



Downtown Investment Authority
Strategic Implementation Committee Zoom Meeting

Tuesday, January 14, 2021 – 10:00 a.m.

Downtown Investment Authority
Strategic Implementation Committee Hybrid Meeting

MEETING MINUTES

Strategic Implementation Committee Members in Attendance:

Oliver Barakat, Chair

Craig Gibbs, Esq., Committee Member

David Ward, Esq., Committee Member

Ron Moody, DIA Chair

DIA Staff Present: Lori Boyer, Chief Executive Officer; John Crescimbeni, Contract and Regulatory Compliance Manager; Ina Mezini, Marketing and Communications Specialist; and Guy Parola, Operations Manager

I. CALL TO ORDER

The Strategic Implementation Committee meeting of January 14, 2021, was called to order at 10:00 a.m. by Committee Chairman Barakat.

II. PUBLIC COMMENTS

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

III. RELATED GROUP – REVISED TERM SHEET

Mr. Kelley provided an overview of the revised Related Group Term Sheet and presented the terms that were approved as part of Resolution 2020-11-01. Mr. Kelley identified modifications and additions to the Term Sheet previously approved by Resolution 2020-11-01, including:

- Modification of the Right-of-First Refusal for that City-owned property currently housing the Museum of Science and History;
- Provisions for a Completion Guarantee with the City as a beneficiary;
- Modifications to the restaurant parcel;
- An additional City incentive of \$500,000 to offset additional costs relating to soil stabilization; and
- The addition of a 158 square foot frontage parcel within the development site.

The above modifications are not intended to be a complete identification of all changes, material or otherwise, to the term sheet approved by Resolution 2020-11-01.

SIC Chair Oliver Barakat brought the item into the Committee for discussion. In order of Committee and Board Member acknowledged by the Chair, the following discussion occurred:

Board Member Gibbs asks about rendering on Exhibit 1 and size/shape difference of parcels compared to Exhibit 3.

Mr. Kelley explains discussions had with COJ Parks Department, developer and staff and clarifies differences in site plans and parcels shown.

Board Member Gibbs asks: Access for emergency vehicles, what considerations have you made for the entire property?

Mr. Kelley explains where access for emergency vehicles will be located.

Mr. Diebenow (One Independent Drive, Suite 1200) responds on behalf of applicant and confirms Mr. Kelley is correct in his description and adds additional information on vehicle access points.

Board Member Gibbs: No further comments/questions.

DIA Chair Moody acknowledges that site is complicated. Asks if biggest change is the unsuitable soils cost to remedy it and if the \$500,000 is the major change to this document?

Mr. Kelley responds: Yes, the additional \$500,000 required because of unsuitable soil conditions is the principal new ask. In addition to the two open items that were left from Board's last vote related to the right of first refusal and what kind of back end support we might expect from the developer.

DIA Chair Moody: No further comments/questions.

Board Member Ward: Asks for clarification on the right of first refusal.

Mr. Kelley explains right of first refusal's 10-year period and the requirements that go along with it.

Board Member Ward: No further comments/questions.

SIC Chair Barakat: Acknowledges he is unfamiliar with the typical geotechnical challenges we may encounter in soils Downtown. Asks if there is something unique about this site? Are there any unique problems with the soil at this site compared to other development sites Downtown?

Mr. Kelley explains discussions staff explored with application as it pertains to boring.

Mr. Diebenow responds on behalf of applicant and confirms that the most efficient way to deal with the structural issues is something that approaches \$1.2-1.3 million to fix. Explains the site conditions and different test options available.

Jeff Robbins (4767 New Broad St. Orlando, FL 32814) with the Related Group explains the process by which their consultant identified the issues and various ways to fix said issue. Ultimately going with the third option as it is the most affordable alternative.

SIC Chair Barakat: No further comments/questions on the soil contamination.

SIC Chair Barakat: Regarding ROI, do you [Mr. Kelley] recall what the ROI was before this completion grant was as part of the analysis. What did we approve as the ROI?

Mr. Kelley: ROI dropped down to 1.02. It was 1.05 in previous versions. Notes that ROI table included in agenda packet highlighted areas represent changes from previous versions of ROI calculations.

