



**Downtown Investment Authority
Strategic Implementation Committee**

Monday, September 19, 2022 at 2:00 p.m.

SIC AGENDA

Braxton Gillam, Esq., Chair
Craig Gibbs, Esq., Committee Member
David Ward, Esq., Committee Member

Carol Worsham, Ex Officio

Committee Members Excused:

- I. CALL TO ORDER
 - II. PUBLIC COMMENTS
 - III. AUGUST 11, 2022 STRATEGIC IMPLEMENTATION COMMITTEE MEETING MINUTES APPROVAL
 - IV. RESOLUTION 2022-09-04: 525 W BEAVER STREET DPRP
 - V. OTHER MATTERS TO BE ADDED AT THE DISCRETION OF THE CHAIR
 - VI. ADJOURN
-

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=VGQ2d29qVHFoUEwrOGFIT2YxcEszZz09>



**Downtown Investment Authority
Strategic Implementation Committee**

Monday, September 19, 2022 at 2:00 p.m.

Meeting ID: 826 4480 9997

Passcode: 487848

One tap mobile

+1 (312) 626-6799 (Chicago)

+1 (646) 558-8656 (New York)

Find your local number: <https://zoom.us/j/92644809997>

TAB III

**AUGUST 11, 2022 STRATEGIC IMPLEMENTATION COMMITTEE MEETING
MINUTES APPROVAL**



Downtown Investment Authority
Strategic Implementation Committee Hybrid Meeting
Thursday, August 11, 2022 – 1:00 p.m.

Strategic Implementation Committee Hybrid Meeting
Draft – MEETING MINUTES

Strategic Implementation Committee Members (CM) in Attendance:

Craig Gibbs, Esq., Chair	Oliver Barakat (via Zoom; voting)
Stephanie Burch, Esq.	Jim Citrano
Carol Worsham, Ex Officio (via Zoom; non-voting)	

Committee Members Excused:

Board Members in Attendance:

DIA Staff Present: Lori Boyer, Chief Executive Officer; Xzavier Chisholm, Administrative Assistant; Wanda James Crowley, Financial Analyst (via Zoom); Steve Kelley, Director of Downtown Real Estate and Development; Guy Parola, Operations Manager; Antonio Posey, Project Manager; and Ina Mezini, Communication and Marketing Specialist (via Zoom).

Office of General Counsel: Joelle Dillard, Esq.

Council Members Present:

I. CALL TO ORDER

The Strategic Implementation Committee meeting of August 11, 2022 was called to order at 1:00 p.m. by Chairman Gibbs.

Chairman Gibbs began the meeting with the citing of the Pledge of Allegiance followed by each committee member and DIA staff introducing themselves.

II. PUBLIC COMMENTS

Chairman Gibbs 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:

No public comments were submitted.

III. APRIL 14, 2022 STRATEGIC IMPLEMENTATION COMMITTEE MEETING APPROVAL OF THE MINUTES

Chairman Gibbs called for corrections or other edits by his fellow committee members.

Motion: CM Citrano moved to approve the minutes as presented

Seconded: CM Burch seconded the motion

Vote: Aye: 4 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 4-0-0

IV. RESOLUTION 2022-08-04: W. A. KNIGHT BUILDING

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING THAT CITY COUNCIL APPROVE A DISCOUNTED LOAN PAYOFF FROM W.A. KNIGHT BUILDING DEVELOPMENT, L.L.C. (“BORROWER”) ON DEBT ORIGINALLY ISSUED BY THE CITY OF JACKSONVILLE THROUGH THE JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION (“LENDER”) OCTOBER 5, 2001 WITH A DUE DATE OF OCTOBER 31, 2031 IN THE ORIGINAL AMOUNT OF \$300,000 AND SECURED BY A THIRD MORTGAGE ON THE COLLATERAL PROPERTY LOCATED AT 113 W ADAMS STREET (“PROPERTY”), JACKSONVILLE, FLORIDA; FINDING THAT PROPOSED DISCOUNTED LOAN PAYOFF IS CONSISTENT WITH THE DIA’S BUSINESS INVESTMENT AND DEVELOPMENT PLAN (“BID PLAN”) AND THE DOWNTOWN NORTHBANK COMMUNITY REDEVELOPMENT AREA PLAN (“CRA PLAN”); AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE THE CONTRACTS AND DOCUMENTS AND OTHERWISE TAKE ALL NECESSARY ACTION IN CONNECTION THEREWITH TO EFFECTUATE THE PURPOSES OF THIS RESOLUTION; PROVIDING AN EFFECTIVE DATE.

