



THE BLUFFS

**Downtown Clearwater Waterfront
Development Opportunities RFP**

Presentation | April 17, 2023

T|D|G
THE DENUNZIO GROUP

GOTHAM
DEVELOPER OWNER MANAGER

 **Stantec**

 **BeharPeteranecz**

DEVELOPMENT TEAM

DESIGN TEAM

GOTHAM

DEVELOPER OWNER MANAGER



- 100+ year history
- 5th generation family run
- Experience financing large-scale projects
- Programmatic equity relationships
- Demonstrated success in public-private partnerships

T|D|G

THE DENUNZIO GROUP



- Locally based company
- Clearwater Experience
- Specializes in mixed-use urban projects
- Hotel experience with different brands
- Public-private partnership on St Petersburg project

BeharPeteranecz



- Practicing in Pinellas County for over 20 years
- 15+ active projects in St. Petersburg and Clearwater
- Volunteer with the City of Clearwater, community, non-profits and neighborhood associations
- Locally-owned and managed office

Stantec



- Public work on Imagine Clearwater
- Public realm design plans for private projects
- Longstanding commitment to the community
- Industry-leading experience

DEVELOPMENT TEAM EXPERIENCE

PUBLIC-PRIVATE PARTNERSHIPS

TDG has enjoyed recent successes with public-private partnerships in Pinellas county, while Gotham has executed some of the largest public-private partnerships in New York City.

450 1ST AVENUE | ST. PETERSBURG

TDG worked diligently with the City of St. Petersburg to create a development partnership that includes 260 public parking spaces and 50,000 SF of Class A office space. The project will also feature a 120-room hotel and 163 micro units for rent, as well as destination retail and restaurants. This was the first private partnership that the City had undertaken in almost 30 years.

120 5TH AVENUE | ST. PETERSBURG

Once the home of the City of St. Petersburg's first female City Councilperson, TDG purchased this property and understood the effort that it would take to preserve the residence. TDG knows the importance of preserving Florida's rich history and has been engaging with the community and Preserve the Burg to assist in finding a responsible solution for development.

THE ASHLAND | BROOKLYN, NY

53—story tower in Fort Greene, Brooklyn, representing successful city and state partnerships and featuring 586 rental units, cultural office space, 16,000 SF of retail at its base which houses Gotham Market at The Ashland.

GOTHAM WEST | NEW YORK, NY

1,238 housing units that transformed the city block between 44th and 45th streets east of 11th Avenue. Gotham developed, built, and owns the four-acre site which includes four residential buildings and a new school, along with a first-of-its-kind food hall, Gotham West Market.

WATERFRONT DEVELOPMENT

Gotham and TDG have vast experience in bringing sustainable design solutions to waterfront developments responding to the impacts of climate change. We view our developments as opportunities to create a connection between the natural and built environmental to create memorable experiences for our users. We concentrate on providing safe and diverse public waterfront access opportunities for a dynamic user experience.

HOLIDAY ISLE HAMPTON INN | MADEIRA BEACH

Transforming industrial into influential. This planned development was thoughtfully designed to provide users of the marina, hotel and residential opportunities to interact. This project, when built, will be anchored by a Hampton Inn by Hilton.

GOTHAM POINT | LONG ISLAND CITY, NY

Two towers, one 57-story and one 33-story, totaling 1,132 units on the Long Island City, Queens waterfront, and featuring cultural space, community facility space, and placemaking retail. Gotham Point was achieved through public-private partnership between Gotham, the New York City Department of Housing Preservation and Development, RiseBoro Community Partnership, and Goldman Sachs Urban Investment Group.