SIC Chair Barakat: Asks if completion grant is a cap? If they determine that the cost is more than \$1 million by some increment, the City's out of pocket remains \$500,000 or is it \$500,000 period, regardless of the ultimate cost?

Mr. Kelley: Completion grant is shown at \$500,00 but the cost is expected to exceed \$1 million. Committee can impose limitations at its discretion if deemed necessary.

SIC Chair Barakat: Asks if we are at risk of getting an ROI less than 1.00.

Mr. Kelley: The \$500,000 maximum amount is a line item shown as the COJ infrastructure completion grant is included in this ROI.

SIC Chair Barakat: If we were to approve it as is, are we approving 50% of this cost or are we approving \$500,000?

Mr. Kelley: Committee is approving the \$500,000 from the City.

SIC Chair Barakat: Important distinction since we are so close to a 1.00 ROI which we've never approved.

Mr. Kelley responds: Yes. That's technically found in the PIP but it is integral to our plans as well.

SIC Chair Barakat: Asked for thoughts and consideration from other committee members on either capping the half million considering the fact the ROI is quite thin on this deal for the City.

Mr. Diebenow (One Independent Drive, Suite 1200) responds on behalf of applicant: clarifies that the amount is capped at \$500,000. It is the lesser of 50% or \$500,000 so the ROI will not go below the 1.02 under any circumstance.

SIC Chair Barakat: Asks if Mr. Kelley agrees.

Mr. Kelley: Yes. Only thing that potentially could impact the ROI further from what's shown would be the inclusion of any of the property that shown as triangle R3 for the restaurant site, but as presented here and consideration of the necessary requirements to alleviate the geotech concerns that is accurate.

SIC Chair Barakat: No further comments/questions. Asks for any further comments/questions from the committee.

DIA Chair Moody: Asks for clarification as to whether the action item is related to a certain resolution number or just the related group term sheet.

SIC Chair Barakat: Clarifies that Committee is approving this revised term sheet and recommending it to the Board for approval, which will be incorporated into a resolution at the Board level. Asks Mr. Kelley to confirm.

Mr. Kelley: Confirms that is Mr. Barakat is correct.

Board Member Gibbs: Asks for clarification as the term sheet is listed as Exhibit B to resolution 2020-11-01.

Mr. Kelley: Clarifies that the language is a carryover for when it was originally presented when Mr. Kelley was drafting it, but it is Exhibit A to the Staff Report as being presented for Committee consideration and it is the term sheet that Committee is considering for approval.

Board Member Gibbs: Makes a motion that committee approve Exhibit A to the Staff Report for Resolution 2020-11-01.

SIC Chair Barakat: Asks for a second.

DIA CEO Boyer: Clarifies that Mr. Gibbs motion was for the resolution that Board adopted in November. This will not be that same number, it will be different. Asked that the motion be modified to address the approval of the term sheet as presented and note that it will be attached to a resolution, excluding an exact resolution number as it will not be the November resolution number.

Motion: Board Member Craig Gibbs moves to approve the term sheet as presented on behalf of the former Resolution 2020-11-02.

Seconded: Board Member DIA Chair Ron Moody.

Vote: Aye: 4 Nay: 0 Abstain: 0

IV. BAPTIST CONVENTION BUILDING & FEDERAL RESERVE BUILDING – DPRP

Mr. Kelley provided an overview of the project. The project includes redevelopment of two historic Jacksonville buildings located adjacent to one another on the block immediately to the west of City Hall and also adjacent to the Sweet Pete’s operation in the former Seminole Club building.

The properties in the redevelopment plan as presented include the former Florida Baptist Convention Building located at 218 W Church Street and the former Federal Reserve Building located at 424 N Hogan Street. These buildings, along with the Sweet Pete’s building, comprise the eastern half of the block, and the western half of the block is the site of the redevelopment of the Old Independent Life building by Augustine Development, currently working its way through the City Council process.

Recommended funding under this proposal totals just over \$8.6 million on total development costs of \$18.5 million.

Mr. Kelley explains that in underwriting this application, the process for which DIA will underwrite other DPRP applications was established. He went on to describe said process.

