PRAG

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PUBLIC RESOURCES ADVISORY GROUP

MEMORANDUM

TO:	Alfred G. Battle Jr., Assistant City Manager, City of Clearwater
FROM:	Public Resources Advisory Group
SUBJECT:	Landings Golf Course Redevelopment Public-Private Partnership Proposal
DATE:	May 7, 2026

Executive Summary

The City of Clearwater ("Clearwater" or the "City") has received an unsolicited public-private partnership ("P3") proposal (the "Proposal") from an experienced development team to lease the Landings Golf Course site from the City under a long-term lease (99 years, plus renewal options). The Developer (as defined herein) would construct an athletic and recreational complex providing multi-purpose fields for sports tournaments for soccer, football, lacrosse and similar sports, additional courts and facilities for pickleball and sand volleyball play and tournaments, and food and entertainment facilities, including a water park, putt-putt golf course, arcade, and fitness and wellness facilities (the "Proposed Project").

The cost to develop the Proposed Project is estimated to be $179.6 million, funded by a private loan of $107.8 million, $44.9 million in tourist development taxes from Pinellas County, and $26.9 million in private equity. Commitments for the private loan and County funding have not yet been obtained.

Lease payments to the City would be $20,000 per month (with no escalation feature) but would be completely abated for the first 5 years of operations with declining levels of abatement for the next 15 years, resulting in reduced revenues to the City for 20 years. The existing golf course provides current, albeit limited, cash flow to the City.

The tournament-play related activities are expected to result in overnight guest stays while the other activities will cater primarily to the local market. The primary governmental benefit is related to new athletic tournaments which are anticipated to generate new overnight guests and related hotel bed and sales taxes.

The Proposal presents a project focused on the ability to generate overnight visitors in connection with tournaments held at the facility, but based on the financial pro formas provided, the success of the Proposed Project will be dependent upon the successful execution and operation of the food and entertainment venues. The combined income derived from the tournament-related activities and food and entertainment venues is needed to cover the associated development costs.

The exact nature of the City's control and obligations of the land would be detailed in the lease agreement, however, we expect that the risk to the City is that if the commercial activities are not successful, the City will have ceded control of land that is currently generating some revenue to the City while possibly forgoing rental payments and potentially losing control of the land or having ultimate responsibility for the improvements in the event of a default.

The value proposition of the Proposal does not appear to be a direct financial return to the City but rather an economic development opportunity to drive overnight visitors through sports tourism.

Moving from the initial proposal stage to a mutually beneficial P3 could require additional investments by both parties for additional technical and legal advisors as well as detailed negotiations over all aspects of the Proposal and the lease. However, at this stage the biggest unknown is the ability of the Developer to (i) obtain the requested County funding, (ii) obtain the private loan, and (iii) operate the Proposed Project as presented in the financial pro forma.

Although the City could engage specialized technical experts to validate the operational revenue and cost assumptions in the financial pro forma, the City could obtain some degree of comfort as to the feasibility of the Proposed Project by having the Developer provide a financing commitment or term sheet from a financial institution that provides details of the necessary financing while recognizing and preserving the City's underlying interest in the land.

We have identified the following financial issues that we believe should be addressed to the City's satisfaction:

- Financing for the Proposed Project will require use of Pinellas County's Tourist Development Taxes and a substantial commercial loan. Private financing on leased land owned by the government raises issues related to defaults and cures that provide appropriate protections for the lender, while also protecting the interests of the City. Written commitment for either funding source has not been provided but should be a necessary component early in the process to validate the financial feasibility of the Proposed Project;

- The Proposed Project would be developed in two phases, increasing completion risk;

- The proposed lease term of 99 years with two 25-year renewals at the tenant's option is longer than most P3s and appears to be in excess of the time required for the Developer to recoup their investment with a reasonable return; and,
- The financial terms of the lease include 100% abatement for five years, 75% abatement for the next five years, 50% abatement for years 11-15 and 25% abatement for years 16-20, reducing the financial benefit to the City and eliminating any direct financial benefit over the near-term.
- Notably, no revenue sharing with the City is proposed in the lease structure.

City officials may use the content of this report to decide if they are comfortable with exchanging the existing golf course activity for a large multi-sport recreational facility focused on attracting large events associated with sports tourism.

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Clearwater – Landings Golf Course Redevelopment P3 Proposal

The City of Clearwater ("Clearwater" or the "City") has received an unsolicited public-private partnership ("P3") proposal (the "Proposal") from an experienced development team to lease the Landings Golf Course site from the City under a long-term lease (99 years, plus renewal options). The Developer (as defined herein) would construct an athletic and recreational complex providing multi-purpose fields for sports tournaments for soccer, football, lacrosse and similar sports, additional courts and facilities for pickleball and sand volleyball play and tournaments, and food and entertainment facilities, including a water park, putt-putt golf course, arcade, and fitness and wellness facilities (the "Proposed Project").

Public Resources Advisory Group, Inc. ("PRAG"), as municipal advisor to the City, has been asked to review the Proposal. PRAG is experienced in advising municipal entities in connection with the structuring and financing of P3 projects and identifying initial risks and considerations. At this stage of the process, our analysis will detail the assumptions incorporated in the Proposal and highlight potential risks to the City. PRAG has not been engaged to validate the assumptions contained in the financial pro forma. If the City decides to move forward with the Proposed Project, technical and legal advisors would need to be engaged to analyze the likelihood of its successful operation and draft the necessary legal documents for ultimate consideration by City Council.

A typical P3 project is based on a governmental entity transferring risk to a private entity to achieve a desired public purpose at a positive monetary value on a risk-adjusted basis. A common example is a toll road in which a private entity constructs and operates the road while taking revenue risk associated with the road's usage. Private student housing on a university campus is another example in which a private developer takes the risk that housing demand will generate a positive return to the developer. Other types of P3s rely on the private sector to design and build a project with the government taking ownership after construction.

