



1090985

April 30, 2010

Russ Blackburn, City Manager
City of Gainesville, Florida
200 East University Avenue
Gainesville, FL 32601

RE: Provident Group – UF Continuum Properties L.L.C. (“Provident”)
Payment for Services

Dear Mr. Blackburn:

This letter follows discussions in recent meetings among representatives of Provident, Capstone Development Corp. and the City Manager’s office about the proposed student housing development to be located on the former site of the First Baptist Church of Gainesville on West University Avenue to be known as The Continuum. This project will provide much needed housing for University of Florida graduate and professional students without the expenditure of public funds. The meetings we had with you and your staff over the past several days have helped us to better understand the benefits as well the additional demands this project will have on the essential services the City will be called upon to provide to The Continuum.

As you are aware, it is our intention to pursue an exemption for the residential portion of the project, which we feel is strongly supported under Florida law. We understand the constraints such an exemption represents to the City and fully appreciate the difficult position our request places the City in when asking it to serve as financing conduit for the Industrial Development Revenue Bonds needed to make the project feasible.

In an effort to address the concerns of the City, Provident proposes to enter into a binding agreement with the City for The Continuum to make an annual payment for services (PFS) to the City of Gainesville general fund in the amount of \$300,000. In addition, Provident proposes that the PFS be tied to an appropriate cost of living escalator clause, such as the Consumer Price Index. As the anticipated successor owner of the project, representatives of the University of Florida have advised that the University is investigating the possibility of continuing the PFS if and when it exercises its purchase option.

Russ Blackburn
City Manager
April 30, 2010
Page 2 of 2

It should also be noted that The Continuum is being built with the ground floor areas fronting University Avenue, 2nd Street and 5th Terrace able to accommodate retail, office or residential uses. Provident and Capstone are doing everything possible to fill the University Avenue and 2nd Avenue frontages with nonresidential uses. In addition, the entire existing Sanctuary building will be adaptively reused under a separate ownership and financing structure. The tenants for this structure have not yet been identified, but the contemplated uses for this structure include commercial and retail.

If the City of Gainesville finds this proposal acceptable, we are fully prepared to immediately enter into the appropriate binding agreement or contract with the City to solidify this arrangement. In order to have the new facility completed in time for fall 2011, we must initiate construction within the next five weeks. We are therefore prepared to work with your staff right away in getting the appropriate documentation drafted and ready for execution.

Please call with any questions you may have.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Steve L. Hicks", is written over a printed name. The signature is stylized with a large, sweeping initial "S" and a long horizontal stroke extending to the right.

Steve L. Hicks
President and CEO

cc David Coffey, Esq.
L. Jeff Jones
Ed Poppell
Norb W. Dunkel