Downtown Investment Authority
Strategic Implementation Committee

Friday, November 12th, 2021 at 1:00 p.m.

SIC AGENDA

Bill Adams, Esq., Chair
Craig Gibbs, Esq., Committee Member
Braxton Gillam, Esq., Ex-officio
Oliver Barakat, Committee Member
Jim Citrano, Committee Member

Committee Members Excused:

I. CALL TO ORDER

II. PUBLIC COMMENTS*

III. OCTOBER 15, 2021 STRATEGIC IMPLEMENTATION COMMITTEE MEETING MINUTES

IV. RESOLUTION 2021-11-02: CENTRAL NATIONAL BANK DPRP (Steve Kelley, Director of Downtown Real Estate and Development)

V. RESOLUTION 2021-11-03: 600 PARK ST/HOME 2 SUITES (Steve Kelley, Director of Downtown Real Estate and Development)

VI. OTHER MATTERS TO BE ADDED AT THE DISCRETION OF THE CHAIR

VII. ADJOURN

** Only individuals attending the meeting in-person will have an opportunity to provide public comments. Persons who cannot attend the meeting in-person, but who wish to submit public comments regarding any matter on the agenda for consideration at the meeting, may do so by sending their public comments via electronic mail to DIAPublicComments@coj.net prior to the start of the meeting. Public comments received prior to the meeting will not be read during the meeting but will instead be forwarded to all DIA Board members for review in advance of the meeting and will remain a part of the permanent record for the meeting itself. You are encouraged to submit public comments well in advance of the start of the meeting to provide DIA Board members with adequate time to read them in preparation for the meeting.*

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Downtown Investment Authority
Strategic Implementation Committee

Friday, November 12th, 2021 at 1:00 p.m.

MEETING LOCATION

Physical Location
City Hall at St. James
117 West Duval Street
First Floor, Lynwood Roberts Room
Jacksonville, FL 32202

Visitors are encouraged not to enter City owned public buildings if they have: symptoms of COVID-19, a fever of 100.4 degrees Fahrenheit or higher, are currently undergoing evaluation for COVID-19 infection, a diagnosis of COVID-19 in the prior 10 days, or have had close contact with someone infected with COVID-19 during the prior 14 days. Any member of the public entering City owned public building may choose to wear a mask inside the building.

Virtual Location
Interested persons desiring to attend this meeting virtually can do so via Zoom (including by computer or telephone) using the following meeting access information:

Join Zoom Meeting
https://us02web.zoom.us/j/82644809997?pwd=VGQ2d29qVHFoUEwrOGFlT2YxcEsyZz09

Meeting ID: 826 4480 9997
Passcode: 487848

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Find your local number: https://zoom.us/u/acSPRiVnGd

TAB III

OCTOBER 15, 2021 STRATEGIC IMPLEMENTATION COMMITTEE MEETING MINUTES

Downtown Investment Authority
Strategic Implementation Committee Hybrid Meeting
Friday, October 15, 2021 – 2:00 p.m.

Strategic Implementation Committee Hybrid Meeting
(Draft) MEETING MINUTES

Strategic Implementation Committee Members in Attendance:

Bill Adams, Esq., Chair
Craig Gibbs, Esq., Committee Member
Braxton Gillam, Esq., Ex Officio **(Via Zoom)**
Jim Citrano, Committee Member
Oliver Barakat, Committee Member

Committee Members Excused: None

DIA Staff Present: Lori Boyer, Chief Executive Officer **(Via Zoom)**; Steve Kelley, Director of Downtown Real Estate and Development; John Crescimbeni, Contract and Regulatory Compliance Manager **(Via Zoom)**; Lori Radcliffe-Meyers, Downtown Development Coordinator **(Via Zoom)**; Ina Mezini, Marketing and Communications Specialist **(Via Zoom)**; Guy Parola, Operations Manager, and Xzavier Chisholm, Administrative Assistant

Office of General Counsel: John Sawyer, Esq.

I. CALL TO ORDER

The Strategic Implementation Committee meeting of October 15, 2021 was called to order at 2:00 p.m. by Chairman Adams.

II. PUBLIC COMMENTS

Chairman Adams called for public comment.

The following persons made in-person public comments, made public comments virtually through Zoom, or provided comments that were read into the record by DIA Staff. Note: the subject matter of the comment(s) indicated to the right of each person:

Cliff Miller — Spoke to lack of impressive boulevards, using Laura Street view corridor as an example; spoke to bringing brick façades back - used building in Five Points as an example and referenced the former Rosenblumes Building as an example Downtown where the original façade is covered.

Having no further public comments, this portion of the Committee Meeting was closed by the Chair.

III. AUGUST 16, 2021 STRATEGIC IMPLEMENTATION COMMITTEE MEETING APPROVAL OF THE MINUTES

Having called for corrections or other edits by his fellow committee members and after receiving none, Chairman Adams asked for a motion and second on the item.

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

Seconded: Committee Member Barakat seconded the motion

Seeing no comments, Chairman Adams called for a vote.

Vote: Aye: 4 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 4-0-0

IV. <u>RESOLUTION 2021-10-03: CNB REDEVELOPMENT NEW CONSTRUCTION</u>

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY RECOMMENDING CITY COUNCIL APPROVAL OF A MARKET RATE MULTI-FAMILY HOUSING RECAPTURE ENHANCED VALUE GRANT (“REV GRANT”), AND A PARKING GARAGE COMPLETION GRANT (“COMPLETION GRANT”), AUTHORIZING THE CHIEF EXECUTIVE OFFICER (THE “CEO”) TO NEGOTIATE A REDEVELOPMENT AGREEMENT REGARDING THE SAME BETWEEN THE CITY OF JACKSONVILLE, DOWNTOWN INVESTMENT AUTHORITY, AND AXIS 404 JULIA, LLC; AUTHORIZING THE CEO OF THE DOWNTOWN INVESTMENT AUTHORITY TO EXECUTE SUCH AGREEMENT; PROVIDING AN EFFECTIVE DATE.

Chairman Adams gave the floor to Steve Kelley to introduce Resolution 2021-10-03.

Steve Kelley provided an overview of the Resolution and the Development.

The Development includes:

New
103 multi-family units
480 garage

Rehab (Ambassador Annex, CNB Redevelopment)
Will come to board once construction budget comes in for DPRP
39 units
5,769 square feet of commercial retail

Included in the parking garage are up to 120 spaces for JFRD.

Steve Kelley provideD an overview of the incentive and public finance components of the redevelopment agreement.

DIA to provide a 75% Recaptured Enhanced Value Grant 15 years at a value not-to-exceed $4,050,000, based on a minimum capital investment of $34,370,000. JFRD to provide $2,400,000 for 120 structure parking spaces upon completion of the garage.

Speaking to an alternative proposal for the JFRD parking spaces, Steven Kelley explains that Augustine Development proposes a 50% REV for 15yrs and $25,000 per space for 120 spaces. The reasoning behind the alternative is that the averaged cost per space rises to $25,000 for any spaces above 90 due to location of those spaces below grade. Conversely, Augustine Development also stated they would provide 90 spaces at $20,000 per space with a 75%, 15-year REV Grant. **Note: The Developer clarifies later in the meeting that they are fine with a 50%, 15-year REV grant together with 90 spaces at $20,000 per space or 120 spaces at $25,000 per space, subject to a negotiated maintenance agreement with JFRD.**

Chairman Adams asked for Committee Member comments, and in order of being recognized by the Chair the following Committee Member comments are made:

Committee Member Barakat

- Mr. Barakat noted that we are discussing incentive packages for Ambassador and Independent Life separately, and that what is being discussed today is the incentive for the new construction, further noting that incentives for the rehab of the historic CNB Building to be discussed at a later date.

