


To: City Commission of the City of Pompano Beach, Florida and Board of Directors of the Pompano Beach Finance Corporation

From: Suzette Sibble, Assistant City Manager 

Through: Greg Harrison, City Manager

Date: May 14, 2025

Re: Approval of Public (City) Self-Financing the Civic Facilities in Downtown - Certificates of Participation - COPs (Civic Facilities Master Lease Program)

## **Introduction**

On June 20, 2024, the City Commission and CRA (the “Agency”) Board approved a Master Development Agreement (MDA) with RP Pompano LLC (an affiliate of RocaPoint Partners, LLC) to serve as the Master Developer for the new Downtown to manage and deliver a turn key project for the City and CRA. As part of the MDA, the City Commission/CRA Board approved the construction of a new City Hall, Parking Garage and E. Pat Larkins Community Center and further approved the use of private financing with the master developer to fund these civic facilities. Civic facilities initially approved as part of the MDA included:

New City Hall	\$ 70.6M
New Parking Garage	18.0M
New E. Pat Larkins Center	<u>10.3M</u>
Total Project Costs	98.9 M
Performance Payment (15%)	<u>14.8M</u>
Total Financed	<u>\$113.7M</u>

### **Private Financing - Credit Tenant Lease (CTL)**

The MDA approved the Master Developer to finance the civic facilities and all related cost obligations of the City with a CTL. Factoring in rent abatement parameters (i.e. allows the city to phase in the maximum annual lease payment on the front end of the lease), a maximum annual lease payment of \$12.9M was approved as part of the MDA as an annual lease cap. Financed over 30 years, this equated to \$368M to include interest at a rate of 8%.

### **Public Financing (City Self- Financing)**

To provide flexibility, the MDA also allowed the City to direct self-finance the civic facilities above. Under this scenario the City’s performance payment to developer would be reduced to 12.75% and the annual payment to finance over 30 years at 5% would be \$8.2M. Over that 30-year timeframe, payments would be \$232M, to include interest. This represents an annual savings of \$4.7M and savings to the City of \$154M over 30 years.

**Public (City) Self-Financing to Include Additional Project Elements**

Based on meetings held with Commissioner Perkins and members of the Northwest Community, additional project elements have been proposed that we are recommending be included in the amount to be financed by the City as follows:

- *Educational Component* – Vocational training program and college resources center - contemplates preparing young adults for internships and employment by businesses located within the Master Project. The program will be located in a stand-alone facility to be located somewhere in the Master Project. A feasibility study would need to be completed for this concept to determine what trades (i.e. hospitality and culinary; aviation; medical etc.) might be contemplated for the vocation program, a potential operator and any ongoing required City commitment for the program, if any. This feasibility study would be completed and presented to the City Commission prior to closing on the City's financing in 2026. This addition to the civic facilities obligations (5k SF facility) of the City would add an additional \$7M to be financed (includes FFE and Performance Payment impacts).
- *Project Incentives to Local Business Enterprises* – We are proposing that the City will allocate \$2 Million Dollars (the Project Incentive Cap) to incentivize the Developer and third-party purchasers (Purchasers) to utilize thirty percent (30%) of Local Business Enterprises (LBEs). LBE's must have a Pompano Beach Business Tax Receipt (BTR). If Developer or Purchasers of pads satisfy the LBE participation goal and at least thirty percent (30%) of the Contract Value for construction of an eligible project is performed by LBEs, the City shall pay Developer or Purchasers an Incentive Payment in the amount of one percent (1%) of the Contract Value for such project. This \$2M commitment will increase the amount to be financed by the City.

These new obligations results in the below revised civic costs to be financed:

New City Hall	\$ 70.6M
New Parking Garage	18.0M
New or Renovated E. Pat Larkins Center	10.3M
Project LBE Incentive cap	2.0M
Vocation Tech/College Resource Center	<u>6.4M</u>
Total Project Costs	107.3M
Performance Payment (12.75%)	<u>13.2M*</u>
Total Financed	<u>\$120.5M</u>

*\*calculation excludes project incentive amount and FFE included for vocation tech/college resource center*

Incorporating the additional project elements, as well as having an allowance for capitalized interest the City would self-finance an amount not to exceed \$137M (excludes premium or discount) in project funds over 30 years at approximately \$9.1M maximum annual debt service payment at an interest rate of approximately 5.2%, subject to market conditions at the time that we close on the financing. Over a 30-year term that would equate to \$268M, to include interest. It is anticipated that this scenario will result in a savings of approximately \$100M to the City when compared to the private (CTL) financing structure. The City's first debt service payment would be due in 2029. See **Attachment 1** for

an Overview of the City financing tool and structure being recommended referred to as Certificates of Participation (COPs) and **Attachment 2** for preliminary debt service schedule. The schedule was run assuming a tax exempt and taxable component would be issued to be conservative to allow more time to explore the votech/college resource center facility as a tax exempt component.

**In an effort to save the City and our residents approximately \$100 million, we are asking the City Commission to approve the City self-financing the civic facilities. This will allow the City to retain a larger surplus for the Downtown project during the 30-year financing timeframe.**

#### Sources and Uses

It is important for the City Commission/CRA and public to understand the finance plan for the City's obligations under the MDA. The Project is self-funded meaning that the revenues generated from the project will be utilized to fund any of the City's civic facilities obligations as amortized over a 30-year timeframe or any other costs incurred by the City relative to the New Downtown at full buildout. The Downtown Team is committed to continuing to acquire additional parcels within the Redevelopment Area (as defined in the MDA) prior to the issuance of the COPs (and beyond) to achieve full buildout of the project as contemplated by the Master Plan presented to the City Commission/CRA Board on June 20, 2024. To demonstrate an even more conservative approach, we have also developed a finance plan that (1) assumes that we only acquire certain additional parcels in the redevelopment area for full buildout and (2) assumes that only the parcels owned today are developed and that the current E. Pat Larkins site is not repurposed to a taxable use. (See **Attachment 3**). The Downtown Project is a transformational project that we have worked towards for decades. It will not only remove blight in the Downtown area, reduce the tax dollars spent to address major challenges in the Northwest, but the economic returns on this project will translate beyond the boundaries of the Downtown redevelopment area in perpetuity, positively impacting generations to come throughout our City.

#### Attachments