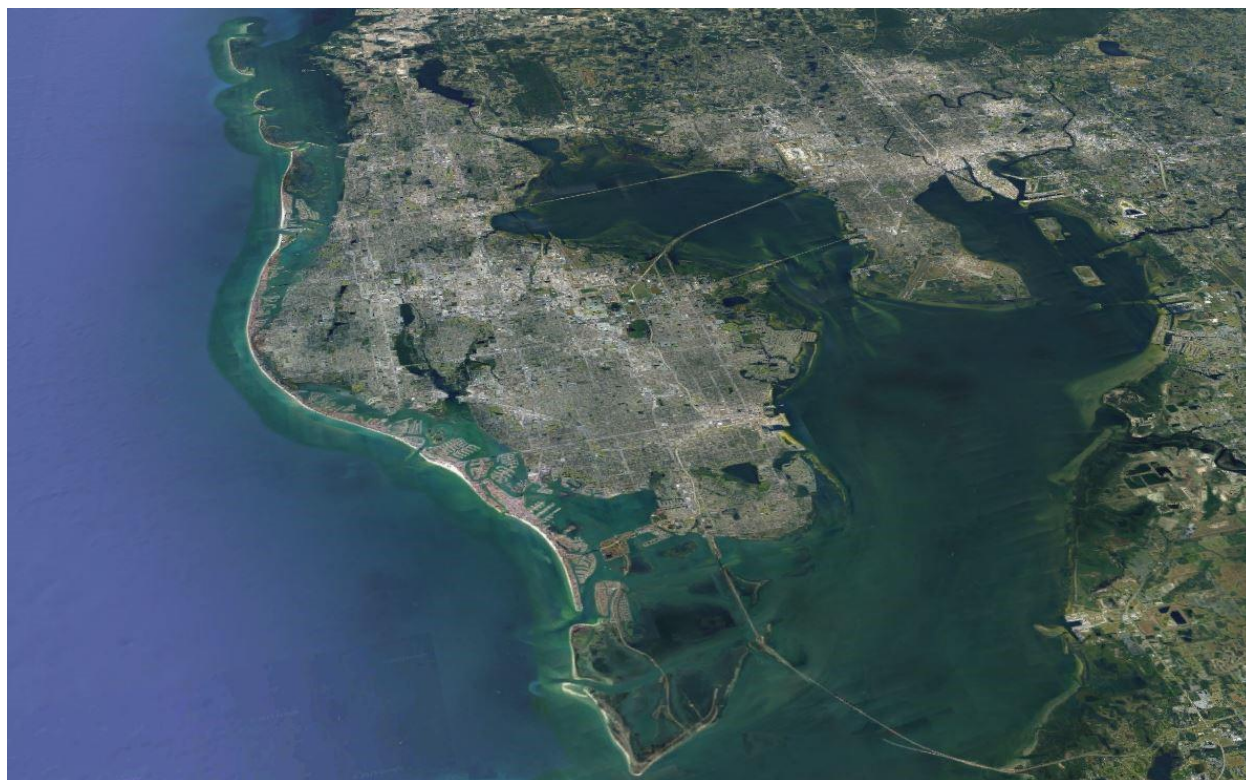


DRAFT



PINELLAS COUNTY, FLORIDA

Economic Development Market Assessment

Executive Summary and Methodology Report

DRAFT REPORT | December 2019



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Table of Contents

SECTION	PAGE
1. Executive Summary.....	1
2. Office Market Assessment - Key Findings	2
3. Industrial Market Assessment - Key Findings.....	7
4. Office Market Assessment Methodology.....	11
5. Industrial Market Assessment Methodology	17
Appendix A: Economic Development Capital Projects Market Study	22
Appendix B: Limitations of Engagement.....	23

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1. Executive Summary

SB Friedman Development Advisors (“SB Friedman”) was engaged, as part of a team led by HDR, Inc., to conduct real estate market analyses that assessed the opportunities and challenges for new office and industrial development in Pinellas County, Florida. The goal of Pinellas County (the “County”) is to facilitate a strong and robust local economy that supports the retention and growth of existing businesses and attracts employers from new “Target Industry” (aviation and aerospace, financial services, information technology, medical technologies and life sciences, microelectronics, or defense and national security) businesses.

A series of studies regarding economic development and redevelopment in Pinellas County have been conducted over the past two decades. However, the County recognized a need for additional research to summarize and refresh this prior work, including additional office and industrial market research. SB Friedman’s market assessment was based on quantitative and qualitative research, and reviewed the following key considerations:

- Location, site analysis and the competitive supply of real estate products;
- Local, regional and national development trends including building age, typology, historical absorption, pricing/rents and vacancy;
- Countywide employment projections and demand;
- Prototypical building profiles for Target Industry businesses;
- Landowner/business/broker/developer/stakeholder interviews (“informant interviews”); and
- Site visits and fieldwork reconnaissance.

SB Friedman began the analysis by conducting an existing conditions assessment, then completed a series of market analyses to estimate the development potential and identify barriers to office and industrial development in Pinellas County.

The findings of this analysis informed the policy guidelines for deployment of funds from the Penny IV Economic Development Program. These guidelines aim to address identified challenges to real estate (re)development that prevent or limit economically beneficial (re)development from occurring through strategic investment in capital projects. Identified challenges to new office and industrial development, as well as attracting and retaining Target Industry tenants to Pinellas County, include competition with other southeastern United States markets, the presence of obsolete buildings that do not meet modern users’ needs, limited land and infrastructure availability, and financial feasibility for new development. The Penny IV Economic Development Program can be utilized to strategically invest in capital projects to ameliorate barriers to development. Penny IV funds could be used to support new construction, expansion and/or rehabilitation of office and industrial buildings, publicly led site-readiness, and/or publicly led infrastructure projects.

SB Friedman prepared a briefing book entitled “Pinellas County Economic Development Capital Projects Market Study”, dated December 2019. This document is supplementary to the briefing book, providing a summary of key findings by land use and a summary of analytical methodologies used to inform the market assessments.

2. Office Market Assessment - Key Findings

SB Friedman conducted various real estate market analyses to assess the potential for future office development within Pinellas County. SB Friedman also assessed the barriers to retaining and growing existing businesses and attracting Target Industry tenants to the county. The findings of these market analyses provide a deeper understanding of the competitive position of Pinellas County and are intended to inform the Penny IV Economic Development Program Guidelines.

COMPETITIVE SUPPLY

Class A office development in Pinellas, Hillsborough and Pasco Counties (the “Tri-County region”) is generally concentrated in seven submarkets: Downtown Tampa, Downtown St. Petersburg, Westshore, Greater Gateway, Northwest Tampa, Northeast Tampa, and East Tampa. Westshore, located in Hillsborough County, is the largest Class A office submarket in the region, with approximately 8.2 million square feet (SF) of Class A office space.

Target Industry office users typically prefer to locate in higher-quality Class A office space. Class A office space refers to the most desirable, best-quality buildings that seek the highest rents and sale prices in a market and offers the most attractive space. These buildings are generally developed as multi-tenant spaces anchored by larger office tenants or build-to-suit corporate spaces developed on a standalone basis for specific tenants. Class A office space is generally concentrated in urban areas and in suburban markets with proximity to major interstates and interchanges, making them accessible to corporate executives and a large labor force. Class B office space refers to buildings that are generally older and compete for a wider range of professional users that do not have as stringent location preferences.

Greater Gateway Submarket

The Greater Gateway submarket, in Pinellas County, is the second largest office cluster in the Tri-County region and a major contributor to regional Class A office space, with approximately 12.5 million SF of office space. Office parks within the Greater Gateway submarket leverage strong transportation connections with access to major transportation arteries, interstates and airports. However, there has been limited new construction since 2010, with only 800,000 SF delivered in four major projects. Apart from Carillon, most of the Greater Gateway submarket lacks a dynamic, walkable, mixed-use live/work/play environment.

Suburban walkability generally exists in mixed-use residential and retail settings, rather than traditional suburban office settings. As millennials age and enter family years, there may be a shift back towards the suburbs in both housing and office location preferences. There is some potential to capitalize on shifting preferences and create a more walkable, mixed-use office environment to compete successfully for this component of the regional labor force within the Greater Gateway submarket. Greater Gateway can position itself for future development by continuing to utilize its strong transportation connections, including the prioritization of select sites along major arteries (US-19, Route 688 intersection) and/or near the St. Pete-Clearwater Airport.

Downtown St. Petersburg Submarket

Pinellas County's primary urban office market is located in Downtown St. Petersburg. There is approximately 4.1 million SF of office space within the submarket, of which approximately 1.7 million SF is Class A office. Major office concentrations are located in clusters such as the Edge District, the east side of Downtown St. Petersburg, and the Innovation District, which consists of large-scale healthcare facilities and campuses for the University of South Florida - St. Petersburg. There has been no new Class A office space constructed in Downtown St. Petersburg since 2009 and only 400,000 SF of Class A office space built since 2000. However, there has been recent interest in the rehabilitation of existing buildings and new construction, with approximately 380,000 SF of new development proposed within the submarket. The City of St. Petersburg has engaged in public-private partnerships (PPPs) with developers to make these projects feasible; one example includes a \$9 million City contribution to fund the construction of a public parking deck within a proposed mixed-use development project downtown. The Downtown St. Petersburg office submarket is poised to become a re-emerging market, with substantial new, higher-quality residential and retail development attracting a growing millennial population and workforce.

DEVELOPMENT POTENTIAL

Pinellas County is anticipated to add office jobs in the future, driving the demand for office real estate development. Moody's Analytics projects an estimated 24,000 additional office jobs in Pinellas County through 2040 (0.75% compound annual growth rate ("CAGR")). Of those jobs, the Finance, Insurance, and Real Estate ("FIRE") sectors are projected to increase at the highest CAGR (1.20%) by 2040. Overall, SB Friedman projects 3.7 million SF of net new office development within Pinellas County between 2020 and 2040. This is a preliminary forecast that is largely dependent on various factors, including broader economic conditions or cycles (e.g., macroeconomic changes or "redevelopment/infill environment" cycling), land limitations/site assembly complications, intensification of improved sites and/or rehabilitation of existing buildings, and the level of public financial participation.

NATIONAL AND REGIONAL TRENDS

Recent trends at the national and regional level have indicated a shift from car-oriented, single-use office parks to walkable, vibrant and mixed-use work environments. This preference has been reflected in recent years by a decline in suburban office construction both nationally and regionally. Within the regional office market, development trends have indicated a shift towards more urban office development in submarkets such as Westshore, Downtown Tampa and Downtown St. Petersburg. Historical data from CoStar indicates that over 66% of Class A office deliveries between 1990 and 1999 occurred in suburban office submarkets within the region. Similar trends occurred in the following decades (63% between 2000 and 2009, and 73% between 2010 and 2019). However, data from CoStar indicates that regionally, urban submarkets, including Downtown Tampa, Downtown St. Petersburg and Westshore, are anticipated to capture the vast majority of future new office construction. Several proposed and under-construction developments are now targeting urban, walkable areas such as Heights Union near the River Walk and Water Street in Downtown Tampa.

In 2015, millennials surpassed Gen Xers as the largest generation in the U.S. labor force. Millennials have a clear preference for mixed-use walkable environments, which has likely impacted corporate office location decisions. However, as millennials age and enter family years, there may be a shift back to the suburbs.

DEVELOPMENT PROTOTYPES

SB Friedman created development prototypes for suburban-format and urban-format office buildings to understand the types of space Target Industry office users would likely seek to occupy. Using CoStar, the prototypes were developed based on typical characteristics of recently delivered and under-construction Class A office buildings within the regional office market. **Table 1** highlights the characteristics of prototypical buildings for both suburban-format and urban-format office space ("Office Development Prototypes").

Table 1: Office Development Prototypes – Pinellas County

	Suburban-Format Office	Urban-Format Office
DEVELOPMENT CHARACTERISTICS		
Gross Land Area (acres)	11	2
Gross Building SF (GSF)	140,000	250,000
Stories	4	10
Floor Plate (SF)	35,000	25,000
Floor-to-Area Ratio (FAR)	0.3	3.0
Parking Ratio (Stalls per 1,000 sf)	6	4
Surface Parking Stalls	840	-
Structured Parking Stalls (prorated by total SF)	-	1,000

Sources: CoStar; Informant Interviews; SB Friedman

CHALLENGES TO DEVELOPMENT

While there is countywide development potential for new office development, research and informant interviews have indicated that there are material barriers to new office development and attraction of Target Industry tenants to Pinellas County. These challenges include competition with other southeastern United States markets such as Charlotte, Nashville and Raleigh-Durham, the presence of obsolete office buildings, limited land and infrastructure availability, and financial feasibility for new office development.

1) Competition

Pinellas County municipalities compete regionally and nationally for office tenants in Target Industries. The County's ability to attract these tenants is driven by site selection criteria including accessibility and infrastructure, a business-friendly environment, appropriate talent/labor force, incentives, consolidation efforts, and quality of life.

Cities throughout the Southeast region have successfully attracted new office development and Target Industry relocations. Incentives used to attract larger Target Industry headquarter relocations throughout the Southeast region have focused primarily on job-based incentive tools. These incentives are typically paid directly to the corporation relocating based on the number of jobs created, and are generally provided by the state.

Our case study research indicated that incentives to support real estate development are not widely utilized. Other, more established office markets throughout the Southeast region with more available land and office space, appear to focus on using incentives to attract end users/corporations. However, given the lack of available Class A space, Pinellas County must first incentivize real estate development to attract Target Industry tenants. Once there are available spaces, available state-level incentives may be further leveraged to attract tenants.

2) Presence of Obsolete Buildings

In addition to limited new Class A office space being delivered, the existing office building stock within the county does not meet the desired building specifications of prospective office tenants looking to locate to the Tampa-St. Petersburg-Clearwater region. Data from CoStar and informant interviews indicated that on average, suburban office buildings within the county are older, smaller, and contain less parking than the new Office Development Prototypes, as shown in **Table 2**. Existing urban office buildings within the county also showed similar characteristics for building age, building size and on-site parking. Extraordinary costs associated with rehabilitating obsolete buildings in order to meet the desired building characteristics of prospective office tenants may further challenge the County's ability to attract Target Industry tenants.

Table 2: Existing Office Building Stock and Office Development Prototypes Comparison – Pinellas County

	Suburban-Format Office		Urban-Format Office	
	Existing	Prototype	Existing	Prototype
Location	Greater Gateway	---	Downtown St. Petersburg	---
Class	35% A; 55% B; 10% C	Class A	30% A; 40% B; 30% C	Class A
Average Building Age	28 years	New Construction	55 years	New Construction
Average Building SF	90,000 SF	140,000 SF	100,000 SF	250,000 SF
Typical Floor Plate	36,000 SF	35,000 SF	18,000 SF	25,000 SF
Stories	3	4	8	10
Parking Ratio	3.4/1,000 SF	6/1,000 SF	2.6/1,000 SF	4/1,000 SF
Acres	10 acres	10 acres	2 acres	2 acres
Building Materials	Masonry, Steel, Reinforced Concrete			

Sources: CoStar; Informant Interviews; SB Friedman

3) Available Land and Infrastructure

New office development in the county may be challenged by limited available land and infrastructure. According to previous research conducted on behalf of the County, land suitable for industrial and office development is limited and threatened with conversion to other land uses such as retail and residential. One study also found that more land is needed for Target Industry job growth than is currently available. Thus, it is necessary to maintain existing land resources and encourage more intense use of land.

Informant interviews also indicated a need for improved infrastructure to meet the needs of modern office users. Examples include additional power, stormwater detention and high-speed internet. Pinellas by Design, an economic development and (re)development study completed in 2005, identified the costs associated with removing obsolete infrastructure and replacing it with new infrastructure as a challenge for redevelopment sites. Additionally, other studies indicated that the County has a good local transportation network, but there is still a need for roadway and public transit investments.

4) Financial Feasibility

Given current market conditions, new office development may not be financially feasible in the near term. A high-level assessment of financial feasibility suggests that urban-format office space with structured parking is likely not financially feasible in the near term, primarily due to construction costs associated with structured parking. Suburban-format office space is likely closer to financially feasible, depending on land costs and the presence of extraordinary development costs. This analysis is sensitive to a number of variables including

construction costs per square foot, level of tenant build-out, rents, and capitalization rates. To the extent that there are additional extraordinary development costs, financial feasibility will be further challenged.

CONCLUSIONS

Greater Gateway is the largest Class A suburban office market in the Tri-County region, while Downtown St. Petersburg is a re-emerging Class A urban office market. There may be demand for nearly 4.0 million SF of net new office development through 2040. However, the ability of the County to attract new Target Industry employers may be limited by competition throughout the Tri-County region and other southeastern United States markets, the presence of obsolete buildings that do not meet the desired building specifications of modern users, limited available land and infrastructure, and financial feasibility.

Class A office will likely follow existing locational patterns with preference for walkable, mixed-use environments in both suburban-format and urban-format office development. Development would likely be build-to-suit in the Gateway while some speculative office may be constructed in St. Petersburg. Funds from the Penny IV Economic Development Program could be used to address the identified challenges that prevent or limit economically beneficial real estate (re)development from occurring through strategic investment in capital projects for economic development.

3. Industrial Market Assessment - Key Findings

SB Friedman also conducted various real estate market analyses to assess the potential for future industrial development within Pinellas County and identify barriers to industrial development. The findings of these market analyses illustrate the competitive position of the County relative to neighboring jurisdictions and inform the Penny IV Economic Development Program Guidelines.

COMPETITIVE SUPPLY

Overall, there is approximately 188.4 million SF of industrial space in the Tri-County region concentrated in four submarkets; South Pinellas, East Side, Westshore/Airport and East Hillsborough/Plant Road. The South Pinellas industrial submarket is the largest submarket with nearly 56.4 million SF. The East Side submarket comprises the largest distribution cluster likely due in part to its location near the Tampa CSX Intermodal), while the South Pinellas submarket is the largest manufacturing cluster in the region. East Hillsborough/Plant Road is an emerging industrial cluster, building on its key location along Interstate-4.

South Pinellas Submarket

The South Pinellas submarket comprises approximately 56.4 million SF of existing industrial space, concentrated in four primary clusters: Gateway, 62nd Avenue, Pinellas Park/North St. Petersburg, and St. Petersburg. Overall, the South Pinellas submarket has a strong industrial presence with 95% occupancy. As a major manufacturing cluster, key industries within the submarket include: Advanced Manufacturing, Aviation and Aerospace, Business and Financial Services, Defense and Homeland Security, Information Technology, and Life Sciences and Medical Technology. Nearly 1.4 million SF (2.5% of South Pinellas' total supply) has been constructed since 2010. Eleven buildings are either proposed or currently under construction (approximately 1.1 million SF), of which eight are located within the Gateway cluster.

North Pinellas Submarket

There is approximately 13.8 million SF of industrial space within the North Pinellas submarket. Although there are relatively high occupancy rates (98% occupied) within this submarket, the existing industrial building stock is primarily older, smaller legacy warehouse space. These buildings are primarily concentrated in four clusters located in Oldsmar, Tarpon Springs and Clearwater. There has been limited new construction with roughly 25,000 SF built since 2010 (0.2% of North Pinellas' supply). There is currently one building proposed (approximately 6,700 SF) and none are under construction.

DEVELOPMENT POTENTIAL

Overall, SB Friedman projects demand for 10.0 million SF of net new industrial development within Pinellas County between 2020 and 2040. This is a preliminary forecast that is largely dependent on various factors, including broader economic conditions or cycles (e.g., macroeconomic changes or "redevelopment/infill environment" cycling), land limitations/site assembly complications, intensification of improved sites and/or rehabilitation of existing buildings, and the level of public financial intervention.

REGIONAL TRENDS

Within the regional industrial market, there has been approximately 9.2 million SF of new industrial space delivered since 2010. Much of this industrial development activity has occurred in eastern submarkets with land availability and access to major throughways, namely in the East Hillsborough/Plant Road and East Side submarkets.

DEVELOPMENT PROTOTYPES

SB Friedman created development prototypes for warehouse, distribution, flex and manufacturing industrial buildings to identify the typical building profile for Target Industry industrial tenants. Using CoStar, the prototypes were constructed based on typical characteristics of recently delivered and under-construction industrial buildings within the region.

Because Target Industry employers in industrial sectors would most likely locate in newer, flex industrial or manufacturing buildings, SB Friedman prioritized these two building types for further analysis ("Industrial Development Prototypes"). **Table 3** summarizes the key characteristics for these prototypes.

Table 3: Industrial Development Prototypes – Pinellas County

	Flex Industrial	Manufacturing Industrial
DEVELOPMENT CHARACTERISTICS		
Gross Land Area (acres)	6	11
Gross Building SF (GSF)	50,000	100,000
Stories	1	1
Floor Plate (SF)	50,000	100,000
Floor-to-Area Ratio (FAR)	0.2	0.2
Parking Ratio (Stalls per 1,000 sf)	1	1
Surface Parking Stalls	70	120
Structured Parking Stalls (prorated by total SF)	-	-

Sources: CoStar; Informant Interviews; SB Friedman

CHALLENGES TO DEVELOPMENT

While there is countywide development potential for new industrial development, research and informant interviews have indicated that there are material barriers to new industrial development and attraction of Target Industry tenants to Pinellas County. Challenges to future industrial development include competition with other southeastern United States markets such as Charlotte, Nashville and Raleigh-Durham, the presence of obsolete industrial buildings that do not meet the physical space requirements of modern users, limited land and infrastructure availability, and financial feasibility for new industrial development.

1) Competition

Municipalities in Pinellas County compete regionally and nationally for industrial tenants in Target Industries. The County's ability to attract these tenants is driven by accessibility and infrastructure, a business-friendly environment, talent/labor force, quality of life, incentives, consolidation efforts, facilities and available real estate, and proximity to supplier base.

SB Friedman researched recent industrial development, similar to what is sought by Pinellas County, to identify incentives and tools being utilized by other public entities. Cities throughout the southeastern United States have been successful in attracting new industrial development. Observed public-private partnership tools and incentives for industrial development in that region include incentives for jobs and improvements to real estate. County, and local assistance were primarily used for acquisition, site improvements and/or tax relief.

Pasco County has used their 1% sales tax ("Penny for Pasco") to attract industrial development, and applies 20% of its Penny for Pasco proceeds to economic development and job creation. The proceeds have supported jobs-based assistance, permitting and impact fee relief, worker training, and road construction. They have also been used to match the Florida Qualified Target Industry Tax Refund Program.

Incentives for industrial development vary based on need and challenges to development. Penny IV funds could be used to support extraordinary capital costs prohibiting industrial (re)development in Pinellas County.

2) Presence of Obsolete Buildings

The existing industrial building stock within the county does not currently meet the needs of Target Industry employers. Data from CoStar and informant interviews indicated that on average, flex industrial buildings within the county are older, smaller, have lower ceiling heights, and contain fewer loading docks and parking spaces than the Industrial Development Prototypes, as shown in **Table 4**. Manufacturing industrial buildings within the county also showed similar characteristics regarding building age, building sizes, loading docks and ceiling heights. Constructing and/or rehabilitating industrial buildings to today's standards may also limit building sizes due to stormwater requirements, which would require additional detention and likely reduce industrial floor to area ratios. The extraordinary costs associated with rehabilitating older, obsolete buildings to meet the desired building specifications and requirements may limit future investments.

