

Coast Guard Project Term Sheet
Corpus Christi City Council
January 8, 2013

The City of Corpus Christi (City) desires to enter into a binding Ground Lease (with incorporated Development Agreement) (“Lease”) with FDL – CC, LLC (“Stonewater”) for the development, financing, and management of a United States Coast Guard (USCG) facility to be located on land at the Corpus Christi International Airport (CRP). Under the terms of the Lease, Stonewater shall negotiate the terms, fund, design, construct, and provide ongoing management services for a General Services Administration (“GSA”) specified facility for the USCG at CRP. Stonewater would assume all financial and development risk on the project and provide an annual payment to the City during the term of the Agreement. The facility would revert to the City at the expiration of the Agreement with no further obligation to Stonewater. It is the desire of the City and Stonewater to reach agreement on the following basic business terms and to use these basic business terms as the foundation of the Lease. Per City Charter, the Lease would have an expected execution date of 60 days after its 2nd reading by City Council.

Business Term	Proposal
1. Contract Term (Lease, Section 3)	20 years, plus four - five (5) year options by Tenant. Adequate notice and joint marketing clauses provided.
2. Premises, Base Rent and USCG Rental Payments (Lease, Section 4)	The site shall be comprised of approximately 7-23 acres of undeveloped land at CRP which will be further defined once the GSA Request for Lease Proposal (RLP) has been issued. All Premises revert to the City at the end of the Term. City will be paid fair market value based on current land appraisal (“Base Rent”) for the gross square footage included in the agreed-to site plan and paid annually to the City in the amount of:

(a) \$0.225 (\$) per square foot (for approximately 7-23 acres) per annum for years 1 – 20 of the Lease. In no event will the annual payments be below \$100,000, regardless of the defined land area (minimum Base Rent”). Note that, according to the current land appraisal, this represents a minimum 8% ROI on the land for the Base Rent.

* 1/4th of the initial Base Rent will be paid immediately upon Stonewater getting financing (Effective Date of Lease) and through the construction period, until USCG begins leasing.

* Stonewater will be credited, pre-split, for the differential between the minimum Base Rent and actual rent if actual rent is less than the Base Rent based on actual acreage.

*if the USCG ramp is significantly oversized and drives the total acreage to exceed expectations, we will credit Stonewater, pre-split, for the differential between anticipated maximum acreage and actual.

(b) Effective upon the 1st and 2nd renewal options (years 21 – 30) of the Lease the City will be paid a Base Rent of the then current fair market value as determined by appraisal.

(c) Effective upon the 3rd and 4th renewal options (years 31 – 40) of the Lease the City will be paid a Base Rent of the then current

	<p>market value as determined by appraisal.</p> <p>In addition to the Base Rent, the City will be paid 51% of the distributable tenant rent annually after debt service (“Percentage Coast Guard Rent”).</p>
<p>3. Development and Financing (Lease, Section 4(b)(viii) and Exhibit A, Section 2)</p>	<p>Stonewater will serve as the ground lessee and master developer for the project. Stonewater will be responsible for defining the scope of development in conjunction with GSA; the final budget and funding sources based upon a 20-year amortization of the financing; design and construction management; soliciting sources and providing financing; construction; and providing ongoing property management services in accordance with GSA program requirements. The parties agree that Stonewater will be granted the following fees:</p> <ul style="list-style-type: none"> (a) <u>Development Fee</u> of 4% of eligible soft, hard and contingency (not financing or marketing) project costs; and (b) <u>Government Consulting/Leasing and negotiation fee</u> of a one-time fee of \$2 per square foot of the rentable building square feet to GSA (estimated approximately \$294,000 based on square footage estimates); and (c) <u>Asset management fee</u> of 1.25% of gross annual rents for term of Lease; and (d) <u>Property management fee</u> of 3% of gross annual rents per year.

	<p>(Note that asset management and property management could be contracted with a 3rd party).</p> <p>In addition to the fees to Stonewater, Stonewater will be paid 49% of the distributable tenant rent annually after debt service (“Percentage Coast Guard Rent”).</p>
<p>4. Use of Premises (Lease, Sections 1, 2 and 8)</p>	<p>The Land Lease/Development Agreement will require that the land identified in the Agreement is to be used exclusively for construction of the GSA-specified Coast Guard facility.</p>
<p>5. Development Delay (Lease, Section 4(a)(i))</p>	<p>Should the facility not be completed in accordance with the timeframe contained in the Land Lease/Development Agreement, Stonewater will continue paying ¼ of the ground rent until the facility is complete for GSA/USCG.</p> <p>*See #8 below: Completion and performance bond required.</p>
<p>6. Default (Lease, Section 18) or Bankruptcy (Lease, Section 31) and Reversion (Lease, Exhibit A, Section 1(k))</p>	<p>Ownership of all Improvements on the Premises shall revert to City upon termination of the Lease. In the event of uncured default by Stonewater (not cured by the Leasehold Mortgagor), or their failure to secure financing, the Lease would terminate. In the event of bankruptcy by Stonewater, Stonewater’s lender would step into Stonewater’s shoes only as to their leasehold interest – ownership of the Improvements would not transfer.</p>

<p>7. Capital Investment, Operating Expenses and ongoing Property Management (Lease, Sections 4(b)(viii), 5, and Exhibit A)</p>	<p>Stonewater will be fully responsible for funding and completing all negotiations; design and development costs to comply with the specifications; financing costs; operating costs, private party taxes, soft costs of development; start-up costs; insurance; and all ongoing operating costs for the property management of the facility in accordance with the approved USCG program in conformance with the approved budget. Stonewater will provide ongoing property management services in accordance with the specification outlined by GSA in the GSA Lease. The City and Stonewater will annually develop and mutually approve the operating expense budget for the property.</p>
<p>8. Performance Bond (Lease, Exhibit A, Section 1(d))</p>	<p>Stonewater will provide a completion and performance bond upon execution of the Land Lease/Development Agreement in an amount sufficient to fully fund the project in accordance with the approved budget.</p>
<p>9. Sale or Transfer (Lease, Section 13)</p>	<p>A Proceeds Fee to the City of 1.5% of the purchase price will be paid to the City in the event of a sale or transfer to an unrelated third party.</p>
<p>10. Maintenance (Lease, Section 10)</p>	<p>Airport and Stonewater will perform scheduled facility inspections (in accordance with the GSA Lease and security standards/protocol) to determine maintenance and repairs that are required to meet the requirements of the USCG and to maximize the useful life of the facility. Stonewater will be</p>

	<p>responsible, as part of the property management function, to plan for, budget, and complete identified repairs and maintenance.</p>
<p>11. Buy Local (Lease, Exhibit A, Section 1(c))</p>	<p>For contracting and subcontracting required, outside the services provided directly by Stonewater employees, in order to complete the project as identified and to maintain the property under the ongoing property management requirements, Stonewater agrees to award a minimum of 80% of the value of the hard construction costs to qualified contractors residing in or maintaining an office within a 50 mile radius of Nueces County. In the event that Stonewater does not believe that sufficient qualified contractors are available at competitive rates, Stonewater may request an exemption in writing from the City identifying the reasons that Stonewater does not believe they can meet this goal.</p>