beach for the three months ending September 30, 2003 was 199 units and 223 for the Quarter ending December 31, 2003. On average, 70 units were absorbed per month for the six-month period ending December 31, 2003. Completed but vacant units totaled 475, which equates to 6.8 months of supply for West Palm Beach.
- For West Palm Beach, rental apartments average monthly rents and numbers of total units follow: (a) 1 BR \$855 & 1,150 units (eastern WPB) and \$805 & 2,318 units (western WPB); (b) 2 BR \$1,108 & 1,260 units (eastern) and \$938 & 3,851 units (western), and (c) 3 BR \$987 & 316 units (eastern) and \$1,191 & 479 units (western).
- For Palm Beach County, rental apartment rent trends follow:

<u>Type</u>	<u>2/03 – 2/04 (Year-over-Year % Change in Ave. Rents)</u>
All	5.2%
Efficiency	26.8%
1 BR	4.9%
2 BR	5.4%
3 BR	3.4%

- Average per-square-foot per-month rents for apartments in Palm Beach County range from \$.89 - \$1.10 / square foot (February 2004).

Rental Summary: Rents for all types (efficiency, 1 – 3 bedrooms) of rental housing are increasing. West Palm Beach vacancies remain a healthy 7.2%, and absorption has averaged 70 units per-month in West Palm Beach for a six-month period, with 475 existing vacant supply (6.8 months worth) and an additional 461 rental units either approved for development of under construction for delivery (approx. 6.7 months supply). Assuming the current absorption rate increases slightly from 70 to 75 (based on the fact that rents are increasing), and further assuming such rate remains stable over a 36 to 48 month time horizon²⁰, demand for all types of rental housing in West Palm Beach will be 2,700 to 3,600 units. Subtracting the 475 current vacancies and the 461 units underway, there remains an overall need for 1,764 to 2,664 units in the City of West Palm Beach. Based on the desirability of the urban location of the Project, convenience to Tri-Rail, and developing trends, it is reasonable to assume rents that are somewhat higher than average area rents are appropriate and would be absorbed. On this the following rents are considered appropriate for the Project:

- Efficiency: \$1,000
- One Bedroom: \$1,250
- Two Bedroom: \$1,750.

3.4.3 Multi-Family – For Sale:

²⁰ 36 to 48 months from the time of drafting of this Report is the approximate time estimate for delivery of the TOD Project.

The multi-family for-sale residential housing market in West Palm Beach has been very strong, with sharply increasing sales, a steadily increasing population, and a limited supply of developable land. Facts and figures to note:

- Q3 to Q4 2003, new unit condominium sales increased by 92.7% and were 3.7 times greater than one year prior (Palm Beach County). 528 units were sold in Q4 2003, compared to 274 in Q3 2003 and 143 in Q4 2002. In 2003 1,276 total new units were sold, a 68.3% increase over 2002 (758).

<u>Year-over-Year</u>	<u>Percent Change in Sales</u>
2001 vs. 2000	-26.3%
2002 vs. 2001	-25.5%
2003 vs. 2002	68%.

- Q4 2003 sales increased in seven of eleven areas within the County, with West Palm Beach having the highest levels of sales at 185 units sold during the quarter.
- Q4 2003, the \$175,000 to \$249,999 price group registered the most sales with 233 units sold, County-wide. The second highest price group was \$250,000 to \$499,999, with 85 units sold.
- In West Palm Beach, the number of for-sale units underway or planned at the price group of \$275,000 or less is estimated to be approximately 450.²¹
- West Palm Beach New Condo Unit Sales Q4 2003:

<u>Price Group</u>	<u>New Units Sold</u>
\$100k-\$124,999	50
\$125k to \$149,999	18
\$150k to \$199,999	21
\$200k to \$249,999	68
\$250k to \$449,999	22

²¹ The reason for the use of an estimate is that certain developments do not identify the numbers of units below certain price-points within their overall price range. For example, Archstone/"Prado" has 304 total units under construction at prices between \$125K and \$330K but does not identify the number below \$275,000. A conservative estimate has been used to create an assumption relative to the numbers of units below \$275,000. Residential Projects in Downtown Area – 2004.

\$450k+

TOTAL

1

185

- 185 total units were absorbed Q4 2003. 162 were absorbed at or below the \$250,000 price point, leaving a monthly absorption of 54 units for that price group.

For-Sale Summary: In West Palm Beach, sales are sharply increasing, population continues to increase, there exists a paucity of land, and demand last year averaged 62 units per month (185 per year), while a supply of 2,658 units is either underway or planned. An increasing interest rate environment is anticipated, which is expected to have an adverse impact on absorption, however sustained population growth may offset that adverse impact. Assuming the current overall absorption rate of 62 units per month²², the new supply of 2,658 for-sale units delivering will be absorbed over a 42-month period. This would suggest that there exists little or no demand for new for-sale units in general. However, with the majority of for-sale housing that is planned or underway in Downtown West Palm Beach in the \$400,000-to-\$600,000 range, and with an estimated supply of new or underway units of 400 at or below the \$250,000, assuming the current absorption rate of 54 per month for this price group, supply for the \$250,000 and less will be fully absorbed within eight months.

