

**Downtown Investment Authority
SPECIAL MEETING**

AGENDA

*City Hall at St. James, 117 West Duval St.
Lynwood Roberts Room*

August 14, 2013 – 2:30 PM

MEMBERS:

Oliver Barakat, Chairman

James Bailey, Vice-Chairman

Kay Harper Williams, Secretary

Antonio “Tony” Allegretti, Board Member

Melody S. Bishop, Board Member

Paul Perez, Board Member

Robert Clements, Board Member

Michael Saylor, Board Member

Donald Harris, Board Member

I.	CALL TO ORDER – Chairman Barakat
II.	DISCUSSION - Chairman Barakat
	Finance Committee’s Recommendation to Redefine the Downtown Economic Development Trust Fund
III.	PUBLIC COMMENTS – Chairman Barakat
IV.	ADJOURNMENT – Chairman Barakat
	Next Scheduled Meeting: Wednesday, August 21, 2013 at 5:00 pm – City Hall, Don Davis Room

Staff Distribution:

Ted Carter, Executive Director Office of Economic Development

Paul Crawford, Deputy Director Office of Economic Development

Eric Lindstrom, OED/DIA Staff

Jason Gabriel, Office of General Counsel

DIA Council Liaison, Lori N. Boyer, Council Member District 5

Jack Shad, Public Parking Officer

Michelle Stephens, Recording Secretary

David DeCamp, Public Information Office

Dear,

In March, the Jacksonville City Council passed ordinance 2013-89-E, which allocated \$9,000,000 for economic development downtown. These funds are known as the Downtown Economic Development Trust Fund. Since the passage of 2013-89-E, the Downtown Investment Authority (DIA), with support from the Office of Economic Development (OED) staff, has actively engaged with private developers to identify and evaluate viable downtown improvement projects. Some of these projects are moving forward in earnest. At the July 24th DIA Board meeting, the attached Authorization to Negotiate Letter was approved.

The principal purpose of this Letter is to authorize OED to advance negotiations with developers whose projects are picking up momentum and most importantly, to publically communicate the link between the Downtown Economic Development Trust Fund and the success of these proposed projects. The projects and the methodology used by the DIA and OED are summarized in the Authorization Letter.

In the coming months, OED staff will help the DIA determine the merits of these projects and if warranted and permitted by the DIA, negotiate development agreements that will tap into the Downtown Economic Development Trust Fund.

As outlined in the DIA's enabling legislation, the DIA will rely upon OED staff during a transition period. DIA's responsibilities and independence will increase as DIA's CEO, Aundra Wallace arrives in Jacksonville in several weeks.

DIA's independence will be further enhanced if City Council approves a DIA budget that includes, among other items, funds for additional staff. A proposed DIA budget that contemplates such a scenario will be presented to you in the coming weeks.

Let me emphasize that the DIA and its potential partners in the private sector require a high level of certainty and consistency when it comes to project funding. There has been public dialogue at City Council regarding the proposed sweeping of the Downtown Economic Development Trust Fund in order to help balance the General fund. This dialogue creates a tremendous amount of uncertainty and prevents the DIA from negotiating in good faith with potential private development partners.

I ask that you read the attached Authorization Letter. It will give you a proper understanding of the some of the key projects DIA is working on and will provide you a better understanding of why the preservation of the Downtown Economic Development Trust Fund is necessary.

I am happy to answer further questions regarding this matter either via phone or in person at your office.

I sincerely appreciate your support of downtown and I look forward to working with you in the future to move our Downtown forward.

Sincerely,

Oliver Barakat
Chair, Downtown Investment Authority

cc: Councilwoman Lori Boyer, as liaison to the DIA

**Office of Economic Development
Support to the Downtown Investment Authority**

**Authorization to Negotiate and Engage on Various Downtown Projects
Project Narrative – July 24, 2013**

Background

Since October 2012, following the establishment of the DIA, nine board members were confirmed. The DIA Board began the process of enacting by-laws, establishing officers, and developing an understanding of the various plans that had been developed over the past 13 years to include:

- Downtown Master Plan
- Downtown Action Plan
- Public Investment Strategy
- The IBM Smarter Cities – Downtown Strategy document

In late March 2013, the Mayor introduced an opportunity to fund downtown projects through the allocation of \$9 million of bond debt savings. After considerable debate and conversation, bill 2013-89-E was approved by City Council. This ordinance provided the basis for City participation in projects that had been developed but lacked adequate private capital funding to implement.

