

Tenant Market Analysis & Plan

for the McCollum Hall Restoration & Redevelopment Project



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Introduction & Objectives

This Tenant Marketing Analysis & Plan is one of several deliverables that comprise Component 1 of Urban Development Solutions’ (UDS’) 18-month Predevelopment Professional Services Agreement with the Fort Myers Redevelopment Agency (FMRA).

Its objectives are a) to identify the potential mix of local, regional and national tenants who meet the market’s needs and who may be recruited to enter “creditable leases” as tenants of McCollum Hall, b) to assess likely lease rates, and c) to identify the local small business development organizations that may become partners to local tenant recruitment, financing and development.

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1 The Goal - three to six tenants

Phase I of “McCollum Hall Place” – the preservation and reopening of the historic McCollum Hall – houses 9,300 square feet of leasable space, including 6,780 square feet on the ground floor and 2,520 square feet of functional space on the second floor. Operating from the assumptions that its anchor tenant will lease a minimum of 3,000 square feet and perhaps as much as 4,500, and that the second floor will be operated by a single business enterprise, Phase I will ultimately house three to six tenants.

The conceptual floor plan completed by Clemmons Architecture depicts ground floor space being used as follows:

Table 1: Conceptual Retail Space Allocations – McCollum Hall

Ground Floor	
● Retail Suite A	1,320 square feet
● Retail Suite B	1,130 square feet
● Retail Suite C	1,140 square feet
● Retail Suite D	3,190 square feet (anchor tenant)
TOTAL SPACE	6,780 square feet
Second Floor	
● Event Suite	2,520 square feet
TOTAL SPACE	2,520 square feet
GRAND TOTAL SPACE	9,300 square feet

1 The Retail Possibilities & Limitations

McCollum Hall serves up some unique retail possibilities; it also has several limiting factors that narrow the universe of prospective tenants.

1.1 Unique Retail Selling Points

In many ways, McCollum Hall is one of Fort Myers’ most potent retail locations, singularly unique in that it has the potential to capture not only the dense consumer base resident to the Dunbar community, but it is also located along one of the City’s businesses thoroughfares, diagonally across the street from one of Fort Myers’ busiest tourist attractions – the Imaginarium. Apart from its location benefits, McCollum Hall’s historic and ethnic cache further enhance its marketability as a cultural and heritage tourism destination.

McCollum Hall’s location is a prime example of what grocery giant Ahold first dubbed an “Urbanic” market area – one where a historic ethnic minority population experiences a large new presence *or pass-through* of middle- and high-income consumers – white and other. The widening of the former Anderson Avenue - now Dr. Martin Luther King, Jr. Boulevard - combined with MLK’s status as an I-75 exit and as one of the top thoroughfares carrying traffic to downtown, make McCollum Hall an extremely attractive retail proposition.

Table 2: A “Triple T” Location: Trade Area, Traffic & Tourism



UDS' tenant marketing strategy will leverage McCollum's brand as a **“Triple T” location** – located in a **Trade Area** with high-density purchasing power; ideal for capturing **Pass-through Traffic**; and a location that not only captures existing Tourism traffic, but that can also serve as a catalyst for a new brand of **Tourism** (cultural and heritage).

Some of the key elements of the site's appeal to potential tenants are as follows:

1. McCollum Hall is located on one of the City's busiest thoroughfares. According to the Dunbar retail market analysis conducted by Downtown Works, Dr. Martin Luther King, Jr. Boulevard has an average daily traffic count of 26,500. By comparison, Palm Beach Boulevard carries an average of 21,500 vehicles daily. (Source: Florida Department of Transportation)
2. McCollum Hall sits along the through-traffic route for commuters and business people traveling to and from Downtown Fort Myers, many of whom are feeding from the Dr. MLK, Jr. Blvd exit from Interstate-75.
3. McCollum Hall is positioned such that it could serve as a gateway to Downtown and to the Dunbar community.
4. McCollum Hall is uniquely positioned as a potential catalyst project to the City's development of a cultural and heritage tourism strategy. It is central to many of the cornerstone institutions within the Dunbar community.

1.2 Site, Design & Location Limitations

Some of the realities that limit the universe of potential tenants are as follows:

1. The building's design and site do not lend themselves to the presence of a typical drive-through. Many of the major franchises and corporate-owned restaurants that deploy an urban model *strongly prefer* locations that permit a drive-through; some *strictly prohibit* locations that do not.
2. The relatively small tenant space and the site's configuration conspire to limit the potential for some retailers. Retailers whose business models may flourish on the Phase II project site (the land immediately east of the historic McCollum Hall) include CVS, Walgreens, Chick-fil-A, and Popeyes.
3. Many of the retailers already present on Palm Beach Boulevard that might have been desirable tenants for McCollum Hall do not typically locate separate stores in such close proximity to existing stores.
4. McCollum's status on the Local Register of Historic Places requires that the building's uses be approved by the Fort Myers Historic Preservation Commission – a requirement and reality that

will sanction certain uses. As one example, even though the site may be an ideal location for some fast food restaurants, many such tenants would be incongruous with the vaunted character of the historic site.

1.3 Retailers the Market *May* Sustain

The Downtown Works’ Dunbar retail market analysis included a “Void Analysis” that identified an unmet need for over two dozen categories of retail. Citing a “retail expenditure potential” of \$38.8 million in the Dunbar trade area alone, analysis points to a significant “leakage” of the trade area’s resident purchasing power.

