

MINUTES OF MEETING
JULINGTON CREEK PLANTATION
COMMUNITY DEVELOPMENT DISTRICT

The meeting of March 28, 2006 of the Board of Supervisors of the Julington Creek Plantation Community Development District was reconvened Tuesday, April 4, 2006 at 6:00 p.m. at the Fruit Cove Middle School, 3180 Race Track Road, St. Johns County, Florida.

Present and constituting a quorum were:

Susan S. Beaugrand	Chairperson
Kathleen P. Minnis	Vice Chairman
Al Abbatiello	Assistant Secretary
Brian Pincket	Assistant Secretary
April Spears	Assistant Secretary

Also present were:

James Oliver	District Manager
Jonathan Johnson	District Counsel
Matt Maggiore	District Engineer
Stacie Hernandez	YMCA
Several Residents	

FIRST ORDER OF BUSINESS

Roll Call

Ms. Beaugrand called the meeting to order at 6:00 p.m.

SECOND ORDER OF BUSINESS

Consideration of Purchase of Distinguished Realty Property

Mr. Pincket stated since the last meeting I have learned that my law firm has a business relationship with the person who has a contract in to buy this building. I only learned that since the last meeting. I talked to counsel for the Board about what that means for me and the conclusion reached is that I need to abstain from any vote. I am told that I can participate in conversation but not vote.

Mr. Johnson stated Mr. Oliver's office will provide you with the conflict of interest form that you will need to fill out and return to him and he will file it in the records of the CDD.

I have provided to all of you two emails, one addressing a couple of the lingering issues that were discussed at your last meeting. One relates to ad-valorem taxation of the building if you were to purchase it and enter into some leases or sub-leases. It is pretty clear if we do that, then that entire building would be taxable. It is unlikely but possible that given the proximity to the recreation center and its operation as part of the system that that would then render our current facility taxable. As you know it is now tax exempt. I think that under the law we would be able to partition those properties but there is what I will characterize as a minor risk that there would be some component associated with that building a well. Clearly you would want to price your leases to recover the tax on that property which is what a private landlord would do. If someone were to lease space from a private owner that would all be on the tax roll as well. It is only something to bear in mind as we move forward.

The second relates to some questions you had regarding the District's ability to sell the property down the road if the use was not as productive as anticipated, lease revenues were insufficient or you later determined that you were not able to fully utilize the facility. I think we have concluded that the statutes relating to public auction and sale by bidding would not apply to us as a special district. They do apply to counties and it does apply to other kinds of property which we may own over time, cars, equipment at the facility, what I will characterize as non-consumable tangible personal property is subject to a public auction and sale to the extent you determine it is no longer necessary, however, real estate is not included in there. Having said that, case law and attorney general opinions do set a very generic standard that you have to dispose of property in the best interest of the District, its residents and landowners. You are given a fairly wide latitude to come up with a process to dispose of property to do that. I will again caution you as I did in my written correspondence, obviously in looking to make a purchase we have to bear in mind the limited charter of the community development district. We are empowered with specific activities by Florida Law, one of those is recreation so we are certainly able to purchase and dispose of property under Chapter 190 as that property relates to any of our specific functions. We would not be empowered to buy property for the sake of real estate speculation and trying to invest or otherwise to look for a return on a sale at the end of the day.

In going into this, you want to be looking at this as a facility which may be useful for the District. If you are solely looking at it as a potential real estate purchase with value, while that is

perfectly appropriate in the private sector, it would be outside the scope of our statutory authority. That is what I have addressed in those written memos.

Ms. Beaugrand asked are there any questions to the issues that Jonathan just addressed?

Ms. Minnis stated I looked at Chapter 190.012 and (3)(a) does specifically address parks and facilities for indoor and outdoor recreational use. Then I looked at 190.035, fee, rental and charges procedure for adoption and modifications minimum revenue requirement, and it says the District is authorized to prescribe, fix, establish and collect rates, fees, rentals or other charges herein sometimes referred to as revenues and to revise the same, facilities, services, etc. It talks about property rates, district facilities but it says you have to have a public hearing in order to set those before you can set them.

Mr. Johnson responded that is correct and that is the public hearing that we have annually used for example to set the rates for non resident use of the recreational facilities. We have done that under that statute.

Ms. Minnis stated if we are considering this building and subletting we would have to have another public hearing for that building, and the use and the rental and taxation in accordance with this statute.

Mr. Johnson responded the statute doesn't use the word "lease" but it does use "rental" so I will say, it is comparatively unusual to have a CDD that enters into that kind of a lease arrangement. I would want to look more at that but I think there is certainly a chance that we would need to engage in that process to set the lease rate.

Mr. Pincket stated assuming you came to the conclusion that we would have to do that, wouldn't we be able to hold that hearing at the same time we hold the hearing on setting the rates on the pool facilities, we could do it all at one meeting.

