

**RESOLUTION 2023-05-03**

**A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING CITY COUNCIL APPROVAL OF A DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM (“DPRP”) LOAN PACKAGE FOR REHABILITATION OF THE BUILDING LOCATED AT 520 N HOGAN ST (THE “PROPERTY”) PURSUANT TO A REDEVELOPMENT AGREEMENT WITH CLL JONES BROS, LLC OR ASSIGNS (“OWNER” OR “DEVELOPER”); FINDING THAT THE PLAN OF DEVELOPMENT IS CONSISTENT WITH THE DIA’S BUSINESS INVESTMENT AND DEVELOPMENT PLAN (“BID PLAN”) AND THE DOWNTOWN NORTHBANK COMMUNITY REDEVELOPMENT AREA PLAN (“CRA PLAN”); AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO 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**, the Property was awarded local historic landmark status in 2005 under Ordinance 2005-163-E, and is a contributing structure to the Downtown National Historic District, within the boundaries of the Downtown Northbank CRA

**WHEREAS**, development rights and an incentive package for redevelopment of the Property were initially approved for the previous owner, ACE Jax, LLC, by the DIA in Resolution 2018-03-01 and by the city of Jacksonville City Council in Ordinance 2018-630-E; and

**WHEREAS**, ACE Jax, LLC was unable to complete the redevelopment of the property as approved, and the development rights and incentive package for redevelopment were formally cancelled in 2022, and ACE Jax, LLC sold the property to the Developer also in 2022; and

**WHEREAS**, CLL Jones Bros, LLC is the current owner and proposed developer of the Property; and

**WHEREAS**, the Developer proposes to rehabilitate the property to provide a minimum of 28 units of multifamily housing, and 1,700 square feet of co-work space open to residents and the general public, as a mixed-use property in the NorthCore of Downtown Jacksonville; and

**WHEREAS**, the increased private capital investment totaling not less than \$15,162,000 in real property will increase the county ad valorem tax base over the useful life of the assets, will add to the housing options for residents and visitors in Downtown Jacksonville; and

**WHEREAS**, the Strategic Implementation Committee of the Downtown Investment Authority (“DIA”) met on May 12, 2023, to consider the recommendation of DPRP Program Forgivable Loans in accordance with the program guidelines established by City Council in accordance with the terms contained in the term sheet attached hereto as Exhibit A; and

**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.

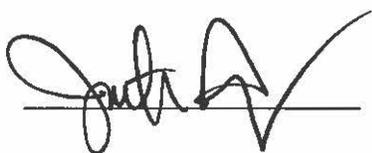
Section 2. The DIA instructs the Chief Executive Officer of the Downtown Investment Authority to take all necessary actions, including the filing of legislation before the City Council, to seek DPRP funding of up to \$6,033,500 pursuant to the Downtown Historic Preservation and Revitalization Program guidelines in accordance with the terms set forth on the term sheet attached hereto as Exhibit A.

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

  
\_\_\_\_\_  
Carol Worsham, Chairman  
JIM CATRANO, Vice Chair

5/19/23  
Date

VOTE: In Favor: - - - Opposed: - ff Abstained: 0

**Exhibit A:**

**DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM  
TERM SHEET**

**Jones Bros. Furniture Building  
520 N Hogan Street, Jacksonville, FL 32202**

**Applicant/Borrower:** CLL Jones Bros, LLC (or assigns as may be approved)

**Project:** The project comprises the redevelopment of the historic Jones Bros. property located at 520 N. Hogan Street (RE# 073857-0000) (the "Property") in the NorthCore of Downtown Jacksonville, utilizing funding through the Downtown Preservation and Revitalization Program ("DPRP").

The Jones Brothers Furniture building is a 7-story national landmark historic structure of approximately 38,000 square feet, originally constructed in 1926. The building is proposed for rehabilitation into a mixed-use property. The first floor will serve as the residential lobby, and will provide a co-work office suite, and service spaces. Floors two through seven are proposed to include 29 apartments including a mix of 1 studio and 28 1-bedroom units. The scope of work includes all new MEP systems, life safety upgrades, structural repairs, code compliance upgrades, exterior facade repairs, and window replacement.

