



**Downtown Investment Authority  
Strategic Implementation Committee**

**Monday, August 16<sup>th</sup>, 2021 at 1:00 p.m.**

# **SIC AGENDA**

Bill Adams, Esq., Chair  
Craig Gibbs, Esq., Committee Member

Oliver Barakat, Committee Member  
Jim Citrano, Committee Member

- I. CALL TO ORDER
- II. PUBLIC COMMENTS\*
- III. MAY 17, 2021 STRATEGIC IMPLEMENTATION COMMITTEE MEETING MINUTES
- IV. RESOLUTION 2021-08-01: MORRIS (Steve Kelley, Director of Downtown Real Estate and Development)
- V. RESOLUTION 2021-08-02: 600 PARK STREET (Steve Kelley, Director of Downtown Real Estate and Development)
- VI. RESOLUTION 2021-08-03: SRX 50 SEATS (Allan DeVault, Project Manager)
- 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](mailto: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**

**Monday, August 16<sup>th</sup>, 2021 at 1:00 p.m.**

**MEETING LOCATION**

**Physical Location**

Jacksonville Public Library-Main Library/Downtown  
303 North Laura Street  
Multipurpose Room (located in the Conference Center)  
Jacksonville, Florida 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=VGQ2d29qVHFoUEwrOGFIT2YxcEszZz09>

**Meeting ID: 826 4480 9997**

**Passcode: 487848**

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



# Downtown Investment Authority

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The following are attached:

- 600 Park Street : Resolution and Staff Report
- SRX 50 Seats: Resolution and Staff Report

The following will be provided as soon as they are available:

- Morris: Resolution, Term Sheet and Staff Report

**TAB III.**

**MAY 17, 2021 STRATEGIC IMPLEMENTATION COMMITTEE MEETING MINUTES**



**Downtown Investment Authority**  
**Strategic Implementation Committee Hybrid Meeting**  
**Monday, May 17, 2021 – 2:30 p.m.**

**Strategic Implementation Committee Hybrid Meeting**  
**MEETING MINUTES**

**Strategic Implementation Committee Members in Attendance:**

Oliver Barakat, Chair (via Zoom)  
David Ward, Esq., Committee Member  
Ron Moody, Ex Officio

Bill Adams, Esq., Committee Member  
Craig Gibbs, Esq., Committee Member

**Committee Members Excused:**

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

**DIA Board Present:** Jim Citrano; and Todd Froats

**Office of General Counsel:** John Sawyer, Esq.

**I. CALL TO ORDER**

The Strategic Implementation Committee meeting of May 17<sup>th</sup>, 2021, was called to order at 2:33 p.m. by Chairman Barakat.

**II. PUBLIC COMMENTS**

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

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

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

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

**Seconded:** Committee Member Moody seconded the motion

Seeing no comments, Chairman Barakat called for a vote.

**Vote: Aye: 5      Nay: 0      Abstain: 0**

**THE MOTION PASSED UNANIMOUSLY 5-0-0**

**IV. RESOLUTION 2021-05-04: Union Terminal DPRP Term Sheet (Steve Kelley, Director of Downtown Real Estate and Development)**

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

Mr. Kelley provided an overview of the resolution, briefly detailing the Downtown Preservation and Revitalization Program request for the redevelopment of Union Terminal Warehouse. Ryan Akin, of Columbia Ventures, is present for questions. The following details were provided:

- Total development costs as submitted are \$60.8M; Total development costs as underwritten are \$52.9M.
- Proposed redevelopment of a 330,000 sq ft historic Jacksonville property, featuring 228 multifamily units as well as commercial space on the 7.8-acre site located between Arlington Expressway and Union Street East.
- The underlying property tax parcel extends beyond the southern edge of Arlington Expressway and into the downtown boundary which makes it eligible for funding through the DPRP guidelines. The request as proposed would provide \$4,246,963 in the HPRR Forgivable Loan, \$2,381,671 in the CCR Forgivable Loan, and \$1,657,159 in the DPRP Deferred Principal Loan, for a total of \$8,285,793.
- The overall ROI for the redevelopment of these properties is 0.86, including a 10-year tax abatement for historic property renovation.

Chairman Barakat opened the floor for discussion.

