



April 23, 2020

**VIA ELECTRONIC MAIL ONLY**

Alfred Wendler  
Director, City of Saint Petersburg  
Real Estate and Property Management  
PO Box 2842  
St. Petersburg, FL 33731

*Re: Response to Request for Alternative Proposals ("RAP")*

Dear Mr. Mayor, Mr. Wendler, and Mr. DeLisle

Thank you for your request for some additional information. We are utilizing your letter, and our answers below reference the list that you provided.

**Question 1: Please use 120,000 square feet for the basis of proforma estimating the cost of the new MSC building.**

Confirmed

**Question 2: Please provide an all-in development budget for the new MSC building. This needs to include hard and soft cost, tenant improvements, FF&E, all fees and contingencies. Please give us an all-in cost per square foot. Will you guarantee this cost?**

After discussion with several local general contractors, we believe we will be able to build the New MSC Building for a cost of \$250 per square foot. We have also modeled an additional \$25,000 per stall for the 600 parking spaces.

Our proposal was intended to provide the City with the most affordable rent possible. Therefore, we are presuming finishing only 100,000 square feet and leaving 20,000 square feet as shell (this would save an estimated \$100 per square foot for that final 20,000 square feet (\$43 million in total build out including parking)). Our proposal includes finishing 100,000 square feet (vs. the full 120,000 square feet) based on our assessment of the City's immediate need per its current utilization of the Existing MSC Building. This will allow a tenant improvement budget for only what is needed at this time and allows the City to grow into space and build out the additional 20,000 square feet in a thoughtful way after occupancy.



**HARD**

Shell \$20,000,000

Parking \$15,000,000

**SOFT** \$2,150,000

**TI** \$5,000,000

**FF&E** \$0

**FEE** \$0

**Contingency** \$850,000

**Total** **\$43,000,000**

By the completion of the due diligence period contained in our offer, we will be able to guarantee the cost with only the City's specification for their tenant improvements as a variable.

**Question 3: Please provide a specific lease rate based on this cost minus value from sale of MSC building over a 5-year period. Will you guarantee this rate?**

Our proposal is a 20-year NNN lease at \$27 per square foot, with a 2.5% annual escalator, and an option to purchase by the City anytime between years 1-5.

If the City was willing to contribute the Existing MSC Building as part of a single transaction, the rent for the five-year period could be reduced significantly. If the City wants to contribute the Existing MSC Building, we are offering a direct offset for rent payments - dollar for dollar. For example, if the City and BLAKE agreed to a sale at \$10MM for the Existing MSC Building, we will waive \$10MM in rent on the New MSC Building in exchange for purchasing the Existing MSC Building for \$1.

For Example:

- 1) If BLAKE purchases the Existing MSC for \$10,000,000, the NNN rental rate at the New MSC Building would be:
  - a) Year 1 Annual Rent: \$3,240,000
  - b) Year 2 Annual Rent: \$3,321,000
  - c) Year 3 Annual Rent: \$3,404,028
  - d) Year 4 Annual Rent: \$3,489,120
  - e) Year 5 Annual Rent: \$3,576,348
  
- 2) If BLAKE purchases the Existing MSC for \$1, the NNN rental rate at the New MSC Building would be:
  - a) Year 1 Annual Rent: \$0
  - b) Year 2 Annual Rent: \$0
  - c) Year 3 Annual Rent: \$0
  - d) Year 4 Annual Rent: \$3,454,148
  - e) Year 5 Annual Rent: \$3,576,348



If this question implies that we could/should commingle the two transactions (the renovation of the Existing MSC Building as well as the new built-to-suit construction project) please advise. We will guarantee any rate that we provide. All of our rates are a direct relationship to cost.

**Question 4: Please provide your best purchase price for the existing MSC site. Will you guarantee this price? Explain why you are offering this price.**

We have offered \$10MM in the initial RAP. We are operating under the impression that the deadline for the RAP was the final opportunity for us (or any other bidder) to offer our highest and best purchase price. Therefore, we are willing to stand by our \$10MM purchase price and will not lower the value based on the current market conditions related to the pandemic.

