



# City of Pensacola

222 West Main Street  
Pensacola, FL 32502

## Memorandum

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**File #:** 24-706

Agenda Conference

8/5/2024

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### **LEGISLATIVE ACTION ITEM**

**SPONSOR:** Mayor D.C. Reeves

**SUBJECT:**

GROUND LEASE WITH INSPIRED COMMUNITIES OF FLORIDA, LLC - LOT 5 OF  
COMMUNITY MARITIME PARK

**RECOMMENDATION:**

That City Council approve and authorize the Mayor to execute the Ground Lease with Inspired Communities of Florida, LLC for the development of Lot 5 of the Vince J. Whibbs Sr. Community Maritime Park (CMP), for a term of 100 years. Also, that City Council authorize the Mayor to execute the Partial Termination of the Master Lease Agreement (MLA), terminating the MLA for Lot 5 of the CMP. Also, that City Council authorize the Mayor to take actions necessary to execute and administer these agreements, consistent with the terms of the agreements and the Mayor's Executive Powers as granted in the City Charter.

**HEARING REQUIRED:** No Hearing Required

**SUMMARY:**

After failed negotiations with a prior option holder for development of Lots 4 and 5 of the Community Maritime Park, the City and Inspired Communities of Florida entered into an option agreement in March 2022, giving Inspired Communities exclusive rights to develop these parcels through February 2024. The City Council also approved the extension of the option agreement with Inspired Communities for these parcels on three more occasions via addendum through July 31, 2024. Negotiations proceeded in good faith, culminating in the outcome of an executable ground lease for the immediate development of Lot 5. The future development of Lot 4 is pending further discussion. Inspired Communities also has the option agreement for development of CMP Lots 3, 6, and 8.

Per the terms of the 100-year ground lease, Inspired Communities will spend no less than \$55 million on design, development, and construction of a mixed-use residential structure and upscale hotel with corresponding amenities and parking contained on site. The residential section will include at least 200 units and the hotel will include at least 125 units. The project will also include commercial and retail space that will be open to the public. The timeline detailed in the ground lease requires Inspired Communities to initiate application for building permits by June 2025, with commencement of construction to begin 45 days after receipt of

applicable permits. Substantial completion of the project is set for June 2028.

The monetary terms of the lease require Inspired Communities to remit in monthly installments escalating annual base rent to the City beginning with \$30,250 for calendar year 2024, \$184,250 in 2025, and \$275,000 in 2026 through June 2031. The annual base rent will then increase by 5% every five years, beginning in 2031. The City will also receive common area maintenance (CAM) fees, beginning at \$30,850 in January 2026, and increasing by 5% every five years, beginning in 2031. For extensions on development milestones, considerable non-refundable fees are required, ranging from \$7,500 per month up to \$200,000 per year, depending upon the extension length requested and the specific milestone being extended.

The City and the defunct Community Maritime Park Association (CMPA) entered into a Master Lease Agreement in March 2006 for the then-vacant park parcels, with the MLA transferring to the City in June 2017 with the sunseting of the CMPA. As a requirement for the initiation of this ground lease for Lot 5, a partial termination of the Community Maritime Park master lease agreement, which conditions all the remaining undeveloped parcels, is necessary.

#### **PRIOR ACTION:**

February 10, 2022 - City Council approved an Option Agreement with Inspired Communities of Florida LLC for the development of Lots 4 and 5 at the Community Maritime Park, after rejecting a Memorandum of Understanding from a previous developer in October 2021

February 22, 2024 - City Council approved an Addendum to the Option Agreement with Inspired Communities of Florida

June 13, 2024 - City Council approved a Second Addendum to the Option Agreement with Inspired Communities of Florida

July 18, 2024 - City Council approved a Third Addendum to the Option Agreement with Inspired Communities of Florida

#### **FUNDING:**

The ground lease agreement requires Inspired Communities to spend no less than \$55 million on this development. Though Inspired Communities can develop in accordance with the Live Local Act, enter into an Area Reinvestment Agreement with the Community Redevelopment Agency, and apply for any source of funding afforded any other developer of real estate projects, this ground lease is not contingent upon their receipt of any of these rebates, discounts, or incentives.

#### **FINANCIAL IMPACT:**

The monetary terms of the lease require Inspired Communities to remit in monthly installments escalating annual base rent to the City beginning with \$30,250 for calendar year 2024, \$184,250 in 2025, and \$275,000 in 2026 through June 2031. The annual base rent will then

increase by 5% every five years, beginning in 2031. The City will also receive common area maintenance (CAM) fees, beginning at \$30,850 in January 2026, and increasing by 5% every five years, beginning in 2031. For extensions on development milestones, considerable non-refundable fees are required, ranging from \$7,500 per month up to \$200,000 per year, depending upon the extension length requested and the specific milestone being extended.

**LEGAL REVIEW ONLY BY CITY ATTORNEY: Yes**

7/26/2024

**STAFF CONTACT:**

Amy Miller, Interim City Administrator  
Amy Lovoy, Finance Director  
Deana Stallworth, Property Lease Manager

**ATTACHMENTS:**

1. Draft Ground Lease - CMP Lot 5
2. Partial Termination of MLA - CMP Lot 5

**PRESENTATION: No**