

EXHIBIT **J** TO
LEASE AND DEVELOPMENT AGREEMENT
BETWEEN THE PALACE MANAGEMENT GROUP, LLC,
AND CITY OF CORAL GABLES,
DATED AS OF ~~JULY 14, 2008~~
AS AMENDED AS OF _____, 20072011

**The Palace Group
Redevelopment Project Opportunity
Coral Gables, Florida
Summary of Potential Community Development District Bond Financing**

~~July 2007~~

- A. Project. The City of Coral Gables, Florida (the “City”) seeks to redevelop two parcels of real property owned by the City in downtown Coral Gables, to include:
1. Senior Living Facility. A high-quality, market-rate senior living facility with the ground floor devoted to retail space.
 2. Parking Component. A multi-level parking facility with:
 - a. Public Parking comprising 337 spaces for use by the general public in accordance with the Operational Standards for Parking Garage attached to as Exhibit I to the Parking Parcel ground lease;
 - b. Private Parking comprising approximately 205 spaces for use by the Senior Living Facility and Retail Component, subject to adjustment as provided in the Parking Parcel ground lease (referenced below); and
 - c. Retail Space for retail tenants on the ground level.
- B. Developer. The Palace Management Group, LLC, a company with demonstrated experience in developing and operating high-quality senior living facilities, will lead the redevelopment effort.
- C. Real Property Ownership ~~4. City Remains Fee Owner of Land~~ The City will retain the fee interest in both parcels of real property.
- ~~2.1.~~ Ground Leases The City will enter into two ground leases with the Developer for an initial term of 30 years each:
- a. Senior Living Parcel covering the parcel on which the Senior Living Facility will be constructed; and

- b. Parking Parcel covering the parcel on which the Public Parking, Private Parking and Retail Space will be constructed.

3.2. Specific Ground Lease Provisions ~~a.~~ Covenant to Pay Special Assessments

The Developer will agree to pay all special assessments levied to finance construction of the Public Parking and failure to pay such assessments will be a default under both ground leases. Under the ground lease for the Senior Living Parcel, the Developer will agree to pay all special assessments levied by the CDD (defined below) on the Senior Living Parcel and vertical construction thereon. Under the ground lease for the Parking Parcel, the Developer will agree to pay all special assessments levied by the CDD on the Private Parking (defined above) and the Retail Space (defined above). Failure to pay such special assessments will be considered a payment default under both ground leases. For this purpose, the special assessments shall be treated as "additional rent" under the ground leases.

~~b.a.~~ Leasehold Mortgages Subordinated Leasehold mortgages secured by the Developer's interest under ground leases and vertical construction thereon will be contractually subordinated to special assessments of the CDD (defined below) used to finance the Public Parking.

~~e.b.~~ Leasehold Mortgagee Cure Provisions The ground leases will contain typical provisions such that any leasehold mortgagee will have the opportunity to cure defaults under the ground leases for specified periods of time. This includes payment of special assessments on the Developer's ground lease interests and vertical construction.

~~d.c.~~ City Obligation to Make Regular Payments of Principal and Interest on Assessment Bonds Under Certain Circumstances. In the event that (i) the Developer fails timely to make any payment due with regard to special assessments on the ~~Senior Living Parcel or the Parking Parcel~~, Leased Property, (ii) the applicable lender/mortgagee, or a replacement developer if any, does not cure such default within the time frames provided under the special assessment bond documents (which shall be substantially similar to the time frames provided in ~~Article~~ Articles VI and VII of the ground lease, as the case may be), (iii) as a result of such failure the indenture trustee for the ~~related~~ special assessment bonds does not have sufficient funds in the bond fund to allow the indenture trustee to make a regularly scheduled payment of principal, interest, (computed on the basis of the initial interest rate on the Bonds) or both, on such bonds, (iv) the CDD does not have funds available from collection of user fees, or from operation of the Public Parking, taking into account reasonable reserves for future expenses not greater than one month's operating expenses for the Public Parking, to make up the shortfall, ~~and~~ (v) the amount of the Escrowed Pledged Account (hereinafter defined) held by Developer's Lender or the City, as the case may be, is insufficient to make the required

