



Downtown Investment Authority
Strategic Implementation Committee

Wednesday, December 14th, 2022 at 10:30 a.m.

SIC REVISED AGENDA

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

Carol Worsham, Ex Officio

Committee Members Excused:

- I. CALL TO ORDER
 - II. PUBLIC COMMENTS
 - III. RESOLUTION 2022-12-03: LOFTS AT CATHEDRAL LOAN MODIFICATION
 - IV. OTHER MATTERS TO BE ADDED AT THE DISCRETION OF THE CHAIR
 - V. ADJOURN
-

MEETING LOCATION

Physical Location

Jacksonville Public Library-Main Library/Downtown
303 North Laura Street
Multipurpose Room (located in the Conference Center)
Jacksonville, Florida 32202

PLEASE NOTE: The multipurpose room will **not be accessible through the Main Street entrance**. The Main Street entrance will be closed. Please use the Laura Street entrance to enter the building.

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**

Wednesday, December 14th, 2022 at 10:30 a.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/82644809997>

TAB III

RESOLUTION 2022-12-03: LOFTS AT CATHEDRAL LOAN MODIFICATION

RESOLUTION 2022-12-03

A MODIFICATION AND RESTATEMENT OF A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY SUPPORTING THE EXECUTION OF A REDEVELOPMENT AND INCENTIVE AGREEMENT BETWEEN THE DOWNTOWN INVESTMENT AUTHORITY AND VESTCOR, INC; AUTHORIZING THE CEO OF THE DOWNTOWN INVESTMENT AUTHORITY TO NEGOTIATE THE LOAN AGREEMENT; AND AUTHORIZING THE CEO OF THE DOWNTOWN INVESTMENT AUTHORITY TO EXECUTE SUCH DOCUMENTS AND AGREEMENTS; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, Vestcor, Inc. (the “Developer”) proposes to construct the Lofts at Cathedral, a project consisting of approximately 120 new or rehabilitated multi-family apartment units of various unit sizes for families in the Cathedral District neighborhood. Utilizing funding from the Low Income Housing Tax Credit program (“LIHTC”), the Developer proposes to deliver approximately 120 multifamily mixed-income units, including 84 with rent limits providing affordable housing for tenants with income of 80% or less of the Area Median income, in the Cathedral Hill District within the boundaries of the Downtown Northbank CRA of Downtown Jacksonville. The project will result in an investment of approximately \$39,000,000 for the construction of the apartments, and associated improvements, representing an increase of more than \$10,000,000 from the total development cost originally underwritten.

WHEREAS, the Developer was awarded Low Income Housing Tax Credits of \$1,868,000 per year for a period of ten years under RFA 2021-202 by the Florida Housing Finance Corporation to facilitate the development of affordable housing within the overall development activity; and

WHEREAS, RFA 2021-202 required a Local Government Support Loan of \$625,000, which was approved by the DIA in Resolution 2021-07-04 to facilitate the development of affordable housing within the overall development activity; and

WHEREAS, the increased private capital investment totaling not less than \$39,000,000 in real property will increase the county ad valorem tax base over the useful life of the assets related to the overall development activity, and will add to the residential tenancy options in Downtown Jacksonville; and

WHEREAS, the Strategic Implementation Committee of the Downtown Investment Authority (“DIA”) met on November 16, 2022, and approved to forward Resolution 2022-11-06 to the DIA Board recommending approval of DPRP Program Forgivable Loans for the historic building component of the overall development following the program guidelines established by City Council in an amount not to exceed \$2,398,400, which exceeds the maximum additional funding of \$1,025,000 as originally authorized by Resolution 2021-07-04; and

WHEREAS, the Strategic Implementation Committee of the Downtown Investment Authority (“DIA”) met on December 14, 2022 to consider approval of this Resolution 2022-12-03, which modifies the loan approval as originally authorized by Resolution 2021-07-04;

WHEREAS, the Downtown Investment Authority (“DIA”) is authorized per section 55.108 *Economic Development* of the City Ordinance Code, subject to City Council appropriation of funds, to utilize the Tax Increment Finance District Trust Funds to foster the redevelopment of the Downtown Northbank Community Redevelopment Area; and

WHEREAS, sufficient funds have been previously appropriated by City Council for Loans within the Northbank CRA and remain available for use in accordance with the BID Plan; and

WHEREAS, the proposed loan will be funded from the DIA Northbank CRA Loan Program Plan Authorized Expenditures account; and

WHEREAS, the financial assistance to the project will be in the form as detailed on the attached Term Sheet and in compliance with the requirements of the Local Government Support Loan (as detailed in the NOFA); and

WHEREAS, the proposed financing complies with program guidelines for the DIA Affordable Housing Support Loan Program as authorized by the update to the DIA BID Plan by ordinance 2022-0372E as approved by City Council on June 28, 2022; 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 hereby authorizes the CEO of the Downtown Investment Authority to negotiate a Loan Agreement and a Redevelopment Agreement with the Developer, or a subsidiary of the Developer substantially in accordance with the term sheet attached hereto as Exhibit A.