Our offer is not contingent on the acquisition of neighboring parcels or any variances from the City of St. Pete. Please note specifically that we are offering our price based on a restriction that our building will offer affordable office and retail space for a minimum of 10-20 years. I believe that we were the only applicant that made any ongoing restrictions as to the use of the space.

**The purchase price we offered was specifically tailored around the idea of helping this administration achieve affordability with respect to office space, therefore being able to attract new tenants downtown.** There is a direct relationship between the price any developer pays for this property and the per square foot rent that the developer will ultimately charge to the public. If our company were to pay more, then we would have to charge the entrepreneurs and small businesses higher rent. In the event our willingness to restrict the use for 10-20 years as affordable office and retail core is what the City desires, we believe our \$10MM offer is the fair market price for the property.

**Question 5: Will the City receive credit for this value against the lease rate and the purchase price for the new MSC site?**

In our proposal, we did not make the two properties contingent upon one another. We were willing to purchase the downtown building and renovate it and create affordable office space and activate the retail core immediately. We are also willing to build a build-to-suit new construction off of Mirror Lake. These two transactions happened independently on our proposal. If the City contributes its downtown building simultaneously to moving into the New MSC Building, we will offer a credit of 3 Years/36 months (the full \$10MM valuation) against the lease. A table illustrating the lease credit is shown under Question 3. This is likely beneficial to all parties as it will assist with cash flow and bridge the interim financing needed by the City such that it can minimize any rent payment and have the quickest route to buying the property back into the City's long term portfolio. The value of the credit for the Existing MSC Building will be reflected in a dollar-for-dollar rent credit at the New MSC Building. We would do a sale-leaseback on the Existing MSC Building during construction of the New MSC Building, in the event the City is looking to monetize the existing property earlier than the C/O of the New MSC Building.



**Question 6: Will the developer front this value until the transaction takes place and the new MSC building is built?**

Yes. That said, this would be a more expensive route for the City of St. Pete. Our business plan is specifically targeted at reducing costs to the City of St. Pete. BLAKE is open to the City of St. Pete wanting BLAKE to purchase the current MSC Building and hold the property until the new built-to-suit building has been completed, but it would require a sale-leaseback structure with the City. We believe the cleanest option is to contract with the City for \$10.0MM for the Existing MSC Building, with a contingency for completion of the New MSC Building. Closing would occur at completion of the New MSC Building and include a cash transfer or lease credit on the New MSC Building at the City's discretion.

**Question 7: Please provide your best percent of workforce units - 120% or less of AMI - if you are proposing residential units.**

This provision is not applicable to us as we are not proposing any residential units. We believe that the developers have enough residential supply and that the City should focus on generating economic activity, specifically through the use of affordable office space so that small businesses and incubators can exist downtown. Further, we don't feel that residential units are appropriate in any mixed-use context at Mirror Lake because we feel that it represents a security concern. In the days of COVID, we are also concerned about different types of users sharing elevators, parking spaces, as well as HVAC systems. We do not recommend mixed-use projects with the City as a tenant or co-owner at this time.

**Question 8: Please provide the specific terms and price for the city to purchase the new MSC building within a 5-year period after the completion of construction.**

Below, please find the purchase price under the BLAKE proposal for the City. This allows a year by year purchase price for the following five years after the certificate of occupancy. This makes our relationship crystal clear, something that we think sets us apart from the rest of the crowd. BLAKE proposes a sale of the building at a 6.0% CAP rate, exercisable by the City anytime from the end of Year 1 of occupancy by the City until the end of Year 5.

- 3) If BLAKE builds out and finishes 100,000 square feet with 20,000 of additional square footage built out but not finished for the City's future needs (Accordion Model):
  - a) If purchased Year 1 of occupancy: \$52,700,000
  - b) If purchased Year 2 of occupancy: \$54,023,000
  - c) If purchased Year 3 of occupancy: \$55,379,075
  - d) If purchased Year 4 of occupancy: \$56,769,052
  - e) If purchased Year 5 of occupancy: \$58,112,094
  
- 4) If BLAKE builds out and finishes the full 120,000 square feet:
  - a) If purchased Year 1 of occupancy: \$56,620,000



- b) If purchased Year 2 of occupancy: \$58,041,000
- c) If purchased Year 3 of occupancy: \$59,497,525
- d) If purchased Year 4 of occupancy: \$60,990,463
- e) If purchased Year 5 of occupancy: \$62,419,656

The City would give BLAKE 180 days notice of closing; closing costs would be paid by the City. Documents would be prepared with agreement of both parties.

