



MINUTES

Community Redevelopment Agency Meeting

4:30 PM - Thursday, September 9, 2021 - Community Building

CALL TO ORDER: 4:30 P.M.

ACKNOWLEDGEMENT OF QUORUM AND PROPER NOTICE

PRESENT: Vice Chair Emily Lee, Karen LeHeup-Smith, Nan Cobb, Willie Hawkins and Chairman Michael Holland

1. CRA ITEM WITH DISCUSSION, PUBLIC INPUT AND DIRECTION

- 1.1** CRA Resolution Number 21-02: Approving and ratifying a development and acquisition agreement by and between Waterman Square LLC, the Downtown and East Town Redevelopment Agency and the City of Eustis for the redevelopment of the former Florida Hospital Waterman site

Tom Carrino, Economic Development Director, provided a history of the former Florida Hospital/Waterman property which was purchased by the CRA in 2020. He noted that it was listed as a catalyst site in both the 2008 and 2016 redevelopment plans. He reviewed the marketing for the request for proposal noting it was sent to 50 parties. He stated February 4, 2021, the CRA Board authorized staff to negotiate exclusively with the Atrium team.

Mr. Carrino then reviewed the site and proposal and explained that Parcel #1 is the current surface lot on Bay Street, Parcel #2 is Fountain Green just south of the post office and Parcel #3 is south of that and just north of City Hall. He provided a breakdown of the proposal as follows: 1) Phase #1 is the current surface lot and is proposed to be a five-story mixed use apartment building with 75 apartments, 6,000 sq. ft. of commercial and an 8,000 sq. ft. food hall; 2) Phase #2 is the lot south of the post office and would consist of a parking garage lined with first floor commercial and potentially some live-work space; and 3) Phase #3 is the lot immediately north of City Hall and would consist of five-story mixed use apartment building with 180 apartments and first floor commercial. He explained that Phase #2 and #3 would be done jointly and Phase #4 is on a portion of the Parcel #1 surface lot and would consist of a 60-room boutique hotel.

Mr. Carrino provided a comparison of what Atrium is proposing versus what was laid out in the 2008 downtown plan. He also provided estimated project costs of \$14 million for Phase #1, \$11 million for Phase #2, \$25 million for Phase #3 and \$15 million for Phase #4 for a total project cost of over \$65 million. He then reviewed the timeline for the project with construction of Phase #1 to be completed the end of 2023 or beginning of 2024. Phase #2 and #3 to be completed no later than 2027 and then the hotel would begin. He

explained that Parcel #1 would be transferred to the developer at no cost who would provide a performance bond to insure construction of the project. The price for parcels #2 and #3 is set at \$1.5 million each for a total of \$3 million. The developer would pay \$30,000 in nonrefundable deposit annually in 2024 which would increase to \$50,000 annually from 2025 through 2027. He stated that is the price the developer is paying to secure the option on Parcels #2 and #3.

Mr. Carrino explained the requested incentives as follows: 1) Parcel #1 would be transferred at no cost to the developer; 2) The developer would receive 64 spaces in the new Lake Mechanical garage which will be located north of the current surface lot, east of the Lake Mechanical offices; 3) If the developer moves forward with Phases #2 and #3, the CRA would contribute approximately \$4.7 million for the Phase #2 garage. The total incentive package would be approximately \$7 million.

Mr. Carrino reviewed the projected revenues as follows: 1) Phase #2 – CRA would receive approximately \$160,000 annually from the increment; 2) \$41,000 to the General Fund for various General Fund revenues; 3) \$102,000 for water and sewer revenue for a total anticipated annual revenue to the City and CRA of \$303,000. He estimated total revenues from the project to be \$750,000 annually to the CRA, \$150,000 to the General Fund, \$385,000 water and sewer revenue for a total annual revenue of \$1.3 million to the City and CRA.

Mr. Carrino explained the estimated payback time for Phase #1 would be approximately six years for the CRA. He stated that for all revenues it is an approximate three-year payback. He added that the CRA is leveraging approximately 14 to 1 for the payback. He said that for the entire project, the CRA would repay its investment in approximately nine years but for all revenues it would be about 5.5 years. He explained that for every dollar the CRA and City are investing in the project, they are leveraging approximately nine dollars in private investment.

