

RESOLUTION 2023-11-04

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) ACTING AS THE SOUTHBANK COMMUNITY DEVELOPMENT AGENCY (“GRANTOR”) APPROVING THE AWARD OF A RETAIL ENHANCEMENT PROGRAM GRANT TO AN ENTITY TO BE FORMED BY THE APPLICANT, MR. GEORGE SAOUD (“APPLICANT”), TO OPERATE A FOOD AND BEVERAGE ESTABLISHMENT IN A PROPERTY OWNED BY THE APPLICANT LOCATED AT 1015 KINGS AVENUE, JACKSONVILLE, FL 32207 (“GRANTEE”); AUTHORIZING THE CEO OF THE DIA TO NEGOTIATE A GRANT AGREEMENT (FORGIVABLE LOAN SECURED BY A NOTE); AUTHORIZING THE DIA CEO TO EXECUTE SUCH AGREEMENTS; AND FINDING THAT THE DEVELOPMENT PLAN IS CONSISTENT WITH THE DIA’S BUSINESS INVESTMENT AND DEVELOPMENT PLAN, INCLUDING THE SOUTHSIDE CRA PLAN (“BID PLAN”) AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Grantee submitted an application to the DIA under the Core Retail Enhancement Program to facilitate the development of a coffee shop, bakery, restaurant, and bar establishment in the Southbank District of Downtown Jacksonville; and

WHEREAS, the application was reviewed by the DIA staff and found to be consistent with program guidelines, the BID Plan and CRA Plan for Southbank; and

WHEREAS, the DIA is authorized to utilize the Southside Tax Increment District funds, in accordance with the CRA Plan, to foster the redevelopment of the Southside Community Redevelopment Area; and

WHEREAS, to assist the Grantee with build out costs for the purpose of establishing the Cady Club (“the Project”) the DIA proposes to provide a Grant (forgivable loan secured by a note) in an amount not to exceed NINETY-SIX THOUSAND FOUR HUNDRED TWENTY-SEVEN DOLLARS and 00/100 (\$96,427.00) to the Grantee; and

WHEREAS, the financial assistance to the Project will be in the form of the proposed terms and incentives on the Term Sheet, attached as Exhibit A to this Resolution; 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 approves the award of a Retail Enhancement Grant in the amount of \$96,427.00 from the Southside TID to the Grantee to be provided in accordance with the term sheet attached hereto as Exhibit A.

Section 3. The Chief Executive Officer is hereby authorized to negotiate and execute the contracts necessary to document this approval and otherwise take all additional actions necessary to effectuate the purposes of this Resolution.

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

WITNESS:

DOWNTOWN INVESTMENT AUTHORITY



Witness



James Citrano, Chairman

11/20/23
Date

VOTE: In Favor: 7 Opposed: 0 Abstained: 0



Downtown Investment Authority

DIA CORE RETAIL ENHANCEMENT PROGRAM

"Cady Club"

1015 Kings Avenue, Jacksonville FL 32207

TBD LLC (George Saoud, esq.)

November 9, 2023

Applicant: TBD, LLC (An entity to be created by the owner "Tenant")
D/B/A Cady Club
1015 Kings Ave LLC (Property owner)
The George Management Company LLC (Manager of 1015 Kings Ave LLC)
George R. Saoud, Jr. (Manager of The George Management Company LLC)

Project Location: 1015 Kings Avenue
Jacksonville FL 32207

Total Build Out and Equipment Costs (estimate): \$399,755

Total Eligible Costs (estimate): \$192,854

Amount requested: \$165,593

Eligible Funding: \$ 96,427

Project Description:

The applicant, Mr. George Saoud, is the principal owner of the two-story building located at 1015 Kings Avenue (RE# 080086-0000) in the Southbank District within the Southside CRA of Downtown Jacksonville which is within the Core Retail Enhancement Program boundaries. Mr. Saoud is the manager of The George Management Company LLC, listed as the manager of 1015 Kings Ave LLC that is the owner of the property which will house the operating entity. The property consists of a two-story brick building on just over 1/10 acre of land, with 4,650 square feet on each floor, originally constructed in 1930.

