

**OFFICE OF THE CITY COUNCIL**

**RESEARCH DIVISION**

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**COMMITTEE OF THE WHOLE**

**LOT J PROJECT**

**Meeting Minutes**

 **November 5, 2020**

**10:00 a.m.**

**Location:** Hybrid in-person (City Council Chamber) and virtual (via Zoom platform) meeting

**In attendance:** Committee members Tommy Hazouri (President), Danny Becton (virtually via Zoom), Aaron Bowman, Michael Boylan, Matt Carlucci, LeAnna Cumber, Randy DeFoor, Rory Diamond (virtually via Zoom), Al Ferraro, Terrance Freeman, Reggie Gaffney, Joyce Morgan, Sam Newby, Ju’Coby Pittman, Brenda Priestly Jackson, Ron Salem, Randy White

**Excused**: Committee Member Garrett Dennis

**Also**: Kim Taylor, Phillip Peterson, Trista Carraher – Council Auditor’s Office; Jeff Clements and Yvonne Mitchell – Council Research Division; Cheryl Brown – Council Director/Secretary; Jessica Matthews – Legislative Services Division; Peggy Sidman and John Sawyer – Office of General Counsel; Angela Moyer – Budget Office; Mayor Lenny Curry, Brian Hughes, Leeann Krieg, Rachel Zimmer – Mayor’s Office; Kirk Wendland – Office of Economic Development; John Pappas – Public Works Department; Hai Vu - JEA

**Meeting Convened**: 10:02 a.m.

President Hazouri convened the meeting and called on Council Member DeFoor to lead the Pledge of Allegiance.

Mr. Hazouri said that the meeting will begin with 45-minute presentations by the Jaguars, the Council Auditor, the Mayor’s Office and the Office of General Counsel with no questions permitted during the presentations. Questions and answers will be permitted at end of the presentations, followed by public comment. He stated the Council will delve into great detail and scrutinize the proposal thoroughly over the course of several meetings before making a final decision, which will take as long as necessary.

Council Auditor Kim Taylor said she had meetings on October 8th and 23rd and November 3rd asking numerous questions of the Jaguars and the administration on the various agreements. Her office’s review continues on this very complex deal and she stands ready to assist the Council in any way.

Mayor Lenny Curry spoke in favor of an exciting, game-changing project for downtown. He said it is time to capitalize on Jacksonville’s potential and undertake a project that will transform downtown and leverage the good things already happening in the area. The project will spur further development downtown and in the adjacent areas. Jacksonville is on the radar of numerous national and global developers and it is time to take bold action to show them the City is ready to move forward. He urged a thorough discussion and analysis of the deal and then for the council members to vote their consciences. He said the Jaguars and the Cordish Companies are poised to make a tremendous investment in Jacksonville which proves that the Jaguars are “all in” for the city. He and his team are ready and willing to answer any questions about the project.

Chief Administrative Officer Brian Hughes said the public’s involvement in the public-private partnership is in the form of various incentive that do not differ greatly from the types of incentives the City normally offers to projects, except that the scale is larger because of the magnitude of the project. The incentives will close the gap needed to make the project economically viable for the City’s benefit. The City and the Jaguars have been working on this project for the last 2 years, slowed somewhat by the COVID pandemic. The Jaguars and Cordish Companies have done substantial market research to ensure that the project is financially feasible. The City has done several downtown market research studies over the last decade, most recently one commissioned by the Downtown Investment Authority in conjunction with the consideration of downtown convention center proposals. That report said that downtown was not ready for the construction of a sizeable convention center because of the lack of downtown hotel, retail and entertainment assets and downtown residents. He suggested that the DIA study points out the needs downtown that this project will help to fill.

Mr. Hughes said the Office of Economic Development calculated a 1.69:1 return on investment for the project and they are very comfortable with that figure. The components of the project include: 1) a Live! entertainment district constructed by an expert developer in that field, which will be City owned and leased to an operator; 2) two mid-rise residential towers with a total of 400 units and a 700 space integrated parking garage; 3) a boutique luxury hotel of 250-300 units; and 4) surface parking over what is now the adjacent stormwater retention pond west of Lot J. City project financing includes a 50/50 public/private split of the Live! project construction costs; a Recapture Enhanced Value (REV) grant for the residential buildings; a hotel completion grant; and a long-term loan/grant to the overall project. The City has done very well in the bond market recently and can borrow very quickly and at very good rates for the least amount of debt service possible. Authorized debt will only be issued when needed and when market conditions are favorable for the sale. The long term loan was chosen in part for its tax advantages to the developer and because it reduced the total amount of City subsidy to the project by reducing the cost of borrowing.