DIA’s Steve Kelley introduced the resolution, stating that it contemplates a discounted loan payoff (DPO) from the borrower on a loan extended for the acquisition and redevelopment of the property located at 113 W Adams Street. The owner of the property borrowed \$300,000 from the City of Jacksonville (COJ) in October 2001 via the Jacksonville Economic Development Commission (JEDC) in its capacity as the Northbank CRA for the acquisition and rehabilitation of the property. The COJ/JEDC loan continues to accrue interest at 2 percent per annum with principal and interest due at maturity, October 2031. The loan payoff amount at maturity, estimated at \$543,408 has been discounted to September 2022, using a 6 percent discount rate, to provide an approximate present value of \$319, 952. Initial negotiations with the borrower indicate a willingness to pay the discounted loan payoff amount in order to settle the obligation early and allow COJ, through the DIA, to redeploy that amount in the Northbank CRA. Upon approval by the board, the agreement would then go before City Council for approval.

Motion: CM Citrano moved to approve the resolution as presented

Seconded: CM Burch seconded the motion

CM Burch asked how this proposal came about. CEO Boyer responded that DIA was approached by Councilman Carlucci who was approached by the owner of the building, Mike Langton. The initial request was to convert it to a DPRP Forgivable Loan. DIA's response to this initial request was no, and that it wasn't feasible. The only thing DIA considered feasible was to offer a discount off the future payments since nothing is being paid for another 10 years.

CM Burch asked is it clear where the payoff funds will be going once received and will they be readily available for DIA to redeploy. CEO Boyer stated that their research indicates that the funds originated from the General Fund and it is likely the payoff will be received by the General Fund which City Council would then be in charge of appropriating. CEO Boyer added that there is ongoing research regarding Notes Receivable which was brought about by Carling and Lynch in this year's budget process.

CM Citrano asked if Mr. Langton would be eligible for an economic incentive from DIA later down the road. Mr. Kelley responded that he has been getting this question frequently in regard to other projects and the answer is that it would depend on the situation. Generally speaking, if financing has been provided by the City in some form or another in previous years, then it's not eligible for further financing to "redo" what has effectively been done previously. CEO Boyer added that a developer who previously received financing for historic renovation and rehabilitation could be considered eligible for FAB-REP program incentives if they are now adding a restaurant or entertainment venue.

CM Barkat asked why this agreement isn't going straight to City Council. CEO Boyer responded that JEDC is the payee on the loan and DIA is the successor to JEDC.

Mike Langton, owner of the property in question, spoke to the building's condition, market conditions, and state of downtown when he first sought to renovate the building roughly 17 years ago, and thanked the City for assisting in making it the success that it is today.

CM Burch suggested that OGC include the appropriation of the funds in the drafting of the legislation so that it's already taken care of and there's no questions as to where the funds go when they return to the City. CEO Boyer agreed and suggested that it be appropriated to downtown economic development fund.

Vote: Aye: 4 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 4-0-0

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

None.

VI. ADJOURNMENT

Chairman Gibbs adjourned the meeting at 1:21 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.

DRAFT

TAB IV

RESOLUTION 2022-09-04: 525 W BEAVER STREET DPRP

RESOLUTION 2022-09-04

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING THAT CITY COUNCIL APPROVE A DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM FORGIVABLE LOAN PACKAGE FOR REHABILITATION OF THE BUILDING LOCATED AT 525 W BEAVER ST (THE “PROPERTY”) PURSUANT TO A REDEVELOPMENT AGREEMENT WITH 525 BEAVER, LLC OR ASSIGNS (“OWNER” OR “DEVELOPER”); FINDING THAT THE PLAN OF DEVELOPMENT IS CONSISTENT WITH THE DIA’S BUSINESS INVESTMENT AND DEVELOPMENT PLAN (“BID PLAN”) AND THE DOWNTOWN NORTHBANK COMMUNITY REDEVELOPMENT AREA PLAN (“CRA PLAN”); AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE THE CONTRACTS AND DOCUMENTS AND OTHERWISE TAKE ALL NECESSARY ACTION IN CONNECTION THEREWITH TO EFFECTUATE THE PURPOSES OF THIS RESOLUTION; PROVIDING AN EFFECTIVE DATE.

