



Downtown Investment Authority
Strategic Implementation Committee

Thursday, April 14th, 2022 at 1:00 p.m.

SIC AGENDA

Craig Gibbs, Esq., Chair
Oliver Barakat, Committee Member

Jim Citrano, Committee Member
Braxton Gillam, Esq., Ex-officio

Committee Members Excused:

- I. CALL TO ORDER
- II. PUBLIC COMMENTS*
- III. MARCH 14, 2022 STRATEGIC IMPLEMENTATION COMMITTEE MEETING MINUTES APPROVAL
- IV. RESOLUTION 2022-04-10: FINCANTIERI REV GRANT
- V. RESOLUTION 2022-04-11: 1001 KINGS AVENUE DPRP
- VI. OTHER MATTERS TO BE ADDED AT THE DISCRETION OF THE CHAIR
- VII. ADJOURN

** Only individuals attending the meeting in-person will have an opportunity to provide public comments. Persons who cannot attend the meeting in-person, but who wish to submit public comments regarding any matter on the agenda for consideration at the meeting, may do so by sending their public comments via electronic mail to DIAPublicComments@coj.net prior to the start of the meeting. Public comments received prior to the meeting will not be read during the meeting but will instead be forwarded to all DIA Board members for review in advance of the meeting and will remain a part of the permanent record for the meeting itself. You are encouraged to submit public comments well in advance of the start of the meeting to provide DIA Board members with adequate time to read them in preparation for the meeting.*

[CONTINUED ON FOLLOWING PAGE]



**Downtown Investment Authority
Strategic Implementation Committee**

Thursday, April 14th, 2022 at 1:00 p.m.

MEETING LOCATION

Physical Location

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

Visitors are encouraged not to enter City owned public buildings if they have: symptoms of COVID-19, a fever of 100.4 degrees Fahrenheit or higher, are currently undergoing evaluation for COVID-19 infection, a diagnosis of COVID-19 in the prior 10 days, or have had close contact with someone infected with COVID-19 during the prior 14 days. Any member of the public entering City owned public building may choose to wear a mask inside the building.

Virtual Location

Interested persons desiring to attend this meeting virtually can do so via Zoom (including by computer or telephone) using the following meeting access information:

Join Zoom Meeting

<https://us02web.zoom.us/j/82644809997?pwd=VGQ2d29qVHFoUEwrOGFIT2YxcEszZz09>

Meeting ID: 826 4480 9997

Passcode: 487848

One tap mobile

+1 (312) 626-6799 (Chicago)

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

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

TAB III

**MARCH 14, 2022 STRATEGIC IMPLEMENTATION COMMITTEE MEETING
MINUTES APPROVAL**



Downtown Investment Authority
Strategic Implementation Committee Hybrid Meeting
Monday, March 14, 2022 – 1:00 p.m.

Strategic Implementation Committee Hybrid Meeting
Draft – MEETING MINUTES

Strategic Implementation Committee Members (CM) in Attendance:

Craig Gibbs, Esq., Acting Chair
Jim Citrano, Committee Member

Oliver Barakat, Committee Member

Committee Members Excused: Bill Adams, Esq.

DIA Staff Present: Lori Boyer, Chief Executive Officer; Steve Kelley, Director of Downtown Real Estate and Development; Xzavier Chisholm, Administrative Assistant; Antonio Posey, Project Manager; Lori Radcliffe-Meyers, Downtown Development Coordinator (via Zoom); and Ina Mezini, Communication and Marketing Specialist (via Zoom).

Office of General Counsel: John Sawyer, Esq.

Council Members Present: Michael Boylan and JuCoby Pittman

I. CALL TO ORDER

The Strategic Implementation Committee meeting of March 14, 2022 was called to order at 1:00 p.m. by Chairman Gibbs.

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:

Carnell Oliver Urged the Board and CEO Boyer to advocate for the repeal of the Faircloth Amendment to help increase affordable housing

III. FEBRUARY 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 Barakat moved to approve the minutes as presented

Seconded: CM Citrano seconded the motion

CM Citrano provided an amendment to the minutes, stating that he would like paragraph 4 on page 6 to clarify that it is his opinion that CEO Boyer should be given authority to authorize DIA contributions in the amount of \$2,500 without requiring Board approval, and that it was not a statement of fact.

Vote: Aye: 3 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 3-0-0

IV. RESOLUTION 2022-03-03: DIA STAFFING

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) URGING THE MAYOR AND CITY COUNCIL TO SUPPORT AN INCREASE IN STAFFING OF THE DOWNTOWN INVESTMENT AUTHORITY WITH THE ADDITION OF AT LEAST ___ ADDITIONAL POSITIONS; AUTHORIZING ITS CHIEF EXECUTIVE OFFICER (“CEO”) TO PURSUE LEGISLATION AND/OR SUBMIT BUDGET REQUESTS NECESSARY TO EFFECTUATE THIS DIRECTION; RECOGNIZING THE URGENCY OF THE REAL ESTATE MARKET CYCLE AND THE CURRENT OPPORTUNITIES FOR REDEVELOPEMENT THAT CANNOT BE ADEQUATELY ADDRESSED BY CURRENT STAFF DESPITE THEIR COMMITMENT OF TIME WELL BEYOND JOB REQUIREMENTS; AUTHORIZING THE CEO TO TAKE ALL NECESSARY ACTION TO EFFECTUATE THE PURPOSE OF THIS RESOLUTION; PROVIDING FOR AN EFFECTIVE DATE.

CEO Boyer introduced the resolution, which came about at the request of the Board, stating that it would provide the DIA with permission to move forward with legislation that would add additional staff to the DIA with the purpose of increasing organizational bandwidth to keep pace with market demands and to effectively implement programs and manage project workloads. She spoke to an organizational chart provided to Board Members that describes the various positions the DIA has prioritized. Due to the MPS legislation that City Council recently approved, the DIA will see an annual cost savings of at least \$2M and is therefore able to completely fund the additional positions and have additional funding leftover.