Mr. Carrino provided the terms of the agreement stating that the development entity is Waterman Square LLC and the developer has 120 days feasibility period and 275 days to secure entitlements. He explained that is for due diligence and to ensure the project is feasible, secure any entitlements and work with the City on the site plan, future land use and other items. He stated the developer will develop a project PUD and site plan consistent with the City's land development regulations and will bring those to the City Commission for approval. He stated the City will explore transfer of development rights and explained how that concept could be done. He added that the developer will own and operate the Phase #2 garage. He noted that will be important as that will be taxable and the CRA will derive revenue from that.

Mr. Carrino further reviewed additional terms of the agreement stating that the developer has until December 31, 2027 to close on Parcels #2 and #3 and commence construction of the hotel. He explained ideally the project will move forward faster than that. He added that, if the hotel is not developed by 2027,

the CRA can recapture the hotel parcel at no cost. He noted that the hotel is the last building but will be built on Parcel #1. He stated that the City's liability is limited to its specific responsibilities under the agreement. He explained that both the CRA and the City are entering into the agreement. The CRA owns the land so most of the land transfer is the responsibility of the CRA. He stated that the City's liabilities are only those under the agreement. He added that the developer needs written permission from the CRA in order to transfer or assign the agreement other than to a wholly owned entity of the Atrium team. He continued stating that the sale includes all impact fees and explained the hospital previously paid impact fees when it was developed so there are built-in impact fee credits.

Mr. Carrino then reviewed the updates from the community meeting. He indicated those changes are incorporated into the proposed agreement. He cited the changes as follows: 1) The Phase #2 garage will be open to the public at no charge except for those spaces reserved for their residential tenants; 2) The project will not be funded by low income or federal tax credits; and 3) The developer shall require its contractor to use qualified, competitive local subcontractors and vendors.

Mr. Carrino explained there is also a parking agreement which pertains to the Lake Mechanical garage which includes 64 spaces to serve Phase #2. The garage will be completed approximately 20 months from the signing of the development agreement so that it coincides with construction of Phase #1. The City will maintain the garage except for Atrium access control. Atrium will have the right to have a gate and access control to its 64 spaces. Those spaces will be on the top floor of the garage. The developer needs permission to transfer or assign unless it is a wholly owned group formed by the Atrium team. The garage is planned to be built with federal grant funds so there will be no impact on the General Fund or the CRA for construction of that garage.

Mr. Carrino summarized that the site has been identified as a catalyst site in both the 2016 redevelopment plan and the 2008 downtown plan. The site was purchased specifically for redevelopment which is why the City has a CRA. The purpose of the CRA is to promote private investment within the district. The CRA did conduct an RFP process which was marketed appropriately and was a fair and open process. The proposed partner is an experienced development partner and they have been very easy and accommodating to work with. He commented on their development team and cited the amount of investment related to the project and emphasized that there is a very reasonable payback period. He stated the project will generate a lot of positive activity. It will bring new businesses to town, new employers, create new jobs and bring new residents to downtown.

Gail Isaac-Thomas, East CRA Representative, asked about the statement that there would be no low-income housing however federal grant funds will be used to build the parking garage.

Ron Neibert, City Manager, explained the funds for the garage are from the Federal Rescue Act and will be used for the garage, regardless of whether or

not the Atrium project is built, and some will also be used for expansion of the wastewater treatment plant.

Ms. Isaac-Thomas commented on the need to attract more businesses to the east CRA and questioned whether or not anything has been done about that.

Mr. Neibert responded that Mr. Carrino is working to attract businesses to all areas of the CRA.

Ms. Isaac-Thomas expressed concern regarding lack of activity in the east CRA stating that most of the projects seem to be centered on the downtown portion of the CRA district.

Chairman Holland opened the floor to public comment at 4:54 p.m. He cautioned the audience to maintain civility during the public comment. He noted comments would be limited to three minutes.

Mr. Neibert asked that anyone wanting to speak complete a "Request to Speak" card.

The following individuals addressed the CRA Board regarding the proposal: 1) George Asbate; 2) Pam Rivas; 3) Monica Buggs; 4) Horace Jones; 5) Robert Wilson; 6) Yolanda Taylor; 7) Kevin Jenness; 8) Kress Muenzmay; 9) Brian Mitwick; and 10) Daniel DiVenanzo.