The Proposal calls for a new development that provides public benefit (generation of overnight visitors and enhanced resident entertainment activities) dependent upon successful commercial operations.

Current Status of the Golf Course

The Landings Golf Course (the "Landings") is one of three golf courses owned by the City. The City has leased the Landings to a private operator, Clearwater Golf Associates, Inc. (the "Operator"), since 2001. The Operator pays the City an adjusted rent of $12,000 per year plus 3.00% of annual revenues in excess of $1.1 million; however, a portion of the base rent has been abated to support the Operator's capital investment into the course. The rent payments paid to the City by the Operator were $28,122 for 2022, $37,415 for 2023, and $40,276 for 2024, inclusive of sales taxes on the revenue-based component.

The current contract with the Operator expires on February 28, 2029. According to City staff, preliminary discussion of terms for a 20-year contract renewal includes base rent of $5,000 per month plus 3.50% of annual revenues in excess of $1.25 million. Based on 2024 gross revenues of $2,042,547, the proposed terms would represent an annual payment of $87,739. Assuming a discount rate of 3.00% and constant gross revenues equal to 2024, the present value of the current and proposed golf course lease for the 10 years beginning with the expected beginning date of the Developer's lease would be $663,000. Over 20 years, the present value of keeping the current and proposed golf course lease would be $1.225 million, assuming constant revenues. It is impossible, however, to predict the future demand and usage of the golf course over the long-term. Additionally, neither the golf course renewal agreement nor the lease terms for the Proposed Project have been finalized.

An appraisal of the land would be helpful in developing a more robust financial analysis, however, the value proposition of the Proposal does not appear to be a direct financial return to the City but rather an economic development opportunity to drive overnight visitors through sports tourism. During further negotiations it may be possible to enhance any financial benefit to the City through adjustments to the lease terms.

The Proposal

As stated previously, the City has received an unsolicited P3 proposal from Sunshine Recreation and Entertainment, LLC (the "Developer") to convert the Landings to a sports, recreation, and entertainment complex anchored by 13 rectangular multi-purpose sports fields.

Parties to the Developer include:

(i) Porter Development (based in Clearwater);
(ii) The Sports Facilities Companies, which includes Sports Facilities Advisory, Sports Facilities Management and Sports Facilities Development (based in Clearwater);
(iii) Gulf Coast Consulting (a civil engineering firm located in Clearwater);
(iv) Fisher Architecture (based in Clearwater); and,
(v) Mammoth Sports Construction (based in Kansas City, with a Clearwater location).

The parties appear to have experience relevant to the Proposed Project.

The Developer's vision is to turn the site into a "vibrant, multi-use outdoor sports destination that serves local residents, youth sports organizations, and visitors." They cite the benefits of the Proposed Project as:

- Providing much-needed field space for soccer, lacrosse, football, and other sports;
- Offering inclusive recreational opportunities for Clearwater residents;
- Generating significant direct and indirect economic impact for the City and Pinellas County through sports tourism, events, and increased local spending; and,
- Converting an underperforming municipal asset into a thriving sports and recreation hub that enhances the quality of life of local residents.

The Developer proposes to enter into a long-term ground lease or similar agreement with the City to design, finance, construct, and operate the facility.

The Proposed Project is anticipated to include the following:

Phase I

Multi-Purpose Outdoor Rectangular Fields - 12 synthetic turf fields and 1 natural grass FIFA-regulation rectangular field for soccer, lacrosse, flag football, and other field sports including one designated "Championship Field" with a 1,500-seat arena. Each field would include lighting, covered spectator seating, and cutting-edge turf technology.

Pickleball Complex - a state-of-the-art pickleball and social entertainment venue, featuring 16 covered and 8 open pickleball courts suitable for local and regional tournaments. The complex includes a pickleball clubhouse with a vibrant, upscale atmosphere that combines competitive sports with social experiences, including complementary outdoor activities such as golf simulators and casual recreation spaces.

Sand Volleyball - Sand volleyball courts within the park will host local and regional tournaments as well as community leagues, further activating the space year-round.

Family-Oriented Entertainment Facility – consisting of a food hall/arcade and an 18-hole putt-putt golf course. The food hall/arcade would be located adjacent to the main outdoor field while the putt-putt golf course would be located between the pickleball complex and the water park, described further below.

Phase II

Water Park - Designed to be a family-friendly attraction, the three-acre water park will serve as a unique amenity that differentiates the Proposed Project from regional competitors. The park will feature a variety of water attractions that appeal to both visitors and local residents.

Fitness and Wellness Center - The 24,818 square foot sports and performance center will offer a comprehensive approach to fitness, training, and recovery. Programming will include multiple fitness disciplines such as yoga, bootcamp, CrossFit, and Pilates, supported by a membership model. A large outdoor training area will accommodate fitness events, bootcamps, and running events. A running and biking trail will encircle the property, providing a safe, vehicle-free environment for endurance activities. The wellness zone will feature recovery amenities, including hot and cold mineral-infused pools, creating a holistic environment for physical and mental rejuvenation.

Parking and Traffic

Parking for 1,944 cars would divide the multi-purpose fields and food hall/arcade from the wellness center, pickleball complex, putt-putt golf course and water park. There would be a charge for parking during outdoor field tournaments.

The Proposal includes a Transportation Analysis by Palm Traffic, LLC that finds that the three access points to the Proposed Project (two on Keane Road and one on Airport Drive) and the nearby intersections would operate at acceptable levels of service but turn lanes would be recommended for the two Keane Road access points. The development budget includes $300,000 as “off-site improvements” to address these transportation improvements.