Assuming a continued and unchanged absorption rate of 54 per month, over a 36-to-48 month horizon, reveals that a demand of 1,944 to 2,592 minus the current supply of 400 equals a demand for 1,544 to 2,192 over this period for for-sale housing of \$250,000 or less. On this basis, most units should be priced near or below the \$250,000 price-point. A minor yet significant portion of the units should be priced above \$250,000 with a small percentage at prices up to the \$350,000 price-point. The highest priced units would still be positioned below the price-point of most other deliveries, which would reflect the upper floors, some of

²² For projection purposes, it is assumed that the possible adverse effect of the increasing interest rate environment is canceled by the positive effect of the increasing population. In fact, the sharp increase in sales might suggest an increase in absorption would be appropriate; however the conservative viewpoint would be not increase the assumed absorption level.

which are likely to have partial water views. Upper floor units, in a Downtown West Palm location with partial water views will typically command 20% to 40% higher prices, which equates to \$350,000. Therefore, of the recommended number of units, 10% should be priced up to \$350,000.

3.4.4 Affordable Housing

“Workforce Housing” is understood to mean housing suitable for “working families and individuals employed by both private and public sector, including but not limited to, government employees, teachers, police, firefighters, and nurses, ... [to provide] for affordable housing near their places of employment and to provide those families with an affordable housing alternative.”²³ Up to 15% of the residential component of the site is recommended to be dedicated to Workforce Housing, as that term is described herein.

Concerning related subjects such as “Tax Credit” and “Affordable Housing” County-wide, there exist 5,781 units, with a healthy vacancy rate of 5.5%. Although no figures have been obtained regarding new units planned and general absorption, there appears to be a consensus that affordable housing needs are significantly under-served in the West Palm Beach area.

Regarding for-sale workforce housing, the issue of sustainability must be considered. Without an ongoing control measure, as soon as workforce housing is purchased at a discount below “market”, “workforce” buyers may be tempted to resell their property at a “market” profit. Imposing deed restrictions for a period of perhaps ten years is a reasonable measure to ensure the policies and goals of workforce housing are sustained.

Salaries and incomes for this segment of police, firefighters, government employees, teachers, etc. typically range from \$22,000 to \$40,000. Assuming that some of these

²³ The Memorandum of Understanding (“MOU”) by and between the stakeholders of the Subject Property provides this definition of “Workforce Housing”.

households are two-income households presumably raises this income range to an estimated upper bound of \$55,000 per annum. Housing suitable for families with incomes between \$22,000 and \$55,000, with a bias toward the lower end of the range, represents “Workforce Housing” as that term is used herein. Assuming a standard amount of debt for a household income of this level, for-sale housing of \$125,000 to \$165,000 and for-rent housing of \$650 (efficiency) to \$1,100 (two bedrooms) per month is appropriate as “Workforce Housing.”²⁴

3.4.5 Market Conclusions

General market conclusions concerning the broader residential market are:

- Over a 36-to-48 month horizon, demand is expected for between 1,764 and 2,664 rental units in West Palm Beach, with a somewhat balanced need for all types of apartments and a bias toward efficiencies.
- Over a 36-to-48 month horizon, there is expected to be demand for between 1,944 and 2,592 for-sale units in West Palm Beach at the price group below \$250,000.
- There is an unmet need for Workforce, Tax Credit²⁵ and Affordable Housing in West Palm Beach.

3.4.6 Additional Residential Comments

The market in general for residential housing is strong, particularly in the segments noted above. These facts are complemented by three additional and relevant points:

- The fact that this site is connected to rail, walk-paths, biking and Downtown has a defining impact on the residential component of the Project. Among interviewees, there is a clear consensus that housing for this site must include significant representation for

²⁴

²⁵ Tax credit housing might play a role in the rental component of this project, which permits the utilization of private, outside equity from a “tax credit housing” developer. The developer receives direct tax credits as a result and receives a 99 year ground lease. To qualify, income of the residents must be 60% of the median county income. A two bedroom unit with a “market” cost of \$720 requires an annual household income of \$35,000, for example.

government employees. Currently, policemen, firemen, clerks, and other government employees cannot afford to live where they work – in the Downtown area.

- Consideration should be given to the possibility of transferring Down Payment Assistance “credits” to other neighborhoods and areas, as this may be desirable to some community members.
- Workforce or subsidized housing should account for 15% of the overall residential component. There is likely to be a more significant demand for subsidized housing; however, this demand must be weighed against the adverse economic impact on the overall financial success of the Project.

3.5 Education, Hospitality & “The Arts”

Whereas demand for office, retail and residential uses can be approached scientifically, specialty use categories like education, hospitality and the Arts, require direct contact with end-users to assess the specific demand of representative and identified end-users. For this reason, numerous end-users from these categories have been interviewed to determine the desirability of this site and the potential TOD Project to determine their interest and stated needs. The relevant findings in this area are presented in this section.

