

Development: Orange Station at the Edge
Developer: Edge Central Development Partners, LLC
address: 1300 1st Ave N, St. Petersburg
Type: Mixed Use with Office
Total Square Footage: 50,000 Class A Office
Total Development Costs: \$101MM /\$20MM
 (Total Development) / (Office Only)
Cost per SF: \$399
ESP Request: \$3,000,000
Per SF subsidy: \$60.00
ESP Criteria Score: 98



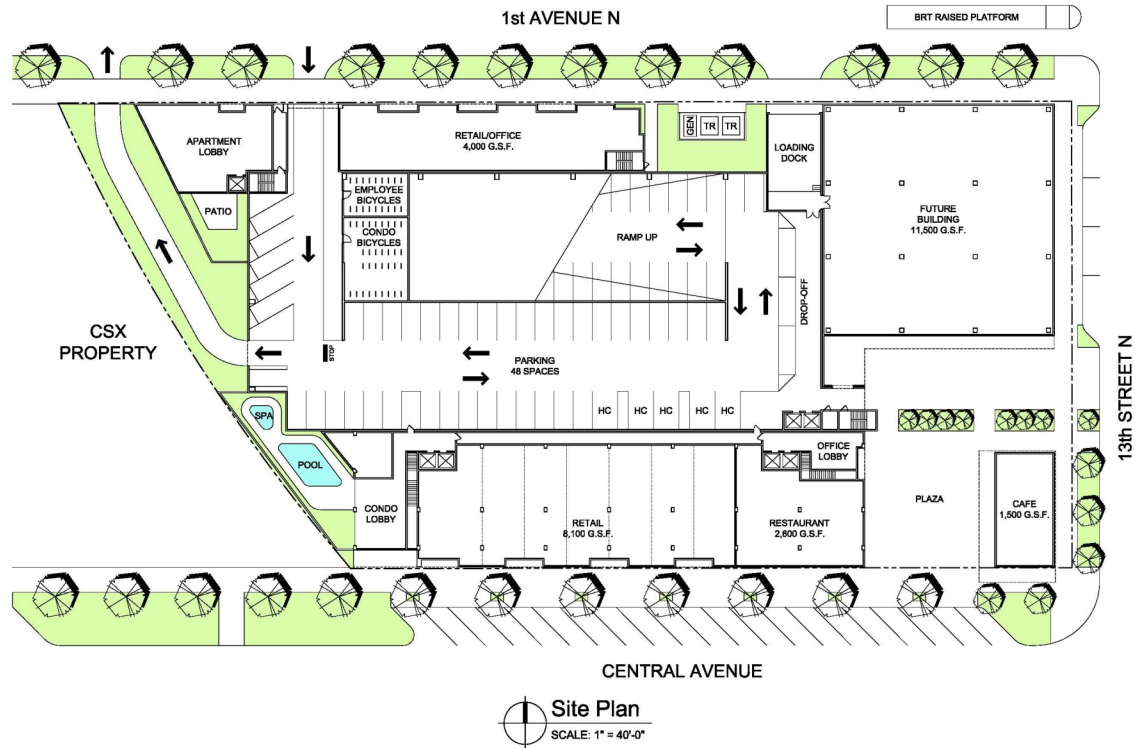
Summary: ESP application 45301, Orange Station at the Edge, is located on a single parcel on which the building was previously occupied by the St. Petersburg Police headquarters. The existing building will be demolished and redeveloped with 5 separate buildings in 2 phases. Phase 1 includes 50,000 (rentable) square feet of office, 61 condominium units and approximately 10,000 square feet of retail space in one building (the "mixed-use" building); and in separate buildings are a 600 space parking garage (with another 4,000 square feet of ground floor retail space) and 42 units of Workforce rental apartments. Phase 2 proposes development of 60,000 square feet into either an office building, or a boutique hotel.

The office space will be located on four levels (2-5) of a "mixed-use" building. The first level of the building will be retail and levels 6-16 will be residential condominium units. The office portion of the structure will be Type 1A construction as Class A office and will be LEED Certified. Floor plates will be 13,500 square feet. (55,000 gross square feet and 50,000 square feet of rentable area) with a ceiling height of 12' 4" top of slab to bottom of slab.

Industry standard returns required to attract investment capital for development of speculative multi-tenant office space are 8.5-8.75% of total project cost (the COVID pandemic and rising interest rates have pushed these return expectations higher given the perceived risk of the office sector). The project cost for this project is now \$399 per SF of rentable area, up from \$338 one year ago. Notably, this now includes a portion of the cost of the public parking garage in excess of a contribution from the City of St. Petersburg. Based on the project budget, the net rental rate required to achieve an 8.625% return on cost (assuming 5% vacancy) is \$36.25 per square foot on a triple net basis. Adding annual operating costs of \$11.00 per square foot to the net rate, the required full-service rental rate to generate industry standard returns would be \$47.25 per square foot. Forecast achievable market rental rates for the project upon delivery in late 2023/early 2024 are \$39.50-\$40.00 per square foot. The difference explains the financial gap of \$5.00-\$7.00 per square foot. The requested funding will reduce the overall project cost to a level that will generate industry standard returns at market rental rates.

Target Industry Linkage: The Orange Station project is the first speculative office space to be delivered in downtown St. Petersburg in 25 years in a market with currently only a 5% vacancy rate in Class A office space. Though the end user is not secured at this time, the development and leasing teams are targeting the target industries identified in city and county plans and the space can accommodate an estimated 260 positions.

Development Team: J Square Developers and DDA Development will share the development responsibility for the project. Other partners include Backstreet Capital LLC of St. Petersburg, Place Architecture, and Cushman and Wakefield for office leasing and marketing.



City of St. Petersburg Contributions: The applicant has provided the following information on contributions that they have received from the City and the CRA.

- ◆ Workforce Housing Loan approved \$2,000,000
- ◆ TIF for public parking spaces granted to underwrite 400 of the 600 spaces \$8,000,000
- ◆ Demolition grant \$450,000

The project is located within the Intown West CRA, but it no longer receives county TIF funds.

Staff Recommendation: Funding approval. This project aligns with the overarching goals of the program to assist the private sector in developing new space for target industries. The project is located in an Urban Activity Center and within a Target Employment Center overlay. It provides the County with new office space that is expected to be quickly absorbed due to the low vacancy rates within office structures at this time.