Table 4: Existing Industrial Building Stock and Industrial Development Prototypes Comparison – Pinellas County

	Flex		Manufacturing	
	Existing	Prototype	Existing	Prototype
Location	Pinellas County	---	Pinellas County	---
Average Building Age	43 years	New Construction	30 years	New Construction
Average Building SF	15,000 SF	50,000 SF	62,000 SF	100,000 SF
Loading Docks	3	5	6	10
Ceiling Height Range	18-20 feet	18-24 feet	16-18 feet	Varies; up to 36 feet
Parking Ratio	2.2/1,000 SF	5.0/1,000 sf	1.4/1,000 SF	1.3/1,000 SF
Acres	5 acres	6 acres	6 acres	12 acres
Building Materials	Masonry, Metal	Masonry, Metal, Reinforced Concrete		

Sources: CoStar; Informant Interviews; NAIOP, the Commercial Real Estate Development Association; Real Estate Center; SB Friedman; Urban Land Institute

3) Available Land and Infrastructure

New industrial development in the county may be challenged by limited available land and infrastructure. According to previous research conducted on behalf of the County, land suitable for industrial and office development is limited and threatened with conversion to other land uses such as retail and residential. One study also found that more land is needed for Target Industry job growth than is currently available. Thus, it is necessary to maintain existing land resources and encourage more intense use of land.

Informant interviews also indicated a need for improved infrastructure to meet the needs of modern industrial users. Examples included additional power, stormwater detention and high-speed internet. Pinellas by Design identified the costs associated with removing obsolete infrastructure and replacing it with new infrastructure as a challenge for redevelopment sites. Additionally, other studies indicated that the County has a good local transportation network, but there is still a need for additional roadway and public transit investments.

4) Financial Feasibility

Given current market conditions, new industrial development may not be financially feasible, depending on land price. A high-level assessment of financial feasibility for the Industrial Development Prototypes suggests that the projected market values of new flex and manufacturing industrial buildings within the county may not cover the land purchase price. This analysis is sensitive to a number of variables including construction costs per SF, level of tenant build-out, rents, and capitalization rates.

CONCLUSIONS

South Pinellas is the largest industrial submarket in the region and comprises the largest stock of manufacturing space. There may be demand in the county for nearly 10.0 million square feet of net new industrial development through 2040. The ability to attract new Target Industry employers to Pinellas County may be limited by competition throughout the region and nation, the presence of obsolete buildings that do not meet the needs of modern users, available land and infrastructure, and financial feasibility.

Target Industry employers in industrial sectors seek to locate in newer flex industrial or manufacturing buildings. With limited site availability, land assembly would likely be required to accommodate any significant scale of development. The opportunity to demolish and consolidate parcels to develop larger industrial buildings may be limited by financial feasibility due to lower rents and high construction costs. In addition, constructing and/or rehabilitating industrial buildings to today's standards may limit building footprints due to stormwater requirements, which would require additional detention and likely reduce industrial floor to area ratios. Penny IV Economic Development funds could be used to address identified challenges that prevent or limit economically beneficial real estate (re)development from occurring through strategic investment in capital projects.

4. Office Market Assessment Methodology

This chapter of the report provides an overview of the methodology used in conducting the office market assessment.

Existing Conditions

OVERVIEW

To understand the presence and spatial distribution of office buildings in the Tri-County region, SB Friedman created maps, using Esri Geographic Information System (GIS) software, that illustrated existing, under-construction and proposed competitive buildings. Generally, CoStar tracks higher-quality office space (Class A or Class B).

SUBMARKET ANALYSIS

SB Friedman analyzed data from CoStar to evaluate historic trends for office buildings at the submarket level, including total square footage by class. The analysis focused on Class A office space as Targeted Industry employers would likely occupy these spaces. Office submarkets were predefined by CoStar. For the purposes of this study, Greater Gateway includes the Gateway and Bayside submarkets.

Pinellas County has two primary Class A office submarkets: Greater Gateway and Downtown St. Petersburg. Using CoStar data, subarea maps were created to identify spatial distribution of Class A office clusters within each submarket. SB Friedman also reviewed CoStar data to estimate the total rentable building area within each submarket, identify recent developments, and track projects that are proposed or under construction.

Class A buildings are generally more suitable for Target Industry employers and typically fall into two typologies: urban-format or suburban-format. SB Friedman reviewed historical analytics data from CoStar for a subset of urban and suburban submarkets within the Tri-County region. Urban submarkets include: Downtown St. Petersburg, Downtown Tampa and Westshore. Suburban markets include Bayside, East Tampa, Gateway, Northeast Tampa and Northwest Tampa. SB Friedman reviewed historical vacancy and rent trends from 2006 through 2019.

Development Potential

EMPLOYMENT

Employment is a key driver of office development, thus SB Friedman analyzed historic and 30-year projected employment growth by North American Industry Classification System (NAICS) code within Pinellas County using data from Moody's Analytics. For the analysis, office employment was defined as the employment in the following office sectors ("Office Sectors"):

- Professional and Business Services
 - Professional, scientific, and technical services (NAICS: 54)
 - Employment services (NAICS: 5613)

- Office administrative services (NAICS: 5611)
 - Business support services (NAICS: 5614)
- Management of Companies and Enterprises (NAICS: 55)
- Financial Activities (NAICS: 52 and 53)
- Healthcare and Social Assistance
 - Ambulatory health care services (NAICS: 621)
- Information (NAICS: 51)
- Education
 - Colleges, universities, and professional schools (NAICS: 6113)
 - Business schools and computer and management training (NAICS: 6114)
 - Other schools and instruction (NAICS: 6117)
 - Educational support services (NAICS: 6118)

SB Friedman assumed that office space for data processing, hosting, and related services (NAICS: 518) would be located in non-traditional office developments, such as industrial and flex properties, and deducted employment from this sector from the overall office employment counts for the County.

DEMAND PROJECTIONS

SB Friedman prepared top-down macro-level forecasts of office development potential for Pinellas County as a whole. A forecasting model was calibrated based on the core drivers of demand (e.g., employment). Using this model, SB Friedman projected the real estate market demand for office space, unconstrained by land, for Pinellas County through 2040.

Data sources for the office demand forecast included: CoStar office development trends from 1999 to 2019 for Pinellas County, and Moody's Analytics historical office employment data and 30-year projections for Pinellas County for the Office Sectors. The office demand forecast model assumed a terminal office vacancy rate of 10.0%, annual demolition rate of existing office buildings of 0.29% based on historical demolition rate averages, and 245 SF per employee based on current trends.

Typically, SB Friedman conducts a bottom-up forecast of market potential that evaluates subareas susceptible to change within a defined area. However, this type of analysis was not contemplated as part of the current scope of work. In a substantially built-out area like Pinellas County, this approach would be useful in capping and/or focusing development potential in areas likely to be able to accommodate it. Previous studies have documented the lack of available land available for new office and industrial development.

Thus, the demand projections included as part of this report represent a high-level assessment of future development potential that will be constrained by land limitations/site assembly complications and/or require intensification of improved sites and/or rehabilitation of existing buildings. Additionally, the level of public financial intervention may also affect the County's office development potential since current rent levels may not be sufficient to support new construction, given the extraordinary costs associated with redevelopment.

TRENDS AND PREFERENCES

Changing Regional Trends and New Deliveries in the Region

SB Friedman reviewed national and regional trends to understand the development potential and format of new office space in Pinellas County. National studies describing the changes in format and typology of office development were reviewed, including the shift from car-oriented, single land use office parks to walkable, mixed-use places.

SB Friedman also considered regional dynamics, comparing the performance of suburban and urban submarkets throughout the region using data from CoStar. Suburban office submarkets within the region include Bayside, East Tampa, Gateway, Northeast Tampa and Northwest Tampa. Urban submarkets include Downtown St. Petersburg, Downtown Tampa and Westshore. SB Friedman conducted a time-series analysis of new office building deliveries by location from 1990 to present, and compared it against the location of buildings that are currently proposed and under construction to understand shifts in location preferences.

Preferences for Walkable Office Environments

SB Friedman reviewed national studies conducted in partnership with Smart Growth America to understand national demand for walkable office environments. This shift in preference for walkable districts is driven in part by the millennial population cohort, which according to the Pew Research Center is now the largest U.S. labor force cohort. To understand how millennials may be impacting location decisions in the region, SB Friedman analyzed population data from Esri Business Analyst and estimated the number of millennials aged 20 to 34 living within a one-mile radius of key office submarkets including Greater Gateway, Downtown St. Petersburg and Downtown Tampa. SB Friedman also reviewed national longer-term trends by life stage to illustrate when millennials would enter various future life stages, which may impact future office building locational preferences.

Development Prototypes

URBAN AND SUBURBAN

SB Friedman created two Office Development Prototypes, one for suburban-format and one for urban-format. These prototypes were created to describe the desired format of future office buildings that may be developed in the county. SB Friedman conducted comparative analyses for suburban-format and urban-format office buildings using CoStar data for recently delivered Pinellas County office buildings (constructed after 2008), as well as office space currently under construction as of 2019. Key building specifications included: land acreage, building square footage, number of stories, typical building floor plates in SF, and number of parking spaces. These assumptions were used to calculate gross land area, total building square footages, floor plate sizes, and number of required parking spaces for each of the two Office Development Prototypes, as shown in **Table 1** in Chapter 2 of this report.

Challenges to Office Development

SB Friedman conducted various quantitative and qualitative analyses to understand the key challenges to attracting and retaining Target Industry employers and new office development in Pinellas County.

COMPETITION

SB Friedman conducted case study research to understand typical competition and key considerations regarding site selection and incentives utilized for office tenants in Target Industries. This research is based on examples of new office headquarters development since 2017 in comparable southeastern United States markets. Sources of data to understand incentivized office development across the Southeast region included media coverage, industry publications, company statements and government sources.

OBSOLETE BUILDINGS

To understand the extent to which the existing office building stock met the desired building specifications of modern Target Industry employers, SB Friedman assessed the physical profiles of the existing stock and compared them against the Office Development Prototypes developed in earlier analyses. We developed profiles of Pinellas County's existing suburban-format and urban-format office developments based on average building characteristics of all buildings within the Greater Gateway. Similarly, the existing urban-format office profile is based on average building characteristics of the existing office building supply in Downtown St. Petersburg. All analyses are based on available CoStar data and informant interviews, as shown in **Table 2** in Chapter 2.

AVAILABLE LAND AND INFRASTRUCTURE

SB Friedman did not conduct a comprehensive survey of available land and infrastructure throughout the county. Our analysis of available land and infrastructure is based on informant interviews, and previous studies and reports including:

- Pinellas by Design: An Economic Development & Redevelopment Plan for the Pinellas Community (November 2005).
- Target Employment and Industrial Land Study for the Pinellas Community (April 8, 2008).

FINANCIAL FEASIBILITY

SB Friedman developed a high-level pro forma model designed to evaluate the private sector development costs and revenues associated with the Office Prototypical Development and evaluate the financial feasibility of new construction. This model is structured as a residual land value analysis to estimate the approximate site acquisition price that a developer would be able to pay, based on the development programs depicted in the prototypical concepts, likely development costs, anticipated cash flow from operations, and typical market returns for similar development. The intent was to provide an understanding of the value of the land under alternate scenarios. The pro forma analysis includes:

- Estimated net operating income (NOI) based on rents, occupancy and operating expenses (from the market assessment);
- Estimated hard and soft costs of construction, as well as financing costs (based on industry standards and SB Friedman's past experience); and
- Estimated value of property based on the capitalized value of income stream.

Using the Office Development Prototypes identified in **Table 1**, SB Friedman compiled assumptions for development costs and cash flows. Key sources of data included RS Means (a construction cost estimate database), informant interviews, CoStar, Pinellas County Tax Collector, SB Friedman experience and other industry benchmarks. A full summary of assumptions used in the residual land value analysis can be found in **Table 6**. **Table 7** summarizes the findings for both Office Development Prototypes.

Table 6: Residual Land Value Assumptions – Office Development Prototypes in Pinellas County

	Suburban- Format Office	Urban- Format Office	Source(s)
ASSUMPTIONS - DEVELOPMENT COST			
Hard Costs per GSF	\$95	\$100	RS Means
TI Allowances	\$60	\$70	Informant Interviews
Soft and Financing Costs, Developer Fee [1]	32%	32%	RS Means; SB Friedman
Hard Costs per Structured Parking Space	27,000	27,000	Informant Interviews; SB Friedman
ASSUMPTIONS - CASH FLOW			
Annual Gross Rent per RSF	\$30	\$34	CoStar
Annual Net Parking Revenue per Stall	\$0	\$695	Discover Downtown St. Petersburg; Informant Interviews; SB Friedman
Operating Costs (% of Revenue)	30%	30%	CoStar
Property Taxes (per GSF)	\$1.30	\$1.50	Pinellas County Tax Collector; SB Friedman
Vacancy Loss	5%	5%	SB Friedman
Capitalization Rate	7.0%	7.0%	RERC 4Q 2018 Going-In Cap Rate Tampa Suburban Office

Table 7: Residual Land Value Analysis – Office Development Prototypes in Pinellas County

	Suburban-Format Office	Urban-Format Office
DEVELOPMENT COSTS (EXCLUDING LAND)		
Hard Costs (Building)	\$13,300,000	\$25,000,000
+ TI Allowance	\$8,400,000	\$17,500,000
+ Soft and Financing Costs, Developer Fee (of building only, not garage)	\$6,944,000	\$13,600,000
+ Parking Construction Costs (Structured)	\$0	\$27,000,000
= Total Development Costs (with parking)	\$28,644,000	\$83,100,000
Development Costs per GSF of Building (with parking)	\$200	\$330
MARKET VALUE (Market Rate Calculations)		
Gross Rents/Revenues	\$4,200,000	\$8,500,000
+ Parking Revenues	\$0	\$790,000
- Operating Costs	-\$1,260,000	-\$2,550,000
- Parking Operating Costs	\$0	-\$140,000
- Property Taxes	-\$182,000	-\$375,000
- Vacancy Loss	-\$210,000	-\$430,000
= Net Operating Income	\$2,548,000	\$5,795,000
÷ Capitalization Rate	7.0%	7.0%
= Market Value of Project	\$36,400,000	\$82,790,000
Market Value per GSF of Building	\$260	\$330
AMOUNT AVAILABLE FOR LAND PURCHASE		
Amount Available for Land Purchase (\$ PSF)	\$17	-\$4

Sources: CoStar; Discover Downtown St. Petersburg; Informant Interviews; Pinellas County Tax Collector; RERC; RS Means; SB Friedman

Conclusions

SB Friedman's analysis of the existing supply and conditions of office buildings in Pinellas County, projections of countywide demand, assessment of desired building typologies and specifications, and identification of challenges to new Target Industry development were utilized to inform the creation of the Penny IV Economic Development Guidelines.

5. Industrial Market Assessment Methodology

This chapter of the report provides an overview of the methodology used in conducting the industrial market assessment.

Existing Conditions

OVERVIEW

To understand the spatial distribution of industrial developments in the Tri-County region, SB Friedman created maps, using Esri GIS software, that illustrated existing, under-construction and proposed competitive industrial buildings.

SUBMARKET ANALYSIS

SB Friedman analyzed data from CoStar to evaluate historic trends for industrial buildings at the submarket level. Submarkets are predefined by CoStar. To understand Pinellas County's competitive position within the regional industrial submarkets, the analysis focused on distribution, manufacturing, warehouse and flex industrial spaces.

Pinellas County has two primary industrial submarkets: South Pinellas and North Pinellas. Using CoStar data, subarea maps were created to identify the spatial distribution of industrial clusters within each submarket. SB Friedman also reviewed CoStar data to estimate the total rentable building area within each submarket and by building type, identify recent developments, and track projects that are proposed or under construction.

Development Potential

OUTPUT

Industrial output is typically the key driver of industrial development. SB Friedman analyzed historic and 30-year projected industrial output growth by NAICS code within the county using data from Moody's Analytics. For the analysis, industrial output was estimated based on output in the following industrial sectors ("Industrial Sectors"):

- Construction (NAICS: 23)
- Manufacturing (NAICS: 31-33)
- Wholesale Trade (NAICS: 42)
- Non-Store Retailers (NAICS: 454)
- Transportation and Warehousing (NAICS: 48-49)
- Data Processing, Hosting, and Related services (NAICS: 518)

DEMAND PROJECTIONS

SB Friedman prepared top-down macro-level forecasts of industrial development potential for Pinellas County as a whole. A forecasting model was calibrated based on the core drivers of demand (e.g., industrial output). Using this model, SB Friedman projected the real estate demand for industrial space, unconstrained by land, for Pinellas County through 2040.

Data sources for the industrial demand forecast included: CoStar industrial development trends from 1999 to 2017 for Pinellas County, and Moody's Analytics historical industrial output data and 30-year projections for Pinellas County for the Industrial Sectors. Industrial output was assumed to grow by an annual rate of 2.89%, which reflects national and countywide historical CAGRs for industrial output. The industrial demand forecast model assumed a terminal industrial vacancy rate of 4.5%, annual demolition rate of existing industrial buildings of 0.2% based on historical demolition rate averages, and a terminal industrial output of \$270,000 per 1,000 square feet of industrial space.

Typically, SB Friedman conducts a bottom-up forecast of market potential that evaluates subareas susceptible to change within a defined area. However, this type of analysis was not contemplated as part of the current scope of work. In a substantially built-out area like Pinellas County, this approach would be useful in capping and/or focusing development potential in areas likely to be able to accommodate it. Previous studies have documented the lack of available land available for new industrial development.

Thus, the demand projections included as part of this report represent a high-level assessment of future development potential that will be constrained by land limitations/site assembly complications and/or require intensification of improved sites and/or rehabilitation of existing buildings. Additionally, the level of public financial intervention may also affect the County's industrial development potential since current rent levels may not be sufficient to support new construction, given the extraordinary costs associated with redevelopment.

CHANGING REGIONAL TRENDS AND NEW DELIVERIES IN THE REGION

SB Friedman also considered regional dynamics, comparing the performance of submarkets throughout the Tri-County region using data from CoStar. Industrial submarkets within the region with the most building square footage and new construction activity include East Hillsborough/Plant Road, East Side, South Pinellas, and the Westshore/Airport submarkets. Using CoStar data, SB Friedman identified new industrial developments constructed since 2010 based on development type in the region, as well as proposed and under-construction developments within the aforementioned key industrial submarkets.

Development Prototypes

INDUSTRIAL PROTOTYPES

SB Friedman created development prototypes for warehouse, distribution, flex and manufacturing industrial developments based on characteristics of newer industrial buildings. These prototypes were created to describe the desired format of future industrial buildings that may be developed in the county. Using CoStar data, SB Friedman conducted comparative analyses for each industrial building type for recently delivered Pinellas County industrial products (constructed after 2008), as well as industrial space currently under construction (as of 2019). Key specifications drawn from the CoStar data included parcel acreage, building

square footage, typical building floor plates in SF, number of parking spaces, ceiling heights, column spacing, and number of loading docks. These specifications were used to calculate gross land area, total building square footages, floor plate sizes, and number of required parking spaces.

SB Friedman identified flex and manufacturing industrial spaces as priority typologies for additional analyses. It was assumed that industrial Target Industry employers would be more likely to locate in these spaces and have flexible locational preferences, compared to warehouse and distribution businesses, which rely heavily on locations that are adjacent to major transportation thoroughways. Using the aforementioned specifications, Industrial Development Prototypes for flex and manufacturing industrial spaces were created and utilized in subsequent analyses.

Challenges to Industrial Development

SB Friedman conducted various quantitative and qualitative analyses to understand the key challenges to attracting Target Industry employers and new industrial development in Pinellas County.

COMPETITION

SB Friedman conducted case study research to understand typical competition and key considerations regarding site selection and incentives utilized for industrial tenants in Target Industries. This research is based on examples of new industrial headquarters development since 2017 in comparable southeastern United States markets. Sources of data to understand incentivized industrial development across the Southeast region included media coverage, industry publications, company statements and government sources.

OBSOLETE BUILDINGS

To understand the extent to which the existing industrial building stock met the needs of modern Target Industry industrial employers, SB Friedman developed physical profiles of the existing stock and compared them against the Industrial Development Prototypes created in earlier analyses. Existing profiles were based on average characteristics of all flex and manufacturing industrial spaces within the county. All analyses were primarily based on CoStar data and informant interviews, as shown in **Table 3** in Chapter 3 of this report.

AVAILABLE LAND AND INFRASTRUCTURE

SB Friedman did not conduct a comprehensive survey of available land and infrastructure throughout the county. Our analysis of available land and infrastructure is based on informant interviews, and previous studies and reports including:

- Pinellas by Design: An Economic Development & Redevelopment Plan for the Pinellas Community (November 2005).
- Target Employment and Industrial Land Study for the Pinellas Community (April 8, 2008).

FINANCIAL FEASIBILITY

SB Friedman developed a high-level pro forma model designed to evaluate the private sector development costs and revenues associated with the prototypical development concepts and evaluate the financial feasibility of new construction. This model is structured as a residual land value analysis to estimate the approximate site

acquisition price that a developer would be able to pay based on: the specific development programs depicted in the prototypical concepts, likely development costs, anticipated cash flow from operations, and typical market returns for similar development. The intent was to provide an understanding of the value of the land under alternate scenarios. The pro forma analysis includes:

- Estimated net operating income (NOI) based on rents, occupancy and operating expenses (from market assessment);
- Estimated hard and soft costs of construction, as well as financing costs (based on industry standards and SB Friedman's past experience); and
- Estimated value of property based on the capitalized value of income stream.

Using the development prototypes identified in **Table 3**, SB Friedman compiled assumptions for development costs and cash flows. Key sources of data included RS Means, informant interviews, CoStar, Pinellas County Tax Collector, SB Friedman experience and other industry benchmarks. A full summary of assumptions used in the residual land value analysis can be found in **Table 8**. **Table 9** summarizes the residual land value analysis findings for both Industrial Development Prototypes.