- Speaking to the JFRD parking, Mr. Barakat asked about the source of the funding.

  CEO Boyer answered that JFRD has $2.4M in their budget.

- Mr. Barakat asked if there was a change in contractor, further asking if the schedule of probable costs were authenticated by the contractor?

  Steve Kelley answers "No".

Committee Member Gibbs

- Speaking to the cost-per structure parking spaces, how does $20K per space rank against others?

  Steve Kelley answers that costs vary and that $25K or $30K per space is not out of line for garages with certain amenities (e.g., ground floor retail).

- Speaking to maintenance, Mr. Gibbs asks if JFRD be responsible for maintenance?

  Steve Kelley replies “No”.

Committee Member Citrano

- Mr. Citrano asks if the $25K per space really an incentive given that we get something in return?

  Steven Kelley replies that it is not technically an incentive, and functions more as an acquisition of an asset via perpetual easement

- Mr. Citrano asks if that is why the per-space JFRD funds are not an ROI factor?

  Steve Kelley replies “Yes.”

- Mr. Citrano notes that we are considering a 75% grant based on staff’s metrics, and asks if that accounts for the Developer’s ongoing maintenance costs for the garage.

  Steve Kelley replies “Yes”, and goes on to state that when we (DIA Staff) look at the plan umbrellas there are areas of our responsibilities not otherwise called out in a specific incentive, which includes coordinating and facilitating efficient use of property and parking.

Committee Member Barakat

- Mr. Barakat comments that in his perspective the cost-per-space paid by JFRD is an incentive because if the actual cost-per-space is less than the $20K or $25K, citing information provided to him on other garages. Mr. Barakat views the 75% an inordinate incentive amount based on what is being provided in terms of parking spaces.

  CEO Boyer responds that we (DIA) wear several “hats”, noting that we (DIA) are also responsible, via the Office of Public Parking, to provide public parking for City offices as well as for the public, further noting that we (DIA through the Office of Public Parking) may either provide JFRD surface parking with their $2.4M elsewhere or within this garage. CEO Boyer notes that surface parking probably not the preferred option.

  George Bochis, Augustine Development, is recognized by the Chair and responds that when we (Augustine Development) first started talking with JFRD there were 90 spaces needed, which is now up to 120 spaces. The rise in averaged cost-per-space from 90 to 120 is due to the need to construct those additional spaces below grade.

Chairman Adams

- Mr. Adams asks of DIA staff, if the office of public parking is responsible for providing parking and if we have public parking facilities why can't we put those spaces there?

  CEO Boyer responds that our parking facilities are full with waitlists, further noting that JFRD has a 24-hour accessibility need and further requires that parking is within proximity to their facility. CEO Boyer goes on to note that this garage also serves others developments (Ambassador, CNB and I Life building), consistent with our (DIA) goal is to create joint use parking facilities.

- Mr. Adams commented that we (DIA) are also using the REV Grant as a parking maintenance offset, questioning if this is an appropriate use of the REV Grant, further questioning if the maintenance expense should not be an expense born by the CRA, but born by JFRD.

Committee Member Barakat

- Mr. Barakat notes that he is in agreement with the Chair's comments and position on the JFRD parking and REV Grant.

Committee Member Citrano

- Asks if the 75%, 15-year REV Grant requires City Council approval.

  CEO Boyer responds that it requires City Council approval because the Development meets the threshold for a 50%, 15-year REV Grant. Because what is proposed is a 75%, 15-year REV Grant, City Council approval is required.

  CEO Boyer further notes that the developer is also engaged in the development of several other parcels, with the Developer's position being that they are worthy for consideration of an amount greater than they (the Development) would otherwise qualify for on paper.

Committee Member Barakat

- Requests that the developer validate the higher number on parking and 50% REV Grant.

  George Bochis from Augustine Development notes that they are acceptable of a 50%. 15-year REV Grant, subject to successful negotiations with JFRD of a maintenance agreement; further, the Developer is willing accept 90 spaces at $20K per space, or 120 spaces at $25K per space.

CEO Boyer, speaking to the Committee, notes that if they want to address this (JFRD Parking) today, the Resolution may be amended to include a 50%, 15-year REV Grant with either: 90 spaces to JFRD at a cost to JFRD of $20,000 per space, or 120 spaces to JFRD at a cost to JFRD of $25,000 per space. The maintenance costs for those spaces to be absorbed by the Office of Public Parking. CEO Boyer stated that we would provide an estimate of maintenance and operation costs per space based on other facilities prior to the (regular) DIA Board Meeting.

Committee Member Barakat

- Requests through the DIA CEO that staff do more research and make a summary report to the full board.

DIA Chairman Gillam

- Asks if we (DIA through the Office of Public Parking) are able to charge back to JFRD maintenance and operation costs?

Chairman Adams: proposes an amendment to Resolution 2021-10-03 as follows:

A 50%, 15-year REV Grant with either: 90 spaces to JFRD at a cost to JFRD of $20,000 per space, or 120 spaces to JFRD at a cost to JFRD of $25,000 per space. The maintenance costs for those spaces to be absorbed by the Office Public Parking.

Committee Member Citrano

- Reiterates DIA Chairman Gillam's question regarding the charge back of maintenance and operation costs to JFRD. CEO Boyer notes that staff can look into this.

Committee Member Citrano: proposes a friendly amendment to Chairman Adam's amendment as follows:

Prior to DIA Board Meeting, the Board to be provided answers to (a) anticipated cost of maintenance and operation per space, and (b) the ability to charge back those costs to JFRD.

The above is accepted by Chairman Adams as a friendly amendment.

Motion: Committee Member Citrano moved to approve Resolution 2021-10-03 as amended

Seconded: Committee Member Barakat seconded the motion

Seeing no comments, Chairman Adams called for a vote.

Vote: Aye: 4 Nay: 0 Abstain: 0

V. ADJOURNMENT

Chairman Adams adjourned the meeting at 3:04 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.

TAB IV

RESOLUTION 2021-11-02: CENTRAL NATIONAL BANK DPRP

RESOLUTION 2021-11-02

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY ("DIA") RECOMMENDING THAT CITY COUNCIL APPROVE A DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM FORGIVABLE LOAN PACKAGE FOR RENOVATIONS TO THE CENTRAL NATIONAL BANK BUILDING LOCATED AT 404 N JULIA STREET (THE "PROPERTY") PURSUANT TO A REDEVELOPMENT AGREEMENT WITH AXIS 404 JULIA, LLC ("AXIS 404") OR ASSIGNS ("DEVELOPER"); FINDING THAT THE PLAN OF DEVELOPMENT IS CONSISTENT WITH THE DIA'S BUSINESS INVESTMENT AND DEVELOPMENT PLAN ("BID PLAN") AND THE NORTH BANK DOWNTOWN AND SOUTHSIDE 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, Axis 404 is the owner of the Property and the building located on the Property has been designated local historic landmark and is a contributing building located within the National Historic District of Downtown and within the boundaries of the Downtown Northbank CRA; and

WHEREAS, the Developer proposes to rehabilitate the Central National Bank Building into 36 studio, one-bedroom, and two-bedroom, market rate, multifamily housing units and approximately 3,240 square feet of retail space; and

WHEREAS, the increased private capital investment totaling not less than $14 million in real property will increase the county ad valorem tax base over the useful life of the assets, will increase the availability of units for Downtown residents and increase retail activity in the Central Core District of Downtown Jacksonville; and

WHEREAS, the Strategic Implementation Committee of the Downtown Investment Authority ("DIA") met on November 12, 2021 to consider the term sheet and 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 $5,814,697 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**

______________________	______________________________	____________
	W. Braxton Gillam, Esq., Chair	Date

VOTE: In Favor: ________ Opposed: _________ Abstained: _______

Exhibit A:

DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM TERM SHEET

Central National Bank Building
404 N. Julia Street, Jacksonville FL 32202

Project: The project proposes the redevelopment of a historic property in the Central Core District of Downtown Jacksonville utilizing funding through the Downtown Preservation and Revitalization Program ("DPRP").

