

**CITY OF TEMPLE TERRACE, FLORIDA
MAYOR AND CITY COUNCIL
REPORT OF WORK SESSION**

**Tuesday, January 20, 2009
Council Chambers - City Hall
4:00 p.m.**

Having been duly advertised as required by law, the Mayor and City Council of the City of Temple Terrace, Florida, met in a work session, beginning at approximately 4:00 p.m., for a presentation on the Redevelopment Plan General Terms by The Vlass Group.

PRESENT WERE: Mayor Joe Affronti, Council Members Alison M. Fernandez, Ron A. Govin, Ken Hallaway, Mark A. Knapp, and Mary Jane Neale, City Manager Kim Leinbach, City Attorney Mark Connolly, and City Clerk Lisa Burns.

ALSO PRESENT WERE: Public Information Officer Michael Dunn, Community Development Director Charles Stephenson, Human Resources Director Woody Hubbard, Leisure Services Director James Chambers, Code Enforcement Director Joe Gross, Finance Director Diane Reichard, Police Chief Ken Albano, Deputy City Clerk Judith Read, Assistant City Engineer Michael Hall, Jack Ritter, Patrick Finelli, Debbie Carson, Joyce McKenzie, Ralph Bosek, George Fee, Cathleen O'Dowd, Gloria Kares, and several other persons.

Mayor Affronti called on the City Manager to open the work session. The City Manager noted that The Vlass Group will present the general parameters of the downtown redevelopment project previously presented to Council Members individually, along with a proposed site plan, and related information.

Utilizing display boards, Michael Vlass commented that the last time they were here they presented a plan for the area from Chicago Avenue to Bullard Parkway, which required a 3-story parking structure; the project included approximately 390,000 square feet, created a Main Street with buildings on both sides of it, and parallel parking along Main Street. He noted this was an approximate \$125 million project; part of the cost was because the density they were creating required a 3-story parking structure. He reviewed there was retail on the ground floor and two levels of residential above it. He commented that it maintained the integrity of a Town Center, with residential, retail, office, and civic uses, along with a Main Street and a meeting place; however, it was an expensive plan with a \$12 million parking garage. He explained that they made a proposal to the City to consider the purchase of the project, because of the high cost; however, it would have required a major additional commitment on behalf of the City that the City was not prepared to make.

Mr. Vlass continued that they were tasked to come up with a different design that requires no City participation from the standpoint of owning the finished product. He said they have come up with something they believe is true to the integrity of the design, consistent with the Torti Gallas plan, and creates the market and the "place" the City wants.

At that point, Mr. Vlass placed the previous plan beside the new proposal and pointed out the differences between the two plans. He noted the main difference is the 3-story parking structure in the original plan; Main Street is in the same location, the western line of Main Street is at the same place as before, the buildings are the same distance from the street, and the H, I, J, and K buildings are basically the same. He explained they created a diagonal parking area centered in the middle of Main Street, with heavily landscaped areas, and maintained parallel parking along the street.

Mr. Vlass continued, stating that the new plan offers a central main place, designed with a 30,000 square foot community center on one side, and a City Hall or library on the other side. He explained they would like to relocate the library to the heart of the development, because of the importance of a civic use in creating a true downtown. He noted they need to involve the auto store in the project somehow, suggesting that could be accomplished in a later phase; otherwise, it creates an awkward "cutout." He commented the G building was turned to put the parking behind the buildings.

Mr. Vlass stated that he, Mayor Affronti, Mark Snead, and the City Manager met with Sweetbay officials about the project. He mentioned parking is an issue because Sweetbay must to keep certain ratios under their lease.

Continuing with the comparison to the previous plan, Mr. Vlass mentioned that they have generally maintained the same project design and integrity of Main Street. He said that for safety purposes, an access point off of Bullard Parkway is important; they have jogged Main Street slightly to the east, lining it up with the fire station.

Reviewing the Second Floor Site Plan, Mr. Vlass noted that Buildings D, E, F, and G have second floors, and Building G, no longer turned sideways, would be on the corner. He said that this makes for a cleaner line, a better access point to Bullard Parkway, and creates a Main Street effect. Continuing to review the drawings, he pointed out the ground level of the community center, with a restaurant on one end, would have 8,800 square feet, with 21,600 square feet on the second floor for classrooms and other activities they have previously discussed.

Relative to the proposed relocation of the library, Mr. Vlass noted the proposed plan reflects 6,600 square feet on the ground level with 24,000 square feet above. He mentioned they understand current funding concerns and, therefore, are not asking for a commitment from the City to move the library. He expressed hope that as the project progresses, The Vlass Group could encourage this to happen or assist by providing some sort of funding.

Mr. Vlass displayed several renderings of their plan, pointing out the diagonal parking along the center of Main Street and parallel parking directly in front of the storefronts, which allays the concerns of car lights shining on restaurant patrons from parallel parking. He noted that buildings in the center area at the traffic round-about have more rounded corners; the center area could include fountains, clock towers, plantings, and sitting areas, making this an inviting, pedestrian-friendly area.

Mr. Vlass summarized this is a common design, with which The Vlass Group is very familiar, and he believes that it would accomplish what the City needs it to accomplish. He continued that it would be approximately 300,000 square feet as opposed to 375,000 square feet, and the project size is somewhere between \$75 million to \$80 million versus approximately \$120 million. He noted the parking garage was approximately \$12 million of the \$120 million.

