

**HUDSON &
COMPANY, INC.**
BUILDING CONSTRUCTION CONSULTANTS

071219

A

352-377-0623

May 11, 2008

Mr. Anthony Lyons, CRA Director
City of Gainesville, FL
300 E. University Ave, Suite 240
Gainesville, FL 32601

Dear Anthony:

As local representative for Gainesville Greens, I am pleased to report that the Gainesville Greens Project continues to move forward; even though the project may appear to be dormant. I assure you that the developer has not been resting...or for that matter even sleeping, knowing that he is currently unable to commence construction on the development as required by his various agreements with the City.

Since the last CRA update, there has been significant activity and positive motion with regard to the Project's design and permitting. The Project's architectural, structural and MEP plans have been through the building department and have received first-round comments. Currently, the drawings are being reviewed for fire and life safety concerns. Once those comments are generated, the developer intends to make plan revisions as needed and re-submit the full sets for approval and building permit issuance.

The Project's environmental consultant at Water & Air, Jerry Steinberg, has been preparing information requested by Gus Olmos at ACEPD for his review. As soon as this information has been finalized and submitted to Gus, the developer will be ready to return to the DRC for a final meeting to obtain approval of the site plan. As you may recall, the only DRC issue remaining is the impact of the foundation system on the contaminated portion of the site. When the site plan receives its final approvals, it will be delivered to the Building Division and mated with the Architectural and Engineering plan sets to form the complete construction documents for the Project.

The Project's marketing efforts have continued unabated and at additional cost, albeit unsuccessfully. These efforts included a beautiful on-site sales and model trailer, grand opening event, on-going marketing, advertising and follow-up, and more recently, "grass roots" efforts through a local broker in Gainesville. I don't need to tell you the status of the real estate market, specifically condos. Accordingly through these efforts, the developer has come to a point of clearly understanding what he can and can't accomplish and deliver.

The Developer feels that the cost of travel to and from work, directly relating to the elevated cost of fuel, will play an integral factor in future selection of housing everywhere. Gainesville Greens is ideally positioned to capitalize on this newfound social- and environmental-consciousness and resulting behavioral changes. The developer has determined that he can build the building with the same look and feel as was presented and approved by the CRA and can continue to house the mix of uses that was initially proposed. The developer can accommodate LEED and affordable components as required by the City. The developer can sell or lease the commercial space on the two lower floors to first class merchants and restaurants. **What the developer can't do today is to create a market for individual condominium units in Gainesville that simply does not exist. The developer has further recognized that in order to proceed, the Project**

needs to be built before it eventually gets sold. The sole way to accomplish this is to build Gainesville Greens as a rental Project; designed in such a manner that the project may, at the developer's option, be converted to a condominium should the market improve. Further, given the recent Florida Supreme Court decision in what is known as the Strand case, the developer's legal team has indicated that, although they believe the TIFF payments set forth under the development agreement will ultimately be enforceable, this question mark remains unanswered at this time, pending the final opinion from the Court on the rehearing.

I write to you today on behalf of the developer asking for you to agree to allow him to construct as proposed, with the façade currently approved by the CRA, a mixed-use building with commercial space on the first two (2) floors and rental housing on the remaining levels. In light of the residential market, the lack of debt and equity financing and the outstanding question on the validity of the TIFF payments, the developer respectfully requests more time to accomplish his goal of bringing a new, urban experience to revitalize downtown. To date, the developer and his investor group have spent more than two and a half million dollars towards this effort. It is anticipated that when the market returns, having an existing development where residents can move in immediately (rather than what has proven to be an impossible sale of promising someone a condo ready for occupancy 2 years down the road) will result in a successful project. At such time as a change in the market occurs, the developer, if he so elects, can convert the Greens project into a condominium, thereby achieving the ultimate goal of bringing "stake-holders" into downtown Gainesville.

Issues that the developer wishes to address with the CRA are:

1. Amending certain timelines:

Description of Current Deadline	Current Deadline	Proposed Deadline
Deadline to exercise option (closing is then 60 days after exercise)	June 17, 2008	October 20, 2008
Deadline to commence construction per development agreement	September 13, 2008	December 26, 2008
Deadline to complete construction per development agreement	September 1, 2010	December 26, 2010

2. Adding certain time requirements:

Proposed Deadline	Proposed Deadline
Deadline to complete building permit process (subject to timely and reasonable turn around by City Staff).	November 14, 2008
Deadline to evidence construction financing (presentation by Developer of an Executed Terms Sheet/ Loan Commitment)	November 21, 2008

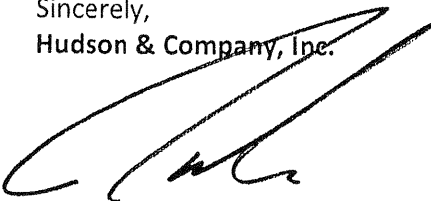
3. Adoption of language within the Development Agreement specifically allowing the residential component of the Project to be for rent, not requiring condominium documents be recorded delineating units individually (although the developer may still record condominium documents, if it so elects, to delineate differences between the commercial and residential pieces of the overall project.
4. Permitting the 10 required "for sale" affordable units to be rent controlled at Fair Market Rents as defined by the Housing Division of the City of Gainesville.
5. Acknowledgment from the CRA that modifications to the reverter provision in Exhibit "I" to the Purchase and Sale Agreement and to the Parking Agreement between the City and GG Development will likely be required by the construction lender.
6. Consent of the CRA to alter the unit mix and total # of units, at the developer's option:

Unit Type	Current Design	Proposed
1 Bedroom	29	27
2 Bedroom	103	91
3 Bedroom	12	20
Totals	142	138
Gross SF	243,109 SF	247,926 SF

Kindly place this request onto the next regularly scheduled CRA agenda for consideration by the full Board when the Developer will make a formal presentation and be available to answer any questions that the Board might have.

Thank you for your kind attention to this matter.

Sincerely,
Hudson & Company, Inc.



John E. Hudson, CBC056810
President
Owner's Representative

cc. Barney Danzansky, Manager, GG Development Associates, LLC.
via US-Mail