

RESOLUTION 2020-06-06

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) APPROVING INCENTIVES AND REDEVELOPMENT TERMS FOR THE REHABILITATION AND ADAPTIVE REUSE OF THE FORMER INDEPENDENT LIFE BUILDING AND ASSOCIATED REAL ESTATE PARCELS (THE “PROJECT”) WITH PEP 10 LLC (“DEVELOPER”); FINDING THAT THE PLAN OF DEVELOPMENT IS CONSISTENT WITH THE DIA’S BUSINESS INVESTMENT AND DEVELOPMENT PLAN (“BID PLAN”) AND THE NORTH BANK DOWNTOWN AND SOUTHSIDE 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, the Developer has purchased, in October of 2019, the property commonly known as former Independent Life Building with a street address of 233 West Duval Street, as well as the associated parking lot, all of which is located within the boundaries of the Downtown East CRA; and

WHEREAS, the Developer proposes to renovate the former Independent Life Building into 140 apartment units, a 21,000 square foot grocery and a 10,000 square foot restaurant and lounge. In association, the Developer proposes to construct a structured parking facility to benefit the Independent Life Building and to work with the City on the provision of additional spaces for use by JFRD. Collectively the project will result in a minimum capital investment of \$30 million for the renovation of the Independent Life Building and construction of the associated improvements; and

WHEREAS, the increased private capital investment totaling not less than \$30 million in real property will increase the county ad valorem tax base over the useful life of the assets, will increase the availability of units for working households, and rehabilitate an important historic building in Downtown; and

WHEREAS, the DIA is proposing incentives set forth on the Term Sheet, attached as Exhibit A to this Resolution; and

WHEREAS, The Independent Life Building was historically designated pursuant to Ordinance 2020-139-E and will apply for the Downtown Historic Preservation & Revitalization Trust Fund (“HPTF”) for grant monies to assist with the historical rehabilitation costs; and

WHEREAS, the Downtown Investment Authority (“DIA”) is authorized per section 111.910 *Downtown Historic Preservation and Revitalization Trust Fund* of the City Ordinance Code, to utilize the Downtown Historic Preservation and Revitalization Trust Fund (“HPTF”) to foster the redevelopment of the Downtown Northbank Community Redevelopment Area; and

WHEREAS, the Strategic Implementation Committee of the Downtown Investment Authority (“DIA”) met on June 11, 2020 to consider the term sheet and recommendation of and HPTF grant which exceeds the program guidelines established by City Council and in excess of the dollar value for which exclusive authority is granted to DIA, and has recommended approval by the DIA of an HPTF grant 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 provide funding of up to \$ 3,000,000 from the Downtown Historic Preservation and Revitalization Trust Fund for the redevelopment of the Independent Life Building 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





Craig Gibbs, Chairman

06-18-20

Date

VOTE: In Favor: 8 Opposed: 0 Abstained: 0



Downtown Investment Authority

RESOLUTION 2020-06-06 EXHIBIT A - TERM SHEET

Project Name: Independent Life Building a Mixed-Use Redevelopment (residential/commercial)

Developer/ Applicant: PEP10, LLC (led by Augustine Development Development Group)

Total Development Costs (estimate): \$30,000,000

Equity (proposed): \$7,000,000 (23.3% of TDC)

City Funding: No more than **\$3,000,000** (through the City of Jacksonville Downtown Historic Preservation and Revitalization Trust Fund as recommended by the Downtown Investment Authority), as follows:

Infrastructure: No City of Jacksonville infrastructure funding or support is requested.

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

Loans: No City of Jacksonville loans have been requested.

HPTF Grant: **\$3,000,000** (subject to verification of qualified development expenses) from the Downtown Historic Preservation and Revitalization Trust Fund (the "HPTF").

Grant funds shall be used in accordance with the Downtown Historic Preservation and Revitalization Trust Fund guidelines.

- The HPTF Grant will be disbursed at issuance of the last needed Certificate of Occupancy for the project, to be completed in accordance with all Historic Preservation approvals applicable at the time of evaluation or as may be further approved by each of the appropriate authorities prior to completion, and as determined by a post-work inspection conducted by the Historic Preservation Section of the Planning and Development Department or consultant to examine the Developer's compliance with previously approved building permits, Certificate of Appropriateness ("COA"), and all Historic Preservation Section interpretations of the Trust Fund Application submitted by the Developer.
- The Request for Funding will require issuance of receipts or other evidence of qualifying expenditures to be submitted to and approved by the Historic Preservation Section of the Planning and Development Department prior to reimbursement.

Minimum Capital Contribution:

- The minimum total capital contribution through completion to remain eligible for the HPTF is \$30,000,000.
- Percent of COJ investment to overall project cost: $\$3,000,000/\$30,000,000 = 10\%$

Additional Commitments:

- In association, the Developer proposes to construct a structured parking facility to benefit the Independent Life Building and to work with the City on the provision of additional spaces for use by JFRD.