Mr. Johnson responded yes, you could do that. You can also do it at any meeting, it is just the cost of an additional ad.

Ms. Beaugrand stated the other thing that we wanted to take a look at was the potential O&M expenses. Ms. Hernandez did some work, she estimated revenues and expenditures. The bottom line is that it came out to total expenses of just under \$1.5 million which falls in about where we thought it might.

Ms. Hernandez stated the biggest challenge was the fact that we haven't talked about hours of operation nor have we talked about programs, two of which involves salaries and it was

hard to estimate what the CDD wants and who is going to run the facility. I did make many phone calls to different YMCAs, and several different types of fitness facilities and got different ideas and ballparks and number of staff. They are in a different situation in that they have to assess membership and a lot of these salaries are based on commission, whereas we have the membership already. There are a lot of opportunities in the revenues that I basically touched on. That figure is based on what we do today in the current facility. Everything else is the current facility plus the new facility.

Ms. Beaugrand stated I handed out a new scenario that Pam Holton of Prager, Sealy & Co. ran. Briefly, the first scenario assumes full funding of the recreation center plus \$1.1 million in O&M. It also takes into consideration the \$500,000 contribution from D.R. Horton as well as our reserves that we already have in our accounts holding for contributions to the construction costs. That creates an increase in the single family assessment of approximately \$65. That does not account for the Distinguished Realty Building.

Mr. Pincket asked is the \$65 reflected on here?

Ms. Beaugrand responded at the bottom you will see our current assessment of \$488.90 and scenario 1 that assessment would go up to \$554. I have calculated it out for conversations sake.

Scenario 2 is funding the recreation center, the building and \$1.1 million in estimated additional O&M. She did those two scenarios earlier today and I then asked her to go back and increase it without having talked to Ms. Hernandez to \$1.5 million. I wanted to be able to see the effect on the bottom side and maybe the top side from an expense standpoint. If you look at Ms. Hernandez's numbers she has about \$500,000 in revenues too. I think that gives us a good bracket to work by. The second scenario would increase the assessments by approximately \$77 a year for a single family.

Mr. Pincket stated that includes \$1.1 million of annual maintenance.

Ms. Beaugrand responded the O&M at \$1.1 million and the expenditure on the \$1 million from the Distinguished Realty Building.

Scenario 3 full funding of the recreation center and \$1.5 million of O&M. That increases the assessments by approximately \$121.

Scenario 4 is the recreation center, Distinguished Realty Building and \$1.5 million O&M. That scenario would increase single family assessments by approximately \$132.

To recap, scenario 1 is the recreation center, and \$1.1 million of O&M with a \$65 increase. Scenario 2 is the recreation center, the building, and \$1.1 million in O&M for a \$77 increase. Scenario 3 is the recreation center, \$1.5 million in O&M for \$121. Scenario 4 is the recreation center, the building, \$1.5 million in O&M for a \$132 increase.

Scenario 1 and 2 is \$1.1 million in O&M. Scenario 3 and 4 would be \$1.5 million in O&M.

This is the summary sheet. She has details but this is the crux of it right here to give us a guide. These numbers can change. This is merely a guide for us to try to determine where we need to go on this.

Ms. Minnis stated the \$1.1 million she included in here would be for all the facilities.

Ms. Beaugrand responded the O&M for the existing facility is already in the numbers. She is taking our existing numbers and tempering it with the changes that would occur adding the \$1.1 million or the \$1.5 million in O&M.

Ms. Minnis stated that maintenance would not be involved and any changes to that building are not in this memo.

Ms. Beaugrand responded except to the extent that I think the purchase price is somewhere around \$900,000 so you have \$100,000 in potential changes to pay for that. It doesn't account for ongoing O&M on that building but like Jonathan said, typically commercial leases will include common area maintenance, taxes, insurance, etc. in the price of the lease.

Mr. Pincket stated there will be revenue offset from the building.

Ms. Beaugrand responded there should be, otherwise we wouldn't have real estate investors out there with the shopping centers and office buildings.

Ms. Spears stated the difference between scenario 3 and scenario 4 is not purchasing the building for \$11.

Ms. Beaugrand responded correct and that is consistent with the numbers that we heard a week or two ago.

Mr. Pincket stated \$11 a year per single family.

Ms. Beaugrand stated there are some issues with the assessment methodology as it relates to the percentage increases if you go back into these numbers a little bit. On the fourth page back, all the way over to the right hand column if you look at the percent changes for the first three, the single family and two multi-family categories of land use, those percentage increases

are out of whack. They should all be fairly consistent in that column so there is something out of whack there a little bit as to how they got the multi-family and the single family allocated. That is not necessarily going to have a material effect on those percentage increases as it relates to the single family assessment that we are using as an example to try to make a determination as to what we do. Based on the assumptions that we have here, the dollars are in the ballpark. Any changes would be the same percentage change on each of those categories so that incremental increases are going to be pretty consistent.

