

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
 - 1. City Remains Fee Owner of Land The City will retain the fee interest in both parcels of real property.
 - 2. 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. 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 below), the Retail Space (defined below), and the vertical construction thereon. 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. 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.
 - c. 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.
4. 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. 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 shall not be a lien encumbrance on the fee interest of the City of Coral Gables.
3. 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. After payment in full of the bonds, the City may adopt a non-emergency ordinance providing for a plan for the transfer of the Public Parking condominium unit from the CDD to the City without any consideration other than assumption of City approved CDD debt, if any. The plan must provide for the assumption and guarantee of any City approved CDD debt (if any) that is related to the Public Parking and must demonstrate the ability of the City to provide such 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. 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.
5. 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, 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 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. 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.

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