The business plan calls for renovation of the property, both inside and out, to create a two-story coffee bar, cocktail lounge, and gourmet bites restaurant with each floor open to the public, but also eligible for use as event space. Mr. Saoud is also the principal owner of the building which

houses The Lark, which is an active event space located on Hogan Street in the City Center within the Downtown Northbank CRA. As a recipient of DIA funding at The Lark, Mr. Saoud has met or exceeded performance obligations at that site.

The proposed use is indicated to “create a new-to-downtown food and beverage business with a vibrant street facing, ground-floor location designed to attract the general public.” The business will be operated as an upscale coffee and pastry business through the day and change focus to a craft cocktail lounge by night. Both floors of the property will provide a mix of table seating and soft seating (couches and chairs) for “premium comfort and service for all patrons.” Build out will provide an “Island/Florida chic” décor on the first floor and a “slightly moody ambiance with specialty wallpaper and chandeliers” on the second floor. The buildout also provides for a full kitchen on the first floor for the preparation of a “gourmet bites” menu, and both floors will also feature a full bar.

The exterior of the property is proposed for renovation to remove the current Spanish-style appearance and to create a more contemporary look to include painting the exterior, and the addition of a mural to “further enhance the elevated character that is being cultivated in Southbank of Downtown Jacksonville.” The existing barrel tile roof/awnings will be converted to black shingle, and skylights are proposed to be added within the second story roof.

Improvements will also include the installation of fire sprinklers throughout the first and second floors and complete replacement of fixtures and equipment within three restrooms found within the building.

Business Plan and Bio:

The mission of the Cady Club is to, “provide an affordable and accessible high-end coffee and craft cocktail experience with a vibrant street level exterior location in the South bank of Downtown Jacksonville.” As noted elsewhere, the Cady Club will also offer a menu of “gourmet bites” prepared in the newly renovated kitchen on the first floor, and both floors will be offered for private events.

Competitive advantages presented by the applicant include:

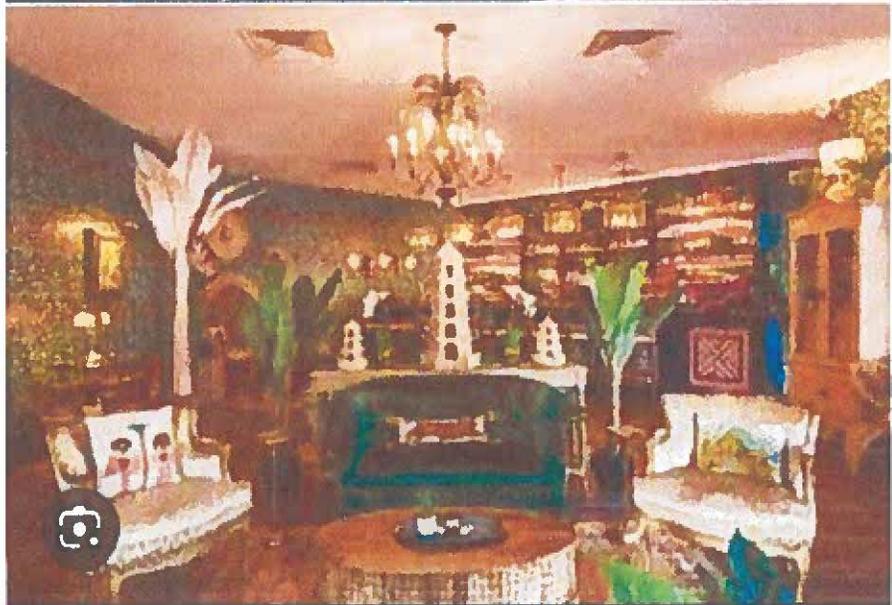
- Congenial customer service
- Central location with greater foot traffic
- Parking facility for customers one block away
- Soothing ambience for calm eating
- Excellent visibility from the Main Road

Additional strengths listed include:

- Experience and knowledge of the operating team
- Scope and quality of the menu items
- Menu specializing in wholesome food
- Ideal location and visibility
- New concept for book lovers
- Regular improvement and creativity
- Offering competitive prices
- Appealing display of food and beverages served
- Eye catching ambience of the interior and exterior of the building

Notably, specifics regarding the menu offerings and prices were not provided. Renderings of the proposed interior and exterior of the building shown provide an indication of what the redesign is proposed to achieve.