Mr. Abbatiello stated from a funding point of view it looks to me that we are in pretty decent shape as far as the results. Promises to our residents were round \$100 per homeowner. Some of the other things that concern me about Mr. Basham's estimate is there were things we were planning to do like parking lot paving, bathroom at the park and that initial estimate was roughly \$500,000.

Ms. Beaugrand responded I thought it was more like \$250,000.

Mr. Abbatiello stated I think it was more than that and then we decided to table it because when we went out to bid for the new facility we would have the contractors rebid it.

Ms. Beaugrand stated the issue was that the bids were way too high for that small scope of work. They were pricing them high because no one wanted to do that small of a job.

Mr. Abbatiello stated plus some of the other things that Mr. Basham had omitted from his estimate and my feeling is that we are probably going to be approaching that top dollar, the \$15 million and what is that going to add to this? Is that going to be the \$11 or \$13 more per homeowner as a potential? If you add the \$1 million extra it was going to be \$11 or \$13 per homeowner.

Mr. Pincket stated we are dealing with a lot of estimates but the one number to me that seems like it is about the tightest you can get on all of this is the fact that \$1 million of bonds is going to translate into \$11 per year per resident. There is no assumption being made there other than the actual dollars that we know. To me that is the firmest number in this whole packet.

Mr. Abbatiello stated I did hear from Katey and she offered some suggestions as far as the use of the building is concerned such as aerobics and fitness, parties and other uses of that nature for community events. I appreciated her providing that information but again I look back at our new building and I was in the office today and took some dimensions off of Mr. Basham's drawings and when you come up with a multi-purpose room of 18 X 28, another one 21 X 33

with a room divider having total space of 39 X 60 to me can offer a lot of multi-purpose use. I wouldn't expect to have activities 12 hours a day and use every room every day of the week. There was talk about a teen center and this building we are talking about buying might make a wonderful teen center, I agree it could but we are also building a 27 X 21 kids club in the new facility. A teen retreat 31 X 32 is the space. We have bulk storage that is 20 X 25. Covered seating in the outside perimeter is 31 X 42. Plus six party pavilions 18 X 18 spread around the complex. If we went with that design the intention is that we do have a lot of room. The fitness club 28 X 90 which is 4,320 feet on the second level. Aerobics studio is another 24 X 32 and the additional storage added was another 8 feet. My whole intention is that we do have a lot of square footage. It would be nice to have this building which is 3,900 square feet and I don't know if we have enough information from our engineer as to what kind of space we really have on that building for activities.

Mr. Maggiore stated a lot of the interior walls of that building can be rearranged. There are a few columns here and there that have to stay but a lot of the inside can be moved. There are some mechanicals inside, HVAC and things that would have to be relocated maybe if you want to build larger areas interior to the building. There are options.

Ms. Hernandez stated I met with Paul Basham last week and went over the design with him and when I was in his office I looked at it as though I were getting ready to manage the pool, where I would go and what I would do. I took the square footage of what we currently have and fitted in there just for reference. The administration area off to the left hand side was going to be for administration and lifeguards. That area alone is as big as our lifeguard station now and we are on top of one another. I have 35 lifeguards now and I expect to have 60 at the new facility. There is not going to be any room there for offices. Literally, Paul and I redlined every wall in the fitness center, still within our space but we had to move things around. The kids camp area is the size of our camp room now which is too small. We have 30 now and I expect 50 children in there. It is too small. He is going to try to provide new ideas. The bulk storage no longer exists. That is where the lifeguard station is. When you see it, you will see something new. He had all the pools together. If you have an accident, it shuts down both facilities so we separated it. You are going to see it within our perimeter what you have to but you are going to see some changes.

Ms. Beaugrand stated I got an email from Mr. Basham mentioning the meeting that he had with Ms. Hernandez and that she had come up with a lot of really good ideas and he wanted

some direction as to what he should do because he needs to get this to the point of engineering the building. I recommended that he make those changes from a preliminary standpoint, bring them back to our meeting on the 17th so that the Board can review those plans again and take a look at it and kind of re-bless from that perspective.

Mr. Abbatiello stated on the current facility O&M is running about \$700,000 and we talked about doubling that.

Mc. Beaugrand responded although our revenue potential in the new facility is much greater than in our existing facility.

Mr. Abbatiello stated the POA obviously needs to pay rent, that is an issue we haven't talked about. Mr. Johnson mentioned something about benefitting a private entity.

Mr. Johnson stated even though they may technically be a not for profit corporation they wouldn't qualify under the municipal exemption statutes for which our leases will be governed as a governmental entity that will allow us to maintain our exemption. They may be incorporated under the not for profit statute that wouldn't effect their tax treatment, will still be subject to a tax based upon the lease.