According to the Downtown Works’ analysis, “The following uses are missing from Dunbar altogether, are underrepresented based on population, or are being provided by lower-quality operators....These uses take into account the demographic and psychographic characteristics of the market.”

Table 3: Retail & Retail Services "Missing" in the Dunbar Trade Area

Sit down restaurant/cafe ^{MH}	Supermarket
Fast food restaurant ^{MH}	Pizza, including home delivery ^{MH}
Sandwich shop like Subway ^{MH}	Dollar store
Bank ^{MH}	Check cashing ^{MH}
Dry cleaner/tailor/shoe repair ^{MH}	Auto parts and chain auto repair
Gift/card (some include candy) ^{MH}	Pack and ship ^{MH}
Hair and nail salon/spa ^{MH}	Verizon or comparable cell phone store ^{MH}
Coffee/bakery ^{MH}	Pet store
Convenience store	Florist ^{MH}
New format gas station/convenience	Rent a Center or comparable retailer
Optical ^{MH}	Insurance ^{MH}
New format pharmacy	Medical ^{MH}
Real Estate ^{MH}	Dental ^{MH}
Tax Service ^{MH}	Legal ^{MH}

Among the retail categories above, UDS deems twenty to be suitable prospects for McCollum Hall (these are noted with the superscript ^{MH} in the table above).

1.4 The Community’s Voice about Tenants

The Ground Floor: When discussing the ground floor of McCollum Hall, local residents and community leaders have repeatedly and consistently expressed a desire to see specific kinds of retailers locate in McCollum Hall. Among them are a coffee shop or Starbucks, a wireless/cellular store, a dry cleaner, a bookstore and card shop, a Subway, an ice cream shop, a boutique gift or art gallery, a family-style restaurant, a retail location for professional services firms such as an insurance agency, and an arcade or other retail use targeted to young people.

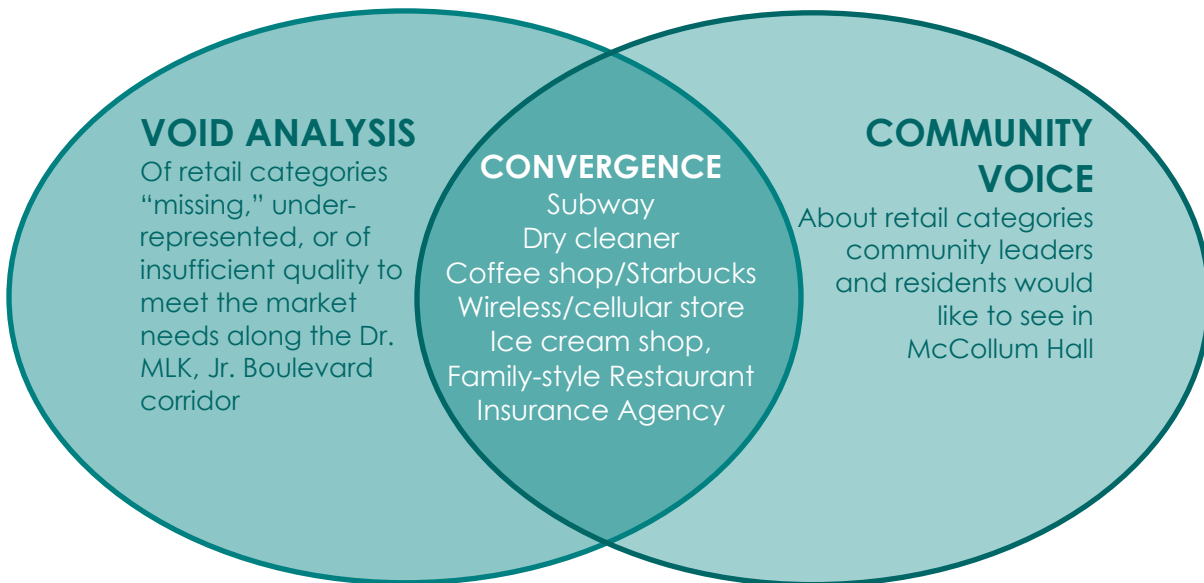
It is noteworthy that community leaders identified uses not included in the Downtown Works “Void Analysis,” that may be important to the development of a cultural and heritage tourism strategy. Most notably these include a bookstore and card shop (with an emphasis on African-American literature), and a boutique gift or art gallery.

The Second Floor: When discussing the second floor of McCollum Hall, there is *unanimous agreement* that it should house a reception hall or ‘special event’ space suitable for weddings, banquets, exhibitions, concerts, parties and other special events. Community leaders and residents site a distinct lack of venues that are accessible and affordable and that can host relatively “upscale” events. People who spoke the need for such a venue included sorority and fraternity leaders, local Pastors, representatives of the history and culture community, neighborhood leaders, and non-profit organizational leaders. It was this consistent feedback that led Clemmons Architecture to propose a raised roof design in the conceptual renderings.

1.5 Convergence: “Void Analysis” Consistent with the Community’s Voice about Tenants

The “Void Analysis” within the Dunbar retail market analysis conducted by Downtown Works identified nearly a dozen retail uses that are consistent with the expressed wants of the community.

Table 4: Overlap of Retail "Void Analysis" with Expressed Wants of the Community



2 Tenant Marketing Strategy

Over the course of UDS' initial 90-days work on the predevelopment of McCollum Hall, our team identified four key building blocks to a successful tenant marketing strategy.

