

January 14, 2017

Norton Bonaparte
City Manager
City of Sanford Florida
300 N. Park Avenue
Sanford, FL 32771



RE: Catalyst Site Development Agreement

Dear Mr. Bonaparte,

Thank you for calling us on Wednesday to discuss going forward and scheduling a negotiation meeting for January 16, 2017. We have received and reviewed the Mayor's letter of December 28, 2016 and we find it most discouraging at this late juncture in our Development Agreement (DA) negotiations.

Sanford Waterfront Partners (SWP) and the City of Sanford began negotiation of the DA in mid-July. We developed critical deal points in concert with you, your city staff your consultants, and we met directly with all of you including the Mayor and each of the City Commissioners on multiple occasions. At each meeting we addressed each of the deal points and the negotiating team's concerns, including the Mayor's and the Commissioners' and submitted dozens of revisions to the draft deal points to address those concerns.

Multiple draft documents were exchanged between the parties and in early August we reached a consensus on a draft Development Agreement that at that time was largely drafted by your office, your consultant Little John and ourselves. In mid-August we informed you and your consultants of the results of our soil testing program, which disclosed for the first time the existence of 8 feet of organic material throughout the entire catalyst site. We again met with the yourself, the Mayor and each Commissioner to advise them of this unforeseen soils issue and discussed how we could deal with this unexpected development. We also personally introduced them to the Zimmerman/Volk Market Study team.

A revised DA document was then turned over for review by our legal counsel to make sure we had all properly addressed the legal wording. When that review and edit was completed, it was sent back to you and your consultants, discussed further and additional comments were addressed before John Jones forwarded it for review to your legal counsel on September 1, 2016. On September 7th and 8th, 2016 we again came to Sanford and met with the CRA, yourself, the Mayor and Commissioners one on one and discussed all aspects of the DA. At the time we all believed we had a general consensus on the DA terms.

You and your staff began arranging a schedule for the various public hearings that would be required and according to your e-mail of September 1, 2016, October 10th was to be the date for final Commission approval. Unfortunately, the City's legal counsel Lonnie Groot did not return the DA draft document until October 13, 2016. When he did we found he had completely redrafted the document and not provided us with a red lined and stricken version so that we could properly track the changes he had made. A red

lined version was only provided days later at our counsel's request. Needless to say because of this delay the previously discussed approval deadlines could not be met.

During the weeks that followed we had several discussions back and forth. On October 31st in a conference call with you we thought that we had narrowed the discussion down to a few final deal points. This conference call was memorialized in the memorandum of our discussions and e-mailed to you that same day. Following this conference call it was our mutual intention to meet face to face with our respective attorney's present and with the Mayor to resolve the handful of outstanding issues and create the final document. In preparation for that meeting, our legal counsel sent your counsel a revised draft DA on November 2nd that included the deal points we had mutually agreed upon in our conference call. A face to face meeting was scheduled for Monday November 7th, but was cancelled by you via a phone call on Saturday November 5th, two days before our meeting.

We continued repeatedly to try and reestablish a meeting date for final negotiations, but at each request were told that the Mayor was either not available or had not completed his letter. The City Commission voted to extend the MOU deadline until December 19th only to have to extend it a second time because the Mayor was still not ready to meet. In order for us to continue moving forward, the MOU deadline will need to be extended a third time. To date, the City has missed all previous deadlines.

On December 28th we received the letter from the Mayor that seems to question and revise many aspects of the previously negotiated agreement and deal terms. Moreover, he seems to challenge the actual viability of the catalyst site by suggesting that it "may or may not serve to catalyze development in downtown Sanford." Listening to the audio of the Commission Meeting of January 9, it is abundantly clear that the Commission still does not have a clear idea of how and who should negotiate this agreement and how to get to the finish line.

SWP stands 100% committed to this project and we have all intentions of reaching an agreement in the next few weeks. However, if the method of negotiations does not improve, the commission and you do not find an effective way to arrive at a consensus agreement quickly, we will find ourselves with no option but to put forth a unilateral agreement for Commission approval. We remind you that we have busy schedules and many business, financial and personal commitments that go along with this project. Time is of the essence.

