



December 22, 2021

Ms. Cintya G. Ramos, Finance Director
Budget and Finance Department, City of Gainesville
200 E University Avenue
Gainesville, Florida 32601

VIA: Email Only to ramoscg@cityofgainesville.org

RE: Unsolicited Proposal for a +/- 25,000 square foot supermarket to be located at
2286 NE Hawthorne Road, Gainesville, Florida 32641

Dear Ms. Ramos:

You have asked for our opinion concerning an unsolicited proposal to establish a +/- 25,000 square foot supermarket to be located at 2286 NE Hawthorne Road in Gainesville (the "Project"). The proposal is from Mr. Fredric Washington ("Developer"), a developer also registered with corporations such as Southern Accommodations, LLC. and SHW Grocers, LLC. which have been affiliated with this proposal previously. The proposal envisions a public/private partnership ("P3") with the City to include a \$3.3 million forgivable loan. The City has provided PFM with all the due diligence materials submitted in support of the proposal and the Project.

Based on our review of these materials and our discussion with you and City staff, PFM recommends against proceeding with this proposal for the following reasons.

First, there is no documentation of a lease or a letter of intent with an anchor supermarket operator. PFM is informed that the Developer's negotiations with Bravo have terminated. Without such documentation the proposal should not be considered.

Second, the two pro forma provided by the Developer are seriously deficient. There is no schedule of sources and uses of funds nor was a balance sheet provided. Furthermore, the pro forma indicates that the total cost to build out and to outfit the grocery store space, \$84 per square foot, is not realistic. The estimated costs of \$120 per square foot for the medical clinic and \$75 per square foot for the pharmacy are also not realistic. In addition, there are no cost estimates for the other four tenants shown in the pro forma paying rent. Finally, the estimated cost for property taxes and utilities are substantially underestimated.

Third, the Developer has not demonstrated financial ability to perform. Evidently, the Developer does not intend to invest any equity in the Project. Instead, they claim to have letters of intent from equity providers for \$1,400,000. However, the term sheet was not provided.

Fourth, the Developer has not obtained a commitment for the construction loan for the Project. Without a construction loan commitment PFM does not recommend proceeding with the proposal.

Finally, there is no approved term sheet for the Project. Without an executed term sheet PFM recommends against approving the proposal.

After your review, please feel free to contact me with any questions you may have. I am available to participate in the City's January 6, 2022 meeting where this item is up for discussion.

Sincerely,

Hank Fishkind, Ph.D.  Digitally signed by Hank Fishkind, Ph.D.
Date: 2021.12.22 17:20:40 -05'00'

Hank Fishkind, Ph.D., Director