#1: UDS will pursue two targeted groups

UDS' strategy is to simultaneously pursue two "willing and able" groups of prospective tenants for Phase I of the McCollum Hall Project:

- **Regional & National Chains.** The first group is made up of mainstream regional and national chain restaurants and retailers who have developed a profitable business model for operating in urban markets similar to the Dunbar trade area, including franchisors that can identify existing and emerging franchises in the local market.
- **Local Tenant Prospects.** The second group includes local business owners – existing and emerging – who can meet the identified needs and wants of local consumers. Importantly, this second category may also involve local business owners who franchise or license successful restaurant and retail concepts.

Section 4.4 provides a list of chain retailers short-listed by UDS as prospects for McCollum Hall.

#2: UDS will prioritize local tenants

UDS recognizes the distinct possibility that all of McCollum Hall's available space may be operated by local tenants (including locally-owned franchises). Given that, UDS' tenant marketing strategy will focus a proportionate share of its attention on the development of home-grown tenant possibilities

Section 3.1 provides a detailed perspective on the important facets of this effort.

3: UDS will focus on "Social Equity" to keep lease rates low

UDS estimates that McCollum Hall's lease rates may be 25 percent below the Lee County and Fort Myers' average for retail space; 55 percent below the State of Florida; and approximately 85 percent below the level that would yield a market-rate of return to traditional debt and equity sources (i.e., a level that would eliminate the social equity gap). Of necessity, UDS will focus heavily on working with the Fort Myers Redevelopment Agency and other partners to pursue an estimated \$10.2 in social equity, with the expectation that the project will ultimately attract approximately \$3.45 million in social equity sources. Achieving the social equity goal will be a linchpin of the project's success, and the key to offering highly attractive lease rates.

Section 3.3 provides additional detail on lease rates; separately, UDS' Initial Financing & Funding Feasibility Analysis provides a list of targeted funding sources.

#4: Time is of the Essence: tenant leasing has a domino effect

Tenant leasing has a domino effect on the remainder of the project. Lease agreements are required to secure financing; financing, in turn, is required to commence preservation and construction. Therefore, one of the primary objectives of UDS' Tenant Marketing Plan is to secure letters of intent to lease and conditional leases by Quarters 3 and 4 of 2010; with final agreements negotiated and secured during 2011. Doing so will enable UDS to begin soliciting conditional debt financing during Quarters 1 and 2 of 2011, with a view to finalizing debt agreements during Quarters 3 and 4 of 2011.

Section 4.3 provides a schedule of tenant marketing activities and milestones.

2.1 A focus on local tenants as a priority

UDS' focus on local tenants is ideal for a number of reasons. It increases the economic development impact of the project by retaining more equity, income and jobs within the local market. It aids in developing the cadre of local business owners. And importantly, it gives the local community a vested interest in supporting the retailers who ultimately locate at McCollum Hall. These benefits are magnified for local *African-American* owned businesses.

Indeed, two of the tenant concepts UDS explored during this initial 90-days of its 18-month predevelopment project may potentially involve local business owners as well as local non-profits, including churches and organizations involved in history, culture and the arts. The next section provides a case study on the restaurant anchor tenant concept currently being developed.

At the same time, the feedback of local stakeholders suggests there may be a relatively small number of local business owners – particularly African Americans – who are “willing *and able*” to take advantage of the opportunity (see Section Table 3 for a short list of tenant requirements). Add to this, the two tenant concepts mentioned above will likely involve the formation of new entities and partnerships.

In view of the above, UDS strongly encourages that the Fort Myers Redevelopment Agency design a strategy and plan for helping local business owners and organizations to develop, negotiate and execute contractual relationships involved in tenancy. In addition to franchising, this may include new entity formation, brand licensing, structuring joint ventures, co-location of tenants in a single retail space, and helping local tenant prospects to secure the tax incentives and credits available to businesses located within an Enterprise Zone

UDS' senior staff has extensive experience in the fields of small, minority, and micro business development and can be available to either advise the FMRA's staff or to contract separately to aid with a strategy or plan.

Table 5: Three groups of Existing & Emerging Businesses & Organizations who may become involved as McCollum Hall tenants

<p>Established Local Retailers & Franchise Owners Who may want to move or open/franchise an additional location</p>	<p>Emerging Local Retailers & “Would-Be” Franchise Owners Whose businesses and brands are not yet established</p>	<p>Local Organizations such as Churches Who may enter joint ventures, partnerships or other arrangements to assume tenancy</p>
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The three groups above are all sources of potential tenants for McCollum Hall.

The **Southwest Florida Enterprise Center** could become a key partner in providing the business development support services needed by local business owners. According to UDS' survey of the local market, the Enterprise Center is one of the few providers of such services in the area.

2.2 Setting realistic expectations about and for local tenants

Several community leaders and the UDS team have suggested potential retail uses that would involve the formation of new businesses. That makes it important for the FMRA and UDS to communicate realistic expectations and detailed information to help local business owners and organizations assess the opportunity.