Schedule

Assuming design starts in May 2026, (i) the multi-purpose fields would be completed by September 2028, (ii) the pickleball complex, food hall/arcade and the putt-putt golf course would be completed by December 2028, and (iii) the water park and fitness and wellness center would be completed by February 2030.

We note that it typically takes many months for a P3 project to be negotiated, approved and documented, making the proposed schedule appear fairly aggressive.

Suggested Benefits to the City

The Proposal states that the benefits of the Proposed Project to the City are that the City:

1) Retains ownership of the land and improved asset;
2) Gains a premier recreational facility at minimal public cost;
3) Eliminates the need for long-term operational subsidy;
4) Enhances quality of life and community engagement; and,
5) Generates substantial tax and tourism revenue.

Our analysis will attempt to detail the assumptions incorporated in the Proposal and highlight potential risks to the City.

As to the final stated benefit regarding the generation of substantial tax and tourism revenue, the Proposal did include an Economic Impact Report on the Proposed Project, but the report was prepared by an affiliate of the Developer, The Sports Facilities Companies, and therefore we do not consider it to be a report by an independent party.

The Economic Impact Report found that the Proposed Project as planned has the potential to generate approximately $58 million in economic impact and $2.6 million in new annual tax revenue by year 5 of operations from non-local visitors. Over the first 10 years, the Economic Impact Report forecasted that the Proposed Project could generate nearly $566 million in economic impact and nearly $26 million in new tax revenue.

We note that the taxes identified as creating economic impact consist of the 1% "Penny for Pinellas" sales tax, the Pinellas County and School Board portion of property taxes and Pinellas County's 6% tourist development taxes.

It should also be noted that the Developer will not be reimbursing the City for City property taxes, other than to the extent that unabated fixed rent payments cover City property taxes due.

The direct financial benefit to the City, therefore, would be limited to the lease payments, the benefit of which would be partially offset by the revenue currently generated by the Landings. As stated previously, however, the value proposition of the Proposal does not appear to be a direct financial return to the City but rather an economic development opportunity to drive overnight visitors through sports tourism.

Development Costs

A breakdown of the development costs of the Proposed Project, as detailed in the Proposal, are provided on the following pages.

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Cost Item	Total	% of Total	Phase 1	Phase 2
SOURCES				
Construction Loan	$107,772,554	60.0%	$79,893,662	$27,881,142
Pinellas County TDC Funds	44,905,231	25.0%	44,905,231	N/A
Equity	26,943,138	15.0%	8,353,460	18,587,428
Total Sources	**$179,620,923**		**$133,152,353**	**$46,468,571**
USES				
Horizontal Hard Costs				
Offsite Improvements	$300,000		$300,000	N/A
Site Development	39,375,000		39,375,000	N/A
Demolition	500,000		500,000	N/A
Landscaping / Parking Lot Lighting	3,500,000		3,500,000	N/A
12 Synthetic Multi-Purpose Fields	21,000,000		21,000,000	N/A
Grass Field	1,000,000		1,000,000	N/A
Fitness Training Area - Synthetic Turf	550,000		N/A	550,000
Fitness Trail	900,000		900,000	N/A
Horizontal Contingency (5%)	3,356,250		3,328,750	27,500
Total Horizontal Hard Costs	**$70,481,250**	**39.2%**	**$69,903,750**	**$577,500**
Vertical Hard Costs				
Miscellaneous		1.3%		
Maintenance Building	$2,000,000		$2,000,000	N/A
Restroom Building	375,000		375,000	N/A
MP Fields Building		1.7%		
MP Fields Restaurant Portion	1,750,000		1,750,000	N/A
MP Concessions & Restrooms	972,000		972,000	N/A
MP Outdoor Seating	250,000		250,000	N/A
Championship Field Building		3.6%		
Championship Field Restaurant	2,500,000		2,500,000	N/A
Welcome Lobby / Admin / Suites	4,053,000		4,053,000	N/A
Food Hall / Arcade Building		5.5%		
Beer Garden	1,500,000		1,500,000	N/A
Food Counters	3,000,000		3,000,000	N/A
Gaming & Seating Area	4,276,000		4,276,000	N/A
Gaming FFE	1,069,000		1,069,000	N/A
Pickleball Venue		8.3%		
PB Clubhouse	7,475,000		7,475,000	N/A
Pickleball Outdoor Area	1,250,000		1,250,000	N/A
Uncovered Courts	225,000		225,000	N/A
Covered Courts	6,000,000		6,000,000	N/A
Putt Venue		2.7%		
Putt Buidling	4,210,000		4,210,000	N/A
Putt Course (36 Holes)	600,000		600,000	N/A
Waterpark Venue		14.3%		
Water Amenities Allowance	18,000,000		N/A	18,000,000
Water Restaurant	2,000,000		N/A	2,000,000
Water Concessions	900,000		N/A	900,000
Cabanas	375,000		N/A	375,000
Sand Volleyball Courts	1,080,000		1,080,000	N/A
Support Buildings	750,000		N/A	750,000
Water Area FFE / Fencing	2,500,000		N/A	2,500,000