Performance Schedule:

- Following the requisite approvals and upon entering into a Redevelopment Agreement, the Developer agrees to commence construction within six (6) months of that Effective Date.
- The Developer further agrees to a Construction Completion Date of 18 months from the commencement date, with one three-month extension as may be requested by the Developer having shown substantial progress towards completion but delayed by unforeseen circumstances beyond its control.
- The Redevelopment Agreement shall allow the DIA CEO to extend the performance schedule for up to six (6) months in her sole discretion for good cause shown by Developer.

Conditions: This Term Sheet is limited by the following conditions:

- Downtown Investment Authority review of all development and construction timelines; and
- A completed and approved application to the Jacksonville Historic Preservation Commission for funding through the Historic Preservation and Revitalization Trust Fund; and
- Approval by the DIA Board predicated on affirmation from the COJ HPS, that initial review of the HPTF application confirms that sufficient eligible costs are found to warrant an application in the amount of \$3,000,000 with limitations of eligible costs defined further therein.
- These proposed financial terms are subject further to the approval of the Jacksonville City Council.
- There may be additional terms, conditions, rights, responsibilities, warranties, and obligations for both parties which shall be determined in a later negotiated mutually agreeable written contract (or multiple written contracts as is deemed necessary).

**Downtown Investment Authority
Redevelopment Proposal
The Independent Life Building
June 15, 2020**

The Project

The Developer, PEP10, LLC, has submitted a proposal to the DIA to renovate the real property known as the Independent Life Building (“I-Life Building”), which is a historic building located 233 W. Duval Street, Jacksonville, Florida, located within the Northbank Community Redevelopment Area. The renovation of the Building is expected to cause private capital investment in the approximate amount of \$30,000,000 by or on behalf of the Developer. In order to facilitate the capital needs related to the Developer’s acquisition, redevelopment, and stabilization of the project, the Developer has submitted application for a Historic Preservation Trust Fund Grant in an amount not to exceed \$3,000,000.

Redevelopment of the historic 18-story building is proposed to include a 21,000 sqft grocery, 140 apartments, and a 10,000 sqft restaurant and lounge. The building was originally constructed in 1955 as the headquarters of the Independent Life Insurance Company and has been out of service for more than 25 years. Returning this 165,000 sqft property to productive use, is a major step forward in the preservation of a historic property and revitalization of Downtown Jacksonville. The project is projected to create 100 jobs over 14 months including 55 in the grocery store, 25 in the restaurant, 10 building maintenance staff, and 10 leasing personnel.

The I-Life Building redevelopment is a joint venture between DLP Realestate Capital Partners (financial partner) and Augustine Development Group (development team). Augustine Development Group is the development arm of Axis Income Fund led by CEO George Bochis and President Bryan Greiner. The Augustine Development Group is also the developer of the Ambassador and Ambassador Annex redevelopment efforts located across Julia Street to the west of the I-Life Building.

Historic Significance

According to the Landmark report, the Independent Life Building was one of the most important commercial high-rise buildings constructed in Downtown Jacksonville during the 1950s. Built in 1955 for the Independent Life Insurance Company, it stands as a visual reminder of the importance insurance businesses had on the development of Jacksonville in the mid-twentieth century. The eighteen story steel frame building was incorporated into images used on marketing materials, thereby promoting a “modern image” of the company. Its presence as one of the high-rise buildings in Jacksonville’s skyline during this mid-century timeframe reflected the city’s status as Florida’s dominant financial and commercial center at the time.

The 18-story structure was designed by KBJ, Architects, a locally based architectural firm that is also responsible for most of the notable modern era buildings that make up Downtown Jacksonville’s skyline, including the iconic 1974 Independent Life Building (now Wells Fargo), which the insurance company

later occupied, and the 1967 Gulf Life Tower (now Riverplace Tower) on the Southbank. Constructed in 1955, the Independent Life Building rises eighteen stories in height from a reinforced concrete foundation.

This project would not be feasible without support from the City Historic Preservation Trust Fund, or alternative capital subsidy. The building requires significant restoration work in addition to abatement of hazardous materials to make it ready to be used once again and contribute to the City's tax base. Projects of this type are inherently more costly than new suburban construction due to urban site constraints, deteriorated condition of the existing building, and inefficiency of the existing building structure.

In addition to the historic nature of the building, and job creation in Downtown Jacksonville, the building's central proximity to City Hall, both the Federal Courthouse and the Duval County Courthouse, the State's Attorney Office, and Jacksonville Fire and Rescue Department, many centers of employment, and other redevelopment efforts such as the Ambassador Hotel and its Annex, all serve to heighten the importance of this effort. These reasons, coupled with the historic significance of the building, support the request to exceed the \$1,000,000 cap on HPTF funding.

