



ONE CITY. ONE JACKSONVILLE.

# City of Jacksonville, Florida

*Lenny Curry, Mayor*

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## PROJECT SUMMARY ARLINGTON APARTMENTS 7820 ARLINGTON EXPRESSWAY

### **Entity:**

Theotokos Holdings, LLC, a Delaware Limited Liability Corporation managed by Kozman Realty, Inc. agent for developer. Marc P. Kozman is co-president of Theotokos Holdings.

### **Background:**

Arlington Apartments is a redevelopment / adaptative re-use of a vacant office building located within a City of Jacksonville Level II Distress Area (Census Tract 155.02). This census tract is also a designated federal Opportunity Zone. The project site 7820 Arlington Expressway is one of the three office buildings constructed within the 20-acre quadrant originally developed in 1975 for Westinghouse's Offshore Power Systems. Presently all three office buildings are vacant, have been vandalized and are without power.

If completed the project will result in the creation of 118 new starter apartment units in the Regency Square / Arlington market area. The proposed project is being developed as market rate apartments with rental rates comparable with other apartment complexes within the Regency Square / Arlington area. The development will consist of 72 one-bedroom, one bath and 46 two-bedroom, one bath units and include modern amenities including maple cabinetry, stainless steel/black appliance package, stackable washer, and dryers in all 118 units. The development cost for the project is \$14,545,000.

Theotokos Holdings, LLC acquired the vacant 6 story, 95,000 square-foot Class C office building on September 26, 2019 at a cost of \$1,200,000. The building was constructed in 1975 and was leased to the FBI until 2009 when they relocated to 6061 Gate Parkway.

Kozman Realty the agent for the developer acquired the building and began demolishing portions of the interior in preparation for the conversion. When acquired in September 2019 the estimated construction cost to convert the building to 118 units of residential was estimated to cost \$6,800,000. Total project cost was estimated to be \$9,925,000. However, since the Covid-19 pandemic outbreak in the spring of 2020 hard construction bids were obtained increasing to \$11,200,000 and a total development cost of \$14,545,000. That factor coupled with credit tightening and ever-changing lending requirements for projects located in older urban areas has negatively affected the financial viability of the project.

The construction cost increases, changing lending parameters and inability to increase market rents has created a financing gap. To close the financing gap the developer is requesting a REV Grant lowering the ad valorem property taxes over the first ten years of operation to obtain the necessary financing to complete the project.

**Project Rationale & Benefits:**

The City of Jacksonville desires to promote growth and revitalization within its Level I and Level II Distressed Areas. This 20-acre quadrant developed originally for Westinghouse Offshore Power Systems adjacent to the Arlington Expressway and Southside Boulevard in the Regency Square / Arlington area is now vacant and deteriorating.

<b>City of Jacksonville Funding</b>	<b>Theotokos Holdings, LLC</b>	<b>Project Goals</b>
REV Grant 75% for 10 years, maximum grant \$820,000.	The Developer proposes to invest \$14,545,000 including a first mortgage of \$11,000,000 and up to \$3,545,000 cash equity.	Redevelop blighted structure in Level II Distress Area and create 118 new market rate rental apartments and stimulate redevelopment of this former office complex. This will result in generating additional ad valorem taxes within this federally designated Opportunity Zone.

Project will generate a positive return on investment for the City of Jacksonville.

A REV grant up to \$820,000 based upon 75 percent of the incremental tax increase over base year taxes. The term will be for ten (10) years. Furthermore, the minimum investment shall not fall below \$11 million or the REV grant will be adjusted to 50%. If the overall investment falls below \$ 9 million, the grant will be terminated.

Due to the nature of this project being a residential redevelopment within a Level II Distress Area, a waiver of the City of Jacksonville Public Investment Policy will be required as the project is not being created for target industry or job creation. The REV Grant percentage of 75% for ten (10) years does fall within the Public Investment Policy for a project located within a designated Level II Distress Area (census tract 155.02) and the private capital investment exceeds \$ 3 million.