



JEDC General Meeting
City Hall, 4th Floor (Suite 400)
Mayor's Large Conference Room
Thursday, May 13, 2010 – 9:00 a.m.

MEETING MINUTES

Commissioners Present: Chair Z. Boulos, B. Ezell, J. Meeks, B. Moore, and R. Shoemaker

JEDC Staff Presenting: Ron Barton, Karen Nasrallah and Jorina Jolly

Representing Office of General Counsel: Juliana Rowland and John Germany

I. CALL TO ORDER

Chair Boulos called the meeting to order at 9:00 a.m.

II. ACTION ITEMS

APPROVAL OF THE APRIL 14, 2010 JEDC MEETING MINUTES

THE APRIL 14, 2010 JEDC MEETING MINUTES WERE APPROVED UNANIMOUSLY 5-0.

DVI BUDGET AND WORK PLAN – Karen Nasrallah

Ms. Nasrallah provided an overview of Downtown Vision, Inc. (DVI) Budget and Work Plan for fiscal year 2010/2011. Ms. Nasrallah advised that next year in addition to the Commission approving DVI's Budget and Work Plan they will also be asked to approve the reauthorization of legislation and their new enhanced municipal enhanced agreement. In addition, it was noted that DVI's budget is submitted to City Council for review and approval.

Ms. Nasrallah introduced Ms. Terry Lorince, DVI Executive Director. Ms. Lorince provided the following information relative to the operations, accomplishments and future objectives for DVI.

The following were relative comments from the Commission:

- Commented that there have been conversations about UNF moving their arts department downtown and/or other educational facilities moving downtown.

Ms. Lorince replied that there is a lot of interest in trying to get schools, but she was not aware of anything specific. UNF is downtown with MOCA, clearly there is a desire to get more schools to locate downtown.

- Referenced that there have been conversations about Modis and one of the insurance companies leaving downtown asked if that has or is going to happen for one or both of them.

Mr. Barton replied that they have not announced anything yet, but the conversations suggest that their short list is suburban only.

- Asked if the company from St. Louis (SSE) has made a decision to locate downtown yet?

Ms. Ballas responded that they have not decided on a location yet, but they are considering two sites located downtown.

- Asked what group would initiate a study analysis to totally remove parking meters from downtown.

Mr. Barton replied that the parking meters are City owned assets and any discussion about that would relate to the Parking Division of the City and what the implications would be. He added that it is an enterprise fund so it is a revenue stream for the City adding that any decision on that subject has a budgetary implication.

- Asked if the JEDC could study the subject and vote up yes or no to propose to the City.

Mr. Barton suggested that the subject be considered as an item of discussion for a future workshop. He added that removing parking meters allows for permanent parkers whereas the purpose of parking meters is to turn the market place. Some see it as an inhibitor to consume the market, but the unintended consequence of it and that is why you see parking meters in just about all downtowns in the United States isn't just because they are greedy and want money, it is because it is an inherent demand shifter in the market place.

- Commented that we have got to clearly look at things differently than we have been looking at them.

Ms. Lorince commented regarding the parking issue that they are addressing with the bars and artist in downtown a lot of these issues.

- Asked what the analysis has been of the total property taxes collected by the City on the buildings in the core versus what is spent by the City in the core.

Ms. Amy Harrell with DVI replied that the entire downtown has approximately \$15,000,000 in advalorem taxes, about 3.2% of the total advalorem collections for the City. The bid area itself makes up \$9,000,000 of that. She added that they have never been able to get a good handle on how much is spent in downtown and that answer did not include the non advalorem assessment for Downtown Vision.

- Commented that part of the issue with getting budgets through is a sales issue. Our Council is full of constituents who want the money spent in their area and the perception is that we are throwing money at downtown when in reality; downtown generates a lot of money that is spent elsewhere. Getting that message and how we get that message across is an important part of the sales issue to get the budget. Encouraged everyone to dive into what the net is

received and spent downtown versus what downtown is contributing to the rest of the City. Thinks that downtown is sending money out versus getting the fair share of return to support the area. Commented that DVI is underfunded adding that downtown is funding the City, but not getting their portion back to maintain what needs to be maintained.

The group continued to talk about issues, ideas and suggested resolutions for the downtown area.

A MOTION WAS MADE BY COMMISSIONER SHOEMAKER AND SECONDED BY COMMISSIONER MEEKS AUTHORIZING A RESOLUTION OF THE JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION (“JEDC”) SUPPORTING THE FIFTH YEAR RE-AUTHORIZATION OF AN ASSESSMENT FOR CERTAIN COMMUNITY ENHANCEMENTS IN THE DOWNTOWN AREA MANAGED BY DOWNTOWN VISION INC. AND PROVIDING AN EFFECTIVE DATE. THE MOTION PASSED UNANIMOUSLY 5-0.