Mr. Kelley clarified for Committee Member Adams that there is access to Hogan's Creek from the property underneath the Arlington Expressway.

CEO Boyer clarified for Committee Member Adams that the Emerald Trail goes through the property and down to the creek. There is a zoning requirement for a 25ft easement along the creek bank.

Mr. Akin spoke on the redevelopment plans, stating their collaboration with site engineers to bring the trail down through the subway site as well as with Groundworks Jax to standardize it for the Emerald Trail.

Mr. Akin agreed to bring a visual to the full board meeting and further described the redevelopment plans for the Union Terminal warehouse site for Committee Member Adams.

Mr. Kelley clarified the ROI for Committee Member Adams, stating that it is higher than most DPRP projects.

**Motion:** Committee Member Gibbs moved to approve Resolution 2021-05-04 as presented for recommendation to the Board

**Seconded:** Committee Member Ward seconded the motion

Mr. Kelley stated for Committee Member Moody that he doesn't recall the appraisal having an Upon Stabilization Value or Upon Completion Value. Mr. Akin stated that his firm has done their own analysis but have not had a third-party appraiser produce an estimate. CEO Boyer clarified that there would not be a benefit to the Tax Increment District due to the increase in property value because the property is located outside the CRA boundaries.

Mr. Akin clarified for Committee Member Moody that his firm has performed a market study and are working on financing the debt through a HUD insured loan. They are working with a MAP Lender who has also contracted an independent market study and analysis and confirmed rental rates.

Mr. Akin clarified for Committee Member Moody that his firm has not yet discussed the conveyance of land with FDOT regarding the easement. CEO Boyer stated that the easement is a requirement of the City Ordinance and a commitment at no cost to the city whether it is an easement or a deed.

Mr. Kelley clarified for Committee Member Gibbs that this project does not require DDRB approval because it (the building) is not located within the DIA boundary.

Mr. Kelley clarified for Committee Member Gibbs that the building is currently occupied and has had continuing occupancy for several years, though, underutilized. Mr. Akin added that it is 76% occupied, and ranges from makers to craftworkers, but most of which is storage.

Mr. Kelley clarified for Board Member Citrano that the HUD program utilized does not have restrictions on rent levels, so it is not technically considered an affordable deal, but it will start with workforce housing pricing.

Mr. Citrano asked if Columbia Ventures has submitted their application to HUD. Mr. Akin responded that it is a 3-step process, adding that the pre application was submitted in mid-March. HUD stated they should expect a response by July 17. Columbia Ventures plans to submit their firm commitment immediately after which would lead to a rate lock in early November. 30 days after that would be the financial closing. Mr. Kelley described the performance schedule.

Mr. Kelley and CEO Boyer clarified for Chairman Barakat that a very small portion of the land is within the TIF, and it will receive a per sq ft land value number if there is an increase in land value. It would be very minor.

CEO Boyer clarified for Chairman Barakat that this project is entirely a DPRP incentive, and no DIA funds will be used. The DPRP incentive is funded by General Funds from City Council.

Mr. Akin described the terms of the HUD Loan for Chairman Barakat. It is a 40-year term, fixed interest rate. Mr. Kelley added that the DPRP guidelines require the Deferred Principal Loan interest rate to be set at the time of closing and that HUD requires the rate to be set in advance of the financial closing, and as such would be a deviation from written policy. With the Deferred Principal Loan set at the 10-year Treasury rate, due to the nature of the HUD structure there are interest rate risks associated with a rapidly rising rate environment.

Mr. Kelley clarified for Chairman Barakat that our dollars are last-dollars-in.

Mr. Kelley clarified for Committee Member Moody that there is no DDRB oversight with this project. Mr. Akin added that the project is required to comply with the Department of Interior standards as approved by the National Park Service and the state's Historic Preservation Office, and with the Jacksonville Historic Preservation Commission.

Chairman Barakat called for a vote.

**Vote: Aye: 5      Nay: 0      Abstain: 0**

**THE MOTION PASSED UNANIMOUSLY 5-0-0**

**V. Implementation Strategy for Mayor’s Task Force Recommendations on Downtown**

Chairman Barakat gave the floor to CEO Boyer.