**Total Development Costs (As underwritten):** \$15,162,000  
**Equity (proposed)<sup>1</sup>:** \$5,015,500

*Of the total equity amount proposed, up to an estimated \$3,031,400 may be generated through Historic Tax Credit funding, providing a required minimum direct equity from the Developer/Investor of \$1,983,100.*

**City Funding:** No more than \$6,033,500 (through the City of Jacksonville Downtown Investment Authority), as follows:

	Historic Preservation, Restoration, and Rehabilitation Forgivable loan (HPRR)	Code Compliance Forgivable loan (CCR)	DPRP Deferred Principal loan	TOTAL
<b>TOTAL</b>	\$2,089,900	\$2,736,900	\$1,206,700	\$6,033,500

At this level of funding and structure, the incentives proposed will require funding through the City of Jacksonville General Fund and are subject to further approvals by the Jacksonville City Council.

To be eligible for funding, all work must be reviewed and approved by the Planning and Development Department for consistency with the United States Secretary of Interior Standards and applicable design

guidelines during application processing and, further, for verification upon completion and request for funding under terms defined in the Redevelopment Agreement.

**Construction Budget.** The construction budget provided and reviewed by the DIA totals \$13,638,000 (the “Total Construction Budget Amount”), which includes Construction Costs to be incurred in each of the funding categories (each, a “Funding Category”) and in the minimum amounts (each a “Funding Category Minimum”) set forth in the table below:

<b>Funding Category</b>	<b>Funding Category Minimum</b>
Interior Rehabilitation	\$ 2,732,000
Interior Restoration	\$ 786,000
Exterior	\$ 1,948,000
Code Compliance	\$ 5,456,000
General Requirements/Other	\$ 1,274,000
N/A <sup>1</sup>	\$ 1,442,000
<b>Total Construction Budget Amount:</b>	<b>\$13,638,000</b>

*1 The category “N/A” is not required to be met as a Funding Category Minimum for reimbursement of other categories under the DPRP. For further clarity, there will be no reimbursement for expenditures categorized as “N/A” in the construction budget.*

**Minimum Expenditures:** In order to be eligible for the maximum amount of the DPRP Loan, the Borrower must provide evidence and documentation prior to the applicable DPRP Loan closing sufficient to demonstrate to the DIA, in its sole but reasonable discretion, the following:

- (i) a total equity capital contribution of at least ONE MILLION NINE HUNDRED EIGHTY-THREE THOUSAND ONE HUNDRED DOLLARS AND NO/100 (\$1,983,100) (the “Required Equity”) which shall exclude any tax credit equity or mezzanine debt provided for the Development project.
- (ii) Total Development Costs incurred of at least FIFTEEN MILLION ONE HUNDRED SIXTY TWO THOUSAND AND NO/100 (\$15,162,000), which shall include the purchase price of the property of the property shown by property appraiser records be \$1,150,000 and hard and soft construction costs in the redevelopment of the property but shall exclude developer fee, holding costs, interest reserves, operating reserves, tangible personal property (IT, FF&E), marketing, third party costs for risk management, and loan fees (the “Minimum Total Development Costs”);
- (iii) Minimum Eligible Construction Costs incurred of TWELVE MILLION ONE HUNDRED NINETY-SIX THOUSAND AND 00/100 (\$12,196,000) calculated as the Total Construction Budget Amount less costs classified as “N/A” (the “Minimum Eligible Construction Costs”), and
- (iv) Construction Costs incurred of at least the Funding Category Minimum with respect to each respective Funding Category.

Notwithstanding the foregoing,

- 1) the required Minimum Total Development Costs of \$15,162,000 may be reduced by a maximum of ten percent (10%) overall, as determined by the DIA in its sole and absolute discretion, without affecting the Borrower’s eligibility for funding under the DPRP.

