



## **Sale of Development Units within the Agricultural Reserve Frequently Asked Questions May 2020**

### **Background**

Lake Worth Drainage District (LWDD) shares responsibility with many government entities throughout south Florida for water management. For LWDD, this responsibility includes local flood control, protection of the regional water supply and emergency response during storms for 800,000 Palm Beach County residents and more than 10,000 acres of agricultural land.

To support this mission, LWDD manages an extensive infrastructure, which includes 500 miles of canals, 1,000 miles of associated rights-of-way and 20 major water control structures. The resources to carry out daily management and maintenance, as well as periodic, necessary upgrades and replacements come from an annual tax levy on property owners within the LWDD boundaries. At present, the levy is \$49.50 per acre or portion thereof.

### **The Agricultural Reserve**

As urban development expanded across south Florida over the past 60 years, there was a consensus that one of south Florida's most important industries—agriculture—deserved protection from encroachment by homes, highways and other development. As a result, approximately 22,000 acres of unincorporated Palm Beach County land lying between Hypoluxo Road on the north, Clint Moore Road on the south, Florida's Turnpike on the east, and the Arthur R. Marshall Loxahatchee National Wildlife Refuge on the west was established as "Agricultural Reserve."

The purpose of the Agricultural Reserve is to preserve farmland and wetlands in order to enhance agricultural activity, environmental and water resources, and open space, by limiting uses to agriculture, conservation, low density residential development and non-residential uses that serve the needs of farmworkers and residents of the Agricultural Reserve.

Currently, approximately 10,500 acres--or nearly half of the Agricultural Reserve--is in agricultural use: 7,300 acres in row crops; more than 1,700 acres in nurseries; and more than 1,000 acres in equestrian uses.

Management of the Agricultural Reserve is based on careful consideration of land use with the goal of long-term protection of the farming industry within its borders.

### **Competing Challenges**

South Florida's growth into one of the most desirable regions of the country has brought challenges as well as economic opportunity. Over the years, long-term residents have seen growth in residential

communities, expanded roadways, shopping centers and new businesses added to our regional landscape.

Since 1915, the LWDD has adapted to serve the changing landscape from farm fields to urban communities. To sustain the region, LWDD has a responsibility to thoughtfully plan for the impacts of population growth and climate change on water resource management. This means diligent maintenance of the flood control system, with timely upgrades or replacements, exploration and implementation of new water management technologies and, where needed, addition of new structures to serve communities.

### **An Opportunity to Leverage the Value of Development Units**

Lands owned in fee simple by property owners carry development rights or units. This includes property owned in fee simple by LWDD. These development units are marketable to developers who are seeking to purchase development rights or units in order to transfer them to another development site. Land use rules for the Agricultural Reserve allow buyers of development units to use them elsewhere within the Agricultural Reserve. This rule is important because it concentrates development in the Agricultural Reserve to certain areas, decreasing urban sprawl and protecting valuable agricultural lands.

The LWDD owns approximately 600 acres in fee simple within the Agricultural Reserve; approximately 313 acres are adjacent to current preservation parcels. The LWDD has an opportunity to sell the development rights on its fee-owned lands—known as the transfer of development rights or TDRs--and direct income from the sale towards supporting its mission for flood control, protection of the water supply and hazard mitigation.

### **Why Now?**

LWDD has been approached over the years about sale of its development rights. From a fiscal perspective, the district's governing body, the Board of Supervisors, determined at that time that LWDD's mission could be successfully accomplished with the annual tax levy.

Now, with threats to the region's freshwater supply related to a potential revised Lake Okeechobee regulation schedule, impacts from climate change, an aging flood control infrastructure in need of costly upgrades and the uncertain economic impact of the current COVID-19 pandemic, the sale of development rights presents an opportunity for LWDD taxpayers to leverage this significant asset.

Exploring alternative revenue streams to ensure the LWDD can provide vital flood control, water supply and hazard mitigation services without raising taxes is good government during times of fiscal uncertainty.

### **The Value of Available Development Units**

LWDD conducted an inventory of its properties that would be eligible, which is estimated at approximately 313 acres of its 600 acres in the Agricultural Reserve. An independent appraisal has been conducted and, at present, the value of each acre or development unit was estimated at \$65,000. At its April 2020 Meeting, the LWDD board set a minimum bid equal to or greater than \$70,000/acre, more than 8% above the current appraised value. This would set the total value of the 313 acres at approximately \$22 million.

## **What's Next?**

As a first step to determine if there is any interest in purchasing LWDD development rights, a formal Request for Bid, or RFB, has been advertised by the agency. Interested buyers are invited to submit a bid to purchase LWDD development units. At its monthly meeting on June 10, 2020 the LWDD board may consider awarding the bid to the respondent that submits the highest bid.

