



Pinellas County

Staff Report

File #: 16-1581A, **Version:** 1

Subject:

Purchase and Sale Agreement with Industrial Realty Group, LLC for the Young-Rainey Science Technology and Research Center property.

Recommended Action:

Acting as the Pinellas County Industrial Development Authority d/b/a Pinellas County Economic Development Authority (PCEDA), approve and execute the Purchase and Sale Agreement (Agreement) with Industrial Realty Group, LLC (IRG) for the Young-Rainey Science Technology and Research (STAR) Center property located at 7887 Bryan Dairy Road, Largo, Florida 33777; and authorize the Chairman to execute the deed and the Clerk to attest.

Contract No. 145-0359-P; in the amount of \$10,100,000.

Strategic Plan:

Foster Continual Economic Growth and Vitality

4.1 Proactively attract and retain businesses with targeted jobs to the county and the region

4.3 Catalyze redevelopment through planning and regulatory programs

Deliver First Class Service to the Public and Our Customers

5.2 Be responsible stewards of the public's resources

Summary:

The execution of this Agreement provides IRG an opportunity to submit a cash deposit to conduct due diligence and make a determination to proceed with the STAR Center purchase.

The sale of the STAR Center and the reinvestment of sale proceeds towards future economic development initiatives is the ultimate indicator of a successful economic development transition project. The Center is currently on the ad valorem tax rolls (approximately \$700,000 per year), home to over 25 business entities employing more than one thousand (1,000) high-paying jobs, generates over \$100 million in direct economic impact to the community, and has been operating in the black for several years.

Background Information:

The STAR Center is located on the northwest corner of Bryan Dairy and Belcher Roads. The property is comprised of approximately ninety six (96) acres in unincorporated Pinellas County and is zoned as Light Manufacturing (M-1). The DOE sold the property to the Pinellas County Industry Council (PCIC) in March 1995 for the sole purpose of economic development: to retain jobs, preserve technology and the facility. Following the sale, the DOE granted millions of dollars to the PCIC and PCEDA to bring the facility up to current building codes, replace aging infrastructure and support PCEDA economic initiatives.

On July 1, 1999, the PCEDA acquired the property through a transfer following the state legislative

dissolution of the PCIC. Since then, the PCEDA has maintained and operated the facility as a technology business park economic development program. The Real Estate Management (REM) Department operates and maintains the STAR Center on behalf of the PCEDA.

The STAR Center is designated and operates as an enterprise fund. All revenues generated onsite are used to administer, manage and fund operations, maintenance and capital improvement. General Fund monies have never been allocated or appropriated for STAR Center operations. The current FY16 annual expenditure budget is \$8.1 million and the FY16 end reserve projection is approximately \$1.8 million. The budget to complete Capital Improvement Program (CIP) projects through FY21 is approximately \$7 million. The CIP projects include major maintenance and replacement (MMR) of building infrastructure such as; roofs, HVAC, electrical switchgear, and elevators.

On October 21, 2014, the Board approved Resolution 14-95 declaring the STAR Center as surplus property and authorizing the PCEDA to seek a sale of the property through a Request for Negotiations (RFN) process. An appraisal report dated March 31, 2015 established the property value at \$19 million. On June 24, 2015, a RFN was issued for the sale of the property. Advertisement outreach efforts included: paid advertising campaign through the online Wall Street Journal, a Pinellas Business News announcement to more than seven thousand (7,000) subscribers, direct emails to more than four thousand (4,000) recipients, and a national LinkedIn campaign.

On October 1, 2015, two submittals were received in response to the RFN. A five (5) member committee comprised of two county staff, one municipal partner and two private sector representatives, evaluated and ranked the proposals. In addition to the bid price, economic development evaluation criteria was included in the RFN to ensure the best selection supported future economic development and preservation of the STAR Center's success. The criteria included: the intended use of the property, capital investment, job creation and associated wages and benefits, expense reduction for the County, ability of the applicant and other benefits to the community. IRG's submission was selected as the top ranked proposal with an offered purchase price of \$10,100,000. IRG is a national leader in the adaptive reuse of industrial and commercial real estate. Their portfolio is indicative that they hold on to their investments after redevelopment is complete.

The bid amounts from the both proposals were separated by \$80,000. It is evident that both proposals employed an income approach to develop and propose an offer price. The March 2015 valuation, performed for the PCEDA, was a hybrid approach using market and income data. The differences in approach and IRG's concerns regarding the size of the anchor tenant's leased footprint (as presented in the next paragraph) explain the difference in the property valuation and offer price.

Negotiations between IRG and County staff were conducted from November 2015 through July 2016. During negotiations, IRG would not negotiate the purchase price, citing the anchor tenant was too large with respect to other lease entities on-site. IRG had concerns if the anchor tenant didn't renew, that the vacant space left behind could create a major cash flow issue. Therefore, in addition to the purchase price, staff negotiated the opportunity for three additional payments of \$750,000 from IRG to the PCEDA. Each payment would be rendered upon a successful five (5) year renewal of the anchor tenant's lease (December 1, 2018, December 1, 2023 and December 1, 2028). This Agreement term enjoins IRG's and the PCEDA's interest and intention to maintain the anchor tenant at the STAR Center.

The Agreement requires a \$100,000 deposit from IRG and provides a 90-day maximum review period for IRG to perform due diligence. On or before the end of the review period, IRG has the sole discretionary option to purchase the STAR Center. If so, the deposit is applied towards the purchase price. If IRG formally notices the PCEDA not to move forward with the purchase, the deposit shall be returned. If IRG walks away without notice, PCEDA retains the deposit. The PCEDA is responsible to provide survey and title documentation (estimated cost is \$50,000). Closing costs are to be equally shared by both parties; there is no current estimate available. The PCEDA shall transfer all personal property and inventory to support the current maintenance and operations program. The PCEDA shall retain the entire STAR Center reserve fund balance.

After the sale of the facility, responsibility and liability remains with the DOE for any ongoing and/or future groundwater contamination and remedial corrective actions related to any/all legacy DOE operations prior to the March 1995 sale to the PCIC.

Fiscal Impact:

The closing sale price is \$10,100,000 minus 50% of closing costs.

There is a potential for three additional payments of \$750,000 each (a total of \$2,250,000). Each payment is pending a successful 5-year lease renewal by the STAR Center's anchor tenant. The first opportunity payment is December 1, 2018.

Staff Member Responsible:

Mike Meidel, Director, Economic Development Department
Andrew W. Pupke, Director, Real Estate Management Department
Joe Lauro, Director, Purchasing Department

Partners:

None

Attachments:

Purchase and Sale Agreement
Resolution 14-95