

June 8, 2021

Pam Akin
City Attorney
City of Clearwater
One Clearwater Tower, 6th Floor
600 Cleveland St.
Clearwater, FL 33756

Dear Pam:

Following our recent conversation, HR&A Advisors, Inc. ("HR&A") is pleased to submit this task order to continue to support the City of Clearwater (the "City") during the negotiations with City Center Development ("CCD"). CCD was recently designated by City Council as the preferred respondent to the public request for proposals ("RFP") issued by the City in January 2021 for the redevelopment of the three City-owned sites along the Bluff—Harborview, City Hall, and Pierce Street.

We are delighted to be able to continue supporting the City in the realization of the Imagine Clearwater vision, a project that will have transformative impacts for downtown and enhance Clearwater's competitiveness in the region. This most recent phase of work will build upon our history of service to the City on Imagine Clearwater, including leading the original master plan, providing initial development feasibility analyses for the Bluff sites, drafting of solicitation documents, and recent support in the City's evaluation of RFP responses.

We understand the City expects this task order will cover the period from receiving notice to proceed through Thursday, August 19, 2021, when the City staff will present term sheets for a transaction and development agreement with CCD to City Council. If City Council approves the term sheets, the City and CCD will move to jointly plan and prepare for public referendum scheduled for March 15, 2022, required for the transaction of the Harborview and the City Hall sites.¹ Upon an affirmative referendum outcome, the City and CCD would develop the term sheets negotiated at this stage into full transaction and development agreements for execution in the spring of 2022.

Support from HR&A to the City and CCD during the referendum planning and pre-development stages after August 19, 2021, is subject to a new task order.

Scope of Services

HR&A will support the City through the following activities:

- 1. Ongoing participation in meetings and communications:** We understand City staff will be responsible for leading communications and coordinating timelines, meetings, and overall workflow with CCD. HR&A will be available to prepare for and participate in internal coordination meetings with City staff and external meetings with CCD and inform the development of written communications, as needed.²

¹ A public referendum could also be required for the Pierce St. site if CCD's financial offer does not meet the fair market value determined in the City appraisals for the site from January 15, 2021.

² For purposes of budgeting, we are assuming up to 8 internal meetings and up to 4 external meetings with CCD. We assume remote participation for all meetings via web conference.

2. **Refinement of site program and plan:** As a first step in the negotiation, HR&A will be available to support City staff as needed as it engages in conversations with CCD about potential programmatic, design, and planning changes to their RFP response plans. We expect this refinement to be completed by the end of June 2021, being the base for a revised financial plan and financial offer in subsequent activities.
3. **Financial due diligence:** HR&A will conduct an evaluation of CCD's revised financial plans and models, incorporating any programmatic or site planning changes resulting from the prior activity. The purpose of this due diligence is to identify any potential discrepancies between their cost, revenue, and financing assumptions and current market conditions, as well as any questionable methodological approaches to determining financial returns. This will allow us to establish 1) whether the timing and magnitude of the public incentives requested for each site are justified and 2) whether CCD can reasonably afford to increase their financial offers for the three sites to the City while meeting a financial return which is aligned with current market expectations. HR&A will summarize key findings from this financial due diligence on a brief memorandum to inform negotiations.
4. **Production of draft term sheet(s):** We understand the City will need to address two categories of items at this state of negotiations, including the transaction of the sites and, more broadly, the programmatic and planning requirements for the sites and the roles and responsibilities of CCD and the City throughout the pre-development and development process, including the public referendum. These two categories of terms will be part of the same term sheet.
 - a. Ground lease and sale agreement terms: HR&A will review any precedent or template term sheets for ground lease and sale agreements the City or the Community Redevelopment Agency may have used recently. We will expand them and propose any modifications based on our experience working in similar transactions and best practices, leading the drafting of a term sheet for the transactions. The terms will reflect the findings from our financial due diligence on a reasonable financial offer and introduce provisions common to ground leases, such as ongoing rent escalations, periodic rent reevaluations, and potential participation clauses. Because these terms are closely related to the financial analysis, HR&A will lead their drafting in close collaboration with the City team.
 - b. Development agreement terms: Because many of the terms in development agreements are administrative and legal in nature, we expect City staff to take the lead on drafting these terms with support from HR&A. HR&A will comment and propose language with a focus on overall development plans, key business terms, and any terms relating to the transaction.

We expect the drafting of the term sheets to be an intense process of collaboration between the City and HR&A, which may require a few work sessions to have drafts to share with CCD by mid-July to allow for at least 3 weeks of actual meetings and negotiations on key terms with them before finalizing for City Council.

5. **Review of economic and fiscal impact study:** Per their RFP response, we expect CCD will be working on an economic and fiscal impact analysis of their proposed plan during this period. To the extent this study is finalized by August 19, 2021, and used as part of the negotiations, HR&A will be available to perform a high-level review of the study and identify any areas for clarification. Our focus will be predominantly on those projected revenue streams that impact the City's bottom line and would be considered as part of the negotiation of a financial offer (e.g., property taxes).

Cary Hirschstein will lead this work as Partner-in-Charge, with Ignacio Montojo serving as Project Manager, supported by additional HR&A consulting staff.

Budget & Invoicing

We will bill on a time and materials basis based on the rates below up to a cap of \$65,000 to deliver the above Scope of Services. Invoices will be issued monthly with payment due in 30 days. All work will be delivered remotely with participation over web conference, with no anticipated travel to Clearwater.

This estimate does not include any additional services, which may include additional meetings or tasks requested by the City beyond those noted in this proposal, extensions in schedule beyond the August 19th period, and responses to Sunshine information requests, which will be billed at time and materials under reasonable terms.

Public/Non-Profit Billing Rates

Personnel	Hourly Rate
Chair / Vice Chair	\$ 535
Senior Advisor	\$ 430 - \$535
Partner (Hirschstein)	\$ 430
Principal	\$ 380
Director (Montejo)	\$ 325
Senior Analyst	\$ 240
Analyst	\$ 190
Research Analyst	\$ 150
Admin	\$ 100

These rates are guaranteed through
December 31, 2021

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Thank you for the opportunity to continue supporting the City of Clearwater on this project to reinvigorate its downtown. If you agree with this task order, please return a signed copy to us. Should you have any questions or comments, please do not hesitate to contact at 212.977.2704 or cary@hraadvisors.com with any questions you may have.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Cary Hirschstein', followed by a long horizontal line.

Cary Hirschstein
Partner, HR&A Advisors, Inc.

AGREED AND ACCEPTED TO BY THE CITY OF CLEARWATER

Signature

Name and Title

Department, City of Clearwater

Date