

TK 9/30/2015
HFD/Iss (Revised 10/29/2015
TK 11/02/2014
TK 01/21/2014
HFD/Iss 3/16/2016
TK 03/22/2016
HFD/Iss 4/14/2016
HFD/Iss 6/8/2016

**DEVELOPMENT AGREEMENT
(The Blanche Hotel)**

THIS DEVELOPMENT AGREEMENT (this "**Agreement**") is made as of _____, 2016~~5~~, by and between CITY OF LAKE CITY, FLORIDA, a municipal corporation organized and existing under the laws of the State of Florida -(the "**City**"), BLANCHE HOTEL REDEVELOPMENT, LLC, a Florida limited liability company (the "**Owner**"), and INTEGRITY DEVELOPMENT PARTNERS, LLC, a Georgia limited liability company (the "**Developer**" or "**IDP**") (herein collectively referred to as the "**Parties**").

Recitals

The following recitals, all each of which are is true and accurate, are incorporated herein and made a part of this Agreement:

A. The City is sponsoring and supporting the redevelopment of certain improved real property known as The Blanche Hotel, located at 212 North Marion Street, Lake City, Columbia County, Florida into a mixed-use development containing office space, commercial space, residential space and conference facilities totaling approximately 71,500 square feet of space (the "**Project**"), which Project, includes both the real property and improvements thereon, is intended to be acquired and redeveloped by the Owner ~~and its Developer~~ pursuant to the design plans and specifications prepared by the Owner's Architect. The legal description of the ~~property encompassing land upon which~~ the Project is located is attached hereto as **Exhibit "A"**. The Owner will acquire the fee simple title to the Project (the land and improvements) from TRC-SPE, LLC., a Florida limited liability company ("TRC"), the present owner, under the terms and conditions of Agreement for Purchase and Sale of Real Property dated July 22, 2015, between Owner and TRC (the "TRC Agreement"). Owner shall close on the purchase of the Project prior to the City entering into the City Lease. At the time of closing on the TRC Agreement Owner will have been provided with all of the documents identified in the TRC Agreement and Owner will acquire an owner's title insurance policy insuring Owner's fee simple title interest, together with a title insurance endorsement insuring the City's leasehold interest.

B. The Owner, at its cost and expense, has engaged Dyke Nelson Architecture, LLC., ("Owner's Architect") to render all necessary architectural services relating to the design plans and specifications for the redevelopment of the Project as provided for in and pursuant to the

terms and conditions of the contract with the Owner's Architect ("Architectural Contract"), copy of which is attached hereto as Exhibit "B".

C. The Owner, at its cost and expense, has engaged the Developer to render services relating to the Owner's redevelopment of the Project as provided for in this Agreement, which services include, but are not limited to, negotiating contracts on behalf of the Owner for the construction of the redevelopment of the Project. Notwithstanding the Developer's services rendered herein to the Owner, the Owner assumes the sole responsibility for redeveloping the Project pursuant to and in accordance with the Architect's design plans and specifications and to fully comply with all of the obligations of the Owner as provided for in this Agreement.

D. The Owner and the Developer acknowledge that it is the Owner's obligation to timely complete the redevelopment of the Project in accordance with the architectural design plans and specifications at the Owner's cost, subject to the City's contribution of the City Grant.

E. The City's present main office ("City Hall") consists of _____ square feet of office space which is inadequate for the efficient and effective operation of the duties and responsibilities of the City. Inasmuch as the building which presently houses City Hall cannot be structurally enlarged to provide additional office space which is needed by the City, the City has an opportunity to acquire office space from the Owner of the Project for a new City Hall in a portion of the redeveloped Project consisting of approximately 38,550 square feet under the terms and conditions of a fifteen (15) year lease (herein "City Lease"), which grants an option for the City to purchase the leased premises, as provided for herein.

