MEMO

gai consultants

Date:	September 29, 2017
Project No.	A16084.00
To:	Andrew Meeker
From:	Owen M. Beitsch, Senior Director Thomas R. Kohler, Senior Director
Subject:	**Overview of Financial Proposals of Cross Streets Partners and 1220/Colliers**

To support to the Power District ITN Selection Committee, GAI Consultants, Inc. was asked to review the Best and Final Offer (BAFO) Submissions from the development teams, summarize key financial considerations, and comment on those financial or economic issues or representations with material effects on the offer or the subsequent implementation of the project described in the offer.

Toward this end we have reviewed both of the submitted proposals and summarized the following:

- Total dollar amount offered at closing.
- Estimated total value of proposed development upon completed build out.
- Estimated amount of the total public contribution being requested to support the developments.
- Estimated schedule for completing all phases of proposed development.
- Estimated total increment revenues (TIF) generated on an annual basis upon completion of all phases.
- The proposed equity-to-debt ratio indicated to finance program.
- Proposed percentage of adaptive reuse versus new construction.
- Overall financing experience for proposed mixed use development.
- Identification of any specific impediments that may impact financing.

The information summarized stems from the BAFO as well as further clarifications provided by each of the development teams to a series of questions drafted by the ITN Selection Committee. The nature of our summary, of course, is that we can only elaborate on the specific answers or data provided by the teams, interpreting same as we understand it.

Among the bigger issues addressed in this memorandum are the distinction(s) between the acreage *originally* identified as part of the ITN and a larger area that was subsequently identified or described within each offer returned to the Selection Committee for its review. Generally, this larger or "expanded" area included the GRU administrative building or other out parcels. Each proposer made references to how these additional properties or holdings could be used and then subsequently attached a "value" to these parts.

We believe the following information conveys each of the financial elements above as they were affirmed in the latest documentation received by the ITN Selection Committee.

1. Total dollar amount offered

– Cross Street Partners:	Land	$ 5,465,075
	Catalyst Bldg.	$ 2,400,000
	GRU Bldg	$ 2,592,360
	Total	$ 10,457,435

- Total payment to be made at closing.

– 1220G/Colliers:	Land	$ 2,620,000
	Catalyst Bldg.	$ 1,045,000
	GRU Bldg	$ 4,969,000
	Total	$ 8,634,000

- Payment to be made parcel-by-parcel as phases are developed.

In each case, *both* respondents have provided a price for GRU Building and any associated land as part of the expanded area.

2. Estimated total taxable value upon build out ITN area only

– Cross Street Partners:	$ 73,593,542
– 1220G/Colliers:	$ 48,826,486

Expanded area development taxable value

– Cross Street Partners:	$ 116,020,513
– 1220G/Colliers:	$ 56,388,701

3. Estimated public contributions

– Cross Street Partners:	Daylighting SWBC	$ 4,573,000
	Infrastructure	$ 9,678,366
	Garage (n/a)	$ 10,443,978
	Lease Incentive	$ 8,000,000
	Total	$ 32,694,344 expanded boundary

- The total parking spaces were not clearly identified in this proposal.

– 1220G/Colliers:	Open Space	$ 314,000
	Garage (220 spaces)	$ 2,693,601
	Infrastructure	$ No costs provided
	Total	$ Unknown

- Colliers indicated that all infrastructure costs/improvements will be borne by City/CRU/CRA whatever they may be as negotiated in the final developer's agreement. At this point, we would assume that the cost for daylighting would be similar to those of the Cross proposal and that a substantial portion of the infrastructure costs identified and estimated by Cross would also be relevant to the Colliers proposal. If so, the Colliers proposer could incur costs of some $4,000,000 to $14,000,000 in addition to the figures shown, bringing the total to about $17,000,000 as a base estimate of the publicly expended dollars indicated in the BAFO.

4. Estimated schedule of completion:

   - Cross Street Partners: 4 to 6 years
   - 1220G/Colliers: 5 years

5. Estimated increment revenues upon buildout:

   - Cross Street Partners: $729,074/year ITN boundary
   - $1,180,808/year expanded boundary

   - 1220G/Colliers: $620,872/year ITN boundary
     $722,485/year expanded boundary

   Given the extremely wide variation in *reported taxable value* for the respective submissions *inclusive* of the expanded area, we believe the estimates of increment generated should be similarly different which is not the case. While we have some detail in both submissions, the tax detail in the Colliers calculations seem easier to follow and appear correct. If, in fact, the Cross estimates of taxable valuable are correct, the Cross submission substantially *under* estimates potential receipts which could accrue beneficially to the CRA or other affected taxing entities.

6. Proposed equity-to-debt ratio

   - Cross Street Partners: 40% to 60%
   - 1220G/Colliers: 36% to 64%

   As *percentages*, both estimates seem reasonable given the complexity of the project based on all costs. Cross, however, has estimated the costs of the entire project, including infrastructure and other needed improvements, so it is easier to surmise the role of public funds in the overall effort.

   What is not altogether clear in either proposal is the *timing* of the equity actually invested in the efforts described. It is also not clear how much of the proposed development activity will require public dollars, if any, *before* private funds are invested. Expressed differently, at what point is the project looking for the application of public dollars?