SHANDS HEALTHCARE FACILITIES REFUNDING REVENUE BONDS – Jorina Jolly

Ms. Jorina Jolly provided an overview of the Shands Jacksonville Properties, Inc. (formerly Methodist Medical Center, Inc. et al) Healthcare Facilities Refunding Revenue Bonds requesting that the Commission consent to the change of the Remarketing Agent from Sun Trust Capital Markets, Inc. to TD Bank, N.A.

A MOTION WAS MADE BY COMMISSIONER SHOEMAKER AND SECONDED BY COMMISSIONER MOORE AUTHORIZING A RESOLUTION OF THE JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION CONSENTING TO CHANGES RELATED TO THE ISSUER’S OUTSTANDING HEALTHCARE FACILITIES REFUNDING REVENUE BONDS (METHODIST REFUNDING PROJECT) SERIES 2005, ISSUED IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF \$47,260,000; AND PROVIDING AN EFFECTIVE DATE. THE MOTION PASSED UNANIMOUSLY 5-0.

HALLMARK PARTNERS, INC. – Karen Nasrallah

- **First Amendment to Allocation of Development Rights Agreement (Phase II)**
- **Second Amendment to Purchase and Sale and Redevelopment Agreement**
- **Second Amendment to Infrastructure Costs Disbursement Agreement**

Ms. Nasrallah suggested that before she got into the agreements and amendments before the Commission for review and approval she would frame up the moving parts involved in the project. She had a visual presentation board at the meeting that she referred to while explaining that the Hallmark project is a multi-phased mixed use project located in Brooklyn. She then explained the overall project.

Mr. Barton reminded, because not all of the Commissioners were here during 2007, that the project was a 2007 development agreement between Hallmark and the City, a mixed use development. The City's core piece of the relationship is infrastructure, roads, water, and sewer, all of the things that are deficient in that portion of the Brooklyn neighborhood. The other reason that the JEDC got involved beyond the infrastructure component was a stormwater system that we could take from FDOT and use because it was not near capacity. The city would reconfigure the system and build stormwater capacity for not only Hallmark, but a number of projects that could happen in that area. Also to take a low amenity stormwater system that FDOT typically does and not only get capacity to enhance development, but build a City park around it.

Mr. Barton summarized that there will be a City park around a much different configured stormwater system, greater stormwater capacity and enhanced development and core infrastructure, which is what the City should do.

- Commissioner Moore asked if the FDOT issue was finalized.

Mr. Barton responded that they are in the process of working with FDOT adding that one of the proposed amendments today is to amend the timeline because they have had a protracted discussion with FDOT about how to finalize all of that. That is one of the motivations for the timing amendment as well and of course the economy.

Ms. Nasrallah walked the Commission through the three Amendments.

First Amendment to Allocation of Development Rights Agreement

Will allow Hallmark to transfer hotel development rights to a hotel developer that the Executive Director of the JEDC approves with criteria for determination which is based on the developers experience and the successful management of a hotel as well as their demonstrated financial abilities.

- Chair Boulos asked that if the Executive Director does not like the hotel they do not transfer the rights.

Mr. Barton replied that it really comes down to qualifications and expertise. Mr. Barton noted that Alex Coley was present and will have an opportunity to talk about who they are dealing with, and why they feel comfortable. Mr. Barton commented that they are not ready to sign the agreement yet that is why we are not assigning it today to the hotel developer, but we are giving them the right to do so because we never necessarily anticipated that Hallmark would be the exclusive delivery agent, but they were the one they negotiated with at the time. The safeguard is that we get to see if they are qualified, feel comfortable with them and then make the assignment.

Second Amendment to the Redevelopment Agreement

Ms. Nasrallah reviewed the proposed changes as outlined on page 2 of the memo provided to the Commission dated May 13, 2010.

Mr. Barton added that when they negotiated there was anticipation on the developer's part and our part that they would move forward with the office building and that would be the trigger for us to start our infrastructure. However, as it turns out, more than likely they are going to start concurrently, but they know with their conversations with the hotel developer that it is likely to launch first. At the time, we had a start here, we'll do this, well as it turns out it is probably going to start here and we will do this (it is really immaterial), but the details of the contract were very specific. (Mr. Barton is referencing the visual presentation board of the Brooklyn project area). Basically, whether they start here, or they start there it will be the trigger for us to start our infrastructure. The timing issue speaks for itself. Hallmark has a responsibility along with the City for certain obligations in the agreement; the hotel will eventually be assigned the development rights only. It is making clear that they are stepping in for development rights, but they are not stepping in for all of the obligations that are between the City and Hallmark. It is a clean up in the document to ensure yes, the hotel is getting development rights so they are a party in the agreement that way, but they assume no other responsibilities.