The Central National Bank Building ("CNB") located at 404 N. Julia Street, RE# 073802 0000, is a historic structure with three stories to be redeveloped with 36 residential units and a projected 5,769 square feet of gross commercial/retail space on the ground floor, including 3,240 sf of gross leasable space projected to be occupied by a fitness center.

Applicant / Borrower: Axis 404 Julia, LLC (Axis 404), a single purpose entity created by Augustine Development Group, George Bochis, CEO; Bryan Greiner, President
Total Development Costs (estimate): $14,916,353
Underwritten Development Costs Used for DPRP Calculations: $14,267,875
Equity (proposed): $2,250,000 (15.8% of TDC as underwritten)

City Funding: No more than **$5,814,697** (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
TOTAL	$2,261,349	$2,303,348	$1,250,000	**$5,814,697**

In combination, the HPRR Forgivable Loan, the CCR Forgivable Loan, and the DPRP Deferred Principal Loan are referred to as the DPRP Loans. At the funding level and structure proposed, the incentive structure and funding under the DPRP is subject to further approvals and funding commitment by the Jacksonville City Council.

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 from the City of Jacksonville are contemplated for this Phase of the Project, although commercial tenants leasing space within these Properties may be eligible for funding under separate programs. 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 (“REP”) to the extent such costs are directly attributable to space that would be occupied by the REP Applicant.

The broader project includes a new construction phase providing a REV Grant of $4,450,000 and funding for garage spaces for the use of COJ JFRD totaling $2,000,000 as detailed under Resolution 2021-10-03, and its Ex. A Term Sheet. None of that City funding, nor the related construction budgets and development costs, shall overlap or otherwise be comingled or included in funding of the subject DPRP request.

Minimums:

A) The minimum Total Equity Capital contribution through completion to remain eligible for the maximum DPRP Funding as outlined is $2,250,000.

B) The minimum Total Development Costs for the Project is $14,267,875, which may be reduced by a maximum of 15% overall to remain eligible for funding as approved.

C) The minimum Total Construction Costs is $9,920,625 and equals the total amount of the costs set forth in the budget submitted to the DIA. The minimum Total Construction Costs are further subject to each of the funding category minimums below:

DPRP Summary	TOTAL	CCR	HPRR
Exterior	$ 2,928,530		$ 1,491,398
Interior Restoration	$ 137,500		$ 103,125
Interior Rehabilitation	$ 2,511,685		$ 547,451
General Requirements	$ 1,221,880		$ 119,376
Code Compliance	$ 3,111,130	$ 2,303,348	
N/A	$ 9,900		
Total:	$ 9,920,625	$ 2,303,348	$ 2,261,349

D) The minimum Total Construction Costs may be reduced by not more than 10% overall to remain eligible for funding as approved; however, such reduction requires pro rata reduction in the related DPRP Loans.

E) Reduction of the Total Construction Costs within any funding category below the respective funding category minimum will require a pro rata reduction in the related DPRP Loans. Any reduction in the Total Construction Costs within any funding category below the respective funding category minimum of greater than 20% will require review and approval by DIA Staff to remain eligible for a DPRP Loan with respect to that funding category.

F) Further, each funding category minimum as provided above also serves as the maximum dollar amount of expenditures that may be submitted for reimbursement, with respect to each funding category. No funding category minimum may be increased above the amount shown for funding reimbursement purposes under DPRP.

Performance Schedule:

A) Execution of the Redevelopment Agreement and filing for construction permits necessary to commence construction to occur within 90 days of Bill Effective Date. .

B) Commencement of Construction to occur within 30 days following 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, but not later than 6 months following the Effective Date of the Redevelopment Agreement. .

C) Substantial Completion to be achieved within twenty-four (24) 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 such extension to the Commencement Date will have the same effect on the Substantial Completion Date.

Additional Commitments:

A) The Developer commits to the development of:

1. A minimum of 34 dwelling units.
2. A minimum of 5,500 square feet of gross commercial/retail space on the ground floor, including 3,200 sf of gross leasable space
3. Recommendation as to the eligibility of the approved scope of work on the Properties by the Planning and Development Department shall be required prior to DIA Board approval. 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").

B) 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 COA and application prior to funding under any DPRP loan component.

C) Funding under the DPRP will be secured by a subordinate lien position on the Property behind any senior secured, third-party lender providing construction, mini-perm, or permanent financing.

D) 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.

E) The subject DPRP Loans shall cross-defaulted with the City REV Grant commitments on the New Construction phase of the development activity, to the extent commercially reasonable.

F) As Axis 404 will be utilizing a combination of HPRR Forgivable Loans, and CCR Forgivable Loans, the maturity of each of these Forgivable Loan 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.

G) Standard claw back provisions will apply such that:

a) In the event the Borrower sells, leases or otherwise transfers the Historic Building during the first five (5) years after the disbursement of the Forgivable Loan, 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) 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, the full amount of such Forgivable Loan, together with all accrued but unpaid interest thereon, shall immediately become due and payable to the City by the Borrower.

H) 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.

I) The DPRP Deferred Principal Loan component requires an annual interest payment equal to the total principal outstanding multiplied by the prevailing Ten-Year Treasury Note Rate at the time such rate was set.

J) 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.

K) DIA reserves the right to approve any sale, disposition of collateral property, or refinance of senior debt during the DPRP Compliance Period.

L) 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.

M) Payment defaults, bankruptcy filings, or other material defaults during the DPRP loan period will trigger the right for the City of Jacksonville to accelerate repayment of 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.

N) The property shall be rehabilitated and constructed in a manner materially consistent with all plans and specs submitted to and approved by the DIA, along with DDRB conditions and approvals, and conditions and approvals by other City, State, and National governmental departments and agencies.

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).

SUPPLEMENTAL INFORMATION
CENTRAL NATIONAL BANK DPRP
STAFF REPORT

CNB MULTIFAMILY HISTORIC COMPONENT

Downtown Preservation and Revitalization Program
Staff Report for DIA SIC
November 12, 2021

Applicant:	**Axis 404 Julia, LLC (Augustine Development Group)**
Project:	**CNB Multifamily Historic Component**
Program Request:	**DPRP**
Total Development Costs (as presented):	**$14,916,353**
Total Development Cost (as underwritten):	**$14,267,875**

DPRP Recommended:

1) Historic Preservation Restoration and Rehabilitation Forgivable Loan (HPRR)	**$3,570,556**
2) Code Compliance Renovations Forgivable Loan (CCR)	**$3,325,900**
3) DPRP Deferred Principal Loan	**$1,727,864**
	$8,624,320

The Project

The owner/developer, Axis 404 Julia, LLC ("Axis") is a Single Purpose Entity established by Augustine Development Group for the purpose of developing a 136-unit multifamily development including a structured parking garage with 450 proposed spaces.

The overall development plan is presented to DIA as two components. The subject of this Staff Report is the redevelopment of the historic Central National Bank ("CNB") building proposed to provide 36-multifamily units and a projected 5,769 square feet of gross commercial/retail space on the ground floor, including 3,240 sf of gross leasable space proposed to be occupied by a membership fitness center. The new construction component including 103-units of new multifamily housing and a 450-space structured parking garage was presented and approved at the DIA Board meeting in October 2021. Construction of each building will be undertaken simultaneously as each component is integral to the function and operation of the overall development.