Motion: CM Citrano moved to approve Resolution 2022-03-03

Seconded: CM Barakat seconded the motion

Chairman Gibbs called for comments from the committee.

Referring to property dispositions and real estate, CM Barakat asked CEO Boyer if she believes the position(s) will be permanent or if they are designed to evolve into something else as properties are disposed. CEO Boyer responded that initially it was her belief that the position would not be

ongoing, and that as the DIA worked its way through the inventory of real estate assets, they would get to the end and be done; however, the reality has been that State law requires any property that becomes available to go through a disposition process, therefore the need for dispositions may be ongoing. She added that the position may be able to assume contract manager responsibilities or combine job functions with another position.

CM Barakat expressed that the DIA is behind in its maintenance and upkeep of downtown infrastructure (e.g., hardscape, tree maintenance, etc.) and stressed the importance of ensuring that capital projects and maintenance are receiving due diligence, regardless of whether it is Public Works or the DIA.

CM Barakat suggested clarifying the language in Section 5 to indicate that the \$500,000 is “per year” or “annualized budgetary capacity.”

CM Citrano expressed that timing is crucial and reminded the committee that it will take up to a year to fill all of the recommended positions. Also noting that, the DIA has the budgetary capacity to move forward with this.

CM Citrano asked if the \$500,000 is based on seven positions. CEO Boyer responded that it is, and stated that she arrived at the estimate through her research of HR position grades that would be assigned to the various positions. She added that the amount would be less than \$500,000 if the number of positions were reduced. CM Citrano noted that he is in support, and wants to ensure the \$500,000 is sufficient.

CM Citrano asked if the positions are permanent. CEO Boyer responded that they are full-time permanent positions, however, all DIA staff are appointed positions, as opposed to civil service. She then confirmed that the \$500,000 is for year one, and that the amount can change year-to-year as part of the annual budget approval process depending on the economic environment.

CEO Boyer stated that due to Public Works recently hiring a staff member with a focus on Downtown infrastructure maintenance and improvement, she recommends not more than six positions at this time.

CM Citrano stated that based on CEO Boyer’s recommendation, his motion stands to approve up to 6 additional staff. CM Barakat seconded.

Vote: Aye: 3 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 3-0-0

V. RESOLUTION 2022-03-04: MAYO CLINIC PARKING AGREEMENT

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING CITY COUNCIL APPROVAL OF A PARKING AGREEMENT BETWEEN THE DIA AND MAYO CLINIC JACKSONVILLE

(MAYO) FOR MONTHLY AND HOURLY PARKING AT THE ED BALL GARAGE; PROVIDING AN EFFECTIVE DATE.

CEO Boyer introduced the resolution, stating that it seeks approval of a parking agreement between the DIA and Mayo Clinic of Jacksonville for monthly and hourly parking at the Ed Ball garage at the established published rates.

Motion: CM Citrano moved to approve Resolution 2022-03-04

Seconded: CM Barakat seconded the motion

CEO Boyer confirmed that the City will be approve the lease itself through the real estate division. The DIA would be approving the parking spots.

Responding to a question from CM Barakat, CEO Boyer stated that the use of the space will be a clinic.

Vote: Aye: 3 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 3-0-0

VI. RESOLUTION 2022-03-05: FURCHGOTT'S BUILDING DPRP

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY ("DIA") 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 128 W ADAMS ST (THE "PROPERTY") PURSUANT TO A REDEVELOPMENT AGREEMENT WITH LOTUS COMMERCIAL USA, 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.

Mr. Kelley introduced the resolution, stating that the developer seeks a Downtown Preservation and Revitalization Program (DPRP) Forgivable Loan package to redevelop the property located at 128 W Adams Street into 34,600 sq ft of leasable space for mixed-use purposes including multi-family units, ground level retail, and amenities for residents.

Motion: CM Barakat moved to approve Resolution 2022-03-05

Seconded: CM Citrano seconded the motion

CM Barakat asked staff to double check the retail square footage, noting that if it is more, it will give them more credit, and that more retail space along this corridor is a positive.

Mr. Kelley confirmed that the Board will take up this resolution at their regular meeting on Wednesday, March 16.

Mr. Kelley clarified for CM Barakat that the third bullet point on page 6 should say “the first year of operations.”

CM Barakat noted that some of the apartment units are a little smaller than what is typically seen downtown.

CM Barakat commented that the multi-family project is much desired in the core and expressed his support for the project, adding that it is the type of project that the DIA should highly incentivize.

CM Citrano expressed his support for the project and asked when the project expects to commence. Mr. Kelley described the legislative process as it pertains to the performance schedule which will be two months at minimum and stated that the performance schedule allows 30 days following the Bill Effective Date for the Redevelopment Agreement to be executed. At that point the developer will have six months to commence construction.

CM Citrano asked what the plan for parking is. Mr. Kelley responded that there is no designated parking, and each resident will find their own parking. Soo Gilvarry, of Lotus Commercial USA, LLC, stated they anticipate reaching a parking agreement with a nearby garage such as the BB&T building garage or the Ed Ball building garage by the time the project is complete.

Vote: Aye: 3 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 3-0-0

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

RESOLUTION 2022-03-08: NB TID BUDGET AMENDMENT

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY ACTING AS THE COMMUNITY REDEVELOPMENT AGENCY BOARD OF THE COMBINED NORTHSIDE EAST AND NORTHWEST CRA’S RECOMMENDING THE APPROPRIATION OF THE PROCEEDS RECEIVED FROM THE SALE OF THE FORSYTH AND MAIN LOT TO THE TWO WAY STREET CONVERSION OF FORSYTH AND ADAMS PROJECT AS CONTEMPLATED BY THE BOARD IN 2020; ADOPTING AN FY 21-22 AMENDED TAX INCREMENT DISTRICT (“TID”) BUDGET AS DETAILED IN EXHIBIT ‘A’ ATTACHED HERETO FOR THE COMBINED NORTHSIDE EAST AND NORTHWEST CRA’S PURSUANT TO SEC.

