Lot J Development Proposal

Summary of Recommendations from the DIA Staff Report

December 1, 2020

1. **The Developer**

🅰 *Finding: (Page 8)*

*The Developer has the demonstrated experience and capacity to perform its obligations under the various contracts and a proven track record of project delivery.*

1. **Consistency with CRA Plan Goals:**

**Redevelopment Goal No. 6 – Maintain a clean and safe 24-7 Downtown for residents, workers, and visitors.**

🅱 *Finding: (Page 9)*

*In conclusion,* *the Project meets many of the established goals for Downtown redevelopment and would be a major addition to Downtown vibrancy.*

1. **Incentives**
2. **Infrastructure**

🅲 *Recommendations:* *(Page 22)*

1. *Absent construction costs and project detail information, we cannot verify the need for the full infrastructure budget.*
2. *The Development Agreement should include plain, specific language requiring City approval of infrastructure budgets prior to construction. Consistent with the language in Section 8.9 (a), any dispute of budgets may be resolved between the City Representative and the Developer.*

**iii. $50 Million contribution for construction of Live**

🅳 *Recommendations: (Page 23)*

1. *We are supportive of the City’s matching contribution to the Live! component, not to exceed $50 million.*
2. *We recommend that the office portion of the Live! other than the office space used for management of the Project, be structured as a separate taxable condominium interest.*

**iv. Breadbox Loan:**

🅴 *Recommendation: (Page 24)*

*Our analysis of financial feasibility and construction costs, based on the information provided, does not reveal a need for this additional incentive as currently structured. Nevertheless, we understand that this may be non-negotiable from the Developer’s perspective, and actual construction and operating numbers might justify this incentive.*

**v. Market Rate Multi-Family REV Grant:**

**REV Grant Conclusion:**

🅵 *Consideration: (Page 27)*

*In other development projects, the DIA has chosen not to extend the REV Grant beyond the life of the CRA in order to incentivize completion of the project as quickly as possible, as was done for the District development on the Southbank. The potential loss of out-year REV Grant payments could be considered.*

🅶 *Recommendations: (Page 27)*

1. *The Multi-Family REV Grant should be viewed as the first available incentive in the capital stack and we strongly support its inclusion.*

**vi. Hotel Completion Grant**

🅷 *Recommendation: (Page 28)*

*Based on the financial feasibility analysis above, we believe the hotel grant is likely warranted (would depend on extent of Live! Contribution to the cost of the Component) and should be included in the capital stack for the Project. However, we would recommend consideration of a room surcharge of not more than 1% as suggested by the Council Auditor.*

1. **Project Documentation:**
	1. **Development Agreement:**

**ii. Definition: Budget**

🅸 *Observation: (Page 29)*

*This Project cannot, as a catalyst for Downtown, the City and the Region, be reviewed through a generic Capital Improvement Project lens. Within the Infrastructure Budget there are one-off pieces (e.g. art), technical pieces (e.g. LED boards), enhancements, vertical components (e.g. parking garages), environmental and geotechnical unknowns, etc. all of which complicate or make to date unknown unit cost pricing. However, the City should have approval, or at least concurrence, authority for the infrastructure budgets prior to construction, especially given the non-traditional infrastructure items identified in Exhibit ‘H’ to the Development Agreement (e.g. LED boards).*

🅹 *Recommendation: (Page 29)*

*The Development Agreement should include plain, specific language requiring City approval of infrastructure budgets prior to construction. Consistent with the language in Section 8.9 (a), any dispute of budgets may be resolved between the City Representative and the Developer.*

1. **Definitions: Live! , Mixed-Use Component, Hotel Component**

**Mixed-Use Component, Hotel Component**

🅺 *Recommendations:* *(Page 30)*

* + 1. *The quality and comparable complex references should be included in the definitions.*
		2. *A minimum restaurant, bar, entertainment venue size should be established for the parcel subject to Live! Lease. (Material Modification in Article III excludes a reduction in size)*
		3. *The office space within the Live! Component (beyond that required for management of Project) should be treated as a taxable condominium interest under private ownership.*

**v. Article V , Section 5.1 Development Rights**

🅻 *Recommendation: (Page 31)*

*Conform the Development Agreement to the actual Allocation of Development Rights approved by DIA pursuant to Resolution 2020-11-03 and return to the as filed 8-year time frame.*

