

RESOLUTION 2023-05-03

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING CITY COUNCIL APPROVAL OF A DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM (“DPRP”) LOAN PACKAGE FOR REHABILITATION OF THE BUILDING LOCATED AT 520 N HOGAN ST (THE “PROPERTY”) PURSUANT TO A REDEVELOPMENT AGREEMENT WITH CLL JONES BROS, LLC OR ASSIGNS (“OWNER” OR “DEVELOPER”); FINDING THAT THE PLAN OF DEVELOPMENT IS CONSISTENT WITH THE DIA’S BUSINESS INVESTMENT AND DEVELOPMENT PLAN (“BID PLAN”) AND THE DOWNTOWN NORTHBANK COMMUNITY REDEVELOPMENT AREA PLAN (“CRA PLAN”); AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE THE CONTRACTS AND DOCUMENTS AND OTHERWISE TAKE ALL NECESSARY ACTION IN CONNECTION THEREWITH TO EFFECTUATE THE PURPOSES OF THIS RESOLUTION; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Property was awarded local historic landmark status in 2005 under Ordinance 2005-163-E, and is a contributing structure to the Downtown National Historic District, within the boundaries of the Downtown Northbank CRA

WHEREAS, development rights and an incentive package for redevelopment of the Property were initially approved for the previous owner, ACE Jax, LLC, by the DIA in Resolution 2018-03-01 and by the city of Jacksonville City Council in Ordinance 2018-630-E; and

WHEREAS, ACE Jax, LLC was unable to complete the redevelopment of the property as approved, and the development rights and incentive package for redevelopment were formally cancelled in 2022, and ACE Jax, LLC sold the property to the Developer also in 2022; and

WHEREAS, CLL Jones Bros, LLC is the current owner and proposed developer of the Property; and

WHEREAS, the Developer proposes to rehabilitate the property to provide a minimum of 28 units of multifamily housing, and 1,700 square feet of co-work space open to residents and the general public, as a mixed-use property in the NorthCore of Downtown Jacksonville; and

WHEREAS, the increased private capital investment totaling not less than \$15,162,000 in real property will increase the county ad valorem tax base over the useful life of the assets, will add to the housing options for residents and visitors in Downtown Jacksonville; and

WHEREAS, the Strategic Implementation Committee of the Downtown Investment Authority (“DIA”) met on May 12, 2023, to consider the recommendation of DPRP Program Forgivable Loans in accordance with the program guidelines established by City Council in accordance with the terms contained in the term sheet attached hereto as Exhibit A; and

NOW THEREFORE, BE IT RESOLVED, by the Downtown Investment Authority:

Section 1. The DIA finds that the recitals set forth above are true and correct and are incorporated herein by this reference.


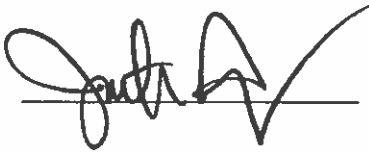
Section 2. The DIA instructs the Chief Executive Officer of the Downtown Investment Authority to take all necessary actions, including the filing of legislation before the City Council, to seek DPRP funding of up to \$6,033,500 pursuant to the Downtown Historic Preservation and Revitalization Program 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
JIM CRAWFORD, Vice Chair

5/19/23
Date

VOTE: In Favor: - -- Opposed: - *ff* Abstained: *0*

Exhibit A:

**DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM
TERM SHEET**

**Jones Bros. Furniture Building
520 N Hogan Street, Jacksonville, FL 32202**

Applicant/Borrower: CLL Jones Bros, LLC (or assigns as may be approved)

Project: The project comprises the redevelopment of the historic Jones Bros. property located at 520 N. Hogan Street (RE# 073857-0000) (the "Property") in the NorthCore of Downtown Jacksonville, utilizing funding through the Downtown Preservation and Revitalization Program ("DPRP").

The Jones Brothers Furniture building is a 7-story national landmark historic structure of approximately 38,000 square feet, originally constructed in 1926. The building is proposed for rehabilitation into a mixed-use property. The first floor will serve as the residential lobby, and will provide a co-work office suite, and service spaces. Floors two through seven are proposed to include 29 apartments including a mix of 1 studio and 28 1-bedroom units. The scope of work includes all new MEP systems, life safety upgrades, structural repairs, code compliance upgrades, exterior facade repairs, and window replacement.

Total Development Costs (As underwritten): \$15,162,000
Equity (proposed)¹: \$5,015,500

Of the total equity amount proposed, up to an estimated \$3,031,400 may be generated through Historic Tax Credit funding, providing a required minimum direct equity from the Developer/Investor of \$1,983,100.

City Funding: No more than \$6,033,500 (through the City of Jacksonville Downtown Investment Authority), as follows:

	Historic Preservation, Restoration, and Rehabilitation Forgivable loan (HPRR)	Code Compliance Forgivable loan (CCR)	DPRP Deferred Principal loan	TOTAL
TOTAL	\$2,089,900	\$2,736,900	\$1,206,700	\$6,033,500

At this level of funding and structure, the incentives proposed will require funding through the City of Jacksonville General Fund and 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, further, for verification upon completion and request for funding under terms defined in the Redevelopment Agreement.