   In dollar terms, the private contributions [whether loans or equity] by Cross would of course be much larger and might be deemed necessary given the mix of both new and adaptive spaces. The proposed mix could call for larger levels of equity initially. While the money committed at closing by the respondents should not in any sense be construed as equity, the public dollars needed to initiate some of the infrastructure improvements are available from private sources. Cross has also suggested it might have tax credits available. If so, they function somewhat like equity but the failure to secure them would impact the ratios to some degree.

   For its part, Colliers indicated some opportunity to implement a Community Development District (CDD) to cover a portion of the cost associated with the project. While a CDD *might* be an additional source of funds, this approach could also have a bearing on the distribution of public/private and debt/equity. While potentially advantageous, the limited description leaves the approach and benefits open to conjecture.

Related to these observations, we can't fully ascertain whether the capital required for infrastructure or other improvements will be *advanced* by the public or *reimbursed* as the developer builds the larger project. If advanced, the public is largely at risk alone until the developer moves ahead with the proposed plans. If reimbursed, than the public withholds its dollars until there are specific deliverables or benchmarks. In both cases, there must be careful coordination with the latter means of cost sharing ostensibly the preferred method for disbursing public proceeds. Given that Colliers has made no effort to identify those obvious public costs, there is at least an inference that these are exclusively a public responsibility to be addressed independently of the proposal submitted.

In our opinion, the sum and timing of the proceeds pledged by Cross appear beneficial relative to the Colliers proposal in terms of their potential risk impacts for the CRA and GRU. While they will not by any means cover all costs estimated, the dollars given at closing by Cross are available immediately mitigating some obligations on the public side of the undertaking. To the degree, any public money can be preceded by private funds, without regard to the basic composition of the debt or equity, this is an advantage which appears to accrue to the Cross proposal.

7. Proposed adaptive reuse vs. new construction

– Cross Street Partners:	Adaptive reuse 14% ITN boundary = 72,616 SF New construction 86%= 446,069 SF
	Adaptive reuse 21% expanded boundary = 170,407 SF New construction 79% = 641,053 SF
– 1220G/Colliers	Adaptive reuse 23% ITN boundary = 74,495 SF New construction 77% = 249,396 SF
	Adaptive reuse 25% expanded boundary = 141,268 SF New construction 75% = 423,804 SF

The differences in taxable value are already reported. We assume that some of the differences in taxable value could extend from the investments and perceived quality of the finished new or adapted spaces as well as the nature of the users in place at completion. For example, a key user for Cross is an institutional body requiring high value new office space. Depending on the nature of the users, the lease terms, or ownership, this space might be tax exempt ultimately. In the case of Colliers, a major activity is residential construction. To a certain degree, the quantitative differences in new and adapted space are a function of the type of space.

8. Cost and leasing assumption used in the two submissions

Both groups explained their rationales for the various figures involved in the two proposals and their respective approaches were relatively similar in our opinion. Colliers certainly has sufficient industry knowledge to "price" and position the residential portions of the project. In our opinion, the residential parts of the project, representing substantial income flowing into the project, would be among the most stable and least risky for *either* developer. As a result, our focus would shift instead to the remainder of the project where we believe Cross has the better experience to address what may be required to launch and sustain a project of this kind. Because Cross has experience in dealing with the type and variety of adaptive spaces outlined and desired by the

CRA, we believe there is less speculation regarding the typical operating and business issues required to implement this project involving the kinds of spaces and users described, some of whom have already expressed interest in the project. At some point, the combination of these kinds of assumptions in the context and experience of the parties *actually realizing the operating objectives outlined* will determine the underwriting criteria of a major investor and the actual equity requirements.

9. Overall experience in implementing and advancing mixed use developments

   - The portfolio of Cross Street Partners indicated a number of complex, mixed use projects with public entities. The group also brought one of its financing partners to the presentation who had provided financial support to previous completed projects.

   - 1220/Colliers appears to be a partnership between two successful local developers, one with specific strength in residential development, and the other in commercial products. The two entities have not partnered previously on any mixed-use projects similar to the one proposed.

   Many of the comments addressed just above are relevant here as well. Among other things, Cross has alluded to use of tax credits using the New Market Tax Credit program. While these credits are very difficult to secure, the team has experience in precisely this area. Specific to representations made by Colliers that the team might use a CDD, this vehicle has not been used for a redevelopment project of this scale in Florida to our knowledge. Although it could legally be deployed for this purpose as far as we know, it is another layer of needed skill, complexity, and uncertainty which contribute to the larger challenges of this project and undertaking for the Colliers team. We know nothing about the experience of Colliers where a CDD has been applied in any situation. In this context, while it absolutely should not be construed that Colliers cannot fulfill the obligations or technical challenges outlined, established banking relationships for these kinds of projects, prior experience in dealing with their atypical needs, and past performance under very similar conditions weigh heavily in the favor of Cross in our opinion.

10. Impediments impacting financial issues

   - Cross Street Partners – A key impediment to meeting the financial performance of the proposed project appears to be the timeline to in secure the long-term lease for the institutional anchor tenant.

   - 1220/Colliers – An impediment to meeting the proposed financial an economic performance would be the inexperience of the team members working together on a complex mixed use project as proposed. There appears to be strength in the multifamily development side, and experience in the stand alone commercial side, but not a collaborative history, especially within a public sector environment.

   Again, what may be relevant here is experience specific to this kind of undertaking. While we would not minimize the implications of a breakdown in the timetable to secure the anchor lease, the experience of Cross in such ventures points to an understanding of the issues involved.