

AGENDA
BOARD OF TRUSTEES OF THE INTERNAL IMPROVEMENT TRUST FUND
JANUARY 30, 2007

Item 1 Minutes

Submittal of the Minutes from the October 3, 2006, October 17, 2006 and October 31, 2006 Cabinet Meetings.

(See Attachment 1, Pages 1-40)

RECOMMEND APPROVAL

**Item 2 TNC Assignment of Option Agreement/Hagen Holding Company, LLC/
Terra Ceia Florida Forever Project**

REQUEST: Consideration of the acceptance of an assignment of option agreement to acquire 35.9 acres within the Terra Ceia Florida Forever project from The Nature Conservancy.

COUNTY: Manatee

LOCATION: Sections 24 and 25, Township 33 South, Range 17 East

CONSIDERATION: \$2,706,650 (\$2,665,000 for the acquisition; \$41,650 for overhead costs)

<u>PARCEL</u>	<u>ACRES</u>	<u>APPRAISED BY:</u>		<u>APPROVED</u> <u>VALUE</u>	<u>SELLER'S</u> <u>PURCHASE</u> <u>PRICE</u>	<u>TRUSTEES'</u> <u>PURCHASE</u> <u>PRICE</u>	<u>OPTION</u> <u>DATE</u>
		<u>Marr</u> <u>(05/11/06)</u>	<u>Page</u> <u>(05/11/06)</u>				
Hagen Holding Company, LLC	35.9	\$3,050,000*	\$2,870,000*	\$3,050,000*	\$ 191,500**	\$2,706,650*** (89%)	On or before July 31, 2007

* Revised value due to a slight reduction in acreage after a survey was completed.

** Purchased in three separate transactions; 0.48 acre for \$22,500 on 06/22/01; 2.53 acres for \$19,000 on 06/22/01; and 34.84 acres for \$150,000 on 09/08/00. The 09/08/00 purchase was described as a deed in lieu of foreclosure. This parcel previously sold in 1991 for \$244,200, which is more representative of the property's market value at that time.

*** Price per acre \$75,394.15.

Noted Features of Subject Property:

Upland - about 98%.

Access is via Bayshore Road and 79th Street East.

Frontage along Frog Creek.

Zoning is Planned Development with a small portion zoned for Agriculture; Land Use Classification is Residential-1.

Highest and Best Use - Single Family Residential at one unit per acre.

Oil, gas, and minerals are considered to be in tact, no title work given.

Utilities - the property is served by public electricity, water, sewer, and telephone.

STAFF REMARKS: The Terra Ceia project is an "A" group project on the Florida Forever Full Fee Project List approved by the Board of Trustees on August 15, 2006. The project contains 4,197 acres, of which 1,473 acres have been acquired or are under agreement to be acquired. If the Board of Trustees approves this agreement, 2,688.1 acres, or 64 percent of the project, will remain to be acquired.

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Pursuant to a multi-party acquisition agreement entered into between the Department of Environmental Protection's (DEP) Division of State Lands (DSL) and The Nature Conservancy (TNC), TNC has acquired an option to purchase this 35.9-acre parcel from Hagen Holding Company, LLC (Hagen Holding). If this acquisition is approved, the Board of Trustees will acquire the option from TNC for \$41,650, which represents agreed upon compensation to TNC for overhead associated with acquiring the option. The Board of Trustees may then exercise the option and purchase the property. The assignment of option agreement provides that payment to TNC is contingent upon the Board of Trustees successfully acquiring the property from the owner. In no event will the Board of Trustees' purchase price exceed the approved value.

All mortgages and liens will be satisfied at the time of closing. On June 22, 1999, the Board of Trustees approved a staff recommendation to delegate to DEP the authority to review and evaluate marketability issues as they arise on all chapter 259, F.S. acquisitions, and to resolve them appropriately. Therefore, DEP staff will review, evaluate, and implement an appropriate resolution for any title issues that arise prior to closing.

A title insurance policy, a survey, and an environmental site evaluation will be provided by the purchaser prior to closing.

The mangrove swamps and flatwoods on the islands and mainland around Terra Ceia Bay are some of the last natural lands left on the southeast shore of Tampa Bay. Public acquisition of the Terra Ceia project will protect and restore this natural area, helping to preserve the fishery and manatee feeding grounds in the Terra Ceia Aquatic Preserve and giving the public an area in which to fish, boat, and enjoy the original landscape of Tampa Bay.