163.387, F.S. AND SEC. 106.341, ORDINANCE CODE; PROVIDING AN EFFECTIVE DATE.

CEO Boyer introduced the walk-on resolution, stating that it seeks to authorize the transfer of the revenue of the sale of the Forsyth and Main parking lot to the two-way street conversion of Forsyth and Adams project. It was previously contemplated that the funds from the sale of the new JEA property as well as the parking lot sale would be used for the construction of the two-way street conversion. The design is expected to be complete by June with construction commencing this summer.

Motion: CM Barakat moved to approve Resolution 2022-03-08

Seconded: CM Citrano seconded the motion

Vote: Aye: 3 Nay: 0 Abstain: 0

THE MOTION PASSED UNANIMOUSLY 3-0-0

CEO INFORMATIONAL BRIEFING

CEO Boyer provided the following updates:

- Council Members Pittman and Gaffney held a LaVilla community public meeting that took place on March 10. It was well attended and featured a presentation by Steve on the LaVilla Neighborhood Strategy. Members of the public and local community organizations were able to provide public input. The following recommendations came from the meeting: 1) Consider relocating the historic Heritage Trail so that it is consistent with the Emerald Trail and picks up more of the historic fabric that the previous design does not; and 2) Consider a historic district for LaVilla and extending the façade grant program boundaries area to the area.
- Council Member Pittman, speaking as the CEO of the Clara White Mission, spoke to the LaVilla community's historical roots and working to attain historic designations as well as the desire to become a historic district which would help leverage state and federal dollars to preserve LaVilla's rich cultural history.
- Public Works and DIA are working together to acquire a capital improvement and maintenance software program for maintaining downtown infrastructure. DIA would help fund the purchase of the software.

VIII. ADJOURNMENT

Chairman Barakat adjourned the meeting at 2:07 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.

TAB IV

RESOLUTION 2022-04-10: FINCANTIERI REV GRANT

RESOLUTION 2022-04-10

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY RECOMMENDING CITY COUNCIL APPROVAL OF A COJ RECAPTURE ENHANCED VALUE GRANT (“REV”) FOR FINCANTIERI MARINE REPAIR LLC; AUTHORIZING THE CHIEF EXECUTIVE OFFICER (THE “CEO”) TO NEGOTIATE A REDEVELOPMENT AGREEMENT REGARDING THE SAME BETWEEN THE CITY OF JACKSONVILLE, DOWNTOWN INVESTMENT AUTHORITY, AND FINCANTIERI MARINE REPAIR LLC; AUTHORIZING THE CEO OF THE DOWNTOWN INVESTMENT AUTHORITY TO EXECUTE SUCH AGREEMENT; PROVIDING AN EFFECTIVE DATE.

WHEREAS, Fincantieri Marine Repair LLC (the “Applicant”) has entered into a long-term commercial lease of approximately 31 acres in the Working Waterfront District within the Combined Northbank CRA of Downtown Jacksonville and proposes to redevelop the property for the purpose of expanding its international and North American shipbuilding and repair business; and

WHEREAS, the Applicant is proposing to expend approximately \$30,000,000 on improvements, upgrades, and installation of new equipment at the leased property that will increase the county ad valorem property taxes and tangible personal property taxes over the useful life of the assets; and

WHEREAS, incentives, as proposed by the COJ Office of Economic Development in 2020, were integral to the decision of the Applicant in choosing Jacksonville as the site to expand its operations and to establish its newest location; and

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

WHEREAS, DIA is proposing a COJ Recapture Enhanced Value Grant, in the amount of \$1,500,000, that does not otherwise qualify for an established DIA Incentive Program; and

WHEREAS, the REV Grant annual payments will be funded through the Northside Tax Increment Finance District Trust Fund; and

WHEREAS, the DIA Board considered the Applicant’s request, in the context of the Tiers Approach as found in the DIA BID Strategy and found the request meets each of the criteria defined therein; and

WHEREAS, The DIA finds that this Resolution furthers the following Redevelopment Goals and Strategic Objectives and Benchmarks found in the BID Plan:

Redevelopment Goal No. 1 – Reinforce Downtown as the City’s unique epicenter for business, history, culture, education, and entertainment.

Strategic Objectives met or Benchmark contributions:

- Increase the opportunities for Downtown employment.
- Number of Jobs
- Number of Business Establishments
- Tax Value and Impact to TIF and Future Projections
- Annual Private Capital Investments

Redevelopment Goal No. 3 - Simplify the approval process for downtown development and improve departmental and agency coordination.

Strategic Objectives met or Benchmark contributions:

- Initiate public/private partnerships.
- Tax Value and Impact to TIF and Future Projections
- Annual Private Capital Investments

WHEREAS, the DIA Board, therefore, recommends approval of a COJ Recapture Enhanced Value Grant in the amount of \$1,500,000 to help support the commercial growth occurring in the Working Waterfront of Downtown Jacksonville.

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 Board hereby authorizes the CEO of the Downtown Investment Authority to initiate legislation for approval by City Council of a Redevelopment Agreement, or functional equivalents in accordance with the purposes of this Resolution.

Section 3. The DIA Board hereby authorizes the CEO of the Downtown Investment Authority to take all action necessary to effectuate the purposes of this Resolution, including the execution of a Redevelopment Agreement, or functional equivalents, providing that such actions incorporate, at a minimum, the terms and conditions contained in Exhibit 'A' to this Resolution 2022-04-10.

Section 4. This Resolution, 2022-04-10, shall become effective on the date it is signed by the Chair of the DIA Board.

Section 5. 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.