Construction Budget. The construction budget provided and reviewed by the DIA totals \$13,638,000 (the "Total Construction Budget Amount"), which includes Construction Costs to be incurred in each of the funding categories (each, a "Funding Category") and in the minimum amounts (each a "Funding Category Minimum") set forth in the table below:

Funding Category	Funding Category Minimum
Interior Rehabilitation	\$ 2,732,000
Interior Restoration	\$ 786,000
Exterior	\$ 1,948,000
Code Compliance	\$ 5,456,000
General Requirements/Other	\$ 1,274,000
N/A ¹	\$ 1,442,000
Total Construction Budget Amount:	\$13,638,000

1 The category "N/A" is not required to be met as a Funding Category Minimum for reimbursement of other categories under the DPRP. For further clarity, there will be no reimbursement for expenditures categorized as "N/A" in the construction budget.

Minimum Expenditures: In order to be eligible for the maximum amount of the DPRP Loan, the 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 ONE MILLION NINE HUNDRED EIGHTY-THREE THOUSAND ONE HUNDRED DOLLARS AND NO/100 (\$1,983,100) (the "Required Equity") which shall exclude any tax credit equity or mezzanine debt provided for the Development project.
- (ii) Total Development Costs incurred of at least FIFTEEN MILLION ONE HUNDRED SIXTY TWO THOUSAND AND NO/100 (\$15,162,000), which shall include the purchase price of the property of the property shown by property appraiser records be \$1,150,000 and hard and soft construction costs in the redevelopment of the property but shall exclude developer fee, holding costs, interest reserves, operating reserves, 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 TWELVE MILLION ONE HUNDRED NINETY-SIX THOUSAND AND 00/100 (\$12,196,000) calculated as the Total Construction 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 respective Funding Category.

Notwithstanding the foregoing,

- 1) the required Minimum Total Development Costs of \$15,162,000 may be reduced by a maximum of ten percent (10%) overall, as determined by the DIA in its sole and absolute discretion, without affecting the Borrower's eligibility for funding under the DPRP.

- 2) the required Minimum Eligible Construction Costs of \$12,196,000 may be reduced by a maximum of ten percent (10%) overall, as determined by the DIA in its sole and absolute discretion, without affecting the 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 determined by the DIA in its sole and absolute discretion; provided that, in such event, there shall be a pro rata reduction in any or each of the related DPRP Loans, as required. Eligibility for funding under any Funding Category shall be eliminated if the corresponding Funding Category Minimum is reduced by more than ten percent (10%).
- 4) Applicant/Borrower may not reallocate more than 25% of the cost and related funding proposed for any line item in the construction budget provided with the application to a different line item without prior approval from the DIA. In addition, the elimination of a line item from the construction budget shall eliminate any funding associated with that line item and such funds may not be reallocated to any other line item.

The DIA shall have the authority, without further action by City Council, to approve reduced DPRP Loan amounts provided the Total Development Costs incurred are not less than \$13,645,800, including Minimum Eligible Construction Costs incurred of not less than \$10,976,400.

Infrastructure: No City of Jacksonville infrastructure improvements are contemplated.

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

Loans: No other City of Jacksonville loans are contemplated for this phase of the project.

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 FAB-REP Grant Applicant.

Performance Schedule:

- A) From the date of initial drafting and presentation, Applicant will have no more than thirty (30) days to negotiate the Redevelopment Agreement in good faith for filing with the Mayor's Budget Review Committee and City Council.
- B) Redevelopment Agreement is to be executed within thirty (30) days of the Bill Effective Date which shall establish the Redevelopment Agreement Effective Date. (This requirement will be found in the ordinance as filed.)
- C) 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.
- D) Substantial Completion: Within twenty-four (24) months following Commencement of Construction as defined above.
- E) The DIA CEO will have the authority to extend this Performance Schedule, in the DIA CEO's sole discretion, for up to six (6) months for good cause shown by the Applicant/Borrower. Any extensions to the Commencement Date shall have the same effect of extending the Completion

Date simultaneously. Any extensions provided for the Commencement Date, or the Completion Date shall apply to this phase of the project only.

Additional Commitments:

- A) Upon completion, the Property shall provide not less than 28 multifamily dwelling units, and not less than 1,700 square feet on the first floor to be built out as co-work space open to the public as well as to residents.
- B) Recommendation as to the eligibility of the approved scope of work on the Property by the Planning and Development Department shall be required prior to DIA Board approval of any program funding. Such recommendation by the Planning and Development Department may be conditional on further review and approvals by the State Historic Preservation Office ("SHPO") and/or the National Park Service ("NPS") as may be required.
- C) Upon completion and request for funding, all work on the Property 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 mortgage 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 a 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 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, including without limitation a capital lease transaction, or otherwise transfers the Property 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(s); or
 - ii. 80% if the Sale occurs after 12 months but within 24 months of disbursement of the Forgivable Loan(s); or
 - iii. 60% if the Sale occurs after 24 months but within 36 months of disbursement of the Forgivable Loan(s); or
 - iv. 40% if the Sale occurs after 36 months but within 48 months of disbursement of the Forgivable Loan(s); or
 - v. 20% if the Sale occurs after 48 months but within 60 months of disbursement of the Forgivable Loan(s).
 - 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.