Cost Item	Total	% of Total	Phase 1	Phase 2
Fitness Venue		4.5%		
Fitness Building	7,445,400		N/A	7,445,400
Indoor Fitness Equipment	496,360		N/A	496,360
Outdoor Fitness Equipment	150,000		N/A	150,000
Wellness Venue		5.1%		
Wellness Building	3,355,100		N/A	3,355,100
Mineral Pools	350,000		N/A	350,000
Wellness FFE	1,500,000		N/A	1,500,000
Vertical Contingency (5%)	4,015,343		2,125,500	1,889,843
Total Vertical Hard Costs	**$84,422,203**	**47.0%**	**$44,710,500**	**$39,711,703**
Soft Cost Development		**6.3%**		
Legal	$150,000		$112,500	$37,500
Architectural	3,200,000		2,400,000	800,000
Engineering	620,000		465,000	155,000
Survey	30,000		22,500	7,500
Phase 1 / 2	15,000		11,250	3,750
Traffic Study	15,000		11,250	3,750
Geotechnical	40,000		30,000	10,000
Testing & Inspections	650,000		487,500	162,500
Consultants	700,000		525,000	175,000
Permits / Impact Fees	950,000		712,500	237,500
Insurance	800,000		600,000	200,000
Marketing	175,000		131,250	43,750
Liquor Licenses	2,400,000		1,800,000	600,000
Working Reserve Capital	1,500,000		1,125,000	375,000
Pre Operations Soft Costs		**2.6%**		
Pre-Launch Professional Services	200,000		150,000	50,000
Grand Opening	20,000		15,000	5,000
Marketing Allowance	190,000		142,500	47,500
Operational Support Services	350,000		262,500	87,500
Pre-Funded Operating Account	513,470		385,103	128,368
Pre-Opening Staff Budget	603,578		452,684	150,895
Pre-Opening Staff Recruitment	47,000		35,250	11,750
Owner Rep Services	1,150,000		862,500	287,500
General & Administrative	800,000		600,000	200,000
Soft Cost Contingency (5%)	755,952		566,964	188,988
Total Soft Cost Development	**$15,875,000**	**8.8%**	**$11,906,250**	**$3,968,750**
Loan Closing Costs				
Title	$199,800		$149,850	$49,950
Borrower / Lender Legal	237,600		178,200	59,400
Doc Stamps	378,000		283,500	94,500
Intangible Tax	208,000		156,000	52,000
Contruction Loan Financing Fee	1,080,000		810,000	270,000
Construction Loan Interest Reserve	6,318,000		4,738,500	1,579,500
Loan Cost Contingency (5%)	421,070		315,803	105,268
Total Loan Closing Costs	**$8,842,470**	**4.9%**	**$6,631,853**	**$2,210,618**
Total Uses	**179,620,923**		**133,152,353**	**46,468,571**

The development costs by component and phase are summarized below.

DEVELOPMENT COSTS	Total		Phase 1		Phase 2	
Total Horizontal Hard Costs	$70,481,250	39.2%	$69,903,750	52.5%	$577,500	1.2%
Total Vertical Hard Costs	84,422,203	47.0%	44,710,500	33.6%	39,711,703	85.5%
Total Soft Cost Development	15,875,000	8.8%	11,906,250	8.9%	3,968,750	8.5%
Total Loan Closing Costs	8,842,470	4.9%	6,631,853	5.0%	2,210,618	4.8%
Total Costs	**$179,620,923**		**$133,152,353**		**$46,468,571**	

We have provided the following description and observations on the development budget, but we are not qualified to assess whether the development budget is reasonable. If the City determines to move forward with the Proposed Project, it might consider engaging a third party to review and opine on the reasonableness of the development budget prior to finalization of the lease and other agreements.

Horizontal Hard Costs – Total horizontal hard costs (not including contingency) are $67.125 million. The vast majority of the horizontal hard costs are for site development including clearing, underground utilities and other items totaling $39.375 million and $21 million for buildout of the multi-purpose fields. A contingency of 4.7% is included in the horizontal hard costs budget to bring the total horizontal hard costs to $70.481 million.

Vertical Hard Costs – Total vertical hard costs (not including contingency) are $80.407 million. The largest component of the vertical hard costs budget is the water park at $25.605 million followed by the pickleball venue at $14.950 million. A contingency of 4.7% is included in the vertical hard costs budget to bring the total vertical hard costs to $84.422 million.

Overall, the hard costs related to the primary tourism-generating multi-purpose fields represent just over half of the budgeted hard costs with the largest single cost being site development. It appears this cost is necessary to convert the topography of the existing golf course to flat fields suitable for athletic play and parking. While the pickleball venue is assumed to generate some tourism, the pickleball clubhouse represents about half of the venue cost with the courts and outdoor area making up the difference.

A further breakdown of the horizontal and vertical hard costs and if they are related to the tourism-generating multi-purpose fields is provided in the table on the following page.

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Component	Phase	Cost	Percentage of Total Hard Costs	Multi-Purpose Fields Related?
Horizontal Hard Costs				
Site Development	1	$39,375,000	26.7%	Yes (2)
12 Synthetic Multi-Purpose Fields	1	21,000,000	14.2%	Yes
Landscaping / Parking Lot Lighting	1	3,500,000	2.4%	Yes
Grass Field	1	1,000,000	0.7%	Yes
Fitness Trail	1	900,000	0.6%	No
Fitness Training Area - Synthetic Turf	2	550,000	0.4%	No
Demolition	1	500,000	0.3%	Yes
Offsite Improvements (Transportation)	1	300,000	0.2%	Yes
Total Horizontal Hard Costs (1)		**$67,125,000**	**45.5%**	
Vertical Hard Costs				
Water Park Venue	2	$25,605,000	17.4%	No
Pickleball Venue	1	14,950,000	10.1%	No
Food Hall/Arcade	1	9,845,000	6.7%	No
Fitness Venue	2	8,091,760	5.5%	No
Championship Field	1	6,553,000	4.4%	Yes
Wellness Venue	2	5,205,100	3.5%	No
Putt-Putt Venue	1	4,810,000	3.3%	No
Multi-Purpose Fields Buildings	1	2,972,000	2.0%	Yes
Maintenance/Restrooms	1	2,375,000	1.6%	Yes
Total Vertical Hard Costs (1)		**$80,406,860**	**54.5%**	
Total Hard Costs (1)		**$147,531,860**	100.0%	
Multi-Purpose Fields Related		**$77,575,000**	52.6%	

(1) Does not include contingencies.