450 1st Avenue
St. Pete, FL

Gotham Point
Long Island City, NY

Gotham West
New York, NY

The Ashland
Brooklyn, NY

Clockwise, from top left



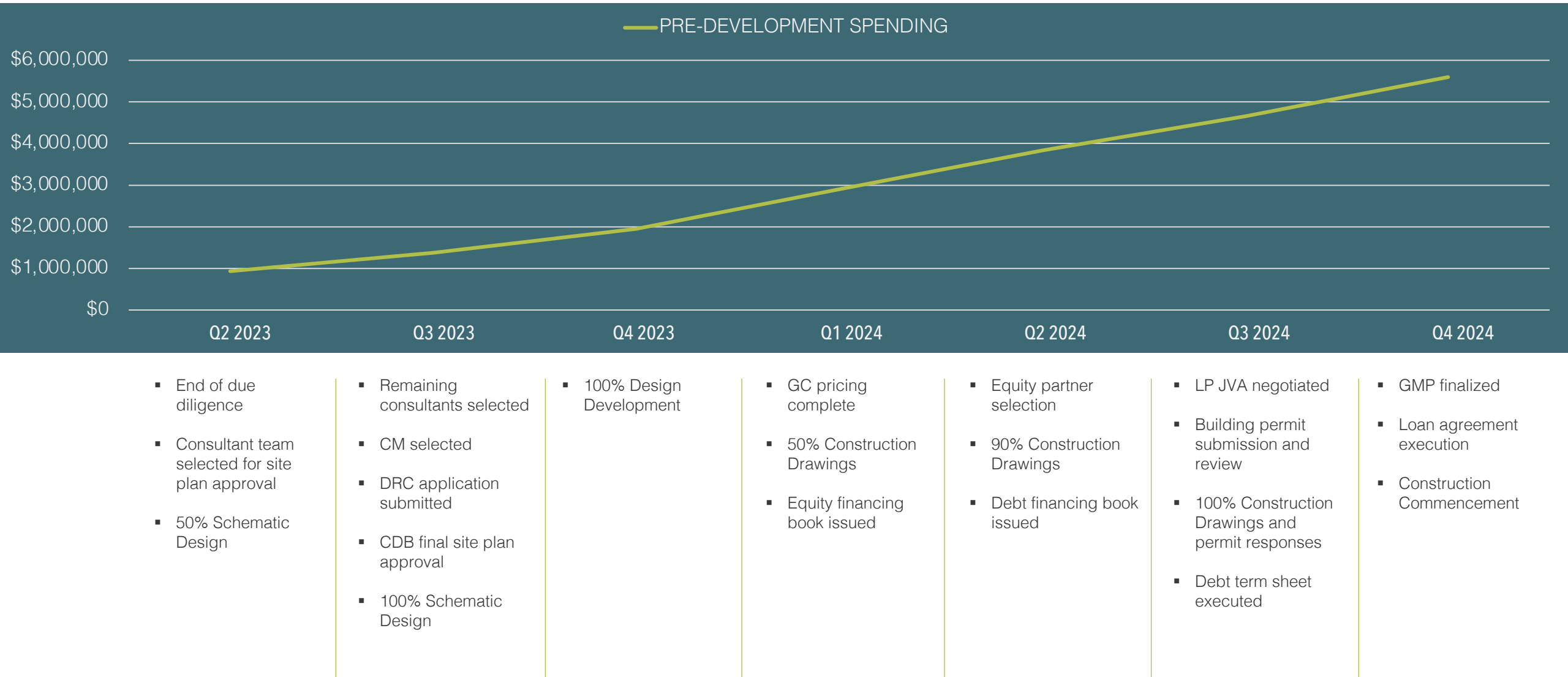
PRE-DEVELOPMENT ACTIVITY & DUE DILIGENCE

During our due diligence period, the Development Team:

- Invested significant human capital and approximately \$1,000,000 in legal, due diligence, design and project pursuit costs
- Obtained and shared with City of Clearwater the following:
 - Comprehensive hard cost estimates from two of the most reputable general contractors in Florida (for the original and subsequent plan estimates)
 - Updated residential market study from Gensler to reflect the current residential leasing climate
 - Detailed operating expense budget from Greystar, one of the largest and most reputable property managers both in Florida and the nation
 - Detailed construction and property insurance budget from Custom House Risk Advisors
 - Civil engineering due diligence study / memo from Stantec
 - Gas and electric capacity letter from Duke Energy
- Refined the architectural program for both sites and, collectively with our consultants, produced quals and assumptions for the hard cost estimates
- Hired Universal Engineering to perform extensive geotechnical borings
- Confirmed property boundaries on surveys
- Submitted title objections to the City
- Updated the financial model
- Completed Phase I environmental reports
- Discussed debt financing market with Wells Fargo and equity with JLL
- In progress: Harborview hotel site plan submissions



CITY HALL PROJECT SCHEDULE



ORIGINAL PROGRAM

CITY HALL

- 600 RESIDENTIAL RENTAL HOMES
- 25,000 SF GROUND LEVEL LOCAL RETAIL AND RESTAURANT
- 600 PARKING SPACES (BELOW GROUND)
- RESIDENCE POOL AND ACTIVITY DECK CLOSELY TIED TO THE PARK