## **Why seek bids on the property before securing approval from the Palm Beach Board of County Commissioners?**

LWDD believes the sale of development rights is in the best interest of the residents and business owners for which the district provides flood control and water supply. Having a willing buyer in place before seeking full approval from the County Commission demonstrates certainty with the sale and avoids a lengthy county procedure and significant investment of time and resources if the property has no interested buyer.

## **If the Development Rights are sold, what does LWDD plan to do with the money?**

Revenue generated from the sale of development rights would be used for mission critical capital improvement projects, including:

- **Control Structure #9 Replacement** - This major structure has successfully managed both flood control and water supply functions for over 50 years. Thirty years ago, it was co-located with an expansion of the Lawrence Road bridge where it crossed the C. Stanley Weaver Canal—the largest and most prominent canal in the District. This has created a series of undesirable conditions and a need for replacing the structure. Any compromise to this structure would seriously impact the agency's ability to successfully respond to both flood and drought events.

Replacement of this important water control structure was bid for construction in January 2020. Submitted bids for construction were significantly more than anticipated by the District—the lowest responsive bid is \$2.3 million more than the original engineer's estimate. At its April board meeting, the District was forced to dismiss all bids due to current financial uncertainties.

- **Updated hydrologic simulation of the entire LWDD drainage system** - Hydrologic computer simulations are routinely used to analyze complex water resource management systems across the world. After over 100 years of operation, the LWDD needs to develop a comprehensive water resource model capable of informing the system improvements and operations needed to address changes in land use and future climate change impacts.
- **Continued enhancements to the Telemetry/SCADA system** - The remote-controlled SCADA (Supervisory Control & Data Acquisition) system recently installed on 11 major water control structures has greatly improved the agency's ability to rapidly respond to flood events and conserve precious water supplies to serve both farms and residential communities during wet and dry periods. Expanding the SCADA controls to other important water control structures managed by LWDD will further improve the agency's ability to serve the community and address the impacts of climate change and inclement weather systems.
- **Continued canal rehabilitation and hardening of canal banks** - The District's ongoing efforts to rehabilitate and harden over 500 miles of canal rights-of-way is fundamental to preserving the

critical water conveyance functions that they serve. These refurbishment projects are key to ensuring that major hurricanes do not damage the critical conveyance capacity that the canals currently provide.

- **Hazard mitigation funds for storm recovery and drought** - This 'Rainy Day' fund would be strengthened to provide post-disaster emergency funding if property assessment revenue is not available due to severe economic impacts occurring across the region.
- **Participation in regional water supply/quality projects** - New regional water resource projects are a cornerstone of the water supply guarantees embedded in the Comprehensive Everglades Restoration Program (CERP). However, many of these projects in Palm Beach County are being "de-authorized" by the Federal and State sponsors and will therefore not be supported by federal and state funds. The water supply shortfall that is now anticipated must be accommodated now by local governments. LWDD is currently evaluating a broad range of potential water resource projects that can mitigate this potential shortfall.
- **Mitigation of potential budget shortfall due to decreased tax revenue** - Additional revenue may also be needed to mitigate potential shortfalls in operating and capital expenses as the economic impacts of the COVID-19 pandemic are realized over the next several years.

#### **If the development rights are not sold, how will LWDD achieve those goals?**

To generate the income needed for mission critical projects, LWDD's board would have to more than double its levy on property owners in a single year or raise taxes by more than 25% a year over the next five years. Raising the annual tax on residents and landowners may be a significant hardship over the foreseeable future due to the uncertainty of the ongoing economic downturn. Sale of development rights is a fiscally advantageous way to meet pressing needs as well as achieve longer-term goals, like protecting freshwater supplies, without the burden of increased taxes.

#### **Does sale of these development rights mean there will never be a tax increase by the LWDD?**

Not exactly. It means that doubling the current tax will not be necessary either now or in the foreseeable future. The revenue generated in 2020 by sale of the TDRs would allow LWDD to move forward with critical projects, meeting its short- and longer-term infrastructure objectives and continuing to fulfill its mission for flood control, water supply protection and hazard mitigation.

#### **Will the sale of development rights impact flood control?**

No. Conversion of agricultural land to residential development does not have a corresponding negative impact upon flood control within LWDD. The District can sell the development rights and place conservation easements over these areas, which ensures that LWDD maintains its fee simple ownership and the canals are preserved for drainage and flood control, not sold and incorporated into future development.

In addition, current land development regulatory criteria assure that all development is constructed to meet required flood control standards for protecting property as well as human health and safety.