WHEREAS, 525 Beaver, LLC is the owner of the Property and the building located on the Property, which has been designated a local historic landmark by the Jacksonville City Council in Ordinance 2022-0499-E and is within the boundaries of the Downtown Northbank CRA; and

WHEREAS, the Developer proposes to rehabilitate the Property to provide a minimum of 8,600 square feet of leasable space as a mixed-use property in the NorthCore District of Downtown Jacksonville; and

WHEREAS, the increased private capital investment totaling not less than \$4,986,884 in real property will increase the county ad valorem tax base over the useful life of the assets, will add to the housing options for residents and visitors in Downtown Jacksonville; and

WHEREAS, the Strategic Implementation Committee of the Downtown Investment Authority (“DIA”) met on September 19, 2022, to consider the recommendation of DPRP Program Forgivable Loans in accordance with the program guidelines established by City Council in accordance with the terms contained in the term sheet attached hereto as Exhibit A; and

NOW THEREFORE, BE IT RESOLVED, by the Downtown Investment Authority:

Section 1. The DIA finds that the recitals set forth above are true and correct and are incorporated herein by this reference.

Section 2. The DIA instructs the Chief Executive Officer of the Downtown Investment Authority to take all necessary actions, including the filing of legislation before the City Council, to seek DPRP funding of up to **\$1,251,430** pursuant to the Downtown Historic Preservation and Revitalization Program guidelines in accordance with the terms set forth on the term sheet attached hereto as Exhibit A.

Section 3. The Chief Executive Officer is hereby authorized to execute the contracts and documents and otherwise take all necessary action in connection therewith to effectuate the purposes of this Resolution.

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

WITNESS:

DOWNTOWN INVESTMENT AUTHORITY

Carol Worsham, Chairman

Date

VOTE: In Favor: _____ Opposed: _____ Abstained: _____

DRAFT

Exhibit A:

**DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM
TERM SHEET**

LAVILLA PLACE

525 W. Beaver Street, Jacksonville FL 32202

Project: The project comprises the redevelopment of the historic Hillman-Pratt and Walton Funeral Home Building in the NorthCore District of Downtown Jacksonville, utilizing funding through the Downtown Preservation and Revitalization Program (“DPRP”).

The building located at 525 W. Beaver Street, RE#074645-0000, is a historic two-story building with basement consisting of approximately 10,600 gross square feet and was originally constructed in 1916. Upon completion, the building will provide approximately 7,500 square feet of leasable residential living space within 13 proposed residential units and approximately 1,500 square feet of leasable commercial/retail space in an adjacent space currently used as a carport/storage area. Rehabilitation efforts proposed include, but are not limited to, window replacement, roof repairs, providing for ADA accessibility as required, fire alarm, sprinkler system, exterior repairs, and paint.

Developer/ Applicant / Borrower: 525 Beaver, LLC (“Owner”)
Mr. Eric Adler

Total Development Costs (estimate): \$4,986,884

Equity (proposed): \$1,886,759 (37.8% of Underwritten TDC)

City Funding: No more than **\$1,251,430** (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	\$572,680	\$678,750	N/A	\$1,251,430

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

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

and applicable design guidelines during application processing and for verification upon completion and request for funding under terms defined further herein.

Budget. The construction budget reviewed and approved by the DIA in the total amount of THREE MILLION EIGHT HUNDRED FIFTY-THREE THOUSAND THREE HUNDRED FIFTY-SEVEN DOLLARS AND ZERO CENTS (the “Total Budget Amount”), which includes Construction Costs to be incurred in each of the funding categories (each, a “Funding Category”) and in the minimum amounts (each a “Funding Category Minimum”) set forth in the table below:

Funding Category	Funding Category Minimum
Interior Rehabilitation	\$ 784,703
Interior Restoration	\$ 174,611
Exterior	\$ 187,750
Code Compliance	\$ 905,000
General Requirements/Other	\$ 327,496
N/A ¹	\$1,473,797
Total Budget Amount:	\$3,853,357

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

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

- (i) a total equity capital contribution of at least ONE MILLION EIGHT HUNDRED EIGHTY-SIX THOUSAND SEVEN HUNDRED FIFTY-NINE DOLLARS AND NO/100 (\$1,886,759.00) (the “Required Equity”);
- (ii) Total Development Costs incurred of at least FOUR MILLION NINE HUNDRED EIGHTY-SIX THOUSAND EIGHT HUNDRED EIGHTY-FOUR DOLLARS AND NO/100 (\$4,986,844), which shall exclude holding costs, tangible personal property (IT, FF&E), marketing, third party costs for risk management, and loan fees (the “Minimum Total Development Costs”);
- (iii) Minimum Eligible Construction Costs incurred of at least the Total Budget Amount less costs classified as “N/A” (the “Minimum Eligible Construction Costs”), and
- (iv) Construction Costs incurred of at least the Funding Category Minimum with respect to each respective Funding Category.