**Question 9: Please provide specific information on what the development will be for the Central Ave property. The City will value definitive development that will go into a future development agreement. Office and new job creation will be most valued. Hypothetical projects will be less valued.**

The BLAKE proposal is already specific with respect to what the existing Central Avenue property will be. We wish to make this relatively ugly building into a shining example of adaptive reuse (something the City promotes through the zoning code's incentives). The BLAKE proposal describes the redevelopment project under the heading Preservation of Current Use to include 20,000 square feet of ground floor public space mixed use with a smaller store-front focus, including retail, restaurants, and the potential Special Operations Memorial Museum. The rest of the building would be dedicated to 120,000 square feet of renovated affordable spec office space, with a 10-year restriction on use.

We propose:

- 1) 20,000 square feet of ground floor retail/commercial space for small store front tenants with access from Central Avenue.
- 2) 120,000 square feet of renovated office space with access from Central Avenue and via 3rd Street N facing parking garage.
- 3) Maintain number of parking spaces in existing parking garage at approximately 250 spaces.

We feel the time is right to use such a vital property for a definitive and achievable development plan (as opposed to a speculative, hypothetical project which could leave the site in limbo). We plan to renovate this building as we feel the structure and systems are certainly salvageable.

The Existing MSC Building was constructed in the 1920s and was Neo-Gothic style clad in terra-cotta, which is the same material used on the Snell Isle and Kress buildings. It was once one of the most beautiful buildings downtown St Petersburg could be proud of, and BLAKE wants to restore the building to be an architectural gem our City can be proud of once again.

The downtown core doesn't need five years of disruption from another major construction project at this point. Specifically, this block represents the linchpin between all of the pedestrian activity in downtown, and the sooner that the ground floor retail can be reactivated, the better.



We are planning a complete renovation of the building with a major emphasis on creating space for local stores and restaurants at the ground level. The building facade will be brought up to a 2025 standard, with the interior and exterior both being modernized and architecturally appealing. This allows us to keep some culture in St. Petersburg. The last thing BLAKE, as the developer, would like to see is the City of St. Petersburg to become Fort Lauderdale, full of buildings without souls.

With respect to office creation, out of all of the proposals ours is the only one that has been presented that creates permanent jobs in the downtown core, in the shortest time possible. Our project is the most achievable and pragmatic. Taking the existing office space and renovating it into a 2025 standard is reasonable, and that is a standard that should not be undervalued. We would be willing to agree to having the renovations completed in a time certain to prevent the potential of years of inactivity on site. With our project we are willing to commit to initiating and completing a renovation of the building and then attracting tenants from all around the world that want to relocate to St. Petersburg. Without going into a sales pitch about how great St. Petersburg is, there are businesses relocating from New England and from across the county for a myriad of reasons not the least of which being taxes and quality of life. In order to attract those businesses, the differential between their existing cost and the reduction that they can find in expenses through relocating to St. Pete has to be as large as possible. Therefore, a first class renovation of this building would allow for us to offer office rates significantly below those of the prevailing comparable offices in town. That will allow the building to fill up faster and also attract new and unique office users. We are partnered with Commercial Properties Realty Trust ("CPRT") who developed the IBM Service Center property which was a 495,000 square foot mixed use block that included 150,000 square feet of office, residential, and parking. The project was a P3 with the State of Louisiana, City of Baton Rouge, and CPRT and helped reinvigorate the Mississippi waterfront in Baton Rouge.

We agree to a residential deed restriction such that in the event multifamily is later contemplated and negotiated with the City, the property would be restricted to 50% affordable housing only.

