

RESOLUTION 2022-04-11

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING THAT THE CITY COUNCIL APPROVE A DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM FORGIVABLE LOAN PACKAGE FOR REHABILITATION OF THE BUILDING LOCATED AT 1001 KINGS AVENUE (THE “PROPERTY”) PURSUANT TO A REDEVELOPMENT AGREEMENT WITH ALE KINGS HOLDINGS, 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, ALE Kings Holdings, LLC is the owner of the Property and the building located on the Property which has been designated a local historic landmark by the Jacksonville City Council in Ordinance 1999-768 and is within the boundaries of the Downtown Southside CRA; and

WHEREAS, the Developer proposes to rehabilitate the Property to provide approximately 12,000 square feet of leasable space for commercial/retail use in the Southbank District of Downtown Jacksonville; and

WHEREAS, the increased private capital investment totaling approximately \$5,133,853 in real property will increase the county ad valorem tax base over the useful life of the assets, will add to the commercial/retail tenancy options in Downtown Jacksonville; and

WHEREAS, the Strategic Implementation Committee of the Downtown Investment Authority (“DIA”) met on April 14, 2022, 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 \$1,231,760 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, Vice Chair



Date

VOTE: In Favor: 5 Opposed: 0 Abstained: 1

Exhibit A:

**DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM
 TERM SHEET**

1001 Kings Avenue

Project: The project comprises the redevelopment of a three-story, 13,500 gross square foot historic property located at 1001 Kings Avenue (RE# 080088-0000) in the Southside District of Downtown Jacksonville owned by ALE Kings Holdings, LLC. The property is expected to be fully occupied by two tenants, England Trading Company, LLC operating a retail furniture store and doing business as “Industry West” occupying approximately 8,000 square feet on the first and second floors, and corporate offices for CL Breeze, LLC d/b/a Breeze Homes for the 3,905 square-foot third floor.

Because the property received a Certificate of Appropriateness from the City of Jacksonville Historic Preservation Commission for the exterior of the property only, the redevelopment efforts are not eligible for funding under the Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (“HPRR”) components for interior restoration or interior rehabilitation.

City funding for redevelopment of this building (“Property”) is conditioned upon terms found in this Exhibit A to Resolution 2022-04-11. Forgivable loan documentation will be prepared and entered into with the Applicant for the Property as approved by the DIA Board and the City Council of Jacksonville, Florida.

Owner / Applicant / Borrower:	ALE Kings Holdings, LLC
Total Development Costs (estimate):	\$5,133,853
Underwritten Development Costs Used for DPRP Calculations:	\$4,813,063
Equity (proposed):	\$705,303 (13.7% of TDC unadjusted) (14.5% of TDC as underwritten)

City Funding: An amount determined to be \$1,231,760 through the City of Jacksonville, as follows:

	Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (HPRR)	Code Compliance Forgivable Loan (CCR)	DPRP Deferred Principal Loan	TOTAL
TOTAL	\$257,200	\$728,200	\$246,360	\$1,231,760

At this funding level, and by this program, the incentive structure and funding under the DPRP 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 for verification upon completion and request for funding under terms defined further herein.

Budget. The construction budget reviewed and approved by the DIA in the total amount of TWO MILLION FIVE HUNDRED NINETEEN THOUSAND SIX HUNDRED FORTY-NINE DOLLARS AND ZERO CENTS (the “Total 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:

Funding Category	Funding Category Minimum
Interior Rehabilitation	0
Interior Restoration	0
Exterior	257,225
Code Compliance	970,999
General Requirements/Other	321,405
N/A ¹	970,020
Total Budget Amount:	\$ 2,519,649

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 Owner 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 SEVEN HUNDRED FIVE THOUSAND THREE HUNDRED THREE DOLLARS AND ZERO CENTS (\$705,303) (the “Required Equity”);
- (ii) Total Development Costs incurred of FOUR MILLION EIGHT HUNDRED THIRTEEN THOUSAND SIXTY-THREE DOLLARS AND ZERO CENTS (\$4,813,063) which shall exclude Developer/Program Management Fee, FF&E, tenant improvements, and operating or finance reserves (the “Minimum Total Development Costs”);
- (iii) Total Construction Costs incurred of at least the Total Budget Amount (the “Minimum Total Construction Costs”), and

- (iv) Construction Costs incurred of at least the Funding Category Minimum with respect to each respective Funding Category.

Notwithstanding the foregoing, the required Minimum Total Development Costs of \$4,813,063 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 Owner's eligibility for the approved DPRP Loans. Further, 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.

DIA staff shall present to the DIA Board a request for approval of the reduced DPRP Loans consistent with the DPRP Guidelines. The DIA Board 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 \$4,331,757 including Total Construction Costs incurred of not less than \$2,267,684.

Infrastructure: No City of Jacksonville infrastructure improvements are contemplated.

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

Loans: No other loans, grants, or other funding are requested from the City of Jacksonville for this development activity

Performance Schedule:

- A) Redevelopment Agreement to be executed within thirty (30) days of the Bill Effective Date.
- B) 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.
- C) Substantial Completion: Within eighteen (18) months following Commencement of Construction as defined above.
- D) The DIA CEO will have authority to extend this Performance Schedule, in the CEO's discretion, for up to six (6) months for good cause shown by the Developer / Applicant. Any extensions to the Commencement Date shall have the same effect of extending the Completion Date simultaneously.

Additional Commitments:

- A) The Developer commits to the development of a minimum of 13,000 square feet of net leasable commercial/retail space for tenants.

- 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 Properties 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 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 HPRR Forgivable Loans, and CCR Forgivable Loans, 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 DPRP Guidelines.
- 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 Historic Building during the first five (5) years after the disbursement of the Forgivable Loans, the following 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;
 - ii. 80% if the Sale occurs after 12 months but within 24 months of disbursement of the Forgivable Loan;
 - iii. 60% if the Sale occurs after 24 months but within 36 months of disbursement of the Forgivable Loan;
 - iv. 40% if the Sale occurs after 36 months but within 48 months of disbursement of the Forgivable Loan; or
 - v. 20% if the Sale occurs after 48 months but within 60 months of disbursement of the Forgivable Loan.

- 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.
- I) Funding in the amount of the DPRP Deferred Principal Loan component 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 requires fixed annual interest payments equal to the total principal outstanding multiplied by the prevailing Ten-Year Treasury Note Rate at the time established for closing.
- K) Partial Principal reductions on the DPRP Deferred Principal Loan 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.
- 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) Payment defaults, bankruptcy filings, or other material defaults 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).