Council Member Halloway questioned whether the \$75 million would be for the area north of Chicago, to which Mr. Vlass responded affirmatively. Mr. Vlass commented that they are unsure exactly how much land is in the Riverhills Park area, adding they envision the retention pond transformed to a City park area, and have asked to work with the City in creating a solution to make it an attractive feature. He shared their vision of residential condominiums overlooking a park area and the River.

Council Member Halloway asked whether they were planning to “re-skin” Sweetbay. Mr. Vlass responded that they have met only once with Sweetbay, and at that meeting Sweetbay agreed to do a complete interior renovation of their store, which would be an approximate half-million dollar investment *inside* their store, but not outside. In response to Council Member Halloway’s negative comments about the exterior of the building, Mr. Vlass explained they would like to change the Sweetbay storefront to look like a series of buildings, possibly erecting faux walls to look as if there were three buildings together. He cited several examples of things they could do, such as adding faux windows or shutters, to give it a “homey feel,” once an exact architectural design is established.

Council Member Halloway asked whether the roadway in the rear of the buildings is for delivery truck access, to which Mr. Vlass responded affirmatively.

Relative to Sweetbay’s lease agreement, Mr. Vlass reviewed that Sweetbay has six five-year options remaining, which is typical for large stores, and gives Sweetbay control over the property for the next 30 years. Mr. Vlass briefly explained typical lease agreements for large anchor stores, developer financing involving long-term leases, and problems that occur when the large tenant is 15 years into a 20-year, base-term lease and is hesitant to commit to a renewal. He noted that although Sweetbay has closed seven stores, this is not one of them. Mr. Snead interjected that he believes if Sweetbay sees some evidence of investment being made in the property, they may be more willing to make some investment in the store. Mr. Vlass expressed the desire for Sweetbay’s lease to be re-written with a 20-year term along with extension options, which would ensure their commitment for the next 20 years.

Council Member Govin questioned what would be done with the existing buildings. Mr. Vlass responded that the façades of the existing buildings would be completely redesigned to architecturally tie in with the rest of the development, once it is designed. Mr. Vlass remarked that they would follow the standard established by Council, which he believes is Mediterranean.

Referring to the meeting with Sweetbay, Mayor Affronti concurred with the remarks that Sweetbay may be willing to cooperate if they see evidence of progress. Hearing no more questions relative to the plan itself, Mayor Affronti asked Mr. Vlass to review the terms of the proposal, as outlined in the letter to the City Manager dated January 15, 2009, a copy of which is part of the record.

Utilizing an aerial photograph, Mr. Vlass stated the proposal is for the redevelopment of all of the City-owned property (estimated to be approximately 29 acres) south of Bullard Parkway, east of 56th Street, and north of the Hillsborough River, including the Regions Bank parcel, less Chicago Avenue and Riverhills Drive (both of which he believes should remain open and serve as access points into the neighborhoods), the new Riverhills Park, and the City drainage area. He confirmed for Mayor Affronti that it does include the riverfront property.

Mr. Vlass explained that they propose to build a mixed-use town center development, which would be the City’s new downtown and would be along the lines of the original Torti Gallas plan. He noted that the proposal is for the entire parcel; however, the master plan for the area north of Chicago Avenue is as he has shown, and the master plan for the area south of Chicago is proposed to be done in two phases. He clarified for Mayor Affronti that the 29 acres does include the property next to Riverfront Park. Mayor Affronti commented that is not shown on the redevelopment plan they received.

Mr. Vlass explained that while the proposal has been identified as including the entire 29 acres, he cannot tell Council today exactly what it will look like south of Chicago Avenue. He explained that before the area north of Chicago Avenue is completed, a plan will be submitted to the City and agreed upon as to what type of development will be done in the area south of Chicago Avenue in the two phases. He continued that the development of those phases could include a larger residential or retail component depending on the success of either the residential or retail components in the area north of Chicago Avenue; there could also be more offices or a variety of uses. He mentioned that the property north of Chicago Avenue will be controlled by the master site plan, and will provide for a "maximum density." He explained that they want to be sure there is the capacity and entitlements to go up to 375,000 square feet of commercial and 350,000 square feet of residential if the market demand is there.

Mr. Vlass briefly explained contingency plans in the event demand requires that the other buildings become three and four stories; that would add another 100,000 square feet, which would require parking structures. He stated they are not asking the City to commit to parking structures; if the demand is going that well, The Vlass Group would figure out internally how to fund the parking structures without any assistance from the City. He noted that the project must also be designed in such a way to allow changes, citing an example of losing an anchor tenant in the future.

Mayor Affronti confirmed with Mr. Vlass that the proposal indicates that The Vlass Group is asking the City to transfer the property to the developer at no cost and The Vlass Group would then build the project. Deferring to the City Attorney, Mayor Affronti said he does not believe the City can do that.

The City Attorney said that he discussed the issue with Mr. Vlass a few moments ago and explained to him that under the Florida Statutes which govern disposal of property in redevelopment areas, there are two Statutes in particular with which the City must comply. He continued that Statute 163.370 indicates that property within a redevelopment area should be conveyed for "fair value" and Statute 163.380 discusses what "fair value" is. He read a portion of Statute 163.380, which provides as follows: "*In determining the value of real property as being in the public interest for uses in accordance with the community redevelopment plan, the county, municipality, or community redevelopment agency shall take into account and give consideration to the long-term benefits to be achieved by the county, municipality, or community redevelopment agency resulting from incurring short-term losses or costs in the disposal of such real property; the uses provided in such plan; the restrictions upon, and the covenants, conditions, and obligations assumed by, the purchaser or lessee or by the county, municipality, or community redevelopment agency retaining the property; and the objectives of such plan for the prevention of the recurrence of slum or blighted areas. In the event the value of such real property being disposed of is for less than the fair value, such disposition shall require the approval of the governing body, which approval may only be given following a duly noticed public meeting.*"

The City Attorney mentioned that he had also discussed with Mr. Vlass that the Request for Qualifications (RFQ) includes a provision in Paragraph 11, about the City's expectations with respect to the master developer repaying the City, on an agreed upon scheduled basis, for its land costs, including accrued legal fees, due diligence charges, financing fees, accrued interest, real estate commissions, and a reasonable property aggregation fee. He noted that although the law provides a flexible mechanism for cities to utilize in this environment, because of the restrictions being placed on properties and the uses to which cities' CRAs wish for the properties to be used, there is still the requirement that a determination is made that the value of the conveyance is in the public interest and what is deemed as "fair value."