Several major South Florida institutions of higher education were interviewed for this Report. Each reported a very strong desire or interest in this TOD. The types of recommended programs ranged from general studies to special programs such as a hospitality program in conjunction with a smaller 100-room hotel operated by students²⁶, an evening graduate program, and a lifelong learning program in conjunction with daycare.

One interviewee suggested thought be given to the creation of a “lifelong learning center” that blends a general neighborhood community center with educational opportunities for young

²⁶ Not only do multiple colleges desire this, it creates cohesiveness between use classes (education and hospitality). A hospitality use has been factored in to this analysis, in light of at least one institution’s expression of a strenuous desire to coordinate its hotel-management program with a hotel in an urban environment. This use and the market demand therefore should be studied further.

children through adults (including adult care). Several interviewees emphasized the important need for such a lifelong learning center with a substantial early childhood component. Providing education for young children of working families up through learning and caring facilities for the older segment of the population would appear to fill a current void in West Palm Beach.

Moreover, some of the local area universities and colleges have expressed an interest in partnering for an early learning portion of a lifelong learning facility. This concept should be considered further and is discussed in the immediately following section, concerning the Aquatic and Community Center use.

Overall, necessary square footage estimates for an education component are between 50,000 and 75,000 rentable square feet. The possibility of a smaller hotel onsite, which combines the education use with a hospitality use would require an additional 50,000 square feet for the project²⁷.

One challenge relative to education is that schools are typically non-profits, which creates an adverse impact on the potential tax base enhancement of this use in the Project.

West Palm Beach is known as “Florida’s cultural capital.”²⁸ Despite the abundance of Cultural Arts uses in the Downtown area, there is a consensus that an unsatisfied market demand exists for The Arts, and further, that an Arts component has a place in this Project, provided it is complementary to and not competitive with existing uses. Between 5,000 and 10,000 square feet of space should be reserved for an Arts component.

It has also been suggested that demand exists for a 365-day-per-year ballfield that would also be used as an off-season training field for the Baltimore Orioles on this site. The primary

²⁷ As a rule of thumb, “mid-level” hotels require approximately 500 sf per room, including circulation factors, and administrative space. For a 100 room hotel, approximately 50,000 sf is needed.

²⁸ According to the Meyers Group’s 2003 report. March 26, 2004.

question becomes whether or not reserving between five and nine acres of the site (i.e. 15% to 25%) for such a facility makes the best and highest use for that portion of the site.²⁹

3.6 Aquatic Center, Lifelong Learning Center & Community Center

The American Red Cross currently has plans to create a new aquatic center estimated to require approximately 40,000 square feet. The organization already occupies a 40,000 square foot administrative facility. The combined size of the current administrative facility plus the new aquatic facility is estimated to be 80,000 square feet (40,000 + 40,000).

The overall size of the entire development with 2000 residential units combined with Red Cross's plans suggest that a community center be included as part of the Aquatic Center.

The Community Center would add an additional 20,000+/- square feet to this overall facility. This would include a significant "lifelong learning center".³⁰ It is estimated that the combination of the Red Cross' administrative facility, Aquatic Center, and Community Center would require 80,000 to 100,000 square feet of space to achieve the stated goals of the Red Cross including a margin for a Community Center and lifelong learning center. The Community Center would include meeting rooms and a place for community gathering to occur.

3.7 Parking

3.7.1 Introduction

All interviewees surveyed, from private sector real estate experts to public sector officials and government employees, seemed to agree that: (a) parking is underserved in the downtown area, and (b) residential, retail, and office development onsite will create a substantial demand for additional parking.

²⁹ Data provided by proponents project annual attendance of 154,000 to 350,000 and a cost of \$28 million. If the Baltimore Orioles or another team were willing to contribute a very substantial investment for its construction, consideration might be given to this possibility. Horrow Sports Ventures, which serves as an advisor to sports teams, provided these estimates; however, local evidentiary support in terms of market demand for this use were not provided. Further investigation may be considered. A letter dated August 30, 2002 from Miami Economic Associates, Inc. provided a summary of data, findings and projections.

³⁰ Once again, this center incorporates adult learning and caring facilities.

According to the South Florida Regional Transit Authority/Tri-Rail ridership data, the West Palm Beach Tri-Rail station requires 574 parking spaces while 153 are currently onsite, leaving a net need of 421 spaces. This data makes no consideration for the impact that an adjacent mixed use development would have on parking.

The number of spaces necessary will be based on four factors: (a) number of residential units on the site, (b) square feet of office and retail on the site, (c) estimated overflow needs for special events on the site and in the surrounding areas, and (d) the anticipated impact TOD will have on ridership.

3.7.2 The Parking Code & Governing Rules

The City of West Palm Beach Parking Code, Article XV, Secs. 94-481 et.al. (“Parking Code”) specifies the minimum parking requirements for each separate use category and sub-category. However, the Parking Code does not apply to the Downtown area as per Section 94-102(b)³¹. Instead, parking and other zoning requirements for the Downtown area are delineated in the Downtown Master Plan. Results of the application of the minimum parking requirements set forth in Sections 94-107 and 94-108 are presented in Table 3.7.1 below.

