



January 30, 2020

Mr. Alan DeLisle
City Development Administrator
City of St. Petersburg
PO Box 2842
St. Petersburg, FL 33731

Re: Offer to Purchase/Leaseback MSC *and* Purchase/Build-to-Suit new MSC

Mr. DeLisle:

This letter confirms Blake Investment Partners' (Blake) desire and intent to assist the City of St. Petersburg in accomplishing two key goals through one transaction. Blake believes that the following terms could present a win-win-win partnership whereby the city is able to create liquidity from an inefficient asset that is obsolete for the City's current use, have it renovated into an asset that activates that Central Avenue corridor with retail activity and attracts new businesses regionally and nationally, and allows for the City to relocate into a building custom designed to meet all of its needs.

The Blake team would like to formally communicate the key terms and conditions we believe could be mutually beneficial and acceptable. Please note that these terms are subject to the approval of the Blake Investment Committee:

- 1) Blake will co-design with the City and build a new municipal service center for the City.
- 2) Execute a **\$43,000,000** build-to-suit contract for a 120,000 sf Class A office building for the City's individual use, 100,000 sf of which would be finished to the City's specifications to meet the current staff needs - plus an additional 20,000 sf of vanilla shell for the City's future expansion. The New City MSC building will include 600 parking spaces in a new parking deck for use by both City Hall and Municipal Services employees and will meet the City's required security measures that the current parking garage does not meet. The general contractor will meet all state and city requirements for bonding capacity.
- 3) Execute a 20-year NNN lease with the City and Blake Investment Partners for the New City MSC building. The rental rate will be **\$27/sf NNN**.
- 4) Blake proposes the conveyance of the parking lot located on the North side of 2nd Ave N, between 4th and 5th Streets ("Lot Four")¹. Although Blake would technically own the

¹ 19-31-17-74466-018-0110

land and building for 3-5 years, the City would have an Option to Purchase the building back anytime during the first five (5) years of the lease at a 6% CAP rate. Conveying the property at a nominal value, subject to completion guarantees within a time certain (2 years), accomplishes two things: it keeps the city from paying rent on the property's value during the lease (keeping the payments low and realistic is part of a fundamentally sound business plan) and making it less expensive for the City to buy the building back (Blake doesn't need to make a return on the land aspect of the investment).

- 5) After the City vacates the *current* Municipal Services Center building (MSC)² and moves into its new office space, Blake will acquire the MSC for **\$10,000,000**.

Blake will agree to immediately begin assisting with design, pre-development and due diligence on the property for the purpose of constructing a new MSC facility that will accommodate its existing employees and provide for room for additional new workers at the direction of the City. Blake will have a period of six (6) months to conduct such due diligence, including the execution of a lease with the City (contingent on the City designing and permitting the project in line with the cost estimates and timelines included herein).

Blake will evidence any commitment letters from lenders, if applicable, upon completion of due diligence or in the alternative, provide evidence acceptable to the city of its ability to fund and construct the new building.

To the extent that the CRA can be used to assist with the ground floor landscaping and hardscaping as well as utility relocations and any other relevant improvements including the parking, Blake requests that the City provide this assistance where appropriate for the New City MSC building and/or the existing MSC building.

BENEFITS TO ST PETERSBURG FROM RENOVATING THE EXISTING BUILDING

New Office Users in Downtown St. Petersburg... Faster

This administration has made it clear that the City wants to bring new businesses, jobs downtown. It is our opinion that the current MSC space could be heavily renovated and converted into office space. With the five-year uptick in rents for office in St Petersburg, affordable office space is rare. With a renovation of the MSC property - both interior and exterior - the building could be modernized and attractive.

19-31-17-74466-018-0130
19-31-17-74466-018-0090

² 9-31-17-74466-026-0120
19-31-17-74466-026-0160

Preservation of Current Use

Currently, the “Highest and Best Use” of the existing MSC property is for residential uses such as “for sale” condo, market-rate rental apartments, or hotel. Blake believes this would be incredibly disruptive to Central Avenue and would agree to restrict the use (of the upper floors) for 10 years to office, leaving the ground floor a mixed use.