Notwithstanding the foregoing, the required Minimum Total Development Costs of \$4,986,844 may be reduced by a maximum of ten percent (10%) overall, as determined by the DIA in its sole and absolute discretion, without affecting Developer’s eligibility for the approved DPRP Loans. Further, any Funding Category Minimum may be reduced by a maximum of ten percent (10%) on

a stand-alone basis, as determined by the DIA in its sole and absolute discretion; provided that, in such event, there shall be a pro rata reduction in any or each of the related DPRP Loans, as required.

DIA staff shall present to the DIA Board a request for approval of the reduced DPRP Loans consistent with the DPRP Guidelines. The DIA Board shall have the authority, without further action by City Council, to approve reduced DPRP Loan amounts provided the Total Development Costs incurred are not less than \$4,488,160, including Minimum Eligible Construction Costs incurred of not less than \$2,141,604.

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 project, although commercial tenants, including those related to the Owner, 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 to the extent such costs are directly attributable to space that would be occupied by the REP Grant Applicant.

Performance Schedule:

- A) Redevelopment Agreement to be executed within thirty (30) days of the Bill Effective Date.
- B) Commencement of Construction: Within six (6) months following the Redevelopment Agreement Effective Date, Applicant commits to commencement of construction, meaning receipt of all required approvals, permitting, and closing on all required financing to allow the start of construction activities and has actually broken ground to begin work.
- C) Substantial Completion: Within eighteen (18) months following Commencement of Construction as defined above.
- D) The DIA CEO will have authority to extend this Performance Schedule, in the CEO's discretion, for up to six (6) months for good cause shown by the Developer / Applicant. Any extensions to the Commencement Date shall have the same effect of extending the Completion Date simultaneously.

Additional Commitments:

- A) The Developer commits to the development of:
 - 1. A minimum of 7,300 square feet of net leasable residential space and not less than 12 residential units.
 - 2. A minimum of 1,300 square feet of net leasable commercial/retail space for tenants.
- B) 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 of any program funding. Such recommendation by the Planning and Development

Department may be conditional on further review and approvals by the State Historic Preservation Office (“SHPO”) and/or the National Park Service (“NPS”) as may be required.

- C) Upon completion and request for funding, all work on the Properties must be inspected by the Planning and Development Department or designee for compliance with the approved application prior to funding under any DPRP loan component.
- D) Funding under the DPRP will be secured by a stand-alone, subordinate lien position on the Property behind any senior secured, third-party lender providing construction, mini-perm, or permanent financing, as long as such subordination does not alter the DIA approved maturity date of any DPRP Loan.
- E) Each DPRP loan will be cross defaulted with one another.
- F) Payment defaults, or other defaults that trigger legal actions against the Applicant that endanger the lien position of the City, shall also be a default on the subject facilities.
- G) As the Borrower will be utilizing a combination of HPRR Forgivable Loans, and CCR Forgivable Loans, the maturity of each of these Forgivable 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.
- H) Standard clawback provisions will apply such that:
 - a) In the event the Borrower sells, including without limitation a capital lease transaction, or otherwise transfers the Historic Building during the first five (5) years after the disbursement of the Forgivable Loans, the following amounts of any Forgivable Loan shall be due and payable at closing of the Sale:
 - i. 100% if the Sale occurs within 12 months after disbursement of the Forgivable Loan;
 - ii. 80% if the Sale occurs after 12 months but within 24 months of disbursement of the Forgivable Loan;
 - iii. 60% if the Sale occurs after 24 months but within 36 months of disbursement of the Forgivable Loan;
 - iv. 40% if the Sale occurs after 36 months but within 48 months of disbursement of the Forgivable Loan; or
 - v. 20% if the Sale occurs after 48 months but within 60 months of disbursement of the Forgivable Loan.
 - b) Changes in the proposed intended use of the property must continue to contribute towards the relevant Redevelopment Goals and Performance Measures of the DIA and shall be presented to the DIA for further approval not less than 90 days in advance of such changes, and such approval shall not be unreasonably withheld. In the event Borrower or any lessee or assignee of the Borrower uses the Project or the Historic Property or Properties for any use not contemplated by this Agreement at any time within five years following the disbursement of the Forgivable Loan or Loan without such approval, the full amount of the amounts awarded, together with all accrued but

unpaid interest thereon, may be declared by the DIA to become due and payable by the Borrower.