- c) Notwithstanding the foregoing, a "transfer" shall not include the transfer by the existing members of the Applicant/Borrower of the direct or indirect ownership interests in the Applicant/Borrower so long as Christian Allen and/or George Leone retain managerial control of the Applicant/Borrower by one or more entities controlled by Christian Allen and/or George Leone, and no liquidity event has occurred by such transfer.
- 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 yield on the Ten-Year Treasury Note (TMUBMUSD10Y) 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. In connection with any refinance of the senior debt, DIA agrees to subordinate the lien of the DPRP Loan to the lien, rights and remedies of the lender providing a loan to refinance the senior debt pursuant to a subordination agreement acceptable to DIA and such senior lender.
- 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 (subject to customary notice and cure periods) 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).

JONES BROS. FURNITURE BUILDING HISTORIC REHABILITATION

**Downtown Preservation and Revitalization Program
Staff Report for DIA BOARD
May 12, 2023**

Applicant/Borrower:	CLL Jones Bros, LLC (or assigns as may be approved) Christian Allen (Manager) George Leone (Manager)
Project:	Jones Bros. Furniture Building
Program Request:	DPRP
Total Development Costs (as presented):	\$16,721,722
Total Development Cost (as underwritten):	\$17,710,920
DPRP Requested:	\$7,148,719
DPRP Recommended:	
1) Historic Preservation Restoration and Rehabilitation Forgivable Loan (HPRR)	\$2,089,900
2) Code Compliance Renovations Forgivable Loan (CCR)	\$2,736,900
3) DPRP Deferred Principal Loan	<u>\$1,206,700</u>
	<u>\$6,033,500</u>

Property Description:

The Jones Brothers Furniture building (a/k/a Standard Furniture Building) is a 7-story contributing structure to the Downtown ational Historic District of approximately 38,000 square feet, originally constructed in 1926.



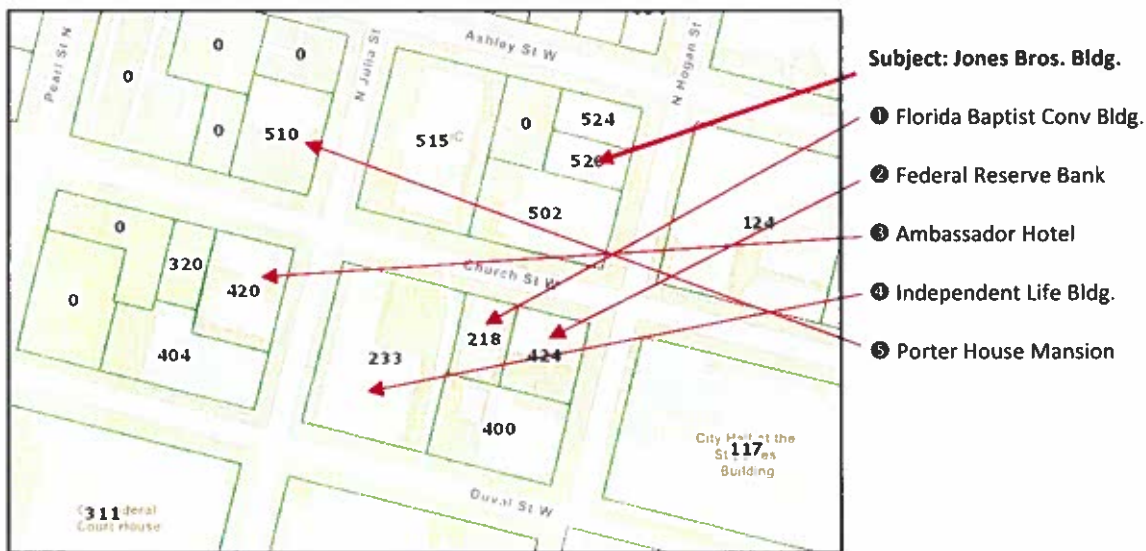
The original Jones Brothers Furniture Company was founded in 1902, following the boom that occurred after the great fire of 1901. It was owned by W.G. and Michael K. Jones, who employed their younger brother R.L. Jones to work in the store. By 1910, R.L. Jones started a rival company known as Standard Furniture, and in 1926 the younger Jones brother developed the subject building on Hogan Street to be one story taller than his brothers' six-story building on Main Street, which was later demolished in the 1960s.

Designed by Jefferson D Powell, the building on Hogan Street was constructed using reinforced concrete and features Mediterranean Revival detailing at its upper level, as well as originally having a suspended canopy over the main entrance. Other notable features include prism glass above the street-level entrance, the seventh-floor windows with their wrought-iron balconies and spiral columns, and a decorative wrought-iron staircase visible from inside the lobby.