(2) The multi-purpose fields and parking comprise the majority of the site by area so all of the cost of the site work is assumed to be directly related to the multi-purpose fields activities.

Soft Cost Development – Total soft cost development (not including contingencies) are $15.119 million. The major costs in this category are architectural ($3.2 million), liquor licenses ($2.4 million) and a working reserve fund ($1.5 million). Recognizing that a liquor license would be essential for the restaurant, these soft costs seem to address the typical development needs; however, we cannot opine on the reasonableness of the cost or contingency estimates.

Development Budget Summary - Given the proposed development budget, it appears that approximately half of the costs are directly related to supporting the activities that generate the regional economic benefit while the other half of the costs are associated with more localized family entertainment activities, such as restaurants and the arcade, water park, putt-putt golf course, and fitness and wellness activities. The Developer indicated that the net revenues from the family entertainment activities are needed to support the financial viability of the entire Proposed Project.

The Developer also indicated that the phasing is necessary to provide the most efficient financing structure.

As discussed in the revenue and expense section of this report, it does not appear that the projections for the commercial operations provide any discounts, special rates or special usage opportunities for City residents.

Sources of Funds

Funding for the Proposed Project is expected to come from the following sources; however, no details were provided on the terms, status or commitments related to these sources.

Construction Loan	$107,772,554
Pinellas County TDT Funds*	44,905,231
Equity	26,943,138
Total Sources of Funds	**$179,620,923**

**Pinellas County Tourist Development Taxes*

Construction Loan – The Developer indicated that they are not at the point of engaging a lender for the construction loan. A properly structured loan will be critical to the delivery of the Proposed Project. Unlike a traditional commercial loan, the lender should not have the ability to foreclose on the land and displace the City's ownership.

The development budget includes an interest reserve of $6.3 million to provide interest payments for 18 months, at a 6.00% interest rate. The Developer also indicated that they expect to refinance the construction loan in year 6 of the Proposed Project.

In the financial pro forma, debt service is assumed to be $6.466 million annually for Phases 1 and 2. This amount would cover interest on the loan, assuming a 6.00% interest rate, but does not include any principal payments during the 10 years presented in the pro forma.

We would expect that the Proposed Project would be able to cover interest and principal payments on the loan in order to ensure the long-term viability of the Proposed Project.

In addition, if a long-term interest rate is not locked in at closing, the Proposed Project would be subject to interest rate risk. The table below illustrates the payments associated with the proposed construction loan at a range of interest rates and repayment terms.

Loan Amount **$107,774,804**

		Amortizing Loan Payments *(Annual Total Assuming Monthly Payments)*		
Interest Rate	**Interest-Only Annual Payment**	**10-Years**	**20-Years**	**30-Years**
6%	$6,466,488	$14,358,255	$9,265,586	$7,753,973
7%	$7,544,236	$15,016,282	$10,026,923	$8,604,342
8%	$8,621,984	$15,691,269	$10,817,660	$9,489,760
9%	$9,699,732	$16,382,948	$11,636,135	$10,406,165
10%	$10,777,480	$17,091,024	$12,480,602	$11,349,612

If the City decides to move forward with the Proposed Project, the City should request that the Developer provide a term sheet from a lender indicating their willingness to provide financing, the general terms of such financing, and the plan to convert construction financing to permanent debt.

The terms of any construction loan will be of critical importance to the City. The City will be leasing the land with the understanding that the land will be used for the purposes provided for in the lease – namely to provide multi-purpose athletic fields and facilities along with related athletic, recreational, wellness, fitness and food and beverage facilities. If the Developer defaults on any mortgage, the lender should not have the right to change the general use of the property or to sell the property for any other purpose without the City's consent. This obviously will limit a lender's options and will impact the availability, amount and costs of any loan. Without such protection in the lease, if the Developer defaulted, the City would have no control over the use of the land and could lose the economic benefits expected through the P3.

Pinellas County TDC Funds – We have seen other counties in Florida use tourist development taxes ("TDT") for outdoor multi-purpose fields that attract tournaments and overnight visitors. It is unclear if TDT funds could be used for purposes that cater primarily to local visitors, but we expect that the TDT funds could be designated to support the multi-purpose athletic fields, at a minimum.

It should also be noted the second benefit identified by the Developer was that the City would gain a premier recreational facility at minimal public cost; however, the Proposal envisions a public investment of approximately $45 million from Pinellas County TDT funds in addition to any foregone revenues the City could otherwise generate from the land.

Equity – As with most P3 projects, the final component of the capital stack is equity, provided by the Developer, a third-party investor, or a combination of the two. Generally, developer-provided equity has a different return analysis because the developer is earning other income from the project while a third-party investor is generally only concerned with the return on their investment. If the City decides to proceed with the Proposed Project, it should request detailed information on the identity of the investors and any terms offered to third-party investors to ensure that the City is comfortable with the expectations of these equity investors and that the lease term is sufficient to provide such returns without a term that is longer than necessary to provide reasonable returns.

Revenues and Expenses

The original Proposal included a five-year operating pro forma for Phase I and a 10-year operating pro forma by venue for Phase II. The financial pro formas included in the original Proposal were not consolidated and only showed operating revenues and expenses and the resulting earnings before interest, taxes, depreciation and amortization. The original Proposal did not reflect a full financial picture of the proposed operations to include fixed costs such as rent and insurance, financing costs and equity returns.

PRAG requested detailed consolidated financial proformas illustrating all revenues, expenses, fixed costs, debt service and equity returns and received the information provided on the following page, which provided greater detail into the anticipated operations of the Proposed Project.