Table 3.7.1 – Density Summary & Parking			
Use	Amount	Parking Ratio	# Spaces
Federal	327,000 SF	2 / 1,000	654
Office	424,000 to 522,000 SF	2 / 1,000	848 to 1,044
Residential – Sale	850 units	1 / unit	850
Residential – Rent	850 units	1 / unit	850
Workforce Housing	300 units	1 / unit	300
Retail	50,000 to 57,000 SF	2 / 1,000	100 to 114
Education	50,000 to 75,000 SF	4 / 1,000	200 to 300
Hotel	50,000 SF (100 rooms)	1.7 / room ³²	170

³¹ Development within the Downtown area is governed by the separate rules of the Downtown Master Plan with regards to parking requirements, except where the Plan does not offer specific parking ratios for certain use categories, in which case the City’s Parking Code governs.

³² The Parking Codes provide a ratio of 1/room plus 1/15 rooms for employees = 1.7 / room for a 100 room hotel.

Arts	5,000 to 10,000 SF	3.3 / 1,000	17 to 33
Aquatic & Community Center	80,000 to 100,000 SF	2 / 1,000	160 to 200
Current Tri-Rail Parking Deficit	-----	-----	421
TOTAL			4,570 to 4,936

SOURCE: Downtown Master Plan, Sections 94-107 & 108

Table 3.7.1 demonstrates that 4,570 to 4,936 parking spaces could be required for the overall development program for this site when each use category is considered separately under the governing rules.

Given the broad understanding of the “market” demand and absorption for various uses, including parking, it is important to explore other factors that impact density and cost. The following Section addresses those issues.

SECTION 4.0 – FACTORS IMPACTING DENSITY & COST

4.1 Existing Zoning

Governed by the City of West Palm Beach zoning, the site is zoned City Center Clear Lake (CC4), surrounded by General Commercial (GC), Community Service (CS), Commercial Planned Development (CPD) and Downtown Planned Development (DPD).

4.2 Assemblage

Assemblage of as many parcels as possible will be necessary to achieve a successful TOD. Immediate efforts must be taken to bring together the fragmented ownership of the multiple parcels to achieve densities that will make the Project work. Moreover, where possible and consistent with the Master Plan, it may be necessary to create sufficiently sized parcels to accommodate the development program.

4.3 Height Restrictions & TDRs

In the City’s adopted Downtown Master Plan, development in the various subdistricts is controlled by building types, height restrictions, and building formats rather than a specified density and FAR. The City has also adopted a Transfer of Development Rights (TDRs)

program. TDRs can be used to increase heights above that which the standard Building Type height restrictions permit. To utilize TDRs, a subject site must include a “sending” site (i.e. a location that has historical significance and is designated as a “sending” site), or TDRs must be purchased a cost-per-square-foot basis, based on “market” factors. Recently, the first TDRs were purchased for \$10 per square foot, a transaction that transferred just over 200,000 SF at a cost of slightly above \$2 Million. The term “receiving” site refers to the location that benefits from the increased height.

The subject site contains areas designated as Building Types II, III, and IV. For areas designated as Building Type II, only residential buildings of three stories can be built “by right,” but TDRs can increase the total building height to five stories. The southeastern quarter of the site is restricted to Building Type II, which restricts buildings in this section to three-story townhouse-style residential. TDR transfers to Type II properties can increase the building heights to five stories in a courtyard-style multi-family housing format.

Approximately two-thirds of the Subject Property is designated Building Type III, which permits any primary use category (office, retail, residential) to be constructed at heights of up to five stories without TDRs and up to eight stories with TDRs.

It is relevant to note that “sending” sites exist on the central western portion of the TOD site (i.e. two triangular areas bounded by Tamarind to the west, one of which is immediately north of Datura and the other immediately south of Datura). Utilizing the TDRs from these “sending” sites would require the creation of a public plaza in these “sending” areas.

For areas designated as Building Type IV, any primary use category (office, retail, residential) can be constructed at heights of up to fifteen stories without TDRs and up to twenty stories with TDRs. The area of the site west of Tamarind surrounding the existing Tri-Rail station, comprised of 6.6 acres, permits Building Type IV, which adds the opportunity for very significant density.

The only express setback requirements in the City's Code require a minimum of eight-foot sidewalks around the perimeter. The density of the TOD is likely to result in increased setback requirements above this minimal mandate.

4.4 Technical Developable Potential³³

Assuming zero setbacks, factoring in TDRs and creating strategies for maximizing development, and further assuming that control is gained over all portions of the site except for the Federal Government portion where the Roger's building and the proposed new courthouse will exist (on six acres), this site has the potential to theoretically achieve up to approximately 11 Million square feet of total density. This figure is provided as a point of reference to illustrate the conservative nature of the development program which suggests a total density of roughly 4.5 Million square feet. It should be noted that such a theoretical development would be inconsistent with the Master Plan and is not recommended as a practical approach to this Project.

4.5 Utilities, Infrastructure & Offsite Costs

Water is supplied to the site from a 36" pipe on Sapodilla and a 24" pipe on Tamarind. The existing well and pipes should be sufficient to accommodate even the maximum potential density. As to storm-water, runoff currently dissects the site. Sanitary station #43 on the "Water-Plant" grounds is adequate in terms of the well capacity, but the pipe and line sizes may require enhancement. The small station on Gardenia and Tamarind may require replacement which is estimated to cost \$170,000.

