

April 24, 2020

Mr. Alfred Wendler
Director, Real Estate & Property Management
City of St. Petersburg
1 4th Street North
St. Petersburg, FL 33701

Re: Municipal Services Center (“MSC”) Additional Questions

Dear Mr. Wendler,

Property Markets Group and Feldman Equities (collectively “the Joint Venture”), in consultation with KW Commercial, are pleased to enclose our response to your questions regarding St. Petersburg’s (the “City”) Municipal Services Center Request for Alternative Proposals.

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

We have updated our financial projections and development plan to assume 120,000 square feet of office space for the City in the new MSC. Please see below.

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?

Based on our experience, a typical class B+ office building can be constructed at the below costs. Upon completion of the plans and specs, and no later than 30 days prior to construction commencement, the Joint Venture will guarantee the costs.

Hard Costs	Units	Cost/Unit	Cost
Core + Shell	120,000 sf	\$ 195	\$ 23,400,000
Tenant Improvement:	120,000 sf	\$ 50	\$ 6,000,000
Parking Garage	360 spaces	\$ 17,000	\$ 6,120,000
FF&E			\$ 3,000,000
Subtotal			\$ 38,520,000
Soft Costs			
A&E		7%	\$ 2,696,400
General Conditions & Staff			\$ 1,600,000
Consultants			\$ 315,000
Inspection/Testing			\$ 420,000
Public Art			\$ 400,000
Permits/Utilities			\$ 275,000
LV			\$ 750,000
Contingency			\$ 3,000,000
Subtotal			\$ 9,456,400
Total Soft + Hard Costs		\$ 399.80	\$ 47,976,400
Project Management Fee			Market Rate
Construction Management Fee		1%	\$ 479,764



It is not practical to guarantee a total project cost until the project timeline and city's desired plans and specs are further understood. It is our opinion that the estimates provided by other developers are unrealistically low.

- 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?

The Joint Venture is being advised by the Structured Finance division of Jones Lang LaSalle (JLL). JLL and the Joint Venture have determined based upon current market conditions that project bond financing can be secured at an interest rate of approximately 3.15% if the City signs a 30-year lease at the new MSC. This rate is significantly lower than typical construction loan rates. However, JLL has advised the Joint Venture that an option to purchase the new MSC in year five will increase the bond interest rate and the rental rate.

Without a year five purchase option, the Joint Venture and JLL estimate a lease rate of approximately \$17 per square foot NNN. This lease rate was calculated based upon a minimum debt service coverage ratio of 1.0 at the time of lease commencement. The Joint Venture will guarantee the lease rate upon completion of the bonding process to finance the development.

Based upon JLL's estimates, if the amount of the bonds is approximately \$50,000,000 and the interest rate is 3.15%, a 30-year bond maturity will result in an initial annual debt service payment of \$2.00 million. The City's rent would be equal to \$2.00 million per year, or approximately \$17 per square foot.

The City may opt to apply the purchase price of the existing MSC totaling \$13,250,000 towards free rent over approximately five and a half years. The lease rate will escalate at 2% annually. This long-term lease will enable the Joint Venture to achieve attractive rates on the financing.

The City and Joint Venture will agree to a mutually acceptable "subject to budget appropriations" clause that complies with the City's budgeting requirements but enables attractive financing.

If the City elects to include an option to purchase in year five, the Joint Venture and JLL have determined that the bond interest rate would be approximately 3.60% based on current market conditions (i.e. a 45 basis point premium). Assuming projected construction costs, the purchase price would be set at \$54,000,000, less any remaining free rent. This purchase price includes a bond prepayment penalty. As a result, the City's initial lease rate would be increased to approximately \$18.25 (i.e. \$1.25 premium). The lease with the Joint Venture would terminate without penalty upon the city's election in year five.

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

The Joint Venture will close on the existing MSC for a price of \$13,250,000 within 30 days following the City's vacation of the existing MSC. The Joint Venture will guarantee this price. At the City's election, these funds may be applied as free rent credit towards the City's lease payments at the new MSC and/or to reduce the purchase price of the new MSC in year five.