HARBORVIEW

- 158 HOTEL KEYS
- 20,000 SF LOCAL RETAIL AND RESTAURANT
- 1,000 PERSON CONFERENCE CENTER
- 169 SPACE PARKING GARAGE (BELOW GROUND)
- ROOFTOP BAR AND RESTAURANT
- ROOFTOP BIERGARTEN
- HOTEL POOL DECK
- 50 DEDICATED LIBRARY PARKING SPACES



RESULTS OF DUE DILIGENCE | JANUARY 2023

The work undertaken during our diligence period from November – January yielded the following conclusions:

Increased Costs

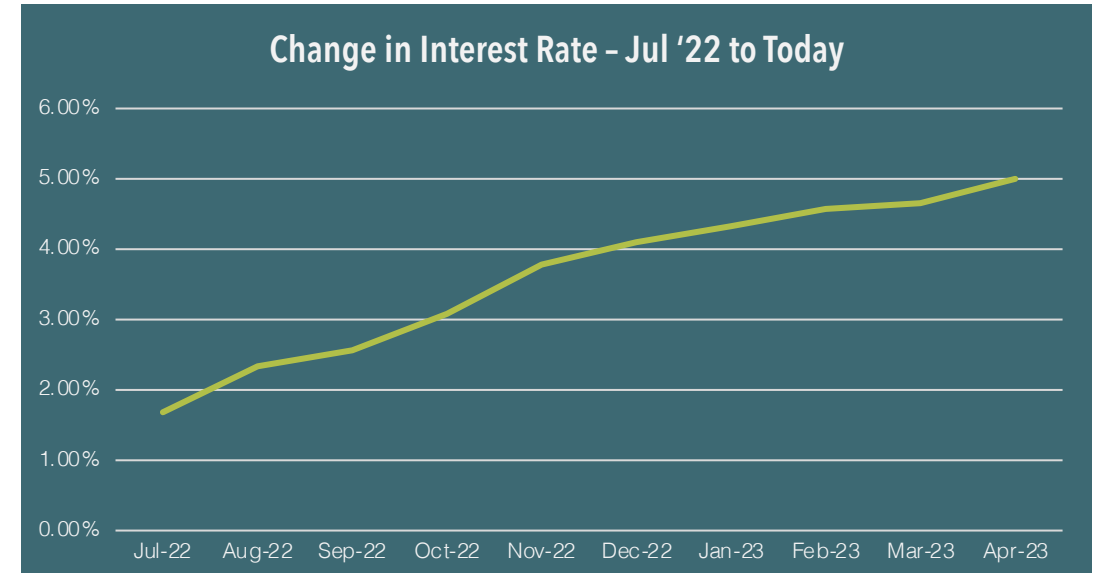
- Hard costs have increased dramatically from the time we initially responded to the RFP as a function of cost inflation and site findings that impact the program
The findings of the onsite geotechnical investigation and third-party report indicated that parking more than one level below grade is cost-prohibitive
- Stabilized operating insurance costs more than doubled after the devastation of the hurricanes last fall
This increased overall operating expenses (excluding RE taxes) by approximately 15%. This was verified by Custom House Risk Advisors (a risk management firm) and Greystar, the region's most significant multifamily asset manager

Decreased Revenue

- Despite soaring hard costs, rents across the entire Tampa Bay have decreased since Summer 2022, which is evidenced in the updated Gensler market study completed in December

Market Conditions

- Right sized debt and equity check given current liquidity crunch and capital markets feedback
- Interest rates have increased 350 bps since July 2022 (1.5% in July vs 5.0% today). This increase has made the project significantly more costly to finance



UPDATED PROGRAM

CITY HALL

- 400 RESIDENTAL RENTAL HOMES
- APPROX. 15,000 SF LOCAL RETAIL AND RESTAURANT
- 440 PARKING SPACES (INCLUDING ONE BASEMENT LEVEL);
ELIMINATED TWO LEVELS OF SUBSURFACE PARKING
- RESIDENCE POOL AND ACTIVITY DECK CLOSELY TIED TO THE PARK
- SINGLE TOWER V. DOUBLE REDUCING ONE YEAR OF CONSTRUCTION DURATION

HARBORVIEW (no change)

- 158 HOTEL KEYS
- 20,000 SF LOCAL RETAIL AND RESTAURANT
- 1,000 PERSON CONFERENCE CENTER
- 169 SPACE PARKING GARAGE (BELOW GROUND)
- ROOFTOP BAR AND RESTAURANT
- ROOFTOP BIERGARTEN
- HOTEL POOL DECK
- 50 DEDICATED LIBRARY PARKING SPACES



FINANCIAL PROJECTIONS | JULY 2022

Upon execution of the Development Agreement, the communicated economic threshold for financial feasibility was a 5.5% untrended Yield / Cost (YTC).

