

Reviving

THE river OF grass



July 2009

just the FACTs

This fact sheet is provided as a reference to encourage a greater understanding of the various issues related to managing water in South Florida.

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Reviving the River of Grass Amended Purchase Contract and Lease Agreement

On April 1, 2009, Governor Charlie Crist announced a revised acquisition framework that would allow the South Florida Water Management to continue moving forward with the acquisition of land from the United States Sugar Corporation for Everglades restoration. The revised terms are designed to better fit today's economic climate by reducing the District's initial investment while providing ready access to land for restoration and sustaining regional agriculture.

Background

- On December 16, 2008, the Governing Board of the South Florida Water Management District voted to accept a proposal to acquire more than 180,000 acres of agricultural land for Everglades restoration from the United States Sugar Corporation, pending financing.
- A clause added to the purchase contract by the District's Governing Board allows the Board to review before closing the most current economic conditions — including interest rates and revenue streams — and verify the agency's capacity to finance the purchase and accomplish its existing statutory mandates and legal obligations.
- In light of dramatic changes in economic conditions and predictions of a continued uncertain financial environment, the two parties on April 1, 2009, agreed to work on a revised framework that would allow for the completion of the transaction despite the economic downturn.
- Amendments to the existing purchase contract and lease agreement, approved in May by both the District's Governing Board and the U.S. Sugar Corporation's Board of Directors, provide for an initial purchase of close to 73,000 acres, with options to purchase the remaining 107,000 acres during the next ten years when economic and financial conditions improve.

About the Amended Real Estate Transaction

- The District would purchase for \$536 million approximately 73,000 acres of land: approximately 33,000 citrus acres and 40,000 sugarcane acres.
- The District would have options to purchase the remaining 107,000 acres ("option property") from U.S. Sugar, for up to 10 years:
 - An exclusive 3-year option to purchase the option property at a fixed price of \$7,400 per acre. U.S. Sugar could sell the option property to a third party but must retain the District's option.
 - A subsequent 7-year, non-exclusive option to purchase the option property at Fair Market Value. U.S. Sugar could sell all or a part of the option property, but subject to a Right of First Refusal by the District.
- The purchase price of \$536 million, established after extensive negotiations, is slightly less than appraised value.
- These revised contract terms reduce the District's immediate investment by \$800 million and annual debt service payments by an estimated \$65 million.



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Reviving the River of Grass: Amended Contract and Lease Agreement

- Additional amendments to the purchase and sale contract include:
 - Environmental remediation – U.S. Sugar would provide the District with an \$8.6 million payment for environmental cleanup, 130 percent the estimated remediation costs of the original acquisition pro-rated to 73,000 acres.
 - “Evergreen” General Escrow Fund to be established by U.S. Sugar for any undiscovered environmental impacts – pro-rated to \$4 million.
- Subject to bond validation and financing – and verification by the District of the transaction’s affordability – Certificates of Participation would be issued to fund the land acquisition.

About the Amended Lease Terms

- Under a separate agreement, U.S. Sugar would lease the 40,000 acres of sugarcane lands from the District at \$150 per acre for 7 years, with provisions to extend up to 20 years.
- U.S. Sugar would be required to pay all property taxes and assessments, control the land for exotic and invasive plants and implement Best Management Practices to prevent pollution.
- The lease would generate a minimum of \$40 million in revenue and avoid more than \$11 million in land management costs.
- The District may terminate portions of the lease and begin using the acreage for its purposes under a “take-down” schedule:
 - Under a rolling termination, the District may utilize the 33,000 acres of citrus lands with twelve months’ notice.
 - During the first 10 years, and with two years’ notice, the District may take up to 10,000 acres of sugarcane lands for Governing Board-approved and funded restoration projects.
 - After 7 years, the District may take approximately 3,000 acres in connection with transfers to municipalities or other governmental entities.
 - Should the District exercise the purchase option, there would be no limitations on the acreage available for project construction.
 - If the option is not exercised, the District may take another 10,000 acres of sugarcane lands with two years’ notice in the second 10 years.
- Portions of the property would also be available for limited land exchanges.
- In total, even if the purchase option is not exercised, 77 percent (or 56,000 acres) of the initial purchase property would be available for restoration and other uses during the next 20 years.
- Should the District exercise the purchase option, all property would be available for approved and funded restoration projects. Any property not needed for project construction may be leased back to U.S. Sugar at market rate (after the 10-year rate of \$150/acre expires).

Next Steps

- Subject to Governing Board approval and financing, the two parties would close the initial land acquisition within 90 days after bond validation, with bond validation occurring no later than March 31, 2010.
- The District will continue with its ongoing public planning process to determine viable configurations for constructing a managed system of water storage and treatment to support ecosystem restoration efforts. Information generated during this first phase of project planning will be utilized by the Governing Board to support decision-making related to the land acquisition and will provide the basis for more detailed future planning phases.