CEO Boyer gave a presentation, stating the following:

- Summary of the Mayor’s Task Force
- Lighting recommendations based on a study performed on the core area of the Northbank, referred to as Phase 1. These recommendations have been implemented. Phase 2 which includes the LaVilla area and areas north of City Hall toward State and Union – some of these recommendations have been implemented while others have not due to the capital improvements not being funded. This year’s Professional Service dollars will be used to update the study of the LaVilla area and \$500,000 will be requested in next year’s capital budget to proceed with the recommendations.
- Landscape and Hardscape maintenance: it was suggested that DIA take control of contract management. The challenge will be with the frequency of service associated with being in an urban environment.
- Programming and Events: Recommendation for funding of additional and larger events. DIA will work with Downtown Vision and the Parks Dept.
- A Parking App has received confirmation from Procurement and will be in PSEC next week.
- Recommendations about expenditures for downtown park improvements.

**VI. ADJOURNMENT**

Chairman Barakat adjourned the meeting at 3:30 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](mailto:xchisholm@coj.net) to acquire a recording of the meeting.*



**TAB V.**

**RESOLUTION 2021-08-02: 600 PARK STREET**

**RESOLUTION 2021-08-02**

**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, limited-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 associated 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 eligible for incentives without 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, 2021-08-02, 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 STREET – STAFF REPORT**

**Home 2 Suites  
Hospitality REV Grant  
Staff Report  
August 16, 2021**

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

**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, limited-service hotel under the Home2Suites brand of Hilton properties. The hotel development proposes to lease space for a restaurant (approximately 2,000 square feet), 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, and neighboring business on the southern end of the block including 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 135-room, Marriott Residence Inn, scheduled to open in August 2021 per the Marriott.com website.



**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. 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 may have merit, providing incentives for its development runs counter to the performance measure goal of improving the occupancy rate of hotels in Downtown Jacksonville.

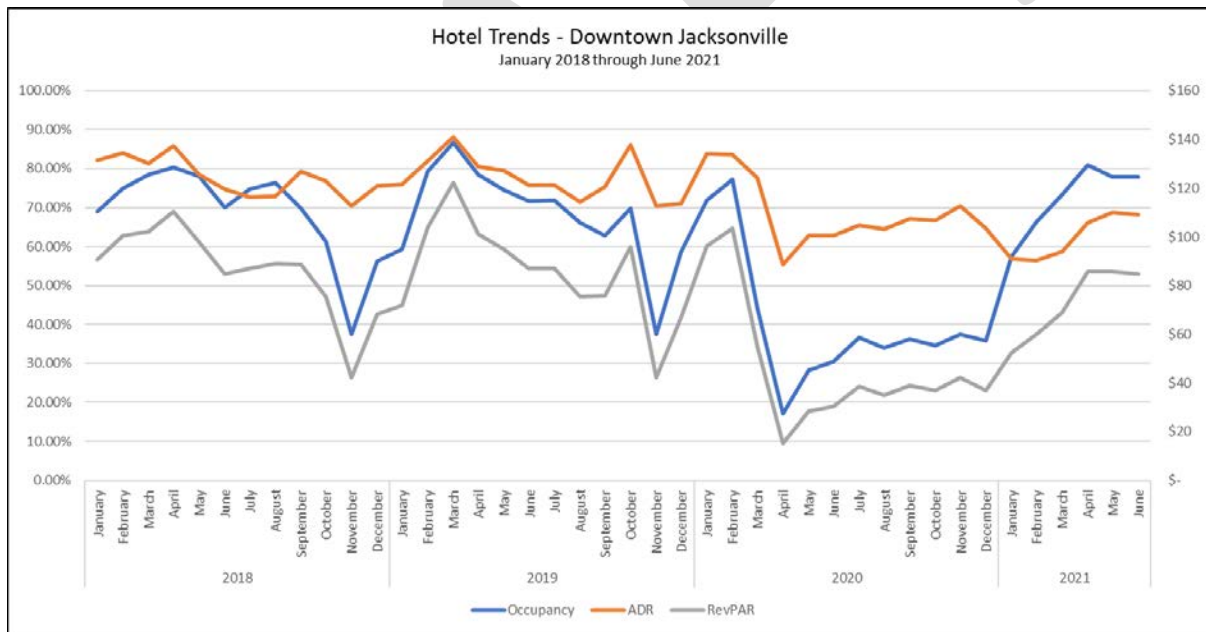
#### **Downtown Jacksonville Hospitality Dynamics**

In the development of the 2015 Business Investment and Development Plan (“BID Plan”), the hospitality Performance Measures were 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.”

