

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: 5 Opposed: 0 Abstained: 1

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:

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

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:

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

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).