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PRAG

YEARS 1-5					
REVENUE					
Revenue Item	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Sports and Recreation	$ 7,346,950.00	$ 8,116,058.00	$ 9,330,190.00	$ 22,262,765.00	$ 24,607,064.00
Restaurants	$ 26,898,000.00	$ 27,704,940.00	$ 28,536,088.00	$ 35,097,171.00	$ 36,439,186.00
Run Events Income	$ 178,500.00	$ 183,855.00	$ 189,370.65	$ 195,051.77	$ 200,903.32
Total Revenue	**$ 34,423,450.00**	**$ 36,004,853.00**	**$ 38,055,648.65**	**$ 57,554,987.77**	**$ 61,247,153.32**
EXPENSES					
Expense Item	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Sports and Recreation	$ 5,426,476.00	$ 5,752,211.00	$ 6,322,970.00	$ 15,581,401.00	$ 16,754,556.46
Restaurants	$ 22,056,360.00	$ 22,718,051.00	$ 23,399,592.00	$ 28,779,580.00	$ 29,880,132.00
Run Events Expense	$ 35,700.00	$ 36,771.00	$ 37,874.13	$ 39,010.35	$ 40,180.66
County Property Tax	$ 1,429,530.00	$ 1,472,415.90	$ 1,516,588.38	$ 2,019,970.03	$ 2,080,569.13
Rent	N/A	N/A	N/A	N/A	N/A
Total Expenses	**$ 28,948,066.00**	**$ 29,979,448.90**	**$ 31,277,024.51**	**$ 46,419,961.38**	**$ 48,755,438.25**
Net Operating Income	**$ 5,475,384.00**	**$ 6,025,404.10**	**$ 6,778,624.14**	**$ 11,135,026.39**	**$ 12,491,715.07**
Debt Service	**$ 4,793,619.70**	**$ 4,793,619.70**	**$ 4,793,619.70**	**$ 6,466,533.22**	**$ 6,466,533.22**
Debt Service Coverage Ratio	**1.14**	**1.26**	**1.41**	**1.72**	**1.93**
Cash Flow	**$ 681,764.30**	**$ 1,231,784.40**	**$ 1,985,004.44**	**$ 4,668,493.17**	**$ 6,025,181.85**
Return on Equity	**8.2%**	**14.7%**	**23.8%**	**17.3%**	**22.4%**

YEARS 6-10					
REVENUE					
Revenue Item	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Sports and Recreation Restaurants	$ 63,104,817.05	$ 64,915,852.97	$ 66,669,391.76	$ 67,832,553.76	$ 69,022,240.81
Run Events Income	$ 206,930.42	$ 213,138.33	$ 219,532.48	$ 226,118.46	$ 232,902.01
Total Revenue	**$ 63,311,747.47**	**$ 65,128,991.30**	**$ 66,888,924.24**	**$ 68,058,672.22**	**$ 69,255,142.82**
EXPENSES					
Expense Item	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Sports and Recreation Restaurants	$ 47,979,629.78	$ 49,223,848.48	$ 50,494,070.29	$ 51,425,713.37	$ 52,378,104.31
Run Events Expense	$ 41,386.08	$ 42,627.67	$ 43,906.50	$ 45,223.69	$ 46,580.40
County Property Tax	$ 2,142,986.20	$ 2,207,275.79	$ 2,273,494.06	$ 2,341,698.88	$ 2,411,949.85
Rent	$ 173,969.36	$ 179,188.45	$ 184,564.09	$ 248,090.80	$ 255,533.52
Total Expenses	$ 50,337,971.43	$ 51,652,940.39	$ 52,996,034.94	$ 54,060,726.75	$ 55,092,168.08
Net Operating Income	**$ 12,973,776.04**	**$ 13,476,050.92**	**$ 13,892,889.31**	**$ 13,997,945.47**	**$ 14,162,974.74**
Debt Service	**$ 6,466,533.22**	**$ 6,466,533.22**	**$ 6,466,533.22**	**$ 6,466,533.22**	**$ 6,466,533.22**
Debt Service Coverage Ratio	**2.01**	**2.08**	**2.15**	**2.16**	**2.19**
Cash Flow	**$ 6,507,242.82**	**$ 7,009,517.70**	**$ 7,426,356.09**	**$ 7,531,412.25**	**$ 7,696,441.52**
Return on Equity	**24.1%**	**26.0%**	**27.6%**	**28.0%**	**28.6%**

The updated pro forma provided by the Developer appears to have a different presentation for the first five years in which revenues and expenses from “Sports and Recreation” and from “Restaurants” are broken out individually. In years 6-10, however, they appear to be grouped together in “Sports and Recreation”. No reason for this discrepancy was provided. The totals, however, appear consistent with inflationary growth.

Notably, the “Restaurants” component is the primary economic driver of the Proposed Project, expected to generate two-thirds of the net income in year 2. The percentage of income from restaurants is expected to decrease by year 5 due primarily to the operations of the water park, but still represents a material 45% of income.

Demand - The Proposal includes a detailed description of the number and type of tournaments hosted as well as the associated rates and revenue, but there is no demand study that shows the need for a tournament facility in Pinellas County as well as the reasonableness of the proposed rates. Such a study would be critical for an analysis of the reasonableness of the tournament-related revenues.

Similarly, the pro formas have assumptions as to the local usage, rates and fees of the fields, pickleball courts, the putt-putt golf course, the water park and the fitness and wellness centers without any third-party market analysis.