The tract is located north of Bayshore Road in the Terra Ceia/Palmetto area. The tract's north boundary follows Frog Creek, an important tributary to Terra Ceia Bay, the opposite bank of which is directly adjacent to state-owned lands managed by DEP's Division of Recreation and Parks (DRP) as part of the Terra Ceia Preserve State Park. The tract is important for the protection of the Terra Ceia Aquatic Preserve due to its proximity to Frog Creek. It contains part of Frog Creek itself and a great deal of natural, well-established canopy, which is critical to watershed restoration. Within the Terra Ceia site itself, the Southwest Florida Water Management District is spending \$7 million on restoration on state- and district-owned properties. Reestablishing natural canopy, which discourages growth of exotics, is one of the most difficult and expensive aspects of restoration, but the Hagen Holding property already has numerous large oaks and other native trees. Historically, Tampa Bay had hundreds of tidal creek and rivers in its watershed, the vast majority of which have been altered by development or damming. The Terra Ceia River/Frog Creek system is one of the few relatively undeveloped creek systems in the Tampa Bay watershed, and additionally is an important estuarine/tidal creek system in its own regard. Frog Creek, including the portion of the creek partially owned by Hagen Holding, provides a home to manatees in the winter months, as well as sport fish during their juvenile phases. The Tampa Bay Estuary Program, which quantifies historic loss of habitat, is now shifting emphasis onto coastal uplands, like the Hagen Holding property, because they are

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under such pressure by development and there is very little left. For the densely populated and highly developed Tampa Bay area, protecting this relatively small Hagen Holding parcel represents an important success for preservation for species and residents.

The property will be managed by DRP as part of the Terra Ceia Preserve State Park.

This acquisition is consistent with section 187.201(9), F.S., the Natural Systems and Recreational Lands section of the State Comprehensive Plan.

(See Attachment 2, Pages 1-61)

RECOMMEND APPROVAL

Item 3 **Babcock Florida Company Sod Lease/Babcock Property Holdings, L.L.C.
Cattle Pasture Lease/BOT/Morgan Stanley Mortgage Capital, Inc.
Agreement**

REQUEST: Consideration of (1) a five-year upland lease with one five-year extension, for 345 acres, more or less, from the Board of Trustees to Babcock Florida Company, a Florida corporation, for sod fields; (2) a five-year upland lease with one five-year extension for 14,698 acres, more or less, from Babcock Property Holdings, L.L.C., to the Board of Trustees for existing pastureland; and (3) a subordination, non-disturbance, and attornment agreement between Morgan Stanley Mortgage Capital, Inc., and the Board of Trustees.

COUNTY: Charlotte and Lee

LOCATION: Sections 28 through 33, Township 41 South, Range 26 East; Sections 04 through 10, Sections 15 through 17 and Sections 19 through 36, Township 42 South, Range 26 East, Charlotte County; and Sections 01 through 07 and Section 09, Township 43 South, Range 26 East, Lee County

CONSIDERATION:

	<u>Sod Lease</u>	<u>Cattle Pasture Lease</u>
Years 1-5	\$435.00 per acre	\$72.00 per grazing unit*
Years 6-10	\$457.00 per acre	\$75.00 per grazing unit

*The cattle pasture lease consists of 5,101 acres of improved pastureland and 9,597 acres of unimproved pastureland which calculates to 3,030 total grazing units (based upon 2 acres per cow/calf for improved pastureland and 20 acres per cow/calf for unimproved pastureland).

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- Babcock Florida Company and the Board of Trustees will keep annual accounting records for their respective leases; reconciliation will occur upon termination of the two leases.
- If the total amount owed by Babcock Florida Company under the sod lease exceeds the total amount owed by the Board of Trustees under the cattle pasture lease, Babcock Florida Company will pay the excess amount to the Board of Trustees unless there is legislation that requires the money be paid to Babcock Ranch Management, LLC, the manager of the Babcock Crescent B Ranch (Babcock Ranch). If the total amount owed by the Board of Trustees under the cattle pasture lease exceeds the total amount owed by Babcock Florida Company under the sod lease, the Board of Trustees will not be required to pay any of the excess amount to Babcock Property Holdings, L.L.C., or Babcock Ranch Management, LLC.
- The cattle pasture acreage may be reduced or expanded, based on development activities on the land, upon written notice to the Board of Trustees.

STAFF REMARKS: The Babcock Ranch is an “A” group project on the Florida Forever Full Fee Project Interim List originally approved by the Board of Trustees on August 23, 2005. The Board of Trustees approved the purchase on November 22, 2005. The transaction closed on July 31, 2006.

For clarification, listed below is a breakdown of the entities involved with this request:

- Babcock Florida Company, the original owner of Babcock Ranch;
- Babcock Property Holdings, L.L.C., which was created to hold title to the portion of Babcock Ranch not in state ownership (retained property);
- Babcock Ranch Management, LLC, which was created to manage the state-owned portion of Babcock Ranch; and
- Babcock Ranch, Inc., which was created by the legislature to provide advice to Babcock Ranch Management, LLC, during the term of the management agreement; after expiration of the management agreement, Babcock Ranch, Inc., will take over management of Babcock Ranch in conjunction with the managing agencies referenced in said management agreement; and, after the management agreement expires, to assume management of the state property.