The building is currently in shell condition and has been vacant for over 30 years. Upon completion, the first floor will serve as the residential lobby, and will also provide a co-work office suite, and service spaces. Floors two through seven are proposed to include 29 apartments including 28 - 1-bedroom units, and a single studio unit. The scope of work includes all new MEP systems, life safety upgrades, structural repairs, code compliance upgrades, exterior facade repairs, and window replacement. The subject building is designated as historic by the City of Jacksonville but is not listed on the National Register of Historic Places. Rehabilitation plans received Part 2 approval from the State Historic Preservation Office and the National Park Service in 2020. Parking for the subject's future residential units will be on-street or reserved spaces within a nearby parking garage.

Project Summary:

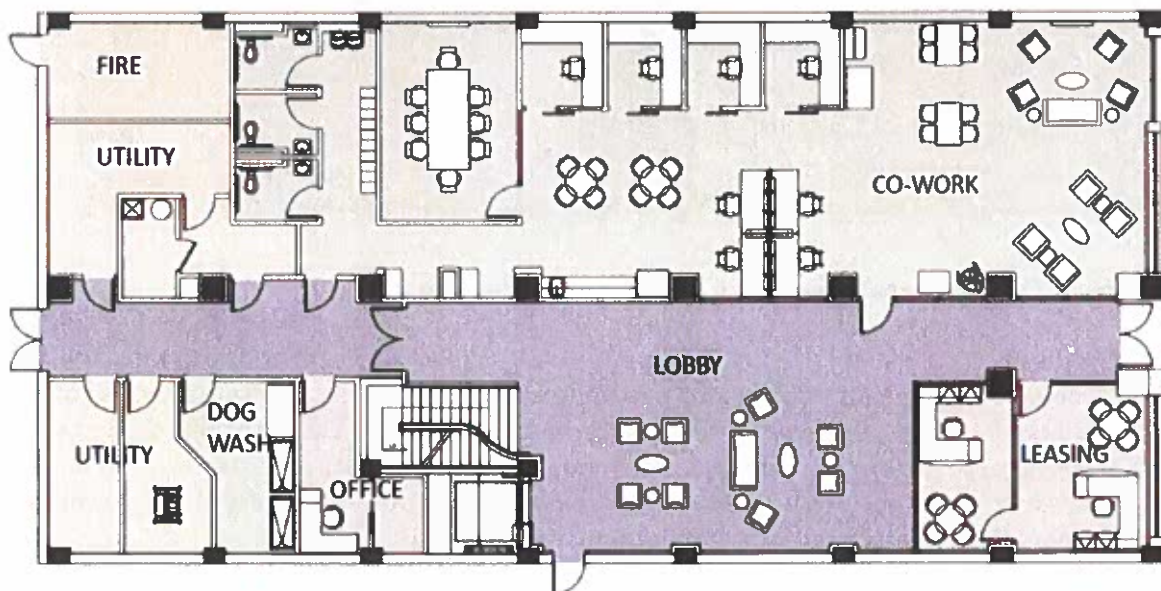
The site of the Jones Bros Building, at 520 N Hogan Street, is on the first block north of the sites where the ❶ Florida Baptist Convention Building (218 Church St) and the ❷ Federal Reserve Bank Building (424 N Hogan Street) are nearing completion of renovation by JWB Capital. The property is also a block to the east from rehabilitation efforts underway at the ❸ Ambassador Hotel (420 Julia Street) and ❹ Independent Life Building (233 W Duval Street) by Augustine Development Group, and the recently completed ❺ Porter House Mansion (510 N Julia St) by JWB Capital. The new construction phase of the overall development will occur at 502 N Hogan Street, immediately south of the Subject.



