

Reviving
THE river OF grass



Reviving the River of Grass

Questions and Answers about the Revised Terms proposed between the South Florida Water Management District and the United States Sugar Corporation

What is being announced?

The South Florida Water Management District and the United States Sugar Corporation are proposing a revised framework for acquiring 180,000 acres of agricultural land south of Lake Okeechobee for Everglades restoration. The proposal for revising the terms of the existing purchase and sale contract and lease agreement between the parties would allow the completion of the historic transaction in affordable steps that are better suited to Florida's current economic climate.

This phased-approach preserves Governor Charlie Crist's vision for acquiring vast swathes of land in the Everglades Agricultural Area for restoration purposes while recognizing economic realities. The revised framework, subject to financing and approval by the District's Governing Board and United States Sugar Corporation's Board of Directors, would save more than \$800 million at closing, provide ready access to land for restoration and protect thousands of jobs over the next decade.

What are the proposed terms for a modified agreement?

Highlights of the proposed terms of the purchase and sale contract and lease agreement, if approved, include:

- The District would initially invest approximately \$530 million for close to 72,500 acres of land south of Lake Okeechobee at closing - a land mass double the size of Orlando and the single largest acquisition of land in the agency's history.
- The District would have an option to purchase the remaining 107,500 acres of U.S. Sugar property for restoration within ten years when the economy improves, and it is feasible to complete the purchase while maintaining the District's core operations.
- Approximately 32,000 acres of that land, currently in citrus production, would be available to the District for its use within a year of closing.
- United States Sugar Corporation would lease back approximately 40,500 acres of sugarcane land for \$150 per acre per year and continue farming the land for at least seven years.
- With two year's notification, the District could terminate the lease on 10,000 acres and begin using the strategically located sugarcane land to construct restoration projects.

- The District could convey up to 3,000 acres to municipalities in the Glades region for economic diversification purposes.

These proposed terms and any amendments to the current contract remain subject to financing and approval by both the South Florida Water Management District Governing Board and the United States Sugar Corporation Board of Directors.

What are the benefits of revising the acquisition terms?

Benefits of revising the terms include:

- Reducing the immediate public investment by \$800 million, in addition to reducing annual debt service payments by an estimated \$65 million.
- Tripling the lease rate to \$150 an acre per year to generate a minimum of \$40 million in revenue and avoid at least \$11 million in land management costs.
- Potentially freeing up revenue over the coming years for “shovel-ready” restoration projects that could create jobs and deliver environmental benefits to the Everglades Protection Area and Florida’s coastal estuaries.
- Sustaining regional agriculture.
- Keeping 1,700 direct jobs intact and protecting 10,000 indirect jobs for at least another decade with the continued operation of the United States Sugar Corporation’s mill and refinery.

Why is it necessary to modify the terms of the acquisition?

When the Governing Board approved the largest land acquisition in Florida’s history, they did so with forethought and caution in light of the current economic conditions, which have changed dramatically over the last nine months since negotiations began, and even further since the purchase agreement was approved. Economic forecasts are indicating an uncertain financial environment both now and in the coming months. This proposal allows the District to preserve a once-in-a-lifetime opportunity to purchase large tracts of land in the Everglades Agricultural Area to restore and revive America’s Everglades despite an unprecedented economic downturn.

How was the revised purchase price established?

The purchase price of approximately \$530 million for 72,500 acres is based on professional, independent land appraisals. Compared to the previously-negotiated agreement to purchase 180,000 acres for \$1.34 billion in a single transaction, this reduces the District’s immediate and annually recurring funding requirements by 60 percent.

When would the District take ownership of the land?

Upon completion of a formal real estate closing, the District would become the landowner of the first 72,500 acres. The phased-approach to the acquisition provides the District with a 10 year period to purchase the remaining 107,500 acres. The fair market value purchase price would be determined at that time by an independent appraisal process.

Would U.S. Sugar continue to farm any of the acquired land?

To maintain the region's tradition of agriculture, retain jobs and lower land management costs until the construction of restoration projects, the United States Sugar Corporation would continue farming a portion of the land (40,000 acres) for at least seven years consistent with its previous business practices under a lease agreement.

Under the proposal, has the lease rate been revised?

The revised lease rate is \$150 per acre per year – triple the originally agreed-upon rate and well within other agricultural rental rates. This is expected to generate a minimum of \$40 million in revenue and avoid more than \$11 million in land management costs for the District during the first seven years. Leasing District-owned lands for agricultural purposes is a common and cost-effective land stewardship tool to help manage lands until project construction begins.

During the lease period, United States Sugar Corporation would be required to pay all property taxes and assessments, control the land for exotic and invasive plants and implement improved best farming practices to prevent pollution.

Could the lease be extended?

Yes. Under the proposal, if the District elects not to acquire the remaining 107,500 acres within the first seven years, the United States Sugar Corporation could extend the lease by an additional three years and at a continued rate of \$150 per acre per year. If the District elects not to purchase the remaining acreage after ten years, the lease could be extended by another 10 years at market rent as determined by an appraisal process.