UDS' strategy for communicating realistic expectations includes the following:

1. Equipping local officials and stakeholders with a briefing that details tenant lease requirements and the tenant concepts being explored by UDS, and providing these individuals updates on a quarterly basis. Important officials and stakeholders include Councilman Johnny Streets, Jr., the CRA Commissioners, the FMRA's staff and Community Advisory Council, Tom Scott of the Southwest Florida Enterprise Center, and leaders of the Dunbar 21st Century Collaboration.
2. Encouraging prospects to pursue franchise ownership, which has the three-fold benefit of a) increasing their likelihood of success, b) enhancing the creditability of the project in the minds of debt financing sources, and c) bringing well-known retail brands with curb appeal and market acceptance to the site. Franchises have the benefit of connecting local business owners to the proven strategies and resources of the franchise organization.
3. Working with the FMRA to maintain the new website – www.developfm.ning.com – with up-to-date information on tenant leasing and project information

Table 6: Short-list of Tenant Lease Requirements & UDS' definition of "Willing & Able"

What it means to be "willing and able"

1. Able to enter a creditable, medium-to-long-term lease (creditable indicates that the lease is viewed by financing sources as being sufficiently low-risk to reassure them that debt will be repaid or that equity will earn a sufficient return)
2. Equipped with a business plan and model that can succeed in capturing a profitable level of retail sales
3. Staffed by an experienced management team that can successfully execute the business plan
4. In possession of sufficient capital and access to capital to sustain operations, including working capital

Short-list of Tenant Lease Requirements

1. Lease term of 5 to 10+years plus two or more five-year options
2. Annual adjustment to base lease rate of 3 to 4%
3. Additional fees charged on a Pro Rata basis include Common Area Maintenance (CAM) charges, Reserves, Management Fees, Property Taxes, Insurance and use of Road Signs
4. Tenant improvements and build-out allowance on a negotiated basis, depending upon the needs of the tenant
5. Tenant responsibility for build-out above and beyond the landlord's build-out allowance

A Case-in-Point #1:

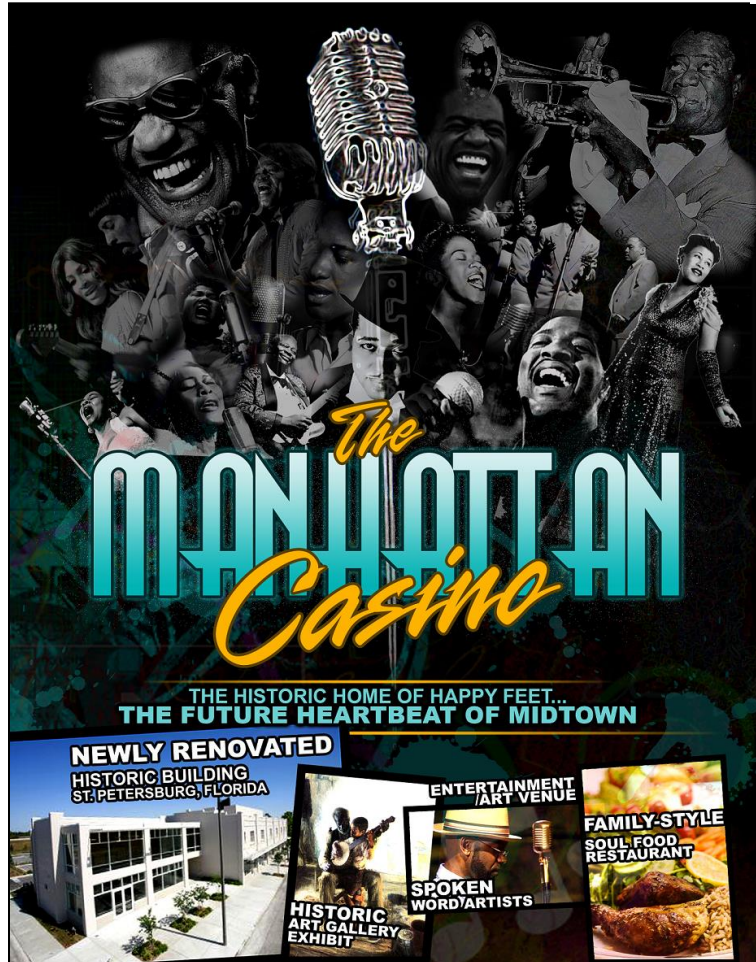
The Manhattan Casino and McCollum Hall – the possibility of a locally-owned anchor restaurant tenant concept

Urban Development Solutions has explored an anchor restaurant concept that could become a linchpin of the McCollum Hall project.

Over the past year, UDS and two local partners have researched the possibility of leasing and operating the Manhattan Casino – the historic segregation-era black dance hall located within the Midtown community of St. Petersburg, Florida. The City completed the preservation and renovation of the Manhattan Casino in 2007; and the new administration of Mayor Bill Foster (elected in November 2009) is soon expected to issue a Request for Proposals (RFP) to identify a qualified tenant/operator.

The Manhattan Casino is strikingly similar to McCollum Hall, not only in its historic function as the local stop on the Chitlin' Circuit, but also in its design and location. Much like McCollum Hall, the Manhattan Casino is a two-story building where the second floor was operated as a dance hall. Both buildings are located on historic business corridors within the African American community (22nd Street is also affectionately known as “The Deuces” in St. Petersburg; and Fort Myers’ Anderson Avenue was renamed the Dr. Martin Luther King, Jr. Boulevard). Both facilities are situated roughly the same distance from their respective downtowns.

Partners of UDS are contemplating the launch of a new locally-owned restaurant that will enter a **brand licensing agreement** with the nationally renowned Sylvia’s Soul Food restaurant. Sylvia’s was first founded in 1962 in Harlem, New York, and subsequently flourished into a family-owned enterprise consisting of the restaurant, *Sylvia’s Also* (a full-service catering hall), *Sylvia’s Catering Corp.*, a nation-wide line of *Sylvia’s Food Products*, and two “deliciously amazing” cookbooks. Sylvia’s is currently exploring several options for replicating the restaurant’s success.