The revenues expected from the tournament-related venues are presented as:

Demand and Pricing Assumptions (Year 1)	
Outdoor Multi-Purpose	
Tournaments	28 Tournaments / 29,520 players
Soccer	Up to 22 teams for 2-month leagues year-round at $800 per team
Football	Up to 15 teams for 2-month leagues at $850 per team
Lacrosse	7 teams for 2-month leagues at $1,800 per team May through August
Field Rental	$100 per hour - 200 to 584 hours per month
Pickleball	
Tournaments	18 Tournaments / 1,656 players
Programming	414 memberships at $100 per month
Court Rentals	$40 per hour - 276 to 690 hours per month
Sand Volleyball	
Tournaments	18 Tournaments / 2,240 players
Volleyball	Up to 13 teams for 2-month leagues at $175 per team
Court Rentals	$30 per hour - 124 to 168 hours per month
Parking	$5 per car for multiple field tournaments; assumed 4 people per car
Facility Fees	$2 pickleball facility fee for non-athletes

Food and beverage revenues and income are significant, but revenues are based on per square footage of the facilities without any backup or references. Over half of the Phase I revenues are projected to come from the food hall/arcade (19.1% of revenues) calculated at $70 per square foot and the putt-putt golf course (32.5% of revenues) that assumes 327 sessions per day at $20 per session (50 each morning, 100 each afternoon and 177 each evening).

Expenses - Expenses are shown as a percentage of revenues, but without backup or references. No breakout of fixed expenses such as insurance or utilities was provided.

Flow of Funds – The only item paid after net operating income is debt service. There is no provision for income taxes for the private operator. No distributions to equity owners are shown, but the return on equity ranges from approximately 15% to over 28% in year 2 through year 10.

We would recommend that disbursements to equity owners be subordinated to setting aside renewal and replacement reserves in order to ensure that the facilities are maintained. We would also recommend establishment of an insurance reserve to pay any deductibles that would be due as a result of insurance claims. Business interruption insurance would also be recommended. None of these items are shown in the pro forma.

Market Study

The original Proposal did not include any type of market study to validate the demand and revenue assumptions. PRAG requested additional information to support the demand assumptions included in the original Proposal and the Developer provided a market study dated March 2026 (the "Market Study") prepared by The Sports Facilities Advisory ("SFA"). It should be noted that this Market Study was prepared by a participant in the Proposed Project and therefore we do not consider it to be a report by an independent third party.

Market Size - The Market Study estimated the potential market for the Proposed Project based on an assumed participation rate for each activity and the total population assumed to be local (within a 30-minute drive time), sub-regional (within a 60-minute drive time) and regional (within a 240-minute drive time) to estimate the potential core sports participants as in the table provided below.

POTENTIAL CORE SPORTS PARTICIPANTS

Sport/Activity	Core Participation Rate	Local (30 min.) Participants	Sub-Regional (60 min.) Participants	Regional (240 min.) Participants
Pickleball	4.24%	40,382	129,219	681,499
Soccer	3.77%	35,844	114,698	604,913
Volleyball	2.55%	24,270	77,662	409,588
Tackle Football	1.71%	16,244	51,978	274,133
Flag Football	1.49%	14,211	45,475	239,833
Lacrosse	0.62%	5,885	18,831	99,316
Ultimate Frisbee	0.18%	1,754	5,611	29,593
Rugby	0.12%	1,153	3,688	19,451

The Market Study indicates that age, growth projections, median household income, and spending levels within the targeted areas were taken into account to determine the "Core Participation Rate", but the methodology was not provided.

Maps of the local, sub-regional and regional areas were provided in an appendix to the Market Study. The one-hour drive area reached almost to Plant City. The four-hour drive area encompassed the Atlantic coast from Jacksonville to West Palm Beach.

Competition - The Market Study provided a detailed presentation of existing local service providers for outdoor multi-purpose fields, pickleball facilities, family entertainment centers and restaurant-related entertainment venues, sand volleyball facilities, and fitness/YMCA facilities. They also presented regional service providers for outdoor multi-purpose fields, pickleball facilities and sand volleyball facilities. The difference was because the family entertainment centers, restaurants and fitness facilities were assumed to be draws for the local market.

While the Market Study provided recommended pricing for the multi-purpose fields, it did not provide or analyze the proposed pricing for other activities.

Conclusions - The Market Study provided the following conclusion:

> *"Based on the work completed to date, SFA believes that an opportunity exists to develop a sports, entertainment, and recreation complex in the Clearwater market with the capability of meeting the Client's objectives. Through this process SFA has identified several key findings and insights related to the opportunity for the facility to be successful and drive performance in line with industry benchmarks:*

- *The local, sub-regional, and regional markets demonstrate a need for and ability to support new outdoor turf fields, fitness, training, pickleball, sand volleyball, and entertainment spaces based on demographic and socioeconomic factors, sports participation rates, and existing service providers.*
- *There is a lack of facilities in the local and sub-regional markets with the quantity and quality of sports, fitness, and entertainment amenities as planned for the new development.*
- *Pinellas County features a tourism destination that rivals any around the U.S. which creates the opportunity to establish a sports tourism destination for outdoor multi-purpose fields that competes with the best facilities in Florida and throughout the Southeast while producing best-in-class performance in the youth sports tourism industry.*
  - *The recently opened Sprowls Horizon Sports Park in Pinellas Park, FL is booked to exceed pro forma and economic impact forecasts in its first year of operations demonstrating the opportunity for youth sports tourism destinations in the market.*

- *The diversity of offerings will allow the new facility to appeal to and drive repeat visitors and customer loyalty at a more frequent rate than stand-alone sports, fitness, or entertainment assets. This will also lead to the ability to maximize local (weekday) and tournament/event (weekend) activity to generate revenue in line with top performing facilities in the industry.*

Based on the findings of this market study and the result of the pro forma and economic impact analysis that has been delivered as a separate document, SFA believes the new facility has the opportunity to achieve the Client's goals and projections if developed in Clearwater, FL. SFA welcomes the opportunity to discuss these findings with any stakeholders or potential partners to support discussions related to the development of new sports, fitness, and entertainment assets."

