APPROVED: 4/7/2022

MINUTES
City Commission Workshop
5:30 PM - Thursday, August 26, 2021 – City Hall

CALL TO ORDER:

ACKNOWLEDGEMENT OF QUORUM AND PROPER NOTICE

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

1. WORKSHOP ITEM INCLUDING COMMISSION DISCUSSION, PUBLIC INPUT AND COMMISSION DIRECTION

1.1 Discussion regarding Resolution Number 21-62: Approving a Eustis Development and Acquisition Agreement for redevelopment of the former Florida Hospital Waterman site and Resolution Number 21-63: Approving a parking facility easement agreement with Waterman Square LLC to support the redevelopment of the former Florida Hospital Waterman site

Mayor Holland opened the meeting and announced that public input would not be allowed during the workshop; however, it would be allowed when it goes before the CRA and Commission at the regular meeting.

Tom Carrino, Economic Development Director, reviewed the history of the project noting that the property has been designated a "catalyst site" in the downtown and CRA master plans. He reported on the RFP issued for sale of the site and explained it was advertised in the Daily Commercial, on Demand Star, on the Florida Redevelopment Association website and mailed out to 50 interested parties. He added that only one response was received from Atrium Management and PRN Real Estate Investments. He then stated that staff reviewed the proposal and held two public meetings with the Atrium team. On February 4, 2021, the CRA Board unanimously authorized staff to negotiate exclusively with the respondents.

Mr. Carrino then reviewed Phase 1 of the proposed project stating it would be on the current surface lot and consist of a five-story mixed use apartment building with approximately 75 apartments and a minimum of 6,000 sq.ft. commercial space on the first floor and a food hall with a minimum of 8,000 sq.ft. He stated Phase 2 would be the lot just south of the Post Office for a parking garage lined with first floor commercial and potential live-work space. He explained that Phase 2 and 3 are basically attached. He stated that Phase 3 would be located on the lot north of City Hall and consist of a five-story mixed-use apartment building with 180 apartments and first floor commercial. He stated that Phase 4 would be the hotel component back on Parcel 1 and consist of a four-story, 60 room, hotel.

Mr. Carrino then provided a breakdown of the estimated project costs by phase as follows: Phase 1 - a little over $14 million, Phase 2 - a little over $11 million, Phase

3 - over $25 million and Phase 4 approximately $15 million for a total project cost of over $65.5 million. He noted that more detailed information on the construction costs is available in the response to the RFP. He then reviewed the proposed timeline as follows: 1) 2021 - Approval of agreement, due diligence, entitlements, potentially close on property and move forward with permitting; 2) 2022 - 2023 - Construction and completion of Phase 1; 3) 2024 - Operation and leasing of Phase 1; 4) 2025 - 2026 - Potential closing and construction of Phase 2 and 3; and 5) 2027 - Deadline to close on Phase 2 and 3, commence construction of hotel.

Mr. Carrino explained what is to be accomplished in each phase and the affiliated deadlines. He reviewed the proposed sale of land as follows: 1) Parcel 1 to be transferred at no cost; 2) Developer will provide a performance bond to guarantee construction; 3) Price of Parcels 2 and 3 is set at $1,500,000 each or $3,000,000 total. He stated that the developer will pay $30,000 in non-refundable deposit annually until 2024. He stated that the first $30,000 is to be paid at the time of signing and indicated that if the developer goes through due diligence for Phase 1 and then does not move forward, the first $30,000 is refundable. If the developer does move forward then all of the future deposits are non-refundable. He added that the deposit goes up to $50,000 annually from 2025 to 2027.

Mr. Carrino then reviewed the requested incentives as follows: 1) Parcel 1 transferred to the developer at no cost; 2) Developer will get 64 spaces in the new Lake Mechanical garage at a value of approximately $1,280,000; 3) If the developer moves forward with Phase 2 and 3, the CRA contributes $4,720,000 toward the Atrium Phase 2 parking garage for a total incentive package of $7,000,000. He explained that the project would include two parking garages - one to be owned and operated by the City on the former Lake Mechanical property and consisting of 250 spaces and the Atrium garage as part of Phase 2 consisting of approximately 500 spaces.

