



Downtown Investment Authority  
Strategic Implementation Committee

Wednesday, November 16<sup>th</sup>, 2022 at 3:30 p.m.

## SIC AGENDA

Braxton Gillam, Esq., Chair  
Craig Gibbs, Esq., Committee Member

Carol Worsham, Ex Officio

Committee Members Excused:

- I. CALL TO ORDER
  - II. PUBLIC COMMENTS
  - III. OCTOBER 19, 2022, STRATEGIC IMPLEMENTATION COMMITTEE MEETING MINUTES APPROVAL
  - IV. RESOLUTION 2022-11-01: FINCANTIERI RATIFICATION
  - V. RESOLUTION 2022-11-08: REGIONS REINSTATEMENT AND MODIFICATION
  - VI. RESOLUTION 2022-11-04: 120 EAST FORSYTH (DPRP)
  - VII. RESOLUTION 2022-11-06: LOFTS AT CATHEDRAL (DPRP)
  - VIII. OTHER MATTERS TO BE ADDED AT THE DISCRETION OF THE CHAIR
  - IX. ADJOURN
- 

### **MEETING LOCATION**

#### **Physical Location**

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

**PLEASE NOTE:** The multipurpose room will **not be accessible through the Main Street entrance**. The Main Street entrance will be closed. Please use the Laura Street entrance to enter the building.

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.



**Downtown Investment Authority  
Strategic Implementation Committee**

**Wednesday, November 16<sup>th</sup>, 2022 at 3:30 p.m.**

**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=VGQ2d29qVHFoUEwrOGFIT2YxcEsyZz09>

**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**

**OCTOBER 19, 2022, STRATEGIC IMPLEMENTATION COMMITTEE MEETING  
MINUTES APPROVAL**



**Downtown Investment Authority**  
**Strategic Implementation Committee Hybrid Meeting**  
***Monday, October 19, 2022 – 2:00 p.m.***

**Strategic Implementation Committee Hybrid Meeting**  
***Draft – MEETING MINUTES***

**Strategic Implementation Committee Members (CM) in Attendance:**

Carol Worsham, DIA Board Chair  
Craig Gibbs, Esq.

**Committee Members Excused:** Braxton Gillam, Esq.

**DIA Board Members Participating Virtually:** Jim Citrano

**DIA Staff Present:** Lori Boyer, Chief Executive Officer; Steve Kelley, Director of Downtown Real Estate and Development; Susan Kelly, Redevelopment Coordinator; Guy Parola, Operations Manager; Antonio Posey, Project Manager; and Ina Mezini, Communication and Marketing Specialist.

**Office of General Counsel:** Joelle Dillard, Esq.

**Council Members Present:** None

**I. CALL TO ORDER**

The Strategic Implementation Committee meeting of October 19, 2022, was called to order at 2:01 p.m. by Carol Worsham, DIA Board Chair.

**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:*

Allan DeVault	Advocated for the Downtown Preservation and Revitalization Program, and the Historic Preservation and Revitalization Trust Fund; in reference to Resolution 2022-10-07, acknowledged timing lag between various incentive approvals and application dates.
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Cliff Miller Spoke to low cost cleanup within Downtown to improve Downtown, citing the abandoned rooftop billboard adjacent to the Downtown Library as an example.

**III. SEPTEMBER 19, 2022 STRATEGIC IMPLEMENTATION COMMITTEE MEETING APPROVAL OF THE MINUTES**

Chair Worsham called for a motion.

**Motion:** Member Gibbs moved to approve the minutes as presented

**Seconded:** Chair Worsham seconded the motion

**Vote: Aye: 2      Nay: 0      Abstain: 0**

**THE MOTION PASSED UNANIMOUSLY 2-0-0**

**IV. RESOLUTION 2022-10-03: EXTENSION OF COMPLETION OF CONSTRUCTION DATE, AMBASSADOR HOTEL**

**A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING AN EXTENSION TO THE BUILDING IMPROVEMENTS COMPLETION DATE FOR THE REHABILITATION AND ADAPTIVE REUSE OF THE AMBASSADOR HOTEL (THE “PROJECT”) AS FOUND IN THE SECOND AMENDED AND RESTATED REDEVELOPMENT AGREEMENT BETWEEN THE CITY OF JACKSONVILLE, THE DOWNTOWN INVESTMENT AUTHORITY, AND AXIS HOTELS, LLC (“DEVELOPER”) WITH AN EFFECTIVE DATE OF MARCH 25, 2022; AUTHORIZING THE DIA’S CHIEF EXECUTIVE OFFICER (CEO) TO EXECUTE THE EXTENSION AGREEMENT AND OTHERWISE TAKE ALL NECESSARY ACTION IN CONNECTION THEREWITH TO EFFECTUATE THE PURPOSES OF THIS RESOLUTION; PROVIDING AN EFFECTIVE DATE.**

Steve Kelley, Director of Downtown Real Estate and Development, presented a summary of the resolution to the committee. Mr. Kelley explained that the Second Amended And Restated Redevelopment Agreement provides a Building Improvements Completion Date of December 31, 2022, and that extension authority is limited to the DIA Board. Although that authority allows up to six months with cause shown by the Developer, Mr. Kelley proposed a three month extension provided by the Board would establish a checkpoint at March 31, 2023 to determine the status of the project. This would allow time to prepare for City Council action if the project was continuing to show progress, but the remaining three months of Board authority was insufficient to see the Project achieve requirements established for Completion.

**Motion:** Member Gibbs moved to approve the resolution as presented

**Seconded:** Chair Worsham seconded the motion

**Vote: Aye: 2      Nay: 0      Abstain: 0**

**THE MOTION PASSED UNANIMOUSLY 2-0-0**

**V. RESOLUTION 2022-10-07: PROPOSED COUNCILMEMBER SPONSORED LEGISLATION RELATING TO THE DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM AND THE HISTORIC PRESERVATION AND REVITALIZATION TRUST FUND**

**A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”), AS THE COMMUNITY REDEVELOPMENT AGENCY FOR THE DOWNTOWN NORTHBANK COMMUNITY REDEVELOPMENT AREA AND THE SOUTHSIDE COMMUNITY REDEVELOPMENT AREA RECOMMENDING [APPROVAL/DENIAL/APPROVAL WITH AMENDMENT] OF THE LEGISLATION ATTACHED HERETO EXHIBIT A REVISING THE TERMS OF THE DPRP AND HPRTF GUIDELINES TO LIMIT REIMBURSABLE CONSTRUCTION COSTS TO THOSE INCURRED AFTER CITY COUNCIL APPROVAL; AUTHORIZING ITS CHIEF EXECUTIVE OFFICER TO TAKE ALL NECESSARY ACTIONS TO EFFECTUATE THE PURPOSE OF THIS RESOLUTION; PROVIDING FOR AN EFFECTIVE DATE.**

Citing a concern by City Councilmember(s) that reimbursements were being made to developers for work that occurred prior to a DPRP award by City Council, or in the case of HPRTF, work occurring prior to an HPRTF award by the DIA Board, CEO Boyer provided the purpose and a summary of the legislation. Concerns relayed by CEO Boyer to the Committee include the questioning of a financial need by the Developer when work is undertaken prior to an incentive. CEO Boyer acknowledged that DPRP and HPRTF incentives address a project’s standalone financial feasibility, not a developer’s overall financial capacity to perform the work at their expense.

The legislation as proposed would add the following conditions to the DPRP and the HPRTF programs, as applicable:

Construction costs eligible for funding under the DPRP shall be limited to those costs incurred following approval by the City Council. For clarity, development costs, which may include construction costs, incurred prior to approval by City Council may be included in the calculation of Total Development Cost but will not be eligible for incentive payments under the program.

Construction costs eligible for funding under the HPRTF shall be limited to those costs incurred following approval by the DIA Board. For clarity, development costs, which may include

construction costs, incurred prior to approval by the DIA Board may be included in the calculation of Total Development Cost but will not be eligible for incentive payments under the program.

CEO Boyer provided a summary of Resolution 2022-10-07, and spoke specifically to the Committee's options as proffered within the draft resolution, section 2, with those options being:

- 1) The DIA recommends that City Council approve the legislation and guideline changes included as Exhibit A, draft legislation with proposed amended program conditions, without modification.

Or

- 2) The DIA recommends that the City Council reject the legislation and guideline changes included as Exhibit A, draft legislation with proposed amended program conditions, without modification.

Or

- 3) The DIA recommends that City Council approve the legislation and guideline changes attached as Exhibit A with the following modifications:

1. Delete any reference to HPRTF Guidelines as this program does not require City Council Approval of awards and is final when awarded by DIA; HPRTF Guidelines could be revised to allow reimbursement only for construction incurred after DIA approval.

2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Motion:** Member Gibbs moved the resolution for discussion

**Seconded:** Chair Worsham seconded the motion

**Discussion:**

Member Gibbs: To the CEO, would it be prudent to put a reimbursement date for work occurring prior to Council action of not greater than six (6) months prior to City Council approval for a DPRP award?