The architectural rendering above provides a depiction of how the finished development is to look upon completion including the historic component featured, and the new construction to the rear:

As noted previously, the parcel under development, is part of the larger development activities of Augustine Development group, which on the same block includes the Ambassador hotel. As shown by the shaded area in the map below, the CNB Building , the historic redevelopment component of the overall development plan, is found at 404 N Julia Street (RE# 073802-0000) at the corner with W. Duval Street, and the Ambassador Hotel is found at 420 N. Julia Street at the corner with W. Church Street. The new construction components will take place on the westerly portions of the block.

<u>Historic Preservations Section Considerations</u>:
From the Planning and Development Department, Historic Preservation Section:

The three-story masonry building at 404 North Julia Street was landmarked in 2020 via Ordinance 2020-0485-E. The structure was found to have met five (5) of the seven (7) designation criteria. Originally constructed in 1927 as the Jacksonville Chamber of Commerce Building with multiple storefronts at the street level, the structure was substantially redesigned for the Central National Bank in 1957, when the interior was reworked, both the east and west street elevations were replaced with the current Mid-Century Modern Style design and drive-thru banking lanes were added exiting to Duval Street. In addition to its architectural significance for this later design, the structure is also significant for its association with a notable Florida architect, Edwin T. Reeder; its connection to downtown Jacksonville's post World War II development; and its suitability for preservation.

As a local landmark, all exterior work must be reviewed under a Certificate of Appropriateness (COA) for consistency with the Secretary of the Interior Standards for Rehabilitation (Standards).

The HPS review of the project was based on a submitted copy of the HTC part 2, which details existing conditions and proposed work scopes for the entire building through historic documentation, current photographs, existing/proposed plans, and written descriptions. At the time of this memorandum, *no COA has been approved and only the SHPO has reviewed the project, so the HPS is providing a conditional conceptual approval.*

Conditions:

1. The project shall receive approval of the work scope by the national Park Service (NPS) through the HTC part 2 and any subsequent amendments, confirming the project going forward meets the Secretary of the Interior Standards for Rehabilitation.

2. Copies of the HTC part 2 approval, along with any follow-up amendment submittals and approvals by the NPS must be provided to the Historic Preservation Section (HPS) as soon as possible, but no less than two weeks prior to permitting those covered scopes of work, so that the HPS can verify that the work has been approved, permit plans have been revised as needed and any conditions are addressed in a COA per the DPRP Guidelines and landmark requirements.

The conditional approval provided by HPS is consistent with the DPRP program guidelines, and conditional approval of the Part II application by the NPS, as well as finalization of the COA by HPS consistent with those requirements and conditions.

<u>The Development Team</u>

Augustine Development (George Bochis, CEO; Bryan Greiner, President) have redevelopment activity underway at the 100-room Ambassador Hotel (HPRTF Grant $1.5 million), and the 140-unit, mixed-use, Independent Life building (HPRTF Grant $3 million), as noted earlier. The principals report having completed 12 Storage projects, 18 Multifamily, 13 Retail, 4 Hotel, 2 Assisted Living, and 3 Warehouse projects in their history dating to 1970. Projects have ranged in size from 40,000 square feet to 200,000 square feet, or alternatively within Multifamily, 33-240 unit developments.

<u>General Contractor</u>

Jacksonville based Faver Gray Contracting, (James Gray, CEO and W. Keith Faver, President), is shown to be the GC on the project. Faver Gray reports having built in excess of projects in 15 states and 61 cities throughout the Southeast and other areas of the United States. Further, the firm is currently licensed in in 21 states and has completed 37 multifamily projects (3.5 million square feet), 28 student housing projects (more than 9 million square feet), 627 senior living/healthcare beds (509 thousand square feet), and 1,885 hospitality units.

<u>Architect</u>

Dasher-Hurst Architects, Tom Hurst, AIA, Principal. A co-founding principal at Dasher Hurst Architects, Tom Hurst has a diverse, award-winning portfolio of work that includes commercial, hospitality, institutional, and residential structures. He is recognized as a leader in the field of historic preservation and adaptive reuse and has worked tirelessly to promote redevelopment efforts in downtown Jacksonville. Tom is active in the local chapter of the American Institute of Architects and is Past President (2013) of the Jacksonville Chapter. He is a Registered Architect and Interior Designer in Florida, a LEED® Accredited Professional, and a member of the National Trust for Historic Preservation.

<u>DPRP Request and Structure</u>:

To facilitate redevelopment of the property, Axis requests approval of funding under the DPRP due to a funding gap in meeting cost of construction and development. The funding gap is confirmed by analysis of pro forma cash flow, supportable debt, and return on equity investment by the developers and related investors.

Pro Forma Operations

- The CNB building is proposed to provide 36 units of multifamily housing ranging in size from 501-square feet ($2.83 sf) to 1,980 square feet ($1.87 sf). The composition of units is weighted towards studio style units (27 units), with five-1BR/1BA units, and four 2BR/2BA units.
- As reflected in the Developer's pro forma, the CNB historic component is expected to generate Effective Gross Income of $610 thousand in its first full year of operation. Vacancy is modeled at 15% in year 1 dropping to 5% in subsequent years, and rent growth is calculated at 2.5% throughout the ten-year pro-forma.
- Other income is provided by lease revenue at $20 sf for the 3,240-sf space totaling $64,800 in year one and increasing to just over $80,000 in year ten.
- Total operating expenses are estimated at approximately 30.5% of revenues initially, dropping to 26.4% by year ten.
- Management fee is modeled at 2.9-3.3% of Effective Gross Income.
- Replacement reserves are modeled at $259 to $310 per unit, per year.
- Net Operating Income is estimated to be $424 thousand in the first year of stabilized operations providing debt service coverage of 1.3X and Yield on Cost of 2.84%. Over ten years, NOI improves to $619 thousand providing debt service coverage of 1.9X and Yield on Cost of 4.15%.

Capital Considerations

- Total development costs as presented equals $14,916,353, or $431 sf for the acquisition costs and rehabilitation of the 34,610 square foot building. After an adjustment to the contingency budgeted (to equal 10% of each DPRP category), construction costs are lowered to $14,267,875, or 412 sf.
- As found in the Sources and Uses for the development, acquisition cost is shown to be $2 million, and supported by a settlement statement with the seller of the property.
- The tax assessed value of the property in 2021 is $1,419,727, and documentation was provided to show all property taxes are current.
- Total equity to be injected is shown to be $2,250,000; 15.8% of TDC, as underwritten.
- Senior debt on the development is shown to be $4,973,704, or 34.9% of TDC. Modeled over 30 years at 5%, annual debt service is projected to equal an estimated $324 thousand.

DPRP Recommended

Based upon the analysis of projected cash flows and development costs, the recommended DPRP is as follows:

	Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (HPRR)	Code Compliance Forgivable Loan (CCR)	DPRP Deferred Principal Loan	TOTAL
TOTAL	**$2,261,349**	**$2,303,348**	**$1,250,000**	**$5,814,697**

At this level, the incentive structure and funding under the DPRP will be subject to further approvals by the Jacksonville City Council.

Underwriting this application established the need for financial support from the City based on the extensive redevelopment costs for the buildings, deemed important to the preservation of Jacksonville's historic building stock and consistent with the goals of the BID and CRA plan as well as the stated purpose of the Downtown Preservation and Revitalization Program.