D.F. To assist in the cost of the redevelopment of the Project and as an incentive for the Owner to redevelop the Project, the City will waive:

(i) payment of all fees for services enumerated in Section 1(c)(ii), the value of which is approximately \$_____ ~~\$58,844,00~~; and

(ii) provide the Owner with a One Million Dollar (\$1,000,000.00) non-refundable grant; and

(iii) enter into a fifteen (15) year lease with the Owner to lease approximately 38,550 square feet of the redeveloped property pursuant to and in accordance with the terms and conditions of a lease agreement (herein the "City Lease"), a copy of which City Lease is attached hereto as Exhibit "C" and made a part of this Agreement. The City Lease grants the City an option to purchase the leased property beginning with the eighth (8th) year of the City Lease.

E.G. The Owner represents, certifies and acknowledges that it has secured all needed funds which, together with the City Grant and other City incentives, are sufficient for the Owner to pay all costs for the timely completion of the redevelopment of the Project in accordance with the design plans and specifications developed by Owner's Architect and which have been approved by the Owner and the City.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby adopt this Agreement as the development agreement for the Project; therefore, the Parties hereby agree as follows:

Section 1. Development Services.

(a) The City hereby acknowledges the appointment of the Developer by the Owner as the Developer for the Project to perform certain services in connection with oversight of the design and redevelopment of the Project, and to perform the services and carry out the responsibilities with respect to the Project as are set forth herein, and such additional duties and responsibilities as are reasonably within the general scope of such services and responsibilities.

(b) The Developer's services shall be performed in the name and on behalf of the Owner and shall consist of the duties set forth in this Agreement; provided, however, that if the performance of any duty of the Developer set forth in this Agreement is beyond the reasonable control or beyond the skill, knowledge or expertise of the Developer, the Developer shall nonetheless be obligated to (i) use its commercially reasonable efforts to perform such duty, and (ii) promptly notify the Owner and the City that the performance of such duty is beyond its reasonable control. In which event it shall be the obligation of the Owner to perform, or cause to be performed, those services which the Developer has advised the Owner and the City that the rendering of such services are beyond the ability of Developer to perform.

(c) As an incentive to Owner and to induce Owner to timely facilitate the redevelopment of the Project, the City has performed or shall perform the following:

Provide a portion of the financing for the Project totaling an amount of one million dollars (\$1,000,000.00) (the “**City Grant**”). The City Grant shall be funded upfront at closing of the Owner’s mortgage loan (the “**Loan**”) from SunTrust Bank (“Owner’s Lender”) and disbursed in such amounts and in the manner approved by the Owner, Owner’s Lender and the City and as provided for in the Owner’s Lender’s ~~in the~~ loan commitment and other documents evidencing the Loan (the “**Loan Documents**”). The City Grant shall be a non-refundable grant to the Owner or the Owner’s designee, the name and address of which designee must be furnished to and approved in writing by the City prior to the City funding its grant to the Owner or the Owner’s designee, for the benefit of and use in redeveloping the Project. Prior to the closing of the Owner’s mortgage loan and funding the City Grant and entering into the City Lease, the Owner shall provide the City with: (i) a copy of all the loan closing documents, including, but not limited to, a copy of the mortgage and security agreement (“Lender’s Mortgage”), if applicable, which mortgage and security agreement must contain a non-amendable provision (a) obligating the Owner’s Lender, its successor and assigns, to unconditionally release from the lien of Lender’s Mortgage that portion of the Property leased to the City under lease agreement attached hereto upon the City exercising and closing of its option to purchase the leased premises as defined in subsection (iv) below and (b) neither the Owner’s Lender nor Owner shall have a security interest in any of City’s personal property located in

the leased premises, including, but not limited to, furniture, fixtures, office equipment, computers, software, and Owner and Owner's Lender shall waive any lien in favor of Owner or Owner's Lender permitted by law and City shall have the right at any time prior to or after default or upon termination of the City Lease to remove such personal property from the leased premises.

(i) ~~;~~ ~~and (ii)~~-an "as built" survey of both the leased premises as defined in the City Lease as defined in subsection (iv) below and the property encompassing the Project and described hereto as Exhibit "A", prepared by a Florida Licensed Surveyor and which shall locate all improvements thereon and shall be certified to the City and to other parties required by the City and the Owner. All terms and conditions of the Loan Documents shall be subject to the approval by the City in writing prior to funding the City Grant.