payment, and (vi) the debt service reserve fund held by the indenture trustee is not sufficient to make up the shortfall in the bond fund to allow the indenture trustee (after applying amounts available therefor in the bond fund and the debt service reserve fund and funds received from the CDD for such purpose) to make the required payment, the City agrees to pay to the indenture trustee (~~The~~ “City-~~Limited~~ Guaranty”), from any legally available funds, the amount necessary to allow the indenture trustee to make each such regularly scheduled payment of principal, interest, or both; ~~provided, however, that the City’s obligations under this paragraph will be limited to the lesser of the amount of \$13,000,000.00 or an amount equal to~~ The City will covenant to budget, appropriate and deposit with the Indenture Trustee from all legally available non-ad valorem revenues of the City, sufficient non-ad valorem revenues to meet its obligations under the City Guaranty. However, the obligation of the City under the City Guaranty will not constitute a general obligation indebtedness of the City within the meaning of any constitutional or statutory provision or limitation, or a pledge of the full faith and credit or the taxing power of the City. The City will have the option, but not the obligation, any time a demand for payment under the Guaranty shall be made, to redeem all outstanding bonds at a redemption price of 100% of the principal amount thereof plus accrued interest, instead of making periodic payments under the City Guaranty. The initial gross proceeds (principal amount plus any premium) of the special assessment bonds will be the lesser of \$13,000,000, or the sum of (i) the hard and soft costs of construction of the Public Parking Component, (ii) reserves as required in connection with the CDD Financing, and (iii) issuance costs and fees in connection with the CDD Financing. Subject to the foregoing ~~limitations~~, the City’s obligation to make up such shortfalls in payment of assessments necessary to make regular payments of principal and interest on the related special assessment bonds shall continue until such time as the bonds are paid in full ~~and/or~~ legally defeased according to their terms. The CDD will agree to pay to the indenture trustee all available funds from operation of the Public Parking, taking into account reasonable reserves for future expenses not greater than one month’s operating expenses ~~off~~for the Public Parking, to the extent necessary to cover debt service shortfalls as addressed in this paragraph. The City Guaranty shall be substantially in the form attached thereto and made a part hereof as Exhibit J-1.

- d. Developer Obligation to Maintain Escrowed Funds for Payment of CDD Assessments. Pursuant to the terms of the Project’s construction/mini-perm financing, Developer is required to maintain an amount equal to three (3) times the maximum annual debt service under the CDD Bonds escrowed in an account pledged in favor of Developer’s Lender (“Escrowed Pledged Account”) to be used exclusively to cure any deficiencies in the amount of (x) special assessments paid by the Developer or (ii) any other payments required to be made by the

Developer under the Lease for the benefit of the City. Once the Developer's Lender has agreed to the release of the Escrowed Pledged Account, Developer agrees that it will maintain an amount equal to the Escrowed Pledged Account in an account pledged for the benefit of the City for an additional period equal to the greater of (i) three (3) years; (ii) until a date which is six (6) years after the issuance of the final certificate of occupancy for the Project; or (iii) when the Residential Building has achieved 90% occupancy for a period of two (2) consecutive years.

Provided, however, the City's obligation to execute and deliver the City Guaranty is hereby conditioned upon:

- (i) the Project's construction/mini-perm financing documents setting forth a provision whereby the Developer and the Developer's Lender agree that the Developer's Lender shall not release (in whole or in part) the Escrow Pledged Account during the term of the said construction/mini-perm loan without the prior written consent of the City, which consent may be granted or denied in the City's sole and absolute discretion;
- (ii) the sale of the CDD Bonds in compliance with the financing parameters set forth in Section F below;
- (iii) payment to the City of the sum of \$225,000 in consideration for the City Guaranty from the proceeds of the CDD Bonds; and
- (iv) the actual closing and funding of the CDD Bonds.

4.3. Condominium of Parking Structure after Construction. The Developer will be responsible for retaining a contractor for construction of the parking facility and the CDD (defined below) will pay its pro rata share of construction costs attributable to the Public Parking component. Prior to commencement of construction of the parking facility, the CDD will be granted development (air) rights for the construction of the Public Parking component of the parking facility or, in the alternative, a sublease of the Parking Parcel representing the CDD's expected interest in the completed parking structure. After the parking facility is fully constructed on the Parking Parcel, the building will be subject to a condominium consisting of three units: the Public Parking, the Private Parking and the Retail Space. The Developer will retain the Private Parking and Retail Space condominium units. The CDD will exchange its development (air) rights or sublease interest for the Public Parking condominium unit. The Developer will be the declarant for the subject declaration of condominium.

D. Community Development District~~1.~~ Formation of Community Development District
(~~"CDD"~~)

Community development districts in Florida are created through a petition which petition must include the eight items set forth in Florida Statutes §190.005(1)(a).

Florida Statutes §190.005(2)(e) provides that in the case of a community development district of less than a 1,000 acres in size, that if all the land for the proposed district is in the territorial jurisdiction of a municipal corporation the petition requesting the creation of the CDD is filed with the municipal corporation.

However, the Home Rule Charter of Miami-Dade County provides in §1.01(A)(21) thereof that the County exercises all powers and privileges granted to municipalities by the Constitution and laws of the State of Florida unless those powers are prohibited by the Constitution or the Charter. Thus, the CDD petition will be filed with both the City of Coral Gables and the County. The County will ask the City to pass a resolution supporting the creation of the CDD. The actual establishment of the CDD will take place through the County process. The City, as the owner of the land on which the CDD will be established, will need to consent to the establishment of the CDD along with The Palace Group.