DPRP funding limits based on equity contribution in relationship to Total Development Cost ("TDC"), and requirements for the DPRP Deferred Principal Loan are considered for each property individually and on a combined basis. Total equity of $2,250,000 (15.8% of TDC) meets the minimum requirement of 10% and allows DPRP funding up to 50% of TDC. As such the DPRP Deferred Principal Loan is required to be established at a minimum of 20% of total DPRP funding.

DPRP Modeling Parameters – CNB Bank Building

DPRP Summary

Total Construction Costs:	$ 9,920,625

Sources		
Federal Historic Tax Credit	$ 1,229,475	8.6%
HPRR Forgivable Loan	**$ 2,261,349**	15.8%
CCR Forgivable Loan	**$ 2,303,348**	16.1%
DPRP Deferred Principal Loan	**$ 1,250,000**	8.8%
Other COJ Funding		0.0%
1st Position Debt	$ 4,973,704	34.9%
Owner Equity	$ 2,250,000	15.8%
TOTAL SOURCES	$ 14,267,875	100.0%

Uses		
Purchase Price	$ 2,000,000	14.0%
Construction Costs	$ 9,920,625	69.5%
A&E Costs	$ 325,000	2.3%
Soft Costs	$ 75,750	0.5%
Developer Fee	$ -	0.0%
Real Estate Financing Costs	$ 961,500	6.7%
Development Overhead	$ 985,000	6.9%
TOTAL USES	$ 14,267,875	100.0%

Maximum Funding Level	$ 7,133,938
DPRP Funding	$ 5,814,697

	DPRP Guidelines			
Measurement	**% of TDC**		***Net of Developer Fee***	**Project**
Developer Equity	10%	Min	of TDC	15.8%
3rd Party Loan			No min or max	34.9%
Subsidy or Tax Credit			No min or max	8.6%
Developer Combined	50%	Min	of TDC	59.2%
DPRP				
Exterior	*75%*	*Max*	*of eliglible costs*	
Restoration Int	*75%*	*Max*	*of eliglible costs*	
Rehabilitation Int	*30%*	*Max*	*of eliglible costs*	
Code Compliance	*75%*	*Max*	*of eliglible costs*	
Other	*20%*	*Max*	*of eliglible costs*	
HPRR Forgivable Loan	30%	Max	of TDC	15.8%
CCR Forgivable Loan	30%	Max	of TDC	16.1%
DPRP Def Prin Loan	20%	Max	of TDC	8.8%
DPRP Def Prin Loan		Min	Must be ≥ 20% of Gap	21.5%
Other COJ Funding				0.0%
COJ Combined	50%	Max	of TDC	40.8%

As shown above, developer equity in the CNB Bank Building equals 15.8% of TDC, whereas equity plus third-party debt, and historic tax credits combined exceeds the minimum requirement of 50% of TDC, at 59.2%. Redevelopment of the property is proposed to be supported by a HPRR Forgivable Loan of $2,261,349, a CCR Forgivable Loan of $2,303,348, and a DPRP Deferred Principal Loan of $1,250,000. Program guidelines allow for the HPRR and CCR Forgivable Loans to amortize concurrently with principal forgiven at the rate of 20% annually over a five-year period.

The DPRP Deferred Principal Loan is an interest only loan with the rate established at the level of the Ten-Year Treasury Note at the time of funding. For conservative modeling purposes, a rate of 1.5% is used providing interest payments of $18,750 to the City annually.

Project ROI:

As shown by the model below, the project ROI on the City investment is 0.70X, which exceeds program requirements of 0.50X. The calculations are based on City benefits totaling $4.1 million, based on ad valorem over 20 years, $2.9 million (including 10 years of tax abatement on the incremental improvements for historic properties), Local Option Sales Tax drawn from projected retail sales, fitness center memberships, and lease payments of $186 thousand, and payroll related sales tax considerations estimated at $16 thousand (LOST and payroll considerations are both then reduced to 50% for the speculative nature per DPRP Guidelines), and the interest income (10 years) and Present Value of the repayment on the Deferred Principal Loan, $919 thousand.

$14.3 Million in Capital Expenditures				
Ad Valorem Taxes Generated				
County Operating Millage	(1)	$ 2,872,138		
Local Option Sales Tax	(2)	$ 92,913		
Payroll	(3)	$ 7,788		
Add'l Benefits Provided	(4)	$ 919,288		
Total City Expected Benefits			$ 4,079,628	
Total City Investment	(5)		$ 5,814,697	
Return on Investment Ratio				**0.70**

(1) - The investment from the Company is estimated to be $14.3 million in Capital Contribution for development and $in taxable Tangible Personal Property

(2) - Local Option Sales Tax is based on the revenue generated through retail sales, gym memberships, and commercial leases.

(3) - Job estimates are calculated at # of jobs * avg. wage. Assumes 20% spent locally and a 1 percent sales tax over 20 years.

(4) - Value of any additional contribution being made for the benefit of the city in consideration of the incentive

Interest on the DPRP Deferred Principal Loan	$ 187,500
PV of the Repayment of the Deferred Principal Loan	$731,788
Total Add'l Benefits Provided	$ 919,288

(5) - City Incentives as follows:

DPRP	$ 5,814,697
Land	$ -
Other	$ -
Total Direct Incentives	$ 5,814,697

Recommendation:

DIA Staff recommends approval of a the DPRP loans as outlined above.

All requirements outlined within the HPS conditional approval or as may be established by the NPS in its conditional approval must be incorporated into the redevelopment project and inspected for adherence upon completion and prior to funding.

Final review by the DDRB and adherence to findings within its conceptual approval and others as may be set into place are concurrent requirements of this recommendation for approval.

Minimum funding requirements and other terms and conditions approval and administration of the subject facilities are captured in the Exhibit A Term Sheet.

TAB V
RESOLUTION 2021-11-03: 600 PARK ST/HOME 2 SUITES

RESOLUTION 2021-11-03

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY RECOMMENDING [APPROVAL/DENIAL] OF THE REQUESTED INCENTIVES FOR THE THE HOME 2 SUITES PROJECT; [DIRECTING DEVELOPMENT OF A TERM SHEET BETWEEN THE DOWNTOWN INVESTMENT AUTHORITY AND KELCO BROOKLYN, LLC]; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Kelco Brooklyn, LLC (to be formed) (the "Developer") proposes to construct a six-story, 100 room, select-service hotel under the Home 2 Suites brand of Hilton Hotel properties, as well as 2,000 square feet of leasable space for a restaurant. The project will result in the investment of approximately $17,300,000 for the construction of the hotel and associateted improvements; and

WHEREAS, the Developer is requesting a REV Grant the amount of $3,014,233 that does not qualify for an established DIA Incentive Program and is therefore subject to the decision-making criteria established as the tiered approach within the Business Investment and Development ("BID") Plan; and

WHEREAS, the DIA Staff reviewed the Developer's application and does not recommend approval of a REV Grant since staff determined that the project does need financial support, could be detrimental to existing select service hotels in Downtown, and is incompatible with Redevelopment Goals, strategic objectives and performance measures as provided for by the BID Plan; and

WHEREAS, the Downtown Investment Authority ("DIA") is authorized to determine whether a project is eligibile for incentives contrary to the recommendation from DIA staff.

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 hereby [approves/denies] the incentives requested by the Developer.

Section 3. The DIA hereby [directs/does not direct] the CEO of the Downtown Investment Authority to negotiate a term sheet with the Developer prior the next scheduled meeting of the DIA.

Section 4. This Resolution, 2021-11-03, shall become effective on the date it is signed by the Chair of the DIA Board.