(ii) To the fullest extent allowable by present law, all permit, impact and other fees charged by the City during the plan review and construction phases of the Project shall be waived.

(iii) To the fullest extent allowable by present law, abate or cause to be abated all ad valorem taxes generated by the Project during the financing, construction and operations phases of the Project for a period of ten (10) years.

(iv) The City shall enter into a lease at the time of the closing of the Loan, a copy of which is attached hereto as Exhibit "C" and made a part of this Agreement, and shall be effective and binding upon the City and the Owner when fully executed by the Owner, as Landlord and the City, as Tenant (the "**City Lease**"), the term of which will commence on the completion of construction of the redevelopment plans, including the completion of the construction of the Tenant Improvement Plan ("TIP") provided for in the City Lease (as indicated by the issuance of the certificate of occupancy by the City) (the "**Commencement Date**"), for 55% of the square footage of the Project and, estimated to be approximately 38,550 square feet for a term of fifteen (15) years at a rental rate of \$11.00 per square foot for the first seven (7) years subject to be increased by the percentage increase in the Consumer Price Index as defined in the City Lease, between the Commencement Date and the beginning of the eighth (8th) year of the City Lease. The Owner will make improvements to the leased premises pursuant to the ~~Tenant Improvement Plan (the "TIP")~~ agreed to by the Owner in an amount not to exceed one hundred dollars (\$100.00) per square foot in such manner and upon such conditions and terms contained in the City Lease. All cost of the TIP in excess of one hundred dollars (\$100.00) per square foot (approximately \$3,855,000.00) shall either be paid by the City or the City may amend the TIP to reduce the cost to be no more than approximately \$3,855,000.00. The City shall have the option to purchase (the "**Purchase Option**") its leased premises during the lease term at any time after the eighth (8th) anniversary of the Commencement Date ~~at its fair market value and~~ upon such terms contained in the City Lease. Provided however, that the rental rate during the last eight (8) years of the City Lease shall never be increased more than _____% of the initial rent for the first seven (7) years of the City Lease. The City Lease is subject to the terms, conditions, and obligations of this Agreement, which by reference is incorporated in and made a part of the City Lease.

(v) The City agrees to process in its customary, ordinary course of business without delay or arbitrary requirements, the Developer's applications for permits, certificates of

occupancy and other regulatory requirements with respect to the development of the Project within the jurisdiction of the City.

(vi) During the Term of the City Lease, the City agrees not to exercise its power of eminent domain with respect to any portion of the leased premises thereunder.

(vii) For the purpose of making the Project more aesthetically attractive and user-friendly, the City agrees, upon the written request of the Developer and the Owner, to use its best efforts to close the NE Veterans Street thirty two foot, more or less, right of way bordering the northern boundary of the property described in Exhibit "A" to vehicular traffic; provided, that, the Owner and the Developer agree to develop and maintain the right of way, at their expense, as a pedestrian thoroughfare having such hardscape and landscape features acceptable to the reasonable satisfaction of the City ("Pedestrian Thoroughfare"). The City shall retain ownership of the Pedestrian Thoroughfare.

(viii) The Owner and the Developer agree to complete the development of the Project within _____ months from the date of closing the Owner's Mortgage Loan.

(ix) In addition to the Owner's obligation to complete the Project, the Owner and the Developer agree to maintain exterior walls and roof of all buildings of the Project unless otherwise specifically provided for herein or the City Lease,

(d) In order to facilitate the development of the Project, the Developer has performed or shall perform the following:

(i) Assist the City and the Owner in dealing with neighborhood groups, local organizations, abutters and other parties interested in the design and construction of the Project;

(ii) Identify sources of renovation financing for the Project and negotiate the terms of such financing with lenders;

(iii) Establish and implement appropriate administrative and financial controls for the design and construction of the Project, including but not limited to:

(A) coordination and administration of the Project architect, the general contractor, and other contractors, professionals and consultants employed in connection with the design or construction of the Project;

(B) administration of any construction contracts;

(C) participation in conferences and the rendering of such advice and assistance as will aid in developing economical, efficient and desirable design and construction procedures;