Comments by the speakers included the following: 1) Support for development of the site; 2) Completion of a project sooner than proposed; 3) Errors made in previous development contracts; 4) Probability of completion being much later than included in contract; 5) Errors in the contract regarding guaranteed minimums but no caps; 6) Concern regarding lack of additional proposals; 7) Issues with the RFP process; 8) Need for more detail in the RFP; 9) Whether or not Palmetto Plaza is a City park and need for it to be listed on the City's website; 10) Whether or not there was any eligibility criteria for renters for the planned apartments; 11) Regulations pertaining to use of CRA funds for low income housing; 12) The need for CRA funds to address lower income, moderate income and elderly populations; 13) Whether or not there are any projections regarding number of jobs that will be created; 14) Need for architectural and engineering drawings and other types of permitting; 15) Whether or not the parking will actually be free; 16) Where businesses may be located in the east CRA and use of funds; 17) Support for waiting to proceed with the project; 18) Some of the parking being reserved for the apartments; 19) Need for more commercial space in the project versus the amount of residential; 20) Opposition to the City having purchased the property and to the City partnering with a developer; 21) Not all of the development opportunity in Eustis being focused on the vacant downtown property; 22) High cost of housing within the City making it unaffordable for most long term residents; 23) How long the site has been vacant; 24) Moving forward with Phase #1 but not moving forward with Phases #2 and #3 due to inability of lot to support parking garage; 25) Hold off on Phases #2 and #3 to allow for more engineering to

insure what can be built on those two lots; and 26) Opposition to a boutique style hotel.

Mr. Carrino indicated that there is wording in the CRA plan that says the CRA can and should support affordably priced or low-income housing. However, it does not say that a project has to provide income restricted units. It can support income restricted, low-income housing, but it is not required in order to get CRA funding. He cited a recently approved housing development that is a market rate development.

Mr. Carrino stated that there have been no projections yet regarding the possible number of jobs that may be created due to the uncertainty regarding the types of businesses that will be attracted.

The public comment portion of the meeting was closed at 5:35 p.m.

Adam Wonus, representing Atrium, apologized for arriving late due to their understanding that the meeting was to start at 5:30 p.m. He commented on the positive impact that the project will have on the City. He emphasized the new jobs, residents and businesses that will be attracted to the downtown. He stated that the project will be the cornerstone for future development. He then reviewed each of the phases individually. He noted that Phase #1 will be four stories at the front and then five stories at the back to maintain the views of the lake. He commented on the benefit of the food hall and how it will act as an incubator for new businesses. He cited ways they can enhance the aesthetics of the parking garage. He indicated they are leaving the hotel until last so that each phase will build on the success of the previous phases which will enhance the type of hotel that can be attracted to the City.

Mr. Wonus emphasized that the contractor – Gilbane – is dedicated to utilizing local subcontractors. He added they would hold local workshops to better attract local trades. He then cited various members of their team, noting their individual experience and emphasized the importance of the landscape architecture that will be used to attract people to the downtown. He commented on the length of the process since the RFP was issued and how the agreement was developed. He reviewed the proposed timeline and explained why certain studies have not yet been done and cited how and when community meetings would be held prior to submittal of the plans for approval. He indicated that once the building permit is in hand it will take 16 to 18 months to complete Phase #1 and explained how the other phases will be timed. He commented on the need to have certain protections in place in case of outside conditions affecting the process.

Mr. Wonus then reviewed those changes made to the agreement based on community input. He stated that the public parking spaces for the businesses will be free in perpetuity. He then commented on a number of ongoing projects and compared them with the proposed based on size, cost and incentive packages. He commented on the use of a task force of downtown stakeholders to determine what types of businesses are wanted and use that to

mold a marketing plan. He emphasized the increased revenues the project will bring to both the CRA, the City and existing businesses.

The Board confirmed the City Attorney Derek Schroth had reviewed the agreement and asked if, in his opinion, the City is adequately protected under the contract.

Mr. Schroth responded affirmatively noting the performance bond. He indicated staff had insisted on a AAA bond rating and explained how the bond would protect the City. He confirmed that he assisted with drafting of the contract.

Mr. Neibert clarified that the CRA Board would be voting as the CRA that night whether or not to approve the agreement. It would not be transmitted to the Commission.

The Board confirmed when the project is completed the property will be owned by Atrium and questioned how that would affect the City with Mr. Schroth explaining that they can only assign the agreement with approval of the CRA unless that it is an entity in which they are still the principals.

The Board asked what would happen if the project is allowed to deteriorate with Mr. Schroth responding that, if the project is abandoned due to developer's neglect or recession, that is why they have the performance bond. He explained that the bond company would have to obtain a new contractor to continue the project which could take a long time.