(SIGNATURES ON FOLLOWING PAGE)

WITNESS: **DOWNTOWN INVESTMENT AUTHORITY**

______________________________ ______________________________ ____________

W. Braxton Gillam, Esq., Chairman Date

VOTE: In Favor: _______ Opposed: _______ Abstained: ______

SUPPLEMENTAL INFORMATION
600 PARK ST/HOME 2 SUITES
STAFF REPORT

Home 2 Suites
Hospitality REV Grant
Staff Report
November 12, 2021

Applicant:		**Kelco Brooklyn, LLC (to be formed)**
		Kelco Management and Corner Lot Development
Project:		**Home 2 Suites Hotel**
Program Request:		**Hospitality REV Grant**
Total Development Costs (as presented):		**$17,319,565**
Total Development Cost (as underwritten):		**$14,666,741**
REV Requested:	**$3,014,233**	**75% / 20 years**
REV Proposed:		***Not Recommended***

The Project

The developer, Kelco Brooklyn, LLC (Kelco), is a proposed joint venture between Kelco Management (Mr. Kelley Slay) and Corner Lot Development (Mr. Andy Allen, CEO, and Mr. George Leone, COO). Kelco has developed plans for a six-story, 100 room, select-service hotel under the Home2Suites brand of Hilton properties. The hotel development proposes to lease approximately 2,000 square feet of space for a restaurant, and provide amenities including a business center, fitness center, vending and ice machines, a guest laundry room, and a sundries shop. The property will be located at 600 Park St. near I-95 bordered by Park Street to the east, Rosselle Street on the north, Chelsea Street to the west. Neighboring business on the southern end of the block include a Jimmy John's sandwich shop and several small office buildings. This is an emerging area within the Brooklyn District of the Northbank Downtown CRA, and the site is approximately three and a half blocks west of the recently opened, 135-room, Marriott Residence Inn, located at 357 Oak Street.

Home2Suites as proposed

As proposed with 100 rooms, the Home2Suites property would be similar to the 104-room Home2Suites on Gate Parkway and the 106-room Home2Suites located near the Jacksonville Airport, neither of which was developed with City incentives. The hotel would be operated 365 days a year, whereas the operating hours of the restaurant, or category of restaurant, have yet to be determined.

As described in the market study provided by the applicant as prepared by Newmark Frank Knight, "*The proposed subject property will consist of a six-story linear hotel structure generally oriented from north to south with an eastern exposure. Vehicular access to the site will be made via a single curb cut along Park Street at the southeast corner of the site or from a single curb cut along Chelsea Street at the southwest corner of the site. Guests will be able to access the hotel lobby via a covered entryway along the west side of the hotel or via a Park Street entrance. The ground level of the structure fronting Rosselle Street will house a restaurant space to be leased, with pedestrian access from Rosselle Street, Park Street, and from the parking area of the hotel. All of the public space, including the Inspired Table breakfast area, guest registration and lobby, Home2Mkt (grab n go outlet), business center, fitness center, and administrative offices will be located on the ground floor; an outdoor amenity area will also front Rosselle Street providing outdoor seating and gathering space. Twenty guestrooms will be located on each of the above floors (two through six)*."

Per the Hilton website, Home2Suites is a "mid-scale, all-suite hotel targeted to the value-conscious extended-stay (5+ night) traveler." The site indicates there are 478 Home2Suites hotels currently operating in 2 countries including two Home2Suites properties within Jacksonville, Fla. The first has 106 rooms and is located at 13475 Ranch Road near the Jacksonville airport. The second has 104 rooms and is found at 10715 Deerwood Park Blvd, near the Deerwood office park and St. John's Town Center.

The 1.2-acre site is currently used as a semi-paved surface lot. Sunbiz reports the property is currently owned by 600 Park Street, LLC (Dr. Scott D. Warren, Manager) and was acquired as two parcels with the 0.34-acre parcel (RE# 090395-0000) acquired in 2015 for $411,000 ($24.02 psf) and the adjacent 0.86-acre parcel (RE# 090394 0000) acquired in 2016 for $900,000 ($27.75 psf). The Duval County Property Appraiser provides a value for these lots of $305,001 and $814,031, respectively, or $1,119,032 together. Notably, the Deerwood office park location of Home2Suites provides a land value approximately equal to the land value of the proposed hotel but was constructed without the use of City incentives.

The project received final approval by the DDRB Board at its May 13,2021 meeting over recommendations of the DDRB staff to deny deviation from the Downtown overlay ordinance for the surface parking lot that is found to be non-compliant with the ordinance.

Kelco first approached DIA for a REV grant in 2020 and several meetings have been held since that time to discuss the request for City funding to support the project. The DIA has communicated consistently that, while the project itself has merit, providing incentives for its development runs counter to the BID Strategy Performance Measure goal of improving the occupancy rate of hotels in Downtown Jacksonville.

<u>Downtown Jacksonville Hospitality Dynamics</u>

In the development of the 2015 Business Investment and Development Strategy ("BID Strategy"), the hospitality Performance Measures established that included the goal of reaching 70.0% occupancy for

Downtown Hotels during the 2021-2025 timeframe. Research conducted by RedRock Global and Urbanomics in preparation of the BID Plan offers the following, "*All research and conversations point to a Downtown market with adequate room coverage for the level of hospitality demand and lower than needed ADRs. These two points make the case for new hotel product very difficult*." The reports states further that, "*Without new demand generators, the opportunity for new hotels are extremely limited and will most likely further impact the current occupancy levels of existing hotels in the market."*

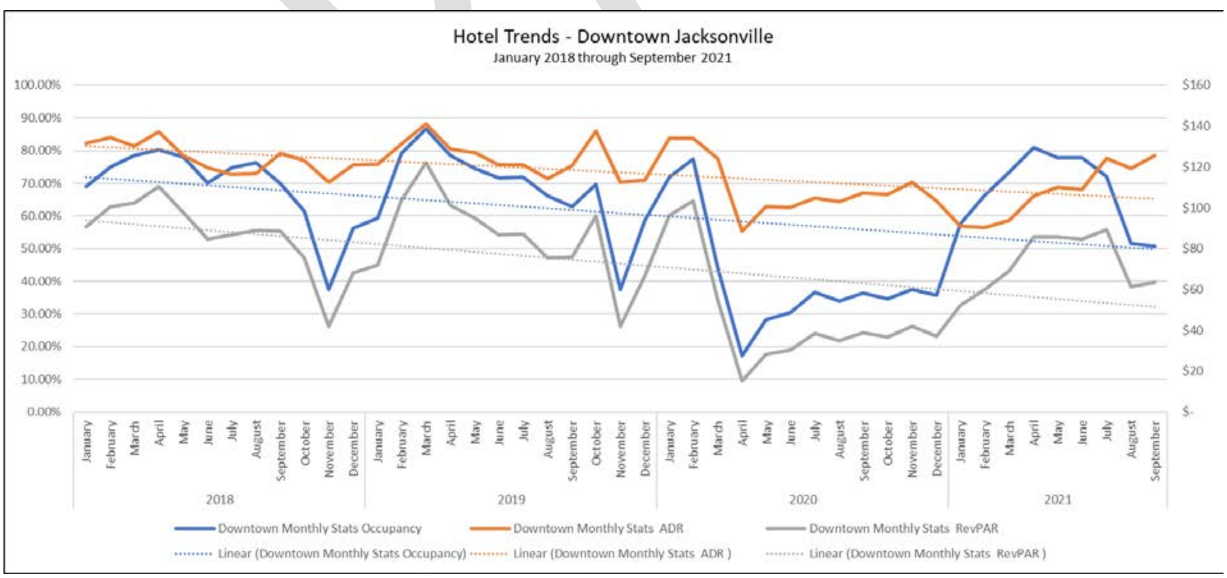
Despite success in the relocation of national headquarters for firms such as FIS and Dun and Bradstreet, the types of demand generators necessitated for successful new hotel development is made more uncertain by the COVID-19 Pandemic and its effect on business, group, and leisure travel. A feasibility study prepared by Newmark Knight Frank as provided by the applicant states that, "*occupancy levels are expected to continue to be negatively impacted through 2021. Additionally, due to the economic impact of the virus outbreak, most experts believe that it may take several years for area occupancy levels in many markets to sustain levels seen in 2019*."