SIC Chair Oliver Barakat brought the item into the Committee for discussion. In order of Committee and Board Member acknowledged by the Chair, the following discussion occurred:

DIA Chair Moody: Supports project. Provides synergy for the area. Question: refer to the value of the property, referencing property appraiser office, what is the relationship value wise between assessment and independent appraisal? Is it significant?

Mr. Kelley: Follow standard procedure of looking at the existing property valuation as a deduct we use the total development costs. Top line ad valorem = construction less assessed, using 10-year historic ad valorem abatement.

DIA Chair Moody: Asked that SIC Chair come back to him for further comments/questions.

Board Member Gibbs: Echoed DIA Chair Ron Moody’s comments of project support.
Question: What about rooftop dining?

Mr. Kelley: Not contemplated in current plan.

Alex Sifakis (348 street Atlantic Beach, Florida): Looked into rooftop dining on church street building, need ½ rooftops for A/C and mechanical and what is left is not enough space for economic feasibility and only has one elevator that would need to be shared between residential and rooftop; but they are doing outdoor area on 3rd floor of Sweet Petes for events.

Board Member Ward: Great project. Question: how does the proposal square with the trio and other historic efforts?

Mr. Kelley: Church building will have 24 residential units, two restaurants and two small retail spaces; the federal reserve building 2 restaurants; both properties will have access to courtyard area between federal reserve and Sweet Petes building. Talks to Independent Life Building and Ambassador project and how this all ties together for synergy. Regarding trio: primarily hospitality uses.

DIA CEO Boyer: From a financial standpoint: when trio and others in the pipeline come before committee/board, all based on new DPRP program and will be analyzed the same way by looking at relative percentages of each construction costs and the eligible caps and the limits on those. Church/Federal Reserve first of many.

Board David Ward: Helpful to view similar DPRP projects as close in time as possible for comparison and conformity.

DIA CEO Boyer: Trio DPRP coming soon. February or March. Lofts at Cathedral DPRP meetings in the works.

Board Member Ward: Requested that Mr. Kelley go over the different calculations as it relates to the developer's equity that is being placed in and towards this project.

Mr. Kelley goes over the calculations and as it relates to developer's equity.

Board Member Ward: Asked Mr. Kelley to go over performance schedule and how its tied to loan and other funding obligations.

Mr. Kelley goes over the performance schedule and explains how its tied to loan and other funding obligations.

DIA CEO Boyer elaborates on Mr. Kelley's comments as it relates to performance schedule.

Board Member Ward: No further comments/questions.

Board Member Citrano: Model project for DPRP. Question: This program was created to update and revamp a former program that was ineffective. Having modeled a real-life project, is staff satisfied with what you were creating and concept?

Mr. Kelley: Yes, this project never would have been able to have reached this stage under the trust fund program.

Board Member Citrano: Excited for the program. Big fan of projects as presented. Significant and spur moment in Downtown. Question: Are the loans funded at completion, so there is effectively a reimbursement of costs?

Mr. Kelley: Correct.

Board Member Citrano: Question: I assume somebody is on the front end doing due diligence to ensure that the total capital cost is accounted for before project commencement?

Mr. Kelley: Yes. Defers to Alex Sifakis for additional comment.

Alex Sifakis: \$3.2 million is equity from applicant only. No outside equity. All JWB cash. Working on getting a construction firm loan for the permanent financing and a bridge loan on the incentives, which will be split between LISC and Self-Help Credit Union. Couple of other lenders interested, too.

Board Member Citrano: Supports JWB. Notes that in general DIA needs to make sure that the applicant has the financial capacity to avoid getting stuck in the middle of a project that can't be completed.

Mr. Kelley: Valid point. Staff structured that into the guidelines and have underwritten that as part of this due diligence as looking for the requisite experience on the development team. Talked to JWB team's expertise.

DIA CEO Boyer: Responding to Mr. Citrano's concerns re: financial capability, stating this is a big priority for the DIA/DPRP program. Challenge with developments being announced too early in the process, and developers not having capital stack to make project happen which, to the public, reflects poorly on DIA. Trying to find sweet spot of when we consider things. Not too early not too late.

Board Member Citrano: No further comments/questions.