Section 3. The DIA hereby authorizes the CEO of the Downtown Investment Authority to execute such agreements.

Section 4. This Resolution, 2022-12-03, Shall become effective on the date it is signed by the Chair of the DIA Board.

(SIGNATURES ON FOLLOWING PAGE)

WITNESS:

DOWNTOWN INVESTMENT AUTHORITY

Carol Worsham, Chairman

Date

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

DRAFT

Exhibit A to Resolution 2022-12-03
Term Sheet

Loan:

Project Name: Lofts at Cathedral (A multifamily development utilizing Low Income Housing Tax Credits)

Developer/ Applicant: Single Asset Entity to be formed, Vestcor (or an affiliate company) will be the General Partner.

Total Development Costs (estimate): \$39,000,000; not less than \$37,050,000 to remain eligible

LIHTC Equity (proposed): \$22,789,721 (58.3% of TDC)

New City Funding: Not more than \$3,023,400 through the City of Jacksonville, Downtown Investment Authority in the aggregate; this loan authorization is not to exceed \$625,000 as follows:

Infrastructure: No city of Jacksonville infrastructure improvements are contemplated.

Land: No land or building owned by the City of Jacksonville land is requested by the project.

City Funding pursuant to this Resolution:

CRA Loan:

- \$625,000 Loan from the Northbank CRA Loan Program
- The Note will have a 1.00% interest rate (payable semi-annually)
- Term will be 20 years, as required by the FHFC RFA 2021-202, with an option for prepayment without penalty at any time.
- The principal balance of the note will be due at the end of the term or upon sale, transfer or refinance of the project.
- There will be no annual payments of principal required on the \$625,000 loan.
- The Loan would be funded concurrently with the development meeting the definitions of Completion within its senior loan documents.

The loan approval and funding is contingent upon the following:

1. Selection by the JHFA for the Local Government Area Of Opportunity Funding Loan Request NOFA 2021-1 in conjunction with FHFC RFA 2021-202 has been met.
2. An allocation of "9% Low Income Housing Tax Credits" from the Florida Housing Finance Corporation under RFA 2021-202 has been met.
3. Downtown Investment Authority staff review and approval of all development and construction timelines.
4. Evidence of commitment for construction/senior debt agreements and any private junior lien loan agreements and commitments sufficient to complete the project.

5. Evidence of marketable title by the Developer.
6. There may 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).

Additional COJ/DIA Funding:

DPRP Loans:

No more than **\$2,398,400** (through the City of Jacksonville Downtown Investment Authority), as follows with terms and conditions as outlined in Resolution 2022-11-06:

	Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (HPRR)	Code Compliance Forgivable Loan (CCR)	DPRP Deferred Principal Loan	TOTAL
TOTAL	\$1,029,100	\$889,600	\$479,700	\$ 2,398,400

Additional City Obligations:

Further, Developer has assumed two forgivable obligations to the City secured by the historic YWCA property at the time of its acquisition, including 1) COJ HOME funds, \$235,200, and 2) COJ SHIP funds, \$134,280.

Minimum Capital Contribution:

- The minimum total capital contribution through completion to remain eligible for the City Funding as proposed will be \$37,050,000.
- Percent of total COJ/DIA investment to minimum total capital contribution:
 $\$1,025,000 / \$28,785,258 = 3.6\%$.

Performance Schedule:

- Commencement of Construction within six (6) months following the Redevelopment Agreement Effective Date . Commencement of Construction means:
 - a) As reasonably can be considered necessary so that physical construction of the eligible Project (or any applicable phase thereof) may begin and proceed to completion without foreseeable interruption:
 - i. Completion of all pre-construction engineering and design,
 - ii. All necessary licenses, permits, and governmental approvals required to initiate horizontal and vertical construction,
 - iii. Engagement of the General Contractor and others necessary to commence construction.

- b) Evidence of having “broken ground” and begun physical, material renovation and construction of such improvements on an ongoing basis without any Impermissible Delays.
- Date of Substantial Completion not more than twenty-four (24) months from the Commencement Date.
- The Redevelopment Agreement shall allow the DIA CEO to extend the performance schedule for up to six (6) months in her sole discretion for good cause shown by Developer. Such extensions made to the Commencement Date shall apply also to the Date of Substantial Completion.

Economic Development Loan Funding

Funding for the CRA Loan, per the terms as described herein, shall occur following the Date of Substantial Completion and inspection by the DIA that determines completion has been made substantially in accordance with plans and specifications as approved during underwriting.