- 2) the required Minimum Eligible Construction Costs of \$12,196,000 may be reduced by a maximum of ten percent (10%) overall, as determined by the DIA in its sole and absolute discretion, without affecting the Borrower's eligibility for funding under the DPRP.
- 3) any Funding Category Minimum may be reduced by a maximum of ten percent (10%) on a stand-alone basis, as determined by the DIA in its sole and absolute discretion; provided that, in such event, there shall be a pro rata reduction in any or each of the related DPRP Loans, as required. Eligibility for funding under any Funding Category shall be eliminated if the corresponding Funding Category Minimum is reduced by more than ten percent (10%).
- 4) Applicant/Borrower may not reallocate more than 25% of the cost and related funding proposed for any line item in the construction budget provided with the application to a different line item without prior approval from the DIA. In addition, the elimination of a line item from the construction budget shall eliminate any funding associated with that line item and such funds may not be reallocated to any other line item.

The DIA shall have the authority, without further action by City Council, to approve reduced DPRP Loan amounts provided the Total Development Costs incurred are not less than \$13,645,800, including Minimum Eligible Construction Costs incurred of not less than \$10,976,400.

**Infrastructure:** No City of Jacksonville infrastructure improvements are contemplated.

**Land:** No City of Jacksonville land is committed to this phase of the project.

**Loans:** No other City of Jacksonville loans are contemplated for this phase of the project.

No costs may be submitted for duplicative funding under more than one DIA incentive program. However, costs incurred by the DPRP Applicant may count towards their required contribution under the Retail Enhancement Program to the extent such costs are directly attributable to space that would be occupied by the FAB-REP Grant Applicant.

**Performance Schedule:**

- A) From the date of initial drafting and presentation, Applicant will have no more than thirty (30) days to negotiate the Redevelopment Agreement in good faith for filing with the Mayor's Budget Review Committee and City Council.
- B) Redevelopment Agreement is to be executed within thirty (30) days of the Bill Effective Date which shall establish the Redevelopment Agreement Effective Date. (This requirement will be found in the ordinance as filed.)
- C) Commencement of Construction: Within six (6) months following the Redevelopment Agreement Effective Date, Applicant commits to commencement of construction, meaning receipt of all required approvals, permitting, and closing on all required financing to allow the start of construction activities and has actually broken ground to begin work.
- D) Substantial Completion: Within twenty-four (24) months following Commencement of Construction as defined above.
- E) The DIA CEO will have the authority to extend this Performance Schedule, in the DIA CEO's sole discretion, for up to six (6) months for good cause shown by the Applicant/Borrower. Any extensions to the Commencement Date shall have the same effect of extending the Completion

Date simultaneously. Any extensions provided for the Commencement Date, or the Completion Date shall apply to this phase of the project only.

**Additional Commitments:**

- A) Upon completion, the Property shall provide not less than 28 multifamily dwelling units, and not less than 1,700 square feet on the first floor to be built out as co-work space open to the public as well as to residents.
- B) Recommendation as to the eligibility of the approved scope of work on the Property by the Planning and Development Department shall be required prior to DIA Board approval of any program funding. Such recommendation by the Planning and Development Department may be conditional on further review and approvals by the State Historic Preservation Office ("SHPO") and/or the National Park Service ("NPS") as may be required.
- C) Upon completion and request for funding, all work on the Property must be inspected by the Planning and Development Department or designee for compliance with the approved application prior to funding under any DPRP loan component.
- D) Funding under the DPRP will be secured by a stand-alone, subordinate mortgage lien position on the Property behind any senior secured, third-party lender providing construction, mini-perm, or permanent financing, as long as such subordination does not alter the DIA approved maturity date of any DPRP Loan.
- E) Each DPRP loan will be cross defaulted with one another.
- F) Payment defaults, or other defaults that trigger legal actions against the Applicant that endanger the lien position of the City, shall also be a default on the subject facilities.
- G) As the Borrower will be utilizing a combination of a HPRR Forgivable Loan, and a CCR Forgivable Loan, the maturity of each of these Forgivable Loans will be five (5) years. Principal outstanding under each note will be forgiven at the rate of 20% annually on the anniversary date of each such funding, so long as each Forgivable Loan is not in default per loan documents.
- H) Standard clawback provisions will apply such that:
  - a) In the event the Borrower sells, including without limitation a capital lease transaction, or otherwise transfers the Property during the first five (5) years after the disbursement of the Forgivable Loans, the following amounts of any Forgivable Loan shall be due and payable at closing of the Sale:
    - i. 100% if the Sale occurs within 12 months after disbursement of the Forgivable Loan(s); or
    - ii. 80% if the Sale occurs after 12 months but within 24 months of disbursement of the Forgivable Loan(s); or
    - iii. 60% if the Sale occurs after 24 months but within 36 months of disbursement of the Forgivable Loan(s); or
    - iv. 40% if the Sale occurs after 36 months but within 48 months of disbursement of the Forgivable Loan(s); or
    - v. 20% if the Sale occurs after 48 months but within 60 months of disbursement of the Forgivable Loan(s).
  - b) Changes in the proposed intended use of the property must continue to contribute towards the relevant Redevelopment Goals and Performance Measures of the DIA and shall be