<u>CoStar STR (Smith Travel Research) Report Data</u>

During 2018 and 2019, the averages for Occupancy, Average Daily Rate (ADR), and Revenue Per Available Room (RevPAR) remained relatively unchanged in Downtown Jacksonville as shown in the table below:

	Occupancy	ADR	RevPAR
2018	68.88%	$ 124.55	$ 86.34
2019	69.09%	$ 125.29	$ 87.36

As shown by trends developed from CoStar STR reports below, occupancy rates for eight hotels in Downtown Jacksonville were on a downward trend for the two full years and two months leading into the COVID-19 pandemic, and that metric remains suppressed (net of a single contract with the marines) through the pandemic and as business conditions normalize.



Source: CoStar STR Reports

Not surprisingly, the COVID-19 pandemic wreaked havoc on the hospitality industry nationwide as well as locally as evidenced by the decline in occupancy in Downtown Jacksonville hotels to below 20% in April 2020. Improvements followed in each following month, buoyed almost entirely by the rental of the entire

951 rooms of the Hyatt Hotel to the US Marine Corps from January 2021 to June 2021.

Following the exit of the Marines from the Hyatt, STR data shows that occupancy in Downtown Jacksonville hotels dropped significantly in September 2021 to 50.7% while RevPAR fell to $63.56. The table below provides comparisons for each of these important metrics for the months of July, August, and September for the years 2018 through 2021.

	Occupancy	ADR	RevPAR
2018			
July	74.70%	$ 116.36	$ 86.87
August	76.30%	$ 116.64	$ 88.97
September	69.80%	$ 126.78	$ 88.49
2019			
July	71.90%	$ 121.10	$ 87.11
August	66.10%	$ 114.33	$ 75.55
September	62.90%	$ 120.62	$ 75.82
2020			
July	36.70%	$ 104.71	$ 38.46
August	33.90%	$ 103.05	$ 34.96
September	36.30%	$ 107.27	$ 38.89
2021			
July	72.00%	$ 124.21	$ 89.40
August	51.60%	$ 119.35	$ 61.56
September	50.70%	$ 125.42	$ 63.56

Michael Corrigan, President and CEO of Visit Jacksonville offers this perspective, "*Since hosting the 2005 Super Bowl, Jacksonville has added more than 3,000 new hotel rooms, largely in select service hotels such as Hampton Inn and Holiday Inn. While these types of hotels fill an important need for tourism, at Visit Jacksonville we believe incentivized growth in our city needs to shift to upscale, full-service properties*." He states further, *"…incentivizing select service hotels shifts demand from a property to another newer version of it*." and "*More of the same hotels promotes a focus service economy resulting in less revenue for a room, which means less overall profit and economic impact on the community*."

Further, DIA was advised by the Duval County Tax Collector that that the NE Tax Increment District experienced a year over year loss in net assessed value of over $16 million from 2019 to 2020, largely attributable to a $27.33 million reduction in the value of the Hyatt based on the reduction in RevPAR. This is driving both a reduction in tax increment revenue to DIA and depression of room rates throughout Downtown.

<u>The Development Team</u>

Kelley D. Slay, President of Kelco Management & Development. Mr. Slay, a business graduate of Florida State University, directs the development and acquisition activity of Kelco hotels and is responsible for developing new business opportunities including providing recommendations regarding hotel markets, supply and demand dynamics and cash flow projections. Slay has held various top positions in the hospitality industry including that of president for the Miami-based consulting firm International Hospitality Advisors and is a certified appraiser with MAI designation. Kelco lists eleven hotel properties around the southeast US in their current portfolio, although the Home2Suites would be their first in Jacksonville, Fla.

Andy Allen, CEO of Corner Lot Properties. Mr. Allen is a graduate of Jacksonville University where he majored in Finance and minored in Marketing. Allen started Corner Lot Properties in 2009 where he conducted commercial, multi-family and land transactions and quickly became the largest real estate wholesaler in Northeast Florida showing over $1 billion of real estate including acquisition, disposition, sales and development. From 2011-2014, Allen's companies facilitated the largest Residential REIT, American Homes 4 Rent, with its acquisition, rehab, and management of its Northeast Florida market. This spawned Heritage Holdings, his own residential portfolio of 1,100 SFR houses, in Northeast Florida which is one of the largest in Duval County.

George Leone, COO of Corner Lot Properties. Following graduation from Florida State University, Mr. Leone served thirteen years at Toll Brothers ending as the Vice President of Land Development. Leone oversaw development projects amounting in over $500 million in Central and North Florida, South Carolina and North Carolina where he managed over forty different consultants and contractors. In 2016, George started Leone Development to pursue his ambition of creating a leading real estate development company in the southeast United States. The culmination of Leone's experience led him to partner with Andy Allen in creating Corner Lot Development Group wherein its first year sold 220 lots to local and national builders.

Corner Lot Development Group (CLDG) was formed in 2017 and developed over $15 million in commercial and SFR subdivisions in its first year. Currently, CLDG is a leader in the marketplace focused on developing lots allowing for affordable priced homes to continue to exist.

<u>Pro Forma Operations</u>

Projected operating statements prepared by Newmark Knight Frank in the market study provided by the applicant demonstrate the following anticipated operating performance metrics:

- At 65% occupancy and ADR of $131.40, the RevPAR in year 1 is calculated at $84.10.
- Revenue:
    1) Year 1 Revenue from room rentals of $3,069,504 (64% occupancy), increasing to $5,034,776 by year ten (76% occupancy, 3% annual growth in room rates).
    2) Year 1 additional income of $13,887 from sundry store sales, meeting room rentals, guest laundry, pet fees and other miscellaneous revenue sources is provided, which equates to $0.59 per occupied room (POR), increasing to $0.74 by year 10, as compared with an average of $2.98 POR for all Limited-Service properties and $7.11 POR for Urban hotel properties (STR Host Study).
    3) Restaurant Lease revenue is estimated at $56,492 ($28.25 psf) as found in Non-Operating Income.
- Operating at this level indicates 23,360 nights of occupancy over the course of the first year, increasing to 27,740 nights by year ten. The properties "fair share" of the hospitality business within Downtown Jacksonville is calculated at 3.9%.
- Market Penetration is shown to be 105-118% for the Commercial and Leisure segments of the business, and 70-80% for the Group traveler segment. Market share captured by the property as estimated by Newmark Knight Frank is broken down as follows for years 1 and 10, respectively:

	Year 1	Year 10
Commercial	4.0%	4.5%
Group	2.7%	3.1%
Leisure	4.0%	4.5%

- Projected Net Operating Income with and without the REV Grant subsidy as calculated in the Market Study pro forma is presented below:

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
With REV	$970,766	$1,386,368	$1,621,264	$1,669,954	$1,720,047	$1,771,505	$1,824,695	$1,879,375	$1,935,757	$1,993,829
W/O REV	$860,947	$1,273,254	$1,504,757	$1,549,952	$1,596,444	$1,644,195	$1,693,565	$1,744,312	$1,796,641	$1,850,540

Notes:

1 The tax estimates here are overstated by approximately $450,000 through the first ten years of operation as compared to DIA methodology as they include $1.5 million in F,F,&E and approximately $1.15 million in prepaids and soft costs not typically included in construction costs by DIA. As such, the REV calculation by the applicant is overstated by approximately $176,000 through year ten.

