



Downtown Investment Authority
Strategic Implementation Committee Hybrid Meeting
Monday, March 15, 2021 – 1:00 p.m.

Strategic Implementation Committee Hybrid Meeting
MEETING MINUTES

Strategic Implementation Committee Members in Attendance:

David Ward, Esq. (acting Chair)
Ron Moody, DIA Chair

Craig Gibbs, Esq.
Bill Adams (non-voting; participating via Zoom)

Committee Members Excused: Oliver Barakat, Chair

DIA Staff Present: Lori Boyer, Chief Executive Officer; Ina Mezini, Marketing and Communications Specialist; Lori Radcliffe-Meyers, Development Coordinator; Jackie Mott, Financial Analyst; and Steve Kelley, Director of Downtown Real Estate and Development

DIA Board Present: Carol Worsham

Office of General Counsel: John Sawyer, Esq.

I. CALL TO ORDER

The Strategic Implementation Committee meeting of March 15, 2021, was called to order at 1:00 p.m. by Chairman Ward.

II. PUBLIC COMMENTS

Nancy Powell stated that she had someone who would like to speak but that they are not present at the time. Chairman Ward agreed to come back to it at a later time.

No further public comments were received, and the public comments portion was closed.

CEO Boyer stated for the record that a Quorum is present. Committee Member Adams will not be able to vote because he did not submit the proper forms to vote via Zoom in time.

III. JANUARY 12, 2021 STRATEGIC IMPLEMENTATION COMMITTEE MEETING APPROVAL OF THE MINUTES

Chairman Ward called for a motion to approve the minutes as presented.

Motion: DIA Chairman Moody moved to approve the minutes as presented

Seconded: Committee Member Gibbs seconded the motion

Seeing no comments, Chairman Ward called for a vote.

Vote: Aye: 3 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 3-0-0

**IV. JANUARY 14, 2021 STRATEGIC IMPLEMENTATION COMMITTEE MEETING
APPROVAL OF THE MINUTES**

No comments were made.

Motion: DIA Chairman Moody moved to approve the minutes as presented

Seconded: Committee Member Gibbs seconded the motion

No comments were made.

Vote: Aye: 3 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 3-0-0

V. RESOLUTION 2021-03-03: DVI DISTRICT EXPANSION (Lori Boyer, CEO)

Chairman Ward gave the floor to CEO Boyer to introduce the Resolution.

CEO Boyer stated that the DVI Board has recommended the geographic expansion of their service boundaries as well as the classes of property that are assessed. Currently only commercial properties are assessed, the recommended expansion will include residential properties with certain exceptions. CEO Boyer added that the Resolution is a recommendation to City Council whether to support the expansion or not. Section II of the Resolution states the DIA's support of the proposed expansion. Section III states the DIA's support of including residential properties. CEO Boyer gave the floor to Jake Gordon of DVI.

Chairman Ward clarified that the vote is to recommend or not recommend, as amended.

Mr. Gordon stated the following:

- The millage rate would remain 1.1mils.
- Expansion of geographic boundaries.
- Ability to assess residential properties
 - Exemptions:
 - Homestead Exemption
 - New residential properties are exempt for 5 years to allow for stabilization
 - Products of affordable housing (received funding through the Florida Housing Finance Corporation)
 - Adaptive reuse projects (received funding through City of Jacksonville Historic Preservation Fund)
- The district would go from approx. 0.5 sq miles to 1.3 sq miles.

- \$875,000 of newly generated revenue from expansion
- 11% of new funds to staffing/administrative; 82% to district services/experience creation; 7% to marketing/information management
- More focus on public realm and public spaces

Seeing no further presentations or speakers, Chairman Ward called for a motion.

Motion: DIA Chairman Moody moved to approve Resolution 2021-03-03 as presented

Seconded: Committee Member Gibbs seconded the motion

Chairman Ward opened the floor for discussion.

DIA Chairman Moody stated his support of the DVI and asked if a portion of a project is affordable housing, what would the criteria be for exemption. Mr. Gordon responded that that expertise lies with the Duval County Property Appraiser; DVI does not do appraisals, they use what the Duval County appraiser decides as it relates to the property.

Committee Member Gibbs asked for clarification on the services being performed by the 11 new hires [DVI Street Ambassadors]. Mr. Gordon responded that the Ambassadors will be deployed according to best value added and according to feedback from the Board as well as property owners in downtown.

Committee Member Adams asked for clarification on why the western portion of the expanded boundary does not continue all the way down Park Street; he also asked for more detail regarding the allocation of new funds. Mr. Gordon responded that the proposed expanded border fits best with the DVI's current resources in terms of quality of service provided. If they expanded further, they would not be able to maintain the quality of service that they are committed to. In response to fund allocation, Mr. Gordon stated that a majority of the \$715,00 slated for district services/experience creation would go toward increasing the size of the Ambassador Team, and added that the DVI's detailed budget would be submitted to the Board at the next meeting, as it does on an annual basis.