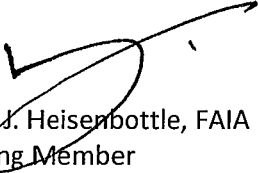
Today the City of Sanford sits at a crossroads. It can move forward with SWP's community based Master Plan and in a short time create one of the most exciting and contextually sensitive developments in the State of Florida and in the City's history. A development that is based upon objective professional market research, high quality design and one that has already been proven to be a catalyst for renewed interest and redevelopment in downtown. A development that will generate a renewed urban vitality, provide hundreds of jobs and substantially increase tax revenues in an area where only empty parking lots exist today. Or the City can pass up this opportunity and maintain the status quo. The choice is yours.

Sanford Waterfront Partners, LLC has successfully completed all of its responsibilities under the MOU. It is time for the City to re-engage effective negotiations and finalize the DA based upon the latest version of the Groot Development Agreement and then quickly submit that agreement with a staff recommendation for approval to the Commission for a vote.

We look forward to reopening negotiations with you at which time we will address each of the Mayor's proposed agreement changes.

Very truly yours,

Sanford Waterfront Partners, LLC



Richard J. Heisenbottle, FAIA
Managing Member



Venny Torre
Managing Member

C: Jeff Triplet – Mayor
Patricia Mahaney – Commissioner
Velma Williams – Commissioner
Art Woodruff – Commissioner
Randy Jones – Commissioner
Patrick Austin – Commissioner Elect
Tom George – Ass't City Manager
George Kramer – Little John
John Jones – Little John
Daniel Mackler, Esq.
Mario Garcia Serra, Esq.

December 28, 2016

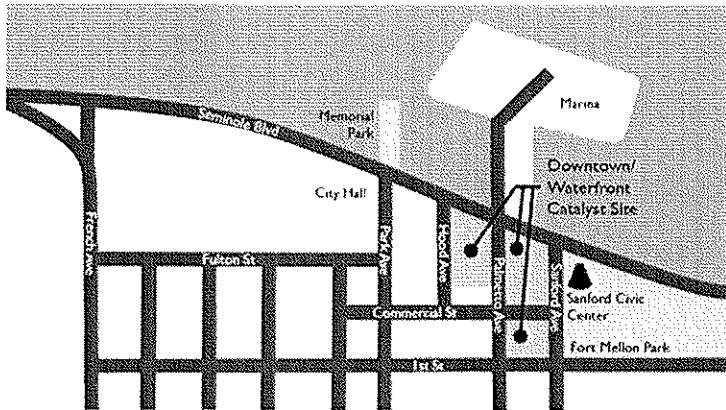
Mr. Norton Bonaparte, City Manager
Mr. Thomas George, Deputy City Manager
300 N. Park Ave.
Sanford, Florida 32771

Dear Sirs:

Over the last few years the City of Sanford has conducted a visioning initiative to focus their planning, development and operational efforts. The City Commission established new vision and mission statements, and adopted four (4) strategic priorities intended to guide the City's efforts over the next 2 to 3 years. The strategic priorities are to:

- Unify downtown and the Waterfront;
- Promote the City's Distinct Culture;
- Update the regulatory framework; and
- Redevelop and revitalize disadvantaged communities.

It is the first strategic priority, that of unifying downtown and the waterfront, that the catalyst site and development is intended to address.



The 5.2 acre Downtown/Waterfront Catalyst Site covers three city blocks, located between Sanford's historic 1st Street and the Sanford RiverWalk, fronting on the Sanford Marina and Lake Monroe. The Catalyst Site is located within the City of Sanford's Downtown Historic District and its Community Redevelopment Area.

They City published a Request for Proposal to solicit potential development partners for the Catalyst site and ultimately selected Torre Development Group. TDG formed Sanford Waterfront Partners to move the project forward.

