



UNSOLICITED PROPOSAL

RENTAL HOUSING and ADMINISTRATION BUILDING
TO SUPPORT MONROE COUNTY
SCHOOL DISTRICT



April 11,2022

Executive Summary

For the past ten years, there has been ongoing discussion, think tanks, and committee reports and unsolicited proposals generated in response to the need of a solution to the housing challenge facing essential School District personnel in Monroe County. The lack of sufficient affordable housing options requires action now. The overwhelming effect of a decreasing housing supply and increasing demand for homes in the Keys has driven the price for housing to levels that are unattainable for these critical school district employees. The housing crisis in our community requires action and a commitment to act now.

The managing members of SPGL, LLC (SPGL) have invested in the Key West community for close to ten years. They are proud supporters of the community. Following their initiative to assist the Monroe County Sheriff's Office overcome the housing challenges that face its employees, SPGL proposed and is implementing a plan to make 42 affordable housing units available to the Monroe County Sheriff's office (MCSO). Fourteen living units located on south Stock Island have been acquired and made available to the Sheriff's Office since July 2020. SPGL has submitted a Major Development Plan (MDP) application to the City of Key West to construct 28 units at 255 Trumbo Rd. Pending MDP approval and issuance of Building Permits, site work should begin before the end of 2022.

The principals of SPGL are neighbors to the School District property at 241 Trumbo Rd and 240 White Street in Key West. For the past 8 years SPGL has taken note of the multiple proposals, committees, focus groups and speculation of how the District can best utilize the 5.9 acre parcel next door to address the need for affordable housing. Despite the enthusiasm and good intentions of past affordable housing proponents, no feasible proposal has been presented which addresses how to acquire the property, pay for construction of the housing, the relocation of the Administration offices and functions, applicable zoning restrictions, BPAS allocations, DOE deed restrictions, etc.

SPGL proposes to deliver to the District the following redevelopment of 241 Trumbo Rd and 240 White Street to address a multi-tier need facing the District:

1. Construct approximately seventy-six (76) apartment units composed of 56 one-bedroom units, 10 two-bedroom units and 10 three-bedroom units to be exclusively available to District employees. The development of these units will not rely on tax credit financing and is therefore able to limit tenant eligibility to MCSD essential employees
2. Replace the current Administrative Offices with an approximately 20,000 SF two story structure delivered as a "grey box" to be built out by the District

3. Provide dedicated Green Space consisting of approximately 1.27 acres (.409 acres will not be available until early 2026, for reasons described below). The Park will be for the use of residents of the District housing as well as District employees during work week.

SPGL will undertake to Design, Build, Finance and Manage this project pursuant to a long term (99 year) \$10.00 per year Ground Lease. The living units will be subject to the City of Key West Work Force Housing Rental Guidelines. The new Administration Building will be leased to the District at a rent to be negotiated based upon the full amortization of the cost to design and construct. At the conclusion of the period required to fully amortize the building cost, the Administration Building will be turned over to the District and SPGL will have no further obligation to the management of same.

The project may be accomplished in several phases to allow the use of the existing Administration Building while the new building is constructed. Such a phasing schedule might be:

1. Construct new Admin building and relocate admin operations - Once the Administrative offices are relocated, and the existing buildings demolished.
2. Construct housing - Work will begin on the residential buildings which will be constructed in the location of the former Administration building, storage buildings and parking. The location of the Administration Building, Living Units, Park, roadway, and parking is depicted in the site plan and elevation drawings presented with this Proposal.
3. Construct Greenspace - There is a .409-acre parcel within the identified Green Space that will not be available for inclusion in this project until early 2026. If such a phasing plan is required to facilitate admin operations, the phasing of construction may increase the cost of the project and result in future modifications to be negotiated.