DIA Chairman Moody stated that there is going to be significant development along Park Street and throughout the Brooklyn District and recommended reconsidering the boundary to include more of the Brooklyn District as soon as the budget and resources can support the expansion in services.

Committee Member Worsham asked for clarification on the 5-year exemption for new residential properties. Mr. Gordon responded that 5 years was chosen after discussion with developers about what was needed to help stabilize the properties. The priority right now is more about delivering back value and collaboration with residential properties and less about adding raw dollars.

Chairman Ward asked for clarification on how the exemption works in the long-term regarding qualifying for an exemption at one point in time and then potentially falling into the non-exempt category later. Mr. Gordon responded that the incentives are there to help fulfill goals but that they have a lifetime. The property appraiser would be the one to decide what category a property falls in to. Mr. Kelley added that the Florida Housing Finance Corporation has a minimum 30-year land use restriction and generally apply a 50-year compliance land use restriction on anything subsidized through their low-income housing tax credit program.

Chairman Ward called for a vote to approve Resolution 2021-03-03, stating that it is a positive recommendation.

Vote: Aye: 3 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 3-0-0

VI. RESOLUTION 2021-03-04: CEO AUTHORIZATION: MPS LITIGATION (John Crescimbeni, Contract and Regulatory Compliance Manager)

Chairman Ward gave the floor to CEO Boyer to introduce the Resolution.

CEO Boyer provided an overview of the ongoing litigation with MPS. CEO Boyer stated that the Resolution is a request for authorization which would allow the DIA to participate in any potential upcoming mediation or settlement of the existing lawsuit as well as provide authorization to file legislation with City Council which would allow up to \$32M of borrowing so to be paid if MPS were found in Default. If MPS is in Default, the DIA could purchase the garages for the underlying industrial revenue bond balance plus \$3 million, which is \$32M. There is no agreement that the DIA will take this action, the Resolution just provides the DIA with the authority to do so if necessary.

Chairman Ward called for a motion.

Motion: DIA Chairman Moody moved to approve the Resolution as presented

Seconded: Committee Member Gibbs seconded the motion

Chairman Ward opened the floor for discussion.

DIA Chairman Moody asked how strong of a case does the DIA have regarding the lawsuit. CEO Boyer responded that Mr. Sawyer would have best judgement of that, but that the Council Auditor Report provided very helpful information concerning discrepancies in the amounts tenants were paying.

Chairman Ward called for a vote on Resolution 2021-03-04.

Vote: Aye: 3 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 3-0-0

VII. RESOLUTION 2021-03-01: LAURA STREET TRIO DPRP (Steve Kelley, Director of Downtown Real Estate and Development)

Chairman Ward gave the floor to Mr. Kelley to introduce the Resolution.

Mr. Kelley provided an overview of the Resolution, stating the following:

- It is a Downtown Preservation and Revitalization Program request totaling \$24,674,300 for the redevelopment of the historic properties known as the Laura Street Trio. This includes the Florida National Bank building, the Florida Life building, and the Bisbee building.
- The redevelopment is being undertaken by the Southeast Development Group, represented by Steve Atkins.
- The redevelopment calls for the restoration of the properties in addition to construction of a new 8-story 37,000 sq ft building to be combined with the Trio and operated as a single integrated hotel property.
- In total, the redevelopment provides over 158,000 sq ft of development space.
- The marble bank would become an 18,000 sq ft restaurant, including a 7,400 sq ft private dining wine cellar space in the basement. The restaurant would be operated by the hotel management group Winegardner & Hammons.
- The Florida Life building would house the lobby and business center on the ground floor, a theater in the basement, a fitness and media center on the 2nd floor, and eight floors with 35 hotel rooms on the floors above.
- The Bisbee building would include a 4,400 sq ft retail bodega on the ground floor, a 4,000 sq ft conference center on the 2nd floor, and 56 hotel rooms on the eight floors above.
- The Laura Street addition would provide 8,800 sq ft of retail space on the ground floor and six floors above with nine hotel rooms per floor. It would also include a 4,650 sq ft rooftop bar for the 8th floor.
- An 11-story circulation core will be constructed because the buildings are not at the same height. This includes 2,000 sq ft of additional lobby space on the 1st floor and 10 floors with two elevators and stairs for circulation between the buildings.
- A motor court for arrival and departure is planned for W Adam Street.
- The remainder of the parcel [southeast corner] is reserved for future development.
- The development plan has received conditional approval from the Historic Preservation section of the Planning and Development Dept. and has also received conceptual approval from the DDRB. Each of the historic properties have received local historical landmark status and the development plan has also received approval on the Part I application from the National Park Service to be treated as a single project.
- The DPRP recommendation includes \$9,377,766 in the form of a Historic Preservation Restoration and Rehabilitation Forgivable Loan
- \$10,016,699 as a Code Compliance Renovation Forgivable Loan
- \$5,279,835 as a DPRP Deferred Principal Loan
- The structure of the HPRR and the CCR are Forgivable Loans over 5 years with a standard claw back for early sale or refinance.
- The Deferred Principal Loan has a 10-year maturity, at which point requires full repayment. Interest-only payments are required on an annual basis, established at the 10-year treasury

rate at the time of closing. Up to 50% of the principal may be repaid after the 5th year with that minimum balance remaining through the 10th anniversary.