WITNESS:

DOWNTOWN INVESTMENT AUTHORITY

W. Braxton Gillam IV, Esq., Chairman

Date

VOTE: In Favor: ____ Opposed: ____ Abstained: ____

Exhibit A:

**DIA RECAPTURED ENHANCED VALUE GRANT
TERM SHEET**

Fincantieri Marine Repair LLC

Developer/Applicant: The applicant, Fincantieri Marine Repair LLC (“Fincantieri,” “Applicant,” or “Tenant”), is a subsidiary of Fincantieri Marine Systems North America under the parent organization, Fincantieri S.p.A. Fincantieri S.p.A. is a renowned international shipbuilder based in Genova, Italy with more than 20 locations worldwide. The Applicant has established a location in Jacksonville Florida through a long-term lease from Commodore Point Properties, Ltd. (“Property Owner”) of approximately 31 acres at 2060 E. Adams St. in the Working Waterfront District of Downtown Jacksonville.

Project: Applicant is expected to spend approximately \$30 million on improvements to the leased property and will ultimately be conducting repair and maintenance operations on ships and large vessels at the site. Per the terms of the NNN lease, the Applicant is responsible for incremental property taxes incurred on the leased property for increases in the value of the leased property above a level not yet established but estimated at \$5,458,300 (“Minimum Property Value”).

Total Development Costs (estimate): \$29,067,799

DIA Funding:

Not more than **\$1,500,000** through the City of Jacksonville Downtown Investment Authority as the Northbank CRA, as follows:

REV Grant: The Developer is requesting a REV Grant equal to 50% of the City of Jacksonville portion of the estimated incremental ad valorem taxes generated by the project for a period of 10 years. The total REV grant indebtedness will not exceed \$1,500,000.

Infrastructure: No City of Jacksonville infrastructure improvements are contemplated with this proposal.

Land: No City of Jacksonville land is committed to the project.

City of Jacksonville Funding:

Not more than **\$300,000** through the City of Jacksonville as administered by the Office of Economic Development, as follows:

Loans/Grants: Fincantieri was approved in May 2020 under ordinance 2020-0241 for up to \$300,000 from the City for Qualified Target Industry (QTI) funding in conjunction with State of Florida QTI, which may not exceed \$1,500,000 on a combined basis.

Minimum Property Value Increase per the Duval County Property Appraiser:

- Eligibility for funding under the DIA REV Grant is contingent upon the Minimum Property Value, as established in the lease, increasing by \$5,000,000 or greater per the Duval County Property Appraiser in its annual assessment.

Additional Commitments:

- REV Grant payments will be paid annually beginning in any year of eligibility, but such first tax year shall not be later than 2025 (with REV Grant payment made in 2026).
- The payment period will commence with the submission of the first REV payment request and will continue uninterrupted for ten consecutive years thereafter.
- REV Reimbursement shall be made only from increases realized in the City of Jacksonville portion of the ad valorem taxes collected in any eligible tax year.
- Applicant must be in continuous operation at the subject site, subject to force majeure, to be eligible for REV Grant payments for any given tax year.
- The final Minimum Property Value must be established with the Property Owner/Landlord prior to filing the legislation for final approval with the City of Jacksonville City Council.

This Term Sheet is limited by the following conditions:

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

SUPPLEMENTAL INFORMATION
FINCANTIERI REV GRANT – STAFF REPORT

Fincantieri Marine Repair LLC

COJ Recapture Enhanced Value Grant (REV)

**Staff Report
April 14, 2022**

Applicant: Fincantieri Marine Repair LLC,
a subsidiary of Fincantieri Marine Systems North America

Project: Fincantieri Shipyard Redevelopment
Program Request: COJ Recapture Enhanced Value Grant (REV)

Total Development Costs (as presented): \$29,067,799
Total Development Cost (as underwritten): \$21,900,000

REV Requested/Proposed: \$1,500,000 50% / 10 years

The Project

Per a recent press release by the applicant, “Fincantieri is one of the world’s largest shipbuilding groups, the only one active in all high-tech marine industry sectors. It is a leader in the construction and transformation of cruise, naval and oil & gas, and wind offshore vessels, as well as in the production of systems and component equipment, after-sales services, and marine interiors solutions. Thanks to the expertise developed in the management of complex projects, the Group boasts first-class references in infrastructures, and is a reference player in digital technologies and cybersecurity, electronics, and advanced systems. With over 230 years of history and more than 7,000 ships built, Fincantieri maintains its know-how, expertise, and management centres in Italy, here employing 10,000 workers and creating around 90,000 jobs, which double worldwide thanks to a production network of 18 shipyards operating in four continents and with over 20,000 employees.” The applicant, Fincantieri Marine Repair LLC (“Fincantieri,” “Applicant,” or “Tenant”), is a subsidiary of Fincantieri Marine Systems North America under the parent organization, Fincantieri S.p.A.

Fincantieri has entered into a lease agreement with Commodore Point Properties, Ltd. for approximately 31 acres in the Working Waterfront District of the Northbank Combined CRA. The initial term of the lease is for 15 years, with two unilateral five-year extension options in favor of the lessee, Fincantieri, and an additional ten-year extension option that requires bilateral agreement between the lessor and lessee.

Plans for the redevelopment of the site by Fincantieri will require capital expenditures approaching \$30 million. Of that total, DIA staff estimates that approximately \$22 million of capital expenditures may result in increased property taxes of an undetermined amount or may otherwise be captured by the Duval County Property Appraiser as Tangible Personal Property and taxed through that channel instead.

The terms of the lease also require Fincantieri to pay any incremental ad valorem property taxes above a base level of property value that is currently being determined by the lessor, Commodore Point. Estimates

made by DIA staff are that the base value will be approximately \$5.4 million, and the lessor agrees that the logic used in reaching that number appears on target.

QTI Award

In 2020, the Office of Economic Development worked with the applicant on a Qualified Target Industry (QTI) Tax Refund with the State of Florida. As approved by the City and the State, the QTI program will provide a tax credit of \$5,000 per job totaling up to a maximum of \$1,500,000. The City of Jacksonville will provide a 20% match to participate in the QTI Program, or \$1,000 per job, totaling up to a maximum of \$300,000. The QTI incentive is administered by the Florida Department of Economic Opportunity in conjunction with the COJ Office of Economic Development and the benefit is paid out in increments of 25% per year after the job is created and wages are verified. Based on the job creation schedule provided, the QTI payout would extend from 2021 to 2028. The commitment of Fincantieri is for the creation of up to 300 new jobs at an average wage of \$59,146 plus benefits, 119% of the State of Florida's Average Wage by no later than Dec. 31, 2024. As such, the annual payroll resulting from the creation of 300 new full-time jobs at an average annual wage of \$59,146 is \$17.7 million (excluding benefits).