Mr. Hughes reviewed a document answering a series of questions posed by several council members – see attached.

Mr. Hughes said the development team is composed of smart and capable partners in whom the City has confidence that they can pull of this important project with the least amount of risk and the most potential for success. President Hazouri said that council members could pose additional or clarifying questions about Mr. Hughes’ presentation later in the meeting during a question-and-answer session and encouraged council members with additional questions to meet individually with the administration for additional discussion. Mr. Hughes said the administration stands ready at any time to meet individually or collectively with council members to answer any questions or provide any additional information as necessary.

Mark Lamping, President of the Jacksonville Jaguars, said Jaguars owner Shad Khan is absolutely committed to making the team successful in Jacksonville for many years into the future. He said there are 3 keys to long-term success for the team: 1) putting a winning team on the field consistently; the Jaguar organization knows that and is working on that aspect continuously; 2) having a first class downtown stadium that meets the needs of the team, the fans, other regular tenants such as the Gator Bowl and the universities of Florida and Georgia, and the promoters of other events such as USA Soccer, concert promoters, etc. The Jaguars have put their money into many stadium improvements and into Daily’s Place and the flex field to support that aim; and 3) revitalization of downtown Jacksonville to meet its full potential and be a centerpiece for the whole community. The Jaguars are not looking to create a downtown that serves the team, but a downtown that serves the whole community and helps the team as well. Downtowns are important to being a major city and they’re where the whole community gathers. Downtowns are centers of culture, entertainment, employment and diversity. Now is the time to invest in downtown, and that starts with developers willing to write checks to make investments in major projects.

Zed Smith, Chief Operating Officer of the Cordish Companies, said his company has been working with the Jaguars for 2 years on this project which will be transformative for downtown. He described his company’s background and experience in the real estate development business since 1910. They develop multiple kinds of real estate developments, including commercial properties, hotels, co-working spaces, restaurants, residential, gaming, and sports-anchored districts. The Cordish Companies have won 7 Urban Land Institute awards for excellence for their transformative projects, an unprecedented number in the industry. He briefly described similar Live! Districts in St. Louis and Arlington, Texas near their stadiums.

Mr. Smith said the developers anticipate multiple phases for Lot J, but plan on starting with more on the front end of the project because the area has nothing to start with. The intention is to create a sense of place for the city – a place for both locals and visitors to gather and enjoy. Creating nice places for Jacksonville residents to congregate is important, and they plan to sponsor concerts, art shows, and other events regularly to make the development a real destination. Mr. Smith reviewed the results of the Johnson Consulting economic impact study which projected an impact of $100 million per year. A community benefits agreement has been reached with City under which the developers will provide: an apprenticeship program a commitment to local hiring; a goal of 35% participation by small and minority-owned businesses for both construction and operations thereafter; establishment of a community advisory committee; and a commitment to promote community event bookings at the facility

Mark Lamping gave an overview of the parameters of the investment package, which has the goal of starting with a big parking lot and try to make good use of it. He noted that there is a lot of environmental contamination and utility infrastructure work to do to make the project feasible. The City’s direct investment will be in the form of providing that infrastructure, plus a $12.5M REV grant to support the residential development; a hotel operating grant of $12.5M which will produces sales tax, TDC bed tax and property tax revenues; a $50M contribution toward what will probably be a $120M Live! district project owned by the City with no responsibility for cost overruns or operating losses thereafter; and a $65M long term loan/grant that makes the whole project go. This financing method was chosen as the best way to put City dollars into the project most efficiently. The City grant becomes an annuity, with 100% drawn down by the developer during the construction process, then the developer makes a deposit into a trust account benefitting the City of 20% of the proceeds that grows over 33-50 years to $65.5M for the City.

