

**CITY COUNCIL RESEARCH DIVISION
LEGISLATIVE SUMMARY**



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Bill Type and Number: Ordinance 2023-313

Introducer/Sponsor(s): Council President at the request of the DIA

Date of Introduction: May 9, 2023

Committee(s) of Reference: F

Date of Analysis: May 11, 2023

Type of Action: Budget ordinance amendment; authorizing mortgage modification agreement; requiring acknowledgement and consent of loan guarantor; designation of oversight agency

Bill Summary: The bill amends the FY22-23 budget ordinance to reduce the Downtown Investment Authority's revenue line by \$12,354,221 and to reduce the DIA's payment to the City's self-insurance fund by \$7,353,779 to \$800,000 and reduce the DIA's allocation to Unallocated Plan Authorized Expenditures by \$4,767,152 to \$647,312. It authorizes execution of a third modification of the City's mortgage with VCP-Lynch Building, Ltd. the extend the balloon payment due date by 3 years to 2026 and to increase the interest rate on the mortgage from 1.525% to 3%. The Vestcor Companies, Inc., the guarantor of the loan, is required to acknowledge and consent to the loan modifications in writing. The DIA is designated as the City's oversight agency for the mortgage modifications.

Background Information: In June 2003, the City made a \$17,816,000 loan to VCP-Lynch Building, Ltd to enable it to renovate and convert to residential units the former office building located at the northeast corner of Main and Forsyth Streets, then known as the "Lynch Building" and now known as "11E. The original note had a 20-year term at an interest rate of 1.525% with a balloon payment due in 2023. The mortgage has since been amended several times to provide for reduced monthly payments. The DIA had budgeted for the receipt of the balloon payment in the current fiscal year, but due to current interest rate and market conditions, Vestcor has been unable to sell the building as originally intended to provide the revenue to pay off the mortgage balance. This bill extends the mortgage term for 3 additional years to March 1, 2026 and increases the interest rate on the remaining balance to 3%.

Policy Impact Area: Economic development agreement fulfillment

Fiscal Impact: The bill amends the current year budget to reduce the DIA's revenue line by \$12,354,221 and to reduce the DIA's payment to the City's self-insurance fund by \$7,353,779 and its allocation to DIA Unallocated Plan Authorized Expenditures by \$4,767,152

Analyst: Clements