(D) the rendering of advice and recommendations as to the selection procedures for and selection of construction subcontractors and suppliers;

(E) the review and submission to the City and the Owner for approval of all requests for payments under any architectural services agreement, general construction contract, other construction contracts or any loan agreements with any lending institutions providing funds for the design and construction of the improvements comprising the Project;

(F) the submission of any suggestions or requests for changes which could improve the design, efficiency or cost of the Project;

(G) applying for and maintaining in full force and effect any and all governmental permits and approvals required for the lawful construction of the Project, including, but not limited to building permits;

(H) compliance with all terms and conditions applicable to the Project contained in any governmental permit or approval required or obtained for the lawful construction of the Project, or in any insurance policy affecting or covering the Project during construction, or in any surety bond obtained in connection with the construction of the Project;

(I) furnishing such consultation and advice relating to the design and construction of the Project as may be reasonably requested from time to time by the City and the Owner;

(J) keeping the City and the Owner informed on a regular basis of the progress of the design and construction of the Project, including the preparation of such reports as are provided for herein or as may reasonably be requested by the City;

(K) giving or making the City's and the Owner's instructions, requirements, approvals and payments provided for in the agreements with the Project architect, general contractor, and other contractors, professionals and consultants retained for the design and construction of the Project; and

(L) at the Owner's expense, filing on behalf of and as the representative of the City and the Owner any notices of completion required or permitted to be filed upon the completion of any improvements and taking such actions as may be required to obtain any certificates of occupancy or equivalent documents required to permit the occupancy of dwelling units and other space in the Project.

(iv) Inspect the progress of the course of construction of the Project, including verification of the materials and labor being furnished to and on such construction so as to be fully competent to approve or disapprove requests for payment made by the Project architect and the general contractor, or by any other parties with respect to the design and construction of the Project;

(v) To the extent requested to do so in writing by the City and the Owner, prepare and distribute to the City and the Owner a critical path schedule, and periodic updates thereto as necessary to reflect any material changes, but in any event not less frequently than

quarterly, other design and construction cost estimates as required by the City and the Owner, including monthly progress reports on the progress and cost of construction and recommendations as to the drawing of funds from any loans arranged by the City and the Owner to cover the cost of design and construction of the Project;

(vi) Obtain and maintain insurance coverage at the Owner's expense for the Project during the construction phase of the Project, in accordance with an insurance schedule approved by any lenders, which insurance shall include comprehensive liability insurance covering claims for personal injury, including but not limited to bodily injury, or property damage, occurring in or upon the Property or the streets, passageways, curbs and vaults adjoining the Project;

(vii) Comply with all applicable present and future laws, ordinances, orders, rules, regulations and requirements (hereinafter called "**laws**") of all federal, state and municipal government, courts, departments, commissions, boards and offices, any national or local Board of Fire Underwriters or Insurance Services Offices having jurisdiction in the county in which the Project is located or any other body exercising functions similar to those of any of the foregoing, or any insurance carriers providing any insurance coverage for the Project, which may be applicable to the Project or any part thereof during construction;

(viii) Assemble and retain all contracts, agreements and other records and data as may be necessary to carry out the Developer's functions hereunder. Without limiting the foregoing, the Developer will prepare, accumulate and furnish to the City, the Owner and the appropriate governmental authorities, as necessary, data and information sufficient to identify the market value of improvements in place as of each real property tax date, and will make application for appropriate exclusions or abatements from the capital costs of the Project for purposes of real property ad valorem taxes;

(ix) Coordinate and administer the design and construction of all interior tenant improvements to the extent required under any leases or other occupancy agreements to be rehabilitated or furnished by the City and the Owner with respect to the leasing of space in the Project, whether involving building standard or non-building standard work;

(x) Use commercially reasonable efforts to accomplish the timely completion of the construction of the Project in accordance with the approved plans and specifications and the time schedules for such completion; and

(xi) Complete the construction of the Project or cause the same to be completed in a good and workmanlike manner, free and clear of all mechanics', materialmen's or similar liens, and equip the Project or cause the same to be equipped with all necessary and appropriate fixtures, equipment, elevators and articles of personal property, including refrigerators and ranges, all in accordance with the applicable Project documents and substantially in accordance with the plans and specifications.