The important facets of the business venture being forged in St. Petersburg include:

- A management company leasing the Manhattan Casino from the City of St. Petersburg and subsequently sub-leasing the ground floor to the restaurant anchor tenant and sub-leasing the second floor either to the restaurant or to a venue management company
- 51% or more ownership of the anchor restaurant by one or more of the area's leading African American churches, with the possibility that private investors will own the remainder
- A brand licensing agreement that will yield a small percentage of the restaurant's net profit to the owners of the Sylvia's brand
- **First right-of-refusal** to the anchor restaurant for catering receptions and special events hosted on the second floor of the Manhattan Casino
- A financing plan that includes several forms of "social equity" to reduce the cost of build-out, leasing and operations
- A business plan that forecasts 18-months until the restaurant breaks even
- A business model that can be replicated in other communities, including Dunbar

The important facets of the business and marketing strategy include:

- The creation of a family-style sit-down restaurant with price points moderate enough to attract a strong base of customers from the trade area and the downtown "lunch crowd," yet with enough style and panache for the restaurant to cater special events being hosted on the Manhattan Casino's second floor
- The development of a vested and loyal customer base by virtue of the restaurant being owned by one or more major local churches
- A restaurant fashioned and furnished with enough home-town and historic flavor so that the Manhattan Casino can serve as a catalyst to the City's emerging strategy for cultural and heritage tourism.

How the restaurant can seed an emerging cultural and heritage tourism trade

The anchor restaurant at the Manhattan Casino and at McCollum Hall can help preserve and promote the rich history of the African American community in several ways:

- Using a Cracker Barrel-type approach that affixes reproduced historic photos and memorabilia to the walls and as decorative displays
- Possibly replicating the Cracker Barrel store concept, selling the historic photos and memorabilia, to create a "consignment" revenue stream to local black history and culture organizations (in St. Petersburg, the Carter G. Woodson African American History Museum is located two blocks from the Manhattan Casino and would be an ideal partner; and in Fort Myers, relevant organizations may include the Cultural Heritage Center and the Black History Museum).
- Liberal use of historic photos and memorabilia as décor in the second floor reception hall – as a permanent or inventoried exhibit
- Cross-promoting with other mainstream tourism hot spots to generate consumer traffic

A Case-in-Point #2:

A Strategy for the 2nd Floor Special Events Space

When discussing the second floor of McCollum Hall, there is *unanimous agreement* that it should house a reception hall or ‘special event’ space suitable for weddings, banquets, exhibitions, concerts, parties and other special events. Community leaders and residents site a distinct lack of venues that are accessible and affordable and that can host relatively “upscale” events. People who spoke the need for such a venue included sorority and fraternity leaders, local Pastors, representatives of the history and culture community, neighborhood leaders, and non-profit organizational leaders. It was this consistent feedback that led UDS to direct Clemmons Architecture to propose a raised roof design in the conceptual renderings.

Yet the business model for such a venue is untested in the Dunbar community. Over the past year, UDS has had the opportunity to work with the City of St. Petersburg’s Midtown Economic Development division to propose a business model for the operation of the 2nd Floor of the historic Manhattan Casino – the former segregation-era dancehall located within the City’s majority-black community.

UDS has contemplated four models for the leasing of the second floor of McCollum Hall:

1. Leasing the space to the anchor restaurant tenant who would use it for overflow seating at peak times, as well as to lease for catered and non-catered events
2. Leasing to a management company, perhaps jointly owned by several community organizations
3. Leasing to a third party, branded venue
4. Leasing to the City of Fort Myers Redevelopment Agency, who may in turn, sub-lease to entities such as those named in numbers 2 and 3 above.

UDS has considered the following tenant leasing model for the space:

1. Given that the space has the potential to be the “gem” of McCollum Hall, UDS has considered packaging a substantial tenant build-out allowance for the second floor. The space is already being designed with several high-end features, including a raised roof and marbled window sills.
2. A lease rate of 10% of gross annual income, compared with a flat rate per square foot, to enable the tenant to build a book-of-business over time. Anticipating that the entity’s first-year revenue may reach \$150,000, the tenant’s lease to the developer would be \$15,000 (the equivalent of \$5.95 per square foot).
3. UDS may propose a negotiated arrangement between the restaurant tenant and the second floor tenant of a 5 to 10% “override” to the latter for catering services booked through the former.
4. In the event that community groups collaborate to create a new leasing-entity, UDS would propose that the FMRA consider leasing and sub-leasing the space to the entity, thus generating a more “creditable” lease, while simultaneously creating a new revenue stream to local community-based organizations.

Special Events at McCollum Hall:

Art exhibits, small cabaret-style concerts, theatrical plays, spoken word affairs, business and networking receptions, small weddings and wedding receptions, parties (birthday, holiday, reunion, retirement, sweet 16, etc.), small conferences, luncheons and banquets, and more.

2.3 A focus on “social equity” to keep lease rates low

UDS estimates that McCollum Hall’s lease rates may be 25 percent below the Lee County and Fort Myers’ average for retail space; 55 percent below the State of Florida; and approximately 85 percent below the level that would yield a market-rate of return to traditional debt and equity sources (i.e., a level that would eliminate the social equity gap)

Given that, UDS will focus heavily on working with the Fort Myers Redevelopment Agency and other partners to pursue an estimated \$10.2 million in social equity, with the expectation that the project will ultimately attract approximately \$3.45 million in social equity sources.