Depictions of the intended renovations are as follows:



Target Market:

As indicated in its business, Cady Club is targeting working professionals between 25 and 59 years from the Southbank and San Marco neighborhoods including several established hotels, multifamily projects, and restaurants. Its location on a busy thoroughfare (Kings Avenue) that is growing with the addition of the Artea 340-unit multifamily complex under construction in close proximity (supported by Market Rate Multifamily REV funding approved by the DIA) and located adjacent to the recently opened Industry West furniture store at 1001 Kings Avenue (using DPRP funding approved by the DIA and City Council) the area is burgeoning with growth and activity conducive to this type of establishment. The site will also benefit from its close proximity to River’s Edge as that community begins to build out in coming years.

Promotional Plan:

Leveraging success of marketing for The Lark, Cady Club will work closely with Downtown vision, Visit Jacksonville, and the Chamber of Commerce on advertising and marketing efforts. The management team is strong in web-based and online marketing, and Wingard is proposed to be engaged for further website marketing. Alanna Luksha will be integral in promoting the Cady Club through social media posting and advertising. Further promotional efforts will derive from utilizing 904HappyHour, Cr8Jax, and ExploreJax for additional outreach.

Operating Plan

Operating hours proposed in the business plan are as follows:

Weekly Schedule	Open	Close
Sunday	8:00 AM	10:00 PM
Monday	8:00 AM	10:00 PM
Tuesday	8:00 AM	10:00 PM
Wednesday	8:00 AM	10:00 PM
Thursday	8:00 AM	12:00 AM
Friday	8:00 AM	12:00 AM
Saturday	8:00 AM	12:00 AM

The Core REP does not require explicit minimum operating hours, and the 104-hour schedule proposed may be difficult to maintain over time. Accordingly, the proposed requirement for funding is for the first floor of the operation to be open to the public a minimum of 60 hours per week including Friday and Saturday evenings until 8:00 minimum, to allow the business time to build its operation, reputation, and clientele.

The application provided proposes the creation of five full-time positions and fifteen part-time positions. Although specific roles or job duties are not detailed, they would be typical for establishments of this type.

Key Personnel:

George Saoud – General manager; currently works as California State Counsel at Fidelity National Financial and is the general manager of The Lark event space. Mr. Saoud will have strategic responsibility for both the Cady Club and The Lark.

Ashley Smith – Managing Director – Currently serves as managing director of The Lark from December 2022, and brings 17 years’ experience in the hospitality industry including 13 in management and catering. She will continue in her day to day responsibilities with The Lark and expand those responsibilities to include the Cady Club.

Haley Geeser – Asst. Director – Currently serves as event coordinator, operations manager, and event producer for the Lark since January 2022. Ms. Geeser has six years’ experience in event planning, and the food and beverage industry. Ms. Geeser is slated to take on more managerial responsibilities with expansion to the Cady Club.

Pro Forma

The pro forma operating budget provided with the application suggests the Business Owner should generate revenue of \$1,310,000 in the first full year of operation, representing sales of \$140 sf, which is considered low compared to industry averages of \$350 to \$500 sf and several successful Downtown Jacksonville restaurants reporting sales of \$1,000 sf and more, according to local brokers. Further, more than 17.5% of revenues is expected to be derived from room rental (events), further reducing food and bev revenue to just over \$1 million, or \$116 sf. For these reasons, and adherence with program guidelines as detailed further below, costs associated with buildout of the second floor are not considered eligible in Core REP grant funding.

Expenses center on cost of goods sold (33.3% of food and bev sales), salaries and payroll taxes (27.8% of food and bev sales). At \$300,000, payroll for 5 full-time employees and 7.5 FTE part-time employees (20 hours per week average) would equate to average pay of \$24,000 per year. Rent is shown at \$78,000 annually, or approximately \$9.40 sf. A lease between the related entities was not provided and must be provided prior to entering into the redevelopment agreement to determine that the term meets or exceeds the three-year compliance period.

Net profit for the operation is estimated to approximate \$775,800 in the first year, of 59.2% of gross revenue, which is well above industry averages of 15-20%.

Property Consideration:

The property at 1015 Kings Ave is well situated on a street with growing traffic counts to take advantage of numerous existing hotels and multifamily developments within walking distance. The site is also adjacent to the Skyway-Kings Avenue Station allowing easy access from downtown Northbank patrons and offers parking in the JTA lot nearby. The property has been owned by Mr. Saoud since September 2021 when it was acquired for \$905,000 and currently is appraised by the Duval County Property Appraiser at \$983,400. With rent established at \$9.40 sf, a significant increase in property value, and property taxes, is not expected.