The Joint Venture is offering this price because it believes that \$13,250,000 will be the fair market value for the property at the time of closing. We do not believe that submitting the valuation to a third-party appraiser several years in the future is in the City's best interest. It is impossible to predict market



conditions at that time and the City takes the risk that it will be forced to sell the property at significantly less than \$13,250,000.

- 5) Will the City receive credit for this value against the lease rate and the purchase price for the new MSC site?

At the City's election, the \$13,250,000 purchase price may be applied as free rent credit towards the City's lease payments at the new MSC and/or to reduce the purchase price of the new MSC in year five.

- 6) Will the developer front this value until the transaction takes place and the new MSC building is built?

The Joint Venture will close on the existing MSC for \$13,250,000 within 30 days following the City's vacation of the existing MSC.

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

20% of the residential units proposed for the new MSC area will be workforce housing. The Joint Venture estimates it will construct 160,000 square feet of residential units at the new MSC site. This would result in approximately 220 total units of which 44 would be workforce.

At the City's election, the Joint Venture will remove all residential uses from the new MSC proposal and limit the development to the office component only. The city must make such election prior to awarding the contract.

- 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.

JLL and the Joint Venture have determined that based upon current market conditions bond financing can be secured at an interest rate of approximately 3.15% if the City signs a 30-year lease at the new MSC. This rate is significantly lower than typical construction loan rates. However, JLL has advised the Joint Venture that an option to purchase the new MSC in year five will increase the bond interest rate and the rental rate.

We do not believe that it is in the City's best interest to issue bonds in five years to finance the purchase of the new MSC. Given the uncertainty of future interest rates, the City will incur significant interest rate risk by committing to purchase the new MSC in five years. By contrast, entering into a long-term lease with the Joint Venture will lock in historically low interest rates as soon as the proposed bonding process is complete. The City will also preserve its future bonding capacity by signing a lease in lieu of issuing new bonds (i.e. the bonds will be issued by the entity and not the city).

At the end of the lease term, the Joint Venture will sell the new MSC to the City for \$1. This bond-lease structure will function similarly to a traditional 30-year mortgage because the bond is fully amortized over the period.

In addition, the net lease will be structured such that the City will have effective control of the new MSC for the duration of the lease. Due to bonding requirements, it is in both parties' interests to minimize the Joint Venture's involvement in the operation of the new MSC.

As such, the Joint Venture does not recommend that the City require a purchase option of the new MSC within a five-year period. We believe our proposed structure guarantees the City sufficient control of the new MSC and secures the most competitive occupancy costs possible.

If the City elects to include an option to purchase in year five, JLL and the Joint Venture have determined that based on current market conditions the bond interest rate would be approximately 3.60% if the city signs a 30-year lease. Assuming projected construction costs, the purchase price would be set at \$54,000,000 in year five. As a result, the City's initial lease rate would be approximately \$18.25. The lease with the Joint Venture would terminate without penalty upon the city's election in year five.

- 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 Joint Venture will redevelop the existing MSC building, parking garage, and a contiguous property that the joint venture is in advanced negotiations on an option to purchase. The joint venture's exclusive option to purchase the contiguous property will enable wraparound retail activation, excellent water views, and superior programmatic efficiency.

We anticipate building up to 1,000,000 square feet. The Joint Venture intends to pursue the city's streamlined approval process and to pursue available FAR bonuses. Retail that embraces the City's Storefront Conservation Overlay will activate Central Avenue. Above the retail will be a minimum of 150,000 square feet of Class A office space. Above the office space will be approximately 400 residential units. The development will also include approximately 1000 parking spaces.

Substantial parking capacity will enable the Joint Venture to attract a broad range of office tenants, including potential headquarters locations. Large companies have historically found it difficult to relocate to downtown St. Petersburg due to limited office parking availability. In the evenings, a portion of the parking garage will be made available to the public. In addition, the Joint Venture expects to construct the parking garage so as to allow conversion to other uses in the future.