- I) Funding in the amount of the DPRP Deferred Principal Loan component (if any) will have a stated maturity date of ten years from the Funding Date. The loan balance is due in full upon maturity, sale, or refinancing of the property prior to maturity subject to terms of the disposition and value of the property at the time of such event.
- J) The DPRP Deferred Principal Loan component (if any) requires fixed annual interest payments equal to the total principal outstanding multiplied by the prevailing Ten-Year Treasury Note Rate at the time established for closing.
- K) Partial Principal reductions on the DPRP Deferred Principal Loan (if any) may be made after the fifth anniversary with no prepayment penalty; however, a minimum of 50% of the initial loan balance must remain outstanding through the loan maturity date unless the Property or Properties are sold or refinanced during that period, subject to DIA approval.
- L) DIA reserves the right to approve any sale, disposition of collateral property, or refinance of senior debt prior to the forgiveness or repayment of any DPRP Loan.
- M) All Property, business, and income taxes must be current at the time of application and maintained in current status throughout the approval process, the term of the Redevelopment Agreement, and through the DPRP loan period.
- N) Minimum insurance requirements as established by the City of Jacksonville Risk Management Department must be met prior to closing and maintained throughout the term of the development agreement.
- O) Payment defaults, bankruptcy filings, or other material defaults during the DPRP loan period will trigger the right for the City of Jacksonville to accelerate all amounts funded and outstanding under any or all programs at such time, plus a 20% penalty of any amounts amortized or prepaid prior to that date.

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

SUPPLEMENTAL INFORMATION

**DIA Downtown Preservation and Revitalization Program
Staff Report**

**525 Beaver Street
July 31, 2022**

Applicant: 525 Beaver, LLC (“Owner”)
Mr. Eric Adler

Project: The Raven, a 13-unit multifamily development
525 W Beaver Street
Jacksonville, FL 32202

Program Request: Downtown Preservation and Revitalization Program (“DPRP”)

Total Development Costs: \$4,986,884

DPRP Requested/Recommended:

- | | |
|--|--------------------|
| 1) Historic Preservation Restoration and Rehabilitation Forgivable Loan (HPRR) | \$ 572,680 |
| 2) Code Compliance Renovations Forgivable Loan (CCR) | \$ 678,750 |
| 3) Total | <u>\$1,251,430</u> |

Project Background:

The subject project includes redevelopment of the former Hillman-Pratt and Walton funeral parlor located at 525 W Beaver Street. As provided by the COJ Historic Preservation Section, “Originally constructed circa 1915 as a funeral home and residence in LaVilla, the building has survived the decline of the area following desegregation and the loss of many other buildings to urban renewal practices. The Hillman-Pratt Funeral Home serves as a visual reminder of the once thriving black community it served. The two-story masonry structure was designed by Joseph Haygood Blodgett, an African American architect noted to have a significant impact on Jacksonville during the segregated period between 1865 and 1965. Mr. Blodgett was one of the most respected and successful African American business and community leaders of his time. The Hillman-Pratt Funeral Home is considered one of his best designs and is one of his last remaining commercial structures.

The subject property was partially converted into apartments on the second floor by the previous owner, with the first floor remaining undeveloped. Mr. Adler’s plan is to convert the 1st and 2nd-floor into 13 apartments and to add commercial space for a coffee shop or wine bar open to the general public. At a later date, the developer intends to install a small swimming pool and build out a courtyard in place of most of the existing parking lot that is directly adjacent to this property.

The building (RE# 074645-0000) is a historic two-story building with a basement built in 1916, consisting of approximately 10,600 gross square feet. Upon completion, the building will provide approximately 1,500 square feet of shell space for commercial tenancy and approximately 7,500 square feet of leasable dwelling space in the thirteen proposed units. Rehabilitation efforts proposed include, but are not limited

to, window replacement, roof repairs, providing for ADA accessibility as required, fire alarm, sprinkler system, exterior repairs, and paint.

The Borrower will be utilizing a combination of HPRR Forgivable Loans, and CCR Forgivable Loans, the maturity of each of these forgivable loans will be five years with the principal set to be forgiven at the rate of 20% annually. To be eligible for funding, staff determined that all work must be reviewed and approved by the Planning and Development Department for consistency with the United States Secretary of Interior Standards and applicable design guidelines during application processing and for verification upon completion and request for funding.