Table 8: Residual Land Value Assumptions – Industrial Development Prototypes in Pinellas County

	Flex	Manufacturing	Source(s)
ASSUMPTIONS – DEVELOPMENT COST			
Hard Costs per GSF	\$75	\$69	RS Means ^[1]
TI Allowances	\$40	-	RS Means; SB Friedman
Soft and Financing Costs, Developer Fee ^[1]	32%	32%	SB Friedman
ASSUMPTIONS – CASH FLOW			
Annual Gross Rent per RSF	\$30	\$34	CoStar
Operating Costs (% of Revenue)	30%	30%	RS Means; SB Friedman
Vacancy Loss	5%	5%	SB Friedman
Capitalization Rate	7.0%	7.0%	RERC 4Q 2018 Going-In Cap Rate Tampa Suburban Office ^[1]

[1] Assumes weighted average between suburban office and manufacturing assumptions

Table 9: Residual Land Value Analysis – Industrial Development Prototypes in Pinellas County

	Flex	Manufacturing
DEVELOPMENT COSTS (EXCLUDING LAND)		
Hard Costs (Building)	\$3,760,000	\$6,920,000
+ TI Allowance	\$500,000	\$0
+ Soft and Financing Costs, Developer Fee (building only, not garage)	\$1,363,200	\$2,214,400
= Total Development Costs (with parking)	\$5,623,200	\$9,134,400
Development Costs per GSF of Building (with parking)	\$110	\$90
MARKET VALUE (Market Rate Calculations)		
Gross Rents/Revenues	\$550,000	\$800,000
- Operating Costs	\$0	\$0
- Parking Operating Costs	\$0	\$0
- Property Taxes	\$0	\$0
- Vacancy Loss	-\$30,000	\$40,000
= Net Operating Income	\$520,000	\$760,000
÷ Capitalization Rate	7.0%	6.75%
= Market Value of Project	\$7,430,000	\$11,260,000
Market Value per GSF of Building	\$150	\$110
AMOUNT AVAILABLE FOR LAND PURCHASE		
	\$1,806,800	\$2,125,600
Amount Available for Land Purchase (\$ PSF)	\$7	\$4

Sources: CoStar; Informant Interviews; NAIOP, the Commercial Real Estate Development Association; Real Estate Center; SB Friedman; Urban Land Institute

Conclusions

SB Friedman's analysis of the existing supply and conditions of industrial buildings in Pinellas County, projections of countywide industrial demand, assessment of desired building typologies and specifications, and identification of challenges to new Target Industry development were utilized to inform the creation of the Penny IV Economic Development Guidelines.

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Appendix A: Economic Development Capital Projects Market Study



PINELLAS COUNTY

Economic Development Capital Projects Market Study

Summary Report | December 19, 2019



VISION
ECONOMICS
STRATEGY
FINANCE
IMPLEMENTATION

- **Goal: Build on previous work completed and conduct various analyses to inform policy regarding the deployment of Penny IV funds for economic development capital projects.**
- There have been a series of studies regarding economic development and redevelopment over the past two decades. It is clear that Target Industry Development and primary high-wage job creation is the County's primary goal, and there appears to be a lack of office and industrial space to accommodate these primary employers. There is a need for a document to summarize this background and identify the barriers to office and industrial development and types of solutions needed in order to implement a capital program to address this.
- The Consultant conducted real estate market analyses to assess the potential for industrial and office development in the County and conduct research to identify barriers to development. Findings of the evaluation will help support a deeper understanding of the competitive position of Pinellas County relative to other jurisdictions. This research will be used to inform the subsequent guidelines to be used to identify Penny IV capital projects that will produce "shovel-ready" or "improved and approved" sites and other assets for Target Industry employers.

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ECONOMIC DEVELOPMENT GOALS

County's Primary Economic Development Goal

Focus on Target Industries

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The County's economic development goal is to attract and retain jobs that pay an above-average salary in Target Industries

- According to Pinellas by Design, growth should come from:
 - Sectors that generate the highest possible wages
 - Export-oriented industry with 51% of product sold outside Pinellas (preferably FL)
 - Sectors that have the potential to attract or create additional high-wage businesses
 - Employers that use available real estate efficiently given land constraints
- PCED Target Industries include:
 - Aviation and Aerospace
 - Financial Services
 - Information Technology
 - Medical Technologies and Life Sciences
 - Microelectronics
 - Defense and National Security
- Interpretation – Key County targets are large-scale users

TARGET INDUSTRY EMPLOYERS IN PINELLAS COUNTY

FIRMS BY EMPLOYEE COUNT (50+)



● ADVANCED MANUFACTURING¹
● PROFESSIONAL SERVICES²

¹ Includes "Aviation and Aerospace", "Medical Technologies and Life Sciences", "Microelectronics", and "Defense and National Security"
² Includes "Financial Services", and "Information Technology"

Source: Esri; SB Friedman

There is significant competition for Target Industry jobs

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- High-wage, export-oriented jobs are sought after by communities nationwide
- PCED works directly with existing businesses to encourage expansion and seeks to attract new companies with high-wage careers
 - Primarily focused on business development by supporting end users and small businesses
 - County's 2017 Compete Now report found Pinellas' "base" incentives program to be broadly competitive with those in competitive communities, but that the County was missing some more aggressive tools
 - "Base" incentives were considered comparable to competing markets and included property tax abatements; expedited permits and waived/reimbursed permit fees; and local workforce development support
 - Incentives did not include more aggressive assistance types including free or reduced-price land or rent, infrastructure investment, building improvements or direct financial assistance (i.e., cash grants, forgivable loans), which are available elsewhere

Penny IV is an opportunity to provide an additional source of funds to support office and industrial development that attracts high-wage jobs

Penny IV: Expanded to support economic development

Broad policy guidance

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4.15% of Penny IV funds are allocated to economic development

- **Resolution** passed in August 2017 states:
 - Funds are to be “deposited into a trust fund within the county's accounts for the purpose of funding capital projects supporting economic development which have a general public purpose of improving the local economy”
- **Interlocal agreements** signed in November 2017 supports:
 - the use of Penny Economic Development funds specifically for “capital projects that support job retention and creation”
- **Penny for Economic Development Guidelines:**
 - Opportunity to build on County economic development goals and market trends to craft policy that focuses Penny IV funds appropriately

When we talk about creating more Target Industry jobs, we talk about creating more real estate development

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OFFICE

- Financial Services
- Information Technology

Market analysis assessed current market trends related to corporate Class A office space



Source: Raymond James

INDUSTRIAL

- Aviation and Aerospace
- Medical Technologies and Life Sciences
- Microelectronics
- Defense and National Security

Market analysis assessed current trends related to all industrial typologies



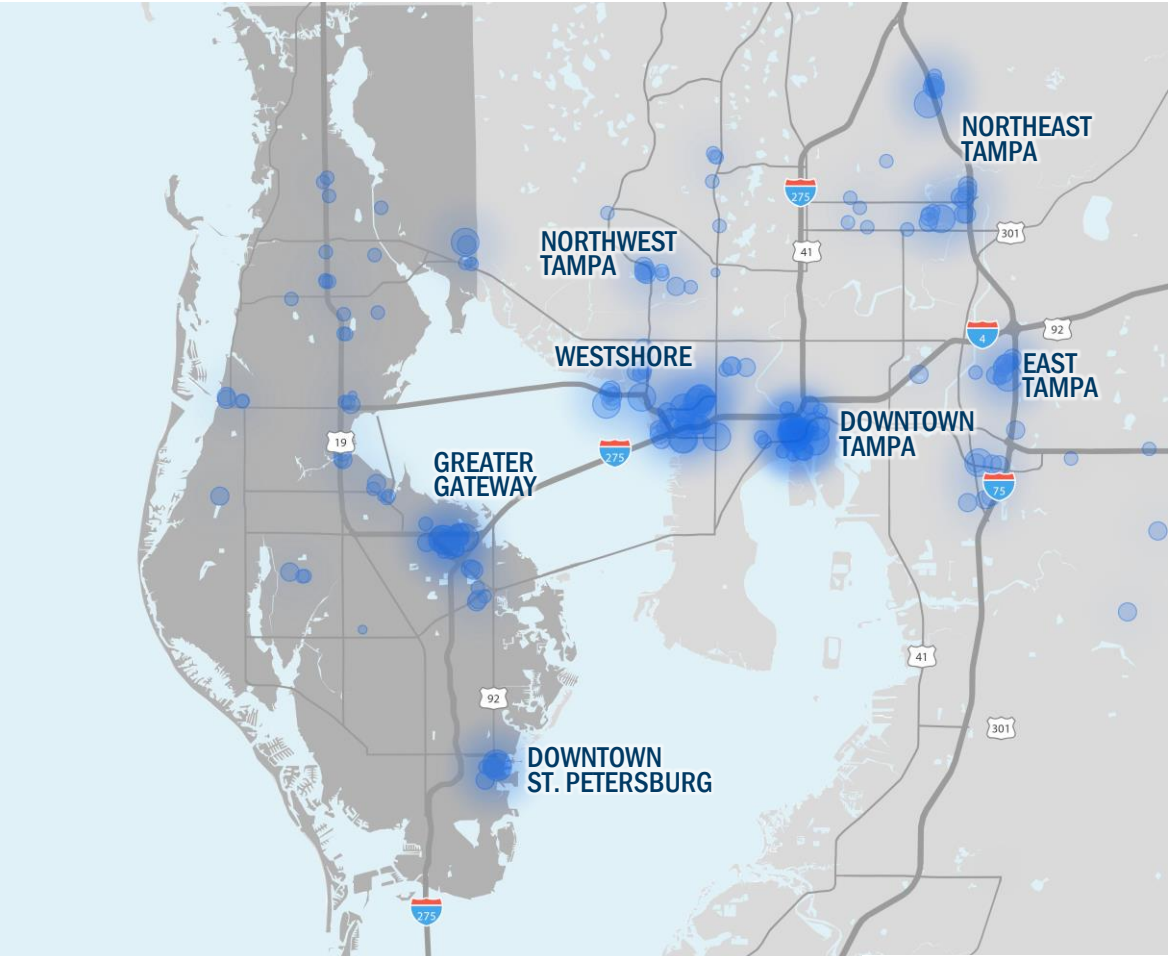
Source: Young-Rainey STAR Center

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OFFICE MARKET ASSESSMENT

EXISTING CONDITIONS: Competitive Class-A Supply

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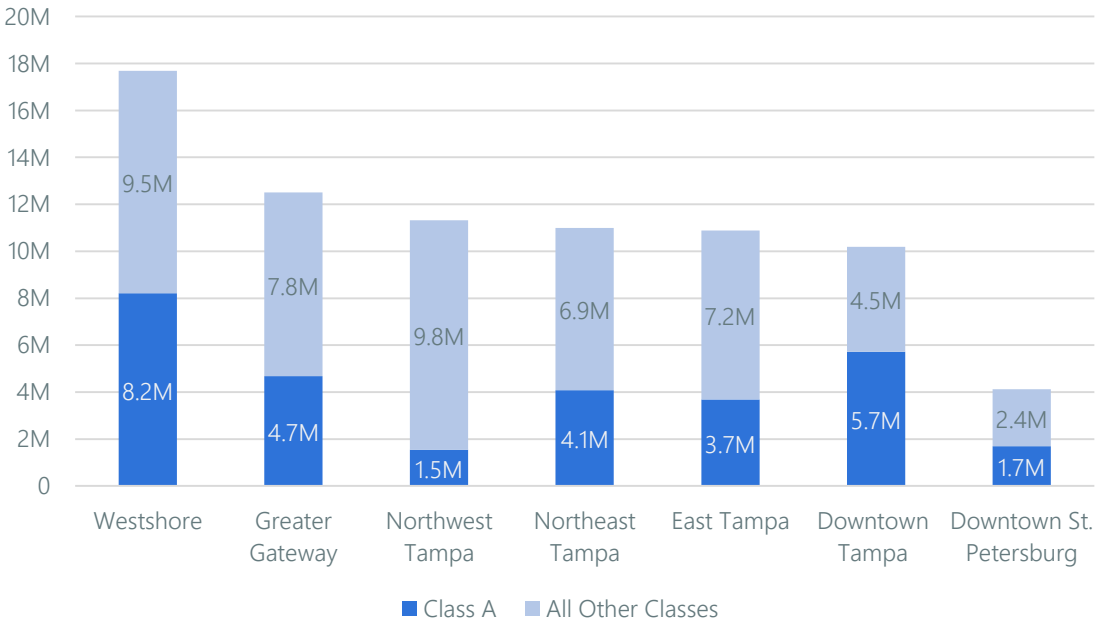


Source: CoStar, ESRI; SB Friedman

SB Friedman Development Advisors

- The region's Class-A office product is distributed throughout the region, with clustering in seven major Class-A office submarkets

Office SF by Class and Submarket



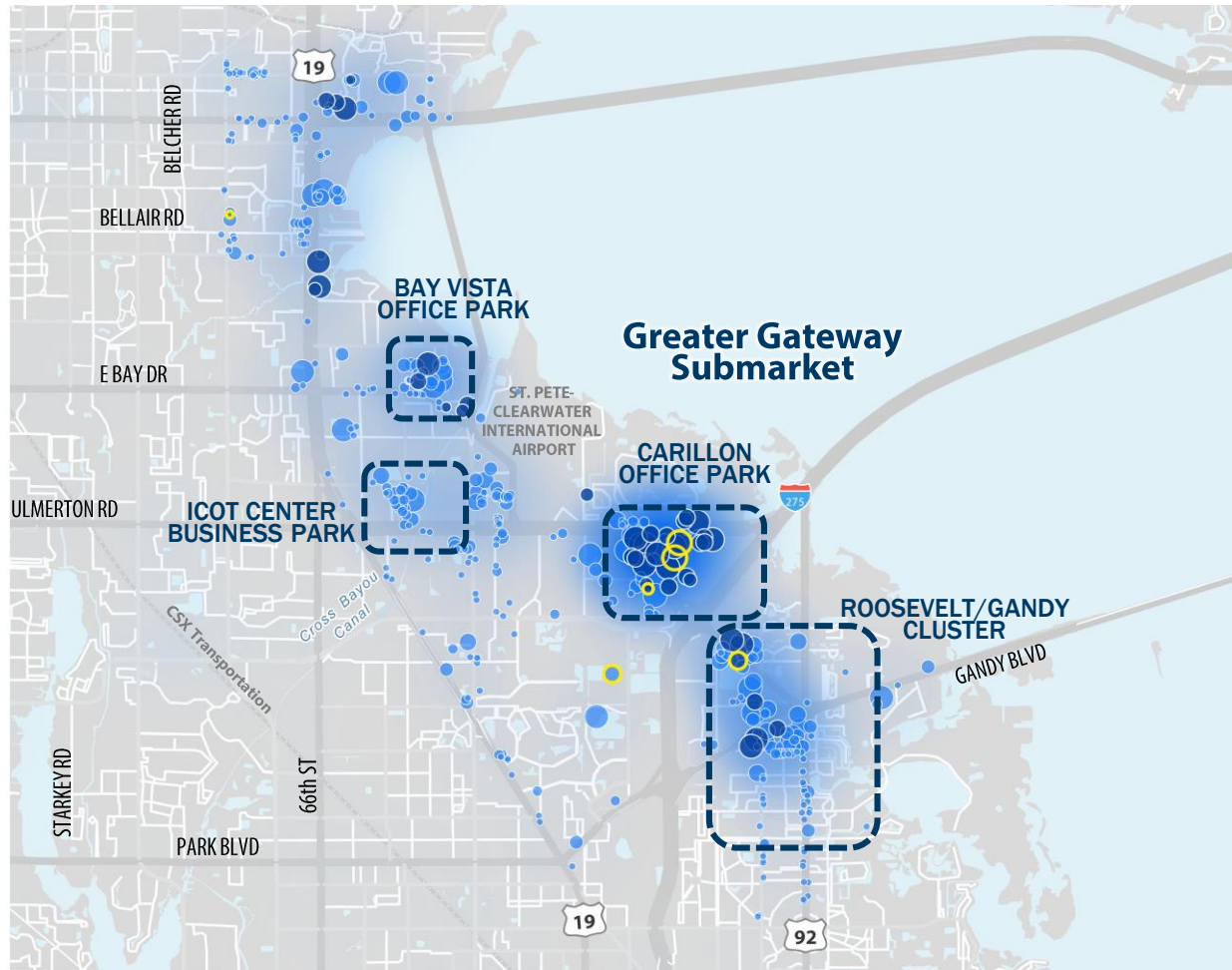
Note: Includes Class A office and rest of office classes, 2019 YTD. Submarket name and boundary as defined by CoStar. Downtowns defined by Central Business District (CBD). Greater Gateway includes Gateway and Bayside submarkets

Source: CoStar; SB Friedman

EXISTING CONDITIONS: Pinellas County Submarkets

Greater Gateway is the County's premier suburban office submarket

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Source: CoStar, ESRI, SB Friedman

SB Friedman Development Advisors

Building Attribute

- Class A Office
- Under Construction or Proposed

Rentable Building Area (SF)

- Less than 10,000
- 10,000 – 25,000
- 25,000 – 50,000
- 50,000 – 100,000
- More than 100,000

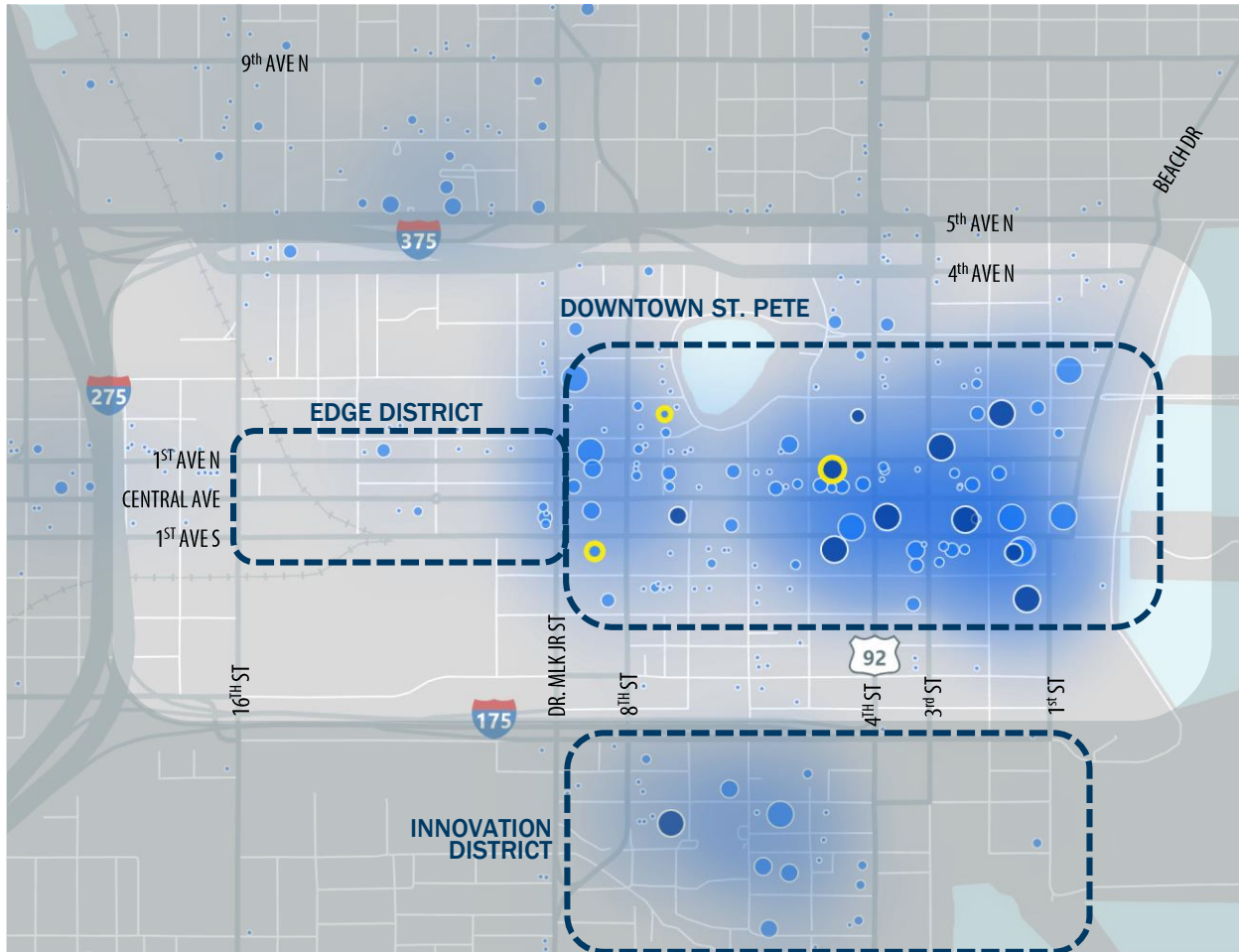
Greater Gateway

- There are 12.5M SF of office within the Greater Gateway submarket, including 4.7M SF of Class-A building
- Approximately 800,000 SF has been built since 2010
 - 255,000 SF for Pinch-a-Penny in 2011
 - 300,000 SF for BayCare Health System Phase I & 2 (two buildings)
 - 220,000 SF for American Strategic Insurance (two buildings)
 - 26,000 SF for Neighborly Care Network HQ
- Over 250,000 SF of office is currently proposed and/or under construction within the submarket
- Major office clusters include:
 - Carillon Office Park
 - Roosevelt/Gandy Cluster
 - Bay Vista Office Park
 - ICOT Center Business Park

EXISTING CONDITIONS Pinellas County Submarkets

Downtown St. Petersburg is the County's emerging urban Class- A office submarket

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Source: CoStar, ESRI, SB Friedman

Building Attribute

- Class A Office
- Proposed

Rentable Building Area (SF)

- Less than 10,000
- 10,000 – 25,000
- 25,000 – 50,000
- 50,000 – 100,000
- More than 100,000

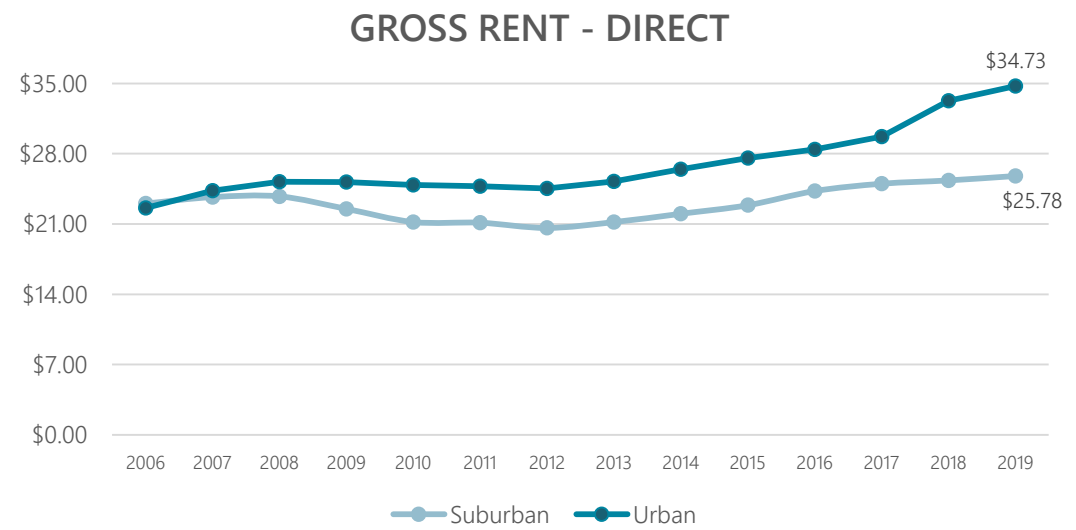
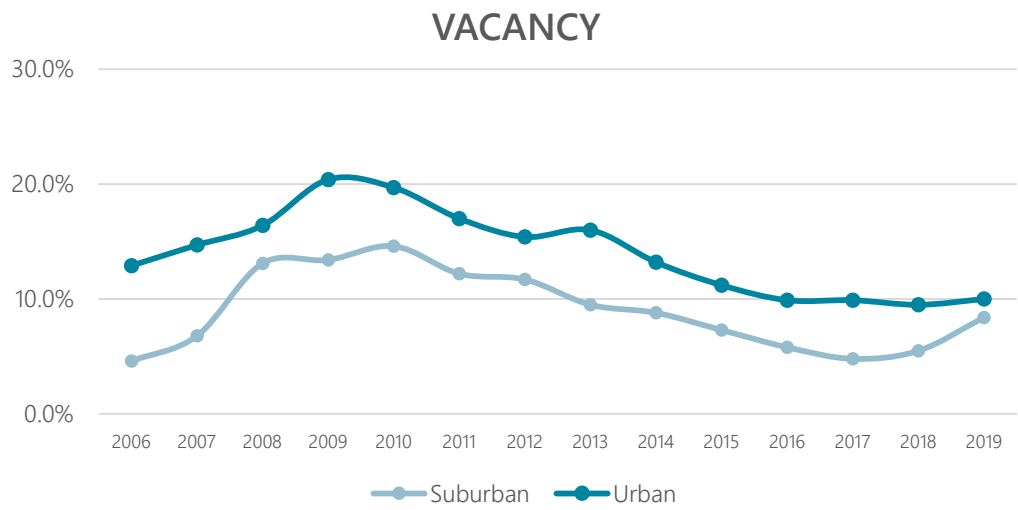
St. Petersburg Office Market

