

# Finergy US Corporate



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## Risk Killers

By Sean Roth

Finergy Development LLC's first major U.S. project took three years and about \$10 million. Turns out that was a long time to spend chump change.

Today, the company owns land or leases comprising a portfolio of four developments with a total construction value of nearly \$250 million.

The growth makes sense to principal Enzo Gagliardi and his protege (and cousin) Eric Collin.

The duo's strategy? Vision, hard work and taking risk out of the equation.

The Sarasota-based company is best known locally for its conversion of the former The Gardens assisted-living facility on Fruitville Road in Sarasota. The firm, which at the time was going by the corporate names of Merca Real Estate and Saravista Hotel Development, took a half-built dilapidated group of pre-fabricated modular building units to create a Mediterranean-style Homewood

Suites by Hilton; it won that brand's best conversion award in 2005.

Since then, Finergy has used its patient and deliberate strategy to grow its core business: Turning around unattractive eyesore-like sites for building condos, hotels and retail centers.

It had 2005 revenues of \$7.8 million and is projecting about \$9 million in revenues in 2006. The company has eight employees working on development projects.

Recent projects include:

- A 40-acre site in Venice that it rezoned and later flipped to Lennar Homes for \$6 million. It paid \$600,000 for the property in 2004;

- A 27-year-old, 3,000-square-foot building at 2170 Main Street in downtown Sarasota that Finergy bought for \$900,000. Gagliardi then demolished the building to make way for a four-story, 15,000-square-foot building.

That project is scheduled to start in August and take about a year to complete;

- A dilapidated lot, roughly 4.5 acres, at the southwest corner of Albee Road and U.S. 41 in Nokomis that Finergy plans to turn into a 75-room upscale hotel, 16 condominium units and 14,000 square feet of retail space;

- A massive undertaking in Tampa's Channelside district. The company bought the Amazon Hose & Rubber Co. building and a warehouse next door, at the corner of Kennedy Boulevard and 12th Street, for \$7.1 million.

Plans, in addition to working with the city on an affordable housing plan, include a 25-story building with 274 condos, 44,000 square feet of office and retail space, an 8,000-square-foot park and an 119-room upscale hotel;

- A 90% stake in the Sarasota-Manatee Airport Authority's mixed-used development SRQ Innovation Green.

Gagliardi has teamed up with Sarasota architect Frank Folsom Smith

- they are next-door neighbors in Sarasota's Indian Beach neighborhood - to build the long delayed proposed commercial/hotel development on the roughly eight acres on University Parkway.

The airport authority gave the partnership a 99-year-lease to develop about 200,000 square feet of commercial space and a total of 200 hotel units.

- Brainstorm sessions:

Three of the new projects have a mixture of uses and Gagliardi, 46, says that is by both design and necessity. "Land is so expensive and construction costs

have gone up so much that you just have to vary your approach with a lot of diverse elements to make it work," he says.

More importantly, Gagliardi remembers the tough markets.

He prefers his development to be deliberate "choosing a plodding protracted approach to building over making mistakes. Gagliardi describes his business approach as a "risk killer."

The niche is to find trash-building sites to develop on, rather than pay a full market price. The company's Nokomis property is an admitted eyesore, an abandoned gas station.

The Tampa project will replace two depressed warehouse properties. On the former assisted-living facility that became the Homewood Suites, Gagliardi's says his initial first impression was: "This is clearly the ugliest building in Sarasota."

Pared with Gagliardi's desire for real estate bargain is his obvious joy in creation "envisioning what could and should be at a site.

" Vision is really the most important thing you can have," Gagliardi says. "This really starts for me in the brainstorm sessions when we are looking at sites. We start to get a feeling for what a site could be. This is about being an artist."

The second element that grounds that development plan is listening to the market through independent research, contact with the prospective future users "whether they are restaurant companies, hotel brand or others " and input from neighboring property owners.

" As a developer, most of the time you build a project and then you leave," Gagliardi says. "So it is arrogance to say to your neighbors: Stay away."

We really see this as a way to work together. It matters when they say things like "We don't want just another Mediterranean building." We heard that in Nokomis and so we tossed out the design we had and started over."

All of these exercises, Gagliardi says, are about making your project as immune as possible to changes in the market. Maybe in a good market you work harder than you need to, Gagliardi says, but in a bad market you don't sink.

Gagliardi says financing large development projects " \$100 million for the airport property and an estimated 120 million for Channelside " isn't that difficult if you budget for a long development period and use the land-use improvements to provide additional equity.

" That's the small secret," Gagliardi says. "Everybody talks about price. No one every talks about how

they're going to pay it. We may take two years to go through a rezone but at the end of the process we may have doubled or tripled the value of the property."

#### Family-style

The Italian-born Gagliardi developed his strategy abroad with his Lille, France-based Finergy Europe, which develops office, retail and residential properties across Europe.

At 17, Gagliardi, who grew up in a depressed industrial area of Italy, started buying homes, improving them and renting them out.

Over the years, that venture turned into what is now a residential development firm and a management company of government regulated affordable housing.

The business, including Finergy, are all family-style: Gagliardi's wife and brother currently work for the European venture while Collin's wife works at Finergy.

Gagliardi declined to comment on the current financial size of the European venture. However, the Sarasota-Manatee Airport Authority investigated both Gagliardi and his company's financials and references and found that he was able to handle the terms of the 99-year lease.

" Everything that we've heard has been good," says Fred Piccolo, president and CEO of the Sarasota Bradenton International Airport. "Otherwise we wouldn't have recommended the board approve the lease.

Under the new lease, Finergy has until August of 2007 to begin vertical construction of SRQ Innovation Green;

Gagliardi expects the site design and approvals to take eight to ten months. He expects to begin work on the Channelside project in about a year, with work on the Nokomis site to follow four to six months later.