**x. Article VIII, Section 8.9 (d) re: reconciliation**

🅼 *Recommendation: (Page 32)*

*We believe this section requires further revision and negotiation and that funds should be returned to the City general fund in the event the Minimum Developer Investment is not achieved, however we understand that the new structure was requested by some on behalf of City Council to ensure adequate maintenance funds were available for facility maintenance and ongoing upgrades. The REV Grant value should not be a credit in the event the minimum capital investment for the REV Grant is not achieved or alternatively, the required minimum capital investment necessary to qualify for the REV for the Mixed Use component should be modified to eliminate the garage.*

**xi. Article XI, Section 11.2 re: Infrastructure**

🅽 *Recommendation: (Page 32)*

*Clarify the extent of the City’s liability within the Infrastructure budget for environmental remediation if it is intended to be capped.*

* 1. **Guaranty of Completion**

**viii. Section 29**.

🅾 *Recommendation: (Page 34)*

*In light of the importance of the Guaranty as security for performance, we believe that re-verification of net worth at the commencement of each component, if more than 6 months apart, should be provided.*

**C. Live! Lease**

**Section 5. Lease term**

🅿 *Recommendation: (Page 36)*

*We would recommend a condition that* *the initial term remain 35 years and all lease renewals can only be exercised in the last five years of the then current lease term to prevent early exercise, and that all renewal options with respect to the Live! Parcel itself be subject to the occupancy and maintenance condition. Nevertheless, we understand that some on City Council have advocated for the longer lease term in order to provide a longer commitment to the venue in association with the NFL team and the current draft was negotiated to achieve that objective. Both perspectives have merit.*

**Section 11. Landlord Use**

🆀 *Consideration: (Page 37)*

*The City’s right to host a Landlord event, and the assumption that it will generate any revenue for the City, are dependent on maintaining a good working relationship with the Developer and is not guaranteed in light of the blackout date provision.*

**Suggested addition to Live! Lease**

🆁 *Recommendation: (Page 38)*

*The Live! lease should be modified to add an acknowledgement of the City’s right to receive certain parking revenue, consistent with Section 12.6 of the Development Agreement and Section 3.5 of the Lot J Parking Agreement.*

1. **Parking Agreement**

**Article I Definitions**

**Operating Costs**

🆂 *Recommendation: (Page 40)*

*Based on our experience with oversight and management of the MPS contract, we recommend that this definition be revised to exclude all general and administrative expenses of the operator.*

**Article II Term,**  **Section 2.2**

🆃 *Consideration: (Page 40)*

*In the event the Live! Component ceases to exist, the City’s obligation to provide parking for such events will cease, but the Surface Lot will continue to be used for other components. Note that the Surface Lot remains subject to the JJL lease in replacement for Lot J, but is available for other public events and uses.*

**Article IV, Fees and Operations**

🆄 *Recommendation: (Page 41)*

*The Parking Agreement should be revised to include language that is consistent with Section 12.6 of the Development Agreement to expressly grant the City the right to retain the revenue generated by transient daily paid parkers utilizing the public spaces within the garages and the Surface Lot. Section 12.6 goes further to state that the City will also receive parking revenue from paid attendees of Jaguars NFL games, the Florida-Georgia Game, the Tax Slayer Gator Bowl, Monster Jam, other Stadium Events, events at the baseball grounds, events at the VyStar Veterans Memorial Arena, events at Daily’s Place, and any Major or Minor District Event (those being defined terms within the Development Agreement).*

**F. Amendment Number 15**

🆅 *Recommendation: (Page 41)*

*The Development Agreement, Parking Agreement and Amendment 15 documents should be modified to acknowledge the City’s access to revenue-producing parking within the Surface Lot and public spaces within the Mixed-Use garages during Jaguar games and other “Non-Operative Period Events and Designated Events” (see Section 4 of the Amendment).*

**I. DDRB APPROVALS**

🆆 *Consideration: (Page 44)*

*The components of the Project are required in this legislation to meet existing DDRB standards. Should City Council seek more stringent design standards, separate legislation should be filed to establish such standards for DDRB.*