2.1. Special Assessments The security for special assessment bonds will include the net revenues from the Public Parking facility as well as non-ad valorem special assessments. The CDD will levy special assessments on the Senior Living Facility, the Retail Space condominium and the Private Parking condominium pursuant to § 190.022 Florida Statutes using the procedures set forth in § 170, Florida Statutes. The ~~assessment lien~~special assessments shall not be a lien encumbrance on the fee interest of the City of Coral Gables or on the leasehold interest itself, but shall be enforceable as provided in Section 196.199(8) Florida Statutes.

3.2. Ownership of Public Parking Following Payment of Bonds Sections 190.046(4), (5) and (6), Florida Statutes provide a method for transfer of the Public Parking from the District to the City of Coral Gables through adoption by the City of a non-emergency ordinance. Under existing law, the City would assume and guarantee debt, if any, of the CDD that is related to the Public Parking. The statute currently provides for no other consideration from the City. In addition, the City must demonstrate the ability of the City to provide the public parking service: (a) as efficiently as the CDD; (b) at a level of quality equal to or higher than the level of quality actually delivered by the CDD to the users of the Public Parking; and (c) at a charge equal to or lower than the actual charge by the CDD to Public Parking customers. No later than 30 days following the adoption of a transfer plan ordinance, the board of supervisors may file in the circuit court a petition seeking review by certiorari of the factual and legal basis for the adoption of the transfer plan ordinance. Upon the transfer of all of the services of the CDD to the City, the CDD shall be terminated in accordance with a plan of termination which shall be adopted by the board of supervisors and filed with the clerk of the circuit court. So long as the petition of the board of supervisors satisfies the requirements of Sections 190.046(4), (5) and (6), Florida Statutes, the CDD will agree that it will not contest the petition.

In the event such transfer of the Public Parking to the City is completed as aforesaid, the Developer and the City shall execute such amendments to the ground lease(s) as are necessary or desirable to properly reallocate management responsibilities, procedures, and operating expenses concerning the Public Parking.

~~4.3.~~ Limitations on Additional CDD Debt The CDD will agree that it will not (i) refinance the special assessment bonds issued to finance the construction of the Public Parking, or (ii) issue any other bonds or debt instruments, without the prior written approval of the City, which may be granted or withheld by the City in its sole and absolute discretion. The CDD will also agree that once the bonds have been issued it will refinance the bonds in full without the City Guaranty in the event that either (i) the net present value savings exceeds \$0 or (ii) the refunding of the CDD Bonds can be rated in the "A" category or higher without regard to "+" or "-", and the true interest cost does not exceed fifty (50) basis points over the initial true interest cost.

~~5.4.~~ Validation of CDD Bonds Notwithstanding anything to the contrary contained herein, the CDD special assessment bonds will be subject to validation through judicial process under Chapter 75, Florida Statutes, prior to the delivery of possession by the City to the Developer of the Parking Parcel and Senior Housing Parcel under both ground leases. It shall be the responsibility of the Developer to diligently undertake the said validation process at Developer's sole cost and expense. In general, the court will hold a validation hearing 75 to 90 days after the filing of a validation complaint. The final judgment of the appropriate court shall include an order (the "CDD Bonds Validation Order") validating and confirming the legality of the special assessment bonds, the ground leases, the City Guaranty, the special assessments and all other ancillary documents and agreements, and the legality of all proceedings in connection therewith. The CDD Bonds Validation Order will be subject to a 30 day appeal period under Florida law. The Developer shall consult with the City throughout the said validation judicial process to ensure that the said process and the final (after all applicable appeal periods shall have expired) CDD Bonds Validation Order are acceptable to the City, in the City's sole and absolute discretion. ~~The~~Unless otherwise waived, the entering of the said CDD Bonds Validation Order and the expiration of all applicable appeal periods, shall be a condition precedent to the City's obligation to deliver possession of the Parking Parcel and Senior Housing Parcel under both ground leases.

E. Summary of Financing Sources~~1. Private Financing:~~

The Developer will obtain private construction and permanent financing to construct the Senior Living Facility and the Private Parking and Retail Space components of the parking facility.

~~2.1.~~ CDD Bonds: The proceeds from issuance of special assessment bonds will be used to finance the Public Parking. During construction of the parking facility,

bond proceeds will be released to pay the pro rata share of the parking facility construction costs represented by the Public Parking component. The bond obligations will remain in place as permanent financing upon completion of construction of the parking facility.

F. Initial Issuance Parameters

1. Gross proceeds (principal plus any premium) not in excess of \$13 million.
2. Fixed Rate Bonds with True Interest Cost less than 6%.
3. The CDD bonds must be sold in compliance with the following limitations: (x) the maximum annual debt service cannot exceed \$900,000 and (y) the total debt service on the bonds cannot exceed \$28,170,000.
4. Cash debt service reserve equal to the maximum annual debt service, subject to IRS tax exempt financing requirements.
5. Level debt service.
6. Capitalized interest for no longer than the lesser of the construction period or eighteen (18) months.
7. First principal payment no later than twenty-four (24) months after closing of the Bonds.
8. Final principal payment no later than 2042.

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