CEO Boyer: provided a hypothetical timeline on an award by City Council of four to six months from a complete application

Member Citrano: Opined that it would be prudent to wait on an award before undertaking the costs of construction, but confirmed agreement with the CEO's

discussion on the distinction between financial capacity of a developer versus the financial feasibility of an individual project.

Stated that he would not support legislation or a DIA resolution supporting legislation unless that legislation and DIA resolution contained an eligible reimbursement date for work began prior to an incentive award and suggested that expenditures incurred following the application date would be more appropriate as long as Developers understand they are doing so at their own risk if the necessary approvals are not ultimately received.

Chair Worsham: Echoing Member Citrano, questioned if the work that occurred between DIA approval and City Council approval should be eligible for reimbursement. Chair Worsham also acknowledged that applications and the programs are complex.

Acknowledging the importance of the DPRP and HPRTF programs, Chair Worsham suggested that the Resolution should not be addressed at the Committee level with only two members present, but rather at the Board level.

Following guidance from the General Counsel on the appropriate way to move the resolution out of committee for discussion and action by the full DIA Board, without making a finding on the merits of the legislation or the DIA resolution, the following action occurred:

**Amended Motion:** Member Gibbs moved to amend the motion and deny Resolution 2022-10-07

**Seconded:** Chair Worsham seconded the motion as amended

**Vote: Aye: 2      Nay: 0      Abstain: 0**

*Following the vote, CEO Boyer spoke briefly regarding changes to changes in state statutes regarding CRAs that could potentially affect DIA, and state continuing research on the matter is being done.*

## **VI. ADJOURNMENT**

Chair Worsham adjourned the meeting at 2:35 p.m.

*The written minutes for this meeting are only an overview of what was discussed. For verbatim comments of this meeting, a recording is available upon request. Please contact Ina at [RMezini@coj.net](mailto:RMezini@coj.net) to acquire a recording of the meeting.*



**TAB IV**  
**RESOLUTION 2022-11-01: FINCANTIERI RATIFICATION**

**RESOLUTION 2022-11-01**

**A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) AMENDING RESOLUTION 2022-04-10; REMOVING ANY REFERENCE WITHIN RESOLUTION 2022-04-10 TO THE FILING OF LEGISLATION AND APPROVAL BY CITY COUNCIL; CLARIFYING THAT THE AUTHORITY FOR APPROVAL OF A RECAPTURED ENHANCED VALUE GRANT (“REV”) MEETING THE BID PLAN CRITERIA LIES ENTIRELY WITH THE DIA; AUTHORIZING THE CEO OF THE DOWNTOWN INVESTMENT AUTHORITY TO TAKE ALL NECESSARY ACTION TO EFFECTUATE THE PURPOSES OF THIS RESOLUTION AND RESOLUTION 2022-04-10, AS AMENDED AND RESTATED, PURSUANT TO THE TERMS AND CONDITIONS CONTAINED WITHIN EXHIBIT ‘A’ TO RESOLUTION 2022-04-10; PROVIDING FOR AN EFFECTIVE DATE.**

**WHEREAS**, the Downtown Investment Authority (“DIA”) is authorized per section 55.108 of the City Ordinance Code, and the adopted BID Plan, to utilize the Tax Increment Finance District Trust Funds to foster the redevelopment of the Downtown Northbank Community Redevelopment Area, to support private capital investment therein, and to support the creation of new jobs within Downtown; and

**WHEREAS**, the DIA adopted Resolution 2022-04-10, approving the terms and conditions for a REV Grant with Fincantieri Marine Repair, LLC, in April of 2022; and

**WHEREAS**, at that time the DIA’s Business Investment & Development Plan (“BID Plan”) required that the REV Grant and accompanying Economic Development Agreement obtain City Council approval; and

**WHEREAS**, Ordinance 2022-0372-E, adopted by City Council on June 28, 2022, expressly authorized DIA to have final authority for provision of REV Grants consistent with the criteria specifically identified in the BID Plan, including the City’s adopted Public Investment Policy,

**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.** Resolution 2022-04-10 is amended to remove any reference to the filing of legislation and subsequent adoption by City Council, including the elimination of Section 2 in its entirety.

**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 2022-11-01.

**Section 4.** This Resolution, 2022-11-01, shall become effective on the date it is signed by the Chair of the DIA Board.

**WITNESS:**

**DOWNTOWN INVESTMENT AUTHORITY**

\_\_\_\_\_

\_\_\_\_\_  
Carol Worsham, Chair

\_\_\_\_\_  
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, 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 ~~\$5,914,915.76 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 above the Minimum Property Value, as established in the lease and approved by the DIA. 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.

**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.
- Create a minimum of 10 New Jobs with an average annual salary of \$59,146 or greater prior to the end of the calendar year 2025 and maintain the 10 New Jobs throughout the term of this agreement.
- ~~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).

**Note for information purposes only: The City of Jacksonville has previously approved the following incentive for this project:**

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

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.

**SUPPLEMENTAL INFORMATION**  
**FINCANTIERI RATIFICATION**  
**MEMO**



# DOWNTOWN INVESTMENT AUTHORITY

117 West Duval Street #310, Jacksonville, Florida 32202  
(904) 255-5302 | <https://dia.coj.net/>

## STAFF REPORT FOR DIA STRATEGIC IMPLEMENTATION COMMITTEE

### FINCANTIERI MARINE REPAIR LLC RATIFICATION

**November 16, 2022**

#### **Memo:**

The DIA Board approved Fincantieri Marine Repair LLC for a 50% ten-year REV Grant totaling \$1,500,000 subject to terms and conditions as provided under resolution 2022-04-10. Subsequent approval of Ordinance 2022-0372-E, adopted by City Council on June 28, 2022, expressly authorized DIA to have final authority for the provision of REV Grants consistent with the criteria specifically identified in the BID Plan, including the City's adopted Public Investment Policy.

Accordingly, the Resolution is represented for ratification to limit the level of approval authority to the DIA Board level. The term sheet is also updated to capture information not available at the time of the original approval centered on the base tax level as determined by the property owner and landlord, Commodore Point Properties, Ltd., and tenant, Fincantieri Marine Repair LLC. 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 \$5,914,915.76.

Finally, the term sheet now incorporates the minimum job creation requirement that was agreed to as part of the QTI award previously approved but also a requirement of the PIP for REV Grants. The addition of the requirement that the applicant "Create a minimum of 10 New Jobs with an average annual salary of \$59,146 or greater prior to the end of the calendar year 2025 and maintain the 10 New Jobs throughout the term of this agreement." Conforms this approval to the Public Investment Policy.

**TAB V**

**RESOLUTION 2022-11-08: REGIONS REINSTATEMENT AND MODIFICATION**



## RESOLUTION 2022-11-08

**A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING REINSTATEMENT AND AMENDMENT OF THAT CERTAIN ECONOMIC DEVELOPMENT AGREEMENT (“EDA”) BETWEEN REGIONS BANK, AN ALABAMA STATE BANKING CORPORATION (“REGIONS”), THE CITY OF JACKSONVILLE, AND DIA, DATED JUNE 15, 2021; AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO FILE LEGISLATION SEEKING APPROVAL OF THE REINSTATEMENT AND MODIFICATIONS RECOMMENDED HEREIN; AUTHORIZING THE CEO 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,** Regions is the owner of its regional branch headquarters building located at 51 West Bay Street, which has been designated a local historic landmark and is within the National Historic District of Downtown and within the boundaries of the Downtown East CRA and an adjacent surface parking lot which Regions sold to facilitate the construction of a structured parking garage and associated retail spaces thereon; and

**WHEREAS,** the DIA approved the terms of the EDA pursuant to Resolution 2021-01-05; and

**WHEREAS,** the City Council approved the terms of the EDA and authorized up to \$900,000 of Downtown Preservation and Revitalization Program (“DPRP”) Loans and up to \$200,000 in Downtown Economic Development Grant funding therein pursuant to Ordinance 2021-210E; and

**WHEREAS,** the Economic Development Agreement (“EDA”) was executed by the parties establishing an Effective Date of June 15, 2021; and

**WHEREAS,** a Renovation Improvements Performance Schedule, memorialized in Section 3.1 of the EDA, includes a requirement that within 180 days from the effective date, Regions will submit its first DPRP Loan Request; and

**WHEREAS,** Regions sold its parking lot as required by the Economic Development Agreement but submitted its first DPRP Loan Request beyond the abovementioned time frame, which nullifies the processing of any funding requests under the DPRP Loans or the Downtown Economic Development Grant; and

**WHEREAS,** upon further review of the terms of the EDA, including the Renovation Improvements Performance Schedule, and recognizing the benefits to the City from the rehabilitation and preservation of this historic building, the DIA and Regions have agreed to seek

approval to amend and reinstate the Economic Development Agreement, which requires legislative action by City Council.