Ms. Beaugrand stated that one thing in and of itself isn't really a concern to me because we can price that into the lease. We need to understand that that still ends up being a marketable rate from a lease standpoint. I can see both sides of this and I'm still vacillating back and forth. I have been vacillating for two weeks now. Here is my concern. I can definitely see where we could always use more administrative space. My concern is that our costs are not nailed from a construction standpoint. There are still some additional costs that we did not get from Mr. Basham that are on the back side of the estimate. I feel there is space that is currently part of the attic that is not built out on his plan and I'm not sure of the total square footage there. My thought is if this is feasible, rather than spending \$1 million on this other building, having the lease issues, having the taxation issues, etc. if there is enough square footage in those two attic areas on either side of the fitness center on the second floor, that we completely build them out. The majority of the cost is the structural cost which is already in our numbers. Finishing them out with additional HVAC, electrical, mechanical, drywall, is not the main part of the cost. The structure is the main part of the cost. Regardless of the fact that it would be an additional cost to the estimate that we got last week, it still wouldn't even be close to \$1 million and that is contingent upon that being enough square footage. Do you remember what that was?

Ms. Hernandez responded no. I did tell him to go ahead and finish that out. There is only room on one side.

Ms. Minnis asked when we were looking at the picture, this space would have been on the right side?

Ms. Hernandez responded on the left.

Ms. Beaugrand stated there is additional space on the other side of the building too.

Ms. Minnis asked do you know how much it will build out to?

Ms. Hernandez responded no.

Ms. Beaugrand stated the whole enclosed area is 15,600 square feet. It is easy to estimate because the first floor is 9,600 square feet and the second floor is 5,900 square feet, the difference is where the excess area is. There is probably 2,500 to 3,500 square feet depending on how deep the eaves come down. There is a possibility of building out on both sides. If we rent it we will lose our tax status.

Mr. Pincket stated I don't know why we are having this discussion about renting it. I know some of the residents brought that up. We don't need to.

Ms. Beaugrand stated I don't think we need to rent it. If we can help the POA providing some administrative space and for meeting space they sign up to use the multi-purpose space, just like we would set our meeting times. Because we would start meeting there rather than having to go all over trying to find a space to meet. From that perspective assuming we can come up with enough office space, certainly from our standpoint as well as the POA, I would rather put that money into this facility and know that we have some leeway in the event of cost overruns because we still don't know what the hard and soft costs of this building are going to be. We are not even close to being certain. I don't think the costs are that far off but we just don't know what kind of other material price increases we are going to see in the market. If there is another hurricane this year that is another adverse effect to the material prices just as it has been the last two years. That is kind of what I'm thinking to throw it out there for other comments and view for thought from the other Supervisors.

Ms. Minnis stated we did look at this building before when we first talked about expanding. We talked about the parking lot and I went on the website in October 2004 and going forward, the records are out there. In October 2004 we were talking to Paul Basham, so it

was before that. When we looked at this building originally we didn't think this building was feasible to expand it to begin with.

Ms. Beaugrand stated you are talking about the admin building.

Ms. Minnis responded yes, there was a reason, it was that we weren't sure it was for sale or it wasn't an option. We looked at that area connecting the parking lots and I think the eagles nest had something to do with it. We had a lot of discussion but wasn't there some limitation of this building being expanded. Could it be made into a two story, the existing building?

Mr. Abbatiello stated I don't believe we talked about anything like increasing the height of the building.

Ms. Minnis stated I was wondering if there was something about the building from the first time.

Ms. Beaugrand stated I really think what happened was we were looking at a number of different scenarios from the task force, four years ago. We were looking at different property options and then if we couldn't get other property how we might be able to fit another pool in, taking that building into consideration, continuing the parking, reconfiguring the little bed and it got to the point that we came to the conclusion that Parcel 50 was the way to go and then also purchasing the additional land from Rayland because that gave us the opportunity to do what we are looking at right here, rather than kind of jerry-rigging and settling for something half way and that is why we backed off to my recollection from buying the admin building at that time.

Mr. Abbatiello stated we also decided at the time that it had limited use for what we needed for recreation space and thought it would be better to concentrate on the major building for the new recreation center.

Ms. Beaugrand stated I also think we were thinking if we added another pool, using that building as a fitness center potentially.

Mr. Abbatiello stated if we could put another pool in that area.

Ms. Minnis asked does anybody know how old that building is? I have been here since 1994 and it has been here since then.

Mr. Maggiore stated the plans that were provided to me have a revision date of March 1995 and June 1995.

Ms. Beaugrand stated I wonder if they made modifications to the building. I was looking at property in March 1995 and it was there at the time.

Mr. Abbatiello stated so it has been there anywhere between 11 and 13 years.

Ms. Minnis stated I brought up the age of the building because I was thinking of the maintenance. It seems like the average roof lasts about 20 years. If we are going to consider the building, consider the maintenance that goes into it.