Table 7: Lease Rates in Lee County and Fort Myers indicative for McCollum Hall

	Retail Lease Rates	CAM Charges*	TOTAL PSF LEASE COSTS†
State of Florida	\$17/sf	\$5/sf	\$22/sf
Lee County	\$10/sf	\$5/sf	\$15/sf
Route 41 Boy Scout to Daniels Pkwy (< 1,000 sf)	\$9.50/sf	\$5/sf	\$14.50/sf
Route 41 Daniels to Alico (1,500 to 4,000 sf)	\$11.50/sf	\$5/sf	\$16.50/sf
Route 41 south of Corkscrew	\$19/sf	\$5/sf	\$24/sf
Del Prado	\$7.50/sf	\$5/sf	\$12.50/sf
Pine Island Road	\$9.50/sf	\$5/sf	\$14.50/sf
North Fort Myers	\$9/50/sf	\$5/sf	\$14.50/sf
City of Fort Myers^			
Route 41 from River to Colonial (<1,000 sf)	\$8/sf	\$5/sf	\$13/sf
Route 41 from River to Colonial (Up to 2,500 sf)	\$7/sf	\$5/sf	\$12
Route 41 Colonial to Boy Scout (<1,000 sf)	\$9.50/sf	\$5/sf	\$14.50/sf
Route 41 Colonial to Boy Scout (up to 2,500 sf)	\$8.50/sf	\$5/sf	\$13.50/sf
Fowler Street south of Dr. MLK, Jr. Blvd	\$5/sf	\$5/sf	\$10/sf
Palm Beach Blvd (City and County)	\$3/sf	\$5/sf	\$8/sf
Dunbar Community/McCollum Hall	\$9/sf	\$5/sf	\$14/sf

*Local Common Area Maintenance (CAM) charges average \$4 to \$6; the table above uses \$5 as an imputed value.

†The values above do not include tenant charges for property taxes and insurance.

^The values above were provided by Mr. Steve Wood of Woodyard & Associates, a commercial broker with years of experience in the Fort Myers and Lee County markets.

Table 8: Year-End Retail Lease Data for Large Retail Spaces of 35,000+ SF

Submarket	# Bldgs	Total GLA	Vacant SF	Vacancy	Average Asking Base Rent PSF
Bonita/Estero	18	4,302,230	389,612	9.1%	\$15.95
Cape Coral	40	3,880,856	492,062	12.7%	\$16.61
Fort Myers North*	57	5,512,118	456,324	8.3%	\$11.35
Fort Myers South**	90	7,838,183	925,383	11.8%	\$15.55
Total	205	21,533,387	2,263,381	10.5%	\$15.00

*From Colonial Blvd north to the Charlotte County line.

**From Colonial Blvd south to Corkscrew Road.

2.4 Why UDS anticipates the possibility of below-market-lease rates for McCollum Hall

There are a number of reasons why UDS anticipates that McCollum Hall lease rates may be significantly lower than the average for the state as a whole:

1. The national recession has resulted in increased retail vacancies and reduced lease rates in virtually every part of the country, no less in Lee County, where the shopping center vacancy rate was 10.5 percent at the end of 2009 (an increase of 4.3 percent during the previous 12 months). Countywide retail space absorption was a negative 621,000 square feet and rents were down by 13 percent to an average \$15 per square foot annually.
1. Retail lease rates in Lee County and Fort Myers are already low, compared with retail lease rates elsewhere in Florida, where the averages reported for 2008 and 2009 by the International Council of Shopping Centers, Woolbright Development, and others hovered between **\$17.75** and **\$24** per square foot (before CAM charges, property taxes and insurance)
2. Some regional and national retailers who venture into “urban” or “inner-city” markets often do so only when they are able to garner below-market-lease rates that mitigate the perceived risks associated with unproven markets, lower household incomes in the trade area (and thereby, lower discretionary retail expenditures), and potentially higher rates of crime. This is despite the reality that urban markets consistently yield strong retail sales. Ground-breaking research by the likes of MetroEdge and D.C.-based Social Compact now finds that the purchasing power of many low-income communities rivals middle-income trade areas and is more often than not undercounted by the U.S. Census.
3. Reduced lease rates can be an important economic development tool, as it aids the Fort Myers Redevelopment Agency in seeding *de facto* equity into local businesses.

Table 9: Retail Leasing & Sales Performance Data

	2008	2009	Change
Retail Lease Market Data (35,000+ SF)			
Vacancy	6.8%	10.5%	+54%
Net Absorption	931,082	(620,620)	-167%
Avg Asking Base Rent PSF	\$17.22	\$15.00	-13%
Retail Building Sales*			
Sales Price (per square ft)	\$208	\$135	-35%
# of Transactions	52	38	-27%
Total Sales Value	\$141,083,800	\$48,120,800	-66%
Commercial New Construction[^]			
New Construction – Units Permitted	290	157	-46%

*Source: Lee County Property Appraiser's Office

[^] Lee County Dept of Community Development, City of Fort Myers, City of Cape Coral

3 Tenant Marketing Plan

Tenant Marketing is one of two components within UDS' 18-month Predevelopment Professional Services Agreement that is scheduled take place over the full 18 months. UDS' planned schedule of tenant marketing activities includes the following.

3.1 Intensive Targeting

UDS will intensively target roughly ten times the number of tenants needed, and subsequently conduct serious talks and meetings with as many as three times the number of tenants needed. UDS will ultimately secure letters of intent to lease from three to six prospective tenants.

