

RESOLUTION 2023-11-03

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING THAT CITY COUNCIL AUTHORIZE AN EXTENSION TO THE BUILDING IMPROVEMENTS COMPLETION DATE FOR THE REHABILITATION AND ADAPTIVE REUSE OF THE AMBASSADOR HOTEL (THE “PROJECT”) AS FOUND IN THE SECOND AMENDED AND RESTATED REDEVELOPMENT AGREEMENT BETWEEN THE CITY OF JACKSONVILLE, THE DOWNTOWN INVESTMENT AUTHORITY, AND AXIS HOTELS, LLC (“DEVELOPER”) WITH AN EFFECTIVE DATE OF MARCH 25, 2022; RECOMMENDING THAT CITY COUNCIL AMEND THE PERFORMANCE SCHEDULE FOR THE REHABILITATION AND ADAPTIVE REUSE OF THE AMBASSADOR HOTEL WITH AXIS HOTELS LLC TO CREATE AN INTERIM RECOMMENCEMENT OF CONSTRUCTION DATE AND EXTEND THE COMPLETION DATE CONTAINED IN THE PERFORMANCE SCHEDULE, BOTH WITHOUT THE POSSIBILITY OF FURTHER EXTENSION; AUTHORIZING THE DIA’S CHIEF EXECUTIVE OFFICER (CEO) TO TRANSMIT THIS RECOMMENDATION TO CITY COUNCIL AND EXECUTE THE CONTRACTS AND DOCUMENTS, AND OTHERWISE TAKE ALL NECESSARY ACTION IN CONNECTION THEREWITH TO EFFECTUATE THE PURPOSES OF THIS RESOLUTION; PROVIDING AN EFFECTIVE DATE.

WHEREAS, in July 2018, the Developer purchased the property commonly known as Ambassador Hotel with a street address of 420 N. Julia Street, as well as the remaining undeveloped portion of the block (collectively, the “Original Parcel”), all of which is located within the boundaries of the Downtown East CRA; and

WHEREAS, at their meeting of September 19, 2018, the DIA approved Resolution 2018-09-03 authorizing a Historic Preservation Trust Fund (HPTF) Grant upon redevelopment completion in an amount not to exceed \$1.5 million funded by the Downtown Historic Preservation and Revitalization Trust Fund; and

WHEREAS, following City Council approval of Ordinance 2018-872, Developer, the City of Jacksonville, and DIA entered into a Redevelopment Agreement with an Effective Date of March 26, 2019, and

WHEREAS, following City Council approval of Ordinance 2020-0625, Developer, the City of Jacksonville, and DIA entered into an Amended and Restated Redevelopment Agreement with an Effective date of June 25, 2020, to exclude the Multifamily housing component of the project as originally provided, and

WHEREAS, following City Council approval of Ordinance 2021-0459, Developer, the City of Jacksonville, and DIA entered into a Second Amended and Restated Redevelopment Agreement with an Effective Date of March 25, 2022, to provide a revised Substantial Completion Date of the Project as December 31, 2022; and

WHEREAS, all permissible extensions of the Performance Schedule allowed under the terms of the Second Amended and Restated Redevelopment Agreement remain insufficient to achieve Substantial Completion of the Property, but extension of the Completion date to June 30, 2023, is within the authority of the DIA Board, and such extension is necessary to maintain continuity of development activity currently taking place; and

WHEREAS, Developer has provided documentation from the General Contractor dated February 9, 2023, detailing the causes for continued delays brought about by supply chain issues that does not provide confidence that the project will be completed by June 30, 2023; and

WHEREAS, following discussion and further commitment from the Developer, DIA staff recommended an additional extension of the Completion Date from June 30, 2023, to September 30, 2023, to allow adequate time for completion of the Project consistent with other Project funding commitments; and

WHEREAS, DIA adopted Resolution 2023-03-07 and filed bill 2023-0345 to effectuate such additional extension in the Completion Date, and

WHEREAS, such legislation has been deferred in Council Committees due to unresolved liens and pending litigation regarding the property in question and City Council requested that DIA make a further recommendation regarding the Developer's latest request for additional time; and

WHEREAS, on the advice of Board Member Gillam who has consulted with the litigation attorney for Developer and has reviewed the relevant documents, the DIA recommends a further extension as provided herein.