Mr. Pincket stated I want to respond to some of the comments. Mr. Abbatiello mentioned in looking at the possible uses of this D.R. Horton building he thinks it is duplicated by the new facility. You have to agree that the kinds of uses that we would have for the DR. Horton facility are going to be very similar to the kinds of uses that we would use in the new facility. My concern is that when we have a little less than 6,000 homes in this community with about 15,000 residents that we are trying to make that facility everything for everybody. As Mr. Basham walked through the plans at the meeting I had the same reaction that Ms. Hernandez touched on earlier but I had it on every single room as we walked through that plan. They were all too small ideally for the purposes we are going to use them for. We tried to be everything for everybody and I think we are going to disappoint most people in terms of the availability of space, the uses for the space and I don't think the issue is that we can use the new building for the same types of things, I think it is the amount of space that will be available for all of the residents and all of the opportunities that this community can and want to use this building for. I think the residents know it is there and they can use it for parties, receptions, a larger tot area, a large teen room, it is going to be used. It is a unique building, it is right here in the middle of the community. This opportunity is not going to come again. When you look at Julington Creek as a whole you need to look at the kind of community it is now, the kind of communities that are going to be built around us, the types of recreational facilities and amenities that are going into those communities. Buying that building can only enhance the value of everybody's property and the community as a whole. I recognize and appreciate your comments that we don't know the cost of the new building, but we don't know those costs regardless of what we do so the question we ought to focus on is what is the additional cost of moving forward with this decision to buy the D.R. Horton building. We know that is close to \$11 a year per resident. Whatever the cost on the new facility, this is \$11 more. I think we should be concerned about the cost and unknown cost of the new facility but we have those concerns no matter what we do. We shouldn't let that nervousness and anxiety and unknown translate into making the wrong decision on this particular building where we know what we are getting, we know what those costs are, I believe

the purchase price will be less \$1 million and I think it is a unique opportunity. We are going to lose control of the building also. That is another factor to be concerned about. Once we lose this opportunity that building can be used for virtually anything. Right now the potential use of it is not offensive. It is a nice use; it is a proposed medical office. That is great but when that goes, who knows what it will be used for. I don't want that unknown in the middle of Julington Creek Plantation. You drive by it looks very nice; it is a very attractive building. For the type of community that JCP is, the value and price of homes, I think it is a no-brainer that it is something we ought to be doing. I also touched on the lease issue. I don't think we ought to be hung up on lease revenue or losing our status. To me that is if we can do it and I think I heard mechanisms and proposals where we can make some revenue without risking or jeopardizing our status, then let's do that and if we can't do that, that is not going to be a lot of money anyway so that is not even a factor in my decision. I think we will have plenty of uses for this facility without gaining a few dollars in lease revenue. I want to make it available to everybody in the community, if we can charge a flat fee for that, great, we will take it but it will be a convenience to all of the different organizations in the JCP community, the organizations we are all members of as well as to our own individual convenience.

Ms. Spears stated I agree with a lot of what Mr. Pincket said. I think with it being right in the middle, within walking distance of the recreation center that we currently have, I have concerns of what hands it might fall into if we don't take this opportunity. I think at the previous meeting looking at the size of all of the rooms, particularly the children's room, I too was concerned. As big as you build it, I think it is going to fill up. There are so many families and so many children. It is an opportunity to serve the families. I think the building can definitely be used. At this point I think it is an opportunity that we can't pass up. Worse case scenario it is \$11 per household.

Mr. Abbatiello stated the new facility that Mr Basham has redrawn had to be trimmed in size due to the amount of uplands we had available but also the budget. To take the money and add to the size of the building makes sense and that allows us to have all of our facility in one location. We don't have to put someone at the other facility to monitor what is going on there. Additionally, the new recreational center is going to have extended hours of use therefore, will accommodate more people than we currently accommodate in our existing facility. Plus the fact that we will have two facilities, not just one, and it has been proven that not everyone is there at

every point in time and there will be a need to schedule activities in various rooms throughout the facility. I don't think anyone would expect that the new facility will be available for everyone at whatever time they decide to go. It has to be scheduled and programs of our future service programs as well as our every day recreational use.

Ms. Beaugrand stated regardless of where our primary administration office are, we will have administrative staff at that facility. We can't have our admin staff at the building next door at the existing pool and not have administrative staff at the new facility especially because of the more intricate operations. I want to point out that even if we bought this building we are still going to need office space here, just not as extensive.

Mr. Abbatiello stated yes but that building does add another dimension of having another person there watching the pool and the admin building.

Ms. Minnis stated I'm leery of spending the \$1 million when we don't have the costs. I don't feel comfortable doing this. The age of the building and possibly having to put money into it. I am more for if we are going to spend the money, add to the existing building. We are not even sure we are going to get this. We can put in a bid.

Ms. Spears stated by purchasing this building, it will offset some of the pressures of spacing in the recreation center we are building. If you know you have the existing building which is another positive point, we can offer it to the community, doing whatever has to be done inside it, which is quicker than the recreational center we are building. If that building is purchased is it not true that it would offset the pressure of the space in the one we are building? If you made the existing building the teen center then you have that whole space in the new facility that could be rearranged to help. I know we are talking about spending \$1 million on this building but it is going to relieve some of the expense and tightness of space in what we are already talking about.