- $YTC = \text{Net Operating Income} / \text{Total Development Cost (TDC)} - \text{net of subsidy and hard cost escalation}$

Sources & Uses - 7.11.2022			
Uses			\$/Unit
Acquisition Costs		\$15,400,000	\$25,667
Hard Costs		\$286,840,200	\$478,067
Soft Costs		\$34,020,303	\$56,701
Financing Costs		\$12,792,283	\$21,320
Operating Deficit		\$791,608	\$1,319
Total Uses		\$349,844,395	\$583,074
Sources			
Debt	60.0%	\$209,906,637	\$349,844
City Funds - Parking	4.9%	\$17,000,000	\$28,333
City Funds - Bridge	0.4%	\$1,500,000	\$2,500
City Funds - Permit + Impact Fees	0.3%	\$1,136,781	\$1,895
Equity	34.4%	\$120,300,977	\$200,502
Total Sources		\$349,844,395	\$583,074

PASS

Deal with City - July 11, 2022	
Building Program	
Gross SF	1,360,464
Net Rentable SF (Resi)	540,000
Net Rentable SF (Retail)	25,000
Apartments (#)	600
Parking Spaces (#)	600
Effective Gross Income	\$25,292,580
Total Operating Expenses	\$8,072,315
Net Operating Income	\$17,220,266
Residential Rent PSF	\$3.75
Yield to Cost - Untrended	5.53%
Hard Costs	\$286,840,200
Land Costs	\$15,400,000
Financing Costs	\$12,792,283
Soft Costs	\$34,811,912
Total Development Costs	\$349,844,395

FINANCIAL PROJECTIONS | JANUARY 2023

Since July 2022:

- Hard costs, interest rates, operating insurance costs, and exit cap rates increased dramatically
- A target of 6.0% untrended YTC is now required to attract financing
- The difference between a 4.52% YTC and 6.0% YTC represents an ~\$80M gap
 - $\$14.3\text{M (NOI)} / (\$340.6\text{M (TDC)} - \$15.4\text{M (Parking Subsidy)} - \$7.7\text{M (Hard Cost Escalation)} - \$1.0\text{M (Bridge Subsidy)} - \$1.1\text{M (Fees Subsidy)}) = 4.52\%$
 - TDC must be reduced and/or subsidized with another ~\$80M in order to achieve a 6.0% YTC

Sources & Uses - 1.3.2023			
Uses			\$/Unit
Acquisition Costs		\$15,400,000	\$29,333
Hard Costs		\$277,782,500	\$529,110
Soft Costs		\$32,680,509	\$62,249
Financing Costs		\$13,999,669	\$26,666
Operating Deficit		\$727,890	\$1,386
Total Uses		\$340,590,568	\$648,744
Sources			
Debt	60.0%	\$204,354,341	\$389,246
City Funds - Parking	4.5%	\$15,440,000	\$29,410
City Funds - Bridge	0.3%	\$1,000,000	\$1,905
City Funds - Permit + Impact Fees	0.3%	\$1,121,836	\$2,137
Equity	34.8%	\$118,674,391	\$226,046
Total Sources		\$340,590,568	\$648,744

FAIL

End of Original DD - Jan 3, 2023	
Building Program	
Gross SF	904,904
Net Rentable SF (Resi)	477,515
Net Rentable SF (Retail)	14,000
Apartments (#)	525
Parking Spaces (#)	548
Effective Gross Income	\$20,751,534
Total Operating Expenses	\$6,501,411
Net Operating Income	\$14,250,123
Residential Rent PSF	\$3.60
Yield to Cost - Untrended	4.52%
Hard Costs	\$277,782,500
Land Costs	\$15,400,000
Financing Costs	\$14,727,559
Soft Costs	\$32,680,509
Total Development Costs	\$340,590,568

PATHWAY TO A GROUNDBREAKING

The following adjustments are proposed to allow the project to pass the minimum YTC threshold:

Reduced residential to a single, 400-unit tower, allowing for:

- Shorter construction schedule (approximately 12 fewer months of construction and 9-12 months of lease up)
- Reduction in interest and carry costs during construction and lease up
- Eliminated most expensive sub cellar parking while maintaining ground level perimeter as active uses
- Increased parking ratio from 1:1 to 1.1:1 (10% increase)

How do we make the project financially feasible today?