REV Calculations

In determining the maximum amount for the REV, DIA staff modeled the estimated increase in ad valorem taxes based on the proposed expenditure of \$21.9 to \$29 million over a ten-year period. The incremental amount of the City portion of ad valorem taxes by this approach is \$1.3 to \$1.7 million, and therefore the maximum payout is set at \$1.5 million.

However, because of the unique nature of improvements being made to the property (as identified in Figure 1. below), the potential impact on the value of the real property is uncertain as the traditional approach of using construction costs as a proxy for the income approach employed by the property appraiser's office are considered less applicable in this circumstance.

Figure 1. Proposed Improvements



Further, it is likely that increased taxes will be split between the increased valuation of the real property and new tangible personal property liability imposed on the applicant. Both of these categories of taxes (further limited only to the increase in the City of Jacksonville portion of ad valorem) are eligible for reimbursement under the REV commitment.

Further consideration is given with the understanding that payments under the REV are self-funding through taxes as they are paid and limited to the established proportion of the Annual Project Revenue (the incremental amount of the City portion of ad valorem plus tangible personal property taxes). As such, an alternative to establishing a minimum capital requirement is utilized in this proposal. That alternative approach establishes a minimum increase above the Minimum Property Value which must be met before payments of the REV are made in order to achieve a minimum return of 1.0X on both the QTI payments and the REV Payments. That minimum has been established as \$5,000,000 which would generate total Annual Project Revenue of \$601,371 over the ten-year time frame, sufficient to cover the \$300,000 of QTI and the minimum REV payout of \$300,685, 1.0X. Increases in the City's assessment above \$5,000,000 would benefit Fincantieri up to the maximum funding level of \$1.5 million over the ten-year period.

Recommendation:

Because the request does not fall under an established DIA Program, analysis using the decision-making criteria established as the tiered approach within the BID Plan is required.

Tier 1 – The project meets no fewer than two (2) of the seven (7) BID Goals.

As submitted by the applicant, the project is proposed to contribute positively towards:

Redevelopment Goal No. 1 – Reinforce Downtown as the City's unique epicenter for business, history, culture, education, and entertainment.

Strategic Objectives met or Benchmark contributions:

- Increase the opportunities for Downtown employment.
- Number of Jobs
- Number of Business Establishments
- Tax Value and Impact to TIF and Future Projections
- Annual Private Capital Investments

Redevelopment Goal No. 3 - Simplify the approval process for downtown development and improve departmental and agency coordination.

Strategic Objectives met or Benchmark contributions:

- Initiate public/private partnerships.
- Tax Value and Impact to TIF and Future Projections
- Annual Private Capital Investments

Tier 2 - Submit to the DIA information demonstrating the financial need for the incentives proposed.

As Fincantieri considered multiple states and cities for the location of their newest site, incentives were an integral consideration. The QTI portion of the incentive package with the Applicant was considered independently in 2020, as the State of Florida had announced plans to sunset the program by the end of 2020. In the absence of these incentive programs, it is highly likely that Fincantieri may have chosen an alternative location for its operations.

Tier 3 - The project will positively affect no fewer than four (4) of the BID Performance Measures.

The relocation of Fincantieri to the Working Waterfront provides positive impact on each of the following Performance Measures:

Downtown Economic Indicator

- Employment – The Applicant is expected to generate more than 300 new jobs in the Working Waterfront prior to 2028.
- Residents – By bringing more than 300 new employees Downtown, it is certain that some, if not many, will choose to live in close proximity to their workplace.
- Business Establishments – Fincantieri is new to the Jacksonville market and brings an internationally recognized high-profile corporation to our City.
- Increase Tax Value – Total property taxes are projected to increase by as much as \$4.8 million over the ten-year time frame of the REV proposal, with a \$3.0 million increase to the City of Jacksonville portion collected.
- Hotel Occupancy – As part of an international corporation and a subsidiary of a larger US division, it is certain that the company will bring frequent business travelers to Downtown which will have a positive impact on Hotel Occupancy, in addition to local restaurants and other venues.

Conclusion

The DIA staff recommendation is for the approval of the \$1.5 million REV Grant as outlined in this Staff Report and in accordance with Resolution 2022-11-09 and the Ex A Term Sheet.

TAB V
RESOLUTION 2022-04-11: 1001 KINGS AVENUE DPRP

RESOLUTION 2022-04-11

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING THAT THE CITY COUNCIL APPROVE A DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM FORGIVABLE LOAN PACKAGE FOR REHABILITATION OF THE BUILDING LOCATED AT 1001 KINGS AVENUE (THE “PROPERTY”) PURSUANT TO A REDEVELOPMENT AGREEMENT WITH ALE KINGS HOLDINGS, 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, ALE Kings Holdings, 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 1999-768 and is within the boundaries of the Downtown Southside CRA; and

WHEREAS, the Developer proposes to rehabilitate the Property to provide approximately 12,000 square feet of leasable space for commercial/retail use in the Southbank District of Downtown Jacksonville; and

WHEREAS, the increased private capital investment totaling approximately \$5,133,853 in real property will increase the county ad valorem tax base over the useful life of the assets, will add to the commercial/retail tenancy options in Downtown Jacksonville; and

WHEREAS, the Strategic Implementation Committee of the Downtown Investment Authority (“DIA”) met on April 14, 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 \$1,231,760 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

W. Braxton Gillam IV, Esq., Chairman

Date

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

Exhibit A:

**DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM
 TERM SHEET**

1001 Kings Avenue

Project: The project comprises the redevelopment of a three-story, 13,500 gross square foot historic property located at 1001 Kings Avenue (RE# 080088-0000) in the Southside District of Downtown Jacksonville owned by ALE Kings Holdings, LLC. The property is expected to be fully occupied by two tenants, England Trading Company, LLC operating a retail furniture store and doing business as “Industry West” occupying approximately 8,000 square feet on the first and second floors, and corporate offices for CL Breeze, LLC d/b/a Breeze Homes for the 3,905 square-foot third floor.