presented to the DIA for further approval not less than 90 days in advance of such changes, and such approval shall not be unreasonably withheld. In the event Borrower or any lessee or assignee of the Borrower uses the Project or the Historic Property or Properties for any use not contemplated by this Agreement at any time within five years following the disbursement of the Forgivable Loan or Loan without such approval, the full amount of the amounts awarded, together with all accrued but unpaid interest thereon, may be declared by the DIA to become due and payable by the Borrower.

- c) Notwithstanding the foregoing, a "transfer" shall not include the transfer by the existing members of the Applicant/Borrower of the direct or indirect ownership interests in the Applicant/Borrower so long as Christian Allen and/or George Leone retain managerial control of the Applicant/Borrower by one or more entities controlled by Christian Allen and/or George Leone, and no liquidity event has occurred by such transfer.
- I) Funding in the amount of the DPRP Deferred Principal Loan component (if any) will have a stated maturity date of ten years from the Funding Date. The loan balance is due in full upon maturity, sale, or refinancing of the property prior to maturity, subject to terms of the disposition and value of the property at the time of such event.
- J) The DPRP Deferred Principal Loan component (if any) requires fixed annual interest payments equal to the total principal outstanding multiplied by the prevailing yield on the Ten-Year Treasury Note (TMUBMUSD10Y) at the time established for closing.
- K) Partial Principal reductions on the DPRP Deferred Principal Loan (if any) may be made after the fifth anniversary with no prepayment penalty; however, a minimum of 50% of the initial loan balance must remain outstanding through the loan maturity date unless the Property or Properties are sold or refinanced during that period, subject to DIA approval.
- L) DIA reserves the right to approve any sale, disposition of collateral property, or refinance of senior debt prior to the forgiveness or repayment of any DPRP Loan. In connection with any refinance of the senior debt, DIA agrees to subordinate the lien of the DPRP Loan to the lien, rights and remedies of the lender providing a loan to refinance the senior debt pursuant to a subordination agreement acceptable to DIA and such senior lender.
- M) All property, business, and income taxes must be current at the time of application and maintained in current status throughout the approval process, the term of the Redevelopment Agreement, and through the DPRP loan period.
- N) Minimum insurance requirements as established by the City of Jacksonville Risk Management Department must be met prior to closing and maintained throughout the term of the development agreement.
- O) Payment defaults, bankruptcy filings, or other material defaults (subject to customary notice and cure periods) during the DPRP loan period will trigger the right for the City of Jacksonville to accelerate all amounts funded and outstanding under any or all programs at such time, plus a 20% penalty of any amounts amortized or prepaid prior to that date.

There will be additional terms, conditions, rights, responsibilities, warranties, and obligations for both parties which shall be determined in a later negotiated mutually agreeable written contract (or multiple written contracts as is deemed necessary).