

TREASURE COAST INTERMODAL CAMPUS

PROPOSAL PART 3 – SECTION B FINANCING PLAN

October 2, 2009

General Discussion. The Team Members of the Respondent have prepared a Preliminary Opinion of Probable Costs to plan, permit and construct the Project (the "Probable Direct Costs") based on the preliminary sketches, concept plans and rule-of-thumb allowances. The exhibits 3B1 and 3B2 at the end of this report represent the estimated direct construction costs for Phase I and the entire project at build-out, respectively.

The Probable Direct Costs exclude the value of land, cost of financing and construction period carrying costs (interest, taxes and project administration). The Respondent assumes that the land is valued at \$215 Million (\$30,000 per acre based on 7,139 gross acres; or \$45,000 per acre based on net 4,778 usable acres). Assuming that financing and construction period carrying costs amount to 8% of direct costs; and that Phase I of the project included the 611 acre Interchange Hub and 4,000,000 square feet of Distribution Center, the following "Order of Magnitude" budget would result.

	<u>Total Project</u>	<u>Phase I</u>
Land Value	\$ 215,000,000	\$ 46,250,000
Probable Direct Costs	1,924,607,685	379,499,970
Financing and Carry Costs	<u>153,968,148</u>	<u>30,359,998</u>
	<u>\$2,293,575,833</u>	<u>\$ 456,109,968</u>

These projected costs do not include assumptions for the cost of publicly funded roadway or railroad improvements unless they are on (or directly related to) the Project Site. It is also a possibility that the Respondent will sell individual building sites within the Distribution Center areas to parcel developers who will obtain their own equity investors and construction / permanent financing; in which case the Respondent would only require funding for construction of site specific infrastructure & horizontal improvements (thus reducing project costs).

As an Order of Magnitude reflection upon Net Project Rents for the Distribution Center, a proforma calculating the Distribution Center rental income over the Project life was performed.

The rule-of-thumb assumptions used were: warehouse space rent of \$8 per square foot in 2014 dollars; all leases are triple-net leases; an annual escalation in price of 3% per year; an absorption period of 10% per year (per the RFP background research); and with build-out, stabilized occupancy would be at 95%. Over a 50 year Project Term, the rental stream would produce \$35.8 Billion in base rents which, at a discount rate of 8% produces a present value of \$4.7 Billion. Using similar assumptions, the 4 Million square feet of space in Phase I would yield \$441 Million at an 8% discount rate.

Respondent Equity & Pre-Development Funding. As mentioned in Part 3 – Section B, The Respondents are providing approximately 7,139 acres of land as part of the Project Site. It is the intention of the Respondents to fund the majority of preliminary planning, zoning and land use changes from their independent cash reserves. Should Respondent be awarded the Project by the Sponsor, the land will be used as collateral for further funding until programmed financing is obtained. In that regard, traditional development financing from a conventional lending institution and secured by the Property would be used to fund activities such as the following:

1. Planning Costs – Master plan development, zoning, comprehensive plan modification, annexation (if required), DRI (if required), and other regulatory approval costs through execution of a developer agreement with local / regional regulators.
2. Impact Fees – Local roadway contributions, impact fees, other entitlement pre-payments and acquisition of rights of way and easements as required by developer agreements and other entitlement commitments.
3. Pre-Development Funding for Phase I – Site-specific planning, design, permitting, impact fees and contract negotiations for construction of the initial master development phase, the Interchange Hub, and the interface with future phases.

Public Private Partnership Assumptions. The Respondent proposes to partner with the Sponsor to provide an inland intermodal logistics facility (the Interchange Hub and specific associated infrastructure) which has the capacity to meet the anticipated increase in the Sponsor's container cargo activities. The surrounding developable areas comprising the Distribution Center will be owned & operated by the Respondent, as an industrial / warehouse Development. The Respondent will utilize a phased approach to both the Interchange Hub and the Distribution Center in order to develop the infrastructure and facilities (other than Phase I) on the basis of demand.