The City Attorney mentioned that assistance, from a financial standpoint, would be required to determine whether the development is in the City's best interest. As far as giving away property at no cost, he said that does not appear to be contemplated by the Statutes or the terms of the RFQ.

Stating he does not believe it is impossible to determine fair value, Council Member Halloway questioned whether it could be interpreted as fair *market* value.

The City Attorney responded that he believes the Statute states "fair value," so that a CRA is not bound by an appraisal on the property. Continuing his review of the Statute, he said he believes it contemplates that the City has a vision as to what it seeks to achieve in its redevelopment plan, and as a result, the property cannot be put to its highest and best use; the City is asking the property to be put to a certain use that the City deems to be important to the City. In that respect, he said, because of the limitations on the use of the property, the fair value aspect is included in the language of the Statute. He reiterated that the City would need assistance to make the determination as to the fair value of the property; he cannot make that determination.

If it is determined that this project meets all of the City's long-term goals, Council Member Fernandez questioned whether it would be possible to convey the property with future consideration in additional value, rather than current consideration of money.

The City Attorney responded that is precisely what the statutory sections he read indicate. He reviewed the criteria in Statute 163.380(2) that is to be considered in making a determination with respect to whether the value of the real property being conveyed to the developer is in the public interest.

Council Member Fernandez summarized that the City needs assistance in evaluating whether this is the best use of the property, and if the property is not conveyed in this transaction, what the City's expectation would be. While this could be a perfectly reasonable transaction in terms of the return the developer is seeking, she said she believes the Council doesn't know that without expert assistance.

Mayor Affronti questioned whether the City would be able to use TIF funds to pay off the debt, if the City was to convey the property at no cost. The Finance Director responded affirmatively, confirming that Mayor Affronti was referring to paying off the remainder of the debt as they go.

Council Member Govin stated his understanding that under this proposal the City is donating the property and would be committing TIF funds for approximately the next 25 years to this project, which means that any and all City projects that might have been, will never be; it also exposes the City to 25 years of unknown interest rates. He acknowledged that he likes the plan and thinks it is workable; however, there is no way that he could vote to commit this City to a debt of \$28 million, with no way to pay it except through TIF revenues over the next 25 years. He concluded that it makes no sense to him.

Referring to the financial comparisons between the RAM and Vlass proposals the Finance Director prepared recently, Council Member Halloway confirmed with the Finance Director that she presented a number of ways to have a total indebtedness based on a 15-year conventional loan. He also confirmed with her that she showed the amount of the annual payments, including interest, of approximately \$2 million, and the sources for payment of the indebtedness, which amounted to over \$3 million, which leaves the City approximately \$1 million "to the good."

The Finance Director clarified that the remaining \$1 million amount shown would actually be about \$391,000. Council Member Halloway confirmed with the Finance Director that part of those sources would be 50% of the net income of the property they would receive from Vlass. He summarized that considering all of those things, plus the .25 mill tax, and the TIF, which may grow rapidly with the new town center development, it appears that the City is in pretty good shape for a 15-year conventional loan at a 5% fixed rate.

The Finance Director pointed out that the net rental income is subject to depletion over time, explaining that as the developer comes online with another property, the City would no longer get that income. Council Member Halloway acknowledged that point, but added that the City still has a little cushion and would not have to go into taxpayer resources to do the project.

Because they believe it is crucial to have a civic use, Mr. Vlass emphasized that they are building and donating a 30,000 square foot community civic center to the City, at a cost estimated to be \$5.5 million, which is an approximately \$4 million cost to them, noting that the City has \$1.5 million allocated for the civic center. When they consider the project's costs, he said they also consider the uses and "draws" that cause people to come to the Town Center. Mayor Affronti clarified that Mr. Vlass is referring to building the "shell" of the civic center.

Mr. Vlass reviewed that the first phase includes the community center, with a "mirror" building on the other side, which they hope will be the library. He continued that the TIF funding, which The Vlass Group is *not* asking for, is believed to be approximately \$14 million; the City can use the funding anywhere it would like.

Council Member Govin interjected that although The Vlass Group is not asking for it, it must be used to pay the debt, so in effect, they *are* asking for it. Mr. Vlass countered that the City already has the debt; The Vlass group did not create the debt. Council Member Govin asserted that if the City sells the property, it wouldn't have that debt. A brief discussion ensued over the questionable ability to find a buyer at this point in time, and one who would build what the City wanted. Council Member Govin concluded that this is obviously not the right time to build.

Mayor Affronti referred to the Atlanta Station Project, where the City of Atlanta gave The Vlass Group all of the TIF funds for the project, and asked whether they would entertain doing something similar here. Mr. Vlass explained they could not, due to the decline in the financing markets and subsequently, lower credit ratings on banks. He further explained the circumstances of the Atlanta Station Project financing and concluded that the City of Temple Terrace, because of its taxing authority, would have more secure credit than a bank at this time.