A properly executed public private partnership and development plan can result in a revitalization of an area. For example, The Walt Disney Company's catalyst investment in the redevelopment of the New Amsterdam Theater in New York City's Time Square area, resulted in an urban renewal and turnaround of a severely blighted area. In downtown Orlando, the development of the Dr. Phillips Performing Arts Center, resulted in a world class facility with spin off businesses capitalizing on the one draw of new customers to the theater. Done improperly, like Marina Island in Sanford, it can erode the trust of the community in government and stall development for years.

Based on a review of the available draft documents it appears that in exchange for a multimillion dollar waiver of fees, offsite improvements at no costs to the Developer, the deferral of the purchase price for the property and the reduction of the deferred purchase price based on built units, the City may receive

development and improvements on the catalyst site that may or may not serve to catalyze development in downtown Sanford.

The "Major Deal Points to be Confirmed" letter dated November 10, 2016 is attached to this letter. Below are my thoughts/positions on each substantial point of interest:

- 1) Conveyance of Property: Property should be sub-divided into 3-sites with mutually agreed upon sales price per a city commission approved appraisal. Developer will be given the option to purchase some or all of the sites subject to an actual appraisal of the site. Property will be conveyed once the developer has submitted and the city has approved a site specific development and phasing plan. The plan should show the sequence and time of each phase including estimated completion dates. Construction needs to start within 12-months of approval of the development/phasing plan by the city. If not, the city's right of reverter is enacted. Release of the cost of the property and release of our position/lien will come with performance as presented by the developer and approved by the city.
- 2) CRA Programmed Offsite Improvement: Sanford CRA will fund up to \$5.2 million for roadway and utility improvements as described in the current CRA Master Plan. The design, specifications, award and cost (overruns) are subject to CRA approval. The CRA needs to control the oversight of the management of the improvements whether through a 3rd party or as a governing body. This amount will cover all costs associated with the Street Scape and Utility Infrastructure Improvement Plan as presented and approved by the CRA board.
- 3) Project Completion Date: Five (5) years.
- 4) Vacation of Easements and Re-plating: Agreed.
- 5) Property Soil Stabilization: The city will be responsible for 100% of the agreed upon costs up to \$2 million and 50% of costs thereafter not to exceed \$4 million. This can be phased based upon development agreement. A peer review and determination as to the validity of the overall scope and costs needs to be implemented.
- 6) TIF Reimbursement: 25% of future TIF money to be used for an annual marketing campaign to include but not limited to the catalyst site for the remaining duration of the CRA.
 - a. If developer demands TIF reimbursement, the city can adjust the upfront waiver of fees, i.e. Permit, Planning and Development waivers, to arrive at a 1:1 monetary value.
- 7) Brownfield Incentives:
 - a. Waiver of permit fees not to exceed one half of estimate.
 - b. Waiver of transportation fees is a Seminole County issue.
 - c. Waiver of planning department review fees not to exceed one half of estimate.
 - d. Park and Recreational Fees, mutually agreed.
 - e. Police impact Fees, mutually agreed.
- 8) Changes to Approved Master Plan: 15% mutually agreed.

Following is a recap of most of the major deal points that have been presented to me regarding the overall costs to the city from the developer:

1. \$5.2M offsite improvements
2. 50% tax increment finance
3. \$4M for site stabilization
4. \$1,382,027 Permit Fees
5. \$855,402 Planning & Dev. Review Fees
6. Directives for Police Impact Fees;
7. Reservation of its storm water credits for the catalyst site
8. Deferral of purchase price payment for 5 years
9. Purchase price reductions equal to the purchase price (reducing it to \$0) based on units built.
10. Obligation to fund and implement a marketing and community event programming for the City and the catalyst site without contribution from the Developer.
11. Directives for Parks and Recreational Fees

I offer the following closing thoughts:

A. The deal seems to give the Developers upfront benefits and makes the City wait to receive the deal benefits until years later. The City's benefits are not guaranteed, and the benefits to the Developers are not phased and tied to milestones. The result is the City is bearing a disproportionate amount of risk with no real assurance that they will ultimately receive any benefits.

