

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: October 22, 2025

Re: Approval of Public (City) Self-Financing the Civic Facilities in Downtown - Certificates of Participation – COPs with Downtown Infrastructure Funding Option

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 (lease rate factor of 8%). Private financing assumes RocaPoint Partners would obtain financing for 90% of all project/performance payment (civic costs) and financing costs and would provide equity to finance the remaining 10% of the civic costs at a 15% return on that equity investment.

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:

- *Education Resource Center* – this component would be incorporated into the construction of a new E. Pat Larkins Community Center in the Downtown Master Redevelopment Project and includes classroom space to provide informational resources to primarily allow high school students and young adults to access vocational training opportunities from surrounding institutions, offices and related uses, and space to provide college resource support services to high school students. This addition to the civic facilities obligations (5k SF space) would add an additional \$7M to be financed (includes FFE and Performance Payment impacts).
- *Project Incentives to Local Business Enterprises – Local Business Enterprises Program* – We are proposing that the City will allocate \$2 Million Dollars to fund the costs of operating a local business enterprises (LBEs) program. The program will involve such activities as participating in workshops or community meetings, holding job fairs, job training, creating apprenticeships and any other targeted activities that are intended to achieve maximum participation by LBEs. 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	2.0M
Educational Resource Center Space (contemplated as part of new Larkins Ctr.)	6.4M
Total Project Costs	107.3M
Performance Payment (12.75%)	13.2M*
Total Financed	<u>\$120.5M</u>

**calculation excludes project incentive amount and FFE included for education resource center space incorporated should a new E. Pat Larkins Center be constructed.*

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 \$9.6M maximum annual debt service payment at an interest rate of approximately 5.1%, subject to market conditions at the time that we close on the financing. Over a 30-year term that would equate to \$260M, 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.

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.

Despite the potential that the 2026 Florida legislative session could once again impact the CRA's ability to issue bonds in the future, it is the CRA's legal position that, because the City and the Agency are already obligated under the master development agreement to complete the Downtown Infrastructure as part of the Downtown Project—and since the related debt service has been included in the Northwest CRA District's finance plan for several years—any future legislative limitations on the Agency's bonding ability would not affect the infrastructure bonding requirement under the approved MDA. **Nevertheless, in an abundance of caution, the COPs financing documents request approval for the Downtown Infrastructure—either in whole or in part—to be financed as part of the Civic Facilities Project, should the Agency be unable, for any reason, to finance the Downtown Infrastructure through bonds authorized by the Agency. The not to exceed amount (not including premium/discount) in this case would simply be \$212M (\$137M civic obligations + 75M infrastructure obligation). Existing tax increment from the Northwest District would still be utilized to cover the required annual debt service payments under this scenario.**

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. To further insulate the project the following should also be noted:

- property valuation growth projections for the Northwest District have been assumed to stay at 4% (average has been 11% over the past 10 years)
- new downtown property values growth projections assumed at 3% growth - average is 8% over past decade
- land sale proceeds assumptions over time are conservative
- assuming an issuance of COPs in 2026, the first debt service payment is not due until 2029
- a graduated debt service schedule can be utilized to further reduce the amount of debt service payments
- a debt service reserve fund will be maintained equal to at least two (2) years of annual debt service payments for the COPs
- projected 95% of the uses in downtown will be non-homestead uses
- public financing allows for greater savings over private financing

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 only the parcels owned today are developed (2) that a pad is ultimately developed for a college satellite building – tax exempt use and (3) 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.