The tower itself will feature landscaped setbacks and the parking garage will be obscured by hanging greenery along the building's lower façade. The roof of the garage will also be landscaped. The Joint Venture intends to seek out LEED certification.

PMG is a nationally renowned residential developer and Feldman is the largest owner of office space in St. Petersburg. Feldman has a proven track record of attracting businesses from outside the area to downtown St. Petersburg, bringing new jobs to the City. PMG's extensive residential development experience and lender relationships will help secure project financing. KW Commercial is a key project consultant and St. Petersburg's leading retail brokerage team, specializing in leasing to local businesses.

In addition, the PMG organization includes an affordable housing division which is actively working with KW Commercial and the City to construct new affordable housing (please see the attached memorandum on PMG's affordable housing efforts in St. Petersburg). PMG's affordable housing division will help the

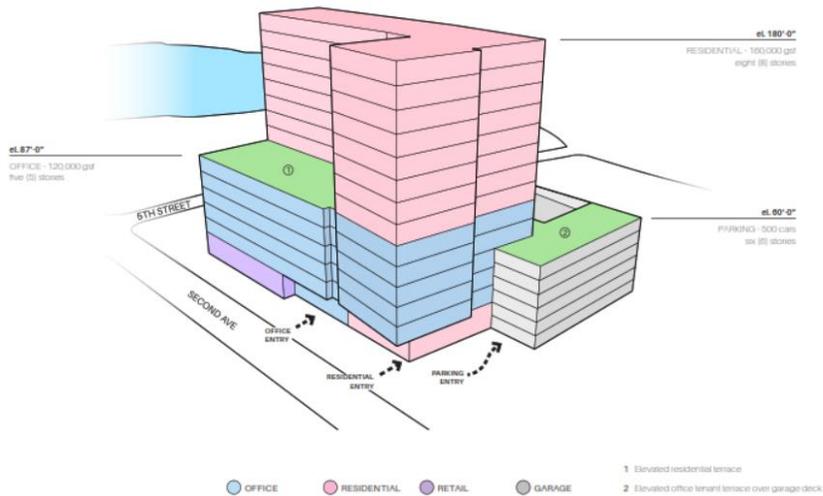


Joint Venture secure the best possible financing for the workforce portion of the new MSC, helping keep rental rates low.

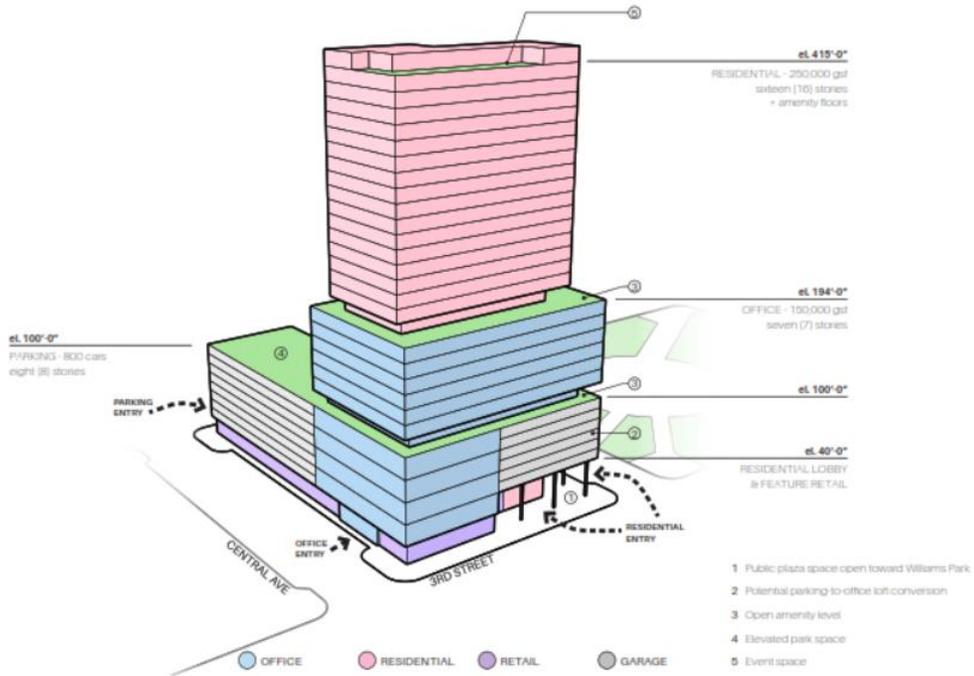
10) Please provide elevations for both sites developed enough to give a sense of scale and massing.