Capitalization

- Per the COJ HPS Grant Application dated October 21, 2019, development costs for the project total \$30,063,268.
- Sources for redevelopment include:
 - ✓ Conventional Debt \$20,000,000
 - ✓ Owner's Capital \$7,063,268
 - ✓ HPTF Grant \$3,000,000
- At May 1, 2020, the Developer reported the following costs covered to date through equity injections:
 - \$3,700,000 Purchase price
 - 400,000 Architect
 - 100,000 Engineer
 - 40,000 Lender app fee
 - 20,000 Historic Consultants
 - 25,000 General Contractors
 - 36,000 Professional services (Insurance and Surveying)
 - 20,000 Preconstruction services
 - \$4,321,000 TOTAL
- A debt term sheet for a \$20 million construction/mini-perm loan provided by ORIX RE Holdings, LLC is on file and was confirmed with the issuer to remain in effect. Confirmation of the \$40,000 Lender Application fee was also verified.

Performance Schedule

- Following the requisite approvals and upon entering into a Redevelopment Agreement, the Developer agrees to commence construction within six (6) months of that effective date.
- The Developer further agrees to a construction completion date of 18 months from the commencement date, with one three month extension as may be requested by the Developer having shown substantial progress towards completion, but delayed by unforeseen circumstances beyond its control.
- The Redevelopment Agreement shall allow the DIA CEO to extend the performance schedule for up to six (6) months in her sole discretion for good cause shown by Developer.
- The minimum total capital contribution through completion to remain eligible for the HPTF is \$30,000,000.

Downtown Historic Preservation and Revitalization Trust Fund Grant

The Independent Life Building was awarded Landmark Status with the passing of ordinance 2020-139-E, April 28, 2020. The Developer has submitted plans to the US Dept. of the Interior, National Park Service (“NPS”) for approval of Part 2 Historic Preservation Certification after being awarded Part 1 certification February 11, 2016, indicating “potential historic significance” and eligible for nomination be listed in the National Register of Historic Places from the NPS. Entering into the Redevelopment Agreement requires approvals of the development plan as proposed, by all applicable agencies including issuance of a Certificate of Appropriateness by the Historic Preservation Section of the Jacksonville Planning and Development Department.

This proposal contemplates an award of a Downtown Historic Preservation and Revitalization Trust Fund Grant to the Developer, in an amount not to exceed \$3,000,000 to fund the on-site HPTF improvements in accordance with the Certificates of Appropriateness and all required approvals and subject to all terms and conditions found within the Redevelopment Agreement.

Payment of the Historic Preservation Trust Fund (redevelopment completion) Grant is to be contingent upon qualifying eligible expenditure(s) pursuant to criteria established by the United States Department of Interior for Historic Preservation and a letter from the Jacksonville Historic Preservation Section informing DIA of which expenses are determined to be eligible for reimbursement from the Trust Fund.

The Redevelopment Grant shall be the lesser of \$3 million or the sum of:

- i. fifty percent (50%) of total eligible exterior rehabilitation and restoration costs.
- ii. twenty percent (20%) of total eligible interior rehabilitation and restoration costs.
- iii. twenty percent (20%) of total eligible building and fire code improvement costs.

The HPTF Grant will be disbursed at issuance of the last needed Certificate of Occupancy for the project, to be completed in accordance with all Historic Preservation approvals applicable at the time of evaluation and as determined by a post-work inspection conducted by the Historic Preservation Section of the Planning and Development Department or consultant to examine the Developer’s compliance

with previously approved building permits, Certificate of Appropriateness (“COA”), and all Historic Preservation Section interpretations of the Trust Fund Application submitted by the Developer. The Request for Funding will require issuance of receipts or other evidence of qualifying expenditures to be submitted to and approved by the Historic Preservation Section of the Planning and Development Department prior to reimbursement.

- **Percent of COJ investment to overall project cost:** \$3,000,000/\$30,000,000 = 10%
- **ROI:** The estimated ROI for the HPTF incentive for this redevelopment effort is estimated at 0.76X based on the following assumptions:
 - Valuation is based on pro forma NOI stressed at 75% and applying a cap rate of 5.66% (Multifamily Metro Mid & High Rise Class A Ca[Rate Rate June 9, 2020 + 1.0% Source: <https://apartmentloanstore.com/jacksonville/florida/cap-rate>)
 - The increase in ad valorem is calculated on a 20 year period following up to two years of closing, permitting, and construction before being placed into service.
 - Local ad valorem real property tax increase in years 13 through 22 from the construction start date.
 - Local ad valorem TTP tax increase in years 3 through 22.
 - 20 years following the placed in service date is used as the rehabilitated property is expected to have a useful life well in excess of that period, and the historic building adds significant value to the Downtown Northbank Community Redevelopment Area
- In association, the Developer proposes to construct a structured parking facility to benefit the Independent Life Building and to work with the City on the provision of additional spaces for use by JFRD.

Additional Limiting Conditions

This Term Sheet is limited by the following conditions:

Downtown Investment Authority review of all development and construction timelines; and
A completed and approved application to the Jacksonville Historic Preservation Commission for funding through the Historic Preservation and Revitalization Trust Fund; and
Approval by the DIA Board predicated on affirmation from the COJ HPS, that initial review of the HPTF application confirms that sufficient eligible costs are found to warrant an application in the amount of \$3,000,000 with limitations of eligible costs defined further therein.
These proposed financial terms are subject further to the approval of the Jacksonville City Council.

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