- Blake agrees for a period of 10 years not to use the property for anything other than office and retail - in a concerted effort to attract new businesses downtown.
- No variances would be required. Redevelopment of the city land on Central Avenue would likely include variances based on the shape of the property.
- No additional properties are required to be acquired. The properties on the same block, across the alley, are owned by religious organizations and long term real estate investors. As part of the Blake plan, those properties are not required.

Blake believes this property represents the only way the City will be able to offer affordable, second generation space at reasonable rates on any scale. The new construction of an office asset would cost \$300/sf³, and would likely push rental rates into the high \$40/sf range. That basically prices out smaller users and local businesses. Our proposal accommodates keeping downtown an attainable business location option for the entire community.

Further, reconstructing a new building with a parking deck on the existing MSC site would pose a handful of construction related difficulties that may actually limit the ability to attract office users (for example, the narrow width of the property will likely result in an inefficient, costly and tall parking garage).

Blake believes it will not only have local businesses relocate into the building but that a hip, affordable building will attract new businesses relocating from out of state. Subject to confirmation from the economic development team, Blake believes it can potentially bring 440 new jobs to the core of downtown (120,000 sf of office X 3 jobs/1000 sf + 20,000 sf of retail at the ground level producing 4 jobs/1000 sf).

Less Construction and Quicker Delivery

The renovation of the existing MSC building can be completed within 12 months and with minor disruption to Central Avenue whereas new construction would take two to three years with significant disruptions, noise and sidewalk and street closures.

³ The dimensions of the parcel and the parking inefficiencies make costs higher here and parking more challenging than the City Hall/Lot 4 site.

Activated Parking for Peak Core Downtown Times

The renovated existing MSC building, with an office emphasis, will be able to open its deck up to the public or valet services (on evenings and weekends). This would alleviate parking pressure on the downtown core following minimal disruption related to the renovations as compared to longer disruptions tied to any new construction projects on the site.

Activation of the Central Avenue Ground Floor on a Key Block

The past three administrations have focused on pedestrian connectivity. The current MSC “breaks up” the pedestrian connection for an entire city block. After the City vacates, the renovation will include introducing retail and restaurant storefronts along Central Ave, with an emphasis on smaller, local stores per the new storefront conservation code. With all of the changes occurring on all of the nearby blocks, keeping Central a main artery of pedestrian traffic will benefit all.

Special Operations Memorial Museum

A Special Operations Memorial museum (represented by Melissa Rutland) is being created with the mission to “educate and ensure the public is aware of the legacy and achievements of the Special Operations community during their ongoing mission to keep our country free.” Chief of Community Affairs at USSOCOM, Brian Carson, supports this mission. Blake believes that St Petersburg would be a great home for any museum that respects and honors the US military.

Example Renderings of Adaptive Re-Use

There are a dozen examples of well executed adaptive reuse projects across the country. The Dewberry Hotel in Charleston, SC is housed in a four decade-old office building.



Example in Charleston - office to hotel

Best-in-Class Team

Developer - Blake Thompson, Blake Communities (See Below)

<http://www.blakeinvestmentpartners.com/>

Architect - Tim Clemmons, Place Architecture (See Attached Information)

<https://placearc.com/>

Leasing - Wendy Giffin, Cushman (See Attached Information)

<http://cushwakelandfl.com/tampa/wendy-giffin.html>

Legal - Katie Cole, Hill Ward Henderson (See Attached Information)

<https://www.hwlaw.com/legal-team/attorneys/attorney/Katherine-E.-Cole>

Lender - Julie Stapf/David Feaster, Republic Bank (See Attached Information)

<https://www.republicbank.com/home/home>

General Contractor - Chuck Adair, Wallace Associates (See Attached Information)

<https://wallace-associates.com/>

Blake has a track record of over 17 years of projects in the City. The Company operates in eight states and has successfully undertaken over 100 development projects. Blake Communities (the residential real estate development arm of Blake Investment Partners), is currently building dozens of projects across the Southeast with \$200,000,000 in AUM (website: www.BlakeCommunities.com). Blake Communities successfully developed Whitney Plaza and W Flats, both on 5th Avenue North. Blake also has a captive homebuilder, Heatherland Homes, entered into a \$60,000,000 joint venture with GTIS / CALSTRS (website: www.HeatherlandHomes.com). Blake Income Assets owns dozens of commercial properties with over \$20,000,000 currently invested in St Petersburg. Blake Food & Beverage owns a handful of local concepts like Mandarin Hide and Trophy Fish (www.seedandfeedhospitality.com).