- There are 4.1M SF of office within the St. Petersburg submarket, including 1.7M SF of Class-A building
- There has been no new Class A construction in downtown St. Petersburg since 2009
- Approximately 400,000 SF has been built since 2000
 - Duke Energy Building (formerly Progress Energy)
 - Signature Place
- Recent purchase by Feldman of 17-story Morgan Stanley Tower
- Over 380,000 SF of office is currently proposed within the submarket
- Major office concentrations include:
 - Edge District - Lower-rise office along Central Ave.
 - Downtown St. Petersburg - Larger scale, high-rise format in eastern portion
 - Decreasing scale moving westward
 - Innovation District – Larger scale health care facilities and campus for the University of South Florida, St. Petersburg
- Small-scale office is distributed throughout submarket

EXISTING CONDITIONS: Urban Versus Suburban Class A Trends

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- Class-A office in both urban and suburban markets are highly occupied
- Urban markets are outperforming suburban markets in rent, commanding approximately \$9 more per square foot (35% more)

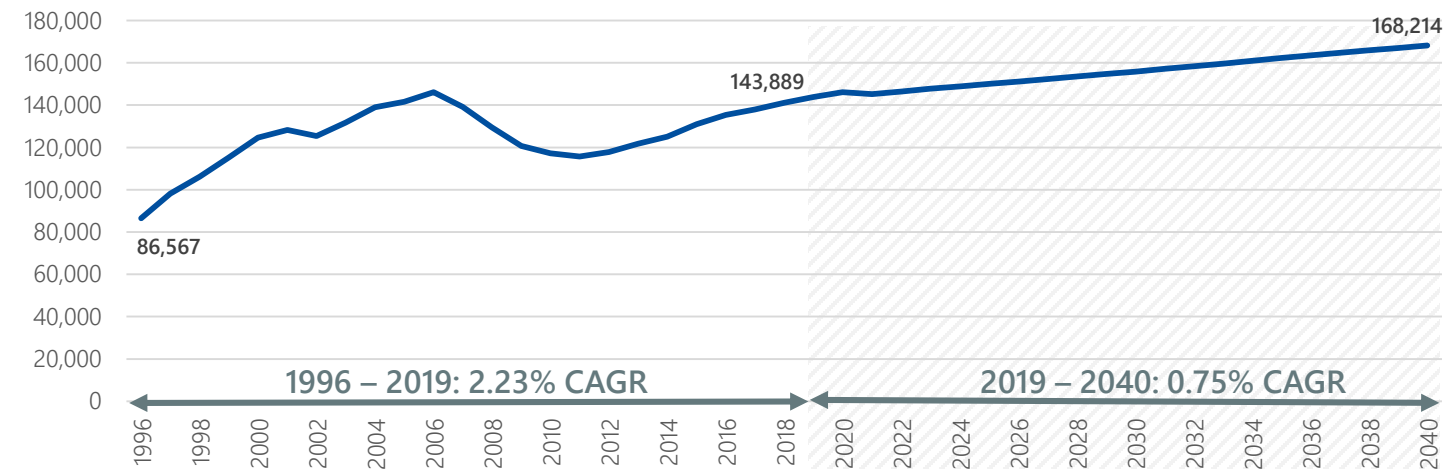


Note: Includes Class A, through 2019. Submarket name and boundary as defined by CoStar.
Urban includes the following submarkets: Downtown St. Petersburg, Downtown Tampa, Westshore. Suburban includes the following submarkets: Bayside, East Tampa, Gateway, Northeast Tampa, Northwest Tampa
Source: CoStar, SB Friedman

DEVELOPMENT POTENTIAL: Pinellas County Employment

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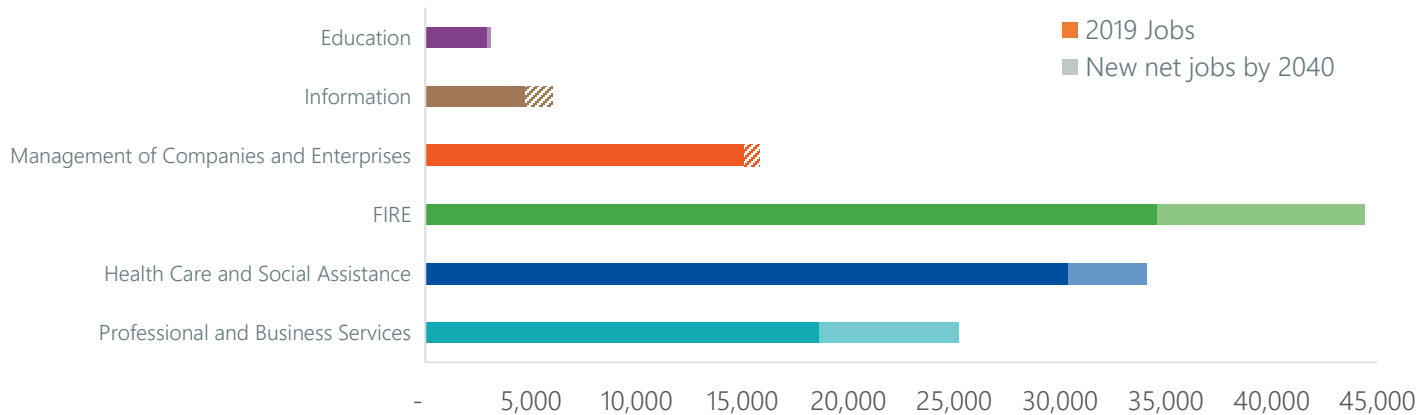
Pinellas County Office Employment



Pinellas County

- Moody's office sector data for Pinellas County indicate that the office sector represents nearly 144,000 jobs in 2019
- Over 57,000 jobs were added in Pinellas County from 1996 to 2019 (2.23% CAGR)
- Finance, Insurance, and Real Estate (FIRE) sector is projected to increase by approximately 9,800 jobs (1.20% CAGR) by 2040
- Moody's projects an estimated 24,000 additional office jobs through 2040 (0.75% CAGR)

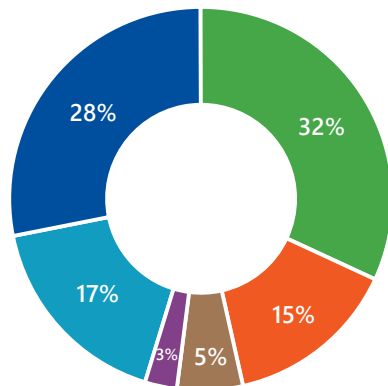
Future Job Growth by Office Sector



Note: Striped bar indicates net job loss between 2019 and 2040

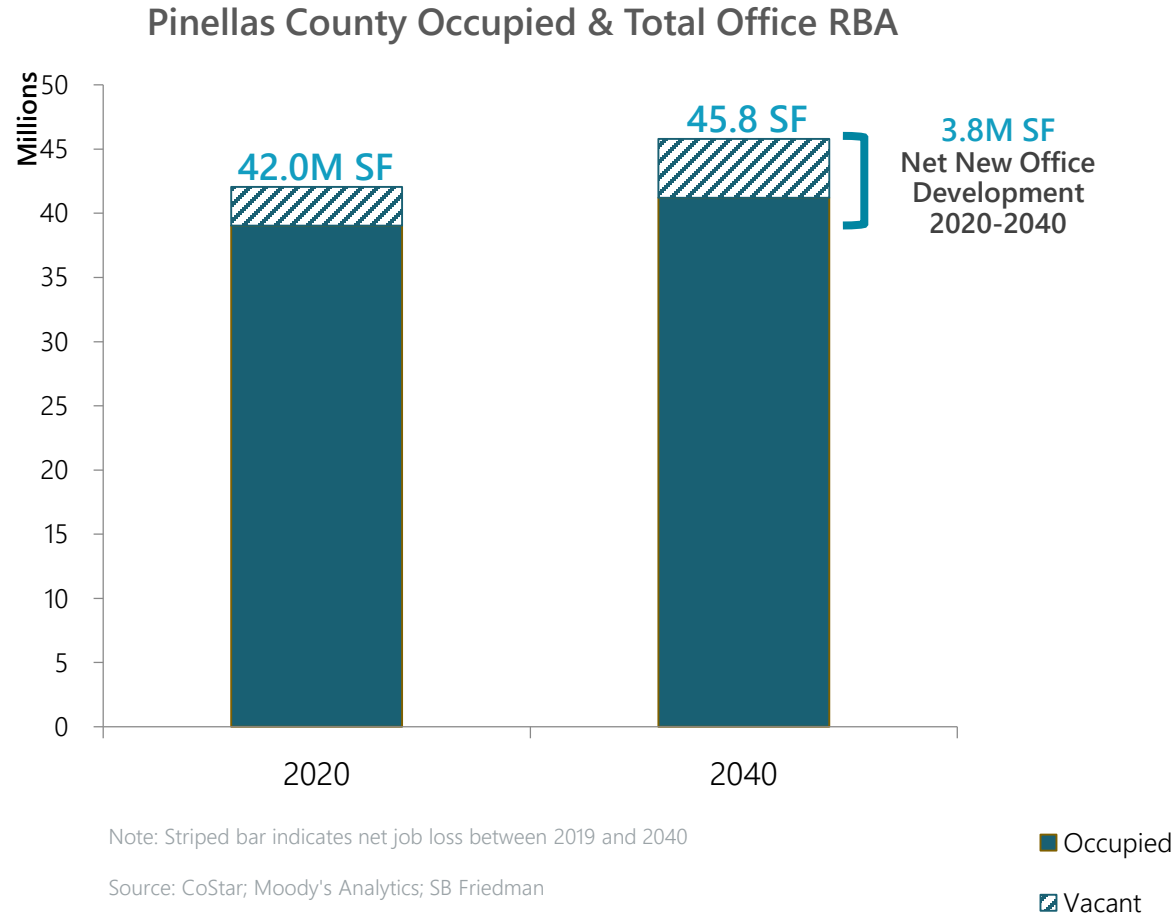
Source: Moody's Analytics; SB Friedman

Pinellas County Office Employment Sectors - 2019



DEVELOPMENT POTENTIAL: Projected Office Demand

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3.8M SF of net new office development projected in the County between 2020-2040

Drivers/Assumptions of Projections

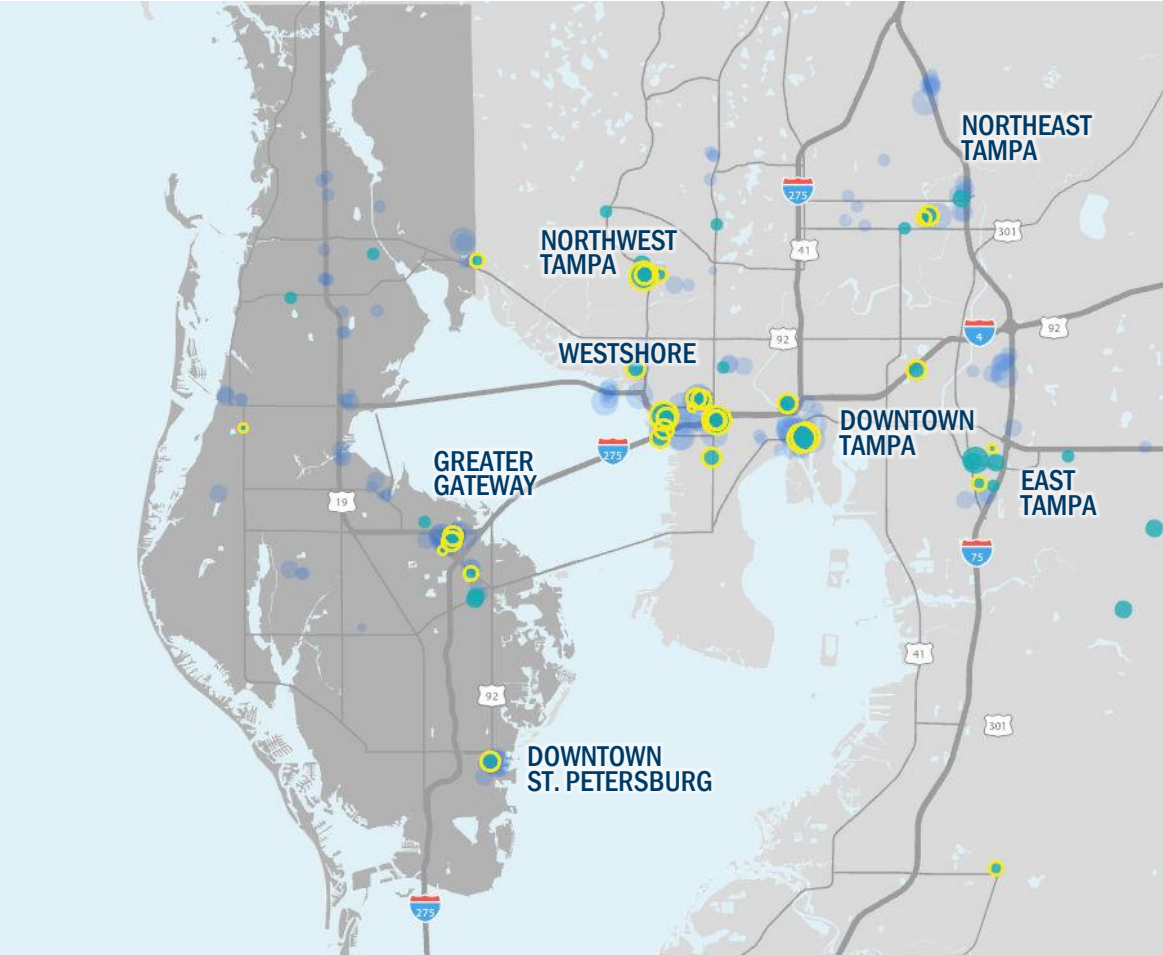
- Moody's office sector employment projections through 2040
 - 24,000 new office employees
- Assumes a decrease in office space per employee over time (245 SF/employee)
- Assumes demolition of 0.3% annually, or 3.1M SF of existing space (based on historic 20-year average)
- Assumes an average vacancy of 10.0% by 2040 (based on historic 20-year average)

This is a preliminary forecast that is largely dependent on various factors, including:

- Broader economic conditions or cycles: Macroeconomic or "redevelopment/infill environment" cycling
- Land limitations/site assembly efforts
- Intensification of existing space or upcycling product
- Level of public financial intervention

DEVELOPMENT POTENTIAL: Recent Development Trends

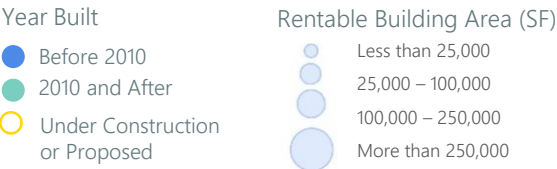
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▲ 5 Mile

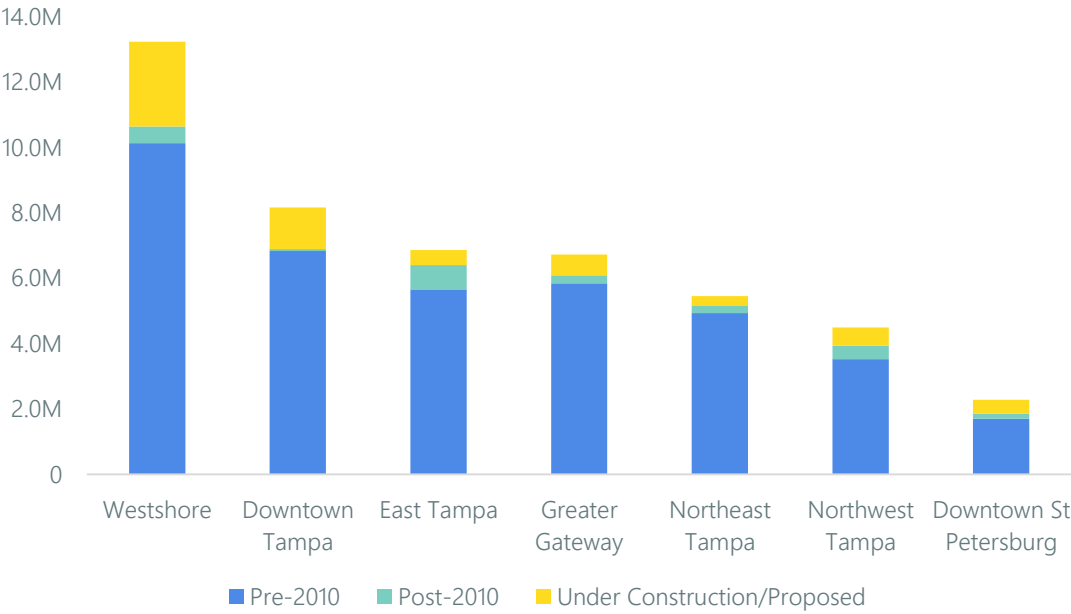
Source: CoStar, ESRI, SB Friedman

SB Friedman Development Advisors



- Westshore is the largest office submarket and has the most development either proposed or under construction

Class A Office by Submarket and Year Built (SF)



Note: Includes Class A office and rest of office classes, 2018 YTD. Submarket name and boundary as defined by CoStar. Greater Gateway includes Gateway and Bayside submarkets.

Source: CoStar; SB Friedman

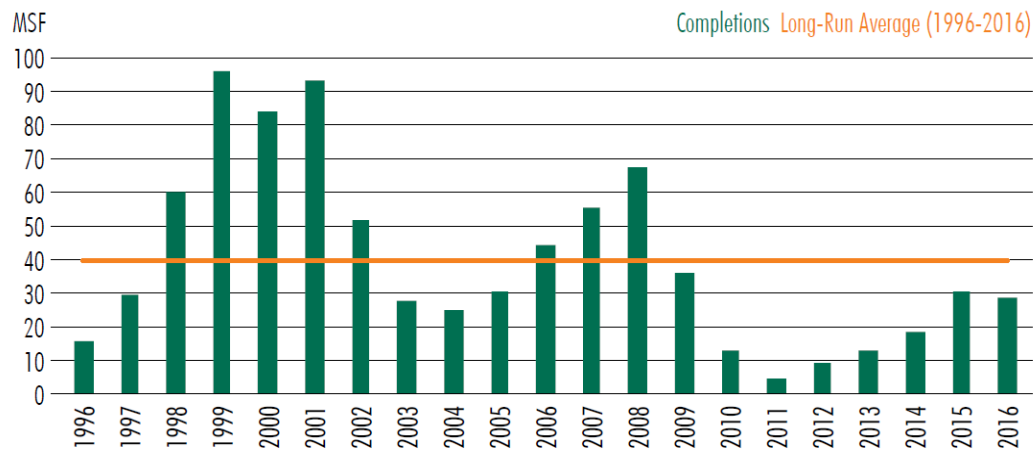
DEVELOPMENT POTENTIAL: Changing Regional Trends

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- Trends shifting from car-oriented, single use business parks to walkable, vibrant and mixed-use places
- Decline in suburban office construction both nationally and regionally

NATIONALLY...

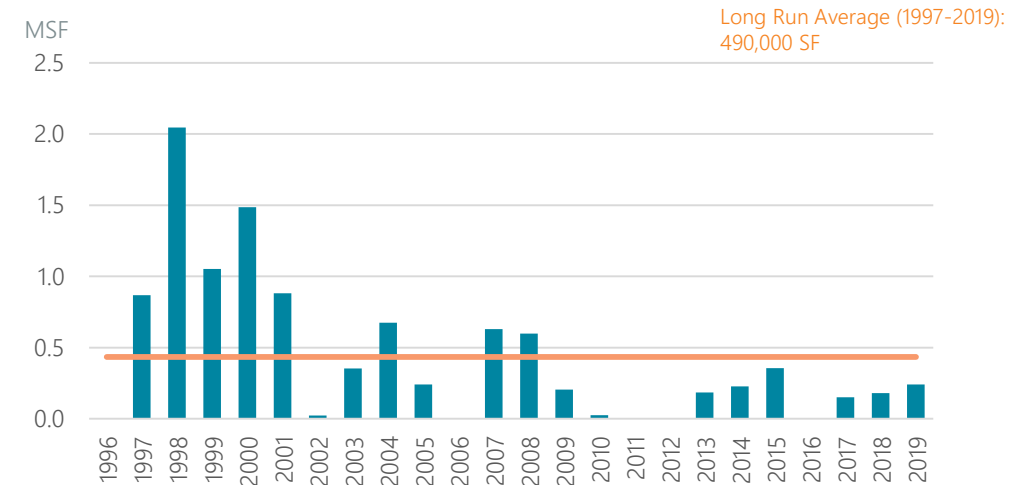
National Suburban Office Deliveries



Source: CBRE Econometric Advisors, The Wall Street Journal

REGIONALLY...