Please see the below conceptual massings and initial renderings, prepared by internationally renowned architect Gensler. We are also including a link to a high-resolution deck with our submittal.

New MSC:



Central Avenue:





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.

The below is an estimated timeline for both development sites:

Month 0: City awards contract

Month 9: Predevelopment plans completed for new MSC, bidding commences

Month 12: Construction commences on new MSC

Month 30: Predevelopment plans completed for Central Ave, bidding commences

Month 36: Delivery of new MSC retail and office components, city occupancy commences

Month 42: Construction commences on Central Avenue, delivery of new MSC residential component

Month 60: Delivery of Central Ave development retail component

Month 66: Delivery of Central Ave development office component

Month 72: Delivery of Central Ave development residential component

12) Affirm Integrated Sustainability Action Plan ("ISAP") standards developed by the City will be incorporated in the new MSC, details of which can be found at

http://www.stpete.org/sustainability/integrated_sustainability_action_plan.php

Affirmed.



April 21, 2020

To: Mr. Alfred Wendler
Director, Real Estate & Property Management
City of St. Petersburg
1 4th Street North
St. Petersburg, FL 33701

From: Property Markets Group (PMG) Affordable
Dan Coakley
Gavin Morrison

RE: PMG Affordable Housing Efforts in St. Petersburg, FL and Pinellas County

As you know we have spent a significant amount of time in St. Petersburg with the intent of making the City an area of primary focus for our affordable housing platform. This would include the ground up development of affordable and workforce housing, the phased development of larger sites with both affordable and market rate housing as well as the purchase of existing affordable housing assets. We had made considerable progress before the COVID-19 crisis essentially stopped travel to and within Florida. And while the pace may have slowed for most participants in the market, we have taken advantage of the time to have extremely productive conference calls and online zoom meetings with officials from the City of St. Petersburg as well as Pinellas County. We had a particularly positive zoom conference with Kathryn Driver, the Executive Director of the Pinellas County Housing Finance Authority, in which we learned about a number of unique financing and subsidy-related opportunities that could greatly assist us in bringing quality affordable housing to the region.

Jon Wittner of KW Commercial is our primary relationship contact in St. Petersburg and our conversations with City of St. Petersburg and Pinellas County officials have been coordinated through him and his firm. Jon has also been having ongoing conversations with the Mayor of St. Petersburg and Alan DeLisle at the City on our behalf with the collective goal being to bring additional quality affordable housing to the City.

Below please find a list of some of the sites / assets we are pursuing for potential development or acquisition in St. Petersburg and Pinellas County.

- James Park & Greenview Manor – two existing affordable housing properties in the City of St. Petersburg. We've entered into a Non-disclosure Agreement with the owner (same owner both properties) with regards to a potential acquisition of the properties. Awaiting property information and financials. In our discussions with the City of St. Petersburg and the Pinellas County HFA, we have been encouraged to pursue these assets as there are numerous current violations under current ownership which also has not adequately maintained the properties for its residents.
- Commerce Park land owned by the City of St. Petersburg – we are looking at the 2.9 acre Lot 3-A of this Master Development to build approximately 125-units of affordable housing. We are in preliminary discussions with the City regarding the structure and scope of the transaction and concept plans for the development of the Site as well as the possibility of additional adjacent land.