B. The deal is premised on the concept of, "build it and they will come." The development needs to be tied to a branding campaign, hence the guarantee of 25% TIF, that will help attract the type of residents, businesses and consumers that Sanford has had a hard time attracting. Economic development and catalyst activities require more than brick and mortar. The CRA and the City are obligated to coordinate and fund programming and funding for downtown marketing and community event programming, enhanced downtown policing and street and grounds maintenance.

C. Offsite Improvements are a part of the CRA's responsibility and bonding will be necessary to fund the \$5.2 million. The impact of this is far reaching and will need the city's oversight during the bid and management process.

D. We need to set milestones and a closing date as this project seems to be missing an outside deliverable date.

E. The City needs to obtain attorney wording that this agreement is null and void if it is not to be built by this development team. We have seen in the past, development rights and property being "flipped" for a profit.

F. If the project is not successful or not completed, then the City has been both deprived of the use of the CRA funds and a diversion of those funds into an area that might not be best for the City's development activities. Risk that needs to be understood and evaluated as to what offsite improvements are done with CRA funds and what offsite improvements might be solely the Developers responsibility.

G. Soil stabilization could be a black hole for costs.

H. Creation of a property owners association should also require the Developer to fund reserves at certain levels. I am uncomfortable in allowing the Developer to be released from its obligations once a Property Owners Association is formed. There should be some obligations that the Developer is required to continue either being primarily responsible or as a backstop guarantee.

I. Without milestones, guarantees, and a minimum lock out period prior to the right to sell or assign, I would offer that the City is not in the best position to control the development. The deal as it is structured raises significant concerns that it's designed to allow the Developer to flip the deal quickly, monetize the development rights and leave the City with a different group.

J. I am uncomfortable, as written, that the City's reverter expires if the Developer delivers 1/3 of the project? Or according to the special warranty deed if the Developer delivers to the City a construction loan commitment from a lender? They wouldn't even need to move a single piece of dirt and the reverter expires. This is why it needs to be phased, with milestones.

L. The Developer has the right to sell all or a portion of the project as it goes and wants the City to release a bona fide purchaser from the Developer's obligations under the agreement.

M. We need to "Share" the risk with the developer, not take all the risk for this project.

We should take every measure available to avoid the pitfalls that have plagued the city from past ventures.

I look forward to hearing any additional viewpoints and look forward to the Waterfront Development Partners, LLC. response so that we can move forward.

Signed:



Jeff Triplett
Mayor

January 14, 2017

Norton Bonaparte
City Manager
City of Sanford Florida
300 N. Park Avenue
Sanford, FL 32771



RE: Catalyst Site Development Agreement

Dear Mr. Bonaparte,

Below for your review is Sanford Waterfront Partners response to Mayor Triplet's letter of December 28, 2016, closing thoughts and the letter in general.

- A. The deal seems to give the Developers upfront benefits and makes the City wait to receive the deal benefits until years later. The City's benefits are not guaranteed, and the benefits to the Developers are not phased and tied to milestones. The result is the City is bearing a disproportionate amount of risk with no real assurance that they will ultimately receive any benefits.

Response:

The Developer does not reap upfront benefits as the Mayor suggests. The DA was carefully crafted to assure that City's expenditures and the Developers expenditures occur simultaneously throughout the construction process and are tied to developer performance. While the City's benefits may not be guaranteed, neither are the developer's benefits.

The \$5.2M CRA investment in utility infrastructure and streetscape improvements will be happening in phases, not all up front. The development will be nearly complete before new streets, curbs, sidewalks and landscape improvements are installed. More to our point, the brownfield and TIF incentives and credits are not awarded up front, but rather as construction plans are completed and permits are awarded and buildings come on line. While the City is re-platting the property and designing new utility infrastructure improvements that are necessary for any redevelopment, SWP is completing Schematic Designs and architectural and engineering Construction Documents for the entire project. Additionally, we will be engaging in major marketing campaigns, hiring real estate professionals, building and staffing sales and leasing offices, constructing model apartments and incurring a host of other project related expenses. At each juncture, of the project, SWP will have invested far more than the CRA and City combined.