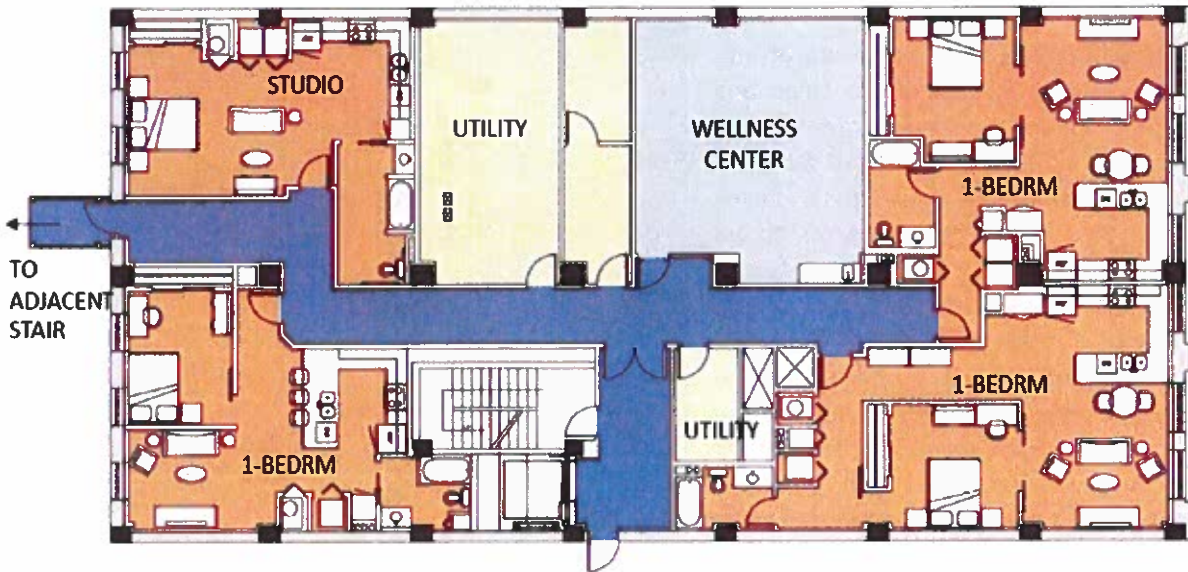
The proposed redevelopment of the Jones Bros. building includes exterior façade improvements to replace level 1 storefront, clean and repaint existing brick, clean and repair existing limestone, new entry canopy, façade up-lighting, repaint Jones Brothers Furniture signs (north and south facing facades), and new emergency egress access platform. Plans also call for streetscape upgrades along Hogan Street Cycle Track/Emerald Trail not included in the budget considered for this application and proposed funding. Interior improvements are concentrated in Code Compliance upgrades related to replacement of HVAC, plumbing and electrical systems throughout the building, along with life safety/fire protection (sprinklers, alarms, signage) emergency exit stairs, new interior layout and design, asbestos removal, the introduction of additional windows on the side elevations, and ADA compliance, including installation of a new elevator.



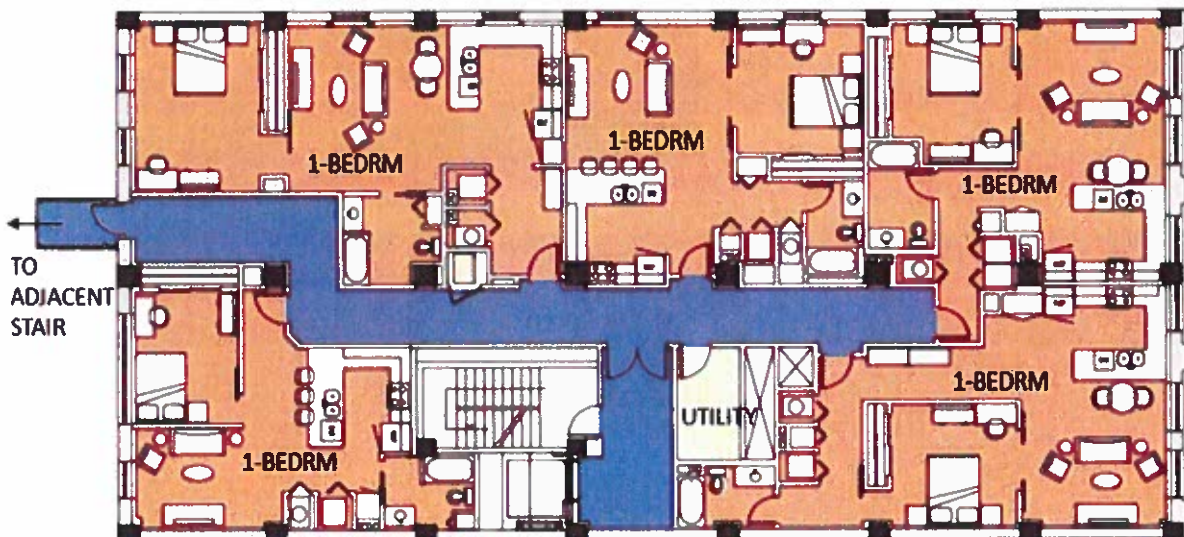
The floor plans below provide additional detail of the proposed usages on the first floor and residential floors above.



First Floor with leasing office, lobby, co-work space, dog wash, mechanical, and elevator.



Second Floor with four apartments, fitness center, utility, and mechanical.



Floors 3 through 7 with five apartments and utility room per each floor.

Proposed Mixed-use:

While there is no retail component incorporated into this phase of the project, approximately 40% of the ground floor is intended to be structured as co-working office space. This is viewed as responsive to the changing needs and expectations of renters to accommodate work from home demands of residential tenants. The co-work space will also be made available to and serve other members of the Downtown Jacksonville community on a reservation or drop-in, pay-as-you go basis.

Previous Approvals (Status):

Redevelopment of the Jones Bros. building was initially approved for incentives through the DIA by Resolution 2018-03-01 at its March 2018 meeting, and further approved by the COJ City Council through Ordinance 2018-630-E in October 2018. As the DPRP had not yet been created, the structure of the

incentives included a grant totaling \$1,500,000 through the Historic Preservation and Revitalization Trust Fund, a loan from the Downtown Economic Development Trust Fund of \$750,000, and disposition of a City owned lot behind and adjacent to the property for \$1 (value of \$120,142). Terms of the loan required twelve months of interest only payments followed a fully amortizing loan over a period of 240 months, with interest set at 1.50%, secured by a second mortgage on the property. The developer, ACE Jax, LLC, led by Elias Hionides, was unable to secure financing necessary to move forward and following exhaustion of extensions, including force majeure extensions through the pandemic, the development rights were formally cancelled in October 2022. The property was sold by Hionides to the Corner Lot team in April 2022, and the new redevelopment plans were put into place with the subject request for funding through the DPRP as presented in this package.

