





July 17, 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: Best and Final Offer for Responses Received for the Request for Alternative Proposals ("RAP") for a New Municipal Services Center ("MSC") and to Purchase the Existing MSC 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.

1. 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.

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:

A) Without rent abatement:

- 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

B) Rent at New MSC Building with \$10 million rent abatement:

- 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

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.

- A) 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
  
- B) 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.

2. 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.

3. 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:

- A) 20,000 square feet of ground floor retail/commercial space for small store front tenants with access from Central Avenue.
- B) 120,000 square feet of renovated office space with access from Central Avenue and via 3rd Street N facing parking garage.
- C) 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 have a meaningful affordable housing component.

With respect to timeline, we believe the renovation will take 9-12 months after closing on the site. After 9 months, we would lease up the ground floor retail space, and then lease up the office space over the next 3 months as renovation is completed and tenant demand fills up the square footage.

On the financial side, we are currently contemplating using all cash for the development of the site. We will look to potentially secure bank financing for up to 50% LTC construction debt if we can secure a rate in the 4% range, but our ability to fund and complete the project is not contingent on construction debt availability. We have no financial contingencies and will be funding the project through a combination of our equity, our partners’ equity, and investor equity.

4. Tim Clemmons believes the building can be renovated to illustrate its historic façade. Sponsor will likely apply for a local and federal designation.

St. Pete preservation is excited about the opportunity to save another building that represents St. Pete’s past. We would like to preserve the fabric that has made St. Pete so great. This will create jobs and tourism tied to historic St. Pete.

*“Preserve the ‘Burg enthusiastically supports development projects that will adaptively reuse the Municipal Services Center. This could be a prime opportunity to take advantage of multiple historic preservation tax incentives that encourage the reuse of historic buildings that contribute to a city’s sense of place. The MSC building, built in 1925, has the potential to once again become a beautiful landmark that speaks both to St. Petersburg’s past and its future.*

*We encourage the city to carefully consider proposals like that of Blake Investment Partners, that will reuse the MSC building and take advantage of the preservation incentives.” – Preserve the ‘Burg*

Our proposal for the new MSC building remains unchanged. We propose a purpose-built, free-standing, single-use facility. We are convinced this will result in the lowest construction costs, least design compromises, greatest security and operational efficiency, and maximum future flexibility for the City.



We have refined our design proposal for the re-use of the existing MSC building. We now commit to restore the 1920s west wing of the building to match its original look on the south and west facades. The south façade of the later east wing addition will be renovated in a contemporary manner that is compatible with the original building's rhythms and proportions. We have included a new preliminary rendering that illustrates the design concept. Restoring the south and west facades of the west wing will make a definitive statement of this building's importance in our community for both the 20th and 21st centuries. When first constructed this edifice was one of the most beautiful structures in the city. Through a series of unfortunate additions and alterations, the building is now one of the least attractive. However, the structural and functional bones are still good. We propose to restore its rightful place of prominence at this important location.

We do not undertake this commitment lightly. We understand that it will significantly increase the renovation costs. But we also believe that it will add value to not only this building but the adjacent four block area. And we have brought in the team that has proven capability to execute this bold vision. Place Architecture and All-Trades Historical Restorations, both located in downtown St. Petersburg, have a proven track record with complicated historic restoration projects and recently worked together in the beautiful renovation of the Union Trust Bank building just five blocks to the west.

It is our hope this proposal will be eagerly embraced by the citizens of St. Petersburg. Our approach was always designed to quickly and affordably deliver high-quality office and retail space in the very heart of downtown. But now it also will restore one of the city's true landmarks for future generations to enjoy.

Our plan will be flexible and we will have the ability to modify proposal subject to the Florida Statutes mentioned in this request for proposals. These include but are not limited to laws regarding the construction or improvements of a public building, structure, or other public construction works (e.g. F.S. § 255.20) and the acquisition of professional architectural, engineering, landscape architectural, or surveying and mapping services (e.g. F.S. § 287.055).



With appreciation for your time and consideration, I am,

Sincerely,

BLAKE INVESTMENT PARTNERS, LLC

A handwritten signature in blue ink, appearing to read "B. Thompson", written in a cursive style.

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Blake Whitney Thompson