

Tarpon Pointe Development

Marina and Residences



Location: Bradenton, Florida

Subject Property: 215 8th Street East (34208)

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Investment Opportunity

Project Overview

- Project site is roughly 7.7 acres located directly on the Manatee River in downtown Bradenton, Florida (slightly over 9 acres with purchase of adjacent parcel).
- Land purchase includes “Hi & Dry” marina facility with approximately 260 dry slips and 18 wet slips for boats up to 36 feet in length (this includes 20,000 lb. capacity marine forklift)
- The proposed development plan includes 25 single family townhouses (2 stories), 2 high rise condominium towers (13 stories; 154 units total), 438 structured parking spaces, private marina with 198 wet boat slips, 720 sq ft marina office, improved and relocated boat drop, 23.2 du/acre, and onsite public improvements and contributions.

Investment Strategy

- Acquire land, existing dry-dock marina, and any/all rights to construct and operate a marina with wet slips on the Tarpon Pointe area of the Manatee River
- Sell dry-dock marina by the end of Year 1.
- Selling the land to a developer for condominium use or partnering with a developer for the condominium development in Year 2.
- Acquire loan to construct a marina on the Manatee River during Year 2, then sell the wet slips during Years 3 -5.

City of Bradenton and Comprehensive Master Plan

- Tarpon Pointe is considered the easterly terminus of the City’s Riverwalk concept and an extension of the overall vision of the downtown redevelopment plan.
- Project neighborhood was rezoned by the city in 2000 to the current zoning of C-1A.
- The city’s comprehensive plan promotes extending the Urban CBD through 8th St East which is the project’s easterly boundary.

Due Diligence Strategy

- Our team reviewed the due diligence documents provided by the seller and the sponsor, North Star Interests LP, to determine the risk profile of this investment, outstanding items, and an overall recommendation regarding an equity investment by Flatlander Equity Partners.
- Our findings were categorized by risks regarding environmental, physical, locational, and legal/regulatory attributes of the property.

Investment Overview

Purchase Price	\$14,000,000
Cash at Closing	\$14,000,000
Seller Mezzanine Note	\$13,000,000
Dry-dock Improvements	\$250,000
Interest Reserve	\$1,653,000
Development Budget	\$750,000
Closing Costs	\$540,000
Total	\$30,175,000

Base Case Returns (5.0 Year Hold)

Dry Dock	\$15,000,000
Fully Entitled Condo Land	\$23,500,000
Total Proceeds	\$38,500,000
Total Basis	\$30,175,000
Profit	\$8,325,000

Sources of Funds for Acquisition

Senior Acquisition Loan	\$14,175,000
Seller Mezzanine Note	\$13,000,000
Purchaser Equity	\$3,000,000
Total	\$30,175,000

Environmental Review

Area	Red Flag (Y/N)	Due Diligence Findings
Phase 1 ESA	Yes	➤ Ordered but Results not Published: Will provide information of recognized environmental conditions in connection with the property
Department of Environmental Protection	Yes	➤ In determining whether a project is not contrary to the public interest, the department will consider and balance the following criteria: <ul style="list-style-type: none"> • Whether the project will adversely affect the conservation of fish/ wildlife • Whether the project will be of temporary or permanent in nature; • Whether the project will adversely affect navigation or the flow of water or cause harmful erosion.
City Approval	No	➤ City approved creation of: <ul style="list-style-type: none"> • 198 Boat slips and improvements and relocation of boat ramp
National Marine Fisheries Service	Yes	➤ The clearing of mangroves in the proposed boat ramp shall not be authorized. ➤ The dredging of submerged aquatic vegetation (SAV) for construction of dock structures 1- 35 shall be eliminated from project design.
Maintenance Dredge Exemption	No	➤ The existing boat ramp shall be maintained and utilized for future boat launching activities.



