

Council Auditor's Office

2023-310: Cosentino Cecil Commerce Center Mega Site Development

Project Description:

- Sale of approximately 330 acres (or ~45.8%) of the City-owned Mega Site at Cecil Commerce Center for \$76,000 per acre on 270 acres (approx. \$20.5 million) with remaining 60 acres contributed at no cost as unpermitted wetlands and stormwater construction sites
- Initial Improvements
 - Developer's private capital investment of approx. \$270,000,000 (inclusive of purchase price)
 - Construction of Initial Improvements, including manufacturing facility (approx. 408,000 square feet) and adjacent support areas (approx. 734,000 square feet)
 - Creation of 180 New Jobs with an average annual salary of \$56,594
- Phase II Improvements
 - Developer's private minimum capital investment of \$70,000,000
 - Minimum 300,000 square foot facility
- Minimum 120 combined acre development for Initial and Phase II Improvements

City Incentives/Project Contributions:

- \$12,000,000, 10-year 50% REV grant (solely attributable to Initial Improvements)
- City contribution to the project of \$13.6 million as follows:
 - \$2.5 million towards construction of railroad extension capable of servicing the Mega Site (estimated total cost of \$8,000,000 including grant funding of \$5,500,000 – bill 2023-311)
 - \$3 million towards construction of road extension
 - \$2.5 million towards construction of utility improvements (JEA also providing \$6,000,000 with Developer constructing improvements on behalf of JEA)
 - \$5.6 million towards mitigation of wetlands (previously appropriated by Ord. 2023-212-E)

Summary of Performance Schedule (subject to allowable 1-year extension):

- Commence construction of Initial Improvements by 1/1/25
- Substantial completion of Initial Improvements by 12/31/28
- Installation of machinery and equipment by 6/30/29
- Creation of 180 new jobs by 6/30/29

Exclusive Purchase Option:

- Developer has exclusive option to purchase additional 150 acres (or ~20.8%) of Mega Site abutting the development site
 - Purchase price at 75% of appraised value of parcel which is to include reduction in value based on anticipated cost of wetland mitigation required for development
 - Option extends seven (7) years from date of Substantial Completion of Initial Improvements (out to 12/31/35)
 - Seven (7) annual extensions available to developer at \$150,000 each (out to 12/31/42), provided Developer has completed plans for Option Parcel development
 - Annual extension payments will be applied against purchase price
- Developer must have substantially completed Initial and Phase II Improvements to exercise Option
- Design plans for Option Parcel development must be complete and submitted to OED for review with a minimum anticipated capital investment of \$100,000,000 to exercise Purchase Option

Council Auditor's Office

2023-310: Cosentino Cecil Commerce Center Mega Site Development

Other Significant Details:

- City has right of repurchase if Developer fails to commence construction of development(s) by the dates listed below:
 - Initial Improvements – 1/1/26
 - Phase II Improvements – 1/31/35
 - Option Parcel Development – within two (2) years of closing on Option Parcel
- Once commencement of construction occurs, the City's repurchase right for each phase is terminated
- City and Developer will enter into agreement for maintenance of railroad extension. Developer will be responsible for standard maintenance and repair, with City responsible for capital repairs.

Clawback Language:

- In the event reporting requirements are not met in the time period specified in the agreement, the City will be entitled to withhold disbursement of the REV Grant
- If by 12/31/28, the Developer fails to invest the amounts listed below, the City funding will be reduced by the corresponding amount:
 - Fails to invest at least \$240,000,000 – REV grant reduced proportionately
 - Fails to invest at least \$200,000,000 – REV grant is terminated, and any amounts paid to the Developer will be repaid to the City
- If the Developer fails to create and retain the 180 new jobs at an average wage of no less than \$56,594, the City is entitled to withhold the annual installment of the REV Grant

ROI:

OED calculated an ROI of 1.77 over a 10-year period; however, the ROI does not account for (1) selling the property at possibly less than appraised value (an appraisal was not obtained to determine this), or (2) the value of the 60 acres contributed at no cost as unpermitted wetlands and stormwater construction sites

Things to Consider:

- Developer could construct a project smaller in scope (square footage and capital investment) than proposed. Penalty for loss of REV Grant is related only to reduced capital investment.
- There are no defined commencement or completion date requirements for Phase II Improvements
- Agreement does not address use/intent of remaining parcel (could be +/- 200 acres) after Initial and Phase II Improvements. (Developer would have right to sell this portion of the property upon commencement of construction of Phase II Improvements.)
- Developer holds exclusive right to purchase 150 acres at Mega Site until approx. 12/31/44 (with payment of annual extensions)
- The City could invest dollars and the project not move forward. The City's repurchase right would be available to the City at such time.
- Cecil Field Master Development Agreement Mega Site Requirements (see attached)

Amendments:

1. Attach Estoppel Certificate as an Exhibit, and correct scrivener's in bill
2. Attach Revised RDA to clarify rail extension responsibilities, and correct scrivener's

Bill 2023-310: Cosentino Cecil Commerce Center Mega Site Development

The Master Development Agreement with Hillwood for the Cecil Commerce Center identifies certain requirements that must be met for the City to pursue an economic development opportunity of the Mega Site. The specific requirements are detailed below along with responses from OED for how each requirement is addressed. Hillwood has provided the City with an Estoppel Certificate waiving all claims and rights to contest the company or its development eligibility under the Agreement as a Mega Site End User (estoppel certificate attached).

