

TRIUMPH GULF COAST, INC. PRE-APPLICATION FORM

The SANTA ROSA COUNTY BOARD OF COUNTY COMMISSIONERS approved the City of Gulf Breeze Medical and Technology Office Park Infill Redevelopment Project as a priority project for the Triumph first round submittal, and has submitted a letter of endorsement.

APPLICANT INFORMATION:

Name of Individual/Entity/Organization: **City of Gulf Breeze**

Brief Description of Background of Individual/Entity/Organization:

Gulf Breeze is a business-friendly municipality in South Santa Rosa County which consistently ranks amongst the nation's top rated most livable places, known for its innovative medical and technology industries, excellent schools, recreation amenities, and entrepreneurship whereby the peninsula-City provides 11% of the unincorporated area's utility services including Pensacola Beach. The City is 55 years old, founded by prominent business leaders in the Pensacola-region who value service-first.

Contact Information:

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Names of co-applicants, partners or other entities, organizations that will have a role in the proposed project or program: **Baptist Health Care System, AppRiver, Andrews Institute, Catalyst HRE, Santa Rosa County, City of Gulf Breeze.**

REQUIRED EXECUTIVE SUMMARY:

In a maximum of three (3) pages, please describe the proposed project or program, including (i) the amount of funds being sought from Triumph Gulf Coast; (ii) the amount and identity of other sources of funds for the proposed project or program; (iii) the location of the project or program; (iv) summary description of the proposed program, including how the program will be transformational and promote economic recovery, diversification, and enhancement of the disproportionately affected counties, and (v) a summary timeline for the proposed project or program.

IMPORTANT NOTICE

This pre-application process will not result in an award of funding by Triumph Gulf Coast. Rather, this process is designed to facilitate submission of ideas for potential projects or programs before the Applicant expends time and/or resources to complete a full Application. All Applicants for funding are required to complete an Application, which will be scored, and then considered for award in the discretion of Triumph Gulf Coast Board.

City of Gulf Breeze Medical and Technology Office Park Infill Redevelopment Project

The redevelopment of a 9.38-acre retail strip center with one vacant outparcel for the purpose of expanding adjacent medical and technology industries, namely AppRiver, Baptist Hospital System and Andrews Institute. To provide for adequate infrastructure, the City would acquire right-of-way from the rear of the Live Oak Village parcel and Harbourtown Village in order to construct a new parallel east/west road south of US-98 to move local traffic, as well as acquire on-site land to construct a public parking garage and pedestrian walk-over.

Summary Location and Description:

The Live Oak Village Shopping Center is located along Highway 98 at the eastern developed limits of the City, immediately adjacent to the Gulf Islands National Seashore - Naval Live Oaks Area. Baptist Hospital, Andrews Institute for Orthopedics and Sports Medicine, and AppRiver are located adjacent and across Highway 98 from the retail strip center. Catalyst HRE, a medical office space development company, has partnered with the City and Baptist in order to develop expansion plans for the site which will require the acquisition and tear down of the strip center, and the construction of a new connector road behind medical office space fronting Highway 98. The redevelopment of this site with a new connector road is included in the City's Most Livable City Master Plan, Comprehensive Plan, and the Community Redevelopment Area Plan.

The Live Oak Village site currently consists of underutilized retail use and fast-food. This site is strategically located at the southeast corner of two major crossroads and across from Baptist Hospital making it an ideal location for prime office space. The first phase of redevelopment for this site will consist of two large office buildings and two parking garages. The second phase will expand upon the first phase to create a live-work-play concept for the entire site. The second site will consist of multi-use development to match the City's new mixed-use zoning "MXD", by providing residential above retail and creating a walkable urban district within the city. A signalized intersection provides access to the new aligned entry road to Andrews and Baptist Hospital and access to the Graves Property and Live Oak site. This road, which provides access to the hotel and office sites, is the beginning of the southern parallel road to US 98 and runs westerly crossing Pensacola Beach Boulevard to McAbee Court and ultimately ties into Shoreline Drive.