Figure 1. 525 W. Bever Street



Historic Preservation Section Comments:

In its conditional conceptual approval of September 2, 2022, which was provided to the Owner, its general contractor, and architect, staff for the Historic Preservation Section of the Planning and Development Department notes that in its landmark designation, *“The structure was found to have met four (4) of the seven (7) designation criteria”* Further, *“It retains much of its original exterior integrity and is structurally sound, making it particularly suitable for preservation and rehabilitation.”* As a locally landmark, all exterior work must be reviewed under a Certificate of Appropriateness (COA) for consistency with the Secretary of the Interior’s Standards for Rehabilitation (Standards). While exterior alterations generally require review and approval by the Jacksonville Historic Preservation Commission (JHPC), approval of work scopes by the State Historic Preservation Office (SHPO) and the National Park Service (NPS) can be used as a basis for an administrative COA review by the Historic Preservation Section (HPS). In addition to seeking assistance through the DPRP and Tax Exemption programs, the owner has applied for Federal Historic Tax Credits (HTC) under which the exterior and interior of the project is being reviewed by the SHPO and NPS for consistency with the same Standards used in reviewing the local programs. At the time of this

memorandum, no COA has been approved and neither the SHPO or NPS has issued their review of the project, so the HPS is providing a conditioned conceptual approval.

HPS Recommendation:

“Based on these findings, the Planning and Development Department recommends APPROVAL WITH CONDITIONS on this project. “Conditions-interior” shown below are based on staff’s analysis of the interior scope of work, and “conditions – exterior” shown below have been approved by the HPC.

Conditions :

1. *The metal security gate at the front porch shall be minimized to a simple gate or eliminated.*
2. *The recessed storefront enclosure of the covered driveway area shall be reworked to be more compatible for the structure, potentially utilizing a divided light grid and either replacing the solid fill proposed above the glass storefront with glass (preferred) to maintain a better sense of openness or painting the solid portion a dark color to blend with the shadow of the recessed space so that it does not distract from the curvature of the arched opening.*
3. *The stained-glass window being reinstalled on the west elevation shall be verified to fit and be recessed into the historic opening, matching other historic windows on the structure.*
4. *The project shall receive approval of the work scope by the NPS through the HTC part 2 and any subsequent amendments, confirming the project going forward meets the Secretary of the Interior Standards for Rehabilitation or go through the normal Historic Commission COA review process.*
5. *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) for reference in an accompanying COA application 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 if needed and any conditions are addressed in the COA approval per the DPRP Guidelines and landmark requirements.*

Conditions - exterior:

1. *Introducing three new openings on the west elevation.*
2. *Reinstalling a stained-glass window to the west elevation.*
3. *Improvements to the roof of the covered driveway, including a new railing so that it can be used as an outdoor space.*
4. *Restoring two door openings that were previously converted to windows on the second floor of the east elevation.*
5. *Repairs to the exterior masonry and historic doors.*
6. *Installing metal security bars and gate in the first floor porch opening.*
7. *Filling framed openings along the east wall of the covered drive with fixed glass.*
8. *Adding a recessed storefront to enclose the covered driveway space.*
9. *Adding a kitchen and bathrooms to the driveway enclosure for its new use.*
10. *Replacing an existing secondary staircase with one that meets the building code.*
11. *Reworking both the first and second floor of the main building and casket factory into residential and short-term rental units.*
12. *Retaining, repairing and replicating, where appropriate, historic flooring, beadboard ceilings and wood trim.*

13. *Adding tile to new bathrooms.*
14. *Updating all HVAC, electrical and plumbing systems as needed to accommodate the new floorplan and use.*
15. *Fixing the historic casket lift in place on the second floor and filling the hole between floors.*
16. *Installing a new ADA ramp on the west side of the structure.*
17. *Installing a new pool area in the empty lot at the west side of the structure.*

Developer:

Eric Adler is the founder and Managing Director of Silver Street Capital (SSC), a boutique private equity firm specializing in retail and residential real estate assets in the southeast. He began as a real estate investor in 2005 and has grown SSC portfolio . Partnered with Eric is Andrew Dorazio who serves as the managing Director at SSC. Andrew has 12+ years of real estate experience across several markets and asset classes, having accumulated over 40+ units. Prior to joining the firm, he served as an international supply chain consultant based in Chicago for eight years.