As shown by trends developed from STR reports below, occupancy rates for eight hotels in Downtown Jacksonville averaged 68.9% prior to for the two full years and two months leading into the COVID-19 pandemic. That average remained unchanged at 68.9% for the twelve-month period leading up to the pandemic.



Source: Smith Travel Research (STR)

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
<b>2018</b>	68.88%	\$ 124.55	\$ 86.34
<b>2019</b>	69.09%	\$ 125.29	\$ 87.36

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.

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 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.

### **The Development Team**

*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.

**Pro Forma Operations**

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
<b>Commercial</b>	4.0%	4.5%
<b>Group</b>	2.7%	3.1%
<b>Leisure</b>	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 also 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.

### **Capital Considerations**

- 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 DIUA 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. 8.04% cap rate at the point of conversion (CBRE, limited-service hotels, 2019)
    - 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 Outflow.

### **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.

Further still, the Internal Rate of Return (IRR) calculation provided in the study uses an equity investment of \$6,800,000 and debt of \$10,200,000; whereas information provided by the applicant shows equity to be \$5,319,565 and debt of \$12,000,000. In substituting these amounts, the IRR using the consultant’s methodology increases to 20.84% before the application of the REV Grant. Inclusive of the REV Grant increases the IRR further to 22.41%, which is beyond any IRR considered to demonstrate a funding gap in analysis performed by DIA staff.

DIA staff also 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. Additional Net Misc. Income as discussed previously

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 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.

**TAB VI.**

**RESOLUTION 2021-08-03: SRX 50 SEATS**

**RESOLUTION 2021-08-03**

**A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY URGING THE CITY COUNCIL TO ADOPT A RESOLUTION IN SUPPORT OF A J-BILL TO BE CONSIDERED BY THE DUVAL DELEGATION, WHICH WOULD AMEND CHAPTER 87-471, LAWS OF FLORIDA, AS AMENDED BY CHAPTER 2011-255, 2016-248 AND 2017-213, LAWS OF FLORIDA, TO ADD SPECIAL ZONES TO JACKSONVILLE, FLORIDA, SO AS TO PROVIDE AN EXCEPTION TO §561.20(1), *FLORIDA STATUTES*, FOR SPACE AND SEATING REQUIREMENTS FOR LIQUOR LICENSES FOR RESTAURANTS IN THE COMBINED NORTHBANK CRA; PROVIDING AN EFFECTIVE DATE; AUTHORIZING THE DOWNTOWN INVESTMENT AUTHORITY CHIEF EXECUTIVE OFFICER TO EXECUTE ALL DOCUMENTS AND OTHERWISE TAKE ALL ACTION NECESSARY TO EFFECTUATE THE PURPOSES OF THIS RESOLUTION; PROVIDING FOR AN EFFECTIVE DATE.**

**WHEREAS**, the Downtown Investment Authority (“DIA”) was designated the Community Redevelopment Agency and the City’s economic development agency for Downtown by Ordinance 2014-0560-E; and

**WHEREAS**, the DIA believes more restaurants are essential to a healthy and vital downtown Jacksonville; and

**WHEREAS**, the DIA believes more restaurants can complement and aid existing retail establishments by bringing more people to downtown; and

**WHEREAS**, the DIA believes current restaurant laws hinder the development of smaller, full service restaurants that can help revitalize a downtown area and bring more people to downtown; and

**WHEREAS**, the DIA believes current restaurant laws hinder the preservation of smaller, more spatially constricted confines that historic properties present in the Northbank CRA; and

**WHEREAS**, the DIA believes incentives and fewer regulatory restrictions for restaurants can help encourage development in the Northbank CRA; 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 supports the reduction in seating and service area minimum requirements for the Northbank CRA to 50 seats and 900 square feet.