4.6 DRI

DRI thresholds may be triggered by this project, which would have an impact on the cost and timing for development. Consideration should be given to the impact that a DRI process could have on the timing and cost of the project.

³³ The purpose of this Report is NOT to identify the maximum potential developable density. However, it is relevant to note the extent to which this site may be developed to understand what the range of lesser possibilities is.

SECTION 5.0 – STAKEHOLDERS’ GOALS

Although the site contains 56 individual parcels with numerous owners, the owners of the largest and most significant parcels, and their respective interests are important to understand. This section describes their respective interests and desires.

The Federal Government, which controls the entire northernmost city block of the site, intends to convert the Roger’s Building to an administrative building and expand immediately to the west by creating a new fourteen-courtroom courthouse to deliver in 2007. The Federal Government may be unwilling to relocate unless a land swap might occur where it received the benefit of improved proximity to the east (i.e. the County courthouse).

GSA controls seven acres upon which the Roger’s Building rests, which is 87,000 RSF and occupies 1.5 of the seven acres. As a standard of measurement, for each federal courtroom, GSA develops approximately 20,000 square feet of space. Fourteen new courtrooms equates to a 240,000 square foot building.

GSA maintains a complicated formula regarding setbacks which creates an inverse relationship between building “hardening” and setback. As the further the setback, the less hardening required, larger setbacks equate to lower costs to build the GSA building. In no case can the setback be less than 50 feet. Factoring in these setback requirements, the new building will require approximately 4.5 acres of land, exclusive of parking.

The American Red Cross on the southernmost portion of the site, intends to create a major Aquatic Center, which will provide for swim lessons for children, scuba lessons for adults, day swimming for more competitive swimmers’ training, lifeguard training, life safety training, and other community related uses, including recreational swimming. This planned facility is highly consistent with the remaining uses discussed herein for this TOD. The Aquatic Center’s location should be coordinated with an overall Community Center and lifelong learning center to

maximize the opportunity for cohesiveness. The Red Cross is expected to participate in the overall site concept and plan provided they are treated “equitably.” The only limiting factor is that the Red Cross’ current “storefront” facing South on Fern may have an historic façade.

The South Florida Regional Transportation Authority (“RTA”) is expected to gain control of the Tri-Rail site to the west of Tamarind. RTA’s objective is to maximize a dedicated revenue stream to further its broader goals of increasing ridership.

The State of Florida owns the “Old Police Street” site (Datura to Clematis). The Department of Health occupies a portion of the site as a tenant of Palm Beach County. The Department of Health has expressed a willingness to participate.

Generally, the County and City appear to desire “smart growth”, increased tax base, and positive economic impact. The County will require that the Community Services Department be provided for either onsite or elsewhere.

There are a series of smaller, private owners primarily to the southern part of the overall site. Measures must be taken to gain control over these smaller sites. Greater detail concerning these sites appears as Exhibit I.

SECTION 6.0 – FINANCIAL CONSIDERATIONS

6.1 Introduction

Beyond varying stakeholder interests, there are several challenges which must be overcome to make this project a success. Due to the high value of land in the Downtown area, economic feasibility is challenging for many projects. Fragmented smaller owners must be overcome to achieve economies of scale necessary to make this project a success. The division of the site by east-west streets creates further impacts on the overall potential for the site. Each of these factors has an effect on the overall economics.

6.2 Projected Mix of Use

To recap, the projected mix of uses and densities is summarized in Table 6.2 below.

Table 6.2 – Density & Use Summary		
Use	Amount	Type
Federal	327,000	Federal Court & Admin.
Office	424,000 to 522,000	Class B+ 25,000 sf floorplate
Residential – Sale	850 units	\$250,000
Residential – Rent	850 units	Efficiency \$1,000 1 BR --- \$1,250 2 BR --- \$1,750
Residential – Affordable	300 units	Effic. \$650 1 BR \$825 \$125K to 2 BR \$1,100 \$165K
Retail	50,000 to 57,000	Fitness, dry-cleaner, restaurant, coffee
Education	50,000 to 75,000	Non-profit college with hotel-management program & professional, after-work self-improvement programs
Hotel	50,000	Hotel in conjunction with hospitality program.
Arts	5,000 to 10,000	Non-profit
Aquatic & Community Center	80,000 to 100,000	Lifelong & Early Learning Center, Non-profit

6.3 Value of Projected Densities

By applying the assumptions used to arrive at the mix of use and densities identified in Table 6.2, and further assuming the values suggested below, project values are:

Table 6.3 – Value of Projected Densities (\$Millions) ³⁴					
Use	Value (Dedicated Revenue) ³⁵	Value (Ad Valorem)	Value Basis (SF or Units)	Total (Dedicated Revenue)	Total (Ad Valorem)
Federal Court	\$200/SF		240,000	\$48.0	
Federal Admin.	\$120/SF		87,000	\$10.4	
Office excluding DOH ³⁶	\$200/SF		339,000 to 437,000 SF	\$67.8 to \$83.0	

³⁴ Non-Taxable Use categories are highlighted in **Yellow**.