Architect:

Jason Canning Architect LLC is a Jacksonville, Florida based architectural firm specializing in both residential work from minor renovations to complete ground-up designs and commercial work from tenant improvements to large scale additions. Led by Jason Canning, the firm will oversee all architectural plans and help bring the owner’s vision to life. The group has experience with the design and engineering projects downtown including Tossgreen and Southern Roots Filling Station.

Construction Manager & Consultant:

Opus Group, was founded and is led by Allen Cottrill who brings more than 25 years of experience to the construction industry. Allen started Opus beginning with local government contracts, then grew to include commercial, retail, historic renovation, and adaptive reuse projects. Opus has had the opportunity to service local clients such as JWB Capital (Church and Hogan properties), Camping World, First Baptist Church Downtown, World of Beer, and Sweet Pete’s just to name a few.

Development Budget:

The total development budget of \$4,986,884 as presented is centered on the construction budget of \$3,778,357, or \$356.45 per square foot. The construction budget as modeled includes a contingency of \$179,750, representing 5.9% of costs before overhead, profit, and insurance. The property itself was acquired by the owner, on July 26, 2021, for \$645,000, or \$60.85 psf. The property has a 2022 tax-assessed value of \$484,250.

An appraisal prepared by Provident Valuation Services LLC February 12, 2021 provides a value of the property in “AS IS” condition of \$690,000. The prospective value upon completion and stabilization is shown by the appraiser to be \$1,460,000.

Noted in the Sources and Uses shown in Figure 2, below, the development is shown to have an additional funding gap of \$719 thousand, which will be met primarily from the sale of Historic tax Credits, and may also be partially filled by additional equity or debt.

As outlined further in the Term Sheet, the required Minimum Total Development Costs of \$4,986,884 may be reduced by a maximum of ten percent (10%) overall, to \$4,488,196, without affecting the Developer’s eligibility for the approved DPRP Loans, subject to further limitations imposed on Funding Category Minimums discussed further below.

Operating Budget:

The operating model for the LaVilla Place Apartments contemplates short term rentals, including Airbnb and VRBO tenancy. As such, the Effective gross Income of \$14.7 thousand for the first year of stabilization is based on rents averaging \$4.61 per square foot. To lease the small commercial space to a wine bar/coffee shop operator, Adler proposes charging rent of \$8.33 per square foot.

The pro forma provided suggests revenues and expenses will escalate 2% annually. Operating expenses estimated at \$179 thousand annually, inclusive of property taxes estimated at \$4,590 in the first year, provides NOI of \$245.6 thousand in the first year of stabilization, but does not contemplate a vacancy factor. With vacancy at 25%, NOI drops to \$142 thousand, at 50%, NOI drops further to \$38,203. At 25% vacancy, the NOI is sufficient to cover projected Debt Service 1.7X, whereas at 50% vacancy the estimated NOI is insufficient to cover projected debt costs. Net Operating Income is projected to increase to a \$287.8 thousand through year 10.

With equity shown of \$1.9 thousand, the funding gap is demonstrated by a pre-tax, levered IRR on equity that is mid-single digits, rising to the mid-teens with City support, and this development would not attract the capital necessary to undertake a project of this risk level without additional funding support from the DPRP.

Request and Structure:

DIA staff in conjunction with HPS staff reviewed each line item of the \$3,853,357 construction budget provided to align costs with the appropriate DPRP funding category as shown below. As shown, these amounts establish funding minimums for each of the respective categories.

Funding Category	Funding Category Minimum	DPRP Funding
Interior Rehabilitation	\$ 784,703	\$ 235,411
Interior Restoration	\$ 174,611	\$ 130,958
Exterior	\$ 187,750	\$ 140,813
Code Compliance	\$ 905,000	\$ 678,750
General Requirements/Other	\$ 327,496	\$ 65,499
N/A ¹	\$1,473,797	N/A
Total Budget Amount:	\$3,853,357	\$1,251,431

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

These amounts are aggregated into the respective recommended HP RR forgivable loans and Code Compliance Loans totaling \$1,251,430 as shown below:

	Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (HPRR)	Code Compliance Forgivable Loan (CCR)	DPRP Deferred Principal Loan	TOTAL
As Underwritten	\$572,680	\$678,750	\$0	\$1,251,430

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. Due to the equity level proposed by the Developer, of \$1,886,759, which represents 37.8% of Total Development Cost and is in excess of the 25% threshold, the project is not required to receive a DPRP Deferred Principal Loan.