Ms. Beaugrand asked Ms. Hernandez from an administrative standpoint, operating, running, managing, what are your thoughts? What do you think would be the most efficient, most functional, benefits, non benefits?

Ms. Minnis stated and the fact that we are in the building we are discussing.

Ms. Hernandez responded I think the location, the space, the opportunities for revenues is great in that building. There is a lot of need for banquet meeting rooms. We do have it at the new facility but I think we could use more. I think it would generate revenue. We would have to

have offices there, someone would have to monitor it. I think it could be used for camp which would allow space in the new facility. I understand we don't have the hard costs so I'm in the middle. I see it as a great opportunity to alleviate the space problem that we have, it will generate revenue, it is a great idea. There are a lot of things that I think Mr. Basham left out on his bottom line and it was the worse case scenario.

Ms. Minnis asked what is the worse case scenario with his number and how would that alter?

Ms. Beaugrand asked does anyone remember if we issued the \$15 million in bonds what the impact was?

Mr. Abbatiello responded it was \$165.

Mr. Pincket stated scenario 4 which was the biggest scenario we have in terms of \$1.5 million O&M and acquiring the D.R. Horton building, only issues \$11.45 million in bonds. That translates to \$132.

Ms. Beaugrand stated if we went all the way up to \$15 million that was validated, that would take our assessments to somewhere between \$600 and \$700. Mr. Johnson talked to John Sakosky of D.R. Horton last week, they obviously agreed to hold off until tomorrow to make a decision on the building. However, they wanted it to close during the month of April. Is there anything else that took place in that conversation that is relevant?

Mr. Johnson responded no, that was the principle issue.

Ms. Minnis stated based on that conversation we have been talking about a \$900,000 figure. Was that the cost that John originally brought to the CDD?

Ms. Beaugrand responded yes. He told me they were looking to sell the building and business for \$1 million or the building alone for \$900,000.

Ms. Minnis stated if we were to walk in with an offer of \$900,000, he could receive a counter of \$900,010.

Ms. Beaugrand stated we would have to determine what our maximum amount is and the Board would have to give someone the flexibility to negotiate on behalf of the District.

Mr. Pincket asked do we have to determine the maximum on the public record?

Ms. Beaugrand responded yes, on the public record.

Mr. Abbatiello stated we are going on the basis of \$900,000 and we are not going to offer anything else but \$900,000. I want to clarify that we are building a 15,000+ square foot building

and it will be at a cost between \$12 million and \$15 million and we hope to be correct with decisions that we make. Just to be sure that everyone knows the CDD is a government entity, a taxing body and that can be of concern to the residents. According to the statutes as far as the CDD is concerned if the county decided they wanted some safety measures on Race Track Road and they weren't going to fund it, they would require the CDD to do it, we would have to do it. That would be another assessment to our residents. Buying this admin building is really raising taxes. A lot of residents thought we should buy the building so that May Property Management could have more room but it is possible that we might not even have space for the POA depending on what use we decide to make of the building. There were also comments that Julington Creek was promised that land by the developer but as far as I know that was never the case. It might have been stated to residents or something but that is on the part of the developer.

Ms. Minnis stated I was the one who said at the last meeting that when Distinguished Realty went in there, there were residents who made the comment that they were informed that that building would become a community center and that was one resident's comment to me that their realtor told them. That was never an understanding that we ever had. I said they were surprised that a real estate firm was allowed in there and I informed them that it had always been commercial property. It was zoned commercial from day one. That is how the developer was able to work from that.

Ms. Beaugrand stated the lot adjacent to it that is currently parking is also a commercially zoned parcel that we ended up buying for additional parking for the facility. Can you clarify the comment that Mr. Abbatiello made regarding the county requiring the CDD to do additional improvements?

Mr. Johnson responded I think he may be thinking about the conversations we had about the landscaping and damages to the landscaping.

Mr. Abbatiello responded no, I was reading Chapter 190, and there is a statement in there concerning the county could potentially ask for improvements such as safety, roadway upgrades. They could ask us to do that.

Mr. Johnson responded they could ask. They can't compel you at this point. The time for compelling that would have been in the development order and they could have compelled it then. It is conceivable that as you amend the development order if the changes that we are making for example in the NOPC, generated additional traffic concerns then they might ask for

and say in order to grant you the NOPC, we will compel you to put in an additional lane or turn lane or signalization. In that instance, absolutely. I don't think after our meetings with the county that I would expect there would be anything to come out from the recreation center. If there were to be an additional NOPC down the road for another development parcel the county would not be able to compel this District to do that but it could compel that developer to do that.

Ms. Beaugrand asked what is the pleasure of the Board?