<u>Market Study Considerations</u> – The Market Study should be evaluated recognizing the following:

- The Market Study was prepared by a party to the development team;
- The Market Study presents competing facilities and the potential market for the multi-purpose fields, but does not address demand or pricing strategies for the other activities, which represent a significant portion of the capital costs and net income of the Proposed Project; and,
- The findings of the Market Study state that the Proposed Project has the "opportunity to achieve" without providing an opinion on the likeliness of success.
  - *"SFA believes the new facility has the <u>opportunity to achieve</u> the Client's goals and projections if developed in Clearwater, FL."*

Lease Term

The Proposal envisions a 99-year lease term with two 25-year renewals at the sole option of the tenant, which is the Developer. At the termination of the lease the City has the option to purchase any leasehold improvements at fair market value, but the mechanism to determine fair market value is not provided. This structure is effectively a sale of the land.

Given that this lease would give the Developer control of the site for at least 99 years and potentially up to 149 years, and that the City would have to purchase any improvements, from a practical perspective this appears to be in conflict with the first stated benefit which states that the City retains ownership of the land and the improved assets.

The Proposal calls for lease payments to the City of $20,000 per month with no reference to increases in the rental amount. However, rent payments would be fully or partially abated for the first 20 years of the lease term as follows:

- 100% abated years 1-5 = $0 lease payment per month
- 75% abated years 6-10 = $5,000 lease payment per month
- 50% abated years 11-15 = $10,000 lease payment per month
- 25% abated years 16-20 = $15,000 lease payment per month

Assuming a 3.00% discount rate and the lease payments and abatements provided in the Proposal, the present value of the lease payments to the City over the 99-year initial term is $5.2 million. After the first renewal, the net present value over the 124-year term would be $5.4 million. After the final renewal option, the net present value over the 149-year term would be $5.5 million.

The present value of lease payments over the first 10 years would be $240,000. Over the first 20 years, the present value would be $1.187 million. At a net present value of $663,000 for the next 10 years and $1.225 million for the next 20 years for the current and proposed golf course operator lease at current revenue levels, the golf course provides more direct financial benefit to the City than the Proposed Project over the near term. In addition, after 20 years, the golf course lease would be nearing its expiration and could be renegotiated, while the lease for the Proposed Project would continue for many years into the future.

In most instances, a 50-year lease would be considered a long lease for a P3 project. For most P3 projects, the lease term is determined by calculating the time required for the private party to recover and earn a reasonable return on their investment. At the end of a typical P3 project all improvements are transferred to the governmental entity at no cost.

Additionally, P3 leases are extremely complicated and must balance the need for the City to ensure that the leased land continues to provide the anticipated public benefit while allowing enough strength so that a lender is willing to loan money to develop the assets built on the leased land. The City will not want to lease the land for a specific purpose if the lender has the right to foreclose and redevelop the site for a different purpose. Generally, under a P3 lease, in the case of a default, the lender can take over the operations from the borrower but must continue to operate the project in accordance with the lease. No details on the proposed lease and its ability to address this tension were provided.

Summary of Operations

While the Proposal presents the Proposed Project as an economic development project to increase overnight visitors, a major portion of the capital cost and operating revenue and income are derived by the venues that provide food, entertainment and sports/fitness activities to the local market. The Proposed Project will require investment of TDTs from Pinellas County and the Developer is proposing an extremely long-lived lease from the City with a minimal net present value cash flow to the City, in part due to an extremely long deferral period.

While the food, entertainment and sport/fitness activities geared to the local market provide a significant portion of the operating income for the Proposed Project, no market study or comparison was provided to validate those assumptions.

Considerations for the City

After reviewing the Proposal, discussing with the development team and reviewing the additional information provided, PRAG believes the following represent risks to the City that would need to be addressed in order to achieve a successful P3:

- Demand / Pricing / Operations
    - Based on the pro forma provided, the ultimate financial success of the Proposed Project will depend on the successful operations of the restaurant and water park component of the Proposed Project.
    - Restaurants especially are subject to demand and operating risks. An analysis of the likelihood of success of the restaurant and water park is beyond the scope of our engagement and should be performed by an experienced independent entity.
    - We believe the most cost-effective method for the City to gain comfort in the ability of the Developer to successfully operate the Proposed Project would be by having the Developer provide a financing commitment or term sheet from a financial institution that provides the necessary financing for the Proposed Project while recognizing and preserving the City's underlying interest in the land.
- Phasing
    - The development is planned to occur in two phases with the majority of the costs being realized in Phase 1 while a significant portion of the income generators would be built as part of Phase 2. The City will need to ensure that the Developer can execute on both phases before entering into any lease.
- Lease/Loan Structure
    - P3 leases are extremely complicated and must balance the need for the City to ensure that the leased land continues to provide the anticipated public benefit

while allowing enough strength to allow a lender to loan the money to develop the assets built on the leased land.

- Asset Protection
  - Although the facilities will be owned by a private party, they will be located on City-owned land and the City must ensure that the assets are maintained through the life of the lease. Funds for renewal and replacement should be set aside before any distributions of equity are made.
  - Additionally, in most P3s the assets transfer to the governmental agency at no cost once the lease term ends.

Based purely on a financial analysis we note the following:

- The long lease term effectively makes the transaction a sale for practical purposes and appears to be much longer than necessary for the Developer to recoup their investment and earn a reasonable equity return based on the information presented in the pro formas.
- There is little financial difference on a net present value basis between the proposed P3 and the Landings cash flows for the first 20 years but the City retains greater control under the existing golf course structure.
- The terms of the lease including the length of the lease, lease payments (fixed and variable) and abatement terms should be a major item of negotiation between the City and the Developer.
- Like the existing Landings agreement, the lease could incorporate upside for the City in the form of shared revenues.

We are available at your convenience to discuss our analysis.