Mr. Lamping responded to a list of questions posed in advance by several council members. Regarding a Jaguars stadium lease extension as a condition of financing this project and how much the City might be asked to pay for future stadium renovations, he said that there are 10 years left on the lease and nobody knows what an NFL stadium will need to be in 10 years, much less 20 or 40 years beyond that. The Jaguars have initiated a process (Project Lifetime) to determine future stadium needs for all users (Jaguars, Gator Bowl, Florida/Georgia game, event promoters, and the general public) with the Haskell Company, the City, and ASM Global, the current facility manager. The first phase has ben completed and found that there is nothing structurally wrong with the stadium so it is safe and usable. The next phases will determine what is needed in the future, what it will cost, and who will pay for it. The Jaguars will make a huge contribution to that project when the time comes. They are working on a plan to ensure NFL football stays in Jacksonville for many years to come. Approximately 1million people come to the Sports Complex annually (less than half for Jaguars games); the Live! development could expand that to 3-4 million. Any lease extension requires NFL approval by vote of 2/3 of the team owners and they will have to be convinced that the Jaguars are viable in Jacksonville before they will approve that extension. This project will help prove that viability before the lease runs out in 10 years. Mr. Lamping noted that the Cordish doesn’t flip properties – they develop and operate their projects for the long term. The City gets to approve any successor leases. He noted that the development team is available at any time to answer further questions.

Zed Smith answered several question posed by council members to Cordish. With regard to resilience issues at Lot J, he said the company has hired consultants to determine what will be necessary for the project. With regard to Cordish’s investment in the project, he reiterated Mr. Lamping’s comment that they are owners and operators, and can live with lower returns on investment in the early years of a project that will grow larger later. Regarding parking he said the project will be replacing current parking with a surface lot over existing retention pond, and the City will get some Jaguar game parking revenue which it hasn’t had before. He sees the Live! development as a year-round destination for all kinds of uses. Regarding Cordish’s previous record of success, Mr. Smith said all of their developments are successful, in part because they’re a major entertainment booker in the US and get lots of traffic to their Live! venues. Regarding an attendance prediction, he said that about 1 million people come to the Sports Complex annually, and that is anticipated to grow to 3-4 million. The developers hope to grow many more events at the stadium and arena because Live! is there to support attract and support growth. He said Cordish has been in Jacksonville for 2 years now and they see the potential in Jacksonville to be successful – the downtown core has potential, there’s great leadership, and the Jaguars are a great partner.

**The council was in recess from 11:59 a.m. to 12:31 p.m.**

Council Auditor Kim Taylor gave a brief overview of the project agreement and the financing package, noting that it was based on the bill and attachments as originally filed. She understands that some amendments are in the works but has not seen those yet. She noted that there are several Ordinance Code waivers in the legislation relating to delegation of powers from the DIA back to the City and to property transactions. She outlined the ownership of and the City’s contributions to the various project components. Ms. Taylor noted that Mr. Lamping had earlier mentioned some revenue coming to the City from Jaguars game day parking; that provision is not included in the bill and attachments as filed, but will be included in a revision to the parking agreement. She noted that the “sources and uses of funds” document will also be revised slightly from what was originally filed. The developer’s management costs for the project of $30.5 million will not have any City financial participation. Ms. Taylor explained a flow chart showing how the “breadbox” long-term loan will work. The City would pay approximately $3.8 million per year in debt service if the full $65.5 million loan was paid on day one via a bond issue, accruing a total of $50 million in debt service over 30 years on the $65.5 million of bonds issued.

Ms. Taylor said her office differs somewhat from the developer on the calculation methodology for the project’s return on investment. She used the Johnson Consulting report figures as did the developer for comparability. The two parties agree on the impact generated by sales tax, TDC bed tax and employment-related sales taxes. The disagreement comes in whether or not the City’s Live! investment of $50 million and the $92.8 million in infrastructure installation should be counted as project costs. The developer excluded those costs in arriving at the ROI of 1.69:1; the Auditor’s Office included those costs and arrived at an ROI of 0.44:1, which also reflects the exclusion of the developer’s $50 million contribution to the Live! development.

Ms. Taylor reviewed a list of nearly 20 “Initial Concerns/Things to Consider on Lot J Proposal” (see attached) that addressed a number of questions posed to her office by council members in advance of the meeting. She said there will be a number of amendments to the agreements based on conversations that have already taken place with the developer, the City administration and General Counsel’s Office, and the Auditors Office will have some more to recommend. She reported that her staff has been researching other Cordish developments around the country to determine their city contributions and their economic benefits.