The Development Team:

Corner Lot Development (Owner and Developer)

Corner Lot Properties was established in 2009 to acquire, rehabilitate, and dispose of residential properties for “American Homes for Rent”, the country’s largest real estate investment trust. Over ensuing years, the business expanded to include a residential rental portfolio (Heritage Holdings), and single-family home construction. The firm changed its name to Corner Lot Development in 2017 to recognize further broadening of the business strategy to include land development, adaptive reuse, and development of multifamily and hospitality properties.

Corner Lot is also the lead developer for the LaVilla Townhome development, Artea multifamily, and the Home2Suites project in downtown Jacksonville, with each project approved for COJ capital support or incentive funding initiated by approvals through the DIA Board.

Andy Allen, CEO of Corner Lot Development, started Corner Lot Properties in 2009 where he conducted commercial, multi-family and land transactions and quickly became the largest real estate wholesaler in Northeast Florida showing over \$1 billion of real estate including acquisition, disposition, sales, and development.

George Leone, COO of Corner Lot Development, served thirteen years at Toll Brothers ending as the Vice President of Land Development. Leone oversaw development projects amounting in over \$500 million in Central and North Florida, South Carolina, and North Carolina where he managed over forty different consultants and contractors.

Principal Architect & Interior Designer

Robbins Design Studio, P.A. (<https://robbinsdesignstudio.com/>)

Brooke A. Robbins, AIA, LEED AP

Brooke Robbins, AIA, LEED AP is the Principal Architect and Interior Designer of Robbins Design Studio P.A., established in 2016. The firm focuses on commercial projects that include historic renovations, hospitality, tenant buildouts, corporate offices, retail spaces, upper education, clinical, and military/government projects, both new construction and renovations. Ms. Robbins has over 18 years’ experience as both an Architectural Project Manager and Project Architect developing projects from the programming phase through construction administration and project closeout. Project experience includes Adaptive Reuse of the Barnett National Bank and the Baptist Convention Building among others.

General Contractor

Avant Construction Group, LLC (<https://avant-build.com/>)

Alan Cottrill - CEO

Alan Cottrill started the company (f/k/a Opus Group Construction) in Jacksonville, FL in 1997. Beginning with local government contracts, his expertise and experience grew to include commercial, retail, historic renovation, and adaptive reuse projects. Avant has been active in numerous adaptive reuse and new construction projects in Downtown Jacksonville as GC or Owner's Rep. in working with the DIA.

Historic Consultant

Historical Property Associates, Inc. (HPA)
Paul Weaver, President

HPA is highly experienced in performing architectural and historic building surveys across the Southeast US. The communities in which it has completed historic building surveys are found mainly in Florida, but also include South Carolina, Georgia, and Mississippi. The firm has documented over 80,000 buildings for the Florida Site File, the state's official repository of individual historic building information, which is maintained by the Florida Department of State.

Historic Preservations Section Considerations:

The building received local historic landmark status in 2005 under Ordinance 2005-163-E. The structure was found to meet six of the seven historic designation criteria. The structure is significant as a reflection of the Jacksonville Renaissance after the Great Fire and the subsequent Florida Land Boom of the 1920s, as a design of prominent Architect Jefferson D. Powell, for its commercial architectural style, its quality of construction/materials, and its association with the Jones family, who for decades contributed to the viability of downtown Jacksonville as a regional retail center.

From the COJ Planning and Development Department, Historic Preservation Section, Conditional Certificate of Appropriateness #27289, dated March 30, 2022:

The project received conditional approval in 2020 from the National Park Service (NPS) for both the proposed interior and exterior work meeting the Secretary of the Interior's Standards for Rehabilitation under the federal historic tax credit program. The current set of plans incorporates some changes based on the NPS conditions. NPS review of follow-up amendments to address the conditions is still in progress.

PDD HPS CONDITIONED CONCEPTUAL APPROVAL (EXCERPTS)

As a local landmark, all exterior work must be reviewed under a Certificate of Appropriateness (COA) for consistency with the Secretary of the Interior Standards for Rehabilitation (Standards).

At the time of this memorandum, the project has received HTC part 2 conditioned approval, as well as approval on a follow-up amendment and is in the process of submitting additional amendments as needed to address the remaining part 2 conditions.