Mr. Carrino then reviewed the projected revenue with an estimated total annual revenue for the City and CRA of $1,285,000. He stated the CRA incentive payback is estimated at 6.25 years for Phase 1 and for all revenue 3.3 years. He stated for the entire project, the payback is approximately 9.35 years for just the CRA and 5.45 years for all revenue.

Mr. Carrino then reviewed the other terms of the development agreement as follows: 1) Agreement is with Waterman Square LLC; 2) Developer has a 120 day feasibility period and 275 days to secure entitlements; 3) Developer will develop a project PUD and site plan consistent with the LDR's; 4) City will explore the transfer of development rights to facilitate the project; 5) Developer will own and operate the Phase 2 garage; 6) Developer has until 12/31/2027 to close on Parcels 2 and 3 and commence construction of the hotel; 7) If the hotel has not been begun by 2027, the CRA can recapture the hotel parcel at no cost; 8) The City's liability is limited to its specific responsibilities under the agreement; 9) The Developer needs written permission to transfer or assign the agreement unless the entity is one created by the principles of Atrium; and 10) The sale includes all of the impact fee credits.

Mr. Carrino then reviewed the parking agreement as follows: 1) Developer will be provided 64 spaces in the Lake Mechanical garage to serve Phase 1; 2) The garage will be completed within 20 months from the signing of the development agreement; 3) The City will maintain that garage except for the Atrium access control; 4) The 64 Atrium spaces will be on the top floor; and 5) The Developer needs permission to transfer or assign the spaces.

Mr. Carrino then reviewed staff's recommendation for approval noting that the site has been identified as a catalyst site, the property was purchased for redevelopment, the type of project is the exact purpose of the CRA which is to promote private investment; the CRA and City conducted an open RFP process, the developer is an experienced development partner, the development will result in a total investment of over $65,000,000 and there will be a reasonable payback period.

Adam Wonus, addressed the Commission on behalf of Atrium Management, he reviewed the Phase 1 portion of the project and indicated that each phase will build on the others. He provided renderings of the various aspects of the Phase 1 apartments and interior courtyard area. He stated Phase 2 is the parking garage which will include commercial on the outer areas. He stated that the better that Phase 1 does and the level of rents will attract better tenants to Phase 2. He cited the benefit to having residents and commercial together. He then reviewed Phase 3 with the construction of the hotel stating that the plan is for a luxury, boutique hotel. He commented on the estimated construction costs noting that they were first estimated a year ago so they may have gone up some since then. He cited two letters of support they have received from their lenders. He provided an overview of their experience and cited a number of their current, ongoing projects. He emphasized that they continue to participate in the communities where they are located.

Mr. Wonus then provided an overview of the experience of the partner - PRN Real Estate and Investments Ltd. and cited a number of their previous projects. He cited their entire project team including Gilbane as their general contractor, Eleven 18 Architects, Atwell as their civil engineer, and RVI as their landscape architect and commented on their individual experience and projects.

Mayor Holland opened the floor to Commission comments and questions.

Commissioner LeHeup-Smith expressed support for the project.

Commissioner Cobb asked how many projects he has completed with Mr. Wonus stating he has not completed this type of project before which is why he partnered with PRN who has. He stated that he has been in business since 2014 and was previously in banking. He cited other developers he has worked with and various projects they have worked on.

Commissioner Cobb asked if they had heard about the project prior to the RFQ with Mr. Wonus indicating they had not. She then asked if they considered condos rather than apartments with Mr. Wonus stating they had considered it but commented on the difficulty with having commercial on the ground floor. She then asked about the types of apartments with Mr. Wonus responding they will include studio, one and two bedroom apartments.

Commissioner Cobb asked about the hotel construction and whether they have approached any specific hotels yet with Mr. Wonus responding they have not spoken with any specific chains as of yet. He commented on what the higher-end chains would be looking for. He indicated that one boutique chain has indicated an interest. She then asked how they estimated the $15 million cost with Mr. Wonus explaining that the higher they can charge for the room, the better brand they can attract. She asked about the cost estimates with Mr. Wonus indicating the first phase is fairly accurate but costs of construction can fluctuate so the later phases are more indefinite.

Commissioner Cobb asked for a parking study to be done in advance with Mr. Wonus agreeing. She expressed concern regarding dedicating 64 spaces to the project.

Ron Neibert, City Manager, explained the agreement regarding the parking spaces stating that the point is to help insure that Phases 2 and 3 are completed. He stated that if Phases 2 and 3 are not completed, then the City would negotiate a different lease agreement for the 64 spaces.