Mayor Affronti stated that while he has a great deal of respect for The Vlass Group, he is concerned with regard to the City's obligation to provide financial security for its citizens. Under this agreement, with the City conveying all 29 acres to The Vlass Group, and the timetable to which they have committed having Phase I *started* within three years, and each subsequent phase taking two additional years, he said The Vlass Group has zero risk.

Mr. Vlass responded that they do not make money by simply talking; unless they get it, build it, sell it, finance it, and get income from it, they make no money. He continued that they would be investing the next three years of their lives, which they could be focusing on another opportunity. He indicated they have been offered numerous opportunities; however, they have a great amount of history with the City and know the project, along with its associated issues. Mr. Vlass remarked that this is the plan to “save” the City, suggesting that if the redevelopment area continues in its present condition, it will get worse with crime issues, safety issues, and the loss of tenants. He noted that the previous developer lost a lot of money and got nothing for it; however, taking great risks is the nature of their business. He stated that they will take this land, go to the bank, borrow money, and build buildings, and hope they can sell it for more money than what they have into it at the end of the day. He suggested that the Council should ask themselves what the next step is, if this development is not done.

Mayor Affronti reiterated his biggest concern is conveying 29 acres of property, with the City carrying all the debt until the project is started in three years, along with the inability to do anything with the property in the interim, because it would be under The Vlass Group’s ownership.

Mr. Vlass explained that the property has to be worked; over the next three years they would be negotiating a new Sweetbay lease, in addition to other leases and other anchors, site plan approvals, and designs. If the Council likes the plan, he said someone needs to be work toward making that plan happen. He pointed out that the City would benefit from anything the Vlass Group does, citing the example that they will have a million dollars in architectural designs within three years, and it will be ready to be built; if The Vlass Group does not buy it, it will be that much closer for another developer. He reviewed the City has had two other developers working on the project, but the City is no further ahead in the development of this property than they were three years ago, because nothing has been done to move the project forward.

As an alternative, Mr. Vlass suggested The Vlass Group could pay the City \$4 million for the land as long as the City would agree to build the community center. He commented that they would not want to go through three years of effort, only to have the City unable to build the community center due to lack of funding, because they would have lost a 30,000 square foot “user,” who would bring people to the property to get the synergy going.

Council Member Knapp questioned the Finance Director as to whether the significant difference listed in the TIF income over 25 years between the RAM proposal and the Vlass proposal is due to the proposed square footage. The Finance Director responded affirmatively, and explained her calculations using “worst case” scenarios. Council Member Knapp confirmed with the Finance Director that the large contrast between the numbers is the net square footage of proposed construction.

Referring to a line item noting the additional net income projected by Vlass, Council Member Knapp questioned what that represents. The Finance Director explained that represents the net rental income once the property is donated to The Vlass Group and they take over full control of the property; the Vlass Group said that number would be \$500,000, which is a significant increase over her estimations of \$125,000 north of Chicago Avenue and \$110,000 south of Chicago Avenue.

Council Member Knapp pointed out that all of the financial projections are based on all projects being completed in their totality.

The Finance Director interjected the projections are based on just the portion north of Chicago. Council Member Knapp countered that it is being proposed in phases, whereas the financials they were provided, RAM's and Vlass's, are taking the assumptions that they are completed. The Finance Director agreed. Council Member Knapp voiced his concern that when the Council assesses the risk, they have to consider the worst case scenario, i.e., that Phase I may be the only portion that is completed.

Council Member Knapp also expressed concern regarding the outstanding debt, and questioned that if the City conveyed the property free of encumbrances whether the developer would use the conveyed property as collateral for the construction loans, to which Mr. Vlass responded that he probably would, since the loan would be much greater than the land. Council Member Knapp recalled that originally when he entertained the idea of conveying the property for a zero value, the discussion was about conveying the property in phases. He explained that if the City only conveyed the property for Phase I now, the remaining property would remain in the City's control, unencumbered by the developer's construction debt; the City would only be risking Phase I. Noting that the current proposal encompasses *all* of the property, he questioned whether the bank would be encumbering the entire property when The Vlass Group looks for funding for Phase I. Mr. Vlass responded that it would only encumber the first phase.

If that is the case, Council Member Knapp asked why The Vlass Group is asking the City to convey all of the property now rather than in phases. Mr. Vlass responded that one reason is credibility with the merchants, explaining that credibility is an issue right now; the merchants don't believe this is going to happen; however, if the City conveys the property to The Vlass group, then there is no question that they own the property and are moving forward with the development. He added that having it under contract is not as compelling. Mr. Vlass continued that the second, more important reason is that the property needs to be professionally managed, deciding which tenants should stay, and which building should or should not be repaired; as the property is being developed in phases, the buildings will begin to have physical issues and need to be maintained and operated correctly. He emphasized that The Vlass Group is better equipped to manage the existing shopping center for redevelopment than anyone in the City, because that is not what the City does on a daily basis. He pointed out that managing a shopping center for redevelopment requires a lot of communication with the tenants to get them ready for what is going to happen. He cited the example of the transition for tenants from the building that is to be demolished to the new buildings, making sure they don't leave in the interim.

Council Member Knapp reviewed his concerns, recognizing there are many different strategies for moving forward, but the conveyance of the entire parcels is still of great concern to him. Additionally, he commented that the projections of income concern him, and the fact that they have a quarter mill of ad valorem taxes shown as a pledge for the debt service, which he believes is illegal, also bothers him.