- Two other City of St. Petersburg owned properties for potential development of affordable housing – 1794 22nd Street South, a City-owned shopping center on 3.6 acres, and an additional 2.2-acre vacant parcel at 18th Avenue South. Early review and discussion.
- Coquina Key Shopping Plaza – Jon Wittner speaking to private owner on our behalf to determine physical and financial viability of splitting off a 3-4 acre portion of the site (which totals more than 14 acres with its substantial excess parking) for development of affordable housing.
- Tarpon Springs site – there is a 4+ acre site in Tarpon Springs suitable for affordable housing development. We are in direct, off-market discussions with owners of the site through KW Commercial.
- Lake Maggiore site – privately owned 15-acre site located at Lake Maggiore (3049 6th Street South, St. Petersburg). We are looking at the possibility of splitting off a 3-5 acre “inland” portion of the site for possible development of affordable housing.
- With respect to the Coquina, Tarpon Springs and Lake Maggiore opportunities, to the extent any transactions become actionable, the goal would be to work directly with Pinellas County HFA and potentially tap into the Pinellas County land financing program (Penny for Pinellas).

Thanks again. We are available by conference call or zoom to further discuss our affordable housing goals for St. Petersburg, for the state of Florida more generally or for the platform in general.

PMG

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Projects

20+
Markets

\$8Bil+
in Development

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Kevin Maloney
Managing Partner



Ryan Shear
Managing Partner



Dan Kaplan
Managing Partner

FINANCIAL PARTNERS

DEVELOPMENT



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R E C E N T P R O J E C T S

CONDOS - COMPLETED



111 LEROY
New York, NY

Completion: 2020
Units: 18 (13 Condos, 5 Townhomes)