**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 recommends that City Council approve the amendment and reinstatement of the Economic Development Agreement with the following operative changes:

- 1) Modify Section 3.1(a) to extend the submission date for the first DPRP Loan request from “within one hundred eighty (180) days after the Effective Date” to “not later than August 31, 2022.”
- 2) Modify Section 4.1(i) from “five (5) DPRP Loan Requests” to “three (3) DPRP Loan Requests,” which will include the one already submitted and allow for two (2) more.
- 3) Modify Section 4.1(iv) to change the outside submission date from “on or before the fifth (5th) anniversary” to “on or before the third (3rd) anniversary” of the Effective Date.

The remainder of the EDA will remain unchanged, with the exception that if any other sections are related to the modifications proposed above, changes to such Sections will also be made to maintain consistency with the proposed modifications throughout the EDA.

**Section 3.** The Chief Executive Officer is hereby authorized to file legislation, 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**

\_\_\_\_\_

\_\_\_\_\_  
Carol Worsham, Chair

\_\_\_\_\_  
Date

**VOTE:** In Favor: \_\_\_\_\_ Opposed: \_\_\_\_\_ Abstained: \_\_\_\_\_

**SUPPLEMENTAL INFORMATION**  
**REGIONS REINSTATEMENT AND MODIFICATION**  
**MEMO**



# DOWNTOWN INVESTMENT AUTHORITY

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## STAFF REPORT FOR DIA STRATEGIC IMPLEMENTATION COMMITTEE

### REGIONS REINSTATEMENT AND MODIFICATION

November 16, 2022

#### Memo:

The DIA Board approved Regions Bank for \$900,000 DPRP commitment and a \$200,000 Downtown Economic Development Grant in Resolution 2021-01-05 in part to help facilitate the sale of a surface parking lot adjacent to the company's Laura Street historic property to VyStar. The DPRP and DEDG awards were subsequently approved by the COJ City Council in Ordinance 2021-210-E. The parking lot was ultimately sold to VyStar as intended which enable the parking garage along Forsyth Street to extend the full block from Main Street to Laura Street.

The structure of both the DPRP and the DEDG were unique in that they both allowed multiple draws to be made within established time frames to help offset costs and inconvenience incurred in the sale of the parking lot and to make needed improvements to the historic office building for which plans had not been finalized at the time of approval.

The Redevelopment Agreement for the approvals was entered into June 15, 2021 containing a requirement that the first application of five eligible DPRP Loans would be submitted within 180 days of that Effective Date, placing that requirement to be met by December 12, 2021. The RDA further provided that failure to meet this condition would disqualify Regions for funding under with the DPRP or the DEDG as approved. This provision was overlooked by Regions and their first DPRP Loan request was subsequently submitted in August of 2022, and it was during the processing of this request that the default was raised to the attention of Regions Bank and their counsel.

Recognizing that it remains beneficial for improvements to be made to the historic building located at 51 West Bay Street that will result in ADA access between that building and the parking garage, expected ADA access to the second floor, and other improvements returning the property more in keeping with its original design, reinstatement of the awards with modifications to the funding process is requested.

In doing so, the maximum number of DPRP Loan requests to be allowed under the \$900,000 commitment will be reduced from five to three, and the date for the final submission under this commitment is moved from the fifth anniversary of the Effective Date to the third anniversary or from June 15, 2026 to June 15 2024.

If the reinstatement is approved, DIA Staff will process the DPRP Loan Request submitted in August 2022, for which approval authority rests with the DIA Board. However, appropriation of funds requires City Council approval, and both Resolutions would then be presented to the DIA Board at its December meeting.

**TAB VI**

**RESOLUTION 2022-11-04: 120 EAST FORSYTH (DPRP)**

**RESOLUTION 2022-11-04**

**A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING THAT CITY COUNCIL APPROVE A DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM (“DPRP”) LOAN PACKAGE FOR REHABILITATION OF THE BUILDING LOCATED AT 120 E. FORSYTH STREET (“PROPERTY”) PURSUANT TO A REDEVELOPMENT AGREEMENT WITH 120 E FORSYTH, 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 NEGOTIATE THE CONTRACT AND ASSOCIATED DOCUMENTS AND FILING OF LEGISLATION WITH THE CITY COUNCIL REGARDING THE DPRP LOAN PACKAGE; 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,** 120 E FORSYTH, 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 2014-17-E and is a contributing building located within the National Historic District of Downtown and within the boundaries of the Downtown Northbank CRA; and

**WHEREAS,** the Developer proposes to rehabilitate the Property to provide a minimum of 10,800 square feet of leasable space as a commercial use property in the City Center District of Downtown Jacksonville; and

**WHEREAS,** the increased private capital investment totaling not less than \$4,347,344 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 November 16, 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 recommended that the DIA Board adopt Resolution 2022-11-04; 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 necessary, including the filing of legislation before the City Council, to seek DPRP funding of up to **\$ 1,207,100** pursuant to the Downtown 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 associated 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**

\_\_\_\_\_

\_\_\_\_\_  
Carol Worsham, Chairman

\_\_\_\_\_  
Date

**VOTE:** In Favor: \_\_\_\_\_ Opposed: \_\_\_\_\_ Abstained: \_\_\_\_\_



**Exhibit A:**

**DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM  
TERM SHEET**

**120 E Forsyth, LLC  
120 E. Forsyth Street, Jacksonville, FL 32202**

**Project:** The project comprises the redevelopment of the historic New York Steam Laundry Building in the City Center District of Downtown Jacksonville, utilizing funding through the Downtown Preservation and Revitalization Program (“DPRP”).

The historic two-story building at 120 E. Forsyth Street, RE# 073451-0000, comprises 11,870 gross square feet, originally constructed in 1903. Upon completion, the building will provide approximately 10,800 square feet of commercial space with the proposed use as an entertainment venue and bar on the second floor under related ownership. With approximately 5,600 sq ft on the first floor and approximately 5,200 square feet on the second floor, Mathers Social Gathering - Jacksonville will occupy the entire 2nd floor and a small lobby on the 1st floor.

Rehabilitation efforts proposed include, but are not limited to, the following:

- Demolition of the remaining interior spaces
- Repair structural damage throughout
- Repair the roof; increase waterproofing in other areas
- Make other needed repairs to exteriors, brick, etc.
- All new Plumbing / Electrical / HVAC throughout
- Reframe interior walls, increasing load capacity
- Replace doors, frames, casings, and windows
- All new interior walls and ceilings
- Install new hardwood floors
- Install new elevator
- Bring staircases up to code
- Address all safety codes (fire sprinklers, etc.)
- Address ADA compliance

**Developer/ Applicant / Borrower:**

120 E Forsyth, LLC (“Borrower”)  
All of Eight Investments, LLC (Owner of 120 E Forsyth, LLC)  
Eight K Investments, LLC (Manager of 120 E Forsyth, LLC and All of Eight Investments, LLC)  
Ms. Yvette Perez (Authorized Representative of Eight K Investments, LLC)

**Total Development Costs (estimate):** \$4,347,344  
**Equity (proposed):** \$528,103

**City Funding:** No more than **\$1,207,100** (through the City of Jacksonville Downtown Investment Authority), as follows:

	<b>Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (HPRR)</b>	<b>Code Compliance Forgivable Loan (CCR)</b>	<b>DPRP Deferred Principal Loan</b>	<b>TOTAL</b>
<b>TOTAL</b>	<b>\$268,900</b>	<b>\$696,800</b>	<b>\$241,400</b>	<b>\$ 1,207,100</b>

At this level of funding and structure, the incentives proposed 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 \$1,901,016 (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:

<b>Funding Category</b>	<b>Funding Category Minimum</b>
Interior Rehabilitation	\$ 46,395
Interior Restoration	\$ 0
Exterior	\$ 145,061
Code Compliance	\$ 929,029
General Requirements/Other	\$ 730,681
N/A <sup>1</sup>	\$ 49,850
<b>Total Budget Amount:</b>	<b>\$1,901,016</b>

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 Loans, the Borrower 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 FIVE HUNDRED TWENTY-EIGHT THOUSAND ONE HUNDRED THREE DOLLARS AND NO/100 (\$528,103.00) (the "Required Equity");

- (ii) Total Development Costs incurred of at least FOUR MILLION THREE HUNDRED FORTY-SEVEN THOUSAND THREE HUNDRED FORTY-FOUR DOLLARS AND NO/100 (\$4,347,344), which shall exclude all costs allocated for funding under the FAB-REP program or any other City funding, holding costs, tangible personal property (IT, FF&E), marketing, third party costs for risk management, and loan fees (the "Minimum Total Development Costs");
- (iii) Minimum Eligible Construction Costs incurred of ONE MILLION EIGHT HUNDRED FIFTY-ONE THOUSAND ONE HUNDRED SIXTY-SIX DOLLARS AND 00/100 (\$1,851,166), calculated as the Total Budget Amount less costs classified as "N/A" (the "Minimum Eligible Construction Costs"), and
- (iv) Construction Costs incurred of at least the Funding Category Minimum with respect to each Funding Category.