The Finance Director interjected that on Friday they received only two responses to the Request for Proposals for the refinancing of the City's debt, which had been sent to 20 banks. Although she has not had an opportunity to evaluate them, at a glance, she informed the Council that it appears they came in around 4.3% to 4.6%; however, none of the sources listed were pledged. She continued that the City proposed to pledge non-ad valorem taxes in the general fund. The Finance Director noted that the CRA would need to be obligated to pay the debt back to the City's general fund; the City is taking the risk. She stated that although she is showing what *could* be used to pay debt service that is not what will be pledged.

Council Member Knapp said that he is not excited with the City currently having \$21.8 million in debt backed by an asset, and he is even less excited with the prospect of having \$27.5 million in debt backed by no assets. He continued that the funding sources to pay that debt service are all speculative at best, which also concerns him. He questioned the amount budgeted for the community center, to which the Finance Director responded that the amount set aside in CIT (Community Investment Tax) funds is \$2.5 million; however, The Vlass Group is only requesting \$1.5 million for completion. For comparison purposes on that page, the Finance Director clarified that the \$3.6 million is the City's cost to construct it and the \$1.5 million is on both sides.

Council Member Knapp questioned the Finance Director why the Site Work/Infrastructure/Demolition line item is called "loan". The Finance Director responded that in order for the City to pay that, it is part of the \$27.5 million loan that the City would be obtaining.

Council Member Govin surmised that the \$27.5 million would have to be collateralized with the rest of the assets the City has, since he believes TIF cannot be collateralized. The Finance Director responded that in the past the City did not collateralize the land; from a legal perspective, she said they cannot collateralize land. She explained that the City pledges the non-ad valorem taxes, such as utility taxes, sales taxes from the CIT fund, and franchise fees. She continued that there is a certain amount that the City can borrow against those funding sources, adding those were the funding sources pledged for the \$21.8 million loan. She explained the TIF money cannot be used because a bank would not loan \$21.8 million on a \$400,000 revenue source.

Council Member Knapp asked whether the existing properties are currently unencumbered, and if so, whether that has always been the case, to which the Finance Director responded affirmatively, on all four of the current loans. Council Member Knapp asked whether that included the riverfront lot, to which the Finance Director commented the City did not borrow money for the purchase of that property. While he wasn't with the City at that time, the City Manager interjected that the City borrowed money from the sewer fund, which was repaid with interest.

Council Member Govin questioned the collateral that would be used, if the City needed to borrow money in the future. The Finance Director responded that it would be the same thing – the revenue stream of non-ad valorem income. Council Member Govin questioned whether the City could borrow money in addition to the proposed outstanding debt, citing as an example, to build a sanitation facility. The Finance Director responded that was different; the funding for a sanitation facility would come from water and wastewater revenues, whereas, this particular pledge comes from the general fund revenues. She noted that when they did their most recent loan, the City had an \$11 million income stream in the general fund of non-ad valorem revenue.

Council Member Knapp commented that those income streams are used in the overall budget, and at the end of each year, there is never a surplus.

Mayor Affronti asked what would happen to the property if the Vlass Group was to claim bankruptcy once all of the property is conveyed to them and used as collateral.

The City Attorney responded that if the bank forecloses on the property, the bank would own the property; however, under the same Statutes he reviewed earlier, when the City conveys property as part of the redevelopment process, the Development Agreement or a Memorandum of the Development Agreement would be recorded in the public records that would require any subsequent owner of the property to develop the property in the manner that the City wishes for the property to be developed under the terms of the City's redevelopment plan. He continued that would be something that any financial institution would have to take into account; it would be the bank's property and whoever ultimately acquired the property would be compelled to comply with the terms of the development agreement, which would require that certain improvements be constructed on the property.

Council Member Knapp mentioned reading in the documents of The Vlass Group's presentation that in the event that The Vlass Group fails to follow through with the plan, the property reverts back to the ownership of the City for no cost, which is why he previously asked whether the entire property would be encumbered or only the parcels which are being developed.

Mr. Vlass interjected that it would be unreasonable to encumber the entire property; he does not need the property for collateral to obtain a loan. He confirmed that if they build the first phase, they would only provide the first phase property as collateral, which would be recorded in the development agreement, along with his guarantee and required equity. He continued that if for some reason The Vlass Group was to fail, according to the recorded development agreement, whoever acquired the land would have to finish the development per the plan. He noted that The Vlass Group would record the Master Developer Agreement for the entire site and not simply for the first phase. He emphasized that since the rest of the property not being built upon would remain unencumbered, the property would revert back to the City free and clear, with no debt. He reiterated that the reason for the conveyance is to let the "world" know that there is a commitment to the project and that the entire project is going to be built.

Addressing Council Member Knapp's concern of the debt increasing to \$27 million, Mr. Vlass stated that the debt does not increase until construction begins, which would mean the tax base would be increasing. He remarked that that he will be improving the property not encumbered by the mortgage, with streets, landscaping, islands, traffic lights, and if he defaults at that point, the City would get the unencumbered, improved property. He added that the \$4.7 million is not drawn upon until the closing on the construction of the building; the \$1.5 million is not funded until the building is built. He noted that \$21.8 million is debt the City already owes and does not increase until they build; at that point, the City would be able to calculate the tax base increase and the TIF funding would be available.

Mayor Affronti remarked that he would be more comfortable if the City could convey each phase as The Vlass Group is ready to begin construction, with the commitment that the City would convey the property for the other phases once they start.