MUSE
Sunny Isles Beach, FL

Completion: 2019
Units: 68



ECHO BRICKELL
Miami, FL

Completion: 2018
Units: 180

CONDOS - COMPLETED



SAGE BEACH
Hollywood, FL

Completion: 2017
Units: 24



ECHO AVENTURA
Aventura, FL

Completion: 2017
Units: 190



WALKER TOWER
New York, NY

Completion: 2013
Units: 47

CONDOS - COMPLETED



STELLA TOWER
New York, NY

Completion: 2014
Units: 51



10 SULLIVAN
New York, NY

Completion: 2016
Units: 24



MEI
Miami Beach, FL

Completion: 2008
Units: 135

CONDO & HOTEL - IN DEVELOPMENT



111 WEST 57TH STREET
New York, NY

Completion: 2020



WALDORF ASTORIA HOTEL & RESIDENCES MIAMI
Miami, FL

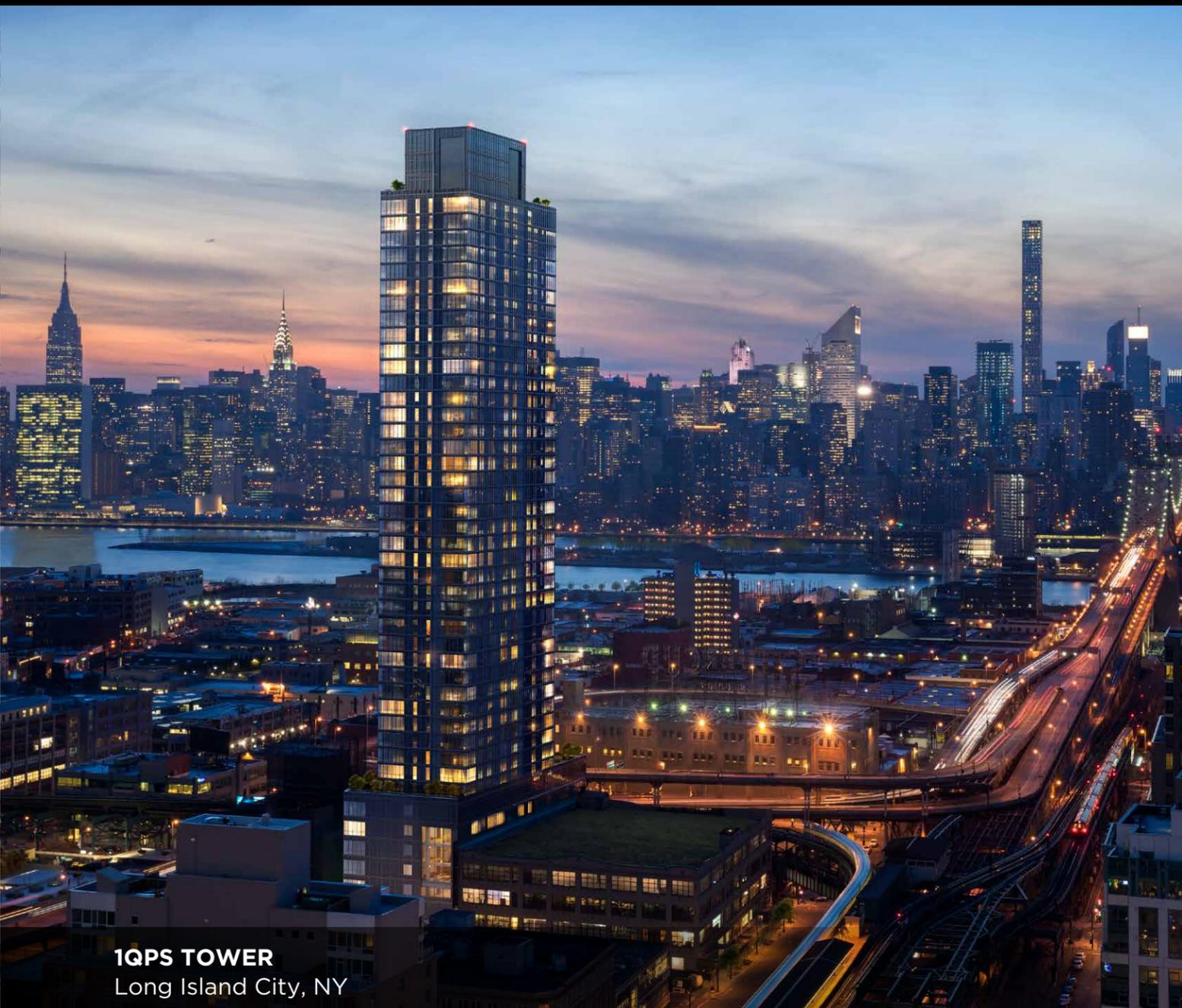
Groundbreaking: 2020 (expected)

MULTIFAMILY - COMPLETED



X MIAMI
Downtown Miami, FL

Completion: 2018
Units: 464



1QPS TOWER
Long Island City, NY

Completion: 2017
Units: 391

MULTIFAMILY - IN DEVELOPMENT



SOCIETY BISCAYNE
Downtown Miami, FL

Completion: 2021
Units: 704



SOCIETY LAS OLAS
Fort Lauderdale, FL

Completion: 2020
Units: 639 (Phase 1)
550 (Phase 1)

MULTIFAMILY - IN DEVELOPMENT



SOCIETY PHOENIX
Phoenix, AZ

Completion: 2021
Units: 330 (Phase 1)
TBD (Phase 2)



SOCIETY ORLANDO
Orlando, FL

Completion: 2022 (Phase 1)
Units: 257 (Phase 1)
220 (Phase 1)
371 (Phase 2)



CONTACT

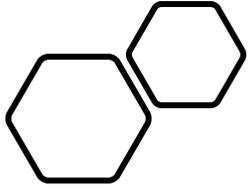
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212.610.2800