Because the property received a Certificate of Appropriateness from the City of Jacksonville Historic Preservation Commission for the exterior of the property only, the redevelopment efforts are not eligible for funding under the Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (“HPRR”) components for interior restoration or interior rehabilitation.

City funding for redevelopment of this building (“Property”) is conditioned upon terms found in this Exhibit A to Resolution 2022-04-11. Forgivable loan documentation will be prepared and entered into with the Applicant for the Property as approved by the DIA Board and the City Council of Jacksonville, Florida.

Owner / Applicant / Borrower:	ALE Kings Holdings, LLC
Total Development Costs (estimate):	\$5,133,853
Underwritten Development Costs Used for DPRP Calculations:	\$4,813,063
Equity (proposed):	\$705,303
	(13.7% of TDC unadjusted)
	(14.5% of TDC as underwritten)

City Funding: An amount determined to be \$1,231,760 through the City of Jacksonville, as follows:

	Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (HPRR)	Code Compliance Forgivable Loan (CCR)	DPRP Deferred Principal Loan	TOTAL
TOTAL	\$257,200	\$728,200	\$246,360	\$1,231,760

At this funding level, and by this program, the incentive structure and funding under the DPRP are 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 TWO MILLION FIVE HUNDRED NINETEEN THOUSAND SIX HUNDRED FORTY-NINE 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	0
Interior Restoration	0
Exterior	257,225
Code Compliance	970,999
General Requirements/Other	321,405
N/A ¹	970,020
Total Budget Amount:	\$ 2,519,649

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 Owner 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 SEVEN HUNDRED FIVE THOUSAND THREE HUNDRED THREE DOLLARS AND ZERO CENTS (\$705,303) (the “Required Equity”);
- (ii) Total Development Costs incurred of FOUR MILLION EIGHT HUNDRED THIRTEEN THOUSAND SIXTY-THREE DOLLARS AND ZERO CENTS (\$4,813,063) which shall exclude Developer/Program Management Fee, FF&E, tenant improvements, and operating or finance reserves (the “Minimum Total Development Costs”);
- (iii) Total Construction Costs incurred of at least the Total Budget Amount (the “Minimum Total 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 \$4,813,063 may be reduced by a maximum of ten percent (10%) overall, as determined by the DIA in its sole and absolute discretion, without affecting the Owner'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 \$4,331,757 including Total Construction Costs incurred of not less than \$2,267,684.

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 are requested from the City of Jacksonville for this development activity

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 a minimum of 13,000 square feet of net leasable commercial/retail space for tenants.

- B) Recommendation as to the eligibility of the approved scope of work on the property 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 Loans 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 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 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 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 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) 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
1001 KINGS AVENUE DPRP – STAFF REPORT

1001 KINGS AVENUE HISTORIC REHABILITATION

**Downtown Preservation and Revitalization Program
Staff Report for DIA SIC
April 14, 2022**

Applicant:	ALE Kings Holdings LLC Kendall England, Manager George Leone, Manager Christian Allen, Manager
Project:	1001 Kings Avenue
Program Request:	DPRP
Total Development Costs (as presented):	\$5,133,853
Total Development Cost (as underwritten):	\$4,813,063
DPRP Recommended:	
1) Historic Preservation Restoration and Rehabilitation Forgivable Loan (HPRR)	\$ 257,200
2) Code Compliance Renovations Forgivable Loan (CCR)	\$ 728,200
3) DPRP Deferred Principal Loan	\$ 246,360
	<u>\$1,231,760</u>

Property Description:

This project location is the original City Hall of South Jacksonville. The South Jacksonville community emerged after the American Civil War and was incorporated in 1907. It saw its greatest growth after the Acosta Bridge was completed in 1921, connecting the neighborhood to Downtown Jacksonville. This period included the construction of the original San Marco development, which eventually gave its name to the area.

The three-story masonry building at 1001 Kings Avenue was landmarked in 1999 (1999-768-E) having met three of the local designation criteria. National Register listing was pursued, but the Florida Division of Historical Resources found the building to be too altered and lacking enough physical integrity to qualify for individual listing. The rehabilitation work done in 1999-2001 included restoring some of the original openings guided in part by physical evidence but stopped short of restoring the first floor storefront openings with glazing, opting instead for the present grillwork and gates with actual entry doors hidden behind the vine-covered openings.

The building is located on a corner with three street frontages (Kings Avenue, Prudential Drive, and Onyx Street) and a parking lot to the side of it, making all aspects of the structure readily street visible, except for a portion of the south/parking lot side of the building that is screened by some trees. The images below in Figure 1 provide a perspective on the planned renovations for the building with a current view and the proposed redevelopment.

Figure 1: 1001 Kings Avenue As-Is and As Proposed (West Façade)



This currently vacant structure which was in a state of disrepair and lending itself to vagrancy is now expected to contribute to the commercial growth of the Southside District and will become the home of two locally grown businesses: Industry West (<https://www.industrywest.com/>) and Breeze Homes (<https://www.breeze-homes.com/>).

Industry West is a high-end furniture retailer established in 2011 specializing in “artisan-crafted furniture and decor, with an emphasis on high design.” The company was established in Jacksonville by Jordan England, Co-founder, and CEO, and his wife Anne England, co-founder and President of Social Responsibility). The firm sells its products online and through showrooms and the site at 1001 Kings Avenue will serve as its corporate headquarters and offices. Industry West is slated to occupy the first two floors, approximately 8,000 square feet.