Three formal standing committees were formed: the Downtown Economy Committee, the Downtown Environment Committee and the Downtown Experience Committee. Each of these committees was assigned a focus and began meeting regularly. Other issues such as the Downtown Redevelopment Plan and Hemming Plaza were assigned individual committees to ensure a focused approach. Concurrent with these actions, the DIA Board began an executive search and in late June announced the hiring of a Chief Executive Officer.

\$9 Million Funding

Since the City Council's approval to fund downtown projects in March of 2013, the Office of Economic Development (OED), as staff to the Downtown Investment Authority, has been presented with an increased number of conceptual development plans located in downtown. During the past four months, OED has had the opportunity to meet with a number of local and national development teams to gain a better understanding of their proposed project and the downtown real estate market. It has become apparent that the real estate market demand in Jacksonville is lagging. This is evident in the retail and office vacancy rates; and conversations with the real estate brokerage community as well as institutional and private investors. In order for Jacksonville to engage the development community in the redevelopment of downtown, it is important to recognize that City funding will be required to potentially subsidize development cost given market conditions. The funding necessary to implement significant transformation will be far more than the \$9 million funding dedicated in the Downtown Economic Development

Trust Fund and the balance of \$5.3 million in the Historic Preservation Trust Fund. Considering this reality, the OED has developed criteria for evaluating the merits of projects presented to our office and the DIA.

Criteria for Evaluating Proposed Projects

In the Downtown Master Plan and Downtown Action Plan, as well as the work of the DIA's Downtown CRA Committee (which is charged with the update of the Redevelopment Plan and the creation of a Business Investment Plan), four very basic objectives continue to be building blocks for the redevelopment of Downtown. These four objectives are:

- Improve Walkability
- Make Downtown a Destination
- Make Downtown a Neighborhood
- Ensure a Framework for Sustainable Success
- Increasing the tax base of Downtown

Considering these objectives, the Downtown Investment Authority (DIA) meetings, individual DIA Board member's input and the various planning documents created, the Office of Economic Development (OED) staff has developed ten criteria for the DIA to weigh in consideration of projects presented to them. The criteria are:

1. Catalytic project for downtown by spurring additional development activity and ensuring 24/7 pedestrian activity.
2. Developer/project readiness to commence.
3. Emphasis on residential, mixed use development, ground floor retail and job creation.
4. Ratio of private capital investment to public investment
5. Historic preservation, conversion of dilapidated buildings into productive use.
6. Branding and Marketing Downtown.
7. Enhancement of the Downtown Experience.
8. Linkage and support to other downtown venues, destinations and projects.
9. Creates an opportunity for future growth and development.
10. Removes environmental contaminants/obstacles for development
11. Potential tax revenue

Proposed Projects

In order to develop a short term strategy for investing the \$9 million allocation granted to the development and redevelopment of Downtown, the OED staff has considered several proposed projects presented over the past four months. These proposals are in various stages of project development. These potential projects have included proposed partnerships with the City. Several presentations requested funding from both the \$9 million Downtown Economic Development Trust Fund and the Historic Preservation Trust Fund. Upon preliminary analysis of each of the projects presented to the OED, it has become apparent that the funding requests will

exceed the available funding. **Therefore, the OED staff is requesting authorization from the Downtown Investment Authority Board to begin detailed and comprehensive negotiation/review with certain specific proposals.** These proposals meet several of the aforementioned objectives and criteria. Furthermore, these proposals have demonstrated in their presentations a preliminary financial model and a reasonable implementation schedule to complete their project. However, the proposals lack the detail necessary to draft a development agreement or legislation. It is expected that these projects, given direction, may have detailed requests that can result in a redevelopment agreement by October 1st. The projects include, but are not limited to:

▪ **The Laura Street Trio:**

This proposed project is a mixed use development located along Laura Street bound to the north by Adams Street and to the south by Forsyth Street. The conceptual proposal meets several of the criteria referenced above including:

1. Catalytic project for downtown by spurring additional development activity and ensuring 24/7 pedestrian activity.
2. Developer/project readiness to commence.
3. Emphasis on residential, mixed use development, ground floor retail and job creation.
4. Historic preservation, conversion of dilapidated buildings into productive use.
5. Enhancement of the Downtown Experience.
6. Linkage and support to other downtown venues, destinations and projects.
7. Creates an opportunity for future growth and development.

▪ **Downtown Beautification, Infrastructure, Retail Enhancement:**

These projects include basic reinvestment by the City in the publicly owned infrastructure. Many of these elements are included in the Downtown Action Plan as supported by the Downtown Pedestrian and Open Space Action Plan. The conceptual projects are congruent with the criteria referenced above including:

1. Developer/project readiness to commence.
2. Branding and Marketing Downtown.
3. Enhancement of the Downtown Experience.
4. Linkage and support to other downtown venues, destinations and projects.
5. Proactively discuss with developers and retailers and DVI (beautification)

▪ **Old Main Library Redevelopment:**

This proposed project is a mixed use development located between Main Street and Ocean Street bound to the north by Adams Street and to the south by Forsyth Street. The conceptual proposal meets several of the criteria referenced above including:

1. Catalytic project for downtown by spurring additional development activity and ensuring 24/7 pedestrian activity.
2. Developer/project readiness to commence.
3. Historic preservation, conversion of dilapidated buildings into productive use.
4. Enhancement of the Downtown Experience.
5. Linkage and support to other downtown venues, destinations and projects.

6. Creates an opportunity for future growth and development.

▪ **Lavilla/Sax Seafood Development Site:**

This proposed project is a mixed use development located between Beaver Street and Union Street immediately adjacent to the Ritz Theater. The conceptual proposal meets several of the criteria referenced above including:

1. Catalytic project for downtown by spurring additional development activity and ensuring 24/7 pedestrian activity.
2. Emphasis on residential, mixed use development, ground floor retail and job creation.
3. Developer/project readiness to commence.
4. Enhancement of the Downtown Experience.
5. Creates an opportunity for future growth and development.

▪ **Shipyards:**

This proposed project is a mixed use development located along Bay Street along the St. Johns bound to the east by Metropolitan Park and to the west by Berkman Plaza phase II. The conceptual proposal meets several of the criteria referenced above including:

1. Catalytic project for downtown by spurring additional development activity and ensuring 24/7 pedestrian activity.
2. Emphasis on residential, mixed use development, ground floor retail and job creation.
3. Enhancement of the Downtown Experience.
4. Linkage and support to other downtown venues, destinations and projects.
5. Creates an opportunity for future growth and development.
6. Removes environmental contaminants/obstacles for development.

▪ **Bostwick Building**

This project is proposing to bring a historic building located at Ocean and Bay Street at the base of Main Street back to a productive use. It will complement the entertainment district venues and become an iconic venue for downtown.

1. Developer/project readiness to commence.
2. Historic preservation, conversion of dilapidated buildings into productive use.
3. Enhancement of the Downtown Experience.
4. Linkage and support to other downtown venues, destinations and projects.

Recommended Action

Considering the discussion above and in an effort to present an interim strategy for investing the \$9 million allocation granted to the development and redevelopment of Downtown, the OED staff requests authorization from the Downtown Investment Authority Board to begin detailed and comprehensive negotiation with the five specific projects listed above. OED staff will work collaboratively with the recently hired DIA Chief Executive Officer upon his arrival. Furthermore, the OED requests that staff be authorized to consider the combination of funding

utilizing the Downtown Historic Preservation Trust Fund in the amount of \$5.3 million. This combination of funding sources may be required to ensure the completion of one or more of these projects.