**Funding Eligibility:**

Notwithstanding the foregoing,

- 1) the required Minimum Total Development Costs of \$4,347,344 may be reduced by a maximum of ten percent (10%) overall, as approved by the DIA Staff in its sole and absolute discretion, or a maximum of fifteen percent (15%) as approved by the DIA Board in its sole and absolute discretion, without affecting the Borrower's eligibility for funding under the DPRP.
- 2) the required Minimum Eligible Construction Costs of \$1,851,166 may be reduced by a maximum of ten percent (10%) overall, as approved by the DIA Staff in its sole and absolute discretion, or a maximum of fifteen percent (15%) as approved by the DIA Board in its sole and absolute discretion, without affecting the Borrower's eligibility for funding under the DPRP.
- 3) any Funding Category Minimum may be reduced by a maximum of ten percent (10%) on a stand-alone basis, as approved by DIA Staff in its sole and absolute discretion; or a maximum of fifteen percent (15%), as approved by the DIA Board in its sole and reasonable discretion, provided that, in such event, there shall be a pro rata reduction in the applicable DPRP Loan(s), as required. Eligibility for funding under any Funding Category shall be eliminated if the corresponding Funding Category Minimum is reduced by more than fifteen percent (15%), and eligibility for funding under the remaining Funding Categories shall remain in place, unless it has been determined that material components of the rehabilitation have not been met as determined by DIA and HPS staff, in their sole discretion.

**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 from the City of Jacksonville are contemplated for this project, although commercial tenants, including those related to the Owner, leasing space within these Properties may be eligible for funding under separate programs.

No costs may be submitted for duplicative funding under more than one DIA incentive program. However, costs incurred by the DPRP Applicant may count towards their required contribution under the Retail

Enhancement Program to the extent such costs are directly attributable to space that would be occupied by the REP Grant Applicant.

**Performance Schedule:**

- A) Redevelopment Agreement to be executed within thirty (30) days of the Bill Effective Date which shall establish the Redevelopment Agreement 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 the authority to extend this Performance Schedule, in the CEO's discretion, for up to six (6) months for good cause shown by the Borrower / Applicant. Any extensions to the Commencement Date shall have the same effect of extending the Completion Date simultaneously.

**Additional Commitments:**

- A) The Borrower commits to the development of:
  - 1. A minimum of 5,600 square feet of commercial space on the first floor to be used for a lobby.
  - 2. A minimum of 5,200 square feet of commercial/retail space for an entertainment venue on the second floor.
- B) Recommendation as to the eligibility of the approved scope of work on the Properties 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 , if adversely decided, would invalidate the City's mortgage lien on Property, shall also be a default on the subject facilities.

- G) As the Borrower will be utilizing a combination of HPRR Forgivable Loans, Retail Enhancement Grant 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 loan documents.
- H) Standard clawback provisions will apply such that:
- a) In the event the Borrower sells to a third-party, 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 amounts of any Forgivable Loan 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 (if any) 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 (if any) 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 (if any) 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. DIA Staff may negotiate terms in

the Redevelopment Agreement and/or Loan Documents that allow de minimis levels of refinancing that may be undertaken without requiring further approvals.

- 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) Minimum insurance requirements as established by the City of Jacksonville Risk Management Department must be met prior to closing and maintained throughout the term of the development agreement.
- O) 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**  
**120 E FORSYTH (DPRP)**  
**STAFF REPORT**

**DIA – STAFF REPORT**

**DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM (DPRP)**

**120 E FORSYTH ST, LLC**

**NOVEMBER 16, 2022**

**Applicant:** **120 E Forsyth, LLC (“Applicant” and “Developer”)**  
All of Eight Investments, LLC (100% Owner of 120 E Forsyth, LLC)  
Keith Mawardi, 62% owner All of Eight Investments  
Romi Mawardi, 19% owner All of Eight Investments  
Daniel Mawardi, 19% owner All of Eight Investments  
Ms. Yvette Perez, President/COO All of Eight Investments (Principal Contact)  
Eight K Investments, LLC (Manager of 120 E Forsyth, LLC and All of Eight Investments, LLC)

**Project:** **120 E Forsyth Street**  
Jacksonville, FL 32202

**Program Request:** **Downtown Preservation and Revitalization Program (“DPRP”)**

**Total Development Costs (Excluding Tenant Improvements):** **\$4,347,344**

**DPRP Requested/Recommended:**

<b>1) Historic Preservation Restoration and Rehabilitation Forgivable Loan (HPRR)</b>	<b>\$ 268,900</b>
<b>2) Code Compliance Renovations Forgivable Loan (CCR)</b>	<b>\$ 696,800</b>
<b>3) DPRP Deferred Principal Loan</b>	<b><u>\$ 241,400</u></b>
	<b><u>\$1,207,100</u></b>

**Project Background:**

The subject project includes the redevelopment of the former New York Steam Laundry building located at 120 E Forsyth Street. As provided by the COJ Historic Preservation Section, “The New York Steam Laundry Building embodies many of the architectural characteristics of buildings constructed in Jacksonville immediately after the Great Fire.” The subject property first appears in 1903 as occupied by the Minnesota Title Company. The design is consistent with the design standards for a commercial building in the urban core. Over its history, the lower floor of the two-story building would have been used for retail and commercial use, and the upper floor would be used for more private use, such as apartments and/or offices.

The subject property was previously owned by Old Republic National Title Insurance Co., which acquired the property in January 2014 and transferred ownership to 120 E Forsyth LLC in June 2018. The building (RE# 073451-0000) is a historic two-story building built in 1903, consisting of approximately 11,870 gross square feet, including approximately 10,800 square feet of leasable space.

Rehabilitation efforts proposed include, but are not limited to, the following:



• Demolition of the remaining interior spaces	• Repair structural damage throughout
• Repair the roof; increase waterproofing in other areas	• Make other needed repairs to exteriors, brick, etc.
• All new Plumbing / Electrical / HVAC throughout	• Reframe interior walls, increasing load capacity
• Replace doors, frames, casings, and windows	• All new interior walls and ceilings
• Install new hardwood floors	• Install new elevator
• Bring staircases up to code	• Address all safety codes (fire sprinklers, etc.)
• Address ADA compliance	

Developer has applied for a combination of HPRR Forgivable Loans, CCR Forgivable Loans, and the DPRP Deferred Principal Loan under the DPRP. The maturity of each forgivable loan would be five years, with the principal set to be forgiven at the rate of 20% annually. The DPRP Deferred Principal Loan requires interest payments annually at the US Treasury Ten-year Note Rate established prior to closing. Principal repayment is due at maturity ten years from the closing date. To be eligible for funding, staff determined that 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, which will be reverified upon completion and request for funding.

Development costs and the proposed incentives only contemplate the elements related to the preservation and rehabilitation of the building. A related operating entity, Mathers Social Gathering – Jacksonville (“Mathers”), will lease approximately 5,200 square feet of the net leasable space comprising 100% of the second floor and small lobby space on the first floor, on an arm’s length basis from Applicant. Mathers has applied for funding under the FAB-REP program for the tenant build-out costs and is being presented to the RE&PD Committee under resolution 2022-11-05. As required by each program, no costs may be included for partial reimbursement under more than one DIA program, with total costs summarized below:

<b>Redevelopment of 120 E. Forsyth St.</b>	<b>\$4,347,344</b>
<b>Tenant Improvements for Mathers</b>	<b><u>\$ 810,385</u></b>
<b>Total</b>	<b>\$5,157,729</b>

**Figure 1. 120 E. Forsyth St (Current Condition)**



**Historic Preservation Section:**

Redevelopment work on the landmarked property will be undertaken within the scope of the Certificate of Appropriateness provided by the COJ Historic Preservation Commission on 10/26/2022. From that COA, the HPC notes, *“While COAs are generally for exterior work scopes, both interior and exterior scopes were reviewed for compliance with the Secretary of the Interior Standards (Standards) for rehabilitation purposes of the local Downtown Preservation and Rehabilitation (sic, Revitalization) Program (DPRP) incentive requirements.”*

In its conditional approval of November 7, 2022, also provided to the Applicant and the project architect, staff for the Historic Preservation Section of the Planning and Development Department notes, *“This two-story stucco building was constructed c.1903 and first appears on the Sanborn maps as the New York Steam Laundry. The building was landmarked in 2014 under Ordinance 2014-17-E. The structure was found to meet two of the seven historic designation criteria with significance attributed to the structure embodying many of the architectural characteristics of buildings constructed after the Great Fire and for its suitability for preservation or restoration.”*

**HPS Recommendation:**

*“Based on the findings in the COA, the Planning and Development Department recommends APPROVAL WITH CONDITIONS on this project. The conditions are:*

- 1- Cast iron column at front of building shall be preserved in place.*
- 2- The faux outdoor space with light pole and tile flooring shall be installed in a manner that is easily reversible with limited damage to the wood floors or is eliminated from plans.*
- 3- Repair and treatment of brickwork shall follow guidance of National Park Service (NPS) Preservation Brief 1 (Assessing Cleaning and Water Repellent Treatments for Historic Masonry Buildings) and 2 (Repointing Mortar Joints in Historic Masonry Buildings)*
- 4- Existing wood columns shall be preserved and left exposed.*
- 5- Any change in plans shall be reviewed/ approved by the Historic Preservation Section.”*

**Developer:**

As owner/developer, the Mawardi brothers and their firm All of Eight Investments, LLC, serves as the property owner of various Single Purpose Entities from which the brother’s numerous food and beverage locations operate. The Mawardi have concentrated their efforts in the Orlando market but are now expanding into other Florida markets, including Jacksonville and Tampa.