At this funding level, the incentive structure and funding under the DPRP will be subject to further approvals by the Jacksonville City Council. Funding of the DPRP Loans will only be made to the Owner following completion and inspection of the work in accordance with criteria approved by the DIA and the Historic Preservation Section of the COJ Planning and Development Department at the time of underwriting.

DIA reserves the right to approve any sale, disposition of collateral property, or refinance of senior debt during the DPRP Compliance Period. Each of these parameters for the for 525 W Beaver Street are captured in Figure 2. below:

Figure 2. – DPRP Parameters for 525 W. Beaver Street

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Total from Const Budget		\$	3,778,357
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Sources			
Federal Historic Tax Credit	\$	-	0.0%
HPRR Forgivable Loan	\$	572,681	11.5%
CCR Forgivable Loan	\$	678,750	13.6%
DPRP Def Prin Loan			0.0%
Other COJ Funding	\$	-	0.0%
1st Position Debt	\$	1,130,000	22.7%
Owner Equity	\$	1,886,759	37.8%
Add'l Capital Needed	\$	718,694	14.4%
TOTAL SOURCES	\$	4,986,884	85.6%

Uses			
Value "As Is"	\$	645,000	12.9%
Predevelopment Costs	\$	113,527	2.3%
Construction Costs	\$	3,778,357	75.8%
Equipment and F,F,&E	\$	188,000	
Soft Costs	\$	262,000	5.3%
Developer Fee			0.0%
TOTAL USES	\$	4,986,884	96.2%

Maximum Funding Level	\$	2,493,442
DPRP Funding	\$	1,251,431
ROI		0.708

Measurement	DPRP Guidelines		As Calculated Project
	% of TDC	Net of Developer Fee	
Developer Equity	10%	Min of TDC	37.8%
3rd Party Loan		No min or max	22.7%
Subsidy or Tax Credit		No min or max	0.0%
Developer Combined	50%	Min of TDC	60.5%
DPRP			
Exterior	75%	Max of eligible costs	
Restoration Int	75%	Max of eligible costs	
Rehabilitation Int	30%	Max of eligible costs	
Code Compliance	75%	Max of eligible costs	
Other	20%	Max of eligible costs	
HPRR Forgivable Loan	30%	Max of TDC	11.5%
CCR Forgivable Loan	30%	Max of TDC	13.6%
DPRP Def Prin Loan	20%	Max of TDC	0.0%
DPRP Def Prin Loan		Min Must be ≥ 20% of Gap	N/A
Other COJ Funding			0.0%
COJ Combined	50%	Max of TDC	25.1%

Return on Investment (ROI):

As shown in Figure 3. below, the ROI for the development as proposed and underwritten is satisfactory per DPRP Guidelines at 0.71X. The property taxes are further supported by the LOCAL Option Sales Tax and the Tourist Development anticipated from the short term rentals, and we included with an estimated 50% vacancy rate. Incremental ad valorem taxes projected to be provided by this development effort may

be abated for the first ten years following completion, per ordinance, and would provide an estimated \$530 thousand to the CRA Tax Increment Fund over twenty years.

Figure 3. – 525 W Beaver Street ROI Calculation

\$3.8 Million in Capital Expenditures

Ad Valorem Taxes Generated			
County Operating Millage	(1)	\$	522,234
Local Option Sales Tax	(2)	\$	363,269
Payroll	(3)	\$	-
Add'l Benefits Provided	(4)	\$	-
Total City Expected Benefits		\$	885,503
Total City Investment	(5)	\$	1,251,430

Return on Investment Ratio	0.708
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- (1) - The investment from the Company is estimated to be \$3,853,357 in Capital Contribution for development and \$188,000 in taxable Tangible Personal Property
- (2) - Local Option Sales Tax is based on the revenue generated through short term residential rental, tourist development tax, retail sales, food and beverage, 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	\$ -
PV of DPRP Deferred Principal Repayment	\$ -
Other	
Total Add'l Benefits Provided	\$ -

(5) - City Incentives as follows:	
DPRP	\$ 1,251,430
Land	\$ -
Other	
Total Direct Incentives	\$ 1,251,430

Recommendation:

Underwriting this application established the need for financial support from the City based on the redevelopment costs for the building, deemed important to the activation 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.

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.

DIA Staff recommends approval of a the DPRP loans as outlined. Other conditions and requirements of approval and administration of the subject facilities is captured in the Exhibit A Term Sheet.