Physical Site Review

Area	Red Flag (Y/N)	Due Diligence Findings
Survey	No	<ul style="list-style-type: none"> ➤ 12 Parcels ➤ 7.7 Acres ➤ Seven one-story structures, each with own shed, concrete driveway, and sidewalk access
Zoning	No	<ul style="list-style-type: none"> ➤ Parcel 1: Zone PDP- Planned Development Project ➤ Parcels 2-12: Zone C1A- Commercial Core District
Soil Assessment	Yes	<ul style="list-style-type: none"> ➤ Preliminary Geotechnical services are required but have not been received as of this time. ➤ 5 testing bores of 75 feet will be drilled for assessment.
Easements	No	<ul style="list-style-type: none"> ➤ Waterline over and across a portion of Lot 11, Block B ➤ Agreement between the city and Seaboard Air Line Railroad Company and the City of Bradenton to cross the railroad right-of-way with a street crossing ➤ Watermain Easement through Parcel 9 ➤ Overhead Utilities along east side of 6th Street East ➤ Tree ordinance information not acquired
FIRM	Yes	<ul style="list-style-type: none"> ➤ The whole site is within Zone AB and B of the floodplain ➤ Majority within Zone AB, between 100 and 500 year Floodplain



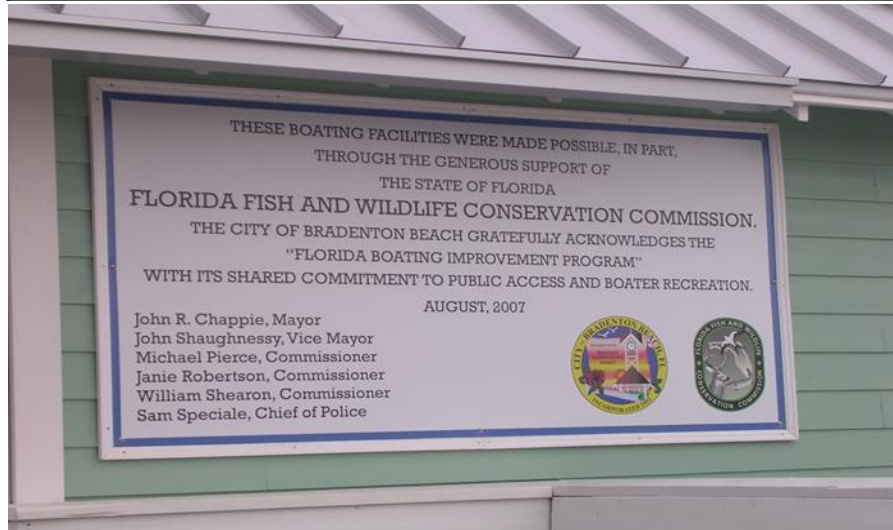
Location and Situs Review

Area	Red Flag (Y/N)	Due Diligence Findings
Economic Driver	No	<ul style="list-style-type: none"> ➤ Greater Bradenton Area's is one of the fastest growing regions in the nation ➤ Population increase of approximately 15% from 2000-2005, which exceeded both state and national averages over the same time period ➤ Immigration fuel by both retirees and workers migrating from the Northeast and Midwest ➤ Manatee Memorial Hospital is a strong economic engine
Traffic Impact	No	<ul style="list-style-type: none"> ➤ P.M. peak hour turning movement- 4-6pm ➤ Roadways and intersections are operating at acceptable levels of service and area expected to operate at acceptable levels of service for future total traffic conditions
Ingress and Egress	No	<ul style="list-style-type: none"> ➤ Access to the site is proposed via 6th Street Northeast and through the existing Marina site SE to 7th Street East ➤ Ingress and Egress to the subject property is provided by 3rd Avenue East and 8th Street East ➤ Paved and dedicated public right-of-way, maintained by City of Bradenton
Set-Backs	No	<ul style="list-style-type: none"> ➤ Front Setback- 60.00' ➤ Side Setback- 27.00' ➤ Rear Setback- Undermined
Utility	No	<ul style="list-style-type: none"> ➤ All stormwater runoff shall be treated and attenuated onsite within underground retention vaults ➤ Discharge to Manatee River (tidally influenced) ➤ Treatment Area: 220,929 SF ➤ Required Treatment: 0.75" runoff (150%)