(xii) Determine for the benefit of the Owner, the City and the Owner's Lender that all contractors and sub-contractors for any and all work to be performed on the development

of the Project shall be performed under terms and conditions of written contracts with the Owner, each of which said contracts shall provide, among other provisions, the furnishing of both a performance and payment bond.

(xiii) Furnish the City with copies of all construction contracts and copies of required performance and payment bonds and builder's risk and general public liability insurance policies relating to the redevelopment of the Project.

Section 2. Limitations and Restrictions.

Notwithstanding any provisions of this Agreement, the Developer shall not take any action, expend any sum, make any decision, give any consent, approval or authorization, or incur any obligation with respect to any of the following matters unless and until the same has been approved in writing by the City and the Owner:

(a) Approval of all architectural design plans, specifications and drawings prior to the construction of the improvements contemplated thereby;

(b) Any proposed change in the work of the construction of the Project, or in the design plans and specifications therefor as previously approved by the City and the Owner, or in the cost thereof, or any other change which would affect the architectural design plans, specifications, cost, value or quality of the Project in any material respect, except for such matters as may be expressly delegated or approved in writing to the Developer by the City and the Owner; or

(c) Expending more than what the Developer in good faith believes to be the fair and reasonable market value at the time and place of contracting for any goods purchased or leased or services engaged on behalf of the City; and the Owner ~~or otherwise~~ in connection with the ~~design and construction~~ redevelopment of the Project.

Section 3. Accounts and Records.

(a) The Owner, on behalf of the City, shall keep such books of account and other records in connection with the design and construction of the Project as may be required and approved by the City. The Developer shall keep vouchers, statements, receipted bills and invoices and all other records, in the form approved by the City, covering disbursements and other data in connection with design and construction of the Project prior to final completion of the Project. Copies of all accounts and records relating to the design and construction of the Project, including all correspondence, shall be surrendered to the City upon demand without charge therefor.

(b) The Developer shall cooperate with the property manager, designated as such by the Owner of the Project, to facilitate the timely preparation by the property manager of such reports and financial statements as the property manager is required to furnish in connection with the design or construction of the Project. The Owner may be the designated property manager

~~and be paid the property of the Project for~~ a property management fee ~~that~~ which is commercially reasonable for such services.

Section 4. Reimbursement.

Notwithstanding anything in this Development Agreement or the provisions of the City Lease attached hereto to the contrary, if the City finds and determines no later than sixty (60) days prior to the closing of the Loan having such terms consistent with the requirements of Section 1(c)(i) of this Agreement, in its sole judgment, finds and determines the development of the Project is not in the public interest or the City's prudent financial feasibility, the City shall have the right to terminate this Agreement, and upon such termination, shall reimburse the Owner and Developer for expenses incurred and reasonable fees for time spent on the development of the Project, not to exceed \$250,000.00, which shall be the Developer's sole remedy. Notwithstanding the foregoing, the City shall reimburse the Developer up to \$35,000 if the Project does not move to a closing for any reason and has no likelihood of moving forward to closing by ~~June 30~~ _____, 2016.

Section 5. Owner's Obligation.

Notwithstanding anything herein in this Agreement to the contrary, upon the Owner closing its ~~Mortgage~~ Loan from the Owner's Lender and receiving the City Grant and the City Lease being fully executed by Owner and City, it shall be the legal obligation of Owner to complete, at its sole cost, the redevelopment of the Project, including completing the TIP provided for herein and the City Lease, pursuant to and in accordance with the Owner's Architect's design plans and specifications in a timely manner, but in no event later than _____, 2016. In addition to all other obligations of the Owner provided for herein, the Owner shall be obligated and shall pay all cost and fees of the surveyor, architect, engineer, if any, and Developer.

Section 6. Applicable Law and Venue.

This Agreement, and the application or interpretation hereof, shall be governed by and construed in accordance with the laws of the State of Florida. Any litigation to enforce any of the provisions of this Agreement shall be filed in the Circuit Court of Columbia County, Florida.