Can the company sell the remaining 107,500 acres to another party?

Yes, although the District would maintain the first right of refusal for purchasing all of the remaining acreage. As a part of the proposal and to ensure land directly south of Lake Okeechobee remains available for public purchase, acreage between the Miami Canal and US 27 would be exclusively protected for three years after closing and not available for sale to another party.

What does this revised proposal mean to local communities?

From the very beginning of the negotiation process, the Governing Board made clear its intent to keep the Glades communities as whole as possible. The phased approach to acquiring land, along with the lease agreement terms, strikes a balance for both the environment and the economy by keeping jobs and the region's tradition of agriculture in tact for at least a decade. Under the proposal, the United States Sugar Corporation would continue farming the land and retain ownership and operate the company's major assets for at least seven to ten years. This arrangement maintains regional jobs and helps eliminate economic uncertainty for local businesses dependent on the agricultural industry.

In addition, as a part of the lease agreement, up to 3,000 acres may be transferred to Glades-area municipalities to support economic diversification and development, and to build the tax base of local communities over time.

How will the District pay for the land?

In October 2008, the Governing Board approved utilizing Certificates of Participation revenue bond financing for the proposed United States Sugar Corporation land acquisition and other water resource development purposes.

Certificate of Participation are a type of revenue bond that government agencies may issue to finance the undertaking of any capital, land acquisition or other project for the purposes permitted by the State Constitution and Florida Statutes. This type of financing allows the acquisition to be achieved without raising taxes or tapping into State revenue sources.

In 2006, the District was the first in the nation to use Certificates of Participation to fund natural resources projects.

Is the District developing restoration plans for the land?

Yes. With full public involvement, the first phase of *River of Grass* restoration project planning is under way. Through a series of stakeholder workshops, the District's initial planning process will determine viable configurations for constructing a managed system of water storage and treatment to support ecosystem restoration efforts.

Information generated during this first phase 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.

Will the public have an opportunity to review the proposed terms?

Any revisions to the purchase and sale agreement and lease agreement will be reviewed and considered by the Governing Board at its public meetings. The District remains fully committed to an open, transparent process. This public acquisition, the scale of which has never-before been contemplated by a state entity, is one that could bring unprecedented returns for the Everglades, Lake Okeechobee and South Florida's rivers and coastal estuaries. The District's overriding objective is to deliver the best arrangement possible for achieving its environmental restoration goals within an achievable financial framework.

Along with public discussion at the Governing Board meetings, all documents related to this acquisition are also available for public review on the District's dedicated Web site: www.sfwmd.gov/riverofgrass. The site is a comprehensive repository for acquisition-related contracts, proposals, news, fact sheets, presentations, videos of Governing Board meetings and discussions concerning the acquisition, resolutions and

correspondence. As always, public comment will continue to be scheduled during any Governing Board discussions on this or other topics.

How did this agreement first come about?

Vast tracts of land in the Everglades Agricultural Area have long been considered the “missing piece” of real estate needed to protect Florida’s coastal estuaries and to revive the Everglades. The concept of acquiring land within the Everglades Agricultural Area was raised by Governor Crist, who directed the Department of Environmental Protection and the South Florida Water Management District to explore the potential for negotiating a land purchase with the United States Sugar Corporation in June 2008.

How does this land acquisition benefit the environment?

The potential environmental benefits offered by the land purchase include:

- Increasing water storage to reduce harmful freshwater discharges from Lake Okeechobee to South Florida's coastal rivers and estuaries.
- Improving the delivery of cleaner water to the Everglades.
- Preventing tons of phosphorus from entering the Everglades.
- Significantly reducing the need for "back-pumping" water into Lake Okeechobee to augment regional water supplies.
- Providing additional water storage alternatives to relieve some pressures on the Herbert Hoover Dike while the federal government undertakes repairs.

How does this acquisition affect on-going Everglades Restoration?

This acquisition represents one of the most important actions to protect and restore the Everglades ecosystem since the designation of Everglades National Park sixty years ago. The strategically located lands provide water managers with the flexibility to store and treat water on a scale never before envisioned, which will enable the delivery of water necessary to sustain the Everglades and, at the same time, protect the St. Lucie and Caloosahatchee rivers and estuaries from harmful freshwater discharges.

How does this affect the state-federal Comprehensive Everglades Restoration Plan?

Water managers expect that using land for storage and treatment in the Everglades Agricultural Area will build upon and enhance the 30-year state-federal Comprehensive Everglades Restoration Plan (CERP). It is also recognized that the size and strategic location of this land acquisition may now present opportunities for additional storage and treatment not considered feasible or achievable when CERP was conceived.

What happens next?

District staff will present the proposal to the Governing Board for review, public discussion and further direction on April 8 and 9, 2009.