Mr. Saoud plans to self-contract with subcontractors who will then be responsible for any permitting requirements for their trade. The redevelopment agreement will provide a provision whereby grantee shall provide evidence of completion of construction, payment of all subcontractors, material providers, and laborers, and receipt of licensing necessary to conduct the business as outlined in the application submitted.

Buildout and equipment costs presented in Exhibit A. are taken from the application provided by Mr. Saoud. Cost for improvements to the interior of the property total \$232,500, or approximately \$25.00 sf, including \$50,000 to add sprinklers throughout the building for life safety code compliance. Exterior improvements total \$56,000 and equipment including FF&E totals the remaining \$111,256.

As shown in Exhibit A. costs for the second floor, improvements to the roof, the mural, non-affixed equipment, and all FF&E were excluded from eligibility providing total costs eligible for funding of \$192,854. Full funding eligibility and amounts is calculated in more detail below.

Property taxes on the subject property totaling \$3,841.18 are confirmed to have been paid for the 2022 tax year as required.

Scoring Rubric Recommendation:

The primary criteria for approval for any retail incentive is the feasibility of the business plan. A successful business plan will be the one that conveys the most promising combination of relevant experience, financial feasibility, product and market research, growth potential and job creation. A minimum score of 30 points out of 55 points possible is required to have the proposed project referred to the REPD Committee for funding consideration. Staff scored the application on the following categories defined in their business plan.

A. Business Plan (see point breakdown below) – (up to 40 points)

Categories	Points Available	Points scored
The plan shows good short-term profit potential and contains realistic financial projections	10	5

Minimal detail has been provided regarding the full nature of the operations and on-site management or key employees. Revenue of \$116 sf is low for restaurant/bar activity particularly when proposing to be open for seven days for a total of 104 hours per week. The plan indicates "upscale coffee and pastry establishment during the day and craft cocktail lounge by night" and alternatively, "a full food menu the first floor will have a full kitchen and both levels will be offered for private events." Location is a strong plus for this proposed operation, and it seems plausible that a more robust business model could be more additive to the City from this location.

The plan shows how the business will target a clearly defined market and its competitive edge	5	3
Cady Club is targeting broad population within the 25-59 year old demographic.		
The plan shows that the management team has the skills and experience to make the business successful	10	5
The operations managers have experience primarily in the management of event space and will be splitting time with overseeing the operations of The Lark on the Northbank. Tenure with Mr. Saoud is less than two years. Specific detail of food and beverage operations not provided. Day to day, onsite manager FOH and BOH is not known.		
The plan shows that the entrepreneur has made or will make a personal (equity) investment in the business venture	10	9
Mr. Saoud indicates that he intends to self-finance the remainder of funds to build out the proposed operation.		
Number of FTE job positions created in excess of the required two (2) positions	5	5
The business plan calls for 5 full time, and 15 part time employees although additional detail is not provided.		
TOTAL	40	26

- B. Expansion of the local property tax base by stimulating new investment in existing Downtown properties (up to 5 points for properties five years and older and an additional 5 points if the property is a historic property (local landmark status or contributing structure status) – maximum of 10 points)

Properties	Points Available	Points scored
1905 Kings Ave	5	1
Historic Property	5	N/A
Assessed value of \$938,000 compared to appraised value of \$930,000 (income approach) suggests property taxes are not likely to increase appreciably.		
TOTAL	10	1

- C. Expansion of the state and local sales tax base by increasing sales for new or existing shops (up to 5 points)

Expansion of sales tax	Points Available	Points scored
Bar/Restaurant	5	2
Low sales per square foot projected. LOST estimated at \$10,800 year.		

TOTAL	5	2
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TOTAL	55	30
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Core REP Consideration:

Total eligible costs equal \$192,854 per Core REP guidelines which limit funding from including second floor build-out costs. Per requirements, the eligibility of funding is the lesser of \$192,854 x 50% = \$96,427 total eligible square feet of 4,350 X \$30 per sq ft = \$130,500. Accordingly, maximum funding eligibility is limited to \$96,427.