New Suburban Office Deliveries in the Tampa/St. Petersburg Region ^[1]^[2]



[1] Includes only Class A deliveries

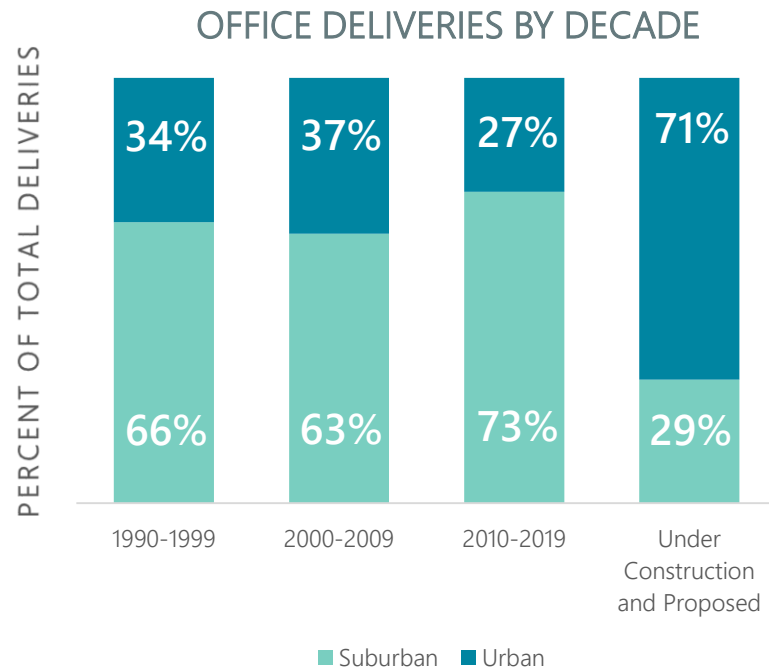
[2] Suburban totals calculated using the following competitive submarkets: Bayside, East Tampa, Gateway, Northeast Tampa, Northwest Tampa

Source: CoStar, SB Friedman

DEVELOPMENT POTENTIAL: New Deliveries in the Region

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- Regionally, urban submarkets are capturing the vast majority of new office construction
- Over the last decade, suburban submarkets in the region have captured 73% of the new office deliveries, primarily in the East Tampa, Gateway, and Northwest Tampa submarkets
- Several proposed and under-construction developments are located in walkable and/or mixed-use areas, including Heights Union near the Riverwalk, Water Street in Downtown Tampa and Echelon City Center in St. Petersburg



[1] Includes only Class A deliveries

[2] Suburban includes deliveries in Bayside, East Tampa, Gateway, Northeast Tampa, Northwest Tampa submarkets

[3] Urban includes deliveries in Downtown St. Petersburg, Downtown Tampa, and Westshore submarkets

Source: CoStar, SB Friedman



Echelon City Center, St. Petersburg



Heights Union, Tampa

DEVELOPMENT POTENTIAL: Walkable Office Environments

A study in partnership with Smart Growth America indicated that...

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Source: Google Earth

WALKABLE OFFICE RENTS
ACHIEVE A 44 PERCENT PREMIUM
OVER DRIVABLE SUBURBAN OFFICE
RENTS IN THE 30 LARGEST METROS**



**RENT PREMIUMS OF THIS
SCALE SUGGEST PENT-UP
DEMAND FOR WALKABLE
URBAN OFFICE SPACE**

** Includes walkable suburbs and excludes New York City

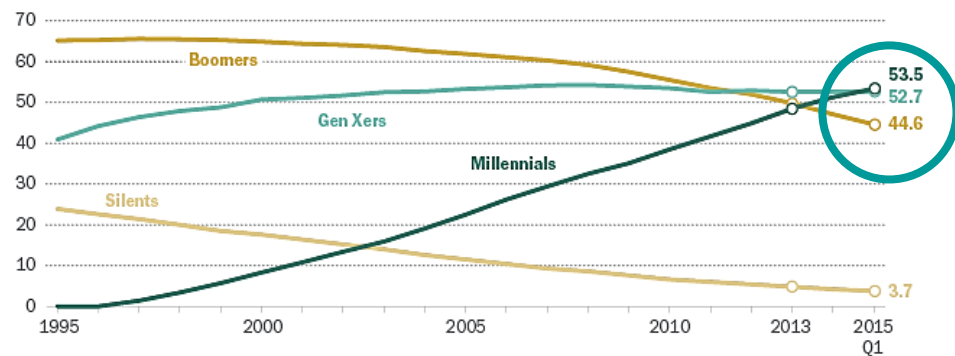
DEVELOPMENT POTENTIAL: Millennial Preferences

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- Locational preferences of millennials are influencing corporate office location decisions
- In 2015, Millennials surpassed Gen Xers as the largest generation in U.S. labor force
- Millennials have a clear preference for mixed-use walkable environments

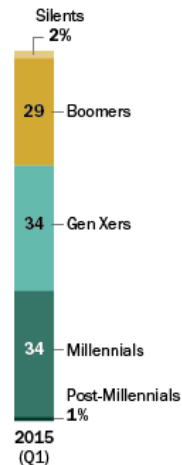
U.S. Labor Force by Generation, 1995-2015

In millions

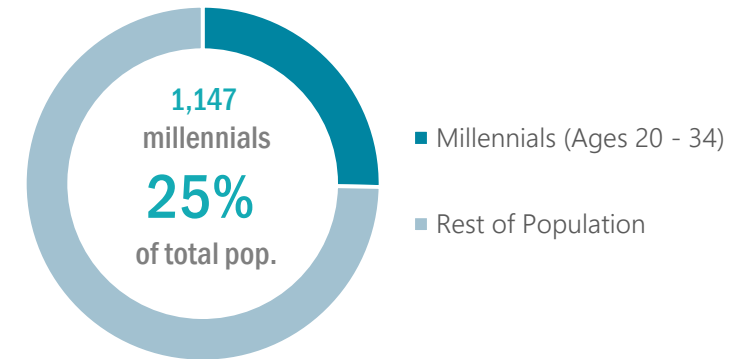


Note: Annual averages plotted 1995-2014. For 2015 the first quarter average of 2015 is shown. Due to data limitations, Silent generation is overestimated from 2008-2015.
Source: Pew Research Center tabulations of monthly 1995-2015 Current Population Surveys, Integrated Public Use Microdata Series (IPUMS)

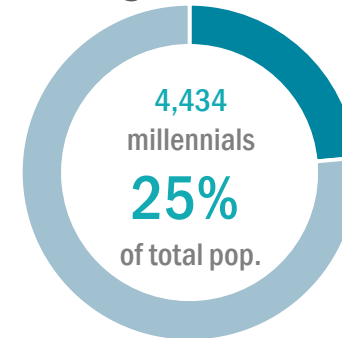
PEW RESEARCH CENTER



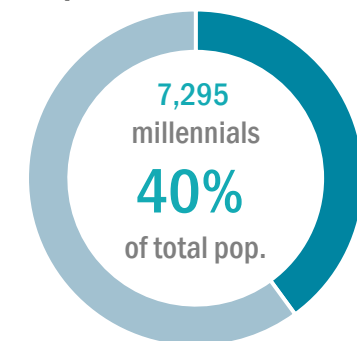
Carillon: 1-mile Radius



St. Petersburg CBD: 1-mile Radius



Tampa CBD: 1-mile Radius



Source: Esri, SB Friedman

DEVELOPMENT POTENTIAL: Long Term Trends

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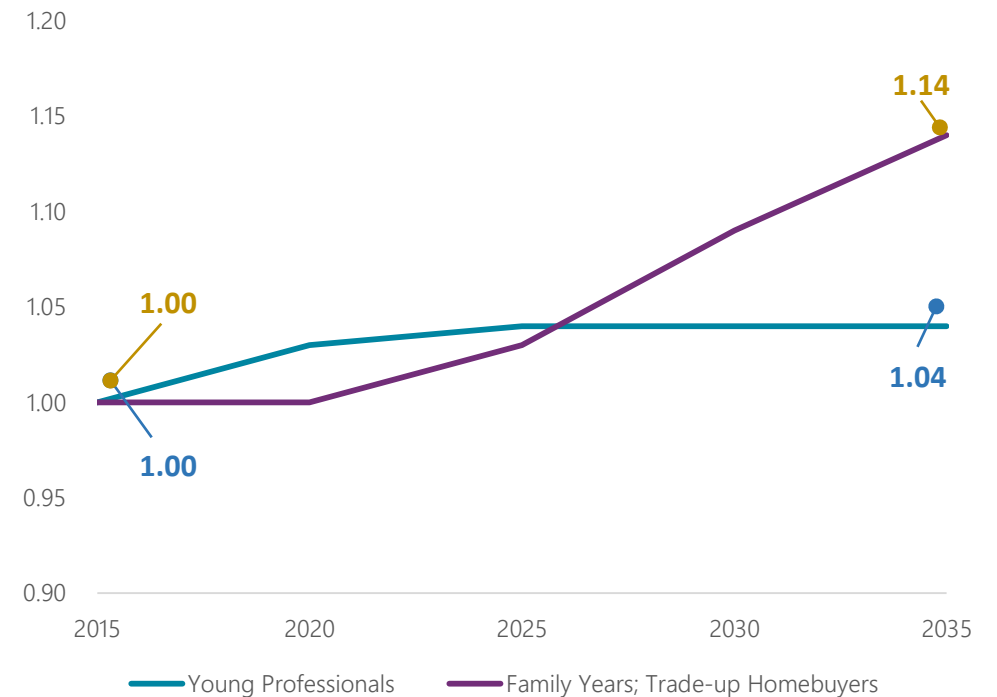
- As millennials enter family years, there may be a shift back to the suburbs

US POPULATION BY LIFE STAGE BY DECADE
(THOUSANDS)

	AGE	2015	2025	2035
Children	<i>Under 5 years</i>	19,965	21,010	21,268
	<i>5 to 9 years</i>	20,463	20,889	21,529
	<i>10 to 14 years</i>	20,590	20,555	21,650
	<i>15 to 19 years</i>	21,092	21,219	21,706
Young Professionals	<i>20 to 24 years</i>	22,740	22,077	22,183
	<i>25 to 29 years</i>	22,473	23,103	23,450
	<i>30 to 34 years</i>	21,659	24,450	23,995
Family Years; Trade-up Homebuyers	<i>35 to 39 years</i>	20,346	23,586	24,360
	<i>40 to 44 years</i>	20,178	22,291	25,176
	<i>45 to 49 years</i>	20,817	20,613	23,919
	<i>50 to 54 years</i>	22,312	20,063	22,257
Empty Nesters and Young Seniors	<i>55 to 59 years</i>	21,811	20,294	20,260
	<i>60 to 64 years</i>	19,093	21,265	19,351
	<i>65 to 69 years</i>	16,094	20,202	19,071
	<i>70 to 74 years</i>	11,500	16,891	19,091
Seniors with Special Needs	<i>75 to 79 years</i>	8,126	13,154	16,819
	<i>80 to 84 years</i>	5,806	8,191	12,343
	<i>85 years or older</i>	6,304	7,482	11,908

MILLENNIALS BY LIFE STAGE BY DECADE

US POPULATION BY SELECTED LIFE STAGE
[INDEXED TO 2015]



Source: Table 9. Projections of the Population by Sex and Age for the United States: 2015 to 2060 (NP2014-T9), U.S. Census Bureau, Population Division, Released December 2014; SB Friedman

PROTOTYPES: Urban Versus Suburban Class A Prototypes

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Suburban



American Strategic Insurance 2 ASI Way, St. Pete			
Submarket	Gateway	Year Built	2014
Sq. Ft.	110,000	Parking	7/1000 SF
Floors	3	Avg. Rent	N/A
FAR	0.2	Vacancy	0%
Floor Plate	37,000	Spec/Suit	Suit
Tenant(s)	ASI		



Renaissance Center VI 8733 Henderson Rd, Tampa			
Submarket	NW Tampa	Year Built	2018
Sq. Ft.	149,000	Parking	4/1000 SF
Floors	4	Avg. Rent	N/A
FAR	N/A	Vacancy	0%
Floor Plate	37,200	Spec/Suit	Speculative
Tenant(s)	AAA		



USAA Crosstown 9527 Delaney Creek Blvd, Tampa			
Submarket	East Tampa	Year Built	2019
Sq. Ft.	240,000	Parking	2/1000 SF
Floors	5	Avg. Rent	N/A
FAR	.31	Vacancy	0%
Floor Plate	48,000	Spec/Suit	Suit
Tenant(s)	USAA		

Proposed/Under Construction



Echelon City Center 300 Carillon Pkwy, St. Pete			
Submarket	Gateway	Year Built	2020
Sq. Ft.	125,000	Parking	N/A
Floors	5	Avg. Rent	\$35 PSF
FAR	N/A	Vacancy*	Under Cons.
Floor Plate	25,000	Spec/Suit	Speculative
Tenant(s)	N/A		



Westlake Corporate Center III 300 Carillon Pkwy, St. Pete			
Submarket	Gateway	Year Built	2020
Sq. Ft.	95,000	Parking	6/1000 SF
Floors	4	Avg. Rent	\$32.50 PSF
FAR	0.31	Vacancy*	Under Cons.
Floor Plate	24,000	Spec/Suit	Speculative
Tenant(s)	N/A		

Urban



4610 Eisenhower Blvd, Tampa			
Submarket	Westshore	Year Built	2008
Sq. Ft.	75,000	Parking	5/1000 SF
Floors	2	Avg. Rent	N/A
FAR	1.0	Vacancy	0%
Floor Plate	37,000	Spec/Suit	Speculative
Tenant(s)	MainSail, Girl Scouts		



Corporate Center IV 4301 W. Boy Scout Blvd, Tampa			
Submarket	Westshore	Year Built	2008
Sq. Ft.	250,000	Parking	4/1000 SF
Floors	8	Avg. Rent	\$40 PSF
FAR	1.1	Vacancy	5.7%
Floor Plate	31,200	Spec/Suit	Speculative
Tenant(s)	Shutts & Bowen LLP		



MetWest Two 4040 W. Boy Scout Blvd, Tampa			
Submarket	Westshore	Year Built	2013
Sq. Ft.	309,000	Parking	4/1000 SF
Floors	10	Avg. Rent	N/A
FAR	5.0	Vacancy	0%
Floor Plate	25,000	Spec/Suit	Speculative
Tenant(s)	PwC		



Heights Union 2002 N. Tampa St, Tampa			
Submarket	Westshore	Year Built	2020
Sq. Ft.	300,000	Parking	4/1000 SF
Floors	6	Avg. Rent	\$41.50 PSF
FAR	N/A	Vacancy*	66%
Floor Plate	25,000	Spec/Suit	Speculative
Tenant(s)	AxoGen, WeWorks		



1001 Water Street 1001 Water St, Tampa			
Submarket	DT Tampa	Year Built	2021
Sq. Ft.	380,000	Parking	N/A
Floors	20	Avg. Rent	\$44.50 PSF
FAR	N/A	Vacancy*	N/A
Floor Plate	20,250	Spec/Suit	Speculative
Tenant(s)	N/A		

Source: CoStar; SB Friedman

PROTOTYPES: Key Investment Areas

Most of Pinellas County lacks a dynamic, mixed-use work environment



■ GATEWAY

- Intensification of existing successful corporate business parks (Carillon, Bay Vista, ICOT)



■ ST. PETERSBURG

- Potential for development at Tropicana Field sites
- Downtown St. Pete



PROTOTYPICAL DEVELOPMENT: Key Assumptions

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	Suburban-format Office	Urban-format Office	Source
DEVELOPMENT PROGRAM			
Gross Land Area (acres)	11	2	SB Friedman Calculation
Gross Building SF (GSF)	140,000	250,000	SB Friedman Calculation
Stories	4	10	CoStar
Floor Plate (SF)	35,000	25,000	CoStar
FAR	0.3	3	CoStar
Parking Ratio (Stalls per 1,000 sf)	6	4	CoStar; Informant Interviews
Surface Parking Stalls	840	-	SB Friedman Calculation
Structured Parking Stalls(prorated by total SF)	-	1,000	SB Friedman Calculation
ASSUMPTIONS - DEVELOPMENT COST			
Hard Costs per GSF	\$95	\$100	RS Means
TI Allowances	\$60	\$70	Informant Interviews
Soft and Financing Costs, Developer Fee (as a % of TDC net of land)	32%	32%	RS Means; SB Friedman
Hard Costs per Structured Parking Space	27,000	27,000	Informant Interviews; SB Friedman
ASSUMPTIONS - CASH FLOW			
Annual Rent per RSF (Gross office / NNN industrial)	\$30	\$34	CoStar
Annual Net Parking Revenue per Stall	\$0	\$695	Discover Downtown St. Petersburg; Informant Interviews; SB Friedman
Operating Costs (% of Revenue)	30%	30%	CoStar
Property Taxes (per GSF)	\$1.30	\$1.50	Pinellas County Tax Collector; SB Friedman
Vacancy Loss	5%	5%	SB Friedman
Capitalization Rate	7.0%	7.0%	RERC 4Q 2018 Going-In Cap Rate Tampa Suburban Office

CHALLENGES TO DEVELOPMENT

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- 1) Competition
- 2) Obsolete Buildings
- 3) Available Land
- 4) Financial Feasibility
- 5) Workforce Housing

CHALLENGES: Office Competition

Municipalities compete regionally – and nationally – for Office Target Industries

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- Cities throughout the Southeast have attracted new office development/TI relocation
- Ability to attract is dependent on key site selection factors



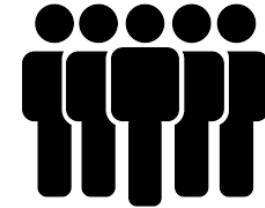
ACCESSIBILITY / INFRASTRUCTURE:

Ability to easily access other markets or infrastructure necessary to conduct business



BUSINESS FRIENDLY ENVIRONMENT:

Government/culture is welcoming to businesses and makes doing business easy



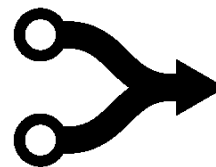
TALENT / LABOR FORCE:

Pool of workers with necessary skills or workforce development resources to develop them over time



INCENTIVES:

Availability of incentives from public sector



CONSOLIDATION:

Combining multiple existing sites into a single site



QUALITY OF LIFE:

Desirability as a place for employees to live

CHALLENGES: Office Competition

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Target Industry headquarters are being incentivized directly

- Incentives used to attract larger Target Industry HQs throughout the Southeast have focused on **job-based incentive deals** utilizing state-level incentives
 - Incentives paid directly to corporation relocating based on number of jobs created
 - Jobs-focused incentive deals are heavily reliant on state-level incentives (e.g. Joint Development Incentive Grant in NC)
 - Job training and education assistance supplementary state assistance
 - Local incentive component of jobs-focused deals also focused on jobs
 - Generally structured to return some portion of wage or property tax payments based on achieving job creation hurdles
- Reviewed office development since 2017 in comparable Southeast metros
 - Reviewed media coverage, industry publications, company statements, and government sources to understand incentivized office deals across the Southeast
- Incentives to support real estate development are not widely utilized
 - Of projects reviewed, 3 of 4 tenants moved into existing, new construction office space that appears to be developed without subsidy (available land and strong market support)
 - In 4th case, tenant leased existing space then conducted a site search for new construction office

Other markets can focus on using incentives to attract corporations with available sites. Pinellas County has to first incentivize real estate development to create sites to leverage the state-level job incentives.

CHALLENGES: Competition

Reasons for Relocation by Deal

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- Identified new office headquarter relocations, similar to the desired Target Industries in Pinellas, to identify key considerations for site selection including the incentives utilized
 - Reviewed media coverage, industry publications, company statements, and public documents to understand incentivized office deals across the Southeast

	Albemarle Corp.	Arch Capital	Dimensional Fund Advisors	Honeywell	MetLife	NN, Inc.	Schneider Electric
Accessibility / Airport	●		●	●	●	●	
Business Friendly Environment		●	●	●	●		●
Consolidation	●	●		● [1]	● [1]		●
Incentives		●	●	●			
Quality of Life		●	●	●	●		
Talent / Labor Force		●	●	●	●		●

[1] Consolidation of existing offices but new to market
 Sources: Albemarle Corp.; Charlotte Observer; Charlotte Regional Business Alliance; The Dillon; Insurance Journal; News & Observer; North Carolina Department of Commerce; Tennessean; Williamson Source; WRAL TechWire

CHALLENGES: Competition

Incentives by Deal

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	Arch Capital	Dimensional Fund Advisors	Honeywell	Schneider Electric
City	Raleigh, NC	Charlotte, NC	Charlotte, NC	Franklin, TN
Square Feet	104,593	265,000	--	160,550
Sector	Insurance	Investment	Headquarters (Technology)	Headquarters (Energy Management)
Total Incentives	\$5,425,336	\$17,900,000	\$87,450,000	\$2,000,000
State Incentives	\$5,100,000 in Job Development Investment Grants (JDIG)	\$10,300,000 in JDIG	\$42,450,000 in JDIG	--
County Incentives	\$138,836 in Business Development Grant	\$4,800,000 in Business Improvement Program (BIP) grants	\$28,000,000 in BIP grants	\$2,000,000 in Tax Increment Financing rebates
Local Incentives	\$186,500	\$2,800,000 in BIP grants	\$17,000,000 in in BIP grants	--
Jobs	365	316	750 (250 relocation, 500 new)	1,140 (900 relocation, 250 new)
Average Annual Salary	\$109,000	\$147,025	\$85,000	\$73,000
Site Strategy	Occupy new construction office space (non-purpose built)	Occupy existing office space initially, construct new office space	Occupy new construction office space (non-purpose built)	Occupy new construction office space (non-purpose built)

Sources: Charlotte Observer; Charlotte Regional Business Alliance; The Dillon; News & Observer; North Carolina Department of Commerce; Tennessean; Williamson Source; WRAL TechWire

CHALLENGES: Obsolete Buildings

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Existing office supply does not requirements of modern users

- Limited new construction Class-A office space available in the County
- Existing office buildings within Pinellas County are typically older, smaller and do not meet the standards of modern Class-A office space

Extraordinary costs associated with rehabilitation of obsolete buildings may limit future improvements

	Suburban-Format		Urban-Format	
Location(s)	Existing - Greater Gateway	Development Prototype	Existing- Downtown St. Petersburg	Development Prototype
Class	35% A; 55% B; 10% C	A	30% A; 40% B; 30% C	A
Average Building Age	28 years	Newer Construction	55 years	Newer Construction
Average Building SF	90,000 SF	140,000 SF	100,000 SF	250,000 SF
Typical Floor Plate	36,000 SF	35,000 SF	18,000 SF	25,000 SF
Stories	3	4	8	10
Parking Ratio	3.4/1,000 SF	6/1,000 SF	2.6/1,000 SF	4/1,000 SF
Acres	10 acres	10 acres	2 acres	2 acres
Building Material(s)	Masonry, Steel, Reinforced Concrete	Masonry, Steel, Reinforced Concrete	Masonry, Steel, Reinforced Concrete	Masonry, Steel, Reinforced Concrete

Source: CoStar; Informant Interviews; SB Friedman

CHALLENGES: Available Land and Infrastructure

Barrier for both office and industrial development

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Limited land availability, per County's 2008 TIELS study

- Industrial land is limited and threatened with conversion to retail/residential
- More land is needed for Target job growth than is vacant
- To reach jobs targets, maintain existing land resources and encourage more intense use of land

Infrastructure

- Informant interviews indicated need for additional power, stormwater detention, high-speed internet
- Pinellas by Design identifies the costs associated with removing obsolete infrastructure and replacing it with new infrastructure as challenge for redevelopment sites
- TIELS study indicated a good local transportation network, but also the need for roadway and public transit investments

Infrastructure investment and land assembly/cost write-down are public sector mechanisms to create marketable, shovel-ready sites

CHALLENGES: Office Financial Feasibility

Residual land value model: analysis framework

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The residual land value analysis evaluates project feasibility through a financial gap analysis approach. Stabilized pro formas by land use were developed for each prototypical development. Assumptions within the analysis were derived from SB Friedman’s experience with comparable projects in the Pinellas County market and elsewhere, as well as from third-party industry data sources.

