



Direct Real Estate

Ft. Lauderdale Galleria Mall

October 3, 2013

Laurann H. Stepp
Portfolio Manager, Real Estate

Ft. Lauderdale Galleria Mall – Direct Real Estate

- Recommendation to sell Parcel A, which is land adjacent to the Galleria Mall
- PSERS would not be obligated, nor currently recommend to, participate in any development on Parcel A or other Mall property
- In 1993, PSERS purchased the Galleria Mall in Ft. Lauderdale, Florida for \$125.6 million. PSERS invested approximately \$44 million in 2001 to substantially improve the mall. Currently, the 978,000 square foot upscale mall offers Neiman Marcus, Macy's and Dillard department stores, Apple, and numerous upscale specialty shops, services and restaurants, and is valued at \$231 million
- In late 2012 our Asset Manager, Jim McAdam from Charter Oak Advisors, was approached by developers (MDG) regarding a proposed development plan. MDG is proposing five development pads within the Galleria Master Plan. If MDG/PSERS pursued this, entitlements of up to 1,600 residential units and 150 hotel rooms could be approved, and would add a mixed-use overlay opportunity to the existing retail entitlements. These pads would use air rights above existing surface parking lots and not detract from mall parking. MDG would cover all costs to achieve the approvals, which are expected to be achieved in one year

Ft. Lauderdale Galleria Mall – Direct Real Estate

- PSERS investment includes a piece of land adjacent to the mall, known as Parcel A. Currently this parcel is partially unimproved, and the rest is parking. Historically, various proposals have been considered for this parcel, either on a stand-alone basis or as an expansion to the mall. However, these proposals were not deemed to create sufficient return for the potential risks presented. One of the main limitations was caused by limited zoning capabilities when considering Parcel A on a stand-alone basis. By presenting the entire plan to the Zoning Board, the density for this particular parcel can be at least doubled, to 400 residential units, which would then support a sufficient return for a developer/investor
- Annual appraisals of Parcel A prior to 12/31/12 had recommended a value of \$5 million. The 12/31/12 appraisal value was increased to \$15 million, supported by other recent land sales in the area
- After reviewing the proposal, and considering multiple means of sale or additional investment, we determined that it would be in PSERS best interest to sell the Parcel for \$15 million to MDG and not participate in the development. PSERS would maintain title/rights for approximately 15,000 square feet of retail space at grade level, as well as parking rights on Parcel A
- The motivation to sell at this time is prompted by the following:
 - Ability to collect \$15 million on an unused portion of the investment
 - Estimated upside value of the newly created retail space would be up to \$2-3 million
 - The property would still own the entitlements for the additional 1,200 residential units and 150 hotel rooms which were part of the newly approved zoning plan. Upon any sale of the Mall, these additional entitlements would provide upside potential value to both PSERS and the buyer
 - PSERS would not be obligated to develop anything in the future, would not have any further obligation to MDG, and would not be jeopardizing anything with the existing operations of the Mall

Ft. Lauderdale Galleria Mall – Direct Real Estate

Structure of Sale

- Counsel is currently creating an Agreement whereby the entitlements will be pursued, with costs covered by MDG. Upon the Site Plan Approval (expected within 1 year) MDG will have Parcel A re-appraised to determine if the current value is higher than \$15M, and in such case, the amount above will be split 70% to MDG and 30% to PSERS
- PSERS would also pursue a First Right of Negotiation to purchase the completed project when MDG/Investor decide to sell

Recommendation

Staff recommends that the Board approve the sale of Parcel A, which is a parcel within the Ft Lauderdale Galleria Mall investment. Terms of the sale are under negotiation

NOTICE: This document was presented to the Public School Employees' Retirement Board at the public meeting at which the Board acted on the resolution to which the information relates. The sole purpose for posting the presentation information on this website is to enable the public to have access to documents that were utilized at a public meeting of the Public School Employees' Retirement Board, and no other purpose or use is intended.