Mr. Vlass said he would be happy to do that; however, the City would need to provide easements to build Main Street, and it becomes more complicated from a legal standpoint. From the City's standpoint, he mentioned that the City would be collecting taxes on the property if the Vlass Group owns the property. He expressed his belief that conveying the property to the Vlass Group, with a re-conveyance back to the City in the event of non-performance, is a safer position for the City.

Mr. Vlass emphasized that The Vlass Group would be managing the rest of shopping center, making sure the income is there, and assuring there is nothing negative happening. He emphasized that he would not expect the City to encumber any of its property; in fact, he is going to improve the property, prior to building, without allowing any encumbrances on it.

Council Member Knapp clarified that the City is contributing \$4.8 million toward infrastructure improvements and demolition; therefore, it is more accurate to say the City is improving the property prior to construction.

Mayor Affronti clarified with Mr. Vlass that the \$4.8 million is for the northern piece, Phases 1 through 6, of the project, and not the entire 29 acres. Mr. Vlass noted that phasing is easier to keep up with; he estimated that the entire project would be five years from beginning to end, depending on the economy.

Council Member Holloway questioned that conveying the property at zero is not possible, according to the City Attorney. The City Attorney affirmed that according to his interpretation of the Statutes and the RFQ, it would be difficult to say that the Statutes or the RFQ indicate that conveying the property at zero is something contemplated under the RFQ or the F.S. 163.380; the City cannot do that.

Council Member Holloway asked how the City will come up with fair value, since it is all subjective. The City Attorney agreed and said that the City would need someone to make that determination, adding that he believes Mr. Vlass has indicated a willingness to restructure his proposal to meet the requirements of the RFQ. Council Member Holloway confirmed they have to meet the legalities.

Mr. Vlass suggested a simple way to work around that issue is for The Vlass Group to purchase the property for \$4 million, with the City's agreement to build the Community Center. Mayor Affronti questioned whether \$4 million would be considered fair value. Mr. Vlass stated that the land north of Chicago is worth \$4 million according to their calculation with the returns they need; however, the land south of Chicago is too speculative at this point.

Council Member Holloway asked whether being unable to convey the property to them for a zero amount would push The Vlass Group "off the game". Mr. Vlass responded that it is not zero, it is \$4 million; they believed it would be easier this way, to include the community center. Mr. Vlass remarked that his company has given a tremendous amount of time, effort and work in negotiations.

Mayor Affronti said with all due respect, the Council must do what the law allows, to which Mr. Vlass responded that The Vlass Group must do what makes sense to them.

Mayor Affronti reiterated that even if the Council would like to do it, if it cannot be done legally, it cannot be done.

Mr. Vlass responded that he believes the Council can sell the property to them at any price the Council chooses; the determination needs to be made as to whether this is in the best interest of the City. He continued that if the City Council believes this is not in the best interest of the City, they shouldn't move forward; however, if the City Council believes it *is* in the best interest of the City, they should move forward before something happens to the neighborhood, adding that it is the entire City at risk.

Mr. Lant reviewed the RAM proposal, which included the community center and parking garage at a purchase price of \$14.9 million; the City was obligating itself to fund \$13.4 million of projected uses, giving the City a net of \$1.5 million. Mayor Affronti mentioned the \$1.2 million market adjustment. Mr. Vlass questioned why they were comparing the previous deal, when the two plans have little in common - comparing apples to oranges.

Indicating that she cannot vote on the proposal at this time, Council Member Fernandez stated that the outstanding debt is already a fixed cost, leaving the City with two choices; one choice is to do nothing and keep the debt until another project comes along, and the second choice is to determine whether this project is worth it. She reiterated the need for an outside consultant to provide an expert analysis to assist the Council in determining what makes sense in this market.

Mr. Vlass expressed his belief that there is not a consultant on earth who can do that. He explained that a consultant would not be able to see the vision from beginning to end, and a consultant would not know to what degree blight hurts the City – only the City would know that. He continued that if Sweetbay closes, The Vlass Group would have no interest in the project; Sweetbay is crucial – they are a great tenant, who needs to be treated with more respect and see that something is being done. He said he cannot imagine a consultant who could give Council their opinion of what Council wants. He suggested the other option is an appraisal; however, that will give the highest and best use, and this plan is not necessarily the highest and best use for a land buyer.

Council Member Fernandez asserted that she knows her own opinion, but would like to know what makes sense for the market from an outside source - someone with expertise and knowledge who doesn't have an interest in the project. Mr. Vlass reviewed there were two financial consultants for the City at recent meetings; while he doesn't know what qualified them to act as consultants, he suggested that Council Member Fernandez ask them.

Council Member Knapp questioned which building is allocated for the post office on the Master Plan Exhibit B. Mr. Snead responded that the Post Office will be in Building D of the first phase, so they will only need to move once; they will build the new building, move them in, and then tear down the old one. Mr. Snead continued that there are a lot of great local merchants that he would love to see stay, adding that he would like to have the time to work with them to find another location that would not disrupt their business.

Concurring with Mr. Vlass, Council Member Knapp said that he believes time is of the essence; the City cannot continue to own and operate the property in its current condition. He questioned whether the City is creating its own blight by continuing to allow the facades to dilapidate, tenants come and go, and the tenants who are being placed. With that being said, Council Member Knapp suggested that the City needs to either attempt to negotiate with The Vlass Group, or someone else if the Council wishes, and move forward at a rapid pace with the financial negotiations. He commented that he doesn't believe they are "legally there" with the current proposal, suggesting it may need to be more of a joint venture situation than what has been proposed today.

Council Member Knapp reviewed that he has made suggestions in the past, which have fallen on deaf ears, because the vision is to unload the property, be relieved of the financial burden, and move on, while watching their beautiful project go up at someone else's expense.