Breeze Homes is “a local Jacksonville homebuilder that offers homebuyers a simpler, more cost-effective approach to homeownership.” Breeze Homes is affiliated with Corner Lot Development, the entity re-developing the subject property. Breeze Homes recently announces a proposal for developing a 32-acre parcel in St. Johns County to provide 52 single-family homes and 54 townhomes where at least 43 would be designated as workforce housing. Breeze Homes will maintain its corporate headquarters on the third floor and occupy approximately 3,900 square feet.

The Development Team:

Corner Lot Development (<https://www.cornerlotdevelopment.com/>)

Corner Lot Development Group (CLDG) was formed in 2017 and developed over \$15 million in commercial and SFR subdivisions in its first year. Currently, CLDG is a leader in the marketplace focused on developing lots allowing for affordably priced homes to continue to exist.

Andy Allen, CEO of Corner Lot Properties. Mr. Allen is a graduate of Jacksonville University where he majored in Finance and minored in Marketing. Allen started Corner Lot Properties in 2009 where he conducted commercial, multi-family, and land transactions and became the largest real estate wholesaler in Northeast Florida with over \$1 billion of real estate including acquisition, disposition, sales, and development. From 2011-2014, Allen's companies facilitated the largest Residential REIT, American

Homes 4 Rent, with its acquisition, rehab, and management of its Northeast Florida market. This spawned Heritage Holdings, his own residential portfolio of 1,100 SFR houses, in Northeast Florida which is one of the largest in Duval County.

George Leone, COO of Corner Lot Properties. Following graduation from Florida State University, Mr. Leone served thirteen years at Toll Brothers ending as the Vice President of Land Development. Leone oversaw development projects amounting in over \$500 million in Central and North Florida, South Carolina, and North Carolina where he managed over forty different consultants and contractors. In 2016, George started Leone Development to pursue his ambition of creating a leading real estate development company in the southeast United States. The culmination of Leone's experience led him to partner with Andy Allen in creating Corner Lot Development Group wherein its first year sold 220 lots to local and national builders.

Bold Line Design (Architect; <https://boldline.design/>)

Bold Line Design was founded in September 2020 in Jacksonville, Florida by three principal architects, John Braxtan, Matthew Snyder, and Bruce Werner. Each partner takes a hands-on approach to design, managing, and collaborating on each project from concept through construction completion. The firm lists among its capabilities: feasibility studies and due diligence, site planning and master planning, programming, architectural design, modeling and rendering, construction documents, and construction administration. Project types include multi-family, single-family, hospitality, retail, mixed-use, corporate office, senior independent living, assisted living and memory care, affordable housing, and student housing.

Opus Group – Alan Cottrell, Owner (General Contractor; <https://opus-build.com/>)

River City Contractors (RCC) presents itself as uniquely aligned to perform historic renovation work in many ways. RCC has completed renovations on a number of historic and downtown buildings including The Seminole Club (Sweet Pete's) in both 2014 and 2020, The Green Cove Springs/Clay County Courthouse (built 1899), Interlachen Town Hall (built 1892), the Brunswick Historic Courthouse (built 1907), and 211 Liberty Street N. Besides just historic construction, RCC has extensive experience in retail and restaurant renovations, including Coop 303, ABBQ, Candy Apple Café, and Hobnob. River City Contractors is also the general contractor for JWB at the Porterhouse project and the owner's rep for JWB for the Federal Reserve building and 218 Baptist Convention Center.

Historic Preservations Section Considerations:

The Planning and Development Department, Historic Preservation Section completed a Certificate of Appropriateness on the property in July 2021 after reviewing the plans for the modification and rehabilitation of the exterior of the property.

Conditions imposed in the COA require the following:

1. The storefront framing shall have a coated finish to look more like wood versus a modern storefront.
2. New glazing for storefronts shall be clear.
3. Reduce the signage size as needed so that it and any associated lighting will avoid the brick arches of the windows and the base of the central raised parapet. Final signage plan shall be submitted under a separate COA application when more details are available.
4. Minor changes to the design and architectural details (i.e. light patterns, column design, and masonry materials) can be administratively reviewed by the Historic Preservation Section of the Planning and Development Department.

5. Final plans in accordance with this Order, and product information shall be submitted to and approved by the Historic Preservation Section of the Planning and Development Department at least one week prior to permitting.

The Certificate of Appropriateness provided by HPS is consistent with the DPRP program guidelines, and adherence to its recommendations and findings is made a condition of approval of the subject request.

Because HPS did not conduct a review of plans for the work being done on the interior of the building, the project is not eligible for funding under the Interior Restoration or Interior Rehabilitation components of the Historic Preservation, Restoration, and Rehabilitation Forgivable Loan, but is eligible for funding under the Exterior component. It is also eligible for funding under the Code Compliance Renovations Forgivable Loan and the DPRP Deferred Principal Loan. A review of costs between DIA and HPS for appropriate category allocation was conducted in preparation of this Staff Report and the Ex A Term Sheet to Resolution 2022-04-11.

Market Analysis:

The site is ideally located for the location of each of the respective corporate offices. There will not be additional space made for lease for future tenants.

DPRP Request and Structure:

To facilitate the redevelopment of the property, ALE Kings Holdings requests approval of funding under the DPRP due to a funding gap in meeting the cost of construction and development. The funding gap is confirmed by analysis of pro forma cash flow, supportable debt, and return on equity investment by the developers and related investors.

Pro Forma Operations

- The lease rate established for each tenant is +/- \$21.60 per square foot, plus \$6.00 CAM. As noted elsewhere, leases to these two tenants leave no further space available for other tenants.
- As reflected in the Developer's pro forma, the property is expected to generate an Effective Gross Income of approximately \$331 thousand in its first full year of operation, increasing to \$357 thousand after a 10% escalator is required in year 6.
- Total operating expenses are estimated at approximately \$62 to \$76 thousand initially, reflecting an increase of 2.5% annually.
- Net Operating Income is estimated to be \$269 thousand in the first year of operations providing debt service coverage of 1.33X and a Yield on Cost of 5.6%. Over ten years, NOI improves to \$279 thousand providing debt service coverage of 1.38X and a Yield on Cost of 5.8%.