Assistant General Counsel John Sawyer gave an overview of the Office of General Counsel’s participation in the project thus far. They started working on the project last year and engaged Greenberg Traurig LLP, an international law firm based in Miami, to assist in this project because of its size and complexity. Mr. Sawyer provided responses to several questions posed in advance by council members:

What protection does the City have if the developer sells its part of the project later – none.

Do the contractual terms of the loan contain clawback provisions – no.

Is it true the tenant can sell or assign the Live! lease at any time if it’s not in default - yes, to an affiliated company.

What ability does the City to take back the facility if it is not in default - none absent some default.

Council Member Question and Answer Period

Council Member DeFoor: if the deal is not fully negotiated and is still changing then how was it introduced as legislation? Kim Taylor said an initial agreement was filed but is being re-worked, she doesn’t know to what extent. Deputy General Counsel Peggy Sidman said the bill was complete when filed, but changes are taking place subsequently. Ms. DeFoor said the project can’t be properly analyzed when the terms continue to change. Mayor’s Chief of Staff Jordan Elsbury said the bill as introduced was a complete deal and reflected what had been agreed to at that time. Sometimes things change after introduction and final tweaks are being made on the last few details. The administration will be fully transparent on what changes are being proposed. Ms. DeFoor said she has a developer background and has talked to people around the country who have been involved in similar developments – they say this is a “sweetheart deal”. The only way this deal makes any sense is if the Jaguars stadium lease is extended for at least 25 years and for a minimum number of home games per year.

Council Member Carlucci introduced Greg Logan of Robert Charles Lesser & Co., a real estate consulting firm proposing to do an independent analysis for the City of the Lot J project using its national experience on similar kinds of projects. They could perform an initial feasibility study within 3 weeks and could also do a second phase market analysis with more time. Ms. Carlucci said this would be the largest public/private partnership in city history without an independent market analysis and the City shouldn’t depend solely on information provided by the developers. He has introduced legislation to hire Mr. Logan’s firm and will have a Zoom meeting on Monday or Tuesday to allow further discussion with Mr. Logan.

Council Member Salem said he is bothered that the Council Auditor’s Office can’t go out and hire an independent consultant on its own without Council approval; he will work to put money in the budget next year for that purpose. He encouraged the Jaguars, the Cordish Companies and administration to review the Auditor’s Office’s list of concerns/questions and answer them point by point.

Council Member Becton said it is unfortunate the Council Auditor wasn’t included in the negotiations all along – her list of questions/concerns is great and could have informed the negotiations. He asked if the Council is facing a simple yes or not vote, or if there is room to negotiate further. Mr. Elsbury said the process needs to get to the end of the negotiation phase so the administration can put a full deal before Council for it to weigh in. If the Council then wants changes they can suggest them and send the administration back to the table to see what’s possible. Mark Lamping said the developers can’t have piecemeal negotiations with 20 different people – the Council needs to coalesce on its position and then further discussions can take place.

Council Member Priestly Jackson said she doesn’t see that this project and the Jaguars lease extension are related even if some of the public do. She wants to know the scope of the 14 prior amendments to know how we got to where we are with the team’s stadium lease. The Council Auditor needs to be involved in future negotiations. Mr. Elsbury said the General Counsel’s Office will produce an overview of the 14 Jaguars lease amendments to date.

Council Gaffney said Jacksonville has talked for years about what to do about downtown and now that we have a real project proposal, we’re trying to pick it to death. The Jaguars are willing to put hundreds of millions of dollars into the project and we’ll lose the project if we’re not careful.

Council Member Bowman said he is excited by the prospect of this project, which is not out of line with what’s being done in other cities. He’s sure the developer will work with the City to reach a mutually agreeable deal that works for everyone. The Northeast Florida Regional Council will do a REMI economic impact analysis for the City for free. He said you can hire a consultant to tell you anything you want to hear so there’s no point to doing that.

Council Member Freeman said there are complaints in the community about a lack of transparency, but sometimes trust is needed. This project has the capacity to turn around our downtown and uplift the city’s morale by doing something really positive. He urged letting the process work and letting everyone ask their questions to build confidence in the outcome.

Council Member Morgan said the process is just starting and we need to go through the details and understand what’s on the table. This has the potential to be transformative, but need to analyze it and let the process work.