- Estimated total development costs (TDC) and stabilized market value. The difference is the amount available for land costs.
- If stabilized market value is greater than or equal to TDC, then the project is feasible, depending on cost of land. If stabilized market value is below TDC, the project is likely not feasible without public assistance.

The following pages illustrate the financial feasibility of prototypical market-rate office projects, outlining key assumptions and sensitivities.

ANALYSIS FRAMEWORK | Market Rate Development

TOTAL DEVELOPMENT COSTS

Land Costs
+ Hard Costs
+ Soft & Financing Costs
+ Developer Fees
= **Total Development Costs**

MARKET VALUE

Rents/Revenues
- Operating Costs
- Taxes
- Vacancy
= Net Operating Income (NOI)
÷ Capitalization Rate
= **Market Value**

PROJECT FEASIBILITY

Total Development Costs
- Market Value
= **Amount Available for Land
Funding Gap/(Surplus Profit)**

CHALLENGES: Office Financial Feasibility

Residual land value model: results

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- Estimated **residual land value** for each development prototype based on market research
- High-level assessment based on available market data, assuming clean buildable land
- Analysis is sensitive to construction costs/SF, level of tenant build out, rents, and cap rates

	Suburban-format Office	Urban-format Office
DEVELOPMENT COSTS (EXCLUDING LAND)		
Hard Costs (Building)	\$13,300,000	\$25,000,000
+ TI Allowance	\$8,400,000	\$17,500,000
+ Soft and Financing Costs, Developer Fee (of building only, not garage)	\$6,944,000	\$13,600,000
+ Parking Construction Costs (Structured)	\$0	\$27,000,000
= Total Development Costs (with parking)	\$28,644,000	\$83,100,000
Development Costs per GSF of Building (with parking)	\$200	\$330
MARKET VALUE (Market Rate Calculations)		
Gross Rents/Revenues	\$4,200,000	\$8,500,000
+ Parking Revenues	\$0	\$790,000
- Operating Costs	-\$1,260,000	-\$2,550,000
- Parking Operating Costs	\$0	-\$140,000
- Property Taxes	-\$182,000	-\$375,000
- Vacancy Loss	-\$210,000	-\$430,000
= Net Operating Income	\$2,548,000	\$5,795,000
÷ Capitalization Rate	7.0%	7.0%
= Market Value of Project	\$36,400,000	\$82,790,000
Market Value per GSF of Building	\$260	\$330

New development may not be financially feasible, depending on land price, given current market conditions

- Urban-format office with structured parking is not financially feasible in the near-term, primarily due to construction costs associated with the parking structure
- Suburban-format office is closer to financially feasible, depending on land costs and presence of extraordinary development costs

AMOUNT AVAILABLE FOR LAND PURCHASE	\$7,756,000	-\$310,000
Amount Available for Land Purchase (\$ PSF)	\$17	-\$4

CHALLENGES: Available New Construction Workforce Housing

Workforce housing for new and existing Target Industry employees could help bolster economy

Employers in key sectors have expressed concern regarding the availability of housing products to retain and attract new employees at the Target Income levels within the County (120% AMI)

- Households at this AMI level are able to afford legacy (product built prior to 2010), newer construction (resales built after 2010), and new construction homes
- “Competitive” newer and new construction housing projects are located within a one-hour drive time of the Gateway Area of Pinellas County in neighboring counties
- Future housing development will likely be constrained by available land. Creating new sites will likely require redevelopment, which is generally more complex and expensive than greenfield development

Single-Family Detached

- Product within the County includes older product, as well as a limited amount of newer construction product built since 2010
- For the same price, homebuyers can purchase newly constructed single-family detached homes in nearby counties that include more space at lower costs per square foot, more bedrooms, and more amenities

Single-Family Attached

- Homebuyers may choose to purchase single-family attached products based on location and lifestyle preferences
- Newer product within the County is comparable to newer single-family attached products being delivered across the Competitive Area in terms of unit square feet, bedroom and bathroom mixes, and price
- Condos are typically desirable in urban, walkable areas and/or with access to water; Townhomes are desirable in suburban subdivisions and along major arterials

Apartments

- Several projects have recently delivered within the County without subsidy

PENNY IV OFFICE STRATEGY: Conclusions

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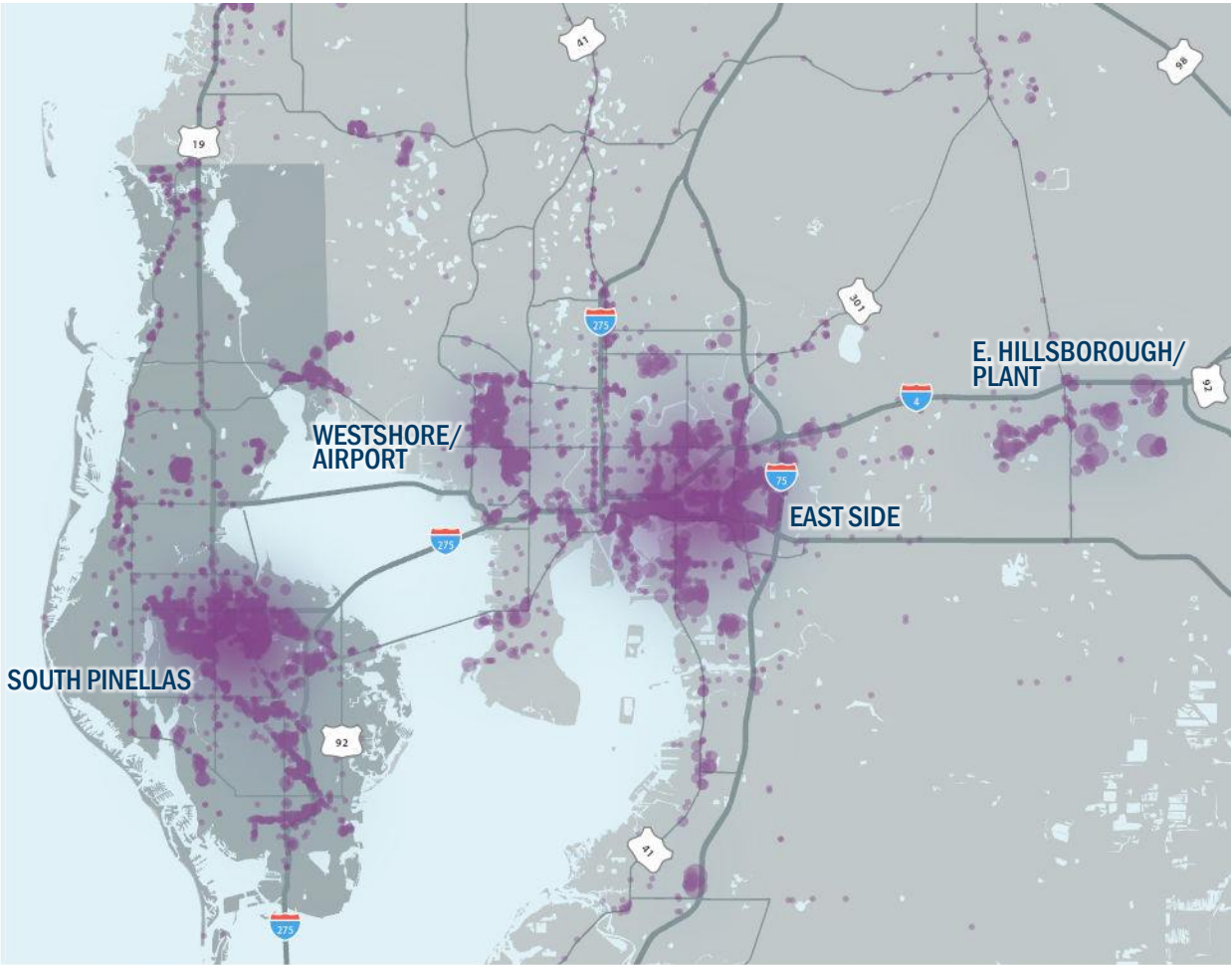
- Greater Gateway is the largest Class-A suburban office market in the region while St. Petersburg CBD is an emerging Class-A urban office market
- There may be demand for nearly 4 million square feet of net new office development through 2040
- The ability to attract new Target Industry employers to Pinellas County may be limited by competition throughout the region and nation, the presence of obsolete buildings that do not meet the needs of modern users, available land and infrastructure, financial feasibility, and available new construction housing
- Class-A office will likely follow existing locational patterns with preference for walkable, mixed-use environments
- Development would like be build-to-suit in the Gateway while speculative office may be constructed in St. Petersburg
 - Spec development would likely need significant preleasing to meet lender's requirements
- Penny IV Economic Development funds could be used to address identified challenges to real estate (re)development that would otherwise not occur through strategic investment in capital projects for economic development

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INDUSTRIAL MARKET ASSESSMENT

EXISTING CONDITIONS: Regional Structure

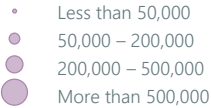
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Source: CoStar, ESRI; SB Friedman

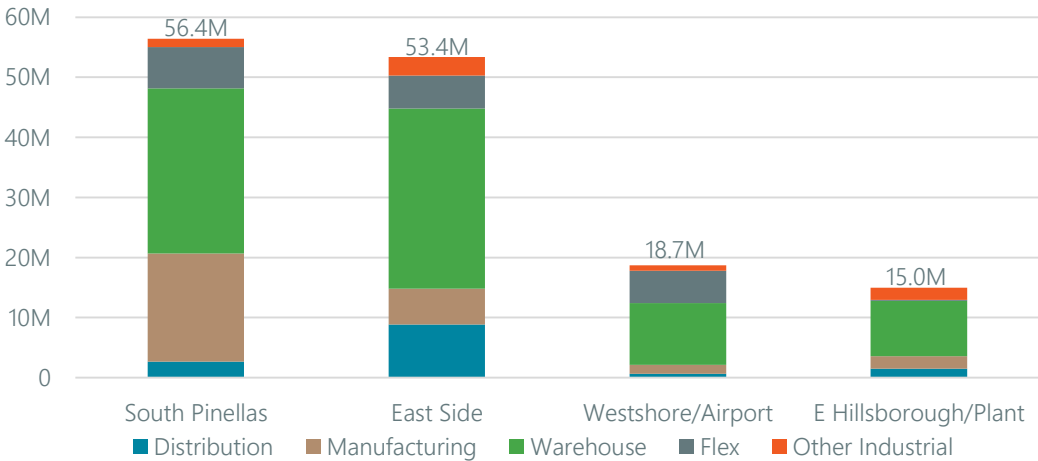
SB Friedman Development Advisors

Rentable Building Area (SF)



- Approximately 188.4M SF of industrial/flex in the Tri-County region
- South Pinellas Industrial Submarket is the largest submarket in the Tri-County Region with nearly 56.4M SF
 - East Side comprises the largest distribution cluster, located near the Tampa CSX Intermodal
 - South Pinellas is the largest manufacturing cluster
 - E Hillsborough/Plant is an emerging industrial cluster, building on key I-4 location

Rentable Building Area by Type (SF)

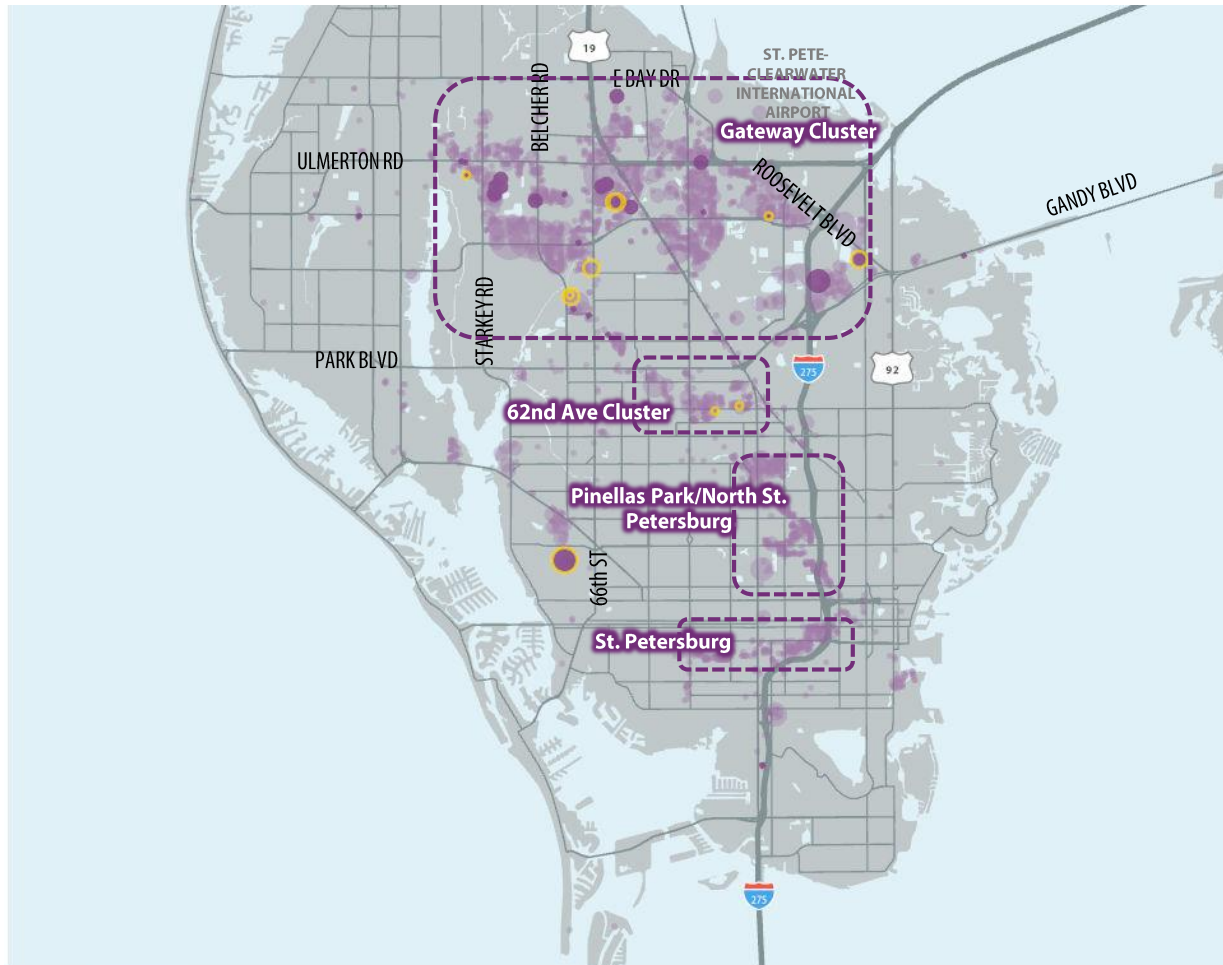


Note: 'Other Industrial' includes industrial buildings for which no secondary property type is given. 'Flex' includes all projects defined as flex by CoStar. Flex secondary property types include light manufacturing, light distribution, R&D, showroom, data hosting.

Source: CoStar; SB Friedman

EXISTING CONDITIONS: South Pinellas Supply

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Source: CoStar, ESRI; SB Friedman

SB Friedman Development Advisors

Building Attribute

- Built after 2010
- Under Construction or Proposed

Building RBA

- Less than 50,000
- 50,000 – 200,000
- 200,000 – 500,000
- More than 500,000

- Approximately 56.4M SF of industrial within the South Pinellas submarket

- Low vacancy: 95% occupied

Recent Construction

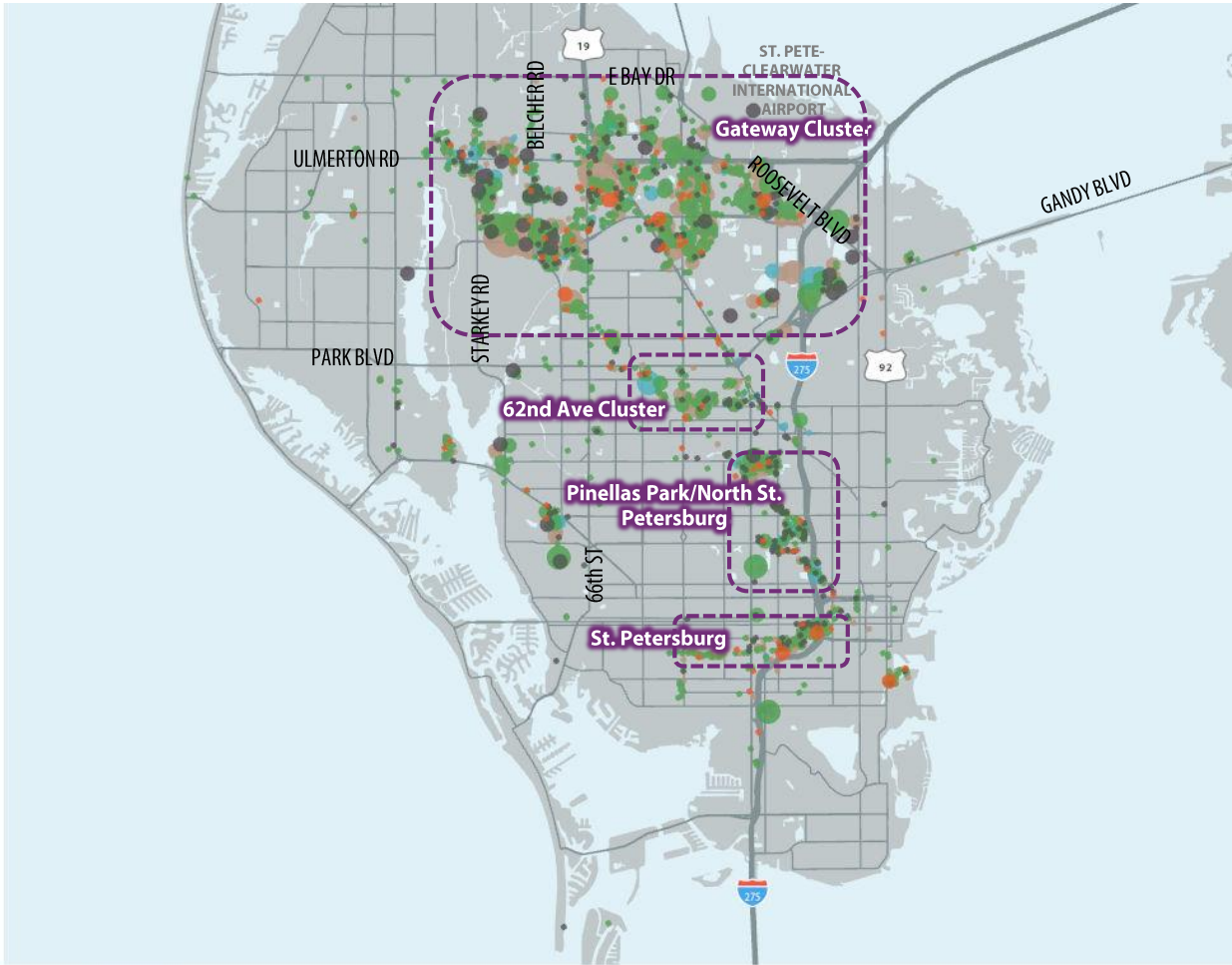
- Nearly 1.4M SF (2.5% of South Pinellas total supply) has been construction since 2010
- Eleven buildings are proposed/under construction (approx. 1.1M SF), of which 8 are located within the Gateway Cluster

Industrial Clusters

- There are five major industrial parks within the Gateway Cluster:
 1. Gateway Business Center
 2. Metropointe Commerce Park/Westbay Corporate Center
 3. Young-Rainey STAR Center (County-owned, 96-acre complex, comprising primarily tech manufacturing companies)
 4. Ulmerton Industrial Center/34th St Industrial Park,/118th Ave Industrial Center (mix of warehouse and manufacturing)
 5. Ulmerton/49th Street Cluster (mix of smaller warehouse and manufacturing)
- St. Petersburg – legacy industrial located adjacent to the Pinellas Trail
- 62nd Ave Cluster
- Pinellas Park / N. St. Petersburg – Joe's Creek is the primary industrial park while other legacy industrial is located along the rail line

EXISTING CONDITIONS: South Pinellas Supply

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2 Mi

Source: CoStar, ESRI, SB Friedman

SB Friedman Development Advisors

Industrial Sector

- Warehouse
- Manufacturing
- Distribution
- Other Industrial
- Flex

Building RBA

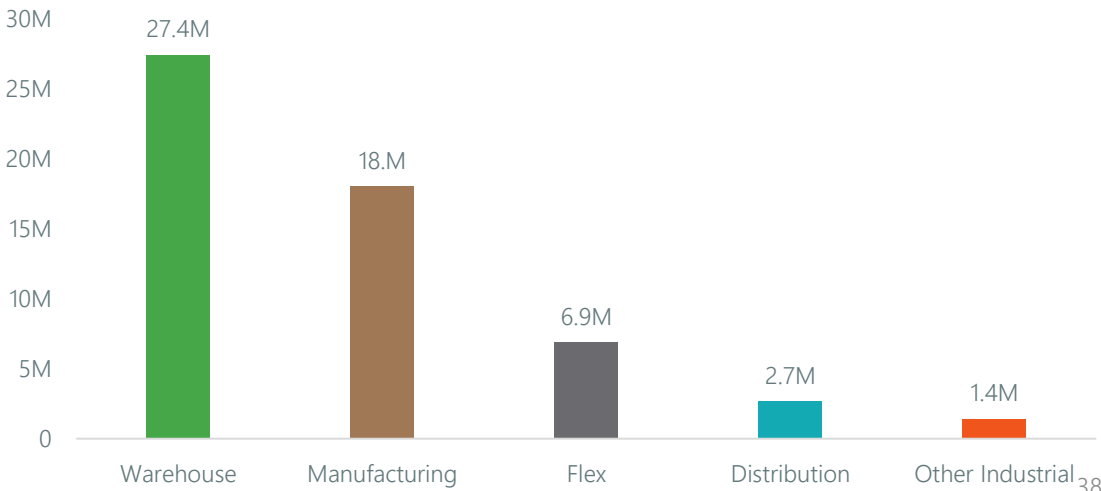
- Less than 50,000
- 50,000 – 200,000
- 200,000 – 500,000
- More than 500,000

- The two largest industrial space users in South Pinellas are manufacturing and warehouse
- South Pinellas submarket captures 53% of the manufacturing rentable building area in the Tri-County region

Target Industries present:

- Advanced Manufacturing
- Aviation and Aerospace
- Defense and Homeland Security
- Information Technology
- Life Sciences and Medical Technology