³⁵ Values for “dedicated revenue” purposes and for ad valorem purposes differ, primarily relative to residential uses. For this reason, different value bases have been assigned resulting in split cells.

³⁶ The Office category has been divided into two subsections - Taxable and Non-Taxable uses – to illustrate taxable values for the Project. More specifically, it is assumed that Department of Health (a non-taxable user) shall occupy 85,000 SF of the 424,000 to 522,000 SF of office use.

Office (DOH)	\$200/SF	85,000	\$17.0	
Residential – Sale	\$200/SF	\$60/SF	850 units x 1,100 SF/unit (ave.)	\$187.0 \$56.1
Residential – Rent	\$200/SF	\$60/SF	850 units x 1,100 SF/unit (ave.)	\$187.0 \$56.1
Workforce Housing	\$100/SF	\$60/SF	300 units x 1,100 SF/unit (ave.)	\$33.0 \$19.8
Retail	\$200/SF	50,000 to 57,000 SF	\$10.0 to \$11.4	
Education	\$180/SF	50,000 to 75,000 SF	\$9.0 to \$13.5	
Hotel	\$200/SF	50,000 SF	\$10.0	
Arts	\$200/SF	5,000 to 10,000 SF	\$1.0 to \$2.0	
Aquatic & Community Center	\$180/SF	80,000 to 100,000 SF	\$14.4 to \$18.0	
Parking	\$10,000/space	4,570 to 4,936	\$45.7 to \$49.4	
<i>SUBTOTAL</i>			\$640.3 to \$669.7	\$365.3 to \$394.7
<i>Non-Taxable Values Adjustment</i>			N.A.	- \$99.9 to \$108.9
<i>TOTAL Taxable</i>			\$640.3 to \$669.7	\$265.4 to \$285.8

Table 6.3 reveals a gross value for the densities and uses discussed herein equal to a range of \$640.3 to \$669.7 Million for dedicated revenue purposes.

For ad valorem purposes Table 6.3 reveals values of \$365.3 to \$394.7 Million, minus deduction for all non-taxable uses, including Federal, Education, Arts and Aquatic & Community Center uses. These uses are projected to equal \$99.9 to \$108.9 Million, resulting in a total projected ad valorem taxable value basis of \$265.4 to \$285.8 Million.

The values noted in Table 6.3 were calculated for illustrative purposes with the intention of calculating a total projected payback and include a broad base of variable assumptions which may change.

6.4 Projected Payback

6.4.1 Introduction

The potential projected payback must be considered. There are at least two levels from which projected payback must be viewed, including both dedicated revenue and ad valorem tax

yield. It is important to further delineate between the tax yield to the City and to the County as well.

The broader and overall economic impact that a large scale, mixed use development such as this would create is relevant and important to understand; however, it is beyond the scope of this report. It is expected to be substantial.

6.4.2 Dedicated Annual Revenue

The concept of “dedicated annual revenue” is used to provide an understanding of what the stakeholders collectively might expect to receive on an ongoing basis. When considering the various use categories contained in this Study, the for-sale housing component must be highlighted in this context because if units are sold, they will not produce dedicated annual revenue, except that a portion of condominium association dues may provide a source of ongoing revenue. Nonetheless, the value of the for-sale housing is included and presented separately in the unlikely case that a structure may be identified to capture this value.

To determine the value of a possible ground lease, which would be impacted by the for-sale residential component as noted above among other variables, ground lease values tend to range from Seven Percent (7%) and Ten Percent (10%) of overall gross value of the land and improvements. If the resulting TOD is structured so that the stakeholders ground lease the site to an outside party, further assuming the values noted above (including the non-taxable uses) of between \$640.3 Million to \$669.7 Million, the expected yield from a ground lease is presented in Table 6.4.1 below.

Moreover, for purposes of determining dedicated annual revenue potential, land value must be added to the gross value of improvements. Land in this urban density, relatively east

and somewhat proximate to water, and adjacent to Tri-Rail will be valued at \$120/square foot³⁷ of “dirt.” This equates to an overall land value for the site of approximately \$189.0 Million.

Table 6.4.1 – Dedicated Annual Revenue (\$Millions) (Land & Improvements)			
Assumption	Gross Value (Basis) of Improvements	Land Value	Dedicated Annual Revenue (7% - 10% of Basis)
Including For-Sale Residential ³⁸	\$640.3 to \$669.7	\$189.0	\$58.1 to \$85.9
Excluding For-Sale Residential ³⁹	\$453.3 to \$499.8	\$189.0	\$44.9 to \$67.2

In the event an ownership structure is identified by which for-sale residential values can be captured on a dedicated basis, then the resulting annual dedicated revenue is expected to be between \$58 Million and \$86 Million. In the more likely case where the for-sale residential component results in an upfront, one-time impact of \$187 Million in sales, then the expected annual dedicated revenue will equal \$45 Million to \$67 Million in addition to the upfront impact.