Mr. Wonus commented on the need for both the City and Atrium to invest in the project noting they are the only ones who responded to the City's RFP. He noted the need to not burden the first phase also with the cost of parking and that is why they requested the spaces.

Commissioner Cobb expressed concern regarding allocating the 64 spaces with the City taking all of the responsibility for maintenance and liability.

Mr. Wonus confirmed that a parking study would be completed. He stated that in order to attract commercial there has to be sufficient parking.

Commissioner Cobb noted the issue on Parcel 2 with muck and asked if they had an engineer look at that with Mr. Wonus confirming they have had that studied and their engineer believes it can be cleaned up at a cost of $200,000 to $250,000. He added that is why they are planning that site for the parking garage as it will settle better.

Commissioner Cobb asked about the financing noting the letters of support with Mr. Wonus responding Atrium will be investing 35 to 40% of the capital. He stated they have sufficient capital to cover Phase 1 without any financing. He then indicated that the lenders would provide 60 to 65% of the financing of the project.

Commissioner Hawkins also expressed concern regarding dedicating so many parking spaces to the project. He confirmed that the value of the spaces is approximately $20,000 each. He asked what other incentives the City is providing.

Mr. Carrino stated the City and CRA are offering a total of $7,000,000 in incentives. He broke down the incentives as follows: $1,000,000 for Parcel 1, $1.28 million for the parking spaces and the balance of the incentives depending on Phase 2.

Mr. Hawkins confirmed they would be building an estimated 500 space garage. He asked what their estimated rents would be with Mr. Wonus responding it would be approximately $1.30 per square foot. Mr. Hawkins then questioned the total square footage for the food hall noting that the proposal says 12,000 sq.ft. but they are now stating approximately 8,000 sq.ft. with Mr. Wonus indicating the proposal was done over a year ago and now they are proposing to have more outdoor space.

Commissioners Hawkins cited Mr. Wonus' statement that they were the only respondent to the RFP. He asked what incentives they are giving the City with Mr. Wonus responding they are coming in and developing a parcel that has been vacant for over 18 years with a $15 million project that will bring people to the downtown. He emphasized their intent to attract people to the downtown and start new businesses.

Commissioner Hawkins asked what their plan is to attract people to the downtown with Mr. Wonus explaining their plans for retail space and restaurants. He stated that people want to live in a downtown with beautiful views and lack of lawn maintenance. He added the City has the makings for everything that's wonderful and they want to add to that.

Commissioner Hawkins then asked about the Phase 4 boutique hotel. He stated he has concerns and asked how they are going to attract people to the City with Mr. Wonus responding that, to him, the hotel is the most important piece of the project. He stated he could not state it is going to be a certain hotel chain but he would work tirelessly to get Eustis a hotel they will be proud of.

Commissioner Hawkins asked how he can guarantee it will stay downtown with Mr. Wonus responding that is all they can build on that site under the agreement or the City gets the property back.

Commissioner Hawkins asked how long he has personally been doing construction projects with Mr. Wonus responding since 2012. Mr. Hawkins then asked when they started doing larger projects with Mr. Wonus indicating in the past four years he has been working on the larger developments. He noted that he owns over 1,000 apartment units. He commented on how the developments vary depending on the existing economy. He indicated that the City's downtown and lakefront is perfect for the type of housing that is currently in demand.

Commissioner Hawkins asked how much Mr. Wonus will personally invest in the project with Mr. Wonus responding that part of the 35% is his funds and he is personally guaranteeing the financing. He stated that if the project falls through then the City gets the building and he goes into bankruptcy.

Commissioner Hawkins asked about the completion bond with Mr. Neibert explaining the bond would be for the value of the project to insure completion. He stated that the City would not take responsibility for completion, the bank holding the mortgages would take over ownership of the project and insure completion of the project. He stated that the City's interest in the completion bond is to get the project completed and the bank's interest is to make sure the project is completed and they get their return on investment. He explained that the completion bond is only for Phase 1 since the CRA is providing them that property for free. They are purchasing the other two lots for $3.5 million. He added that the bank that finances Phase 2 and 3 probably will require a completion bond.

Commissioner Hawkins asked about the premium for the completion bond with Mr. Neibert responding it would be percentage of the value of the project.