Conditions Precedent to Performance under this proposal:

1. Following approval of this proposal, the District agrees to deal exclusively with SPGL for the redevelopment of the property unless released from that obligation upon affirmative notification from SPGL that the proposal will not be pursued
2. While the parties negotiate the Ground Lease, SPGL shall be permitted to conduct any due diligence determined by SPGL in its sole discretion to be necessary including, but not limited to a Phase II Environmental audit. SPGL shall have 180 days to determine, in its sole discretion whether to accept or reject the property. Extensions of the 180 days may be granted for good cause in increments not to exceed 60 days, and not exceed 18 months overall. Initial cost estimates for due diligence are expected to exceed \$100,000.
3. The Ground Lease will be the comprehensive document specifying in detail the rights and obligations of SPGL and District, governing all aspects of the development through construction completion and management, including the

construction costs for the Administration Building and the corresponding lease payment to SPGL to amortize said cost. The parties shall negotiate the lease terms in good faith.

4. All BPAS necessary for this project shall be procured by the District through the pending City of Key West Comprehensive Plan amendment. In the event said allocation is not secured, SPGL may elect to be released from this proposal.

Organizational Background

Local Interest – Community Minded

SPGL, LLC. is a Florida Limited Liability Company that was formed in 2017 to own, manage and operate property in Monroe County. Jed Molleston is one of the managing members and Walter “Wag” Woodward helps represent the interests of the company.

The managing members have maintained a residence in Monroe County since 2015. They have acquired additional investment property in Monroe County since that time. They value the character of Old Town Key West and the time they spend in the community. Their commitment to supporting the community with this initiative is consistent with how they have approached other developments – the focus is to deliver a quality product to fill the demands of the community. New development is most successful when it is compatible with the neighborhood.

SPGL members and affiliates own a majority of the units at the Steamplant Condominium which is located directly next door to the Trumbo Rd property. When purchasing the Steamplant units, SPGL knew that the Dog Park Parcel and School District Administration Offices were identified sites for potential workforce housing. Workforce and affordable housing are part of the fabric that makes up the neighborhood. There are numerous existing housing options, yet they do not fulfill the total workforce housing need. Railway Condominiums (38 units), Porter Place (136 units), and Peary Court Workforce Housing Community (160 units with additional units approved) are located adjacent to Steamplant. Recognizing and supporting the need for attainable housing options in their backyard creates the backdrop for this new proposal. Workforce housing is critical to Key West.

Extensive Real Estate Experience – Quality and Results Driven

The managing members and principals of SPGL have extensive experience developing, managing, and investing in a truly diverse portfolio of real estate assets across the US. Their development expertise spans horizontal infrastructure for single family lot developments to resort projects to mixed-use developments to office, F&B, hospitality, and multifamily. The list is long, but it is consistent in the caliber of work. For example,

within the last five years, they have developed just under 700 sf of Class A commercial office space. Their resort experience includes a 38-acre resort property in The Bahamas. They have over 220 lots delivered in Arkansas and have begun phase five of this six phase development. In NW Arkansas, they have a mixed-use development across 120 acres in the Walmart Corridor. They have experience with historic preservation. They are underway with two large-scale mixed-use projects in Texas across over 80 acres.

The managing members and principals of SPGL have built relationships with real estate professionals in multiple markets, including Florida. They recognize the value of the team effort required to deliver successful projects. They have in-house real estate professionals and have partnered with both large institutional developers and small, local operators depending upon the requirements of the project. They seek the most qualified consultants and contractors to deliver these projects. In Florida, they work closely with The Ronto Group who has helped with the Sheriff Housing Project and will be supporting SPGL with this project.

To create the conceptual plan and this proposal, SPGL has engaged a local land use attorney, local planner, and local architect. Preliminary discussions with a general contractor experienced across Florida and in Key West have begun as the team seeks pricing feedback. SPGL recognizes that an experienced team who understands the goals of the project and the goals of the community can create a successful end result. Developing in The Keys comes at a premium, but those with a track record and history in the market understand what needs to be done to mitigate challenges that a group without experience in the market would not be able to address as cost effectively.

Project Overview

The conceptual site plan depicted below provides for 76 2-story apartment units and a 20,400 square foot Administration Building. Open space will be provided between the two uses. The preliminary design is subject to further evaluation. As designed currently the project is 100% compliant with the City of Key West Land Development Regulations for density, height and all quantitative and dimensional parameters. The property is located in the Key West Historic District and is subject to design standards consistent with the HARC guidelines which have been taken into consideration in this conceptual plan.