

RESOLUTION 2022-03-05

A RESOLUTION OF THE DOWNTOWN INVESTMENT AUTHORITY (“DIA”) RECOMMENDING THAT CITY COUNCIL APPROVE A DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM FORGIVABLE LOAN PACKAGE FOR REHABILITATION OF THE BUILDING LOCATED AT 128 W ADAMS ST (THE “PROPERTY”) PURSUANT TO A REDEVELOPMENT AGREEMENT WITH LOTUS COMMERCIAL USA, 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, Lotus Commercial USA, LLC is the owner of the Property and the building located on the Property which has been designated local historic landmark by the Jacksonville City Council in Ordinance 2021-0657 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 34,600 square feet of leasable space as a mixed-use property in the Central Core District of Downtown Jacksonville; and

WHEREAS, the increased private capital investment totaling not less than \$17,710,920 in real property will increase the county ad valorem tax base over the useful life of the assets, will add to the residential and commercial/retail tenancy options in Downtown Jacksonville; and

WHEREAS, the Strategic Implementation Committee of the Downtown Investment Authority (“DIA”) met on March 14, 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

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 **\$7,150,688** 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




W. Braxton Gillam IV, Esq., Chairman

3/16/22
Date

VOTE: In Favor: 7 Opposed: 0 Abstained: 0

Exhibit A:

**DOWNTOWN PRESERVATION AND REVITALIZATION PROGRAM
TERM SHEET**

**FURCHGOTT'S BUILDING
128 W. Adams, Jacksonville FL 32202**

Project: The project comprises the redevelopment of the historic Furchgott's Building in the Central Core District of Downtown Jacksonville utilizing funding through the Downtown Preservation and Revitalization Program ("DPRP").

The building located at 128 W. Adams, RE#073739-0000, is a historic five-story building with basement consisting of approximately 65,000 gross square feet and built in 1907. Upon completion, the building will provide approximately 30,700 square feet of leasable residential living space within 40 proposed residential units and approximately 3,870 square feet of rentable square feet of commercial/retail space on the ground floor. Renovations proposed include, but are not limited to, window replacement, roof repairs, returning three elevators to working condition, replacement of an egress stairwell, providing for ADA accessibility as required, fire alarm, sprinkler system, exterior repairs, and paint.

Developer/ Applicant / Borrower: Lotus Commercial USA, LLC ("Owner")
James and Soo Gilvarry

Total Development Costs (estimate): \$17,970,730

Total Development Costs (as underwritten): \$17,710,920

Equity (proposed): \$2,700,000 (15.0% of Underwritten TDC)

City Funding: No more than **\$1,536,350** (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	\$2,846,162	\$2,874,390	\$1,430,138	\$7,150,688

At this level, the incentive structure and funding under the DPRP will be 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 FOURTEEN MILLION SIX HUNDRED SIXTY FIVE THOUSAND ONE HUNDRED AND FOUR DOLLARS AND ZERO CENTS (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:

Funding Category	Funding Category Minimum
Interior Rehabilitation	\$ 4,367,624
Interior Restoration	\$ 588,000
Exterior	\$ 1,573,868
Code Compliance	\$ 4,628,645
General Requirements/Other	\$ 2,528,525
N/A ¹	\$ 978,442
Total Budget Amount:	\$14,665,104

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 Developer 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 TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS AND NO/100 (\$2,700,000.00) (the “Required Equity”);
- (ii) Total Development Costs incurred of at least SEVENTEEN MILLION SEVEN HUNDRED TEN THOUSAND NINE HUNDRED TWENTY DOLLARS AND NO/100 (\$17,710,920) which shall exclude holding costs, tangible personal property (IT, FF&E), marketing, third party costs for risk management, and loan fees (the “Minimum Total Development Costs”);
- (iii) Total Construction Costs incurred of at least the Total Budget Amount (the “Minimum Total Construction Costs”), and
- (iv) Construction Costs incurred of at least the Funding Category Minimum with respect to each respective Funding Category.

Notwithstanding the foregoing, the required Minimum Total Development Costs of \$17,970,730.00 may be reduced by a maximum of ten percent (10%) overall, as determined by the DIA in its sole and absolute discretion, without affecting Developer’s eligibility for the approved DPRP Loans. Further, 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.

DIA staff shall present to the DIA Board a request for approval of the reduced DPRP Loans consistent with the DPRP Guidelines. The DIA Board 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 \$16,173,657, including Construction Costs incurred of not less than \$12,317,996.

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.
- 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 authority to extend this Performance Schedule, in the CEO's discretion, for up to six (6) months for good cause shown by the Developer / Applicant. Any extensions to the Commencement Date shall have the same effect of extending the Completion Date simultaneously.

Additional Commitments:

- A) The Developer commits to the development of:
 - 1. A minimum of 30,500 square feet of net leasable residential space, and not less than 38 residential unit.
 - 2. A minimum of 3,750 square feet of net leasable commercial/retail space for tenants.
- 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 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 HPRR Forgivable Loans, and CCR Forgivable Loans, the maturity of each of these Forgivable Loan 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 DPRP Guidelines.
- H) Standard claw back 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 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 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 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 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.
- 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) 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).