I will break with tradition and take a few audience comments, but please don't be repetitive in the interest of time.

Mr. Stuart stated I know Ms. Minnis is concerned about the maintenance on the building, worried about the roof. I think the cheapest asphalt shingle is a 20 year roof. That has a tile roof on it and it is 40 to 50 years at least.

Ms. Phyllis Abbatiello stated if we had to go on the recreation center the full \$15 million in bonds, what would the actual increase be to all the CDD members including what we are paying now?

Ms. Beaugrand responded the estimate for the single family land use is \$165 increase.

Ms. Phyllis Abbatiello stated and if we bought this building, how much more would it be?

Ms. Beaugrand responded we are maxed out at \$15 million. We cannot go above \$15 million. That is \$165 over the \$489 that we currently have.

Ms. Phyllis Abbatiello stated it is basically \$65 over what we were told we would pay.

Ms. Beaugrand responded it is \$65 over our target. We never told you that is what we would do. We said our goal was not to increase assessments above \$100.

Mr. Timbol stated I think all the discussions were balanced. I want to point out that you may not be thinking of the time element. You are comparing the new facility and its uses to purchasing the admin building and its uses on an equivalent basis. If the purpose of the CDD's initiative for the new facility is service of the community, to increase the quality of life, the building to provide that more immediately through the admin building purchase has a higher value than the concern about the future facility and its purposes and even though the cost considerations are valid as you have more ability to control the costs in the future with regard to changing the building design. Consider the immediacy of service to the community does have a

higher weight than the concern for proper cost stewardship that you are concerned about and I commend you for.

Mr. Roy Albacross stated I never lived in a community like this before and you talk about a couple of years ago a target figure of \$100 and that you may increase it more than that for this complex. You are also talking about what if you have to bond up to \$15 million then the cost would be \$165 which is \$65 more than the target. Does it have to go back to the people and if it has to go back to the people and the people say no, do you continue to build this facility or is the whole idea scrapped?

Mr. Beaugrand responded to answer the first part of your question, yes, we did target \$100 increase. Any time the Board would suggest an increase or change in our assessments we have to have a public hearing for the property owners within the District. If you are asking if we would go back and poll the community, that is not a requirement but what we do have to do is have a public hearing and get feedback from the property owners within the District.

Mr. Albacross stated then there is no way it can be shot down at this point, the new facility?

Ms. Beaugrand responded I don't know that it would be shot down. We already have a significant investment in land and costs and I think that everyone is of a mindset, this body as well as the residents, that we need additional recreational facilities. I think that if there were a compelling response from the community that they didn't want that large of an increase, then our only recourse would be to downsize the facility and bring our costs down. There are other alternatives rather than shelving the project altogether.

Mr. Abbatiello stated the fact is that we are as a government entity, stewards of the people's money and we have to be concerned about that. We originally start off somewhere between \$8 million and \$9 million for the facility three or four years ago. We are now talking somewhere in the area of \$15 million, including \$1 million for this building. Now the question is asked what happens "if"? What happens "if" as far as budget concerns, we don't have enough money we are going to have to downsize. If we make a commitment to buy the building then ultimately find that we don't have the money to complete the structure as we have it designed, then we are going to have to cut back on that. That in my opinion is smart use of the extra \$1 million.

Ms. Beaugrand stated I am going to clarify something that you said. We didn't suggest that we were going to go up to \$15 million and I think the initial number we were talking about in bonds was in the \$8 million range. That included a couple of million of equity that we would be putting in. The bonds we are talking about here, if you look at scenario 4 which includes the higher O&M as well as the additional \$1 million for the purchase of the building, that would be about \$11.4 million. I wanted to clarify that for the Supervisors and for the record.

From my perspective, I hear everything Mr. Pincket says, everything that Ms. Spears says, I hear everything that Ms. Minnis and Mr. Abbatiello says, I am concerned about the future use of that building and I am concerned about the amount of space even with the 15,000 square foot building we are talking about using. I have to put a lot of weight on Ms. Hernandez's opinion from how our current operations are going and her perspective on current and future operations. On the other hand I am also very concerned about not having a better handle on the costs. Mr. Pincket makes a good point that regardless of which scenario we go with, we don't have a proper handle on the costs yet because we can't have the right handle on the costs. It is not a lack of effort, it is just where we are in the whole development process and the unfortunate delays we have had because of the acquisition of the land. With that being said, I think it is probably more important for the community to tie it up than to let it go in some regards. I believe we can figure out the numbers.

Ms. Minnis stated the other thing we haven't discussed; I walked away thinking of leasing until all these legal complications came up and a lot of people have said, what if they put a gas station in. The other option is not to invest in it for money but if we have a question down the road we do have the option to get rid of it. We can sell it. We are not tied to it. The timing of this has always been a problem when this comes up. The option is there, the commercial zoning will still be there and it would still be marketable to someone and we have the option to sell it if we decide to do so in the future. There have been people who wanted meeting rooms right away and they haven't been available. We do have the option to sell it down the road.