Council Member Knapp continued that at time has gone on, with each developer's proposal, the Council has seen that the Developer will want the City to participate at a relatively high level. He reviewed that he has always questioned why the City would not install the infrastructure, redo the façades of Buildings B, C, and D, and leave the others as pad sites, which could be marketed with entitlements. He explained he is not saying they should move forward in that direction without The Vlass Group; he is trying to open dialogue to explore other ways to move forward than just "A" or "B". This option, he said, would allow the City to retain the asset as improvements are being made. He commented that all of these things are on the table and need to be addressed and discussed; he has presented this idea over the last two years, but it has not been met with much interest or enthusiasm, because everyone has leaned in the direction of sell and run, and allow the developer to deal with the site development.

Council Member Neale questioned if the City conveys the land at zero cost to the developer, whether the development plan would be where the City's control would be. Mayor Affronti responded affirmatively.

Mayor Affronti questioned what the cost would be to the City if no development was done, which was one of the alternatives mentioned by Council Member Fernandez. The Finance Director responded that the City would remain \$21.8 million in debt. She continued that with a conservative rental income of \$471,000, the quarter mil of \$401,000, and current TIF income of \$431,000, provide a total revenue source of \$1.3 million; the debt service, including principal and interest amount to \$2 million, leaving a shortfall of \$700,000. If the City was to pay interest only on the debt service, the \$21.8 million debt would remain. Mayor Affronti interjected that in addition, the City would have a bad shopping center. The Finance Director concurred, adding that she has not included in the evaluation the prospect of the City obtaining someone to invest in and better manage the existing property; the evaluation is based on how they are doing business today.

Council Member Govin reminded Council that nine months ago there was a plan that almost came to fruition; however, it failed due to the economy. He emphasized the country is in an economic crisis, and the City is looking to sell its biggest asset in the worst economic time. He said he believes there are more options than simply "A" or "B," and with the economic situation, it is terrible timing. He said that The Vlass Group is doing what they can to put a project on the table, but economically they can't do any better. He expressed his belief that the project should be put hold for 6 to 12 months before they look at it again, pay the interest, keep up with the debt, and see where economy goes.

Mayor Affronti noted there is a meeting of the Temple Terrace Redevelopment Agency followed by a Special City Council Meeting planned for tomorrow at 1:00 p.m. to discuss this matter further. Council Member Knapp questioned whether there is any sense in discussing the issue again tomorrow. Mayor Affronti commented that for the sake of The Vlass Group, the Council needs to determine whether they are interested in negotiating more or if the Council is not interested in pursuing the deal at all.

Council Member Knapp stated that he is interested in doing business with The Vlass Group and continuing negotiations; however, he is not interested in doing the project as presented today. He asked Mr. Vlass whether The Vlass Group would be interested in entertaining the joint venture thought process. Recalling their earlier individual meetings, Mr. Vlass briefly reviewed their joint venture proposal, where the City would end up owning the finished product when it was completed, which, individually, the Council Members said they did not want to do.

Mr. Vlass continued, reviewing how they arrived at the presentation this evening, following the directions of Council that The Vlass Group would have to own it and develop it. Therefore, he said they proposed a similar project that The Vlass Group is comfortable owning at the end of the day with their \$70-\$90 million investment. He said they don't know what else to do, stating it is difficult to continue negotiations when there is no feedback, other than to say what they don't like.

Council Member Knapp responded that a joint venture structure on Phase I doesn't concern him, and in fact, he believes there is an urgency to complete it; therefore, he would like to see them continue negotiations towards something on Phase I, including the infrastructure, the buildings on the south side of the project, and the razing of the properties on the north side. As discussed one-on-one, he said that the densities projected in Phase II concern him, because he does not feel the City can support the projected densities, specifically the residential condominiums.

Mr. Vlass noted that if The Vlass Group does not develop them, the City would get the property back, so in essence, the City would have used The Vlass Group for the first phase, and having the land back, the City could change whatever it desires in Phase II.

After further discussion, Council Member Knapp recommended that the staff work with The Vlass Group in presenting something with Phase I, not conveying all of the parcels, and that it would be in a joint venture mode, where Phase I and the infrastructure is completed. He concluded it is imperative to move forward, whether with The Vlass Group or alone.

Referring to Mr. Vlass' meeting with Council Member Knapp, Mayor Affronti asked whether the City would purchase the property back after it was built and completely leased. Mr. Vlass responded affirmatively, explaining there would be no risk, so they believed it would be a conservative approach.

The City Attorney surmised that what Council Member Knapp is suggesting may indicate that what was envisioned in the terms of the RFQ, which was put out several years ago, may not be feasible in today's market. Consequently, he continued that it may be in everyone's best interest to determine what makes sense in today's market and put that out in a new RFQ; the City already has a developer with good qualifications. The terms of the RFQ is part of what is tying the City's hands, he said, in that the City has to act under the terms of an RFQ which was issued under very different economics. He clarified that he told RAM/Pinnacle about a year ago, when they talked about buying the first 20 acres in phases, that is not what the RFQ says; he noted that Council Member Govin will recall that he had to tell RAM/Pinnacle that they would have to take the whole thing at one time. Given where they are now, he said, Mr. Vlass is indicating that doesn't necessarily make economic sense; however, they are dealing under the terms of the RFQ.

Mr. Vlass confirmed that is why they bid for the whole project, because that was what the RFQ asked for and they were remaining true to it. He continued that he believes there are ways to create incentives that would do the same thing, from a take-down in phases. He noted that The Vlass Group would not be interested in only doing Phase I, because the size of the project is not large enough to justify their time and effort; they would do the whole thing all the way down to the lake, which at the end of the day would be a \$100 million project.