Section 7. Binding Agreement.

This Agreement shall be binding on the parties hereto, their heirs, executors, personal representatives, successors and assigns. However, this Agreement and the City Lease shall not be binding upon the City until executed by the Mayor of the City.

Section 8. Headings.

All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

Section 9. Terminology.

All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

Section 10. Benefit.

The parties hereto do not intend to create a partnership or any similar association for any purpose. The Developer shall be an independent contractor for all purposes. The obligations and undertakings of the Developer set forth in this Agreement are made for the benefit of the City and the Owner, and shall not inure to the benefit of any creditor of the City other than a partner, if applicable, notwithstanding any pledge or assignment by the City of this Agreement or any rights hereunder.

Section 11. Interpretation.

This Agreement has been subject to the input of all parties hereto, and all parties have had the opportunity to review and revise this Agreement, and further each party has engaged its own legal counsel; therefore, it is agreed that this Agreement shall be interpreted as drafted by all parties, and shall not be interpreted more harshly against one party over another party hereto.

Section 12. Amendments.

This Agreement may only be amended, supplemented, modified, or canceled by a duly executed written instrument signed by all parties.

Section 1~~3~~3. Compliance.

The Owner and the Developer, and any of their contractors, subcontractors and suppliers of services shall also be bound by and comply with the provisions of Section 119.0701, Florida Statutes, adopted and created by the Florida Legislature effective July 1, 2013, relating to public records.

Section 1~~2~~4. Counterparts.

This Agreement may be executed in any number of counterparts and each such counterpart hereof shall be deemed to be an original instrument, but all of such counterparts shall constitute but one Agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed to be effective as of the date first written above.

CITY:

CITY OF LAKE CITY, FLORIDA,

Witness

By: _____

Name: STEPHEN M. WITT

Title: MAYOR

Witness

OWNER:

**BLANCHE HOTEL REDEVELOPMENT,
LLC,**

a Florida limited liability company

Witness

By: _____

Name: _____

Title: _____

Witness

DEVELOPER:

**INTEGRITY DEVELOPMENT PARTNERS,
LLC,**

a Georgia limited liability company

Witness

By: _____

Name: _____

Title: _____

Witness

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

All that tract or parcel of land situate, lying and being in Section 32, Township 3 South, Range 17 East, City of Lake City, Columbia County, Georgia, being all of Block 14 of the Central Division of said Lake City containing 0.966 acres and being more particularly described as follows:

BEGIN at a nail and disc "LB No. 7042" marking the northeast corner of said Block 14 and the intersection of the westerly right-of-way (r/w) margin of N. Marion Avenue - U.S. Highway 441 (said road having a 57' +/- maintained r/w) with the southerly r/w margin of NE Veterans Street (said road having a 32' +/- maintained r/w) and thence proceed along said westerly r/w margin South 01 degree 29 minutes 52 seconds East for a distance of 213.20 feet to a nail and disc "LB No. 7042" marking the southeast corner of said Block 14 and the intersection of said westerly r/w margin with the northerly r/w margin of NW Madison Street (said road having a 43' +/- maintained r/w); thence proceed along said northerly r/w margin South 88 degrees 31 minutes 41 seconds West for a distance of 196.34 feet to a nail and disc "LB No. 7042" marking the southwest corner of said Block 14 and the intersection of said northerly r/w margin with the easterly r/w margin of NW Columbia Avenue (said road having a 30' +/- maintained r/w); thence proceed along said easterly r/w margin North 02 degrees 07 minutes 16 seconds West for a distance of 212.91 feet to a nail and disc "LB No. 7042" marking the northwest corner of said Block 14 and the intersection of said easterly r/w margin with the southerly r/w margin NE Veterans Street (said road having a 32' +/- maintained r/w); thence proceed along said southerly r/w margin North 88 degrees 26 minutes 30 seconds East for a distance of 198.65 feet to the POINT OF BEGINNING.

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EXHIBIT "B"
ARCHITECTURAL CONTRACT
See Attached

EXHIBIT "C"

CITY LEASE

See Attached