SIC Chair Barakat: Echoes Mr. Citrano's comments re: project importance. Great project. Adding residents, removing blight. Question: Appears that the City could contribute up to 50% and is that acceptable? Not unusual part of the request as it relates to DPRP?

Mr. Kelley: Correct. Not unusual. Talks to complexities of the program due to multiple levels of

thresholds that must be met.

SIC Chair Barakat: Reiterates applicant vs City contribution – unusual amount of private capital. Haven't seen pro forma and relying on Staff to validate the developer's return. Question: Do you believe that this is a reasonable return compared to other projects DIA has incentivized, is that correct?

Mr. Kelley: Yes. Part of underwriting process.

Alex Sifakis: Applicant agrees with the ROI calculations. While the developer's ROI is lower than other projects (10% vs 30%) they are okay with this because they are invested in Downtown and believe in its future.

DIA CEO Boyer: Notes Staff has extensive workbook in excel including all proformas and calculations and can distribute it all to committee/Board. Selective in number of tables and calculations included in staff report but information is available for review if desired, especially since this is a new program.

SIC Chair Barakat: No further comments/questions. Any other questions?

Board Members Gibbs: If I were to live or visit a restaurant here, where would I park?

SIC Chair Barakat: Defers to developer. Question: are you relying on valet parking or third party lots nearby?

Alex Sifakis: Valet as well as utilizing the whole city block applicant owns which is catty corner to the Porterhouse mansion and has over 140 spaces.

SIC Chair Barakat: Asked for a motion.

Motion: DIA Chair Ron Moody moves to approve the term sheet as presented.

Seconded: Craig Gibbs, Esq.

Vote: Aye: 4 Nay: 0 Abstain: 0

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V. REGIONS JACKSONVILLE HEADQUARTERS – DPRP

Mr. Kelley provided an overview of the Regions Bank Headquarters Project. Project includes a request for an Economic Development Grant for the Regions Headquarters located in the historic Old Bisbee Building at 51 W. Bay Street. Term sheet includes: \$900,000 in DPRP forgivable loans, and a \$200,000 Economic Development Grant structured as matching funds relating to the sale of adjacent property.

SIC Chair Barakat brought the item into the Committee for discussion. In order of Committee and Board Member acknowledged by the Chair, the following discussion occurred:

Board Member Gibbs: Exciting project. Question: The spaces available to the City of the 250-space parking garage, are those available to the City 24/7?

Mr. Kelley: Yes. Can be used at the City's discretion.

Board Member Gibbs: No further comments/questions.

DIA Chair Moody: Great project. References the following statement in the term sheet: *"Each such request will be presented to the DIA Board for further approval and will be limited to no more than five draws over a five-year period from the Execution Date of the Redevelopment Agreement. Each forgivable loan approved will be documented as a standalone note with a unique amortization period of five years."* Question: Are there any challenges to this and is this unusual?

Mr. Kelley: Yes, it is unusual. Explains structure as it relates to approving commitment and what this means for Council, DIA and applicant.

DIA Chair Moody: Question: When we consider a real estate assessment or current appraisal, what effect does this have, if any, on the ROI?

Mr. Kelley: explains effect it has on ROI and considering of current tax assessed value.

DIA CEO Boyer adds to Mr. Kelley's explanation.

DIA Chair Moody: No further comments/questions.

Board Member Ward: No comments/questions.

SIC Chair Barakat: Items listed for repair look like maintenance and does not believe DIA should help building owners maintain property. Question: What is the justification of the \$900,000 and where is this money going?

Mr. Kelley: Explains some of the potential improvements that could occur down the line. Funding is only for improvements that meet historical standards and adheres to the National Park Standards of historic properties.

SIC Chair Barakat: Would be more supportive of funds if the building was going to be landmarked. General feeling is some items in scope nebulous.

Mr. Diebenow responds on behalf of applicant/VyStar: Regions is being inconvenienced by VyStar garage and because they are cooperating and being good corporate citizens, they consider this DPRP funding a cost neutral.

SIC Chair Barakat asks if DIA is providing more of a subsidy than we typically would for this scope based on the VyStar project and Regions' subsequent need for repairs as a result of VyStar's project as well as Regions' willingness to cooperate.

Mr. Diebenow responds on behalf of applicant/VyStar: Agrees and explains the challenges Regions will face during construction of the VyStar garage.