Based on these findings, the Planning and Development Department recommends APPROVAL WITH CONDITIONS as required in the NPS HTC part 2 approval, subsequent amendments to date and the COA updated and summarized as follows:

Conditions:

1. Exterior cleaning, repairs and repainting- Work shall follow the guidance in the NPS

- Preservation Briefs 1 and 2, utilizing the gentlest means for cleaning and matching the color texture, strength, and joint profile of the existing historic masonry for repointing with use of water-repellant coating being strongly discouraged.*
- 2. Storefront changes- New design shall replicate existing 1954 design with the garage door replacement maintaining the existing opening size allowing for it to be filled with a glass display window, garage door or slider system.*
 - 3. Canopy- Canopy shall be redesigned to cover just the front entry.*
 - 4. Window replacement- replacement windows shall match the appearance, size, design, proportions, and profiles of the existing multilight windows with clear glazing.*
 - 5. New windows/openings- New windows shall be as submitted in the October 14, 2022 draft plan set.*
 - 6. Roof work- Roof plans shall follow those submitted in the October 14, 2022 draft plan set.*
 - 7. Ceilings- The ceiling heights and treatment shall be as shown in the October 14, 2022 draft plan set.*
 - 8. Interior finishes- Interior finishes shall be consistent with the existing or as approved by the NPS.*
 - 9. Project shall be done as conditioned above or as otherwise approved/conditioned by the NPS under HTC review.*
 - 10. Copies of all remaining follow-up amendment submittal packages and approvals by the NPS must be provided to the Historic Preservation Section (HPS) as completed so that the HPS can verify that the work has been approved, permit plans are revised as needed and any conditions are addressed.*

The conditional approval provided by HPS is consistent with the DPRP program guidelines, and finalization of the COA by HPS consistent with those requirements is also made a condition of approval of the subject request.

Market Analysis:

As provided by Matthew's Real Estate Investment Services, through Q1 2023, *"The Jacksonville metropolitan area's multifamily market is experiencing increased supply pressure. Developers are taking advantage of the robust market conditions by accelerating the pace of multifamily construction. The current development of 10,000 units is unprecedented, and it comes after the delivery of 5,600 apartments in the past two years. Jacksonville's economy has not only recovered, but it has also experienced significant expansion, with population growth reaching one percent over the past year, one of the fastest growth rates in the U.S. This expansion made the market suitable for development, resulting in rising rental prices."*

- Despite annual rent growth dropping to 1.7%, Jacksonville's average asking rents of \$1,480 per month offer a significant discount from national rates and larger coastal markets.*
- Vacancy in Jacksonville rose 2.9% in the last year to 9.8%, with additional units under construction poised to further stress supply and demand dynamics.*
- Jacksonville has experienced significant population and job growth in the last five years, contributing to the area's high demand for multifamily housing.*
- In 2022, around 5,800 new units were completed, and this additional housing supply surpassed renters' demand rate by more than five times.*

The NAI Hallmark Q1 2023 Jacksonville Multifamily Market Report provides the following data points:

SUBMARKET	OCCUPANCY	EFF RENT/UNIT	EFF RENT/SF	RENT GROWTH	CONCESSIONS
Downtown	80%	\$170	\$2.24	3%	0%

DPRP Request and Structure:

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

Pro Forma Operations

- The Jones Bros. building is proposed to provide 29 units of multifamily housing with an average size of 866 square feet with pro forma market rents established at \$2.24 per square foot (range of \$2.16 to \$2.28 sf).
- 28 units are 1 bedroom/1 bath (752-1,001 sq ft), 1 unit is a studio with 637 sq ft.
- Once placed into service, the property provides Potential Gross Income of \$56,254 monthly and is projected to achieve stabilized Effective Gross Income of \$56,063 upon stabilization following a twelve-month lease-up period.
- Effective Gross Income of approximately \$341,000 is anticipated in its first full year of operation, increasing to \$858,000 by year ten.
- Vacancy is modeled at 5% following stabilization, and rent growth is calculated at 3.0% throughout the ten-year pro-forma.
- Total operating expenses are estimated at approximately 45.7% of EGI initially, dropping to 27.3% by year ten.
- Management fee is modeled at 11-15% of Effective Gross Income.
- Net Operating Income is estimated to be \$390,000 in the first year of operations providing debt service coverage of 1.25X and Yield on Cost of 2.6%. Over ten years, NOI improves to \$466,000 providing debt service coverage of 1.49X and Yield on Cost of 3.07%.

Capital Considerations

- Total development costs as presented equal \$16,722,000, or \$437.75 psf for the acquisition costs and rehabilitation of the 38,200 square foot building. Adjusted for underwriting purposes to eliminate holding costs, tangible personal property (IT, FF&E), marketing, third party costs for risk management, and certain financing costs, total development costs are reduced to \$15,162,000, or \$396.91 psf.
- Acquisition cost of the building, as shown in the Sources and Uses provided, was \$1,095,000, although the property appraiser shows the acquisition cost in April 2022 as slightly higher, totaling \$1,115,000.
- The tax assessed value of the property for 2022 is \$753,512, and documentation was provided to show all property taxes are current through the 2022 billing.
- A third-party appraisal prepared by Moody Williams appraisal group provides an "As is" market value as of February 2, 2023, of \$1,360,000.