**Architect:**

Founded in 2005, JAA Architecture (<https://www.jaaarchitecture.com/>) is a Jacksonville, Florida based architectural firm specializing in residential, commercial and industrial projects. Led by John Allmand and Kevin Oun, the firm will oversee all architectural plans and help bring the owners vision to life. The group has experience with the design and engineering of historical projects specifically in the city of Jacksonville including Brick and Beam and Strings Sports Brewery in Springfield, 323 E. Bay Street (Decca Live), and 2105 Park Street in the Five Points area.

**General Contractor:**

Shaycore LLC, was founded by William Kilgannon and is operated by William Kilgannon Jr. and David Monk who brings more than 20 years of experience to the construction industry. William Kilgannon led an esteemed career in New York City, adding to both the NYC and Boston skylines, before coming to Florida to head the Industrial division of a national General Contracting company. Shaycore has had the opportunity to service local clients such as Keke Breakfast Café, Marriott Sawgrass Spa, Diamonds Direct, and Buffalo Wild Wings to name a few.

**Development Budget:**

The total budget for the acquisition and redevelopment of the historic property is \$4,347,344, as presented, centered on the construction budget of \$1,901,016, or \$160.15 per gross square foot. The construction budget as modeled includes a contingency of \$150,611 representing 3.5% of project costs. The property itself was acquired by Owner, June 2018, for \$830,000, or \$69.92 psf. The property has a 2021 tax assessed value of \$788,200, which includes \$147,025 for the 5,881 sf E Forsyth Street parcel on which the building occupies (\$25 sf). An appraisal for the building completed June 20, 2022 by the Moody Williams Appraisal Group., provides a fee simple "As Is" value of \$940,000, a leased fee value "Upon Completion" of \$2,700,000, and leased fee value "Upon Stabilization" of \$3,700,000. Notably, the upon completion and upon stabilization leased fee values are based on rents of \$31-\$35 sf for the property as compared to the \$26 base rent found in the lease to the related operating entity.

As outlined further in the Term Sheet, the required Minimum Total Development Costs of \$4,347,344 may be reduced by a maximum of ten percent (10%) overall, as approved by the DIA Staff in its sole and absolute discretion, or a maximum of fifteen percent (15%) as approved by the DIA Board in its sole and absolute discretion, without affecting the Borrower's eligibility for funding under the DPRP, subject to further limitations imposed on Funding Category Minimums discussed further below.

**Operating Budget:**

The operating budget as modeled by DIA staff, incorporates the lease with the related tenant, Mathers Social Gathering - Jacksonville established at \$26 PSF monthly, providing lease revenue of \$265 thousand in the first year of operations. The pro forma provided incorporates rent escalation of 4% annually. Operating expenses estimated at approximately \$70,500 annually including property taxes estimated at \$13,500 in the first year, provides NOI of \$194,724 in the first year of stabilization. Net Operating Income increases to a projected \$282,868 through year 10. This amount is sufficient to support debt service, estimated to be \$155,800 annually, 1.25X. With equity shown of \$607,000, the funding gap is demonstrated by a pre-tax, levered IRR on equity that is below 6%, and this development would not likely be completed without additional funding support from the DPRP.

**Request and Structure:**

DIA staff in conjunction with HPS staff reviewed each line item of the \$1,901,016 construction budget provided to align costs with the appropriate DPRP funding category as shown below. As shown, these amounts establish funding minimums for each of the respective categories.

Funding Category	Funding Category Minimum	DPRP Funding
Interior Rehabilitation	\$ 46,395	\$ 13,919
Interior Restoration	\$ 0	\$ 0
Exterior	\$ 145,061	\$108,796
Code Compliance	\$ 929,029	\$696,772
General Requirements/Other	\$ 730,681	\$146,136
N/A <sup>1</sup>	\$ 49,850	N/A
<b>Total Budget Amount:</b>	<b>\$1,901,016</b>	<b>\$965,622</b>

*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.*

These amounts are rounded and aggregated into the respective recommended DPRP forgivable loans and deferred principal loan totaling \$1,536,350, as shown below:

	Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (HPRR)	Code Compliance Forgivable Loan (CCR)	DPRP Deferred Principal Loan	TOTAL
<b>As Underwritten</b>	\$268,900	\$696,800	\$241,400	<b>\$1,207,100</b>

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. The Deferred Principal Loan requires interest payments annually, established at the Ten-Year Treasury Rate, which was modeled at 4.25% in underwriting. That loan is subject to repayment at refinance or sale of the property but not later than the maturity established as ten years from closing.

At this funding level, the incentive structure and funding under the DPRP will be subject to further approvals by the Jacksonville City Council. Funding of the DPRP Loans will only be made to the Owner following completion and inspection of the work in accordance with criteria approved by the DIA and the Historic Preservation Section of the COJ Planning and Development Department at the time of underwriting.

DIA reserves the right to approve any sale, disposition of collateral property, or refinance of senior debt during the DPRP Compliance Period.

Each of these parameters for the 120 E. Forsyth DPRP funding proposal are captured in Figure 2. below:

**Figure 2. – DPRP Parameters for 120 E. Forsyth St.**

DPRP Summary				
<b>Total Construction Costs:</b>	\$	1,901,016		
<b>Sources</b>				
Federal Historic Tax Credit			0.0%	
<b>HPRR Forgivable Loan</b>	\$	268,900	6.2%	
<b>CCR Forgivable Loan</b>	\$	696,800	16.0%	
<b>DPRP Deferred Principal Loan</b>	\$	241,400	5.6%	
<b>Other COJ Funding</b>			0.0%	
1st Position Debt	\$	2,532,995	58.3%	
Owner Equity	\$	607,249	14.0%	
<b>TOTAL SOURCES</b>	\$	4,347,344	100.0%	
<b>Uses</b>				
Purchase Price/Appraised Value	\$	940,000	21.6%	
Construction Costs	\$	1,901,016	43.7%	
A&E Costs	\$	-	0.0%	
Soft Costs	\$	1,205,148	27.7%	
Real Estate Financing Costs	\$	43,293	1.0%	
Development Overhead	\$	257,886	5.9%	
<b>TOTAL USES</b>	\$	4,347,344	100.0%	
<b>DPRP Guidelines</b>				
<b>Measurement</b>	<b>% of TDC</b>		<b>Net of Developer Fee</b>	<b>Project</b>
Developer Equity	10%	Min	of TDC	14.0%
3rd Party Loan			No min or max	58.3%
Subsidy or Tax Credit			No min or max	0.0%
<b>Developer Combined</b>	60%	Min	of TDC	72.2%
<b>DPRP</b>				
Exterior	75%	Max	of eligible costs	
Restoration Int	75%	Max	of eligible costs	
Rehabilitation Int	30%	Max	of eligible costs	
Code Compliance	75%	Max	of eligible costs	
Other	20%	Max	of eligible costs	
HPRR Forgivable Loan	30%	Max	of TDC	6.2%
CCR Forgivable Loan	30%	Max	of TDC	16.0%
DPRP Def Prin Loan	20%	Max	of TDC	5.6%
DPRP Def Prin Loan		Min	Must be ≥ 20% of Gap	20.0%
Other COJ Funding				0.0%
<b>COJ Combined</b>	40%	Max	of TDC	27.8%

**Return on Investment (ROI):**

As shown in Figure 3. below, the ROI for the development as proposed and underwritten, including the proposed \$100,000 FAB REP funding for Mathers, is satisfactory per DPRP Guidelines at 0.58X. Incremental taxes projected to be provided by this development effort are abated for the first ten years following completion, per ordinance, and provide \$252,471 in incremental County Operating Millage over twenty years. An additional \$96,947 is projected to be provided through Local Option Sales Tax on the commercial lease with Mathers. Interest payments and the present value of the payoff on the Deferred Principal Loan, totaling \$273,728, are included in the inflows to the City in the ROI calculation.

**Figure 3. – 120 E. Forsyth Street ROI Calculation**

<b>\$4.3 Million in Capital Expenditures</b>			
Ad Valorem Taxes Generated			
County Operating Millage	✓	(1) \$	252,471
Local Option Sales Tax	✓	(2) \$	96,947
Payroll	✓	(3) \$	28,000
Add'l Benefits Provided	✓	(4) \$	273,728
<b>Total City Expected Benefits</b>			\$ 753,740
Total City Investment	✓	(5)	\$ 1,307,100
<b>Return on Investment Ratio</b>			<b>0.58</b>
(1) - The investment from the Company is estimated to be \$in Capital Contribution for development and \$in taxable Tangible Personal Property			
(2) - Local Option Sales Tax is based on the revenue generated through retail sales, food and beverage, 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		\$	102,595
PV of DPRP Deferred Principal Payment		\$	171,133
Other			
<b>Total Add'l Benefits Provided</b>		\$	273,728
(5) - City Incentives as follows:			
DPRP		\$	1,207,100
Land		\$	-
Other (FAB REP)		\$	100,000
<b>Total Direct Incentives</b>		\$	1,307,100

**Recommendation:**

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

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.