Table 10: "Coverage Ratio" for Tenant Marketing Activities

# of Prospective Tenants Researched by UDS	240
# of Short-listed Tenant Prospects	60
# of Tenants Needed	3 to 6
"Coverage Ratio"	10 to 20

3.2 Tenant Marketing Collateral

UDS will develop the following tenant marketing materials and collateral, all of which will be made available for local distribution through the office of the FMRA:

1. 2-page Tenant Requirements Overview
2. 5 to 10-page Tenant Prospectus (Portable Document Format)
3. Power Point Presentation for face-to-face meetings
4. Draft Letter of Intent to Lease with terms (available for serious prospects)
5. Summary of Tenant Incentives
6. Project Website: www.developfm.ning.com with all tenant marketing materials available on-line via this site, as well as the FMRA website
7. Directory of Business Support Resources (for local tenant prospects)

3.3 Tenant Marketing Campaign

UDS will employ a "major accounts" sales strategy in marketing the tenant opportunities at McCollum Hall. In addition to the targeting and collateral listed above, the following activities are a priority (these are time-phased as reflected in the schedules in Section 4.3).

1. Attendance at ICSC and other events where retailers gather with developers
2. Marketing to "the trade" as well as to retailers (e.g., to the Florida Redevelopment Association, and several private development associations)
3. Direct outreach – via mail, phone, face to face meetings and site visits with prospective tenants
4. Close coordination with the FMRA and other entities such as the Southwest Florida Enterprise Center

3.4 Tenant Marketing Schedule

Part I: Major Milestones

	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Tenant Marketing & Collateral Materials Completed	Finished early in Q2						
Tenant Marketing Campaign Conducted	Materials launched Targeted outreach & follow-up in April, May & June						
Prospective Tenant Interactions Executed		Tenant Meetings, Web-based Presentations, Site Visits, Negotiations and Drafts of Agreements					
Local Tenant Business Development Supported			City of Fort Myers' and/or partners provide business development services to aid local tenants				
Letters of Intent to Lease & Leases Closed		Letters and agreements negotiated and secured				Final agreements signed	
Conditional/Unconditional Financing Closed	Social equity search takes place			Conditional, the final financing sought & negotiated			
Preservation and Construction Begins							circa December

Part 2: Detailed Activity Schedule

Type of Activity	Event/Milestone	Description of Activity	Timeframe or Data
Community Voice	Community Advisory Meeting hosted by the Dunbar 21 st Century Collaboration	UDS elicited ideas about the types of retail uses and tenants desired by community leaders	January 28, 2010
Community Voice	McCullum Hall Showcase & Reception	City officials and community leaders and residents gave insight about the types of retail uses and tenants needed and desired at McCullum Hall	February 4, 2010
Community Voice & Local Tenant Outreach	McCullum Hall Business Opportunity Roundtable	The Roundtable will present four types of opportunities, including the tenant leasing opportunity, and will introduce UDS' "Willing & Able" overview, along with three other types of opportunities.	March 18, 2010
Local Tenant Outreach	Release of "Willing & Able" Tenant Collateral Material	Materials regarding the tenant opportunity will be circulated to the community and to any targeted prospects in the City & County via e-mail, www.developfm.ning.com and available for pick-up at the FMRA office	Est. April 19, 2010
Regional & National Search	Release of Tenant Collateral Material to regional and national prospects	UDS will use personal relationships, as well as direct mail packages and targeted phone calls to circulate material to an estimated 60 short-listed prospects.	Est. April 26, 2010 through June, 2010
Community Voice & Local Tenant Outreach	Fielding local tenant inquiries and providing business development support where appropriate	UDS will field and follow-through with inquiries from local business owners; and will aid the FMRA in developing a viable business development plan.	Est. May 2010 through December 2011
Local, Regional & National Search	Targeted Marketing Campaign	UDS will conduct targeted phone calls and office visits to gauge interest and will subsequently schedule formal meetings, presentations and site visits with interested parties	Est. Late April 2010 through late Spring 2011
Regional & National Search	ICSC Southwest Florida Program & Reception	Primarily developers and related professionals will be present allowing for UDS to introduce McCullum Hall and generate in-bound inquiries	April 1, 2010 - Bradenton, FL
Regional & National Search	ICSC Florida Conference	Retailers, developers and related professionals will be present allowing for UDS to introduce the McCullum Hall project and generate in-bound inquiries; UDS will also explore the possibility of formally presenting the opportunity to the right people. The conference will be followed by targeted follow-up and scheduling of formal meetings and presentations.	August 22 – 24, 2010 Kissimmee, FL

3.5 Retailers Initially Identified as Prospects by UDS

UDS has researched and short-listed four groups of retailers: 1) restaurant franchises, 2) independent restaurants, 3) retail franchises, and 4) corporate-owned and independent retailers. The following includes lists of three of these groups.

UDS expects to further narrow the list and ultimately conduct a tenant marketing program that will reach thirty to 60 prospective tenants.