1. Through changes to the program, shorter construction and lease up duration, and value engineering, we reduced the gap by ~\$56.0M.
2. Maintain parking contribution of \$17M (would otherwise be reduced by \$4.8M based on 440 spaces)
3. Modify purchase price to \$7.6M (from \$15.4M = savings of \$7.8M) per 2021 City's appraisal as a purchase money mortgage (PMM) at 0% interest, to be paid upon stabilization but not later than 5 years from closing (NPV of PMM = \$3.4M)
4. Identify additional \$4.0M City contribution
5. Development team commits to close the remaining ~\$4.0M gap

Sources & Uses			
Uses			\$/Unit
Acquisition Costs		\$7,600,000	\$19,000
Hard Costs		\$175,040,000	\$437,600
Soft Costs		\$22,528,229	\$56,321
Financing Costs		\$7,700,376	\$13,770
Operating Deficit		\$206,286	\$516
Total Uses		\$213,074,892	\$532,687
Sources			
Debt	55.0%	\$117,191,190	\$292,978
City Funds - Parking + Other	9.9%	\$21,000,000	\$52,500
City Funds - Bridge	0.5%	\$1,000,000	\$2,500
City Funds - Permit + Impact Fees	0.4%	\$952,311	\$2,381
Purchase Money Mortgage	3.6%	\$7,600,000	\$19,000
Equity	30.7%	\$65,331,390	\$163,328
Total Sources		\$213,074,892	\$532,687

April 17, 2023 - Reduced PP	
Building Program	
Gross SF	618,314
Net Rentable SF (Resi)	354,703
Net Rentable SF (Retail)	15,900
Apartments (#)	400
Parking Spaces (#)	440
Effective Gross Income	\$15,666,942
Total Operating Expenses	\$4,998,161
Net Operating Income	\$10,668,781
Residential Rent PSF	\$3.60
Yield to Cost - Untrended	5.87%
Hard Costs	\$175,040,000
Land Costs	\$7,600,000
Financing Costs	\$7,700,376
Soft Costs	\$22,734,515
Total Development Costs	\$213,074,892

PATHWAY TO A GROUNDBREAKING (Alternative Approach)

The following adjustments are proposed to allow the project to pass the minimum YTC threshold:

Reduced residential to a single, 400-unit tower, allowing for:

- Shorter construction schedule (approximately 12 fewer months of construction and 9-12 months of lease up)
- Reduction in interest and carry costs during construction and lease up
- Eliminated most expensive sub cellar parking while maintaining ground level perimeter as active uses
- Increased parking ratio from 1:1 to 1.1:1 (10% increase)

How do we make the project financially feasible today?

1. Through changes to the program, shorter construction and lease up duration, and value engineering, we reduced the gap by ~\$55.5M (~\$500K fewer savings with this approach due to additional RE taxes during construction and lease up)
2. Maintain parking contribution of \$17M (would otherwise be reduced by \$4.8M based on 440 spaces)
3. Purchase money mortgage of \$15.4M with no interest for 10 years¹
4. Identify additional \$4.0M City contribution
5. Development team commits to close remaining ~\$500K gap

Sources & Uses			
Uses			\$/Unit
Acquisition Costs		\$15,400,000	\$38,500
Hard Costs		\$175,040,000	\$437,600
Soft Costs		\$22,893,354	\$57,233
Financing Costs		\$8,393,475	\$5,798
Operating Deficit		\$230,498	\$576
Total Uses		\$221,957,327	\$554,893
Sources			
Debt	55.0%	\$122,076,530	\$305,191
City Funds - Parking + Other	9.5%	\$21,000,000	\$52,500
City Funds - Bridge	0.5%	\$1,000,000	\$2,500
City Funds - Permit + Impact Fees	0.4%	\$952,311	\$2,381
Purchase Money Mortgage	6.9%	\$15,400,000	\$38,500
Equity	27.7%	\$61,528,486	\$153,821
Total Sources		\$221,957,327	\$554,893

April 17, 2023 - Original PP	
Building Program	
Gross SF	618,314
Net Rentable SF (Resi)	354,703
Net Rentable SF (Retail)	15,900
Apartments (#)	400
Parking Spaces (#)	440
Effective Gross Income	\$15,666,942
Total Operating Expenses	\$4,998,161
Net Operating Income	\$10,668,781
Residential Rent PSF	\$3.60
Yield to Cost - Untrended	5.97%
Hard Costs	\$175,040,000
Land Costs	\$15,400,000
Financing Costs	\$8,393,475
Soft Costs	\$23,123,852
Total Development Costs	\$221,957,327

¹Removed from YTC calculation based on the repayment waterfall.