Mega Site Economic Development Opportunity Requirements		OED Response on what the Proposal Does	OED Response on Does Proposal Meet Standard	Council Auditor Comments
Section	Requirement			
a	Minimum 350 acres of the Mega Site for initial phase of the development	330 acres to be purchased with an option for 150 acres. In total, 480 acres. OED indicated there is not a definition of "initial phase" in the MDDA.	Subject to interpretation	Developer is not required to purchase Option Parcel, and therefore would not meet the minimum 350 acres
b	End user certifies in writing intent to promptly begin construction and development on the portion purchased or leased immediately following closing	Performance Schedule in Agreement states Developer will have 60% engineered design plans by Dec. 31, 2023 and commence construction by Jan. 1, 2025	Yes	Appears reasonable
c	End user certifies in writing intent to operate manufacturing facility on the portion purchased or leased	Cosentino plans to manufacture products at the facility	Yes	Development meets requirement
d	End user certifies in writing that it will pay on average its full time employees used as a criteria for any incentives and employed on the portion of the Mega Site it will purchase or lease an average annual wage of at least 115% of the Florida statewide average wage, as most recently published by Enterprise Florida, Inc. or its successor, at the time of the determination the opportunity qualifies as a Mega Site	Wages are somewhat unknown at this point. The market will dictate that at the time. There is a clawback if 180 jobs are not created with an average wage of at least \$56,594. However, the capital investment is the criteria for a REV Grant, which is the only incentive. There is not a true job based incentive on this project.	N/A	N/A Wages are below the average annual wage of 115% of the Florida statewide average (2023 \$69,202), but it is not used as a criteria for incentives
e	(1) It is contemplated use of Mega Site will generate 1,000 new full-time jobs at portion of Mega Site it will purchase or (2) Estimated capital investment in the Mega Site (or portion it will purchase), excluding purchase price, will total at least \$500 million	Phase I will utilize an estimated 20% - 25% of the 330 acres and has an estimated capital investment of \$270 million. While not certain that a straight line projection would be accurate in estimating the total capital investment, we feel confident the total capital investment will far exceed \$500 million.	Yes	(1) Jobs requirement not met (2) Developer is not required to invest beyond \$270 million for Initial Improvements (can invest \$240 million and still receive full REV Grant)
f	End user is engaged in a "Targeted Industry" as most recently published and defined by Enterprise Florida, Inc. or its successor, at the time of the determination the opportunity qualifies as a Mega Site	Manufacturing is a targeted industry	Yes	Development meets requirement
g	A development opportunity that would not locate in the Mega Site or Jacksonville unless such development opportunity receives incentives offered by the City	This is correct.	Yes	Unable to confirm

A number of the Mega Site Economic Development Opportunity Requirements require the end use to certify in writing as to each requirement. This has not been specifically provided, but by entering into the redevelopment agreement would appear to be met.

ESTOPPEL CERTIFICATE

City of Jacksonville
Office of Economic Development
117 West Duval Street Suite 275
Jacksonville, FL 32202

Re: Master Disposition and Development Agreement ("Agreement") among City of Jacksonville ("City"), Jacksonville Economic Development Commission, and Jacksonville/Cecil Commerce Center, LLC ("Developer") dated September 15, 2010 (the "Agreement"); capitalized terms used herein and not otherwise defined shall have the meaning as set forth in the Agreement.

The undersigned Developer hereby certifies that:

1. The City has delivered to Developer a copy of the Redevelopment Agreement attached hereto as **Exhibit "A"** and incorporated herein by reference (the "RDA") including the terms and conditions of the proposed acquisition by Cosentino Industrial USA, LLC ("Company") of up to 480 acres of the Mega Site that the Company intends to develop as a manufacturing facility. With respect to the transaction described in the attached RDA, Developer hereby knowingly and voluntarily waives all claims and rights to contest the Company or its development eligibility under the Agreement as a Mega Site End User.
2. Developer has read this Estoppel Certificate (this "Certificate") and acknowledges and understands the certifications, representations, and waivers made herein. Developer is executing this Certificate, intending reliance hereon by City. The person executing this Certificate is duly authorized and empowered in all respects to do so on behalf of the Developer.

EXECUTED to be effective on the date this Estoppel Certificate is executed by Developer.

DEVELOPER:

**JACKSONVILLE/CECIL COMMERCE
CENTER, LLC,**

a Delaware limited liability company

By: 

Printed Name: DANIEL C. TATSCH

Title: EVP

Date: 24 APRIL 2023