**Section 3.** The DIA urges to the City Council to adopt a Resolution in support of the foregoing and forward the same to the Duval Delegation.

**Section 3.** The DIA authorizes its Chief Executive Officer to execute all documents and otherwise take all action necessary to effectuate the purposes of this Resolution.

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

WITNESS:

DOWNTOWN INVESTMENT AUTHORITY

\_\_\_\_\_

\_\_\_\_\_  
W. Braxton Gillam, Esq., Chairman

\_\_\_\_\_  
Date

VOTE: In Favor: \_\_\_\_\_ Opposed: \_\_\_\_\_ Abstained: \_\_\_\_\_

**SUPPLEMENTAL INFORMATION  
SRX 50 SEATS – STAFF REPORT**



**DIA Strategic Implementation Committee  
Staff Report**

**Northbank CRA SRX license seating and service area reduction**

**August 16, 2021**

The Downtown Investment Authority is urging the City Council to adopt a resolution in support of a J-bill to be considered by the Duval Delegation to provide an exception for space and seating requirements for liquor licenses for restaurants in the combined Northbank CRA. The current requirement is a minimum of 100 seats and 1800 square feet in service area. The recommended change is to lower those to a minimum of 50 seats and 900 square feet of service area. This would encourage and support smaller businesses and their ability to work within the spatially constricted confines that historic properties present.

**General Alcohol License Information**

The 3 most common licenses used for on and off premise consumption (non-retail) are

1. 2COP – beer and wine only, can be in conjunction with food or without. The license holder can sell malt beverage and wine for consumption on premise and sell the same for off premise consumption. These licenses are unlimited. Examples – Superfood and Brew, Alewife in 5 Points, The Posting House
2. 4COP “quota” – any alcoholic beverage, can be in conjunction with food or without. The issuance is limited to 1 license per 7500 residents per county. The license holder can sell any type of alcoholic beverage, of any alcoholic content, for on and off premise consumption. Because of their limited quantity, these licenses sell based on market value which in Duval County is approximately \$500,000. Examples – Riverside Liquors, Costco, Dos Gatos
3. 4COP SRX “special restaurant beverage” – any alcoholic beverage but MUST be in conjunction with food sales. This special provision allows a restaurant to sell any alcoholic beverage, including liquor, under certain circumstances. Under general law, a restaurant may be issued an SRX license if it has at least 2,500 square feet of service area, is equipped to serve meals to 150 customers simultaneously, and derives at least 51 percent of gross revenue from the sale of food and non-alcoholic beverages. Like a 4COP “quota”, the issuance of the license is also subject to any zoning requirement establishing a minimum distance between liquor-serving establishments and schools or churches, as well as any state alcoholic beverage law not otherwise inconsistent with the special act. Examples – Indochine, Bellwether, Cowford

**History of changes in minimum seating and service area requirement in Duval County**

1. In 1987, the Legislature created more lenient requirements for the issuance of SRX licenses in a special zone in Jacksonville. At the time, the zone included three areas: Northside West, Northside East, and Southbank. The minimums were changed to 100 seats and 1800 square feet in service area.
2. In 2011 the zone was expanded to include the Riverside Avondale Urban Transition area (aka 5 Points). The minimums were changed to 100 seats and 1800 square feet in service area.
3. In 2016 the zone was expanded to include the Riverside Avondale Commercial Character Areas. The minimums were changed to 100 seats and 1800 square feet in service area.

4. In 2017 the zone was expanded to include the Murray Hill Commercial Area, Springfield Commercial Area, and the San Marco Transportation Corridor. The minimums were changed to 100 seats and 1800 square feet in service area.

### **Small Businesses in Small Spaces**

The development goals adopted by the DIA support the need for large and small businesses, both of which play a unique role in the urban fabric of downtown Jacksonville. The Northbank CRA has an array of spaces, both historic and non-historic, to accommodate those businesses. Easing restrictions in this manner and in this area will support existing and encourage the expansion of small businesses that further the growth of a unique and diverse downtown.

### **Recommendation**

DIA staff recommends approval of Resolution 2021-08-03 urging City Council to adopt a resolution in support of a J-Bill to make the changes described above to further encourage small business growth in the Northbank CRA