Capital Considerations

- Total development costs as presented equals \$4,813,063, or \$356.52 PSF for the acquisition costs and rehabilitation of the 13,500 square foot building.
- As found in the Sources and Uses for the development, the acquisition cost is shown to be \$2,250,000 and is supported by an appraisal from Moody Williams Appraisal Group, dated September 2021, providing a market value for the property of \$2,310,000 "As Is."

- The tax assessed value of the property in 2021 is \$543,730 after adjusting for a Cap Differential of \$191,870. Elimination of the Cap Diff provides a Just Market Value of \$735,600.
- Documentation was provided to show all property taxes are current through the 2021 billing.
- Minimum total equity to be injected is shown to be \$705 thousand or 14.7% of TDC, as underwritten.
- Senior debt on the development is estimated at \$2,876,000, or 59.8% of TDC. Modeled over 30 years at 5.0%, annual debt service is projected to equal an estimated \$202 thousand.

DPRP Recommended

Based upon the analysis of projected cash flows and development costs, the recommended DPRP is as follows:

	Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (HPRR)	Code Compliance Forgivable Loan (CCR)	DPRP Deferred Principal Loan	TOTAL
TOTAL	\$257,200	\$728,200	\$246,360	\$1,231,760

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

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

DPRP funding limits based on equity contribution in relationship to Total Development Cost (“TDC”), and requirements for the DPRP Deferred Principal Loan are considered for each property individually and on a combined basis. Total equity of \$705,303 (14.7% of TDC) meets the minimum requirement of 10% and allows DPRP funding up to 40% of TDC. As such the DPRP Deferred Principal Loan is required to be established at a minimum of 20% of total DPRP funding, \$246,360.

DPRP Modeling Parameters – 1001 Kings Avenue

Total from Const Budget	\$2,519,649.00
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Sources		
Federal Historic Tax Credit		0.0%
HPRR Forgivable Loan	\$ 257,200	5.3%
CCR Forgivable Loan	\$ 728,200	15.1%
DPRP Def Prin Loan	\$ 246,360	5.1%
Other COJ Funding	\$ -	0.0%
1st Position Debt	\$ 2,876,000	59.8%
Owner Equity	\$ 705,303	14.7%
TOTAL SOURCES	\$ 4,813,063	74.4%

Uses		
Purchase Price	\$ 2,250,000	46.7%
A&E Costs	\$ 18,500	0.4%
Construction Costs	\$ 2,519,649	52.4%
Developer Fee	\$ -	0.0%
Soft Costs	\$ 24,914	0.5%
TOTAL USES	\$ 4,813,063	100.0%

Maximum Funding Level	\$ 1,925,225
DPRP Funding	\$ 1,231,760
ROI	1.26

Measurement	DPRP Guidelines		As Calculated
	% of TDC		Project
Developer Equity	10%	Min of TDC	14.7%
3rd Party Loan		No min or max	59.8%
Subsidy or Tax Credit		No min or max	0.0%
Developer Combined	60%	Min of TDC	74.4%
DPRP			
<i>Exterior</i>	75%	Max of eligible costs	
<i>Restoration Int</i>	75%	Max of eligible costs	
<i>Rehabilitation Int</i>	30%	Max of eligible costs	
<i>Code Compliance</i>	75%	Max of eligible costs	
<i>Other</i>	20%	Max of eligible costs	
HPRR Forgivable Loan	30%	Max of TDC	5.3%
CCR Forgivable Loan	30%	Max of TDC	15.1%
DPRP Def Prin Loan	20%	Max of TDC	5.1%
DPRP Def Prin Loan	20%	Min Must be ≥ 20% of Gap	20.00%
Other COJ Funding			0.0%
COJ Combined	40%	Max of TDC	25.6%

As shown above, developer equity in the 1001 Kings Avenue property equals 14.7% of TDC, whereas equity plus third-party debt exceeds the minimum requirement of 50% of TDC, at 74.4%. Redevelopment of the property is proposed to be supported by an HPRR Forgivable Loan of \$257,200, a CCR Forgivable Loan of \$728,200, and a DPRP Deferred Principal Loan of \$246,360. 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 in the absence of default.

The DPRP Deferred Principal Loan is an interest-only loan with the rate established at the level of the Ten-Year Treasury Note at the time of funding. For modeling purposes, a rate of 2.50% is used providing interest payments of \$67,749 to the City annually.

Project ROI:

As shown by the model below, the project ROI on the City investment is 1.26X, which exceeds program requirements of 0.50X. The calculations are based on City benefits totaling \$1.5 million based on ad valorem over 20 years, \$1.0 million (not including 10 years of tax abatement on the incremental improvements for historic properties as that election was made in 1999 when the property was landmarked), and the interest income (10 years) and Present Value of the repayment on the Deferred Principal Loan, \$242 thousand.

\$4.8 Million in Capital Expenditures

Ad Valorem Taxes Generated			
County Operating Millage	(1)	\$	1,034,867
Local Option Sales Tax	(2)	\$	154,147
Payroll	(3)	\$	55,792
Add'l Benefits Provided	(4)	\$	242,398
Total City Expected Benefits			\$ 1,554,953
Total City Investment	(5)	\$	1,231,760

Return on Investment Ratio	1.26
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(1) - The investment from the Company is estimated to be \$4.8 MM in Capital Contribution for development

(2) - Local Option Sales Tax is based on the revenue generated through retail sales 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	\$ 67,749
PV of DPRP Deferred Principal Repayment	\$ 174,649
Other	-
Total Add'l Benefits Provided	\$ 242,398

(5) - City Incentives as follows:	
DPRP	\$ 1,231,760
Land	\$ -
Other	-
Total Direct Incentives	\$ 1,231,760

Recommendation:

DIA Staff recommends approval of a the DPRP loans as outlined above.

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.

Minimum funding requirements and other terms and conditions for approval and administration of the subject facilities are captured in Exhibit A Term Sheet to Resolution 2022-04-11.