Legal and Regulatory Review

Area	Red Flag (Y/N)	Due Diligence Findings
Purchase and Sale Agreement	Yes	<ul style="list-style-type: none"> ➤ \$100K non-refundable deposit to go under contract; \$200K earnest money; 4 thirty-day feasibility periods ➤ Purchase money mortgage (seller financing) in the amount of \$13 million ➤ PMM will have first lien rights on wet slips/ riparian rights; second lien on the rest of the property ➤ PMM will require promissory note, corporate guarantee, and interest in the purchasing entity ➤ Full payment in 4 years if receive permits in Yr 1; \$3MM principal payment regardless at 180 days ➤ Title commitment for title insurance has been provided in the purchase and sale agreement ➤ PMM allows seller to retain substantial control of the property in the event of non-monetary default
City Council Review and Approval	No	<ul style="list-style-type: none"> ➤ Approval was granted in June 2006 with a formal letter of approval provided in January 2007 ➤ Required modifications to the PDP did not impact target density for the overall project ➤ City of Bradenton has been responsive and helpful in obtaining approval for the project
Leases, Easements, and Permits	Yes	<ul style="list-style-type: none"> ➤ Submerged land easement for any dredging and submerged land lease for wet slips required ➤ Maintenance dredge exemption has been applied for regarding unregistered grandfathered status ➤ DEP and ACOE permits for ramp, marina, and wet slips to be received in 3-6 months (if at all) ➤ NMFS has already objected to proposed new loadout ramp and dredging for boat basin/ docks E & F



Conclusion and Recommendation

Key Issues/ Risks

I. Environmental:

- City Approval
- Phase 1 ESA
- National Marine Fisheries Service

II. Physical Site:

- Floodplain & Insurance
- Geotechnical Report

II. Location and Situs:

III. Legal and Regulatory

- Purchase and Sale Agreement
- Leases (submerged land)
- Easements (public/ submerged land)
- Permits (private marina/ wet slips)

Conclusion and Recommendation

After thorough review of the feasibility studies from the seller and meeting with the engineer and architect, our team believes the initial equity contribution of \$3 million should be contingent upon changes to the purchase and sale agreement and should only pursue sale of improved dry dock (year 1) and fully entitled condo land (year 2).

Purchase and Sale Agreement Recommendations

- At a minimum, the PSA should include a financing contingency for the senior loan, inspection contingency, and redrafting of the purchase money mortgage to act as true mezzanine debt in a secondary lien position in the capital stack
- An entitlement contingency and allowing assumption of financing would be the best solution but unlikely to be granted by seller
- North Star should sign as guarantor on promissory note and commercial guarantee
- North Star should agree to fund all deposits, earnest money, and application fees which will convert to their equity in the deal upon closing
- Commencement of principal payments should be negotiated to start after all approvals have been received
- Flatlander should consider a longer-term investment sharing entitlement/ construction risk for wet slips if the seller would consider a preferred equity investment instead of mezz note

Environmental

- Initial City approval has been granted for 198 additional slips, along with the relocation of the boat ramp, but further studies are needed.
- Without having all environmental reports present, we recommend negotiating contingences in the PSA, to cover circumstances in which a negative report comes out affecting the proposed building plans.

Other Recommendations

- Confirm purchase of the adjacent parcel at 220 6th St NE
- Consider improvements and public easement for public access to nature/ recreational area/ water on east side of property (dedicate to city)
- Adherence to city requirements in their modified plan approval (utilities, traffic impact study, Riverwalk improvements)
- Consider additional improvements that align with the City of Bradenton Master Plan