Commissioner Hawkins further inquired about the probable rates for the boutique hotel with Mr. Wonus indicating a limited service hotel rents for about $89 per night but they are hoping to be in the $189 range which is typical for a downtown hotel.

Commissioner Hawkins confirmed that, if the City takes back the hotel property, it would not affect the remainder of the project.

Mr. Wonus stated he has a 100% completion rate at that time and estimated they have completed approximately $100 million in projects. He noted they are actively working on a hotel project with PRN at that time but the City's project would be the only other project.

Commissioner Hawkins asked if Atrium or PRN has worked with Gilbane as a builder previously with Mr. Wonus responding negatively. He commented on the number of projects completed by PRN.

Vice Mayor Lee confirmed that the hotel will be four stories with Mr. Wonus responding it may be either four or five stories. She asked about the number of rooms with Mr. Wonus responding there will be an estimated 15 rooms per floor. He assured her that the hotel can make money with those numbers or they wouldn't do it.

Vice Mayor Lee expressed concern regarding the use of "potential" and "ifs" in the report with Mr. Carrino explaining that is his language. He stated he used the word "potential" as there is the possibility of Phases 2 and 3 and the hotel being built sooner depending on how well Phase 1 does.

Vice Mayor Lee commented Atrium will be paying the City $3,000,000 for the land; however, the City is providing them much more than that in incentives.

Mr. Carrino responded that the initial $1,000,000 is for the land for Phase 1 with a possible $6,000,000 for support of the parking. He stated staff has reviewed the financials, the revenues and construction costs and the payback period and potential revenues are very favorable.

Vice Mayor Lee further commented on the amount of incentive versus the amount they will be paying the City for the land. She indicated they are getting enough incentives they should be able to pay the City back.

Mr. Neibert stated the project totals $65,000,000 and the City is investing approximately 10% of the value of the project with the $7,000,000 and they are investing $65,000,000 in the project. He summarized they are investing $9 for each $1 the City is investing. He stated that for a 10% investment, the City will generate $750,000 in additional new revenue to the City. He explained the City is making an investment in the downtown to help drive redevelopment of the rest of the downtown area.

Mr. Carrino added that this is similar to other agreements that the CRA has done with the CRA leveraging a certain investment to create a much larger private investment.

Vice Mayor Lee commented on the length of time the property will be tied up in the event the project doesn't get completed. She expressed concern that the rents may not occur as estimated and if there is a downturn in the economy. She then asked about the $30,000 deposit per year that goes up to $50,000 with Mr. Neibert explaining that it will be paid in cash to the City and deposited in the CRA to be used for whatever the CRA wants.

Mr. Carrino indicated the City does not have risk with the success of the project. If the rents aren't as high as they expect, they are facing that risk not the City as the City will not be part of the management of the project. The City and the CRA are protected as they are not dependent on the rental rates. If the project isn't completed, the City is protected by the completion bond.

Mr. Neibert noted that the "what if" scenarios will apply to any developer. He emphasized that every project has risk but staff believes the agreements are written to help protect the City's interest. He indicated that the CRA has sufficient revenues to pay off the debt from purchase of the property. He indicated that if Atrium does just the Phase 1 project, the City would still have a $16 million project that will generate $160,000 per year in revenue and that the City's investment will be paid back in three years. He added that if the economy goes bad and they can't fill their buildings, that will affect the entire community, not just their project.

Vice Mayor Lee asked what are their contingency plans in case the economy has a downturn. She stated her desire for more guarantees.

Mr. Neibert noted that right now they are considering the agreement as a property owner for the sale of the land. He stated that, later when they develop, they will be coming before the Commission as a regulatory body. He cited the performance bond and what is to be built in Phase 1. He indicated that the only incentive for Phase 1 is the $1,000,000 and the 64 spaces.

Vice Mayor Lee expressed concern about the timeline. She noted that the property should increase in value but the City is only going to receive dollar for dollar.

Mr. Neibert agreed that the property should increase in value. He stated his opinion that there is not a developer that will come in and buy the property and develop it without any incentives.

Mr. Carrino commented on the timeline citing various projects ongoing in the City that were four or five years in the making. He commented on the amount of time it will take to do the due diligence. He cited the amount of time is takes to do the site planning, engineering and permitting. He stated that 2027 is not very long from a development perspective.