DIA Staff recommends approval of a the DPRP loans as outlined. Other conditions and requirements of approval and administration of the subject facilities is captured in the Exhibit A Term Sheet to Resolution 2022-11-04.

**TAB VII**

**RESOLUTION 2022-11-06: LOFTS AT CATHEDRAL (DPRP)**

## RESOLUTION 2022-11-06

**A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING THAT CITY COUNCIL APPROVE A DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM (“DPRP”) LOAN PACKAGE FOR THE REHABILITATION OF THE BUILDING LOCATED AT 325 E DUVAL STREET, JACKSONVILLE, FL 32257 (“PROPERTY”) PURSUANT TO A REDEVELOPMENT AGREEMENT WITH LOFTS AT CATHEDRAL, LTD 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 NEGOTIATE THE CONTRACT AND ASSOCIATED DOCUMENTS AND FILING OF LEGISLATION WITH THE CITY COUNCIL REGARDING THE DPRP LOAN PACKAGE; 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,** LOFTS AT CATHEDRAL, LTD 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 2017-436-E, and is a contributing building located within the National Historic District of Downtown; and

**WHEREAS,** the Developer proposes to rehabilitate the Property to provide a minimum of 28 units of mixed-income housing as part of a larger overall development providing 120 multifamily mixed-income units, including 84 with rent limits providing affordable housing for tenants with income of 80% or less of the Area Median income, in the Cathedral Hill District within the boundaries of the Downtown Northbank CRA of Downtown Jacksonville; and

**WHEREAS,** the Developer was awarded Low Income Housing Tax Credits of \$1,868,000 per year for a period of ten years under RFA 2021-202 by the Florida Housing Finance Corporation to facilitate the development of affordable housing within the overall development activity; and

**WHEREAS,** RFA 2021-202 required a Local Government Support Loan of \$625,000, which was approved by the DIA in Resolution 2021-07-04 to facilitate the development of affordable housing within the overall development activity; and

**WHEREAS,** the increased private capital investment totaling not less than \$7,235,489 in real property will increase the county ad valorem tax base over the useful life of the assets related solely to the redevelopment of the Historic building as a component of the overall development activity, and will add to the residential tenancy options in Downtown Jacksonville; and



**WHEREAS**, the Strategic Implementation Committee of the Downtown Investment Authority (“DIA”) met on November 16, 2022, to consider the recommendation of DPRP Program Forgivable Loans following 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 **\$2,398,400** 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**

\_\_\_\_\_

\_\_\_\_\_  
Carol Worsham, Chairman

\_\_\_\_\_  
Date

**VOTE:** In Favor: \_\_\_\_\_ Opposed: \_\_\_\_\_ Abstained: \_\_\_\_\_

**Exhibit A:**

**DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM  
TERM SHEET**

**LOFTS AT CATHEDRAL  
325 E Duval Street, Jacksonville, FL 32257**

**Project:** The project comprises the redevelopment of the historic YWCA Building in the Cathedral Hill District of Downtown Jacksonville, utilizing funding through the Downtown Preservation and Revitalization Program (“DPRP”).

The historic two-story building at 325 E Duval Street, RE# 073617 0020, comprises 46,409 gross square feet, originally constructed in 1950. Upon completion, the building will provide approximately 28 units of mixed-income housing as part of a broader development which also includes a proposed 92 units of New Construction mixed-income housing.

Rehabilitation efforts include significant demolition costs associated with the conversion of the property from dormitory-style living with common restroom facilities on each floor to individual apartments with kitchens and restrooms within each.

**Developer/ Applicant / Borrower:** LOFTS AT CATHEDRAL. LTD or affiliated entity (“Borrower”)

**Total Development Costs (estimate):** \$7,235,489  
**Equity (proposed):** \$770,000

**City Funding Under DPRP:** No more than **\$2,398,400** (through the City of Jacksonville Downtown Investment Authority), as follows:

	<b>Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (HPRR)</b>	<b>Code Compliance Forgivable Loan (CCR)</b>	<b>DPRP Deferred Principal Loan</b>	<b>TOTAL</b>
<b>TOTAL</b>	<b>\$1,029,100</b>	<b>\$889,600</b>	<b>\$479,700</b>	<b>\$ 2,398,400</b>

At this level of funding and structure, the incentives proposed 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 \$5,449,720 (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:

<b>Funding Category</b>	<b>Funding Category Minimum</b>
Interior Rehabilitation	\$ 2,098,800
Interior Restoration	\$ 0
Exterior	\$ 1,001,800
Code Compliance	\$ 1,620,550
General Requirements/Other	\$ 125,000
N/A <sup>1</sup>	\$ 603,570
<b>Total Budget Amount:</b>	<b>\$ 5,449,720</b>

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 Loans, the Borrower 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) Total equity capital contribution of at least SEVEN HUNDRED SEVENTY THOUSAND DOLLARS AND NO/100 (\$770,000.00) (the “Required Equity”);
- (ii) Total Development Costs incurred of at least SEVEN MILLION TWO HUNDRED THIRTY-FIVE THOUSAND FOUR HUNDRED EIGHTY-NINE DOLLARS AND NO/100 (\$7,235,489), which shall exclude tangible personal property (IT, FF&E), Florida Housing Finance Corporation Fees, loan fees, developer fees, third party reports (appraisals, environmental, market studies, etc.), inspection fees, marketing costs, and holding costs, (the “Minimum Total Development Costs”);
- (iii) Minimum Eligible Construction Costs incurred of FOUR MILLION EIGHT HUNDRED FORTY-SIX THOUSAND ONE HUNDRED FIFTY DOLLARS AND 00/100 (\$4,846,150), calculated as the Total Budget Amount less costs classified as “N/A” (the “Minimum Eligible Construction Costs”), and
- (iv) Construction Costs incurred of at least the Funding Category Minimum with respect to each Funding Category.

**Funding Eligibility:**

Notwithstanding the foregoing,

- 1) the required Minimum Total Development Costs of \$7,235,489 may be reduced by a maximum of ten percent (10%) overall, as approved by the DIA Staff in its sole and absolute discretion, or a maximum of fifteen percent (15%) as approved by the DIA Board in its sole and absolute discretion, without affecting the Borrower’s eligibility for funding under the DPRP.

- 2) the required Minimum Eligible Construction Costs of \$4,846,150 may be reduced by a maximum of ten percent (10%) overall, as approved by the DIA Staff in its sole and absolute discretion, or a maximum of fifteen percent (15%) as approved by the DIA Board in its sole and absolute discretion, without affecting the Borrower's eligibility for funding under the DPRP.
- 3) any Funding Category Minimum may be reduced by a maximum of ten percent (10%) on a stand-alone basis, as approved by DIA Staff in its sole and absolute discretion; or a maximum of fifteen percent (15%), as approved by the DIA Board in its sole and reasonable discretion, provided that, in such event, there shall be a pro rata reduction in the applicable DPRP Loan(s), as required. Eligibility for funding under any Funding Category shall be eliminated if the corresponding Funding Category Minimum is reduced by more than fifteen percent (15%), and eligibility for funding under the remaining Funding Categories shall remain in place unless it has been determined that material components of the rehabilitation have not been met as determined by DIA and HPS staff, in their sole discretion.

**Infrastructure:** No City of Jacksonville infrastructure improvements are contemplated.

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

**Loans:** The total development project, which includes the new construction elements, was approved for a \$625,000 loan from Northbank CRA Loan Funds per Resolution 2021-0704. The subject development activity represents 20% of the total development in the unit count, and \$125,000 of this Development Loan is thereby allocated toward the subject historic building for analytical purposes. Further, Borrower assumed two obligations to the City secured by the property at acquisition, including 1) COJ HOME funds, \$235,200, and 2) COJ SHIP funds, \$134,280.

**Performance Schedule:**

- A) Redevelopment Agreement to be executed within thirty (30) days of the Bill Effective Date which shall establish the Redevelopment Agreement 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 twenty-four (24) months following the Commencement of Construction as defined above.
- D) The DIA CEO will have the authority to extend this Performance Schedule, in the CEO's discretion, for up to six (6) months for good cause shown by the Borrower / Applicant. Any extensions to the Commencement Date shall have the same effect of extending the Completion Date simultaneously.

**Additional Commitments:**

- A) The Borrower commits to developing 28 mixed-income multifamily dwelling units in the subject property. If the new construction component is not completed contemporaneously, the full \$625,000 Development Loan must be assigned to the subject, and the DPRP commitments will be

reduced to maintain the maximum DIA funding to less than or equal to 40% of Total Development Costs.