Lori Boyer, DIA CEO: Added points for clarification.

SIC Chair Barakat: Will vote in favor but requests more details on scope when it comes to the DIA Board to clarify merit.

Mr. Kelley: Clarifies that landmark status is a requirement of the DPRP program itself and if DIA were to waive it would need to come back to the committee for approval. Unsure of how funding will be allocated but explains funding tranches and underwriting and all must be approved by committee and Board prior to distribution.

Mr. Diebenow: Adds on that Regions has been working on this for years with the overall team to make sure they were good corporate citizens, and no overreach is happening.

Board Member Citrano: Question for staff: from an objective standpoint Regions either is eligible or not and currently, it seems subjective. Are they eligible?

DIA CEO Boyer: Explains structure of grant and staff's reasoning behind said structure.

Mr. Diebenow: Adds that reason it is structured as such is because there's a gap in timing. VyStar and the City want garage now, but Regions does not have the renovation of their building at top of their list right now.

SIC Chair Barakat: Asks Keith Presley to speak.

Keith Presley (Regions): Addresses points already made regarding process, timeline, impact, improvement needs and coordination with VyStar and City.

Mr. Kelley: Adds additional points on DPRP requirements and how it pertains to Regions request.

SIC Chair Barakat: Ask to ensure that staff define what proper expense for various tranches that will come to Board to provide boundaries for what is an acceptable expense.

Board Member Gibbs: Any additional jobs created as related to improvements?

Mr. Diebenow: No information on that topic yet. Too early to tell.

SIC Chair Barakat: Asks for motion.

Motion: Board Member Craig Gibbs moves to approve the term sheet as presented.

Seconded: Board Chair Ron Moody

Vote: Aye: 4 Nay: 0 Abstain: 0

VI. VISTA BROOKLYN – ADDITIONAL REV GRANT

Mr. Kelley provided: a summary of the operative change from the previously approved REV Grant by allowing for both ground-floor retail and Class A office space; and a summary of terms. The terms include: a term of 10-years with a maximum REV Grant value of \$1,556,000, which is in addition to the current \$9,000,000 REV Grant.

SIC Chair Oliver Barakat brought the item into the Committee for discussion. In order of Committee and Board Member acknowledged by the Chair, the following discussion occurred:

DIA Chair Moody: Logical request. Question: when you look at the next 10 years, will they have the ability to establish a lease with a retail tenant and do it at a below market rate, just to get someone in there and turn it from into unoccupied unit?

Mr. Kelley: Yes. Structured in a way that our additional funding goes into the property for the benefit of the retail tenant and their built out and operating expenses, through lower rent abatement or what they might have to incur to entice tenancy in this environment.

DIA Chair Moody: Hallmark good corporate citizen and he supports this. Question: by approving this do we set unintended precedent for future applications?

DIA CEO Boyer: Explains that DIA is in process of doing BID/CRA update plan (done every five years) and likely retail incentives will be restructured as it relates to the current market and future projections. Staff aware that if we want to bridge this time period and keep these spaces in operation or encourage others to locate downtown, DIA will have to incentivize that.

DIA Chair Moody: No further comments/questions.

Board Member Gibbs: Supports the grant. No further comments/questions.

Board Member Ward: In favor. Understands the ask. Concerned about informal precedent and wants to avoid repeating occurrences.

SIC Chair Barakat: Sympathetic to developers timing of delivering class A retail in midst of pandemic. Will approve. Can't reconcile if ask is too much or too little but in support of ask.

DIA Chair Moody: Adds comment that area along Riverside Ave, retail wise, has not performed that well so in support of helping improve it by aiding via incentives.

SIC Chair Barakat: Opens for motion.

Motion: Board Chair Ron Moody moves to approve the term sheet as presented

Seconded: Board Member Craig Gibbs

Vote: Aye: 4 Nay: 0 Abstain: 0

Chairman Barakat: Opens the floor to a member of the public who waited to speak but was unable to do so earlier.

Carnell Oliver provided public comment.

VII. ADJOURNMENT

SIC Chair Barakat adjourned the meeting at 12:24 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 Ina Mezini at rmezini@coj.net to acquire a recording of the meeting.