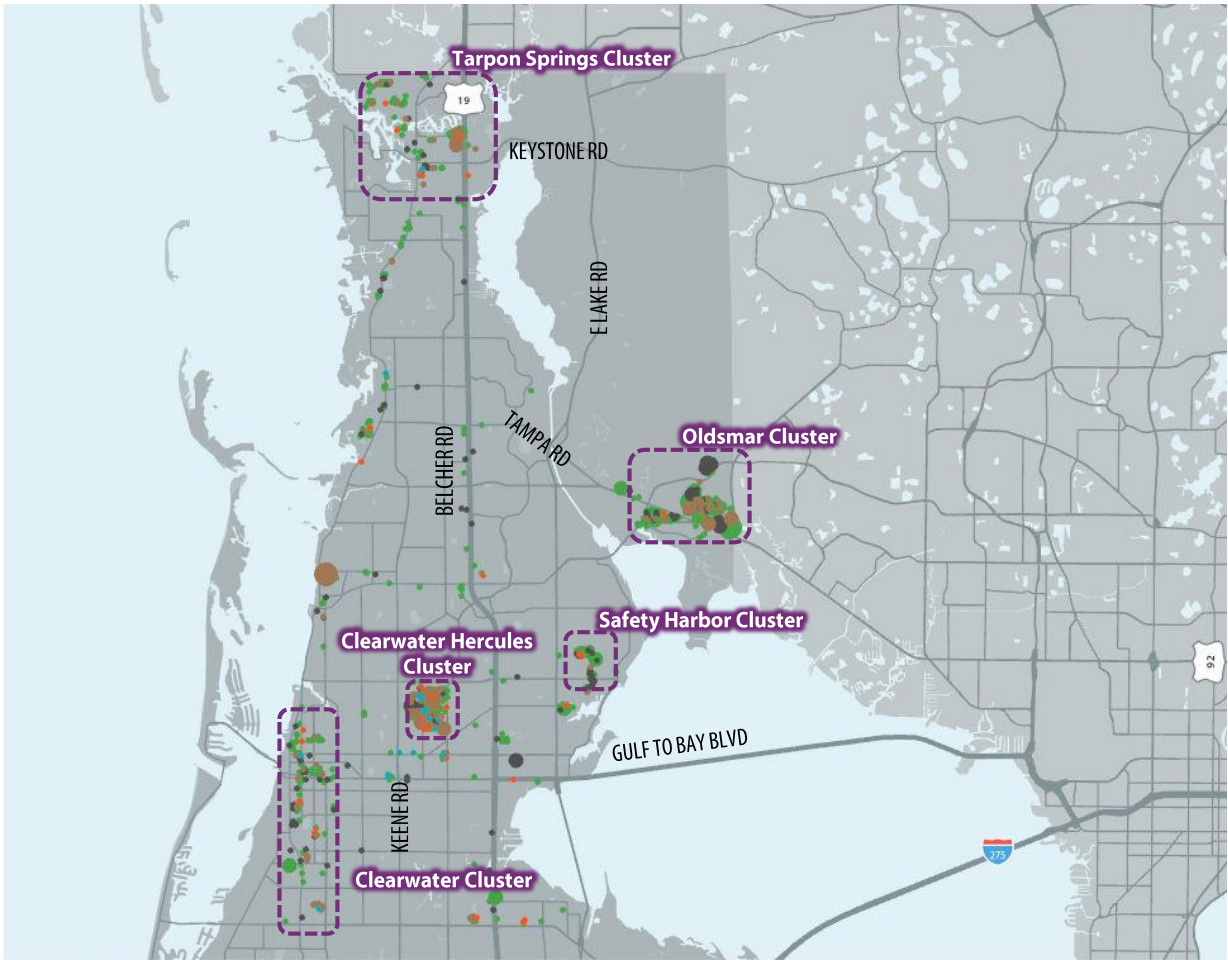
South Pinellas RBA by Industry Type



Source: CoStar; SB Friedman

EXISTING CONDITIONS: North Pinellas Supply

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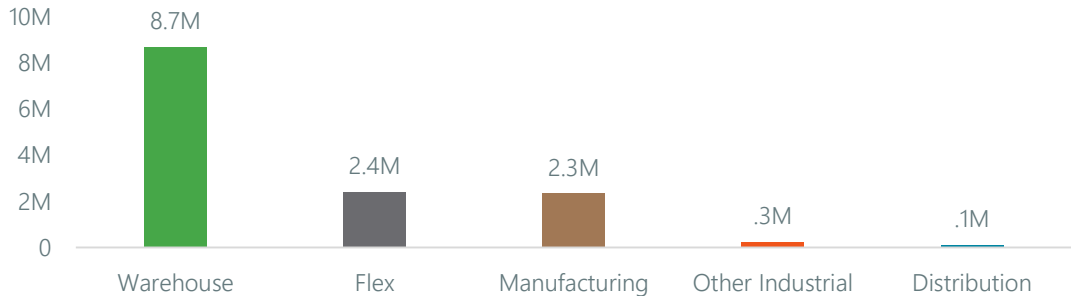


Source: CoStar, ESRI, SB Friedman

SB Friedman Development Advisors

- Approximately 13.8M SF of industrial within the North Pinellas submarket
- Low vacancy rates: 98% occupied
- Primarily older, smaller legacy warehouse space
- Limited new construction after 2010:
 - Roughly 25,000 SF built since 2010 (0.2% of North Pinellas supply)
 - One building proposed (approx. 6,700 SF); no buildings under construction
- Major industrial clusters:
 - Oldsmar – Two primary industrial parks (Booker Creek Corporate Center and Tri-County Business Park)
 - Clearwater Central Center
 - Space Center – Flex – older class C space
 - Hercules Business Center and industrial park (older space)
 - Tarpon Springs and Safety Harbor– primarily freestanding buildings not within any park

North Pinellas RBA by Industry Type

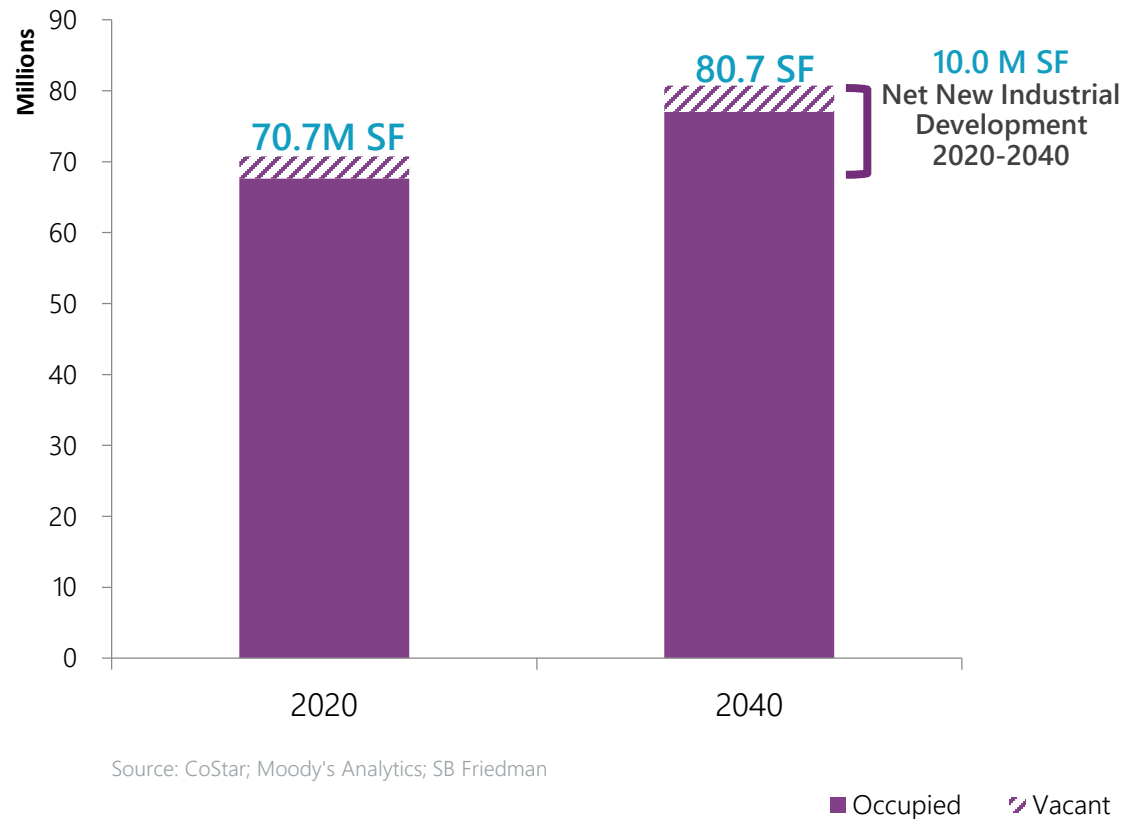


Source: CoStar; SB Friedman

DEVELOPMENT POTENTIAL: Projected Industrial Demand

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Pinellas County Occupied & Total Industrial RBA



Source: CoStar; Moody's Analytics; SB Friedman

10.0M SF of net new industrial development projected in the County between 2020-2040

Drivers/Assumptions of Projections

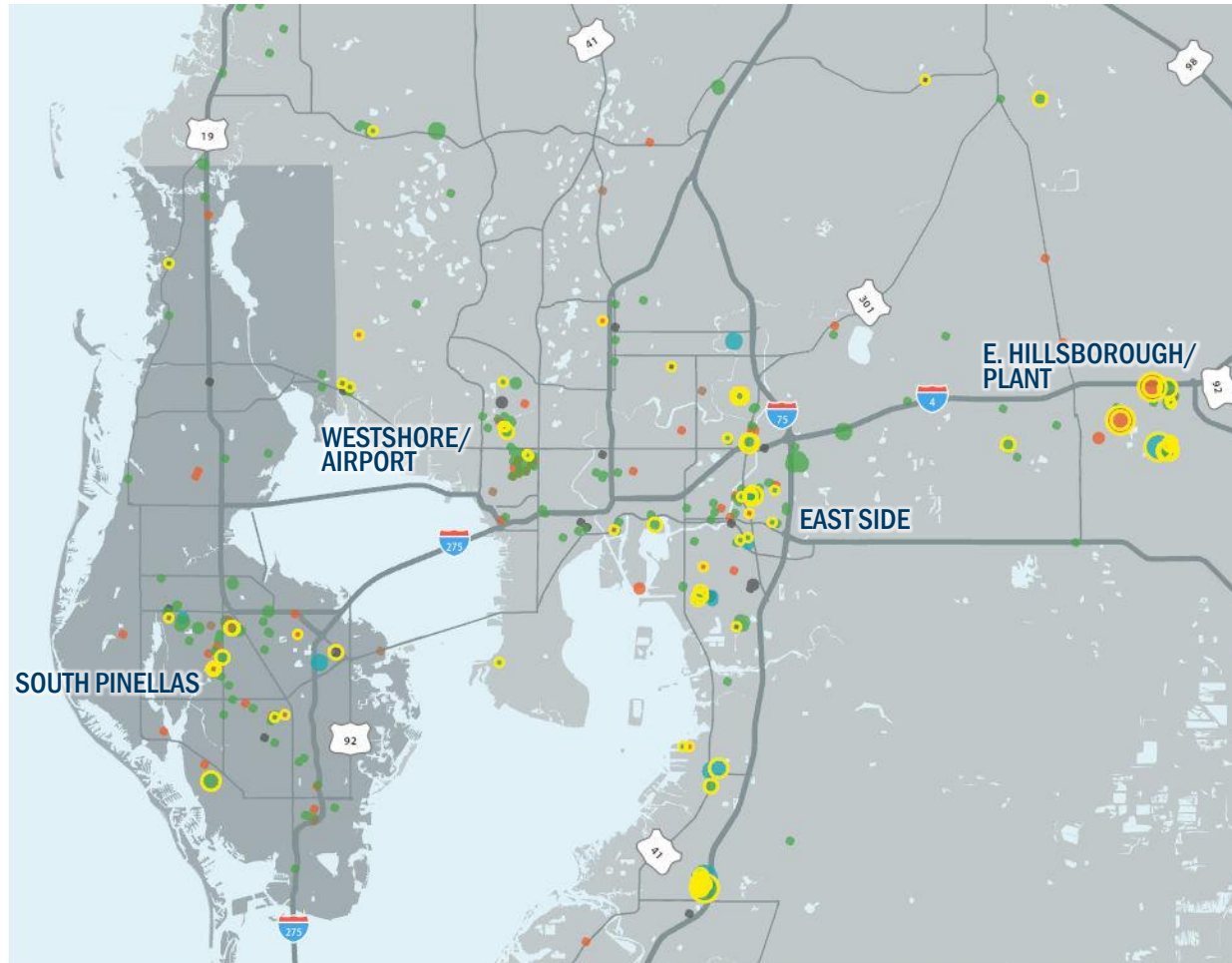
- Projections for industrial sector output through 2040 based on historic output growth for Pinellas County through 2017 and broader US trends
- Assumes annual increase in output/SF (efficiency) of 2.2% (based on historic trends (through 2017))
- Assumes demolition rate of 0.2% (based on historic CAGR for last 5 years)
- Assumes a stabilized average vacancy of 4.5% by 2040 (based on historic 5-year average)

This is a preliminary forecast that is largely dependent on various factors, including:

- Broader economic conditions or cycles: Macroeconomic or "redevelopment/infill environment" cycling
- Land limitations/site assembly efforts
- Intensification of existing space or upcycling product
- Level of public financial intervention

DEVELOPMENT POTENTIAL: Recent Development Trends

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Source: CoStar, ESRI, SB Friedman

SB Friedman Development Advisors

Industrial Sector

- Warehouse
- Manufacturing
- Distribution
- Other Industrial
- Flex
- Under Construction or Proposed

Rentable Building Area (SF)

- Less than 50,000
- 50,000 – 200,000
- 200,000 – 500,000
- More than 500,000

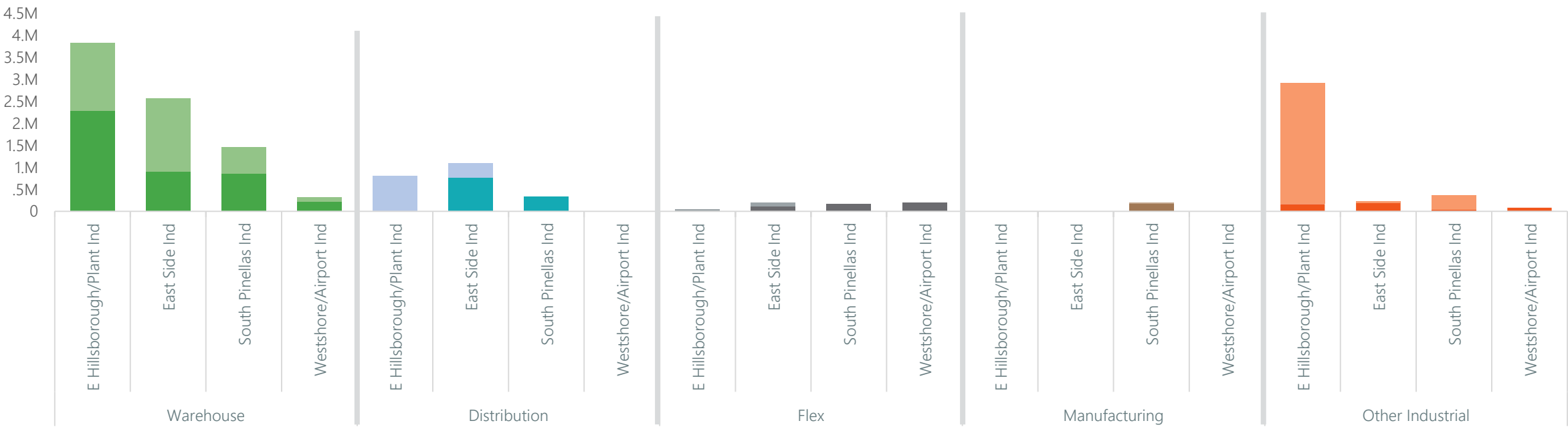
- Approximately 9.2M SF of industrial developed in the Tri-County region since 2010
- Approximately 11.9M SF proposed/under construction
 - Across the four study submarkets, warehouse is the leading recent industrial use with 4.2M SF constructed since 2010 and 3.9M SF proposed or under construction
 - Of the four study submarkets, E Hillsborough/Plant has the most SF proposed/under construction projects at 5.1M SF
 - 'Other industrial' (2.7M SF)
 - Warehouse (1.5M SF)
 - Manufacturing has seen the least new construction since 2010
 - Of the four submarkets, only South Pinellas has seen new manufacturing space since 2010 (160K SF) or proposed/under construction projects (25K SF)

DEVELOPMENT POTENTIAL: Recent Development Trends

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- Pinellas County has captured a significant portion of recent flex and manufacturing development since 2010

Rentable Building Area by Industrial Type,
Existing and Proposed/Under Construction, 2010 to Current



Source: CoStar, ESRI, SB Friedman

Proposed/Under Construction
Existing

Note: 'Other Industrial' includes industrial buildings for which no secondary property type is given. 'Flex' includes all projects defined as flex by CoStar. Flex secondary property types include light manufacturing, light distribution, R&D, showroom, data hosting.

PROTOTYPES: Warehouse

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Pinellas



4701 Ulmerton Rd, Clearwater			
Submarket	South Pinellas	Year Built	2019
Sq. Ft.	65,000	Parking	4.0/1000 sf
FAR	0.45	Avg. Rent	\$5.40 PSF
Vacancy*	55%	Spec/Suit	Speculative
Tenant(s)	N/A		



12449 Enterprise Blvd, Largo			
Submarket	South Pinellas	Year Built	2018
Sq. Ft.	76,000	Parking	N/A
FAR	0.61	Avg. Rent	N/A
Vacancy	0%	Spec/Suit	Speculative
Tenant(s)	Cousin Corporation of America		



Cross Bayou Industrial Park 12616 62 nd Street, Largo			
Submarket	South Pinellas	Year Built	2018
Sq. Ft.	50,000	Parking	2.0/1000 sf
FAR	0.20	Avg. Rent	\$4.00 PSF
Vacancy	0%	Spec/Suit	Speculative
Tenant(s)	N/A		

- Warehouse buildings are primarily used for business-to-business purposes and are designed for the long-term storage of products
- Industries which utilize warehouse products vary widely but predominately include non-QTI industries such as supply companies and food processing/distribution

Market Trends

- Typically multi-tenant and are being developed speculatively
- Class A products in the South Pinellas submarket have commanded rental rates ranging from \$4.80 to \$5.90 PSF
 - Newer competitive products in East Side and Southeast Hillsborough have slightly lower rental rates, ranging from \$3.90 to \$5.25 PSF

Regional



NewSouth Commerce Park 4350 Williams Rd, Tampa			
Submarket	E Hillsborough/Plant	Year Built	2018
Sq. Ft.	643,000	Parking	0.02/1000 sf
FAR	0.38	Avg. Rent	\$4.50 PSF
Vacancy*	0%	Spec/Suit	Speculative
Tenant(s)	Colonial Distributing, Ferguson HVAC, American Metals Supply		



I-4 Logistics Center 1003 N. Taylor Rd, Seffner			
Submarket	E Hillsborough/Plant	Year Built	2019
Sq. Ft.	425,000	Parking	N/A
FAR	0.26	Avg. Rent	\$5.25 PSF
Vacancy*	100%	Spec/Suit	Suit
Tenant(s)	N/A		



County Line Logistics Center 3838 Fancy Farms Rd, Plant City			
Submarket	E Hillsborough/Plant	Year Built	2019
Sq. Ft.	1,100,000	Parking	N/A
FAR	0.38	Avg. Rent	\$4.20 PSF
Vacancy*	100%	Spec/Suit	Speculative
Tenant(s)	N/A		

Building Requirements

- Newer products have required at least 30' ceiling heights, 40'x50' column spacings, and 40 or more loading docks
- Larger building sizes for warehouses are seen in Hillsborough County (80,000 – 400,000 SF) compared to Pinellas County (30,000-120,000 SF)
- Pinellas County products typically have higher FAR due to their smaller lot sizes. Developers optimize available land given existing constraints

Source: CoStar; SB Friedman

PROTOTYPES: Distribution

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Pinellas



Hatfield Business Center 11395 66th St. Largo			
Submarket	South Pinellas	Year Built	2009
Sq. Ft.	25,000	Parking	0.8/1000 SF
FAR	0.25	Avg. Rent	\$11 PSF
Vacancy	9%	Spec/Suit	Speculative
Tenant(s)	Earl Pruitt Well & Pump, The Right Equipment		



Starkey Lakes CC 8585 126th Ave. Largo			
Submarket	South Pinellas	Year Built	2017
Sq. Ft.	96,000	Parking	1.7/1000 SF
FAR	.31	Avg. Rent	N/A
Vacancy	0%	Spec/Suit	Speculative
Tenant(s)	Monin		



FedEx Distribution Center 1950 102nd Ave. St. Pete			
Submarket	South Pinellas	Year Built	2017
Sq. Ft.	237,000	Parking	N/A
FAR	.09	Avg. Rent	N/A
Vacancy	0%	Spec/Suit	Suit
Tenant(s)	FedEx		

Regional



Madison Distribution Center 5102 Joanne Kearney Blvd. Tampa			
Submarket	East Side	Year Built	2017
Sq. Ft.	272,000	Parking	N/A
FAR	N/A	Avg. Rent	\$4.80 PSF
Vacancy*	2%	Spec/Suit	Speculative
Tenant(s)	N/A		



301 Business Center 9250 Columbus Dr. Tampa			
Submarket	East Side	Year Built	2019
Sq. Ft.	859,000	Parking	N/A
FAR	0.38	Avg. Rent	\$3.60 PSF
Vacancy*	30%	Spec/Suit	Speculative
Tenant(s)	N/A		



Amazon Distribution Center 3350 Laurel Ridge Ave. Ruskin			
Submarket	SE Hillsborough	Year Built	2014
Sq. Ft.	1,020,000	Parking	N/A
FAR	0.30	Avg. Rent	N/A
Vacancy	0%	Spec/Suit	Suit
Tenant(s)	Amazon		

Source: CoStar; SB Friedman

- Typical users are "TDL" - transportation, distribution and logistics - as well as packaging companies

Market Trends

- Both products in Pinellas County and throughout the region have primarily been built speculatively for multi-tenant users
- There has only been two new distribution center products developed in Pinellas County since 2010
- Newer products in South Pinellas have leveraged rents between \$4.75-\$5.80 PSF while regional competitors in areas such as Southeast Hillsborough County and East Side have lower rates ranging from \$4.00 to \$5.50 PSF

Building Requirements

- Regional products in Southeast Hillsborough County and East Side are typically larger (59,000 – 440,000 square feet) than their Pinellas County counterparts (25,000 to 237,000 square feet)
- Building requirements include ceiling heights of at least 24', column spacing of 50'x50', and an average of 35 loading docks per development

PROTOTYPES: Flex

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General



9250 Camden Field Pkwy Riverview			
Submarket	East Side	Year Built	2018
Sq. Ft.	90,000	Parking	N/A
FAR	0.27	Avg. Rent	\$10.30 PSF
Vacancy	0%	Spec/Suit	Suit
Tenant(s)	Metrohm		

General



4802 Lena Rd, Bradenton			
Submarket	Manatee	Year Built	2017
Sq. Ft.	16,000	Parking	N/A
FAR	0.11	Avg. Rent	\$11.20 PSF
Vacancy	0%	Spec/Suit	Speculative
Tenant(s)	Advanced Enviro Care		

General



6899 Bryan Dairy Rd, Largo			
Submarket	SE Hillsborough	Year Built	2013
Sq. Ft.	28,000	Parking	N/A
FAR	0.33	Avg. Rent	\$5.80
Vacancy	0%	Spec/Suit	Speculative
Tenant(s)	Curbell Plastics, Inc.		