- Commissioner Shoemaker asked once they assign the development rights what responsibility or liability does Hallmark have? Is it just to the parking at 200 Riverside?

Mr. Barton replied that none of Hallmark's obligations or responsibilities are diminished it's just that now Hallmark has a partner to do a hotel.

Mr. Germany added that one additional change is that there is a minimum capital requirement by the developer, which allows the hotel developer's contribution to count towards that.

- Commissioner Shoemaker asked when the pond would be developed.

Ms. Nasrallah responded that the new commencement date, if approved by the Commission is August 1, 2010 with a completion date of July 31, 2011.

- Commissioner Shoemaker commented that the pond is not tied to the commencement of the construction.

Ms. Nasrallah agreed stating that the pond will start regardless.

- Commissioner Moore asked if the design of the pond had changed.

Ms. Nasrallah replied that the design of the pond will be the same as when the Commission first approved it. It is reconfigured in its current state when you drive down Riverside Ave. now.

- Chair Boulos asked if the pond was bigger than its current state or the same.

Mr. Barton replied that currently there is basically a round pond that sits out there and this is consistent with the documents. The configuration was to reduce the actual geographic area of the pond so that you can see that it is actually a full circle, but it will be dredged and deepened with a retaining wall so the capacity actually increases, but the geography used decreases. Mr. Barton added that the design plan calls for a courtyard and an informal amphitheatre setting that really makes the park which you can traverse in its entirety on the property and then have a plaza area that will connect to the hotel, which goes in this spot (referring to a drawing), so office building, hotel, and a third phase that Hallmark would do later. It's not just infrastructure, but it's integrating a stormwater park concept as a part of an integral public plaza to a development. 1A is basically the pond work. Once they start vertical, we start the finishing of the amenity, which is the park, but doing the pond this way creates capacity and value for us. We are certainly very hopeful in moving forward and expect to, but that is why we are willing to go ahead and do the pond configuration now because it creates more value irrespective.

- Commissioner Moore added that this area is also one of the main entrances to downtown.

Mr. Barton concurred adding that with Forest Street we now have a completely front door to downtown that we did not have before.

- Chair Boulos added referencing the Downtown Action Plan that once the Fire station is removed people from the hotel can walk across the street to the riverwalk and head to Bay Street creating more energy and connectivity with downtown.
- Commissioner Shoemaker asked if there was a date certain that if they fail to commence that the whole thing is terminated.

Mr. Alex Coley, President of Hallmark Partners commented that they are not interested in signing over development rights to someone who does not own the property. They are establishing a new entity (the hotel entity). (Referring to a drawing). There is the 200 Riverside Office building here, the select service hotel here, and the third phase (the Hallmark retail and office space here). Currently the development rights are invested with Hallmark that we're speaking to.

Mr. Coley advised that they are setting up a new entity and will invest that new entity with the development rights and at the closing with the hotel developer they will actually buy that entity. If they don't buy that entity they stay with the new entity and the new entity is a Hallmark affiliate, which you already have on the hook for all of the liability associated with it. We just wanted to codify that we are establishing this entity, we are investing this entity with the hotel development rights and we wanted to put you all on notice that these developers, which by the way are a multi-billion all equity company. They have no entity level debts, not subject to any kind of financing with one of a kind in the world really in this environment that does not require any kind of bank financing and we could not be more proud of them.

Mr. Coley advised that the hotel developer offered to buy the site from Hallmark last July. In the course of the last year Ron and Karen have been working with Hallmark and the FDOT to work out the easement issues related to the drainage with the FDOT pond. They steadfastly stood by us through this process and actually made a written offer to buy the property in late 2009, but we were unable to execute it because we were in default of the agreement, we are out of compliance on the start date, and don't have some loose ends wrapped up with FDOT. Mr. Coley added that it is his understanding from Mr. Barton that the project will be on the City Council's calendar for next week and that will have that issue behind us in the month of June definitely and then will be able to proceed with the hotel developers who have been very patient with us as we have worked through some issues that frankly we did not need to involve them in.