We are excited about the possibility of moving forward with this project.

With appreciation for your time and consideration, I am,

Sincerely,

BLAKE INVESTMENT PARTNERS, LLC



Blake Whitney Thompson
CEO/Founder

January 30, 2020

Mr. Blake Thompson
Blake Investment Partners
262 4th Avenue North
St. Petersburg, Florida 33701

RE: St. Petersburg Municipal Service Center
One 4th Street North

Dear Blake:

On November 5, 2019 I spent two hours inspecting the St. Petersburg Municipal Service Center in conjunction with the city's operations personnel. We toured the building from the basement to the roof and made a special point of visiting the main electrical and HVAC spaces. We also quickly walked through the attached parking garage.

The original, 11-story west wing of the building was constructed in the 1925. An addition to the east in the 1950s effectively doubled the size of the building. Finally, the parking garage was constructed in 1972.

It is your intention to renovate the building into a good quality Class B, multi-tenant office building with the first floor dedicated having the office lobby but the remainder dedicated to high, quality retail and restaurant tenants.

Based on our observations, the building appears to be in sound structural condition. Additionally, the main building systems, although dated, have been well maintained and appear to be in good operational condition. Specifically, the main electrical service appears to be in very good condition and is adequately sized for the intended uses of the building. It is assumed that much of the lighting, power outlets and distribution wiring will need to be replaced in conjunction with the building renovation and tenant fit-out. Similarly, the main HVAC units located in the basement of the building are in good condition and are adequately sized. Again, it is assumed that the air-handling units, ductwork and air devices will all be replaced. It was not possible in this type of inspection to determine the condition of the main vertical plumbing lines. Most are likely original to the two phases of the building and are probably beyond their normal, expected lifespan. It should be assumed that the large majority of the plumbing system will be replaced. The fire pump is also in good condition. But given the anticipated extensive interior modifications, the majority of the distribution fire sprinkler lines and heads will likely be replaced. The roof is not new but is currently watertight and in good condition. It will need to be replaced in five to 10 years.

In my opinion the building has three deficiencies that prevent it from being renovated into a Class A office building. First, the ceilings are relatively low throughout the building except for the first floor. In the office spaces they range from eight to nine feet with drop ceilings. In newly renovated office tenant spaces, there will

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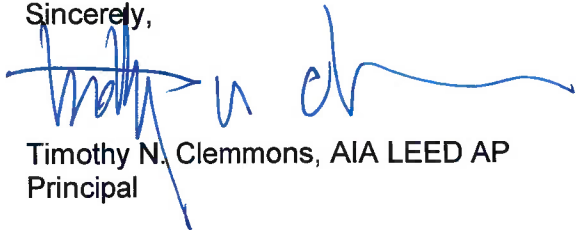
be some opportunities to create a modern, office look with open ceilings although this will be limited due to the extensive building systems located directly below the ceiling. But where feasible this will provide for a higher effective ceiling. On the first floor there are some spaces with very high ceilings (approximately 16 feet) and some areas with lower ceilings where a mezzanine has been installed. To maximize the value of the first floor retail and restaurant space we recommend the most of the mezzanine be removed.

A second deficiency is the location of the core along the north side of the building. The result of this is that it creates relatively deep office space in the middle of the building that is less valuable than perimeter space adjacent to windows. There is no real solution to this issue since it is not practical to relocate the elevator banks serving the building. It can be mitigated however through creative interior design that allows for borrowed natural light to be brought deeper into the building.

The final existing deficiency is the exterior skin of the building. Although the building originally had a beautiful terra-cotta neo-Gothic façade it now has a very unappealing painted pebble stone panel exterior. It also has relatively older, small windows. The result is an unattractive, energy inefficient building with insufficient interior natural light and views. We recommend removing and replacing the exterior of the building. This will simultaneously significantly reduce energy consumption, increase natural light (helping to mitigate the deep office areas previously discussed) and transform the building's perception by the public.

Given all of the above I strongly believe this building represents an excellent opportunity to add a beautiful, high quality Class B office building within downtown St. Petersburg much quicker and at a greatly reduced cost in comparison to a new ground-up building.

Sincerely,



Timothy N. Clemmons, AIA LEED AP
Principal