6.4.2 Projected Ad Valorem Tax Yield

The Project will create a substantial ad valorem tax impact for the City of West Palm Beach and Palm Beach County. Ad valorem tax yield has been considered both with and without land value. The yield is presented in both ways as the Project will generate a re-assessment of properties, thereby substantially increasing the tax basis.

The ad valorem tax yield is based on an overall millage rate of 24.3985⁴⁰. That overall millage rate breaks down into its component parts as set forth in Table 6.4.2 below. In addition to providing the millage breakdown, Table 6.4.2 also provides the ad valorem tax yields to the

³⁷ In such a dynamic market, the value of land is a difficult ascertain without a formal appraisal which eventually must be undertaken.

³⁸ In case a structure exists to create a dedicated revenue stream from the for-sale residential use component, then this basis is relevant. If not, then the only relevant basis is the “Excluding For-Sale Residential” which immediately follows.

³⁹ Of course, in addition to this “dedicated revenue”, \$187 Million in sales would result on the front-end.

⁴⁰ The overall ad valorem tax rate = Taxable Value / 1000 * millage rate of 24.3985.

various taxing entities including the City, the County, South Florida Water Management, Florida Inland Navigation District (FIND), Healthcare District, Everglades Construction, and School Board.

Table 6.4.2 – Ad Valorem Millage Rate Breakdown & Yield				
Taxing Authority	Notes	Rate	Ad Valorem Taxes With Land	Ad Valorem Taxes Without Land
City	Operating .79	1.3708	\$623K to \$651K	\$364K to \$392K
	Debt Serv. .5808			
County	Operating 4.5	4.7910	\$2.2M to \$2.3M	\$1.3M to \$1.4M
	Debt Serv. 2910			
South Florida Water Management District (SFWMD)		.5970	\$271K to \$283K	\$158K to \$170K
Florida Inland Navigation District (FIND)		.0385	\$17K to \$18K	\$10K to \$11K
Healthcare District		1.130	\$513K to \$537K	\$300K to \$323K
Everglades Construction		.10	\$45K to \$47K	\$27K to \$29K
School Board	State 5.652	8.571	\$3.9M to \$4.1M	\$2.3M to \$2.4M
	Local 2.599			
	Debt Serv. .32			
TOTAL		24.3985	\$11.1 to \$11.6	\$6.5 to \$7.0

The values and yields appearing in Table 6.4.2 include the following assumptions: (a) the for-sale residential component is included (as there is no need to exclude it from consideration); (b) non-taxable uses are excluded from the basis; and (c) the taxable values are \$265.4 Million to \$285.8 Million without the land value, and \$454.4 Million to \$474.8 Million with the land value included.

Table 6.4.2 reveals that the City will receive an annual tax yield of \$623,000 to \$651,000 with the land value and \$364,000 to \$392,000 without the land value. The County will receive \$2.2 Million to \$2.3 Million and \$1.3 to \$1.4 Million respectively per annum.

6.5 Alternative Financing Sources

Private sector participation in the form will be necessary along with development management support. Bonding via tax increment financing (i.e. floating bonds on the VIG between today's tax base and what it will become) may be necessary. The creation of a Community Development District with the issuance of corresponding bonds might be considered. Similarly, a Transit Special Assessment District should be considered.

The Federal Transit Administration presents the possibility of absorbing a portion of the parking expansion costs that relate to rail travel.⁴¹ There may be HUD and MPO contributions and programs available. HUD has, for example, a "location-efficient-mortgage" program, for homeowners at or near rail stations which provides preferential loan-to-value ratios based on the notion that living near rail, reduces the need for additional automobile costs. Fannie Mae maintains a similar program, the "Smart Mortgage" Program. Further investigation of these programs is necessary to determine actual availability of resources and funds.

Down Payment Assistance programs exist which may benefit certain residential occupants of the site. Consideration should be given to the possibility of transferring some portion of these rights and capabilities to other sites in other neighborhoods, which may be desirable to some members of the community.

SECTION 7.0 – CONCLUSION

The Subject Property maintains physical and locational qualities which create a unique opportunity for a successful TOD project. Its urban location, with onsite rail, adjacent multi-route ground transportation, and sufficient available land to provide necessary economies of scale to create a relatively dense mix of uses is rare, and this site presents this combination of characteristics. The location between two major retail developments and general proximity to other office densities further enhances the opportunity for a complementary mixed-use TOD development.

⁴¹ Federal funds may be available to pay for some substantial portion of the parking that relates to transit.

Market factors as well as current site occupants present demand for a dense mix of uses.