NOW THEREFORE BE IT RESOLVED, by the Downtown Investment Authority,

Section 1. The DIA finds that the recitals set forth above are true and correct and are incorporated herein by this reference.

Section 2. The DIA recommends that City Council amend the pending legislation, 2023-0345, to amend the Performance Schedule contained in the March 25, 2022 Second Amended and Restated Development Agreement between the City of Jacksonville, the Downtown Investment Authority, and AXIS Hotels, LLC, and associated documents:

a. To establish a Recommencement of Construction date which shall be 90 days following the effective date of the legislation. Recommencement of Construction shall require evidence that a new General Contractor has been engaged to complete the Project and has begun actual on-site work on the Project, and

b. To extend the Completion of Construction Date from March 31, 2023, to one year following the Recommencement of Construction.

c. This recommendation is conditioned upon Developer's representation that the Project can be completed without additional City grants or funding.

Section 3. The Chief Executive Officer is hereby authorized to execute the contracts and documents and otherwise take all necessary action in connection therewith to effectuate the purposes of this Resolution.

Section 4. The Effective Date of this Resolution is the date upon execution of this Resolution by the Chair of the DIA Board.

WITNESS:

DOWNTOWN INVESTMENT AUTHORITY





Jim Citraro, Chairman

11/15/23

Date

VOTE: In Favor: 7 Opposed: 0 Abstained: 0



DOWNTOWN INVESTMENT AUTHORITY

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TO: DIA Strategic implementation Committee

FROM: Lori Boyer, CEO

SUBJECT: Resolution 2023-11-03, Ambassador Extension

DATE: November 1, 2023

Summary:

Ordinance 2023-0345 is currently pending before City Council and would have extended the final completion date for the Ambassador Hotel project to September 30, 2023. The bill was filed several months ago and has been deferred at the request of the developer since there were multiple outstanding liens and lawsuits pending on the project. When the completion date established in the bill passed, DIA requested withdrawal of the legislation because its approval would have no benefit as written. The Developer appeared in Council Committees and requested deferral for two cycles to allow the DIA Board to consider and recommend approval or denial of a further extension. The Developer requested that Council provide a 6-month extension. Staff believes that to be inadequate based on the percent of completion.

It was represented that the Developer had notified the issuer of the performance bond on the project that the contractor was in default and that bonding company was engaged and would identify a course of action in October. Because of his expertise in this type of litigation, Board Member Gillam was asked to look into the status and report back to the Board as to the likelihood of resolution in the near future, the efficacy of a further extension and the amount of time required.

Staff will prepare a resolution reflecting Board member Gillam's recommendation when received, for consideration at the November board meeting. That report is expected at the SIC meeting.

Background:

In July 2018, AXIS HOTELS, LLC, the Developer, purchased the property commonly known as Ambassador Hotel with a street address of 420 N. Julia Street, as well as the remaining undeveloped portion of the block. In September 19, 2018, the DIA approved Resolution 2018-09-03 authorizing a Historic Preservation Trust Fund (HPTF) Grant upon redevelopment completion in an amount not to exceed \$1.5 million funded by the Downtown Historic Preservation and Revitalization Trust Fund. Following City Council approval of Ordinance 2018-872, Developer, the City of Jacksonville, and DIA entered into a Redevelopment Agreement with an Effective Date of March 26, 2019. The Developer subsequently requested an amendment to the RDA to separate

the historic portion of the project. In 2020, City Council approved Ordinance 2020-0625, and Developer, the City of Jacksonville, and DIA entered into an Amended and Restated Redevelopment Agreement with an effective date of June 25, 2020, to exclude the Multifamily housing component of the project as originally provided. Thereafter, following City Council approval of Ordinance 2021-0459, Developer, the City of Jacksonville, and DIA entered into a Second Amended and Restated Redevelopment Agreement with an Effective Date of August 15, 2021, to provide a revised Substantial Completion Date of the Project as December 31, 2022.

All extensions of the Performance Schedule allowed under the terms of the Second Amended and Restated Redevelopment Agreement were granted establishing a final Completion date June 30, 2023.