Mr. Coley for clarification commented that it was somewhat categorized that this third building was some nebulous something or other adding that they plan to construct that concurrent with everything else. Their desire is that they start construction in the third quarter of this year on the entire project and that the entire project is complete by the end of 2011. There are not any contingencies removing this second building; this is a cash project as well and there is not any bank financing involved. The office building is currently 80% leased. We have a bank financing commitment from Wells Fargo Bank with a few things to work out, which he is sure they will work out. Mr. Coley commented that the project is ready to go.

- Commissioner Shoemaker asked if there was a time certain that they have to commence construction unless they purchase Hallmark's new entity.

Mr. Coley replied that the way their deal worked out is that they will not want to close until they have a building permit, so we will not be transferring title to the entity until they are actually ready to go. Hallmark will come to Mr. Barton for approval, here's the building permit, here's the plans we are ready to have a closing, you sign this transfer and we will close tomorrow and start the next day.

Mr. Germany added that the allocation agreement provides that the rights revert to the City if a permit is not obtained by the DRI expiration date or the extended expiration date. The current DRI expiration date is December 31, 2010. He added that he believes the JEDC is working an extension for 2015.

Mr. Barton added that all of their development agreements are worded with expiration dates on the rights so that they are not indefinite. Mr. Germany added that is on the hotel portion. On the office portion they have three years from December 31, 2007 to begin.

- Commissioner Meeks referencing that the office building is 80% leased asked when they intend to start the office building project. Mr. Coley replied as soon as practical after all issues are resolved with FDOT.
- Commissioner Meeks asked if the tenants were local or more from out of town. Mr. Coley replied that they were local. Mr. Coley added that it is a commitment that these folks have made to the neighborhood. You will find as time goes by that this project is the cornerstone

project in the redevelopment of Brooklyn with the combination of the City infrastructure (sewer, water, electric, etc.). Mr. Coley advised that they transferred title of the pond to the City in 2007, practically for less than it cost them to deal with the City in legal fees in anticipation of this development. He added that the pond handled all of their retention requirements they did not need that, but they were anxious to give it to the City to make a reasonable retention pond with the agreement that the City would improve it in a way. It is currently a typical retention pond that you see in the suburbs and totally inappropriate for a location like this and completely done in a fair way for FDOT.

- Chair Boulos asked Mr. Coley if they were expecting a three, four or five star hotel. Mr. Coley responded that it is select service hotel similar to Marriott Courtyard.

Second Amendment to Infrastructure Costs Disbursement Agreement

Ms. Nasrallah reviewed the proposed changes as outlined on page 2 of the memo provided to the Commission dated May 13, 2010.

A MOTION WAS MADE BY COMMISSIONER MOORE AND SECONDED BY COMMISSIONER SHOEMAKER APPROVING AMENDMENTS TO AGREEMENTS BETWEEN THE CITY OF JACKSONVILLE, THE JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION (“JEDC”), AND HALLMARK PARTNERS, INC. PERTAINING TO HALLMARK’S PROPOSED OFFICE AND COMMERCIAL DEVELOPMENT IN THE BROOKLYN AREA OF DOWNTOWN JACKSONVILLE, FOR THE PURPOSE OF EXTENDING THE PERFORMANCE SCHEDULE IN THE AGREEMENTS AND MAKING CERTAIN OTHER TECHNICAL CHANGES THAT DO NOT INCREASE OR AFFECT THE FINANCIAL OBLIGATION OF THE CITY OR JEDC; AUTHORIZING THE EXECUTIVE DIRECTOR OF THE JEDC, OR HIS DESIGNEE, TO EXECUTE AND DELIVER DOCUMENTS AND TAKE FURTHER ACTION TO EFFECTUATE THE PURPOSE OF THIS RESOLUTION; PROVIDING AN EFFECTIVE DATE. THE MOTION PASSED UNANIMOUSLY 5-0.

III. INFORMATION/DISCUSSION ITEMS

Mr. Barton provided a brief update on a recent trip he made to Greenville, SC with the Chamber.

IV. OLD BUSINESS

No old business was discussed.

V. NEW BUSINESS

No new business was discussed.

VI. PUBLIC COMMENTS

There were no comments from the public.

VII. ADJOURNMENT

There being no further business, Chair Boulos adjourned the meeting at 10:29 a.m.

The next JEDC General Meeting is scheduled for Thursday, June 10, 2010 at 9:00 a.m.

Witness

Jacksonville Economic Development Commission

Print Name: _____

Zimmerman Boulos, Chairman

Print Name: _____

Vote: **In Favor:** __ **Opposed:** __ **Abstained:** _