DPRP Historic Program Funding (*as approved by Resolution 2022-11-06*)

DPRP Historic Program Funding: The Developer has applied for funding in an amount not to exceed \$2,398,400 , which will serve as permanent capital in the funding sources for the workforce, multifamily development. Funding under this program is conditional on the approval of the 9% Low Income Housing Tax Credit (LIHTC) award from the Florida Housing Finance Corporation (FHFC), which may be further conditioned on the approval for funding preference by the Jacksonville Housing Finance Authority (JHFA) under the Notice of Funding Allocation (NOFA) 2021-202, which has been achieved.

Under no circumstances will total COJ/DIA funded or committed exposure to this development exceed \$3,023,400, exclusive of the COJ Home funds and COJ SHIP funds assumed by the Developer.

**SUPPLEMENTAL INFORMATION
LOFTS AT CATHEDRAL LOAN MODIFICATION
STAFF REPORT**

**Downtown Investment Authority
Strategic Implementation Committee**

**Staff Report
Lofts at Cathedral
CRA Loan**

December 14, 2022

Project name: Lofts at Cathedral
Applicant: The Vestcor Companies (“Vestcor”)
Project Location: 325-327 E Duval St, Jacksonville, FL 32202
Project Request: \$625,000 CRA Loan
Total Project Costs: \$39,077,071 budgeted
\$37,050,000 minimum

The Project

The Developer, Vestcor, is proposing the construction of a multifamily development at 325-327 E. Duval Street within the Cathedral District of Downtown Jacksonville. The site is the location of the former Community Connections transitional housing for homeless families, which operated primarily from the Florence Davis YWCA building originally constructed on this site in 1949. The three story, 45,000 square foot YWCA building was awarded local landmark status in June 2017. This building will be redeveloped into multi-family units as discussed further below. A second building originally on the site, approximately 6,000 square feet, constructed in 2004 and used for administration purposes that does not carry landmark status, was razed to make way for new construction that will complement the redevelopment of the landmarked YWCA property.

In total, the redevelopment efforts as proposed will create approximately 120 units of multifamily housing on the site. Final engineering underway will determine the density of the development, as parking considerations may limit the property to as few as 100 units. The development has been awarded Low Income Housing Tax Credits (LIHTC) from the Florida Housing Finance Corporation (FHFC), as detailed further below and is projected to provide a combination of Studio, 1 BR/1 BA, and 2 BR/2 BA units to be substantially consistent with the unit mix as shown in the following chart:

Unit Type	Limits Against Area Median Income				TOTAL
	≤ 30%	≤ 60%	≤ 80%	≤ 100%	
BR/BA					
Studio	3	7	4	6	20
1/1	11	28	13	22	74
2/2	4	8	6	8	26
TOTAL	18	43	23	36	120

As also shown by the chart, the purpose of the development is to provide mixed-income housing within the Cathedral District, which serves the workforce of Downtown Jacksonville with additional housing opportunities. Within the development, as proposed, there would be approximately 18 units reserved for tenants with incomes at 30% of area median income (AMI), 43 units for tenants at 60% AMI, 27 units for tenants at 23% AMI, and 36 market rate units where tenants may make up to 100% AMI.

Industry research such as the 2016 Urban Institute report, “Mixed-Income Living: Anticipated and Realized Benefits for Low-Income Households” has shown that mixed-income housing is an effective strategy to break up pockets of poverty and provide better health outcomes for low-income residents while also providing market rate housing needed to serve employers across the downtown area. This approach follows the same strategy successfully employed by Vestcor, in its “Lofts” branded developments in LaVilla, Monroe, Jefferson, and most recently, Brooklyn.

Developer

From the developer’s website:

The Vestcor Companies was founded in 1983 in Jacksonville, Florida and has grown to become one of Florida's largest developers of multifamily communities. Founder, John Rood, moved to Jacksonville in 1981 with a plan for a real estate business that would acquire rental houses, resulting in the purchase of eleven single family homes in 1981. For the next two years, Mr. Rood sold multifamily communities to syndicators from around the country.

Since formation, Vestcor has formed 102 partnerships investing in raw land, existing apartments, new multifamily developments, condominiums, student communities and retirement communities. The success of Vestcor can be attributed to the guiding principle that has been a focus for the last thirty years - to exceed expectations. This holds true for investors, residents, and employees.

As Vestcor finalizes its development plan, approximately 92 units are proposed for the new construction property (single building) with the remaining 28 units found in the rehabilitation of the historic YWCA building. These numbers may vary slightly as the plans are finalized. The community common elements will include controlled access, fitness center, clubroom, hospitality area, and computer stations.