On July 31, 2006, the Board of Trustees entered into an agreement of understanding with Babcock Florida Company, a Florida corporation. The agreement related to activities on the property bought by the Board of Trustees and the area retained by Babcock Property Holdings, L.L.C. Under the terms of the agreement, “5. The parties agree to pursue the required authorizations to enable the Retained Property Owner and the Trustees to exchange a lease to the Retained Property Owner of those existing sod fields on the Property for a lease to the Trustees of those existing pastures on the Retained Property in a manner that equalizes the value of each lease.” The retained property owner, Babcock Property Holdings, L.L.C., is executing a partial assignment of rights under agreement of understanding, assigning its right to receive the sod lease to Babcock Florida Company, a Florida corporation, and the partial assignment will be executed prior to execution of the sod lease. Therefore, the Board of Trustees will grant a five-year lease for 345 acres, more or less, to Babcock Florida Company for sod fields which currently exist on the state-owned property. As consideration for the sod lease to Babcock Florida Company, Babcock Property Holdings, L.L.C., will grant a five-year lease for 14,698 acres, more or less, to the Board of Trustees for existing pastureland on the privately-owned

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(retained) property. The lease term on both the sod lease and the cattle pasture lease will be coterminous with the management agreement dated July 31, 2006, for Babcock Ranch. The initial term of the management agreement is five years, from July 31, 2006. This term shall be automatically extended for one additional five-year period, unless Babcock Ranch Management, LLC, the manager, provides written notice to the Board of Trustees no later than one hundred and eighty (180) days prior to the expiration of the existing term that it does not elect to extend the term for an additional five years. The management agreement term shall not be extended beyond a termination date of July 31, 2016.

Sod and cattle fees were negotiated based on going market values. The five-year lease for sod fields that the Board of Trustees will grant provides for \$435 per acre of sod during the initial five-year period. This will result in an initial annual rent of \$150,075. At the end of the initial five-year term, the lease fee will be \$457 per acre, resulting in a rent of \$157,665 annually. The value of the pasture lease that Babcock Property Holdings, L.L.C., will grant is based on a calculation of \$72 per grazing unit (grazing unit is defined as a cow and calf) during the initial five-year term, and \$75 per grazing unit for the second five-year lease term. There are an estimated 3,030 grazing units on the property, which results in an initial annual rent of \$218,160. As the property is developed over the term of the lease, the number of grazing units on the property is expected to decrease proportionally. After each annual review, based on the date this lease is executed, the lease rate for the pasture area will be adjusted based upon the remaining acreage leased by the state and grazing unit carrying capacity. The carrying capacity is calculated based upon two (2) acres per grazing unit in the improved pasture acreage, and based upon twenty (20) acres per grazing unit in the native pasture acreage. The acreage will be determined by the Department of Environmental Protection's Division of State Lands using reasonable and cost effective methods.

Section 270.22(1), F.S., requires lease proceeds received from the leasing of state-owned lands to be deposited into the Internal Improvement Trust Fund. DEP staff will seek legislation to have any excess funds owed to the Board of Trustees by Babcock Florida Company upon reconciliation of the sod and cattle leases be directed to the manager of Babcock Ranch.

Additionally, Morgan Stanley Mortgage Capital, Inc. is requesting the Board of Trustees execute a subordination, non-disturbance, and attornment agreement pertaining to the cattle pasture lease. The proposed agreement would stipulate that the Board of Trustees, as tenant of the cattle pasture lease, would agree to subordinate its leasehold interest in the leased lands to any mortgage given by the landlord, Babcock Property Holdings, L.L.C. In the event of a mortgage foreclosure, the Board of Trustees' possession and use of the lands under the cattle pasture lease would not be disturbed, and the existing lease would continue between the Board of Trustees, as tenant, and the new owner, as landlord.

Babcock Ranch will be managed by Babcock Ranch, Inc., in conjunction with Florida Fish and Wildlife Conservation Commission and Department of Agriculture and Consumer Services, when the management agreement terminates. Management activities will enhance the operations

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of the existing working ranch, as well as help ensure the conservation, protection, and restoration of environmentally unique native habitats, important ecosystems, landscapes, forests, water resources, and the protection of threatened or endangered species. The tract will also be managed to provide public recreational opportunities as well, such as hunting, camping, hiking, horseback riding, environmental and cultural resource education and interpretation, ecotourism, and other natural resource-based activities.

(See Attachment 3, Pages 1-60)

RECOMMEND APPROVAL