Project Scope:

- Acquire property to construct a new parallel east/west road south of US-98 to move local traffic off Highway 98. The new parallel east/west road will require right-of-way from the back of the Live Oak Village parcel and Harbourtown.
- Acquire on-site property for a parking garage and pedestrian walk-over to serve the expanding medical and commerce industries, as well as recruit new targeted industries to the medical and technology office park.
- Move existing traffic signal at Live Oak Village east to provide better access to north and south properties.
- Provide new traffic signal and on-grade intersection at site of existing bridge flyover.

Leveraging Funds:

The Potential Bonding Capacity of the CRA is \$41-42 million. In Gulf Breeze, the CRA is able to utilize 74.3% of the annual tax increment (i.e., 25.75% of the annual increment is set aside for other costs associated with revitalization) for potential bonding capacity. Utilizing industry-standard financing terms and interest rates (currently projected at 4.75-5.00%), including a debt service coverage ratio of 1.25x, a revenue bond of \$41-42 million would require an annual payment of \$1.6 to \$1.7 million. Therefore, the City has the ability to finance a portion of the necessary capital improvements. This funding can be put toward surface or structured parking, stormwater facilities, roadway construction, or other public infrastructure.

Probable Cost Estimates:

At build out, private dollar construction costs would be an average of \$250-275 per square foot of gross building area. For the first phase of private construction this represents a minimum of \$36,000,000 of private investment.

The following are necessary public infrastructure components:

East/West Parallel Road: \$8,687,500

New Traffic Signals, 4-Leg Intersection: \$350,000.00

Parking Garage: \$9,000,000.00 (\$49/sq.ft)

Pedestrian Walk-Over: \$300,000.00

Property Acquisition for Roadway & Parking Garage: \$2,000,000.00

Total: \$20,337,500.00 (75/25 match)

Triumph Request \$15,253,125.00

City Match \$5,084,375.00

Economic Recovery and Enhancement:

WTL+a, a national real estate and economic consulting firm based in Washington, D.C., with extensive experience throughout Florida, was retained by VHB, Inc., on behalf of the City of Gulf Breeze, FL in March 2016 to prepare an economic analysis as part of a CRA Master Plan for the Highway 98 corridor through the City.

- Gulf Breeze accounts for roughly 23% of the County's gross office inventory. The City has maintained its share of the County's office market in the range of 23% to 24% over the past nine years;
- Despite its small inventory, **the City's office market is characterized by extremely low vacancies and higher rents** (as compared to the County) as well as limited/negative

absorption. In fact, the stock of medical office buildings has full/100% occupancy, and the vacancy rate among all other office buildings is only 0.4%. Across the entire inventory, vacancies peaked at 5.8% in 2008 and have since declined by 85% to only 0.3%;

- However, the lack of available office space has also limited net absorption/leasing activity.

Since 2007, net absorption in Gulf Breeze was **negative: -1,300 sq. ft.**, which has caused office rents in Gulf Breeze to jump by 30% since 2013;

- Total redevelopment of the site is projected to produce ad valorem revenue to Santa Rosa County of approximately \$600,000 annually; total direct and indirect jobs are projected at 576, representing \$28.6 million in annual salaries. Workforce estimates for this development would result in approximately 697 construction jobs.
- The main tenants of the first phase of the redevelopment, App River and Baptist Hospital, both have outgrown their current space and need to expand. Without additional space, they will have no choice but to locate outside of Santa Rosa County, removing hundreds of employees and the economic impact those employees have on retail, restaurant, and grocery sales, plus their associated sales taxes.

Summary Timeline:

2018: Property acquisition by Catalyst HRE/developer and the City
Lease buy-out/pre-leasing by Catalyst HRE

2019: Demolition and infrastructure construction including parallel road and parking garage

2020: Medical and Office Park construction

2022: Project completion