Council Member Ferraro said the unknowns are what is causing trepidation in the community, following on the heels of projects such as the over-budget county courthouse construction, the failed Berkman II proposal, and the like. Council needs to understand the project and be able to discuss it intelligently with the community.

Council Member Pittman said the project can be a game changer but questions need to be answered and everyone has to be comfortable that it’s the right thing to do. We need to be sure we’re entering into a long-term marriage with the developers. She’s seen how good similar projects have been in other cities, but we need to have the capacity to do the whole thing properly; it can’t be a matter of starting and stopping.

President Hazouri said it’s a shame that the City has so much vacant land downtown (Jax Landing site, the Shipyards, the old City Hall and courthouse lots, The District site, Berkman II property) and several past projects have made people skittish about the ability to do downtown projects properly. There will be lots of opportunities for public input at full council and Committee of the Whole meetings.

Public Comment

Pastor Carlton Jones said he thinks this is a great opportunity for Jacksonville that will be an asset for the Sports Complex. He identified the Cordish Companies several years ago as a leader in this particular development type. They do what they say they will do. The project will be a big help to Jacksonville and now is the time to do it.

Stanley Scott of the African American Economic Recovery Think Tank said agreed with earlier comments by Council Members DeFoor, Hazouri and Pittman and the Council Auditor. He was in the entertainment business on military bases in Jacksonville for many years and knows the market. Equity is needed. The City has lost money on previous projects because it hired people who didn’t understand the city. The only way to have economic development is from the bottom up. Scrutinize the deal carefully.

Rick Catlett, retiring President of the Gator Bowl Association, said that in the 1960s the contest to be the next great Southern city was between Jacksonville and Atlanta; they built a world-class airport and beat us to the punch. Then it was Jacksonville and Charlotte and they beat us, then Nashville surpassed us. When will Jacksonville wake up and figure out how to make a deal with a developer who is willing to put in over $100 million of their money into a project? Go look at Baltimore and Kansas City and St. Louis and see what success looks like. Jacksonville has a history of relying on government putting lots of money into projects because it never had deep pocket investors. Now we have one with the Jaguars and Shad Khan and we need to leverage that to the hilt. Jacksonville lost out on hosting a College Football Playoff game recently because there’s nothing to do downtown for game attendees.

Steven Davis said a Live! district will be a big attraction for entertaining fans of stadium and arena events and pull the community in to join them when the game is over. It will draw millions of people downtown and could possibly help attract another Super Bowl to the city by overcoming one of our major weaknesses. It could also attract tourists off of I-95 to stop in Jacksonville and will help the Chamber of Commerce sell the city to visitors and potential residents. It will be a big economic engine for JSEBs and create lots of jobs.

Blake Harper said the City Council has a fiduciary responsibility and has to deal with the Auditor’s 19-page list of concerns. The Mayor’s Office is taking over the DIA’s responsibilities and that’s not good. Long-term land leases would be better than conveying the property outright to Mr. Khan and the Jaguars – all the benefit is to them. It would be better to invest the dollars in companies that have better business fundamentals than the entertainment industry.

Ken Babby, owner of the Jumbo Shrimp, said he looks forward to partnering with another business in the Sports Complex and to the economic impact it will provide to the City via construction jobs and permanent jobs. It will be good for JSEBs. Lot J will improve Jacksonville’s chances of getting future events and tourism. People are ready for downtown to take off.

Sandra Shack said she is a small business owner who is excited by the prospects for the project. She hopes that Jacksonville’s small businesses will get fair shot at participating in the construction process.

Nancy Powell, CEO of Scenic Jax, said the City needs to take a more holistic view of this project and not rush it through. She is an organizer of Riverfront Parks Now which advocates for significant park space on and public access to the riverfront. She is not opposed to Lot J and other projects, but wants well designed projects. This is another example of a stand-alone silo project demonstrating the lack of a comprehensive downtown master plan. The DIA has a downtown parking study and parking needs to be done right.

President Hazouri announced that public comment on this project will be taken at next Tuesday’s Council meeting, then another Committee of the Whole on November 19th from 5 to 8 p.m.

**Meeting adjourned:** 2:45 p.m.

Minutes: Jeff Clements, Council Research Division

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11.10.20 Posted 5:00 p.m.