

OFFICE OF GENERAL COUNSEL
CITY OF JACKSONVILLE

JASON R. GABRIEL*
GENERAL COUNSEL



CITY HALL, ST. JAMES BUILDING
117 WEST DUVAL STREET, SUITE 480
JACKSONVILLE, FLORIDA 32202

ASHLEY B. BENSON
JODY L. BROOKS
WENDY E. BYNDLOSS
KAREN M. CHASTAIN
DERREL Q. CHATMON
JEFFERY C. CLOSE
JULIA B. DAVIS
STEPHEN M. DURDEN
CRAIG D. FEISER
GILBERT L. FELTEL, JR.
SONDRA R. FETNER
LOREE L. FRENCH
CHRISTOPHER GARRETT
SEAN B. GRANAT
SUSAN C. GRANDIN
KATY A. HARRIS
LAWSIKIA J. HODGES
SONYA HARRELL HOENER
PAIGE HOBBS JOHNSTON
EMERSON M. LOTZIA

RITA M. MAJRS
JAMES R. MCCAIN JR.
WENDY L. MUMMAW
KELLY H. PAPA
TRACEY KORT PARDE
JACOB J. PAYNE
GAYLE PETRIE
JON R. PHILLIPS
CHERRY SHAW POLLOCK
STEPHEN J. POWELL
TIFFINY DOUGLAS SAFI
R. ANTHONY SALEM
JOHN C. SAWYER, JR.
MARGARET M. SIDMAN
SANDRA P. STOCKWELL
JASON R. TEAL
ADINA TEODORESCU
MICHAEL B. WEDNER
STANLEY M. WESTON
GABY YOUNG

*BOARD CERTIFIED CITY, COUNTY
AND LOCAL GOVERNMENT LAW

October 17, 2017

VIA HAND DELIVERY

Jacksonville Landing Investments, LLC
c/o Sleiman Enterprises
1 Sleiman Parkway, Suite 270
Jacksonville, Florida 32216
Attention: Anthony T. Sleiman, President

Re: NOTICE OF BREACH OF LEASE AGREEMENT

Dear Mr. Sleiman:

Jacksonville Landing Investments, LLC ("JLI") is hereby notified that it is in breach of the Disposition, Development and Lease Agreement dated October 3, 1985, as amended (the "Lease Agreement"), for failing to operate and maintain The Jacksonville Landing as "a high-quality, first class retail facility" as required by the Lease Agreement.

The City entered into the Lease Agreement with Rouse-Jacksonville, Inc. ("Rouse") in 1985 for the express purpose of developing and maintaining The Jacksonville Landing as a first-class retail facility in the heart of downtown. At the time, Rouse was the premier national developer of specialty retail space and had developed a number of very successful and high-quality shopping centers, including other festival marketplace properties like those referenced in Section 7.2 of the Lease Agreement: 1) The Gallery at Market Street East (Philadelphia); 2) Harborplace (Baltimore); 3) Fanueil Hall Marketplace (Boston); 4) Santa Monica Place (Santa Monica); The Grand Avenue (Milwaukee); and 5) South Street Seaport (New York City).

Several material covenants were included in Article VII of the Lease Agreement to ensure that The Jacksonville Landing would be operated and maintained “in a manner that is attractive both in its physical characteristics and in its appeal to customers and trade.” JLI, as assignee of Rouse since 2003, is bound by those covenants.

The Jacksonville Landing is not currently being operated and maintained as required by the Lease Agreement. The occupancy rate of The Jacksonville Landing is far below industry averages, and the spaces that are leased do not house enough high-quality merchants providing a broad range of merchandise and services consistent with other first-class festival marketplace-style properties. A large percentage of spaces are vacant. Many of the spaces that appear to be occupied are closed during normal business hours. There is peeling paint, plywood covering doors in the public areas, vacant spaces secured with chains and padlocks, leasable areas visibly being used as storage space, unpleasant smells, dirt and grime, open demolition, and an overall unattractive environment. Not only are they poorly maintained, but The Jacksonville Landing’s improvements are antiquated. JLI has failed to modernize The Jacksonville Landing’s 30-year-old buildings in any appreciable way so as to remain competitive and attract customers and tenants.

Accordingly, JLI has breached the materials terms of the Lease Agreement by failing to do the following:

1. Prudently and continuously manage and operate The Jacksonville Landing as a “first-class retail facility having a broad range of merchandise and services consistent with the size and location” of its improvements, as required by Section 7.2 of the Lease Agreement;
2. Operate The Jacksonville Landing “at or above the prevailing level of quality of the urban retail centers known as The Gallery at Market Street East in Philadelphia, Pennsylvania; Harborplace, in Baltimore, Maryland; Fanueil Hall Marketplace, in Boston, Massachusetts; Santa Monica Place, in Santa Monica, California; The Grand Avenue, Milwaukee, Wisconsin; and South Street Seaport in New York City, New York,” as required by Section 7.2, clause (ii) of the Lease Agreement;
3. Use “all reasonable efforts” to lease space at The Jacksonville Landing to subtenants “who will provide a balanced mix of goods and services consistent with the standards” set forth in the Lease Agreement, as required by Section 7.2, clause (a) of the Lease Agreement;
4. Properly maintain The Jacksonville Landing’s improvements and keep them in good repair, as required by Section 7.2, clause (c) of the Lease Agreement; and
5. Operate The Jacksonville Landing “in a high-quality, first-class manner which [is] attractive in both its physical characteristics and in its appeal to customers and trade,” as required by Section 7.4, clause (a) of the Lease Agreement.

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Pursuant to Section 11.1, if JLI fails within thirty (30) days of this notice to cure its breach, or commence and diligently prosecute all actions necessary to cure such breach, it will constitute an Event of Default under the Lease Agreement. The City will then take action to terminate the Lease Agreement and remove JLI from the property.

Sincerely,



Christopher M. Garrett

cc:

Rutledge R. Liles, Esq.
Michael D. Lee, Esq.
Liles Gavin, P.A.
301 W. Bay Street, Suite 1030
Jacksonville, Florida 32202
(Via Certified Mail – Return Receipt Requested)

Robert A. Heekin, Esq.
The Law Offices of Robert A. Heekin
1 Sleiman Parkway, Suite 270
Jacksonville, Florida 32216
(Via Certified Mail – Return Receipt Requested)

Mitchell W. Legler, Esq.
Kirschner & Legler, P.A.
1431 Riverplace Blvd., Suite 910
The Peninsula Building
Jacksonville, Florida 32207
(Via Certified Mail – Return Receipt Requested)

PNC BANK, N.A.
205 Datura Street
West Palm Beach, Florida 33401
(Via Certified Mail – Return Receipt Requested)