The Board asked if there is a timeframe on the transference with Mr. Schroth stating there is not. The Commission then asked how much of a stake do they have to have to be considered a principal with Mr. Schroth stating that is not specified in the contract.

Mr. Neibert clarified that Atrium would not assume ownership until after the due diligence and plans have been submitted and approved by the City.

The Board further questioned what constitutes a principal and expressed concern regarding the City dealing with certain parties and then years down the road those parties only hold a small percent of the ownership.

Eddie Francis, attorney for Atrium, responded that the developer will have to go through the zoning process and other land use approvals that will dictate what goes on the property, not just the performance bond. He then stated that, under the contract as written, an affiliate means any entity that Atrium or PRM controls or manages. He stated they would have to have a controlling interest in order for it to be determined an affiliate. He confirmed that, at that time, there were no companies in place that they plan to transfer the project to. He indicated that it is typical in any project for an ownership and development entity to be formed to own and develop that project and that entity would be owned and controlled by Atrium.

Further discussion was held regarding any entity that the project may be transferred to.

Ms. Cobb disclosed that she attended the community meeting with Atrium and emphasized that the commissioners did not provide any input or comments at that meeting. She stated that she is not related to anyone affiliated with Atrium. She explained for the public that the property has been in private hands for over 18 years. The CRA purchased the property prior to her becoming a commissioner and emphasized that she was not privy to any of the contract information. She stated that she was not part of the process before January and stated she has the right to ask for financial information. She explained her desire to do her due diligence. She questioned whether or not the project is too large for one entity and expressed opposition to giving away a \$1 million property without a commitment to Phases 2 and 3. She expressed support for redoing the RFP and dividing up the project.

Mr. Hawkins noted he also attended the community meeting and had numerous discussions with members of the community regarding the project. He expressed concern regarding the timeline for the project, the number of proposed parking garages and how that is going to look, and giving away 64 of the parking spaces. He also expressed concern about the 30-day window required for the CRA to notify Atrium of its intent to recapture the property in the event the hotel is not under construction by 2027.

Vice Chair Lee agreed with the need for the CRA Board to see the financials. She also expressed concern regarding the type of apartments proposed and cited the need for more upscale apartments. She also stated it would not be good business to resell the property at the same price they bought it for. She expressed support for constructing the hotel sooner rather than later.

Mr. Hawkins reported he met with Atrium and PRM and when he asked about the financials he was provided some information that made him feel more comfortable.

Ms. Cobb reiterated her desire to see the financial information.

Vice Chair Lee expressed concern regarding having only received the proposed contract the night before and then being expected to make a decision.

Ms. Isaac-Thomas agreed with the other comments.

Ms. LeHeup-Smith commented that a developer cannot state exactly what will go on a property until they are able to do their due diligence. They can't do that due diligence until they have a contract. She expressed concern that they are trying to "put the cart before the horse". She stated her agreement with the apartment dwellers needing to have designated parking. She stated that they will have to do a traffic study which will show how much parking they need. She cited concern about people's behavior at the community meeting and

noted that the project has been discussed for over one year. She expressed support for the project and for Atrium.

Mr. Hawkins noted that this is the largest project the City has ever had. He commented on his efforts to represent the community. He agreed with Ms. LeHeup-Smith regarding some of the behavior at the community meeting. He emphasized they are all trying to do what is best for the City.

Ms. Cobb added that the discussion is part of the vetting process.

Chairman Holland expressed concern regarding the public's behavior and asked that people not post comments to social media unless they know what they are talking about. He stated the City has 23,000 people that must be taken into consideration. He reiterated that they just received the contract the previous night and stated that, based on his work schedule, he had not been able to fully review the latest contract. He expressed support for the Atrium group while noting the need to make the best decision for the City.

Ms. LeHeup-Smith moved to approve CRA Resolution 21-02.

The motion died for lack of a second.

2. ADJOURNMENT: 6:23 P.M.

**These minutes reflect the actions taken and portions of the discussion during the meeting. To review the entire discussion concerning any agenda item, go to www.eustis.org and click on the video for the meeting in question. A DVD of the entire meeting or CD of the entire audio recording or verbatim transcript of the meeting can be obtained from the office of the City Clerk for a fee.*

CHRISTINE HALLORAN
City Clerk

MICHAEL L. HOLLAND
Chairman