As detailed below, Vestcor is requesting funding in the total amount of \$625,000 for the rehabilitation and development of the subject property through the DIA Affordable Housing Support Loan Program. This is in addition to \$2,398,000 in DPRP funding applied for specifically to be used in the redevelopment of the historic YWCA property. At the time of the original approval for the CRA Loan, the estimated amount for total funding was limited to \$1,025,000; however, cost increases led to higher amounts, as shown in Resolution 2022-11-06 and Resolution 2022-12-03.

- As awarded by the Florida Housing Finance Corporation, LIHTC equity is expected to bring more than \$22.7 million to the development as proposed, which is \$5 million higher than originally proposed
- FHFC RFA 2021-202 awards points for applications utilizing funding support from local governments, and the Jacksonville Housing Finance Authority administered a Notice Of Fund Availability 2021-1 to review applications from developers seeking the local preference for RFA 2021-202, of which only one was awarded. Requirements found in RFA 2021-202 establish the minimum funding level to be eligible for points at \$610,000.
- This original approval under 2021-07-04 was prepared to facilitate application in NOFA 2021-1 and RFA 2021-202.

DIA CRA Loan Terms

- Amount of \$625,000 to be funded from the Northbank CRA Loan Fund following completion.
- Maturity date of twenty years from the date of closing and disbursement.
- Disbursement would be lump sum upon meeting defined conditions and requirements of Completion.
- Interest rate of 1% payable semi-annually.
- No principal payment requirements through maturity at which point the principal is due in full.
- Principal may be repaid in full during the life of the loan with no prepayment penalty.

Development Parameters

- The construction budget and accompanying sources and uses of funds has been provided for analysis.
- Included in the estimated total development cost of \$39,077,071 is the acquisition and demolition cost of \$2,000,000 for the subject property being rehabilitated and developed.
- With an estimated total of +/- 125,000 square feet within the development including new construction and rehabilitation, fully loaded total development cost of \$39,077,071 equates to approximately \$312 per square foot. Net of developer fee, operating reserve, F, F, &E, Marketing, and fees to the FHFC, total development cost drops to \$32,686,396, or approximately \$261 per square foot.
- Alternatively, the pro forma, fully loaded, suggests a cost of \$325,642 per unit inclusive of parking, common area, and amenity costs.
- Hard cost per unit is estimated to be \$226,800 per unit.
- Included in development cost is an operating reserve equal to just over six months of operating expenses, as is typical for developments of this type.

Capitalization

- Per the COJ development sources and uses schedule provided by the applicant, total development costs for the project total \$39,077,071 upon completion and stabilization.

- LIHTC equity estimated at \$22.8 million would be derived through an investment made by a third-party source in tax credits awarded by FHFC under its Request For Application (RFA) 2021-202.
- Deferred Developer Fee is shown to be \$5,069,929 as shown in the capital stack includes \$4,461,181 effectively injected as developer equity to meet the proposed uses during construction and stabilization and may be earned back by the developer over the fifteen year compliance period through the distribution of excess cash flow following a waterfall process negotiated with the LIHTC investor and permanent lenders.
- Percent of COJ/DIA investment to overall project cost: $\$3,023,000/\$39,077,071 = 7.7\%$
- ROI: The estimated ROI for the COJ DIA incentives for this redevelopment is approximately 2.68X based on the following assumptions:
 - ✓ Valuation is based on estimated development costs net of existing property values
 - ✓ Two year construction period
 - ✓ Tax abatement for periods 1 through 10
 - ✓ Incremental tax value for periods 11 through 20
 - ✓ Inclusion of the COJ Home Loan and the COJ SHIP Loan.
- ROI: With the DPRP amount included as proposed, the ROI falls to 0.78 as DPRP program guidelines allow for ROI to drop to as low as 0.50X. The ROI for the DPRP funding on the Historic YWCA Building is estimated to equal 0.51X on a stand-alone basis.

Operating Pro Forma

- Information provided by the applicant shows gross potential rental revenue of \$1,350,516, based on the current unit mix outlined above. An additional \$36,000 is estimated as Other Income.
- After vacancy and collection losses estimated at 5% and 2% respectively, total revenue to cover expenses is estimated at \$1,289,460, or \$10,745 per unit, per year on average.
- Expense estimates appear appropriate for developments of this nature including management fees at 4% of revenue, taxes, insurance, utilities and other traditional operating expenses totaling \$597,578.
- After inclusion of Replacement Reserves funded at \$300 per unit, per year, or \$36,000 total, Net Operating Income is estimated to be \$655,881 from which debt service payments estimated at \$535,565 annually would be made. This pro forma NOI would provide debt service coverage of 1.22X.

Recommendation

Staff recommends approval of the request for a \$625,000 Economic Development Loan under the terms as presented herein and detailed further in the Exhibit A Term Sheet to Resolution 2022-12-03.