- Total equity of \$5,015,500 is to be injected in the development, however, the property is eligible for Federal Historic Tax Credits. Of the total equity amount proposed, up to an estimated \$3,032,400 may be generated through Historic Tax Credit funding, providing a required minimum direct equity from the Developer/Investor of \$1,983,100.
- Senior debt on the development is modeled as \$4,113,000, or 27.1% of TDC. Modeled over 30 years at 6.5%, annual debt service is projected to equal an estimated \$312 thousand.

DPRP Recommended

DPRP funding is restricted by four limiters: 1) demonstrated financial gap in the capital stack, 2) the individual line-item funding limit, 3) maximum funding of adjusted Total Development Cost based on equity contribution, 4) the minimum ROI hurdle of 0.50X.

- 1) A shortfall in the capital stack was determined through an IRR calculation, utilizing the pro forma cash flow and debt assumptions discussed above.
- 2) The individual line-item funding limit for this project (made in conjunction with a review by COJ PDD HPS) is \$6,980,400.
- 3) Maximum funding of the adjusted Total Development Cost based on the minimum equity contribution of 13.1% is \$6,064,800.
- 4) To achieve a minimum ROI of 0.50%, the DPRP funding total must be reduced to \$6,033,500, as proposed below.

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 minimum equity of \$1,983,100 (13.1% of TDC) meets the minimum requirement of 10% and allows DPRP funding up to 40% of TDC. As such the DPRP Deferred Principal Loan is required to be established at a minimum of 20% of total DPRP funding, \$1,206,700.

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

	Historic Preservation, Restoration, and Rehabilitation Forgivable Loan (HPRR)	Code Compliance Forgivable Loan (CCR)	DPRP Deferred Principal Loan	TOTAL
TOTAL	\$2,089,900	\$2,736,900	\$1,206,700	\$6,033,500

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 Modeling Parameters – Jones Bros. Building

Total from Const Budget		\$13,638,000.00	
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Sources		
Federal Historic Tax Credit	\$ 3,032,400	20.0%
HPRR Forgivable Loan	\$ 2,089,900	13.8%
CCR Forgivable Loan	\$ 2,736,900	18.1%
DPRP Def Prin Loan	\$ 1,206,700	8.0%
Other COJ Funding	\$ -	0.0%
1st Position Debt	\$ 4,113,000	27.1%
Owner Equity	\$ 1,983,100	13.1%
TOTAL SOURCES	\$ 15,162,000	100.0%

Uses		
Purchase Price	\$ 1,150,000	7.6%
A&E Costs	\$ 289,000	1.9%
Construction Costs	\$ 13,638,000	89.9%
Soft Costs	\$ 85,000	0.6%
TOTAL USES	\$ 15,162,000	100.0%

Maximum Funding Level	\$ 6,064,800
DPRP Funding	\$ 6,033,500
ROI	0.500

Measurement	DPRP Guidelines		As Calculated
	% of TDC	Net of Developer Fee	Project
Developer Equity	10%	Min of TDC	13.1%
3rd Party Loan		No min or max	27.1%
Subsidy or Tax Credit		No min or max	20.0%
Developer Combined	60%	Min of TDC	60.2%
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	13.8%
CCR Forgivable Loan	30%	Max of TDC	18.1%
DPRP Def Prin Loan	20%	Max of TDC	8.0%
DPRP Def Prin Loan		Min Must be ≥ 20% of Gap	20.0%
Other COJ Funding			0.0%
COJ Combined	40%	Max of TDC	39.8%

As shown above, the minimum developer equity in the Jones Bros. building equals 13.7% of TDC, whereas equity plus third-party debt exceeds the minimum requirement of 50% of TDC, at 60.2%. Redevelopment of the property is proposed to be supported by a HPRR Forgivable Loan of \$2,089,900, a CCR Forgivable Loan of \$2,736,900 and a DPRP Deferred Principal Loan of \$1,206,700. 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 in the absence of default.

The DPRP Deferred Principal Loan is an interest only loan with the rate established at the yield of the Ten-Year Treasury Note at the time of funding. For conservative modeling purposes, a rate of 3.25% is used providing interest payments of \$39,218 to the City, annually.

Project ROI:

As shown by the model below, the project ROI on the City investment is 0.50X. The calculations are based on City benefits totaling \$3.0 million, based on ad valorem over 20 years, \$1.8 million (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, \$1.2 million.

\$15.1 Million in Capital Expenditures		
Ad Valorem Taxes Generated		
County Operating Millage	(1) \$	1,769,884
Local Option Sales Tax		
	(2) \$	-
Payroll		
	(3) \$	-
Add'l Benefits Provided		
	(4) \$	1,247,630
Total City Expected Benefits		\$ 3,017,514
Total City Investment	(5) \$	6,033,500
Return on Investment Ratio		0.50
(1) - The investment from the Developer is estimated to be \$12,800,921 in Capital Contribution for development		
(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	\$	392,178
PV of DPRP Deferred Principal Repayment	\$	855,452
Other		
Total Add'l Benefits Provided	\$	1,247,630
(5) - City Incentives as follows:		
DPRP	\$	6,033,500
Land	\$	-
Other		
Total Direct Incentives	\$	6,033,500

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.