- B. The deal is premised on the concept of, "build it and they will come." The development needs to be tied to a branding campaign, hence the guarantee of 25% TIF, that will help attract the type of residents, businesses and consumers that Sanford has had a hard time attracting. Economic development and catalyst activities require more than brick and mortar. The CRA and the City are obligated to coordinate and fund programming and funding for downtown marketing and community event programming, enhanced downtown policing and street and grounds maintenance.

Response:

The project is hardly premised on the concept of, "build it and they will come." SWP has hired some of the best market research professionals in the country as well as nationally recognized urban design professionals to identify the potential market, identify market preferences and determining the optimum type, mix, price structure and absorption rate. This process will assure a successful project. Throughout this entire process, SWP has utilized the best industry practices to determine the best possible development solution. We are not providing just bricks and mortar and our knowledge and track record of performance confirms this.

To facilitate downtown's growth and revitalization, the CRA and the City need to coordinate and fund community event programming, marketing, enhanced downtown policing, street and grounds maintenance. SWP has always been committed to providing substantial added marketing funds to assure both the projects and downtowns success.

- C. Offsite Improvements are a part of the CRA's responsibility and bonding will be necessary to fund the \$5.2M. The impact of this is far reaching and will need the City's oversight during the bid and management process.

Response:

SWP has already agreed to city oversight during the bid and management process. The City and the CRA need to move forward immediately to secure the necessary funds for this project to proceed.

- D. We need to set milestones and a closing date as this project seems to be missing an outside deliverable date.

Response:

SWP has always intended to address the issue of milestone and closing dates during our final negotiation meeting.

- E. The City needs to obtain attorney wording that this agreement is null and void if it is not to be built by this development team. We have seen in the past, development rights and property being "flipped" for a profit.

Response:

From the outset of our involvement with the Catalyst Site, SWP has made it clear that we have no interest in flipping the project. We view this as a legacy project that we will continue to own for many years to come. We will coordinate appropriate assurances during final negotiations.

- F. If the project is not successful or not completed, then the City has been both deprived of the use of the CRA funds and a diversion of those funds into an area that might not be best for the City's development activities. Risk that needs to be understood and evaluated as to what offsite improvements are done with CRA funds and what offsite improvements might be solely the Developers responsibility.

Response:

It should be understood that the success of the project is predicated on the CRA's \$5.2M investment and that the project could not go forward without this investment. The Mayor suggests that investing the

already programmed CRA funds for Streetscape and Infrastructure Improvements in the Downtown Catalyst site “might not be best for the City’s Development activities”. That statement is very confusing because we cannot think of an area or a specific project where the CRA funds could be diverted to provide a better return on investment or better serve the City’s Strategic Priority List.

UNDER NO CIRCUMSTANCE SHOULD THESE CRA FUNDS BE DIVERTED TO ANY OTHER COMMUNITY PROJECTS AS IT WOULD BE COUNTER TO THE CITIES STRATEGIC PRIORITIES STATED GOALS. NO OTHER CRA PROJECT SHOULD BE MOVED AHEAD OF THIS PROJECT.

G. Soil stabilization could be a black hole for costs.

Response:

When a public entity offers a redevelopment site it is expected that the site be readily buildable not filled with eight feet of organic material that needs to be remediated. It is also customary that the City vacate the alleys, remove mid-block utilities, properly plat the property and provide the necessary public utility infrastructure and streetscape improvements necessary to support the proposed development. By definition, this is the responsibility of a CRA. They facilitate redevelopment and in turn for public investment in infrastructure, the City benefits from the vitality of community, commerce and tax revenues that the new development generates for decades to come.

If rather than containing unsuitable organic soils that result in a negative site value, the site contained environmental contamination, the expectations would be the same. The City would have to remediate its asset before offering it for sale or redevelopment.

SWP is not suggesting that the City pay more than is necessary to remediate this condition. We have already agreed to a peer review and determination of the most cost effective method, but this is a City responsibility.