Mr. Pincket stated just adding to that comment, I heard we had the opportunity to buy this building a few years back and it was half the price it is now. We all know real estate is going up in value and if we bought this building, we need to buy it in accordance with counsels comments that we have every intention of keeping this building, but if we found ourselves in a situation where the costs of the recreational facility were more than this Board wanted to handle, we can

unload this property and I think it is fair to say we would not lose money on this building. In keeping with Mr. Abbatiello's comment about being stewards of the people's money I think that decision would also be consistent with being good stewards of the people's money in this community.

Mr. Abbatiello stated a comment about instant space availability, I don't know that that should be a credible factor in the decision. The question is can we afford it? Selling it as an option is not necessarily an easy option to me. We have heard comments that we could make use of meeting rooms right now because everybody so desperately needs meeting rooms. If you don't have meeting rooms, you find other places to have meetings such as the library and other places.

Ms. Minnis stated we are currently paying rent to them, almost \$800 per month. We do have an expense.

Ms. Beaugrand stated I am interpreting your question as to if we can afford it meaning do we have the cash to be able to close within 30 days before we issue bonds, is that your question?

Mr. Abbatiello responded no, I know we have the cash. It is a question of having meeting space I don't think should be a factor.

Ms. Beaugrand responded I don't think that is the reason. The immediacy of the space is not the reason to buy or not to buy it. That is just one potential factor out there. I will be honest with you, Mr. Pincket is right in that we can sell it if we need to sell it. That has been my hang-up all along, worried about the cost and the additional \$8 million whatever that number ends up being, going out without knowing what the rest of our costs are. I don't think we go into this with the intention that it is an investment that we would then turn around and sell and make some money off of because that is not what it is. If we do purchase it and then find the costs escalated and we have to make a hard decision, that is certainly an opportunity for us at that point in time. Because of that factor, I think I would be in favor of purchasing the building.

Mr. Johnson stated whatever motion you ultimately do ought to be a motion to authorize an offer on the building in an amount not to exceed and authorize the Chair and legal counsel to negotiate within those parameters, if that is ultimately where you go.

Mr. Pincket stated D.R. Horton gave you a number a couple of weeks ago. In my opinion it is highly unlikely they would adjust that number at this stage of the game.

Mr. Beaugrand responded that is probably a legitimate comment. I would say that the \$900,000 would certainly be at the top side.

Ms. Spears asked if there was a counter, could we hold another meeting?

Mr. Johnson stated you would have to go ahead and set that meeting tonight in the event they do that.

Ms. Beaugrand stated we already have a meeting scheduled for the 17th of this month. They may have to agree to provide us additional time.

Mr. Johnson stated because you are operating in the sunshine it is going to feel more like a bid. You are going to put a bid in and see if they take your bid and if they don't, absent scheduling a meeting on a nightly basis so that each night you are in the sunshine. I think you need a not to exceed amount if you have direction to staff as to a lower offer to make initially such as if you want to make an offer at \$850,000 with an amount not to exceed \$900,000 you can do that.

Mr. Pincket stated so the only number we need in the record is the not to exceed amount and we can talk to staff where the initial offer might be.

Mr. Johnson stated you can each talk to me individually but I can't convey a consensus, you need to put it in the public record.

Ms. Spears moved to make an offer to D.R. Horton for the purchase of the Distinguished Realty Building for \$850,000 with a follow-up not to exceed of \$900,000 range and the attorney and the Chairperson were authorized to finalize the negotiations and Ms. Minnis seconded the motion. On voice vote three Supervisors voted in favor, Mr. Abbatiello voted against the motion and Mr. Pincket abstained from voting due to a conflict of interest.

Ms. Beaugrand stated our next schedule meeting is April 17, 2006 at 6:00 p.m. at Julington Creek Elementary School.

Audience Comments

Ms. Katey Stuart stated I want to thank you for this big discussion to go forward with an offer. Let me reassure you that I think that is great and should nothing come of that, at least you made the attempt. I appreciate it, thank you.

Mr. Johnson stated I will make the offer to engage Mr. Jenks to deal with the real estate closing as we have in the past.

Mr. Abbatiello stated when you go through the normal inspection process and so forth, would any deficiencies in the building have to be corrected by the seller?

Mr. Johnson responded that is correct. Closing within the month of April gives you the meeting of April 17th to have a copy of that contract and we can talk about the inspection schedule assuming all of this goes through.

Ms. Beaugrand stated it would probably behoove us to discuss the actual closing date with D.R. Horton as part of that contract, should we get it, that to close within 25 days is difficult especially with the inspections so we need to enter into that discussion as well.

On MOTION by Ms. Minnis seconded by Mr. Abbatiello with all in favor the meeting adjourned at 7:30 p.m.

Secretary / Assistant Secretary

Chairman / Vice Chairman