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RESEARCH DIVISION**

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**CITY COUNCIL LUNCH-AND-LEARN
Ordinance 2022-871 – Iguana Investments Riverfront Development**

Meeting Minutes

**December 12, 2022
12:00 p.m.**

Location: Lynwood Roberts Room, 1st floor, City Hall

In attendance: Council Members Sam Newby, Brenda Priestly Jackson, Ron Salem, Randy White, Joyce Morgan, Michael Boylan, Reggie Gaffney Jr., Ju’Coby Pittman, Matt Carlucci, LeAnna Cumber, Randy DeFoor (via Zoom), Tyrona Clark-Murray (via Zoom)

Excused: Council Member Danny Becton

Also: Margaret Sidman – Council Secretary/ Director; Mary Staffopoulos, Carla Lopera (via Zoom) – Office of General Counsel; Jeff Clements – Council Research Division; Merriane Lahmeur - Legislative Services Division; Lori Boyer, Steve Kelley, Guy Parola – Downtown Investment Authority; Kim Taylor, Phillip Peterson, Heather Reber – Council Auditor’s Office; Rachel Zimmer and Ryan Murphy – Mayor’s Office; Bill Killingsworth – Planning and Development Department; Braxton Gilliam, Jim Citrano Jr., Craig Gibbs (via Zoom) – DIA board; Paul Harden and Steve Diebenow – representing Iguana Investments

Meeting Convened: 12:05 p.m.

Downtown Investment Authority Executive Director Lori Boyer convened the meeting and introduced attendees representing the DIA and Iguana Investments. She gave an overview of all the City properties, proposed developments, and park locations on the Northbank and Southbank of the St. Johns River downtown. She said the scope of the Iguana development proposal is fundamentally unchanged from the original proposal but with some minor changes in development details and locations. The hotel/condominium project has received all its DDRB development approvals.

Changes to the development deal

The Office Parcel is the subject of the biggest change in the 2022-871 ordinance proposal, changing from a 40-year lease to the developer at \$36,000 per year to a purchase of the site by the developer. Appraised

value is \$3.2 million which Iguana would pay in cash. The ability to finance the office building with a mortgage separate from the hotel project financing has value to Iguana, which is why they prefer to purchase rather than lease. In response to a question from Council Member Cumber, Ms. Boyer said that there is no provision to prevent Iguana from selling the property once it is transferred since the DDRB approval controls size, features, and use of the parcel's development. A future purchaser would lose City incentives if the use was to change. Council Member DeFoor said that it is in Iguana's best interest to have a compatible use to its hotel developed on the Office Parcel.

The estimate of total capital investment for the project has been increased to \$387,602,000. The City's direct incentives total \$97,036,087 which is increased from the amount previously approved, but the City's percentage of the total project cost is going down and the return on investment (ROI) is increasing. The REV grant formula stays the same (75% of increased taxes for 20 years). The REV grant will be split into two grants, one for the hotel parcel and one for the office parcel. Two new elements are being added – a bulkhead replacement and a replacement pier. The bulkhead project is already in the City's CIP but will now be constructed by the developer. The pier pre-existed the Metro Park marina construction and will be replaced by the developer.

ROI calculation

The City's ROI is going up because of the revenue from the Office Parcel property sale rather than a lease and the City's property tax revenue will go up because the Office Parcel will become taxable.

Bill authorizations

Property dispositions: 1) sale of the Office Parcel for cash; 2) various easements; 3) extension of right of first offer on the future development rights parcel.

Incentives: 1) REV grant split into 2 grants with higher total amounts reflecting increased project costs; 2) completion grant on Hotel Project remains unchanged.

Partnerships: 1) developer required to build on the City's behalf the marina support building, marina, pier, events lawn, bulkhead and riverwalk; 2) developer contributes \$200,000 per year for park maintenance and programming; 3) developer to collect and remit to the City a 2% hotel room surcharge for use on the marina, marina support building and events lawn; 4) developer option to lease and manage marine support building and to manage the public marina.

CIP amendment: moves a portion of the Northbank Bulkhead and Riverwalk generic CIP project (already budgeted) into a project listing with other public on-site improvements already budgeted, with no change in dollar amounts.

