

**OFFICE OF THE CITY COUNCIL**

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**CITY COUNCIL LUNCH AND LEARN MEETING MINUTES**

**“THE DISTRICT” SOUTHBANK PROJECT**

**Lynwood Roberts Room, 1st floor, City Hall**

**117 W. Duval Street**

**April 4, 2018**

**12:15 p.m.**

**Location:** Lynwood Roberts Room, 1st floor, City Hall – St. James Building; 117 West Duval Street

**In attendance:** Council Members Lori Boyer, Danny Becton, Anna Lopez Brosche, John Crescimbeni, Tommy Hazouri, Matt Schellenberg, Greg Anderson (arr. 12:24), Bill Gulliford (arr. 12:26), Reginald Gaffney (arr. 12:30)

**Also**: Cheryl Brown – Council Secretary/Director; Jeff Clements – Council Research Division; Emerson Lotzia and John Sawyer – Office of General Counsel; Kim Taylor and Heather Reber – Council Auditor’s Office; Aundra Wallace, Guy Parola and Tom Daly – Downtown Investment Authority; Tom Fallin – Public Works Departmenet

See attached sign-in sheets for additional attendees.

**Meeting Convened**: 12:17 p.m.

Council Member Boyer convened the meeting and described the several handouts, some of which are provided in response to questions raised at the previous meeting. She asked that all questions be held until the end of the PowerPoint presentation.

The two projects comprising The District are: 1) the capital improvements (infrastructure) that facilitate the private development in the Community Development District (CDD) and 2) the public (park and Riverwalk) space and related infrastructure. The CDD infrastructure will be funded by CDD bonds issued by the developer and will be repaid solely by the assessment on the CDD properties until vertical construction is completed, after which the REV grant will also provide a portion of the debt service. Neither the City nor DIA are liable for security or debt service on the bonds. Ms. Boyer compared the Recapture Enhanced Value (REV) grant for this project (75% of increased taxes for 20 years, beginning with the issuance of the first Certificate of Occupancy) with other City-incentivized projects, stating that the percentage and length are in line with prior major projects. With regard to the public space improvements (several parks, bulkhead and Riverwalk extension, Southbank loop trail, boating facilities), she said that the funding from the Southbank CRA from existing development is sufficient to pay the new obligations before any new development of The District takes place. Although CRAs are permitted by state law to issue bonds for repayment with the tax increment revenue stream, the City administration is not comfortable with that approach. Therefore the City General Fund will make a cash advance to the CRA for the improvements and will be repaid over 15 years with 2.66% interest. The loan could be repaid in less than 15 years if CRA projects do not use the full amount of tax increment revenues annually, meaning that more could be used to pay off this loan more quickly.

Ms. Boyer discussed the timeline for the project approval and construction, beginning in April 2018 with a decision by the DIA board to approve the deal. The creation of the CDD will take at least 7 months once the purchase of the property by the developer from JEA closes in July. The CDD would be created in early 2019 and then would have to competitively bid the construction contracts for the infrastructure to determine the amount of bonds that need to be issued to pay for the project. Transfer of the public space property from the developer to the City would take place when the bonds have been issued, likely the fall of 2019, and total infrastructure construction is expected to take 3 years in total, but some vertical development can take place before all of that horizontal construction is complete.

Questions and Answers

Council Member Schellenberg felt that the process has been unfair since the beginning, since the deal as now proposed is completely different than what was in the original JEA RFP. Had the current deal structure and incentives been advertised at the beginning, the developer responses may have been very different and the JEA could have been offered considerably more for the property. DIA Executive Director Aundra Wallace said that the DIA and City were not involved in the RFP process; the JEA owns the property, issued its own RFP, and granted deadline extensions to achieve its desired purpose. Council Member Boyer explained the benefit to the general public from the improvements to be provided with the Southbank CRA’s tax increment funding. In response to a question, Mr. Wallace explained the rationale for the difference between the 6.25% interest rate on the CDD bonds and the 2.66% interest rate on the City’s loan to the Southbank CRA that he negotiated with the City administration. He said that the developer’s total exposure in the project is $56 million for the CDD bonds principal and interest, $18.6 million for the purchase of the property from JEA, and $2.5 million in project development costs, plus any cost overruns.

In response to a question from Council President Brosche about a comparison of City incentives to other projects in terms of a percentage of the total project cost, Mr. Wallace cited the Barnett Bank/Laura Street Trio project which received incentives totaling about 20% of the project cost. Ms. Brosche asked for the total project cost for the several incentivized projects shown in the handouts so that she can calculate percentages of public assistance to the various projects. Mr. Wallace said that his calculation of the percentage of public investment in the project excludes the value of the public infrastructure costs. In response to another question Mr. Wallace described the type of financial information he requires from the developer for underwriting purposes on the deals (pro forma financials, information from the developer’s lender, etc.), which will be available to council members and the Council Auditor’s Office.

In response to a question from Council Member Hazouri, Mr. Wallace said that the Southbank CRA is in a healthy financial position while the Northbank CRA’s are not. He hopes that this project could be a model for future private investment in projects on the Northbank that might help to jumpstart revitalization on that side of the river.

In response to a question from Council Member Anderson about the Return on Investment calculation in the handouts, Tom Daly of the DIA explained the rationale for including tourist development taxes as a public benefit, despite the fact that the use of the funds is restricted to certain purposes that may not relate to this project. Council Member Boyer said that the ROI calculation is the standard calculation set out in the City’s Public Investment Policy. In response to another question about development timing, Mr. Wallace said that the infrastructure development will progress from west to east and that vertical construction on the west end could begin while infrastructure work on the east end is still underway. Ms. Boyer pointed out that no vertical construction will occur before the CDD bonds are issued, and once those bonds are issued the developer begins incurring expenses and has financial obligations for the bonds so they have a great incentive to start vertical development quickly. She also noted that the length of the REV grant is limited, so the earlier the developer gets construction underway, the greater the potential revenue that can be derived from that source. The longer it takes to complete buildings and get them on the tax rolls (as of January 1 each year), the smaller the annual grants and the smaller the total potential payout by the end of the REV grant period.

Ms. Boyer said that she did not see the need to hold another of these noticed meetings, but she and Mr. Wallace are available to meet individually with council members to answer any questions and provide further information.

**Meeting adjourned:** 1:13 p.m.

Minutes: Jeff Clements, Council Research Division

4.5.18 Posted 10:30 a.m.

Tapes: City Council Lunch and Learn – “The District” Southbank project – LSD

4.4.18