Refrigeration/Cold Storage



1410 Gordon Food Service Dr			
Submarket	E Hillsborough/Plant	Year Built	2016
Sq. Ft.	160,000	Parking	0.6/1000 SF
FAR	N/A	Avg. Rent	\$5.20 PSF
Vacancy	0%	Spec/Suit	Suit
Tenant(s)	Gordon Food Service		

Source: CoStar; SB Friedman

Light Manufacturing



Tomato Packing House 2619 14th Ave SE, Ruskin			
Submarket	SE Hillsborough	Year Built	2014
Sq. Ft.	20,000	Parking	N/A
FAR	0.10	Avg. Rent	N/A
Vacancy	0%	Spec/Suit	Suit
Tenant(s)	A&L Farms		

Showroom



4802 Lena Rd, Bradenton			
Submarket	Manatee	Year Built	2017
Sq. Ft.	13,500	Parking	5.5/1000 SF
FAR	0.11	Avg. Rent	\$15 PSF
Vacancy	35%	Spec/Suit	Speculative
Tenant(s)	Advanced Enviro Care		

- Flex buildings blend industrial and office spaces; typical flex buildings are comprised of at least 25% office spaces
- Industries which typically utilize flex spaces include biotechnology, data processing and other information technology industries

Market Trends

- Pinellas County has seen less than 100,000 square feet of new flex space development in the last 10 years
 - Newer flex space has been delivered primarily in established industrial submarkets such as East Side, as well as in Manatee County and other peripheral submarkets
- Both products in Pinellas County and throughout the region have primarily been built speculatively for multi-tenant users
- Newer products in both Pinellas County and the region have varying rent rates depending on the proposed industrial use
 - Manufacturing or distribution uses may command rents of \$4.00-\$10.00 PSF while other uses such as showrooms have rents of at least \$15 PSF

Building Requirements

- Regional products in Southeast Hillsborough County and East Side are typically larger (59,000 – 440,000 square feet) than their Pinellas County counterparts (25,000 to 100,000 square feet)
- Building requirements ultimately depend on the use of the flex space
 - Spaces with some manufacturing or distribution component typically require at least 18' ceiling heights and 10 or more loading docks

PROTOTYPES: Manufacturing

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Pinellas



11000 Gandy Blvd, St. Pete			
Submarket	South Pinellas	Year Built	2014
Sq. Ft.	37,000	Parking	N/A
FAR	0.27	Avg. Rent	N/A
Vacancy	0%	Spec/Suit	Speculative
Tenant(s)	Maxi-Blast, Inc		



12575 71st Ct, Largo			
Submarket	South Pinellas	Year Built	2011
Sq. Ft.	47,000	Parking	N/A
FAR	0.42	Avg. Rent	N/A
Vacancy	0%	Spec/Suit	Speculative
Tenant(s)	Work Tools International		



6451 126th Ave, Largo			
Submarket	South Pinellas	Year Built	2013
Sq. Ft.	83,000	Parking	N/A
FAR	0.22	Avg. Rent	N/A
Vacancy	0%	Spec/Suit	Speculative
Tenant(s)	Parallon		

Regional



421 Hobbs St, Tampa			
Submarket	East Side	Year Built	2008
Sq. Ft.	15,000	Parking	1.3/1000 SF
FAR	0.58	Avg. Rent	\$5.80 PSF
Vacancy	0%	Spec/Suit	Speculative
Tenant(s)	Flags Unlimited		



1423 Gunn Highway, Odessa			
Submarket	Pasco	Year Built	2009
Sq. Ft.	72,000	Parking	0.6/1000 SF
FAR	0.15	Avg. Rent	N/A
Vacancy	0%	Spec/Suit	Suit
Tenant(s)	Leveredge		



Suncoast Industrial Park 15800 Hudson Ave, Spring Hill			
Submarket	Pasco	Year Built	2008
Sq. Ft.	80,000	Parking	2.5/1000 SF
FAR	0.12	Avg. Rent	\$6.60
Vacancy	0%	Spec/Suit	Speculative
Tenant(s)	Leggett & Platt		

Source: CoStar; SB Friedman

- Manufacturing developments provide space required to produce goods from raw materials
- QTIs which often rely on manufacturing space include aviation/aerospace, medicinal/pharmaceutical, and military/defense

Market Trends

- There has been limited manufacturing development in the tri-county region since 2010
 - Only 180,000 square feet of manufacturing space has come online in the past 10 years. Additional manufacturing development has occurred in new greenfield industrial/business parks in Manatee County
- Pinellas County products have been built speculatively for single tenant users while regional products have typically been build-to-suit
- Newer products in South Pinellas have commanded rents between \$6.10 and \$8.10 PSF, which is comparable to other regional competitors in East Side and Pasco County

Building Requirements

- Newer manufacturing spaces throughout the region typically encompass less than 100,000 square feet per building
- Building requirements include ceiling heights of at least 20', preferably greater than 30'

PROTOTYPES: Priority Industrial Typologies

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Typology	Warehouse	Distribution	Flex	Manufacturing
Tenants	Non-QTI	Non-QTI	QTI	QTI
Building Size (SF)	30,000 – 120,000 SF	25,000 – 237,000 SF	25,000 – 100,000 SF	<100,000 SF
Land Area (Acres)	3 – 50 acres	10 – 120 acres	2 – 20 acres	1 – 10 acres
FAR	0.1 – 0.6	0.1 – 0.3	0.1 – 0.3	0.1 – 0.4
Rents	\$4.80 to \$5.90 PSF	\$4.75-\$5.80 PSF	\$4.00-\$10.00 PSF	\$6.10-\$8.10 PSF
Typical Location	Transportation-oriented	Transportation-oriented	More flexible	More flexible
Priority Typology	No	No	Yes	Yes

Source: CoStar; SB Friedman

DEVELOPMENT PROTOTYPE

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	Flex Industrial	Manufacturing Industrial
DEVELOPMENT PROGRAM		
Gross Land Area (acres)	6	11
Gross Building SF (GSF)	50,000	100,000
Stories	1	1
Floor Plate (SF)	50,000	100,000
FAR	0.2	0.2
Parking Ratio (Stalls per 1,000 sf)	1	1
Surface Parking Stalls	70	120
Structured Parking Stalls(prorated by total SF)	-	-
ASSUMPTIONS - DEVELOPMENT COST		
Hard Costs per GSF	\$75	\$69
TI Allowances	\$40	-
Soft and Financing Costs, Developer Fee (as a % of TDC net of land)	32%	32%
Hard Costs per Structured Parking Space	-	-
ASSUMPTIONS - CASH FLOW		
Annual Rent per RSF (Gross office / NNN industrial)	\$11	\$8
Annual Net Parking Revenue per Stall	\$0	\$0
Operating Costs (% of Revenue)	0%	0%
Property Taxes (per GSF)	\$0.00	\$0.00
Vacancy Loss	5%	5%
Capitalization Rate	7.00%	6.75%

Source
SB Friedman Calculation
SB Friedman Calculation
CoStar
CoStar
CoStar
CoStar
SB Friedman Calculation
SB Friedman Calculation
RS Means; Flex assumes weighted average between suburban office and manufacturing hard costs
SB Friedman
RS Means; SB Friedman
N/A
CoStar
N/A
RS Means; SB Friedman
N/A
SB Friedman
RERC 4Q 2018 Going-In Cap Rate Tampa Flex and Warehouse/Flex blended average

CHALLENGES TO DEVELOPMENT

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- 1) Competition
- 2) Obsolete buildings
- 3) Available land and infrastructure
- 4) Financial Feasibility
- 5) Workforce Housing

CHALLENGES: Industrial Competition

Municipalities compete regionally – and nationally – for Industrial Target Industries

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- Ability to attract is dependent on key site selection factors



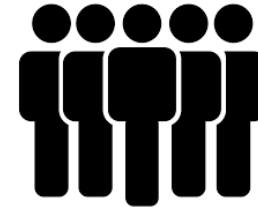
ACCESSIBILITY / INFRASTRUCTURE:

Ability to easily access other markets or infrastructure necessary to conduct business



BUSINESS FRIENDLY ENVIRONMENT:

Government/culture is welcoming to businesses and makes doing business easy



TALENT / LABOR FORCE:

Pool of workers with necessary skills or workforce development resources to develop them over time



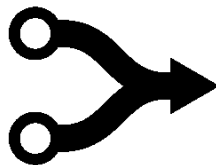
QUALITY OF LIFE:

Desirability as a place for employees to live and work



INCENTIVES:

Availability of incentives from public sector



CONSOLIDATION:

Combining multiple existing sites into a single site



FACILITIES / REAL ESTATE:

Availability of desirable, development-ready sites on company's timeline



SUPPLIER BASE:

Proximity to industrial inputs

CHALLENGES: Industrial Competition

Public entities are utilizing both jobs-based and real estate development incentives

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- Observed incentive deals for industrial development in the Southeast include incentives for jobs and improvements to real estate
 - State-level assistance for jobs but also for site improvements
 - County/local assistance primarily for acquisition, site improvements, or tax relief
- Identified industrial development, similar to what may be developed in Pinellas County, to identify incentive tools being utilized by other public entities
 - Reviewed media coverage, industry publications, company statements, and government sources to understand incentivized industrial deals across the Southeast
- Pasco County has used Penny to attract industrial development
 - Pasco County applies 20% of its Penny for Pasco proceeds to economic development and job creation
 - Penny for Pasco proceeds have been used to support jobs-based assistance, permitting and impact fee relief, worker training, and road construction
 - It has also been used to match the Florida Qualified Target Industry Tax Refund Program

Incentives for industrial development vary based on need and challenges to development. Penny IV funds could be used to support extraordinary capital costs prohibiting industrial development in the County.

CHALLENGES: Competition

Incentivized Industrial Development in Pasco County, Florida

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	Mettler Toledo	TouchPoint Medical	Welbilt
City	Lutz, FL	Odessa, FL	New Port Richey, FL
Square Feet	250,000	125,000	25,000
Sector	Manufacturing	Engineering and Manufacturing (Headquarters and manufacturing facility)	Manufacturing (Lab, test kitchen, customer service center)
State Incentives	\$2,750,000 in Florida Qualified Target Industry (QTI) Tax Refund Program [1]	\$696,000 in Florida QTI Tax Refund Program [1]	\$480,000 in Florida QTI Tax Refund Program
County Incentives [2]	<ul style="list-style-type: none"> • \$3,050,000 in road construction; • \$1,972,000 in Job Creation Incentives; • \$550,000 in QTI matching funds; • Waived impact, mobility, permitting, connection fees; • \$200,000 for worker training; • 75% tax rebate; 	<ul style="list-style-type: none"> • \$464,000 in Job Creation Incentives (incl. JCI matching funds); • Waived impact fees, mobility fees paid by County; • \$150,000 in permitting costs; • \$100,000 for worker training; • \$980,000 in property tax rebates 	<ul style="list-style-type: none"> • \$550,000 in Job Creation Incentives (incl. QTI matching funds); • Waived impact fees, mobility fees paid by County; • \$50,000 in permitting costs; • \$50,000 for worker training; • Property tax rebate
Jobs	493 (new to Pasco) (Avg. wage of \$51,578)	298 (228 new to Pasco, 116 new to FL) (Avg. wage of \$57,500)	110 new jobs (Avg. wage of \$68,770)

[1] Estimate

[2] **Bold orange text** indicates items funded via Penny for Pasco proceeds

Sources: Business Observer, The Laker / Lutz News; Pasco County, FL; Tampa Bay Times; Welbilt

Photo Source (L to R): The Laker / Lutz News; Pasco County, FL

CHALLENGES: Competition

Incentivized Industrial Development in Southeast US

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	Beretta USA Corp.	Celgard, LLC	OXCO, Inc.
City	Gallatin, TN	Concord, NC	Fort Mill, SC
Square Feet	156,000	150,000	150,000
Sector	Research and Manufacturing	Research and Manufacturing	Manufacturing
State Incentives	\$8M for construction and building improvements; \$2.4M for job training; \$1.9M loan for road construction forgiven	\$18.6M in JDIG and One North Carolina Fund (One NC Fund is for equipment, building improvements, or infrastructure)	Job development tax credits; \$200K to County for real property improvements
County Incentives	--	\$350,000 for land acquisition \$1.6M in property tax relief	Site improvements (road construction) to make 21 acre site in business park developable
Local Incentives	80% tax reduction (PILOT); 100 acres in industrial park at no cost (\$1.75M value)	\$350,000 for site preparation, \$820,000 in grants as investment hurdles reached	--
Jobs	300	223	130

Sources: Area Development; Cision Distribution by PR Newswire; Economic Development Partnership of North Carolina; Independent Tribune; MPV Properties, LLC; Nashville Business Journal; North Carolina Institute for Constitutional Law; South Carolina Power Team; Tennessean
 Photo Source (L to R): Pattillo Construction Company; Celgard, LLC; Shelco LLC

CHALLENGES: Obsolete Buildings

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Existing industrial buildings are older and do not meet modern users' needs

- Class A and B flex spaces in the County are older than their regional counterparts
 - Also contain fewer loading docks and do not contain reinforced concrete
- Industrial spaces in the County are typically smaller
 - Limited available land for development requires higher efficiency of land usage for County products

Extraordinary costs associated with rehabilitation of obsolete buildings may limit future improvements

	Flex		Manufacturing	
Location(s)	Existing Supply - Pinellas County	Development Prototype	Existing Supply - Pinellas County	Development Prototype
Average Building Age	43 years	Newer Construction	30 years	Newer Construction
Average Building SF	15,000 SF	50,000 SF	62,000 SF	100,000 SF
Loading Docks	3	5	6	10
Ceiling Height Range	18-20 feet	18-24 feet	16-18 feet	Varies; up to 36 feet
Parking Ratio	2.2/1,000 SF	5/1,000 sf	1.4/1,000 SF	1.3/1,000 SF
Acres	5 acres	6 acres	6 acres	12 acres
Building Material(s)	Masonry, Metal	Masonry, Metal, Reinforced Concrete	Masonry, Metal, Reinforced Concrete	Masonry, Metal, Reinforced Concrete

Source: CoStar; Informant Interviews; NAIOP, the Commercial Real Estate Development Association; Real Estate Center; SB Friedman; ULI

CHALLENGES: Available Land and Infrastructure

Barrier for both office and industrial development

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Limited land availability, per County's 2008 TIELS study

- Industrial land is limited and threatened with conversion to retail/residential
- More land is needed for targeted job growth than is vacant
- To reach jobs targets, maintain existing land resources and encourage more intense use of land

Infrastructure

- Informant interviews indicated need for additional power, stormwater detention, high-speed internet
- Pinellas by Design identifies the costs associated with removing obsolete infrastructure and replacing it with new infrastructure as challenge for redevelopment sites
- TIELS study indicated a good local transportation network, but also the need for roadway and public transit investments

Infrastructure investment and land assembly/cost write-down are public sector mechanisms to create marketable, shovel-ready sites

CHALLENGES: Industrial Financial Feasibility

Residual land value model: analysis framework

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The residual land value analysis evaluates project feasibility through a financial gap analysis approach. Stabilized pro formas by land use were developed for each prototypical development. Assumptions within the analysis were derived from SB Friedman’s experience with comparable projects in the Pinellas County market and elsewhere, as well as from third-party industry data sources.

- Estimated total development costs (TDC) and stabilized market value. The difference is the amount available for land costs.
- If stabilized market value is greater than or equal to TDC, then the project is feasible, depending on cost of land. If stabilized market value is below TDC, the project is likely not feasible without public assistance.

The following pages illustrate the financial feasibility of prototypical market-rate industrial projects, outlining key assumptions and sensitivities.

ANALYSIS FRAMEWORK | Market Rate Development

TOTAL DEVELOPMENT COSTS

Land Costs
+ Hard Costs
+ Soft & Financing Costs
+ Developer Fees
= **Total Development Costs**

MARKET VALUE

Rents/Revenues
- Operating Costs
- Taxes
- Vacancy
= Net Operating Income (NOI)
÷ Capitalization Rate
= **Market Value**

PROJECT FEASIBILITY

Total Development Costs
- Market Value
= **Amount Available for Land
Funding Gap/(Surplus Profit)**

CHALLENGES: Industrial Financial Feasibility

Residual land value model: results

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- Estimated **residual land value** for each development prototype based on market research
- High-level assessment based on available market data, assuming clean buildable land
- Analysis is sensitive to: construction costs/SF, level of tenant build out, rents, and cap rates

	Flex Industrial	Manufacturing Industrial
DEVELOPMENT COSTS (EXCLUDING LAND)		
Hard Costs (Building)	\$3,760,000	\$6,920,000
+ TI Allowance	\$500,000	\$0
+ Soft and Financing Costs, Developer Fee (of building only, not garage)	\$1,363,200	\$2,214,400
+ Parking Construction Costs (Structured)	\$0	\$0
= Total Development Costs (with parking)	\$5,623,200	\$9,134,400
Development Costs per GSF of Building (with parking)	\$110	\$90
MARKET VALUE (Market Rate Calculations)		
Gross Rents/Revenues	\$550,000	\$800,000
+ Parking Revenues	\$0	\$0
- Operating Costs	\$0	\$0
- Parking Operating Costs	\$0	\$0
- Property Taxes	\$0	\$0
- Vacancy Loss	-\$30,000	-\$40,000
= Net Operating Income	\$520,000	\$760,000
÷ Capitalization Rate	7.0%	6.75%
= Market Value of Project	\$7,430,000	\$11,260,000
Market Value per GSF of Building	\$150	\$110

New development may not be financially feasible, depending on land price, given current market conditions

AMOUNT AVAILABLE FOR LAND PURCHASE	\$1,806,800	\$2,125,600
Amount Available for Land Purchase (\$ PSF)	\$7	\$4

CHALLENGES: Available New Construction Workforce Housing

Workforce housing for new and existing Target Industry employees could help bolster economy

Employers in key sectors have expressed concern regarding the availability of housing products to retain and attract new employees at the Target Income levels within the County (80%-120% AMI)

- Households at this AMI level are able to afford legacy (product built prior to 2010), newer construction (resales built after 2010), and new construction homes
- “Competitive” newer and new construction housing projects are located within a one-hour drive time of the Gateway Area of Pinellas County in the neighboring counties
- Future housing development will likely be constrained by available land. Creating new sites will likely require redevelopment, which is generally more complex and expensive than greenfield development

Single-Family Detached

- Product within the County includes older product, as well as a limited amount of newer construction product built since 2010
- For the same price, homebuyers can purchase newly constructed single-family detached homes in nearby counties that include more space at lower costs per square foot, more bedrooms, and more amenities

Single-Family Attached

- Homebuyers may choose to purchase single-family attached products based on location and lifestyle preferences
- Newer product within the County is comparable to newer single-family attached products being delivered across the Competitive Area in terms of unit square feet, bedroom and bathroom mixes, and price
- Condos are typically desirable in urban, walkable areas and/or with access to water; Townhomes are desirable in suburban subdivisions and along major arterials

Apartments

- Several projects have recently delivered within the County without financial assistance

PENNY IV OFFICE STRATEGY: Conclusions

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- South Pinellas is the largest industrial market in the region and comprises the largest stock of manufacturing space in the region
- There may be demand for nearly 10 million square feet of net new industrial development through 2040
- The ability to attract new Target Industry employers to Pinellas County may be limited by competition throughout the region and nation, the presence of obsolete buildings that do not meet the needs of modern users, available land and infrastructure, financial feasibility, and available new construction housing
- Target Industry employers in industrial sectors would most likely located in newer flex industrial or manufacturing buildings
- Penny IV Economic Development funds could be used to address identified challenges to real estate (re)development that would otherwise not occur through strategic investment in capital projects for economic development

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PENNY IV STRATEGY

PENNY IV STRATEGY: Real Estate Intervention

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Goal statement

The County can provide Penny IV Funds for strategic investment in economic development capital projects to address identified challenges which prevent or limit economically beneficial real estate (re)development from occurring. The goal of the County is to facilitate a strong and robust local economy that provides growth opportunities for existing businesses and attracts new target industry employers to Pinellas County.

Penny IV Economic Development Program Framework

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Penny IV Economic Development Program			
Eligible Projects	New Construction, Expansion, Conversion or Rehabilitation to Develop Office and Industrial Buildings	Site-Readiness Capital projects to support publicly-led land assembly and/or site preparation to create publicly-owned shovel-ready office and/or industrial development sites for future development	Public Infrastructure Capital projects to support publicly-led infrastructure projects that support the recruitment, retention, and expansion of opportunities for target industry companies.
Eligible Uses of Funds	Capital Projects, including but not limited to: Land acquisition Extraordinary site-preparation costs (demolition, environmental remediation) Regional and site stormwater solutions (e.g. vaulted retention, water/wastewater installations/upgrades) Dual-feed electricity Construction of new office and industrial buildings and space Substantial rehabilitation of existing buildings Construction of structured parking Public infrastructure (water, sewer, roads) Other extraordinary development capital costs		
Ineligible uses of funds (including but not limited to)	Non-capital expenditures, including but not limited to, operating and maintenance expenses and cash incentives.		

Limitations of Our Engagement

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Our report is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry, and meetings during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report, and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report or to reflect events or conditions that occur subsequent to the date of the report. These events or conditions include, without limitation, economic growth trends, governmental actions, additional competitive developments, interest rates and other market factors. However, we are available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our study did not ascertain the legal and regulatory requirements applicable to this project, including zoning, other state and local government regulations, permits and licenses. No effort was made to determine the possible effect on this project of present or future federal, state or local legislation, including any environmental or ecological matters.

Further, we neither evaluated management's effectiveness, nor are we responsible for future marketing efforts and other management actions upon which actual results will depend.

Our report is intended solely for your information and for submission to the Joint Review Committee and should not be relied upon by any other person, firm or corporation or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or any document intended for use in obtaining funds from individual investors.

We acknowledge that our report may become a public document within the meaning of the freedom of information acts of the various governmental entities. Nothing in these terms and conditions is intended to block the appropriate dissemination of the document for public information purposes.

Appendix B: Limitations of Engagement

Our report is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry, and meetings during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report, and the variations may be material.

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