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NEW YORK, NY 10003**MIAMI**

305.917.1070

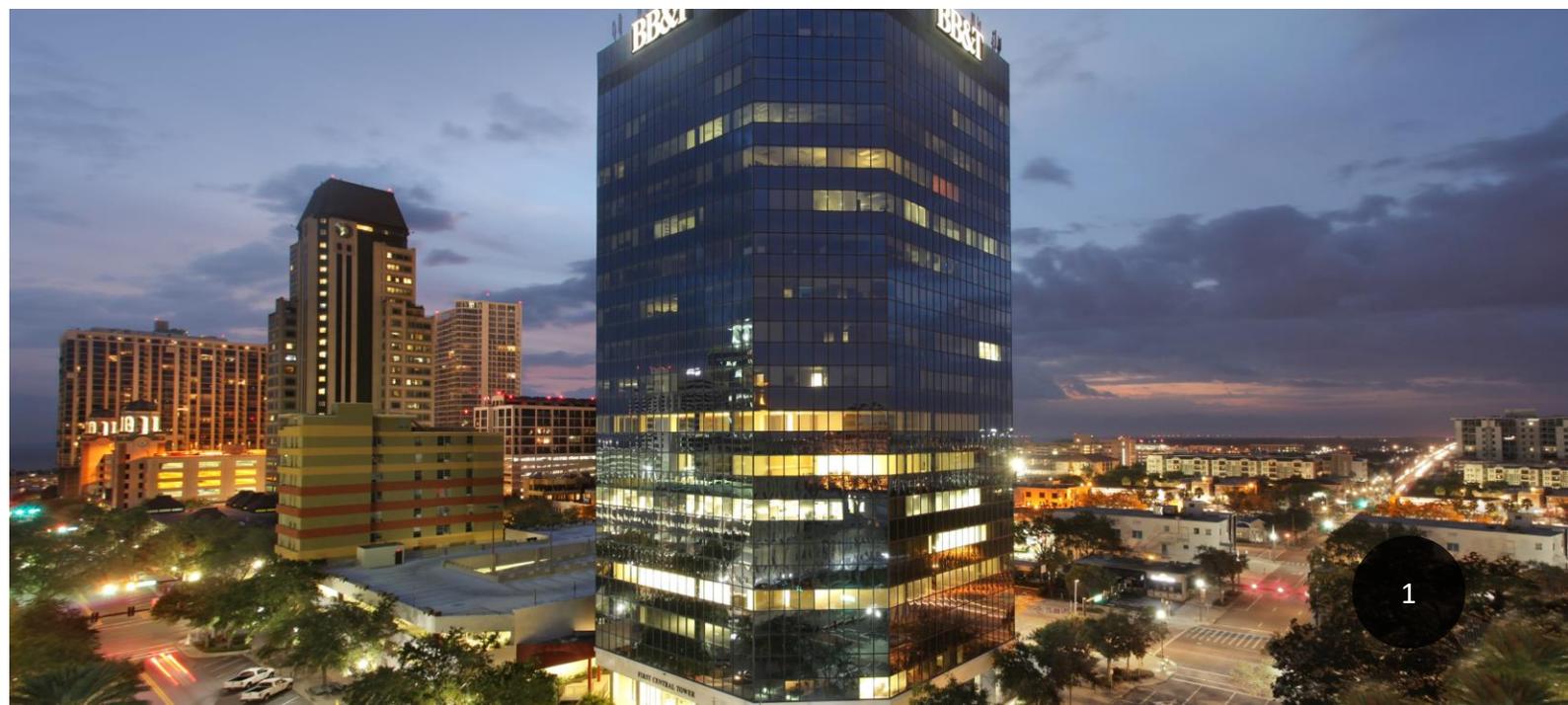
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Larry Feldman, CEO



Baharea Larsen, VP Leasing



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Santiago Bartolome, VP Development





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St. Petersburg, FL

100 CITY CENTER

Northern Trust Bank
The Private Bank



First Central Tower
St. Petersburg, FL

Morgan Stanley Tower
St. Petersburg, FL



Contact

(813) 221-6699

100 S Ashley Dr, Suite 110

Tampa, FL 33602

FeldmanEquities.com