- B) Recommendation as to the eligibility of the approved scope of work on the Properties 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 Substantial 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 an HPRR Forgivable Loan and a CCR Forgivable Loan, 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 no defaults exist per loan documents.
- 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 amounts of any Forgivable Loan 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 (if any) will have a stated maturity date of sixteen years from the Funding Date, which requires a waiver of DPRP Program guidelines. 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 (if any) 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 (if any) 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. DIA Staff may negotiate terms in the Redevelopment Agreement and/or Loan Documents that allow de minimis levels of refinancing that may be undertaken without requiring further approvals.
- 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) Minimum insurance requirements as established by the City of Jacksonville Risk Management Department must be met prior to closing and maintained throughout the term of the development agreement.
- O) 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**  
**LOFTS AT CATHEDRAL (DPRP)**  
**STAFF REPORT**

**STAFF REPORT FOR DIA STRATEGIC IMPLEMENTATION COMMITTEE**

**Downtown Preservation and Revitalization Program**

**LOFTS AT CATHEDRAL**

**November 16, 2022**

**Applicant:** Lofts At Cathedral. Ltd or affiliated entity (Vestcor, Inc.)  
**Project:** Lofts at Cathedral  
**Program Request:** DPRP

**Total Development Costs (as presented):** \$14,916,353  
**Total Development Cost (as underwritten):** \$14,267,875

**Proposed Funding:**

	Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (HPRR)	Code Compliance Forgivable Loan (CCR)	DPRP Deferred Principal Loan	TOTAL
<b>TOTAL</b>	<b>\$1,029,100</b>	<b>\$889,600</b>	<b>\$479,700</b>	<b>\$ 2,398,400</b>

**The Project**

The Developer, Vestcor, proposes constructing a multifamily development at 325 E. Duval Street within the Cathedral District of Downtown Jacksonville. The site is the location of the former Community Connections transitional housing for homeless families, which operated primarily from the Florence Davis YWCA building originally constructed in 1949. The YWCA building was awarded local landmark status in June 2017 by ordinance 2017-436-E with an amendment to add another portion to the landmark in 2021 (2021-0320-E). The subject building will provide 28 units of mixed-income housing. A second building will be constructed on the property, providing 92 of the proposed 120 total units. The unit mix for the 28 units in the historic building is captured in the income limits by unit type.

Beds/Baths	No. of Units	Median Income %
Studios	1	80%
Studios	2	60%
Studios	1	30%
Studios	1	Market
1/1	3	80%
1/1	7	60%
1/1	3	30%
1/1	5	Market
2/2	1	80%
2/2	2	60%
2/2		30%
2/2	2	Market
<b>Totals</b>	<b>28</b>	



The overall development was awarded Low Income Housing Tax Credits of \$1,868,000 per year for a period of ten years under RFA 2021-202 by the Florida Housing Finance Corporation to facilitate the development of affordable housing within the overall development activity.

**Historic Preservations Section Considerations:**

“The structure was found to have met four (4) of the seven (7) designation criteria. Constructed in 1949, the structure exemplifies a variation of the Colonial Revival style. This variation has a centered front gable; other elements of the Colonial Revival style on this structure include a symmetrical fenestration pattern with a centrally placed entryway and sash style windows with a six-over-six or nine-over-nine grid pattern. Most of the character defining features reflective of the Colonial Revival style are on the two street-facing elevations (south at Duval Street and west at Shields Place); the east elevation is not as detailed.

The building has few significant alterations or additions that would affect the character defining features (brick finish, use of cast stone trim, and decorative door surrounds). The most significant alteration was the replacement of the original windows with an aluminum product having interior muntins replicating the pattern of the original. The front doors also appear to be a replacement product. The applicant is seeking various alterations on the structure in order to rehabilitate the project using the City’s Downtown Preservation and Revitalization Program (DPRP) and adapting the building to multi-family use.

***EXTERIOR WORK SCOPE ANALYSIS***

*As a locally designated landmark, all exterior work must be reviewed under a Certificate of Appropriateness (COA) for consistency with the Secretary of the Interior’s Standards for Rehabilitation (Standards). The exterior work for this project was reviewed and approved with conditions by the Jacksonville Historic Preservation Commission (HPC) under COA-21-26303 on October 27, 2021. The conditions are listed below, and staff’s analysis of the exterior work scope are provided as an attachment.*

***INTERIOR WORK SCOPE ANALYSIS***

*The COA review/process excludes interior work scopes. As such, the interior work scope analysis is provided below.*

***Interior Scope of Work:***

- 1. Install new guardrail and handrails at rear egress stairwell in northwest corner of structure.*
- 2. Remove existing stairs at courtyard.*
- 3. Renovate courtyard space to be ADA compliant, include fixed seating and raised planting bed.*
- 4. Install new ADA compliant elevator at location of existing.*
- 5. Remove existing door at community room (southwest corner of structure) and install at adjacent wall edge to seal former hallway opening.*
- 6. Demolish all remaining partition walls, doors, toilets, showers, kitchen equipment.*
- 7. Original phone booth to be shifted approximately 5 feet to the west to accommodate new corridor. Existing doorframe will be retained.*

Notes:

- *Original mailbox to remain.*
- *Main lobby, adjacent service areas, lounge area, and the space north of the lounge area to remain intact.*
- *Existing reception desk to remain.*

*Staff considered the interior work scope for consistency with the applicable Secretary of the Interior's Standards for Rehabilitation (Standards). The following is Staff's analysis:*

- *Consistent with Standard 1, the adaptive reuse of the structure to multi-family requires minimal change to the defining characteristics of the landmark.*
- *Renovations for ADA compliance (courtyard space, elevator space) and the installation of new guardrails and handrails at the rear egress stairwell in the northwest corner of the structure do not alter the historic character of the property, and as such, the work is consistent with Standards 2 and 5.*
- *Current partition walls, doors, toilets, showers, and kitchen equipment are not historically significant. Their preservation is not required. (Standard 5)*
- *Historic features that characterize the communal spaces of the building are being preserved or altered in such a way as to retain the historic character of the structure. These features include the original phone booth, original mailbox, main lobby, adjacent service areas, lounge area, the space north of the lounge area, and the existing reception desk. The original phone booth is to be shifted slightly to the west to accommodate the new corridor; this alteration retains the historic character of the space, while allowing the structure to adapt over time. The articulated door at the communal space in the southwest corner of the structure is to be relocated to an adjacent wall in order to seal a former hallway opening. This alteration preserves and repurposes this feature. (Standard 2)*

*For these reasons, it is the position of the Planning and Development Department that the proposed interior work is consistent with the Secretary's Standards for Rehabilitation.*

**RECOMMENDATION**

*Based on these findings, the Planning and Development Department recommends APPROVAL WITH CONDITIONS on this project. The conditions shown below have been approved by the HPC and have been provided to the Developer.*

**Scope and Conditions:**

1. *Replace front entry doors at south elevation - The new door shall match the historic door, documented in original plans as 6-light double doors.*
2. *(North elevation) Remove exterior metal staircase at rear of building. Two doors (second and third story) associated with the staircase to be removed and infilled with brick, and parapet to be rebuilt.*
  - A. *The removal of staircase and doors shall be in such a way as to ensure the least amount of damage.*
  - B. *Infill brick shall match the existing, surrounding brick.*
  - C. *Parapet shall be rebuilt to match existing.*
3. *(North elevation) Construct new brick, egress stair tower at rear of building. Install new security,*

*egress door on the ground floor at the location of the proposed egress stair tower.*

- A. Brick shall match the brick on the structure.*
- 4. (North elevation) Remove masonry from two ground floor windows on either side of the proposed egress stair tower to create larger openings and additional egress.*
  - A. Window alterations shall be in such a way as to ensure the least amount of damage to the surrounding brickwork.*
  - B. New doors shall be in the Colonial Revival style, 4-6 light/panel doors.*
- 5. (North elevation) Remove two small windows on ground floor at location of the proposed egress stair tower, and infill with brick.*
  - A. Window alterations shall be in such a way as to ensure the least amount of damage to the surrounding brickwork.*
  - B. Infill brick shall match the existing, surrounding brick.*
- 6. (East elevation) Remove exterior stair towards rear of building. Remove exterior storefront at this location and replace with a window to return to original look.*
  - A. The removal of staircase and doors shall be in such a way as to ensure the least amount of damage.*
- 7. Removal of existing louvers shall be in such a way as to ensure the least amount of damage to the surrounding structure. Louvers shall be replaced to match existing.*
- 8. Wholesale window replacement*
  - A. All new windows shall fit the original openings both horizontally and vertically and be recessed within the opening to provide a traditional reveal matching the depth of the historic units.*
  - B. Any exposed historic exterior trim work, including traditional sill, sideboards and header with crown molding, shall be retained or replicated in wood or cementitious materials, but not vinyl.*
  - C. Any sash-style window groupings shall have traditional 4-6 inch flat mullions between units.*
  - D. The removal of windows/doors shall be in such a way as to ensure the least amount of damage. All openings where windows are removed shall be secured in a manner that does not damage the historic casing and trim.*
  - E. All windows shall be single-hung, have exterior raised muntins, and shall match the historic grid pattern (most uniformly as 6-over-6).*

The conditional approval provided by HPS is consistent with the DPRP program guidelines.