The assumptions being considered in the development of the financing plan include:

1. The Sponsor will assign current intermodal container business to the Project upon completion of infrastructure necessary to access and operate the Interchange Hub;
2. The Sponsor will utilize the Interchange Hub for future container business;
3. Port of Palm Beach will work cooperatively with the Respondent / Developer seeking grant funds as identified in the financing plan; and
4. The Sponsor will be a co-applicant for purposes of permitting the Interchange Hub.

As part of the financing plan for this public private partnership, the following functions of the Sponsor, as identified in the Request for Proposals, were considered important considerations for the delivery of the Project on schedule:

1. Assist by serving as the governmental liaison;
2. Providing review and oversight for all aspects of the development, including processing all requests and correspondence directed to any governmental agency;
3. Serve as a government advocate for obtaining necessary entitlements (land use reclassification, rezoning, annexation, etc.);
4. Assist in the streamlining of regulatory reviews and approvals;
5. Serve as an advocate with Florida Department of Transportation (FDOT) and others with the construction of the mainline rail links and the primary road connections and road expansions necessary to support the Project;
6. Work with applicable governmental agencies to obtain transportation and freight hub status for the Project so that the Project will be eligible for Strategic Intermodal System ("SIS") funding, issue tax-exempt or private activity bonds and other available funds from any applicable government sponsored funding programs, including SIS funding;
7. Extend the current foreign trade zone status of the Sponsor to include the Project site.

Additionally, the following functions of the Respondent, as identified in the RFP, were considered important considerations for the delivery of the Project on schedule:

1. Provide the land for the Project, by taking appropriate actions to restrict the use of the designated land to uses related to the Project;

2. Develop a financing program through the use of private and public resources to pay the costs associated with the design, development, construction, management, operation and maintenance of the Project;
3. Provide the design and engineering of the Project in accordance with the minimum Design and Construction Requirements set forth in Section 2.5 and further expand upon the design of the Project, as deemed appropriate by the Respondent, using prudent industry practice and standards;
4. Procure and construct the Project, including the Interchange Hub, in accordance with Section 2.5 of the RFP and prudent industry practice and standards;
5. Manage and operate the Project in accordance with industry practice and standards;
6. Maintain the Project in accordance with industry practice and standards;
7. Provide planning and phasing of the Project size and function as necessary to keep up with projected or actual growth of the supporting industries.

These clearly defined functions provide lender confidence in developing the overall financing plan of the Project and accomplishing the tasks remaining to complete the Project on time and on budget.

Project Financing. The Respondent expects that it will be in a position (plans, permits and approvals in hand) to close on the 1st increments of Project Financing on or before June 2012 in order for construction of Phase I facilities to commence and the Interchange Hub to be available and operating by December 2014. Phase I will include the Interchange Hub, 4 Million square feet of warehouse space in the Distribution Center, and infrastructure to accommodate those facilities and provide reasonable access to near-term building sites.

The Respondent proposes to utilize the following structure to finance the development of the Interchange Hub and infrastructure necessary for its operation. The financing assumes that Phase I funding includes 35 percent equity and 50 percent debt in order to finance the infrastructure and facilities as described in this Response, with the remaining 15 percent funded by governmental grants. As proposed, the equity investment, debt, and governmental grants are apportioned as follows:

1. Land Investment as equity (14 percent)
2. Cash Investment as equity (21 percent)
3. Grants (Federal/State/Local) (15 percent)

4. Bonded / Bank Debt (25 percent)
5. TIFIA / RRIF Federal loans (20 percent)
6. State SIB loan (5 percent)

Return Assumptions. Rates of return assumed in the development of this financing plan include:

1. A 12 percent preferred rate of return on equity investment (land and cash equity)
2. Returns higher than 12 percent would include the sharing of net profits with the Sponsor - 30 percent of net profits will be provided to the Port of Palm Beach.
2. Senior Debt (Bonded / Bank Debt) at 8 percent.
3. TIFIA/RRIF at 5 percent.
4. State SIB at 3 percent.