Table 11: Short-Listed Restaurant Franchises by UDS

Source: Rankings by Entrepreneur Magazine, 2009 Franchise 500®, April 2009 release of “Top 120 Restaurant Franchises”

Restaurant Franchises	Products	2009 Franchise 500 Ranking
Baked goods		
Dunkin' Donuts	Coffee, doughnuts, baked goods	#36
Cinnabon	Cinnamon rolls & baked goods	114
Nestle Toll House	Cookies, baked goods, coffee, ice cream, smoothies	232
Chicken		
KFC Corp.	Chicken	14
Buffalo Wild Wings	Buffalo wings & sandwiches	87
Wingstop Restaurants	Chicken wings	97
El Pollo Loco	Flame-grilled chicken meals & Mexican entrees	150
Bojangles' Restaurants	Chicken & biscuits	158
Wing Zone	Buffalo wings takeout & delivery	329
Wings Over . . .	Chicken wings	490
Coffee		
Scooter's Coffeehouse	Coffee, teas, smoothies, pastries, sandwiches	340
Daily Grind Unwind Coffee House & Cafe	Coffeehouse & café	360
Dunn Bros Coffee	Coffee	367
Restaurants		
Denny's Inc.	Full-service family restaurant	25
CiCi's Pizza	All-you-can-eat pizza buffet	91
Golden Corral	Family steakhouse, buffet & bakery	125
Beef 'O'Brady's	Family sports pub	190
Melting Pot Restaurants	Fondue-specialty restaurant	203
Famous Dave's	Barbecue-themed restaurant	216
Western Sizzlin	Family steakhouse	421
Bandana's Bar-B-Q	Barbecue restaurant	458
Bar-B-Cutie	Barbecue restaurant	463
Perkins Restaurant	Family-style restaurant	500
Ice cream & frozen desserts		
Baskin-Robbins USA	Ice cream, frozen yogurt, frozen beverages	13
Dairy Queen	Soft-serve dairy products & sandwiches	16
Cold Stone Creamery	Ice cream, Italian sorbet	46

Restaurant Franchises	Products	2009 Franchise 500 Ranking
Rita's Italian Ice	Italian ices, frozen custard, gelati	76
Ben & Jerry's	Ice cream parlor	120
Haagen-Dazs Shoppe	Ice cream & frozen yogurt	223
Marble Slab Creamery	Ice cream, frozen yogurt, baked goods	244
Juice bars		
Smoothie King	Smoothies & healthy products	67
Tropical Smoothie Cafe	Smoothies, sandwiches, wraps, coffee, soups	176
Juice It Up!	Juice bar	189
Planet Smoothie	Smoothies & snacks	339
Mexican quick service		
Qdoba Mexican Grill	Fast-casual Mexican food	94
Moe's Southwest Grill	Fast-casual Southwestern food	113
Salsarita's Fresh Cantina	Fresh-Mex-style cantina	411
Pizza		
Pizza Hut	Pizza	7
Papa John's	Pizza	10
Domino's Pizza	Pizza, breadsticks, buffalo wings	41
Hungry Howie's Pizza & Subs	Pizza, subs, salads	93
RedBrick Pizza	Fast-casual pizza restaurant	235
Sandwiches		
Subway	Submarine sandwiches & salads	1
Quiznos Sub	Submarine sandwiches, soups, salads	50
Jimmy John's Gourmet	Gourmet sandwiches	53
Firehouse Subs	Submarine sandwiches	90
Charley's Grilled Subs	Philly cheesesteak sandwiches, grilled subs, fries, salads	132
Great Steak & Potato Co.	Philly cheesesteak sandwiches, fries, baked potatoes	296
The Steak Escape	Grilled sandwiches, baked potatoes, salads	384
Spicy Pickle	Paninis, salads, subs, soups, pizzetti	395

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Table 12: Short-Listed Retail & Retail Services Franchises by UDS

Retail & Retail Services	
Aaron's Sales & Lease	Furniture, electronics, computer & appliance leasing & sales
Candy Bouquet	Floral-like designer gifts & gourmet confections
ColorTyme	Rent-to-own electronics/furniture/appliances
Cookies By Design	Cookies & cookie arrangements
Cookies in Bloom	Cookie gift baskets
Deck The Walls	Custom picture framing & wall decor
Edible Arrangements	Floral-like designs from sculpted fresh fruit
Fastframe USA Inc.	Custom picture framing & art sales
Game On	New & used video games
GNC Franchising	Vitamin & nutrition store
The Great Frame Up	Custom framing & wall decor
Hut no. 8	Teen clothing resale store
Male Care	Combination barber shop, car wash & dry cleaners
Once Upon A Child	New & used children's clothing, equipment, furniture, toys
Original Basket Boutique	Gifts, gift baskets, corporate gifts
Party America	Party supplies, balloons, cards
Party Land	Party supplies & balloons
Pearle Vision	Eye-care center
Plato's Closet	New/used clothing for teens & young adults
Play N Trade	New & used video games
RadioShack	Consumer electronics
Rosevine Winery	Make-your-own-wine retail shops
Savory Spice Shop	Spices, seasonings, extracts, sauce mixes
The Soccer Post	Soccer store
Wireless Zone	Wireless communications store
Vintage Stock	DVDs, video games, music, sports cards
The Wine Loft	Wine bar
WineStyles	Wine store
Wireless Toyz	Wireless devices & satellite TV services

Table 13: Corporate Owned & Independent Retail + Others not elsewhere categorized

Starbucks*	Amscot
Apple Stores/iTunes*	Liberty Taxes
GameStop*	State Farm Insurance
Darden Restaurants*	Others not elsewhere categorized:
Verizon Wireless*	Churches Chicken
Blockbuster*	Popeye's
Barnes & Noble*	Chick fil A
AT&T Wireless*	Steak n' Shake
OSI Restaurant Partners*	Boston Market
Radio Shack*	Bob Evans

*Those marked by an asterisks are listed on the 2009 ranking of "The STORES Top 100 Retailers," ranked by annual revenues as reported in SEC filings, public statements by the companies and, estimates based on Planet Retail research.