Type	Eligible Square Foot	Eligible Cost	Max Funding for CORE REP	Lesser of Three Approaches
Bar/Restaurant Type II	4,350 sf X \$30 sf = \$130,500	\$192,854 X .5 = \$96,427	No max	\$96,427

EXHIBIT A. – Build-out and Equipment Costs

		<u>Ineligible</u>	<u>Eligible</u>
First Floor			
Flooring	27,500.00		27,500.00
Bar	10,000.00		10,000.00
Paint	7,000.00		7,000.00
Wallpaper	10,000.00		10,000.00
Lighting	7,000.00		7,000.00
Men's bathroom - tile	7,500.00		7,500.00
Men's bathroom - wallpaper	4,000.00		4,000.00
Men's bathroom - fixtures	4,000.00		4,000.00
Women's bathroom - tile	7,500.00		7,500.00
Women's bathroom - wallpaper	4,000.00		4,000.00
Women's bathroom - fixtures	4,000.00		4,000.00
Security alarm and cameras	7,500.00		7,500.00
Second floor			
Flooring	27,500.00	27,500.00	
Bar	8,000.00	8,000.00	
paint	7,000.00	7,000.00	
Wallpaper	10,000.00	10,000.00	
Lighting	7,000.00	7,000.00	
Bathroom - tile	7,500.00	7,500.00	
Bathroom - wallpaper	4,000.00	4,000.00	
Bathroom - fixtures	4,000.00	4,000.00	
Security alarms and cameras	7,500.00	7,500.00	
Both floors - Life safety			
Fire sprinkler	50,000.00		50,000.00
Exterior			
Paint	25,000.00		25,000.00
Mural	15,000.00	15,000.00	
Roofing (remove Spanish tile and replace with black shingle)	6,000.00	6,000.00	
Skylights	10,000.00	10,000.00	

EXHIBIT A. – Build-out and Equipment Costs (Cont.)

Kitchen/Bar Eqpt

Handwashing sinks w sides	107.99	6	647.94		647.94
Two compartment sink BOH	476.10	1	476.10		476.10
Wall mounted faucet w/spray	374.49	1	374.49		374.49
Six tap keg	2,799.00	1	2,799.00	2,799.00	
Ice maker	3,549.00	1	3,549.00	3,549.00	
Water filtration system	1,219.00	1	1,219.00		1,219.00
Walk-in cooler 6x6x7	9,199.00	1	9,199.00		9,199.00
Microwave	99.99	1	99.99	99.99	
36" countertop electric griddle	1,000.00	1	1,000.00	1,000.00	
Dual fryer - countertop	476.99	1	476.99	476.99	
Convection oven	2,600.00	1	2,600.00	2,600.00	
Air fryer	350.00	1	350.00	350.00	
Hotbox (upstairs events)	1,199.00	1	1,199.00	1,199.00	
Conveyer toaster	249.99	1	249.99	249.99	
Eqpt tables	304.99	3	914.97	914.97	
Work tables w undershelf	184.99	2	369.98	369.98	
Over shelves	289.99	2	579.98	579.98	
Prep table - compartments	2,199.00	1	2,199.00	2,199.00	
48" enclosed base table	549.00	2	1,098.00	1,098.00	
Heat strip w warmer	109.99	4	439.96	439.96	
Hood system - 7 ft	2,389.00	1	2,389.00		2,389.00
Single rack dishwasher	3,549.00	1	3,549.00		3,549.00
Reach in freezer	2,299.00	1	2,299.00	2,299.00	
Reach in refrigerator	2,259.00	1	2,259.00	2,259.00	

FOH Eqpt

Triple sink	699.00	1	699.00	699.00	
90" cooler	2,369.00	1	2,369.00	2,369.00	
36" ice wells	494.10	3	1,482.30	1,482.30	
36" speed wells	56.69	3	170.07	170.07	
60" cooler - service wall	1,939.00	1	1,939.00	1,939.00	
18" liquor display - underbar	400.00	3	1,200.00	1,200.00	
23" Back bar refrigerator	1,029.00	2	2,058.00	2,058.00	

Misc.

Tables/chairs			10,000.00	10,000.00	
Soft seating/Sofas			25,000.00	25,000.00	
Linens			5,000.00	5,000.00	
Liquor / Food uniforms			20,000.00	20,000.00	
			1,000.00	1,000.00	

399,755.76	206,901.23	192,854.53
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50%

Eligible Payout - Core REP

96,427.27