Summarizing his position, Council Member Halloway said that he likes the site plan, which gives the City a New Urban Town Center. He said the financials need to be worked out, which he hopes the negotiating team can do, so that they can get the project moving forward.

Mayor Affronti said he agreed with Mr. Vlass that The Vlass Group needs input from the Council as to what they are looking for; at that point The Vlass Group could say whether it is feasible.

Mr. Vlass interjected that their request was to have interaction, discussion and to clarify any questions. He continued that the intent was to discuss this tonight and to hopefully, present something tomorrow for Council's decision as to whether to move forward. He mentioned there is a price on the land; however, they need to know the community center will be built. He said that he would appreciate it if Council could come to consensus of what bothers them; obviously, there would be an obligation never to encumber, and the City would have first right recorded to take the property back if The Vlass Group does not deliver.

Mayor Affronti noted that one issue discussed was that the property be conveyed in phases, with the City assisting with the Main Street infrastructure. The City Manager interjected the infrastructure is the reason for the \$4.8 million contribution from the City.

Council Member Knapp said that the City Attorney has been very clear that the proposal on the table, and his good faith effort in attempting to negotiate, are outside of the terms of the RFQ, and any consensus the Council could come to today would be outside of the Statutes, and they would not be able to move forward.

Mayor Affronti mentioned that it would need to be determined whether putting in the community center for \$4 million would qualify as fair value. The City Attorney suggested having assistance from someone in determining whether fair value is being met in this deal, and if not under these terms, what would comprise fair value, so the City can go forward with this developer.

The City Attorney reviewed that a year ago RAM/Pinnacle was advised that they could not break the land into parcels, and it cannot be done now under the RFQ. He continued that if the City conveys the property in accordance with the RFQ, and The Vlass Group develops it in a certain manner, that would be envisioned under the RFQ.

Mayor Affronti summarized that the key issue is determining fair value. The City Attorney reiterated the need to have someone with experience with redevelopment projects, who can assist with the evaluation of the financial proposal from the Vlass Group, and determine whether the City is getting fair value.

Mr. Vlass asserted that he believes the Council could make that decision themselves. Mayor Affronti noted that the Council must do it legally. Mr. Vlass remarked that Council simply needs to set a price and be comfortable that it is being sold for a fair value. He continued that the question is what will be done if blight continues. He suggested that the time to make a choice in real estate is when there are still choices available; most developers are not talking to people these days, their doors are closed.

There was a brief discussion regarding whether to hold the meeting the next day.

Mayor Affronti asked whether the Council has the ability to determine the fair value.

Having already given his legal opinion regarding the requirements in conveying the property for what is determined to be in the public's interest, the City Attorney expressed his personal opinion that it is unreasonable to request a response tomorrow on a proposal that was received only a few days ago; it takes a little time to digest the financial proposal put on the table and he does not see how the Council can give an indication one way or the other tomorrow.

Council Member Knapp concurred. Council Member Halloway asked how long it would take for Council to be able to make that decision.

The City Manager proposed discussing some of the items talked about today with Mr. Vlass. He continued that he would need to look into finding an outside consultant like Mr. Stainbeck to determine fair value, noting that it seems subjective to him, as Mr. Vlass has said, and he does not know how to pinpoint that.

Council Member Fernandez commented that since she is not a developer by trade, she would like to have an expert, outside of this particular project, who works in the development industry and has market experience, to provide their opinion as to whether this is rational and a good, fair value or that holding on to the property would be advantageous. She expressed her belief that fair value is not necessarily all cash, it is property improvement, and many other factors.

Mr. Vlass briefly explained some of the challenges an outside consultant would have without being immersed into the project.

Council Member Halloway suggested since the issue is fair value, that the City Manager, City Attorney, Finance Director and a negotiating team come up with a fair value, based on legalities, within a certain timeframe and present it to The Vlass Group, and if agreeable, come back to Council to move forward.

Mr. Lant confirmed with Council Member Knapp that his questions regarding the property encumbrances were satisfactorily answered.

The City Manager reviewed that they would sit down with The Vlass Group, while they are here, digest the information presented tonight, along with Council's concerns, and see if they can come to a middle ground to return to Council with a proposal.

Mayor Affronti asked whether the City Attorney could determine fair value, to which the City Attorney responded negatively. Council Member Halloway commented that it is a subjective number, and the City Attorney could come up with the numbers just as well as anyone else. The City Attorney said that the City Manager may have staff, who can assist; however, he does not have expertise to determine fair value.

Council Member Knapp said that in simple terms given what the property was purchased for and what it will be sold for, it is easy to say that is not a fair market value; however, where the speculation comes in is the future TIF revenues, the value to the City upon the project's completion, etc., which is extremely subjective.

The City Manager concluded that he would use the time tomorrow to work with The Vlass Group to see what they can come up with. He mentioned that he has spoken with Kevin Lawler informally, and they may be able to do some things. Mr. Vlass reviewed Council Member Knapp's comments that the Vlass proposal would be to pay \$4 million for the property provided they are assured that the City would build the community center and subject to the Vlass Group's approval of the design to make sure it ties in with the rest of the project.

Mayor Affronti reiterated that in lieu of the previously scheduled CRA meeting and Special City Council Meeting for tomorrow, the City Manager will meet with The Vlass Group for further discussion and bring the information and possible proposal back to Council.

The work session ended at 6:34 p.m.

Submitted by,

Melissa E. Burns, MMC
City Clerk