Upon the Downtown Investment Authority's (DIA's) approval of the OED to negotiate in earnest with the project representatives and develop project costs for Downtown Beatification and Infrastructure Projects pursuant to the Downtown Action Plan, the OED staff will present detailed project funding requirements and project recommendations to the DIA for approval. These detailed projects will include private capital investments, funding needs, incentive requests (including sources) and timing of implementation. This information will be presented in resolution form that includes a development agreement and suggested legislation with the goal to have it approved by DIA prior to October 1, 2013.

**Finance Committee Budget Hearing #2 Minutes (portion of)
August 9, 2013 @ 9:00 a.m.**

Downtown Northbank Tax Increment District

Mr. Sherman noted that the Finance Department is looking at the option of purchasing the MPS downtown parking garages (courthouse and Sports Complex) at a cost of \$52 million; the price would escalate to \$60 million if not purchased by December 31, 2013. His office believes the proposed allocation for the operating subsidy for the MPS garages is underbudgeted and recommended an increase of \$1,033,547. Paul Crawford of the Office of Economic Development said that MPS is projecting a larger subsidy need as well.

Motion (Schellenberg): on p. 35, increase the City subsidy amount for the Urban Core/Courthouse parking garage by \$467,775 – **approved unanimously.**

Council Member Boyer asked several questions about the existence of current fixed obligations for the use of tax increment funds. Mr. Sherman said that his staff and the Office of Economic Development believe that there are no hard and fast obligations attached to the funds, but there are historical precedents about how they have been used to this point. Ms. Boyer believes the City Council needs to make clear to the Downtown Investment Authority what is expected of them in terms of utilizing the TIF funds.

Downtown Vision Inc.

Motion: on p. 41, approve the Council Auditor's recommendation to revise Budget Schedules AD and AE to correct a \$46 error in the personnel services expenses for DVI – **approved unanimously.**

Terry Lorraine, Executive Director of DVI, expressed the belief that momentum for downtown is steadily building, and DVI is excited about the prospects for more progress when the Downtown Investment Authority's new director is hired and the downtown redevelopment plan is formulated.

In response to a question, Paul Crawford stated that up to 10% of the revenues of the two downtown TIFs (if available) may be utilized by the DIA for operational expenses. The Southbank TIF produces a positive revenue stream, while the Northbank TIF runs at a deficit given the uses to which it is being put. In response to another question Mr. Sherman indicated that none of the \$11 million in bond refinance savings allocated by the City Council earlier this year (\$9 million for downtown development projects, \$2 million for citywide economic development) has been allocated or spent yet. Mr. Crawford stated that the DIA must seek appropriation from City Council at this point before the funds can be utilized. After a downtown redevelopment plan has been approved by Council, the DIA may be authorized to utilize the money on its own authority to fulfill the plan.

Motion (Clark): appropriate the \$11 million in bond refinance savings (Ordinance 2013-89-E) into a designated special council contingency account in the General Capital Projects Fund 322.

DIA board member Mike Saylor requested the committee to leave the \$11 million in its current account(s), where it already cannot be used without City Council appropriation. He indicated that the presence of the \$9 million earmarked for downtown development is already generating a positive buzz and is stimulating interest in downtown.

Motion (Schellenberg): to call the question – **approved.**

The Clark motion was **approved 4-3** (Anderson, Crescimbeni and Joost opposed).

Council Member Holt stated that he had asked for a legal opinion from the OGC regarding order of precedence for use of TIF funds if there are multiple projects. He has a road project to which he hopes to direct JIA CRA funding, but needs to know if debt service takes precedence over construction as a use of the TIF funds.

DOWNTOWN INVESTMENT AUTHORITY
Special Meeting

City Hall at St. James
 117 West Duval St., 1st Floor
 Lynwood Roberts Room

Wednesday, August 14, 2013 - 2:30 p.m.

SIGN IN SHEET

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