**Question 10: Please provide elevations for both sites developed enough to give a sense of scale and massing.**

#### New MSC Building

Attached is a conceptual rendering for St. Pete's NEW MSC building of 120,000 square feet and 600 parking spaces.

St. Petersburg's new Municipal Services Center is designed to be a true civic building that expresses the values of economy, appropriateness, transparency and welcoming.

In order to minimize construction costs for this purpose-built, single-use facility, the 600-car parking garage will be a pre-cast concrete structure occupying the northern 120-feet of the site



with the office building occupying the south portion. This strategy simultaneously reduces the cost of the both structures while masking the parking from public view.

The main body of the 120,000 square foot office building is 40-feet deep and runs parallel to the parking garage. Three wings project out to the sidewalk creating two lushly, landscaped gardens. The upper levels of the projecting wings are recessed so that the scale nicely fits with the nearby state office building, county building and courthouse.

The east and west walls are smooth, pre-cast concrete colored to match City Hall across the street. The deep window recesses provide protection from direct morning and afternoon sun. Large, curtain wall glass on the south façade provides ample daylight to all interior spaces. The bronze colored mullions again emulate City Hall and clear glass symbolizes St. Petersburg's open and transparent government.

The center wing is elevated two stories to create a civic scaled "front porch" that welcomes residents and visitors alike to St. Pete. Flanked by landscaped gardens and activated by a ground floor café it marks a friendly transition between City Hall and MSC. A wide entry bay on the first floor connects to both the entry porch and parking garage. From there employees and visitors will go through a security checkpoint before gaining access to the two-story lobby and bank of elevators.

#### Renovation of Existing MSC Building

One Fourth Street North will be transformed to once again proudly stand over perhaps downtown's most important intersection. The original 1920s savings and loan building was a beautiful, neo-Gothic structure. Enlarged in the 1960s, it was converted into a Modern building clad all in stone. A series of unfortunate renovations since then has diminished the structure's beauty and contribution to Central Avenue's street life. Upon reopening, it will once again be a beautiful, lively building in the heart of our revitalized downtown.

The building's structural system remains in good condition and the city has been an excellent steward in maintaining its various systems. Accordingly, the renovation strategy will focus on four main items.

The existing exterior skin of the office building will be removed and completely replaced on the east, south and west facades. The goals are to create a new image appropriate for a 21st century office building as well as improve its energy efficiency while dramatically increasing the interior daylight.

The south half, or more, of the mezzanine will be removed in order to create 20,000 square feet of Class A retail space along the entire Central Avenue frontage, including the parking garage liner space. The main office entry will be relocated to 4th Street adjacent to the elevator banks.





Interior partitions and ceilings will be demolished, and all upper floors will be made ready for use as a multi-tenant office building with 120,000 gross leasable space catering to the small and medium sized creative, professional and tech businesses prevalent in downtown St. Petersburg. The common areas will also be significantly renovated.

Building systems will be selectively upgraded with a focus on enhancing the building's technology infrastructure as well as creating a more sustainable and healthier workplace environment.

Attached are sample concepts we are considering for the renovation of the Existing MSC Building. We can agree to leave the final facade approval to the City, but it will likely be a dramatic improvement from the current skin of the building and the retail/pedestrian relationship will be infinitely more inviting.

**Question 11: The City is not interested in a purchase and hold strategy for the existing MSC site. Can you give a firm timeline on development that can go into a development agreement? If so please provide the timeline.**

It is great to hear that the City is not interested in somebody buying this building and either demolishing it, or boarding it up. This is the heart of the entire town and we certainly need a firm timeline and development plan. BLAKE is a reliable partner that includes native St. Pete residents as part of its core team and deep experience in real estate. We want to ensure that the City has affordable renovated office space downtown while also having a new location for its municipal services employees in a timely manner. Please find our timeline below:

New MSC Building: 18-24 month construction timeline for parking deck and office space. City to occupy new space at C/O.

Existing MSC Building: purchase of existing site once City has fully relocated to New MSC Building, which is currently projected to occur between Months 18-24 (with Month 0 being understood as commencement of construction of New MSC Building). Renovation of Existing MSC Building projected at 12 months, with first affordable office tenants moving in at C/O projected in Month 36.