2 Revenue may also be understated as Net Misc. Income is projected to be $0.60 Per Occupied Room (POR) upon stabilization as compared with the average Operating Comparable provided in the market study of $1.88 and the high of $7.11 for Urban hotels as provided by the STR HOST Study, a difference of $35,500 to $180,500 per year, or $355,000 to $1.8 million over the first ten years of operation. This observation is not captured in any further calculations made by DIA in underwriting this opportunity.

<u>Capital Considerations</u>

- Total development costs as presented equal $17,319,565, which equates to $173,196 per key.
- Land cost of $2,000,000 for the 1.2-acre parcel equates to $38.26 per square foot.
- Elimination of F,F,&E ($1.5 million), Third party reports ($80 thousand), Project Management ($770 thousand), Pre-opening Expenses ($303 thousand), and related contingency provides adjusted development costs for modeling of $14,666,741.
- Total equity to be injected is shown to be $5,319,565; or 30.7% of TDC before adjustments.
- Construction and permanent debt on the development is shown to be limited to $12,000,000; 69.3% of TDC.
- Debt Service Coverage (DSC) using cash flow and debt assumptions as provided in the Market Study is projected at 1.46X in year 1 and climbing to 2.92X by year ten. This projection is made without REV Grant support.
- The ten-year, pre-tax, levered IRR on the invested equity without REV Grant support is calculated by DIA staff at 18.8%, and with REV Grant support is calculated at 20.2%.
    1) Assumptions:
        a. Debt of $12,000,000, 360-month term, 5% interest
        b. Net Operating Income for years 1 through 10 as provided in the market study
        c. 8.50% cap rate at the point of conversion (CBRE, Class-B Select-Stabilized, 2021)
        d. Net Proceeds from Sale includes 10% selling costs

REV Calculation:

- Property tax generated that accrues to the benefit of the Northbank Downtown CRA through the end of the twenty-year REV Grant period is projected to equal $3,194,183 before consideration of the REV Grant.
- A 75%, 20-year REV Grant as requested would total $2,385,219.
- The ROI for this project would approximate 1.34X with the REV Grant as the City Investment.

Recommendation:

Because the request does not fall under an established DIA Program, analysis using the decision-making criteria established as the tiered approach within the BID Plan is required.

Tier 1 – The project meets no fewer than two (2) of the seven (7) BID Goals.
As submitted by the applicant, the project is proposed to contribute positively towards:

Redevelopment Goal No. 1 – Reinforce Downtown as the City's unique epicenter for business, history, culture, education, and entertainment.

Staff concurs that development of the subject hotel property contribute to the strategic objectives of:

- increasing opportunities for downtown employment,
- support the expansion of…restaurant facilities.

Further, staff concurs that the subject hotel development would contribute positively to the benchmarks of:

- number of jobs,
- number of business establishments,

Staff views that development of the subject property would be ***detrimental*** to the strategic objective of:

- hotel occupancy rates by diluting the hospitality market prior to evidence of increasing demand sufficient to support additional rooms, and annual private capital investments.

Redevelopment Goal No. 4 – Improve walkability/bikeability and connectivity to adjacent neighborhoods and the St. Johns River while creating highly walkable nodes.

Staff concurs that development of the subject hotel property contribute to the strategic objectives of:

- Develop interconnected, attractive, and safe pedestrian links…among neighborhoods (and) activities.
- Require sidewalks of sufficient width and make sure a continuous pedestrian path is available.
- Plant street trees, using varieties that will provide shade.

Further, staff concurs that the subject hotel development would contribute positively to the benchmarks of:

- Increase in the observed number of pedestrians and bicyclists (by offering bicycles for guest use),
- Increase in desirable street activity outside of business hours.

Staff views that development of the subject property would be ***detrimental*** to the Strategic Objectives of:

- Shape the sidewalks and streets through the sense of enclosure provided by buildings.
- Minimize…surface parking.

Redevelopment Goal No. 6 – Maintain a clean and safe 24-7 Downtown for residents, workers, and visitors.

Staff concurs that development of the subject hotel property contribute to the strategic objectives of:

- Coordinate, support, and enforce continuous cleaning of Downtown.
- Coordinate with the City…for new installation…of lighting.
- Provide increased walkability through…enhance the connection with neighborhoods immediately adjacent to Downtown through attractive, walkable/bikeable linkages.

Further, staff concurs that the subject hotel development would contribute positively to the benchmarks of:

- Number of Jobs
- Tax Value and Impact to TIF and Future Projections
- Number of Building Permits Issued

Redevelopment Goal No. 7 – Use planning and economic development policies to promote design for healthy living.

Beyond a fitness center on the property and access to bicycles for loan, DIA staff does not see the development of the hotel property as contributing to this Redevelopment goal in a meaningful way.

Tier 2 - Submit to the DIA a complete Pro Forma and Project Profile Assessment Form for staff review and recommendation.

The applicant provided the information as required. Upon review and thorough analysis of the market study provided by the applicant, DIA staff does not concur that public funding is necessary to make this development project financially viable. The market study asserts comments in several places similar to the following, "*It must be stressed that our analysis assumes that the project obtains REV Grants in the form of a tax rebate*." and "*Without these REV Grants, the project is not feasible.*"

However, the consultant also provides a calculation of the IRR inclusive of the REV Grant as being 18.6%, and using the methodology provided by the study, the IRR *exclusive* of the REV Grant is shown to be 16.84%, which may be considered an adequate return for an investment of this type without a REV Grant incentive.

DIA staff prepared an independent IRR calculation based on a different understanding of the potential tax amount which yields an IRR of 18.8% without the REV Grant and boosts to 20.20% with the REV Grant in place.

More relevant still, the premise that a REV Grant is required for the project to make financial sense is predicated on the Discounted Cash Flow Analysis provided in the Market Study stating that the present value of the property is $16,000,000 *without* the REV Grant, which is below the acquisition and development budget of $17,000,000. By calculations in that market study, the value of the property increases to $17,300,000 when the REV is included, and therefor supports the economic need for the REV Grant.

However, that cash flow analysis uses a Discount Rate of 11% (compared with 10.10% as provided by the study itself, p. 112), and a terminal Cap Rate of 9.0% (compared with 8.68% found within the study, p. 111, and further supported by the CBRE Hotel group). When these market driven factors are substituted in the Discounted Cash Flow Analysis, the present value of the $17,000,000 investment increases to

$19,000,000 without the REV Grant and increases to $20,500,000 with the REV Grant providing further indication that the investment is sound without the need for the City incentive.

Summary of Financial Analysis

	With REV Grant	Without REV Grant
IRR		
Market Study	**18.6%**	**16.84%**
DIA Staff	**20.20%**	**18.80%**
Present Value of $17,000,000 Development Cost		
Market Study	**$17,300,000**	**$16,000,000**
DIA Staff	**$20,500,000**	**$19,000,000**

In both the analysis of the consultant as well as the analysis of DIA staff, the probable returns on equity provided by the applicant's pro forma as well as the present value calculations do not demonstrate a funding gap nor a need for a grant of financial incentives to achieve a market return or better.

Conclusion

Because the analysis through Tier 2 does not confirm the need for financial support, further analysis is not required and, therefore, DIA Staff respectfully does not recommend approval of the request for a REV Grant for the project as presented in the application. This position is strengthened by the potentially negative impact on existing select service hotels, the lack of demand for similar hotel properties in Downtown Jacksonville, and the detriments to strategic objectives and performance measures outlined above.