**Developer**

From the developer's website:

The Vestcor Companies was founded in 1983 in Jacksonville, Florida and has grown to become one of Florida's largest developers of multifamily communities. Founder, John Rood, moved to Jacksonville in 1981 with a plan for a real estate business that would acquire rental houses, resulting in the purchase of eleven single family homes in 1981. For the next two years, Mr. Rood sold multifamily communities to syndicators from around the country.

Since formation, Vestcor has formed 102 partnerships investing in raw land, existing apartments, new multifamily developments, condominiums, student communities and retirement communities. The success of Vestcor can be attributed to the guiding principle that has been a focus for the last thirty years - to exceed expectations. This holds true for investors, residents, and employees.

#### **DPRP Request and Structure:**

To facilitate redevelopment of the property, Developer requests approval of funding under the DPRP due to a funding gap in meeting cost of construction and development. As a rent levels are limited by HUD restrictions, the Net Operating Income of the property is barely above break even, with an average of \$61,300 over the first ten years of operation. Developers in the LIHTC space make their return principally on Developer fee, which in this case is shown to be \$3,584 million, of which \$3 million is expected to be deferred in order to allow a greater portion of investor equity to meet capital needs in early stages. That Deferred Developer Fee will be earned over the life of the project, including \$1 million proposed to be earned upon stabilization.

#### **Pro Forma Operations**

- The historic building is proposed to provide 28 units of multifamily housing. The composition of units is weighted towards one-bedroom style units (18 units), with 5 studio units, and 5 two bedroom-two bath units.
- As reflected in the Developer's pro forma, the Lofts at Cathedral historic component is expected to generate Effective Gross Income of \$291 thousand in its first full year of operation. Vacancy is modeled at 5% in year throughout, and rent growth is calculated at 3.0% throughout the ten-year pro-forma.
- Total operating expenses are estimated at approximately 83.1% of revenues throughout the ten year period.
- Management fee is modeled at \$4,000 monthly.
- Replacement reserves are modeled at \$300 per unit, per year.
- Net Operating Income is estimated to be \$48 thousand in the first year of stabilized operations providing debt service coverage of 1.4X. Over ten years, NOI improves to \$63 thousand providing debt service coverage of 1.8X.

#### **Capital Considerations**

- Total development costs as presented equals \$7,724,330, or \$156.33 sf for the acquisition costs and rehabilitation of the 46,409 square foot building. Construction costs are shown at \$5,449,730, or \$110.30 sf.
- As found in the Sources and Uses for the development, acquisition cost for the building is shown to be \$770 thousand, or \$16 sf.
- The tax assessed value of the property in 2022 is \$949,486, and documentation was provided to show all property taxes are current.
- Total equity to be injected is shown to be the \$770,000 value of the property; 10.6% of TDC, as underwritten.
- Senior debt on the development is shown to be \$606,463, or 8.4% of TDC.

- Low Income Housing Tax Credit equity is the principal source of capital for the development, projected to total \$2,966,146 for this portion of the project, 41.0% of the total capital needed.
- At the time of acquisition, Developer assumed to COJ obligations that originated with the property when it was operated as Community Connections. A COJ HOME loan in the amount of \$235,200 and a COJ SHIP loan in the amount of \$134,280 are included in the City funding amounts, although they will not have payment requirements to the City, but will be forgiven over five to ten years based on performance criteria in the delivery of affordable housing.
- The total development project, which includes the new construction elements, was approved for a \$625,000 loan from Northbank CRA Loan Funds per Resolution 2021-0704. The subject represents 20% of the total development in the unit count, and \$125,000 of this Development Loan is thereby allocated toward the subject historic building for analytical purposes.

DPRP Recommended

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

	<b>Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (HPRR)</b>	<b>Code Compliance Forgivable Loan (CCR)</b>	<b>DPRP Deferred Principal Loan</b>	<b>TOTAL</b>
<b>TOTAL</b>	<b>\$1,029,100</b>	<b>\$889,600</b>	<b>\$479,700</b>	<b>\$2,398,400</b>

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 \$770,000 (10.8% of TDC) meets the minimum requirement of 10% and limits DPRP funding and from other COJ sources to 50% of TDC. As such the DPRP Deferred Principal Loan is required to be established at a minimum of 20% of total DPRP funding.

## DPRP Modeling Parameters – Lofts at Cathedral

Total from Const Budget		\$5,449,730	
Sources			
HPRR Forgivable Loan	\$	1,029,100	14.2%
CCR Forgivable Loan	\$	889,600	12.3%
DPRP Gap Loan	\$	479,700	6.6%
COJ HOME	\$	235,200	3.3%
COJ SHIP	\$	134,280	1.9%
Other DIA Funding	\$	125,000	1.7%
1st Position Debt	\$	606,463	8.4%
LIHTC Equity	\$	2,966,146	41.0%
Owner Equity	\$	770,000	10.6%
TOTAL SOURCES	\$	7,235,489	100.0%

  

Uses			
Purchase Price	\$	770,000	10.6%
A&E Costs	\$	235,073	3.2%
Construction Costs	\$	5,449,730	75.3%
Developer Fee			0.0%
Soft Costs	\$	780,686	10.8%

  

Measurement	DPRP Guidelines		As Calculated	
	% of TDC		Project	
Developer Equity	10%	Min	of TDC	10.6%
3rd Party Loan			No min or max	8.4%
Subsidy or Tax Credit			No min or max	41.0%
<b>Developer Combined</b>	<b>60%</b>	<b>Min</b>	<b>of TDC</b>	<b>60.0%</b>
DPRP				
Exterior	75%	Max	of eligible costs	
Restoration Int	75%	Max	of eligible costs	
Rehabilitation Int	30%	Max	of eligible costs	
Code Compliance	75%	Max	of eligible costs	
Other	20%	Max	of eligible costs	
HPRR Forgivable Loan	30%	Max	of TDC	14.2%
CCR Forgivable Loan	30%	Max	of TDC	12.3%
DPRP Def Prin Loan	20%	Max	of TDC	6.6%
DPRP Def Prin Loan		Min	Must be ≥ 20% of Gap	20.0%
Other DIA Funding				6.8%
<b>COJ Combined</b>	<b>40%</b>	<b>Max</b>	<b>of TDC</b>	<b>40.0%</b>

As shown above, developer equity in Lofts at Cathedral equals 10.6% of TDC, whereas equity plus third-party debt, and Low Income Housing Tax Credits combined equals the minimum requirement of 60% of TDC, based on the equity contributed by the Developer. Redevelopment of the property is proposed to be supported by a HPRR Forgivable Loan of \$1,029,100, a CCR Forgivable Loan of \$889,600, and a DPRP Deferred Principal Loan of \$479,700.

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.

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 1.5% is used providing interest payments of \$18,750 to the City annually.

**NOTE:** Due to restrictions imposed by the Low Income Housing Tax Credit program, the maturity date for the DPRP Deferred Principal Loan is required to be extended from 10 years to 16 years, which requires a waiver of DPRP Guidelines for this component of the structure, if approved.

### **Project ROI:**

As shown by the model below, the project ROI on the City investment is 0.53X, 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, \$768 thousand (including 10 years of tax abatement on the incremental improvements for historic properties, and the interest income (10 years) and Present Value of the repayment on the Deferred Principal Loan, \$526 thousand.

<b>\$7.2 Million in Capital Expenditures</b>		
Ad Valorem Taxes Generated		
County Operating Millage	(1) \$	768,080
Local Option Sales Tax	(2) \$	-
Payroll	(3) \$	-
Add'l Benefits Provided	(4) \$	526,090
<b>Total City Expected Benefits</b>		<b>\$ 1,543,614</b>
Total City Investment	(5)	\$ 2,892,880
<b>Return on Investment Ratio</b>		<b>0.534</b>
(1) - The investment from the Company is estimated to be \$14,090,000 in Capital Contribution for development and \$336,600 in taxable Tangible Personal Property		
(2) - Local Option Sales Tax is based on the revenue generated through retail sales, food and beverage, 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	\$	249,444
PV of DPRP Deferred Principal Repayment	\$	276,646
Other		
Total Add'l Benefits Provided	\$	526,090
3.50% Discount Rate		
(5) - City Incentives as follows:		
DPRP	\$	2,398,400
Land	\$	-
Other	\$	494,480
Total Direct Incentives	\$	2,892,880

**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.

Final review by the DDRB and adherence to findings within its conceptual approval and others as may be set into place are concurrent requirements of this recommendation for approval.

Minimum funding requirements and other terms and conditions approval and administration of the subject facilities are captured in the Exhibit A Term Sheet.