These uses are summarized as follows:

Table 7.0 – Density & Use Summary								
Use	Amount	Type						
Federal	327,000	Federal Court & Admin.						
Office	424,000 to 522,000	Class B+ 25,000 SF floorplate						
Residential – Sale	850 units (ave. 1,100 SF/unit)	\$250,000						
Residential – Rent	850 units (ave. 1,100 SF/unit)	Efficiency \$1,000 1 BR --- \$1,250 2 BR --- \$1,750						
Residential – Workforce	300 units	<table border="1"> <tr> <td>Effic. \$650</td> <td>\$125K to</td> </tr> <tr> <td>1 BR \$825</td> <td>\$165K</td> </tr> <tr> <td>2 BR \$1,100</td> <td></td> </tr> </table>	Effic. \$650	\$125K to	1 BR \$825	\$165K	2 BR \$1,100	
Effic. \$650	\$125K to							
1 BR \$825	\$165K							
2 BR \$1,100								
Retail	50,000 to 57,000	Fitness, dry-cleaner, restaurant, coffee						
Education	50,000 to 75,000	Non-profit college with hotel-management program & professional, after-work self-improvement programs						
Hotel	50,000	Hotel in conjunction with hospitality program.						
Arts	5,000 to 10,000	Non-profit						
Aquatic & Community Center	80,000 to 100,000	Lifelong & Early Learning Center, Non-profit						
Parking	4,570 to 4,936 spaces	TBD						

Although there are eighteen different stakeholders on 56 individual parcels, with four or five primary stakeholders, there appears to be general support for the possibility of a TOD to proceed to a charrette.

Projected payback in terms of Dedicated Annual Revenue is projected to be \$44.9 to \$67.2 Million, while Ad Valorem Tax Yield is forecasted to be \$11.1 to \$11.6 Million including the estimated land value. The County would reap a \$2.2 to \$2.3 Million annual benefit while the City would gain \$623,000 to \$651,000 per year in yield. In addition, overall economic impact will be very substantial, although this subject requires further consideration.

To achieve these substantial benefits, the Project may require assemblage as well as the use of TDRs. The TOD project is a worthwhile endeavor that could provide for substantial ongoing financial impact, broader economic impact, and otherwise may serve to turn a severely underutilized major site in Downtown West Palm Beach into a vibrant symbol of “smart growth” in South Florida.

EXHIBIT I

KEY TO OWNERSHIP TABLE

SEQUENCE OF PARCELS: The parcels below are listed in order from west to east and then north to south on the GIS maps. For example, the first two parcels represent the triangular portion of the site to the west of Tamarind, upon which currently rests the Tri-Rail station. The first is the western-most piece and the second is the eastern piece. The third listed parcel is the northern-most quadrant. The remainder of the parcels are in order again from North to South and then east-to west on the GIS maps from the City, for this site.

ADDRESSES: The addresses that appear on the table below are descriptors taken directly from the GIS Map section of the City website, and do not necessarily reflect street addresses.

PCN NUMBERS: The PCN numbers appearing on the table are actually the last digits of the PCN numbers. All PCN numbers listed start with “74434321010”.

OWNERSHIP TABLE		
Address	PCN	Owner
WEST OF TAMARIND		
931 1 st Street	470021	Palm Beach County
201 Tamarind	450012	Greyhound Lease PBC
EAST OF TAMARIND		
BANYAN		
Sapodilla	3700000	Federal
CLEMATIS		
Tamarind	410050	Dept of Environmental Protection
916 Clematis	410042	Dept of Environmental Protection
740 Datura	410010	Dept of Environmental Protection
100 Georgia	360010	Dept of Environmental Protection
925 Datura	410060	Dept of Environmental Protection
833 Datura	410071	Dept of Environmental Protection
827 Datura	410072	Dept of Environmental Protection
740 Datura	420010	Dept of Environmental Protection
100 Georgia	360010	DMS Lease PBC
DATURA		
Datura	420050	Simonson & Earla
Datura	420042	Simonson & Earla
810 Datura	420010	PBC
Datura	420020	PBC
810 Datura	420010	PBC
810 Datura	350021	PBC
801 Evernia	350021	PBC
710 Datura	4000063	Turkistan Khaled Abdullah
Ponce Court	4000050	Turkistan Khaled Abdullah
700 Datura	40000010	Teitel & Blitstein
220 Tamarind	420060	PBC
Evernia	420070	PBC
901 Evernia	420081	PBC
Datura	420020	PBC
810 Datura	340041	PBC
801 Evernia	350021	PBC
723 Evernia	350081	PBC
713 Evernia	350092	Michael Icon
709 Evernia	350091	John Pacheco
213 Georgia	350102	Teitel & Blitstein
Evernia	350101	Teitel & Blitstein
EVERNIA		
Evernia	350052	Evernia Station Ltd Partnership
910 Evernia	430031	PBC
826 Evernia	430010	PBC
926 Evernia	340051	PBC

Evernia	340042	PBC
Evernia	340042	PBC
Evernia	340031	Red Cross
Evernia	340032	Red Cross
712 Evernia	340022	Gerald Meitz
710 Evernia	340021	Gerald Meitz
708 Evernia	340012	Gerald Meitz
303 Sapodilla	340011	Gerald Meitz
921 Fern	430061	Davis Marsh
910 Evernia	430031	PBC
Fern	430071	PBC
909 Fern	430080	PBC Mental Health
825 Fern	340060	Red Cross
825 Fern	340060	Red Cross
Fern	340071	Red Cross
Fern	340072	Red Cross
Fern	340080	Red Cross
Fern	340091	Red Cross
709 Fern	340092	Live Your Dreams, Inc.
FERN		

EXHIBIT II
(Site Map)