Vice Mayor Lee explained her concern is having the property tied up until 2027 and then still having the vacant land.

Mr. Carrino noted that the developer will be paying the City $30,000 per year and then $50,000 per year. He acknowledged that it is possible that 2027 arrives and they have not moved forward; however, at that time, the City would have the nonrefundable money plus the remaining two blocks and $3,000,000 worth of property to work with.

Commissioner LeHeup-Smith stated she has no problem with assigning 64 of the 250 spaces to the apartment complex. She noted that if she was renting an apartment she would want to know that she has a parking space.

Commissioner Hawkins stated he doesn't have a problem with them using the 64 spaces until the other parking garage is constructed.

Mr. Wonus stated that not all of the second garage is for apartments, it is also for the commercial space.

Commissioner Cobb asked who else has given him free property with Mr. Wonus responding he did not think anyone else has given them free property. He indicated that they are making a significant investment in the City.

Further discussion was held regarding the free parcel and parking spaces and the timeline with Mr. Neibert responding that if the hotel is not built within the parameters of the agreement then they have to deed the property back to the City.

Commissioner Cobb asked about their marketing plan with Mr. Wonus stating his intent to meet with the community to see what they want to see downtown. He commented on getting local restaurants to relocate into the downtown. He noted that no one has been secured at this time; however, people have spoken to him with interest in coming to the City.

Mr. Neibert commented on the amount of effort Mr. Carrino had put in to attracting someone to developing the property prior to the CRA buying it. He stated that Eustis is not close to Orlando, it is in a secondary, untested market, however, the area is growing. He stated staff has put together an agreement that they believe financially protects the City and will help to create some good synergy in the downtown.

Commissioner Cobb noted that Lake County is the third fastest growing county in the state with Mr. Wonus stating that Eustis has something amazing to offer and it needs to be done really well.

Commissioner Hawkins asked about the impact fees that will be associated with the property with Mr. Neibert stating there will be water/sewer, road and school impact fees. He noted the property does have some impact fee credits and right now the City still has its water/sewer impact fee incentive program.

Mr. Carrino explained that due to the impact of the hospital on the community, Atrium would probably only have to pay the school impact fees since the hospital already paid the other impact fees. He indicated that the Foundation had previously prepaid some school impact fees but probably not sufficient.

Commissioner Hawkins asked what they are doing to be part of the community prior to the project with Mr. Wonus noting they have previously raised funds for Habitat. He indicated their office staff where they are now has gone out and painted someone's home and they will have a dedicated office in the City.

Mr. Neibert noted that Mr. Wonus has met with a young businessman who took over his parents' business and they have committed to improve the facade for him.

Mr. Wonus noted other areas where they helped clean up and made an area look better.

Commissioner Hawkins asked if this is their biggest project and he stated it is not. He stated the first phase is a $15 million project and they are working on a number of similar size projects.

Commissioner Hawkins asked why the City should go with them instead of doing another RFP with Mr. Wonus stating because they have a team that cares and that he personally cares about the project.

Commissioner LeHeup-Smith expressed support for their team and their experience and expertise. She stated she did not believe the City could find a more dedicated team. She indicated that there is nothing guaranteed in life. They have skill and money behind it. She stated her belief that they can build a project that the City will be proud of.

Commissioner Hawkins expressed concern regarding the parking spaces and the timeline. He stated he did like the renderings.

Mayor Holland stated the item will come before the Commission on the 9th. He noted that the Commissioners have until then to ask staff any questions or contact the developer with questions.

Mr. Chambers, representing Gilbane, stated that next year they will be celebrating 50 years in Florida. He cited the number of projects they have completed. He indicated he is a native Floridian and grew up in Sanford.

Commissioner Hawkins asked how they got together with Mr. Chambers responding they were introduced by a mutual acquaintance and their companies have similar goals. He confirmed he will have ultimate responsibility for the project.

Commissioner Hawkins asked if they have any intent to use local subcontractors with Mr. Chambers stating they have programs where they hold workshops and events to get a lot of local interest in being involved in the project.

Mayor Holland thanked Mr. Wonus and his team for coming. He invited the public to attend the next meeting and provide input.

2. ADJOURNMENT: 7:16 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.

Mary C. Montez

MARY C. MONTEZ
City Clerk

MICHAEL L. HOLLAND
Mayor/Commissioner