In response to a question from Council Member Boylan, Ms. Boyer said that the new ordinance reflects approval of an entirely new agreement with the changes that she has been explaining. Because of the size and complexity of the agreement, the entire agreement is being readopted rather than piecemeal amendments being made to the prior agreement. In response to a question from Council Member Cumber, Ms. Boyer said that the split in the REV grant into two grants doesn't have any impact on the percentages or the length of the grants, but the net amount changes because of increases in the construction costs. In response to a question from Council Member Pittman, Ms. Boyer said that she would check with the Public Works Department about whether the remaining CIP funds not being transferred to this combined project are sufficient to complete all the remaining bulkhead projects as planned. The total REV grants will be going up from \$47.7 million to \$59 million. Council Member DeFoor asked about the pier replacement and whether it would have a wave attenuator. Ms. DeFoor asked about public access to the pier and marina; Ms. Boyer said it will have the same access as it has always had. Council Member Pittman asked about the City's future maintenance costs for the new pier and riverwalk; Ms. Boyer said

the maintenance of brand new facilities should be less than for decades-old infrastructure and there will be revenue from a 2% hotel room surcharge that will contribute to those costs.

Easements

Ms. Boyer described the various easements the City will retain for public access including a new road and public parking in addition to underground utilities. The developer also has access easement rights to reach its development should the City ever choose to close one or more of its easements. There will be temporary easements for the construction cranes during the construction process. Council Member Priestly-Jackson asked about restrictions on hanging signage, symbols, etc. on the construction cranes; Ms. Boyer said that will be included in the development agreement. The developer will have a temporary access and use easement over the Future Development Parcel during the construction process.

Council Member Cumber asked about the value to the City of selling the Office Parcel for cash and whether consideration had been given to reducing the REV Grant given the increase in the value of the property to the developer when it is owned and not leased. Ms. Boyer said that was not considered. Council Member Boylan noted that the REV grant is capped and if the property value increases then the grant cap will be reached in a shorter time than authorized 20 years, after which the City will reap the full benefit of all the taxes. Ms. Boyer noted that the revenue to the Downtown East tax increment district is projected to increase from \$15 million to \$20 million over the 20-year period.

Performance schedule

Ms. Boyer reviewed the construction initiation and completion dates for the various phases of the project, including horizontal construction commencement by December 31, 2022 (already underway), vertical construction commencement by September 1, 2023, and construction completion on the hotel and office parcels by June 30, 2026. The marina, bulkhead and riverwalk must be completed no more than 36 months after closure, which can be no earlier than January 15, 2023 or the date on which bulkhead plans are approved. In response to a question from Council Member DeFoor, Ms. Boyer discussed the defaults and remedies provisions should the developer fail to timely complete portions of the project, which include property reversion rights and completion guarantees. The riverwalk and Metro Park marina will be closed during some of the construction period, with a limit of 36 months or until the hotel opens, whichever is shorter. Public access to the marina must be maintained on weekends until the marina is closed for demolition and new construction.

City protections

The City's interests are protected by a combination of financial incentives being provided upon project completion and performance; minimum private investment thresholds for the hotel and office components; a right of reverter on the properties should the developer fail to commence construction in a timely manner; non-exclusive easements to ensure viewsheds and public access; the developer is responsible for cost overruns on City-owned assets; City retains ownership of a 50-foot riverwalk along the riverfront; marina and pier must remain open to the public with the same number of slips and same linear dock footage; developer must provide completion guarantees on the hotel and office projects; and City retains development rights to the future use parcel.

Resiliency

The sites for both the hotel and office building will be substantially elevated above flood level to account for sea level rise. The riverwalk will be designed to flood in high water situations and then drain. Parking garages under the hotel and office buildings will be able to hold flood waters in flooding situations and then be drained. In response to a question from Council Member Carlucci, Ms. Boyer said the DIA is an active participant in the City Chief Resiliency Officer's study of resiliency needs citywide but doesn't know how that study will prioritize which areas of the city need what work and in what time frame.

Public Benefits

A new destination park for downtown; upgraded public marina with 2% hotel surtax revenues to support improvements; luxury hotel downtown to support the Sports and Entertainment District; the developer will donate \$4 million (\$200,000 per year for 20 years) for maintenance and programming at Metro Park and the new marina; completion of the eastern end of the Northbank Riverwalk; opportunity to create unique attractions maximizing the use of the submerged land and piers; downtown tax increment district to receive nearly \$20 million in new revenue over the next 20 years; enhanced services and facilities for boaters (ship's store, retail, restrooms).

Ms. Boyer said the Council Auditor has already submitted a list of questions to be answered about the revised deal, which the DIA is working on answering. She and her staff are happy to answer any questions that council members may have at any time.

Meeting adjourned: 1:12 p.m.

Minutes: Jeff Clements, Council Research Division

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12.12.22 Posted 5:30 p.m.