H. Creation of a property owners association should also require the Developer to fund reserves at certain levels. I am uncomfortable in allowing the Developer to be released from its obligations once a Property Owners Association is formed. There should be some obligations that the Developer is required to continue either being primarily responsible or as a backstop guarantee.

Response:

The issue of reserve funds and POA obligations are not complicated and can be resolved in follow up negotiations.

I. Without milestones, guarantees, and a minimum lock out period prior to the right to sell or assign, I would offer that the City is not in the best position to control the development. The deal as it is structured raises significant concerns that it's designed to allow the Developer to flip the deal quickly, monetize the development rights and leave the City with a different group.

Response:

This issue of flipping the property has been previously addressed in item E above. The issues of milestone dates, guarantees and deliverables were always intended to be addressed at our final negotiation meeting.

- J. I am uncomfortable, as written, that the City's reverter expires if the Developer delivers 1/3 of the project? Or according to the special warranty deed if the Developer delivers to the City a construction loan commitment from a lender? They wouldn't even need to move a single piece of dirt and the reverter expires. This is why it needs to be phased, with milestones.

Response:

SWP is open to the Mayor's suggestion that the sight be separated into 3 sites with mutually agreed sale prices and that the purchase structure be revised to an option format. These suggestions as well as conveyance, guarantees and phasing details are subject to further negotiations.

- K. Missing / skipped

- L. The Developer has the right to sell all or a portion of the project as it goes and wants the City to release a bona fide purchaser from the Developer's obligations under the agreement.

Response:

Nowhere in the proposed DA do we suggest that upon sale of a portion of the project, the purchaser be released from the Developer's obligations. In fact the opposite is true. The document currently includes a covenant provision obligating a purchaser to complete the project in accordance with the approved Master Plan for a period of 10 years.

- M. We need to "Share" the risk with the developer, not take all the risk for this project.

Response:

To say that "the agreement is sided to the developer," is to forget who has shouldered all of the project development costs for this past year and who will take the biggest financial risk going forward. The project development costs that SWP has incurred to date include paying for multiple market studies, urban designer and planning consultants, legal fees, charrette costs, renderings, video production and travel expenses, not to mention the enormous commitment of our time. Our financial risks going forward include substantial personal equity and personal guarantees that the project will require. There is no doubt that both the City and SWP are heavily at risk by proceeding with this project. Both parties knew the risk when we entered into the MOU. The Commission needs to realize that there is an even bigger risk in not going forward. By not going forward, you will continue to have three vacant non-revenue generating city blocks in the heart of downtown and you will not be following through on your Strategic Plan.

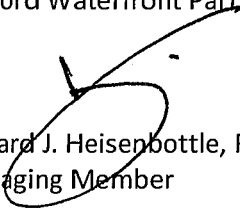
In this sort of a downtown redevelopment area where there is no established residential or commercial market, no past history of successful development; only blighted and partially occupied buildings, it is expected that the City provide a developer with the development incentives necessary to ensure the financial success of the project. These incentives give confidence to the financial institutions funding the project that there is a serious commitment on the part of the City as a true development partner.

The Brownfield Incentives and the TIF rebate incentive were held out to SWP as available at the outset of our involvement in the project and throughout the DA negotiations. Furthermore, these items are not upfront costs to the City, but rather are given only upon performance. We relied upon these incentives

being available as they are necessary in order to make this project financially viable. Our proposals on these items are non-negotiable.

Very truly yours,

Sanford Waterfront Partners, LLC



Richard J. Heisenbottle, FAIA
Managing Member



Venny Torre
Managing Member

C: Jeff Triplet – Mayor
Patricia Mahaney – Commissioner
Velma Williams – Commissioner
Art Woodruff – Commissioner
Randy Jones – Commissioner
Patrick Austin – Commissioner Elect
Tom George – Ass't City Manager
George Kramer – Little John
John Jones – Little John
Daniel Mackler, Esq.
Mario Garcia Serra, Esq.