- Development costs total more than \$70M, making the DPRP 35% of the total as proposed.
- Adjusted total development costs as underwritten equal \$66.9M, making the DPRP funding 36.8% of the adjusted total which is below the 40% maximum amount allowed based on the equity level provided. These amounts may be revised downward in proportion to cost savings or revisions to the development budget. Any changes would require adherence with DPRP guidelines.
- It is not in the Term Sheet, but Mr. Kelley proposed that downward adjustments to the adjusted total development costs greater than 10% require reapproval by the DIA Board.
- Equity is provided primarily through the \$5.3M property contributed to the project as supported by a third-party appraisal dated May of 2020. \$4M of cash equity injected into the project is largely offset by the \$3.5M of developer and management fee.
- Historic tax credits are expected to provide \$9,461,000 of additional equity to the project.
- Total equity reaches \$16.5M or 23.4% of the adjusted total development costs.
- Senior debt is proposed at \$25,760,000.
- The ROI is calculated at 0.87. It includes:
 - Annual project revenues which is the incremental ad valorem over a 20-year period of \$6.8M.
 - Local option sales tax of \$9.6M, which includes the bed tax. Based on an average daily rate of \$160 and an occupancy of 73.5%
 - Interest on the DPRP Deferred Principal Loan of \$660,000.
 - Present value of the repayment on the Deferred Principal Loan of \$3.7M
 - Total expected benefits of the City of \$21.5M
- The Trio property today is currently encumbered by a \$2M lien that must be cleared as a condition of closing.
- The architect on the project is Dasher Hurst; the general contractor is Danis Construction; Piper Sandler is the investment banker arranging debt and equity for the project.

Mr. Kelley concluded his presentation, stating that the recommendation is for the approval of the DPRP Loans as outlined, including the clearing of the lien currently held against the Trio property, and that further approval is required by the Historic Preservation section as well as the DDRB.

Chairman Ward opened the floor for public comment.

Susan Caven, President of Scenic Jacksonville, stated her support for the project.

Seeing no further public comment, Chairman Ward called for a motion.

Motion: DIA Chairman Moody moved to approve the Resolution as presented

Seconded: Committee Member Gibbs seconded the motion

Chairman Ward opened the floor for comment from the Board.

Board Member Worsham stated her support for the project and thanked the DIA staff for their hard work.

Committee Member Gibbs asked if 36 months with a 6-month extension is sufficient time for completion. Mr. Atkins responded that he believes the amount of time is sufficient, adding that they have a 24-month schedule in terms of the restoration and rehabilitation process. Closing is set for June of 2021 and they would proceed immediately thereafter.

DIA Chairman Moody asked Mr. Atkins what kind of tenants he foresees being interested in the product. Mr. Atkins responded that the bar and restaurant has a proven hotel management firm overseeing its operation, and that they will be working with a retiree of the Winn Dixie Corporation for the small grocery store. The additional 4,000 sq ft of retail space has not been leased yet; it will be leased in the next 22 to 24 months.

DIA Chairman Moody asked Mr. Atkins what work he has done as it relates to ensuring the success of this project. Mr. Atkins responded that a lot of the work is done through the process review with Marriott International. Several third-party multi-faceted studies have been done to ensure the project will be unique and successful.

Seeing no further discussion, Chairman Ward called for a vote.

Vote: Aye: 3 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 3-0-0

**VIII. RESOLUTION 2021-03-05: METER RENTING (BAGGING) RATE SCHEDULE
(John Crescimbeni, Contract and Regulatory Compliance Manager)**

Chairman Ward gave the floor to CEO Boyer to introduce the item.

CEO Boyer provided an overview of the Resolution, stating that it authorizes the DIA to pursue legislation with City Council to change the meter bagging rates. The recommended changes would increase the cost of bagging a meter and provide reimbursement for labor and storage costs with the goal of allowing people to bag meters as needed but also discourage meter bagging unless it is necessary. It would also help recover lost revenue when a meter is taken out of service.

Chairman Ward called for a motion.

Motion: Committee Member Gibbs moved to approve the Resolution as presented

Seconded: DIA Chairman Moody seconded the motion

Chairman Ward opened the floor for discussion.

Committee Member Adams asked if there are deviations from the Haas recommendation. CEO Boyer responded that there are no deviations, the recommendations came directly from Haas.

Seeing no further discussion, Chairman Ward called for a vote.

Vote: Aye: 3 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 3-0-0

IX. ADJOURNMENT

SIC Chairman Ward adjourned the meeting at 2:02 p.m.

The written minutes for this meeting are only an overview of what was discussed. For verbatim comments of this meeting, a recording is available upon request. Please contact Xzavier Chisholm at xchisholm@coj.net to acquire a recording of the meeting.