Description of Funding Sources. A brief description of the proposed funding sources included in this financing plan is provided below:

Grants Programs:

1. Federal/State Transportation Grants - It is intended to work with the Florida Department of Transportation (FDOT) to identify needed regional infrastructure and to work with the appropriate Metropolitan Planning Organization / Transportation Planning Organization to prioritize Work Program funding. It is intended to have the transportation facilities associated with the Project designated as part of Florida's Strategic Intermodal System; making the project eligible for additional statewide transportation funding.
2. Federal earmarks - It is intended to work with the Congressional Delegation to identify federal transportation and economic development grants that may be appropriate and eligible for this project.
3. State Economic Development Grants (Road Fund, quick action if recruiting new businesses) - It is intended, as specific business opportunities for the Project (via relocation or expansion of companies from other states) become real, to seek project support via the 'Road Fund' for the purpose of developing transportation infrastructure. This fund is

available for projects that impact economic development and the creation of jobs when quick action is required of the state while competing for jobs.

4. Seaport Grants - It is intended to identify funding and make application for seaport grants. In 1990, the State Legislative created the FSTED Program, under chapter 311, Florida Statutes (F.S.), to finance port transportation projects on a 50-50 matching basis. Chapter 311, FS creates partnership between the state and its seaports. It is driven by an approach to project development that reflects the special characteristics of seaports: they are public entities, but must function as businesses to fulfill their public purpose.

5. Local Grants - The Respondent will work with local partners to identify and seek available funding for economic development including job creation and infrastructure. As presented in Part 4-F of this proposal, the Respondent has already secured the support of the Economic Development Council of St. Lucie County and begun discussions about economic development support grants.

Tax Exempt Bonds / Bank Debt:

1. TCIC User Fees - The Respondent expects that use fees at the Interchange Hub will be tied to the repayment of the debt and equity investment, and to utilize user fees to the maximum extent practical in financing scenarios associated with the Interchange Hub.
2. Community Development District - Consideration will be given to the creation of a Community Development District or other special district depending on market conditions prior to closing on other borrowing facilities. These funds would be used for master project infrastructure and the repayment would be tied to special assessments tied to land ownership.
3. Tax Increment Financing - Consideration will be given to the creation of a Tax Increment Financing District depending on market conditions prior to financial close.

Private Activity Bonds:

We intend to consider and evaluate the use of Private Activity Bonds (PABs). PABs, as authorized by Section 1143 of Title XI of SAFETEA-LU, are eligible for any facility for the transfer of freight from truck to rail or rail to truck (including any temporary storage facilities

directly related to such transfer) which receives Federal assistance under Title 23 or Title 49. These bonds, if deemed eligible by tax counsel, may be exempt from Federal taxation for the interest earned by bondholders, thus reducing the cost of borrowing.

Transportation Infrastructure Finance and Innovation Act Loan Program:

It is intended to apply for an allocation of the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program. TIFIA was established as a federal credit program for eligible transportation projects of national or regional significance under which the U.S. Department of Transportation (DOT) may provide three forms of credit assistance - secured (direct) loans, loan guarantees, and standby lines of credit.

Railroad Rehabilitation and Improvement Financing Program:

We intend to apply for an allocation of the Railroad Rehabilitation & Improvement Financing Program (RRIF). This program provides direct federal loans and loan guarantees to finance development of railroad infrastructure. The funding may be used to:

1. Acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, components of track, bridges, yards, buildings and shops.
2. Refinance outstanding debt incurred for the purposes listed above; and
3. Develop or establish new intermodal or railroad facilities

State Infrastructure Bank Loans:

We intend to make application for available State Infrastructure Bank Loans (SIB). These funds are targeted to a transportation facility project that is on the state highway system or that provides for increased mobility on the state's transportation system in accordance with Section 339.55, Florida Statutes, or provides for intermodal connectivity with airports, seaports, rail facilities, transportation terminals, and other intermodal options for increased accessibility and movement of people, cargo, and freight.

Equity Investment. The equity investment required for financing will be provided by the Respondent or private sources of capital. The landowners are contributing the necessary land as an equity contribution.