



# Downtown Investment Authority

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## Lot J Development Proposal

### DIA Staff Report

December 1, 2020

**Applicant:** Jacksonville I-C Parcel One Holding Company, a joint venture between Gecko Investments, LLC (an affiliate of the Jacksonville Jaguars) and Jacksonville I-C Parcel One Holding Company Investors, LLC (an affiliate of The Cordish Companies)

**Project:** The Project will consist of four component uses to be developed on Lot J:

1. Live!, consisting of 75,000 square feet of retail, restaurant, service and other commercial space, portions of which will be located at street level in the residential and hotel buildings, and a minimum of 35,000 square feet of office space (revised from 40,000 square feet) to be located on the Property that is subject to the Live! Lease. All real estate associated with the Live! Venues will be City-owned. **(Live! Component)**
2. The Mixed-Use Component will create a minimum of 350 class “A” apartments between two luxury midrise buildings (revised down from a minimum of 400 units), and will include 600 (revised from a minimum of 700) parking spaces in a City-owned garage and some portion of the Live! venue as street level retail. **(Mixed-Use Component)**
3. A boutique luxury hotel with a minimum of 120 (revised from 150-250 rooms). **(Hotel Component)**
4. Surface parking lot minimum 600 parking spaces (revised from 700 parking spaces) where the storm water retention pond to the west of Lot J currently exists. The City will enter into a lease with the Jaguars with respect to Jaguars gameday parking on this lot.

**Incentives Requested:**

1. Market Rate Multi-Family Recaptured Enhanced Value (“REV”) Grant on the multi-family condominium portion of the Mixed-Use Component, in the amount of 75% / 20 Years with a maximum indebtedness of \$12,500,000.

2. Hotel Completion Grant in the amount of \$12,500,000 payable in 5 equal annual installments following substantial completion of the Hotel Component.
3. \$50 million contribution toward the construction of the vertical improvements comprising the Live! Component to be matched and disbursed dollar for dollar with private capital contributed by Developer. Pursuant to Section 8.4 of the Development Agreement the Construction Inspector shall be responsible for monitoring the Disbursement process to insure the pari passu nature of the Disbursements for the Live! Component.
4. \$77.7 million infrastructure contribution to be used for horizontal and vertical infrastructure improvements on the Property inclusive of filling the stormwater pond and creation of a 700 space surface parking lot, utilities, site work, soft costs, the residential parking garage(s) to include 700 spaces in the aggregate, sidewalks, landscaping, site furnishings, and development pad preparation; and compaction. The City's contribution towards environmental remediation cost appears to be limited to \$5 million, but we do not believe that is the intent of the parties. In certain circumstances the City obligation can be increased by \$15,100,000 to \$92,800,000.
5. Donation at no cost of development pads of undetermined size for the Mixed-Use Component and Hotel Component, which we estimate to have a fair value of \$12,000,000.
6. \$65.5 million zero-interest 50-year breadbox loan to the developer. The developer must deposit an amount equal to twenty percent (20%) of the loan drawdowns totaling \$13.1 million in the City Defeasance Trust account at the time of loan drawdown, which will be invested and is projected to fully fund repayment of the loan. The loan proceeds will count towards the private capital investment in the Mixed-Use Component and Hotel Component.

**General Consideration:**

The proposed Project should not be evaluated in isolation as a traditional real estate development in Downtown. The Project has been represented as integral to the retention of the Jaguars as an NFL franchise in Jacksonville (a finding in the revised Development Agreement), and to the creation of new Downtown neighborhood in an indisputably under-developed and underutilized part of Downtown whose impact will extend far beyond its borders. We will elaborate further on these macro impacts.

Nevertheless, as requested, we will also provide an analysis using the same criteria and formulas generally applied to development proposals smaller in scale and impact.

Note that the DIA approaches development proposals first from the perspective of consistency with our City-Council adopted Business Investment and Development Plan, which includes the Northbank Community Redevelopment Area Plan. To analyze incentive requests and need, we look first to specific incentives in the plan that have their own expressly defined criteria. An example would be a market rate multi-family REV Grant. (Page 47 of the BID Strategy).

If developer requests greater or different incentives than those that fit within defined parameters, we determine the need for funding by calculating the financial gap. A financial gap exists when the operating income (rents or revenue that will be generated from the project) upon completion and stabilization (fully leased) are insufficient to cover the normal operating expenses of the project and leave enough for debt service (mortgage payments) and a modest return on the developer's equity. The total development cost and operating pro forma is evaluated to in context of the debt and equity proposed to fund development, which in turn allows us to calculate debt service (the expected payments of principal and interest). The results are compared to the pro forma net operating income and a shortfall, or gap, means that incentives are required to make a project financially feasible. Whether the extent of the gap is too large to incentivize, or a project impact is too small to warrant any incentive, becomes a policy decision guided in part by the availability of funds.

Our analysis using a traditional approach will require many assumptions, which we will identify and are based on our knowledge of the local market, because we have not been provided construction budgets to verify, the typical third party reports we would require, or details regarding unit size, expected rental income, etc. This is not unexpected at this early stage of a master planned community. For example, we did not have detailed construction budgets for vertical construction at The District.

It is our understanding that this Project was not negotiated from the perspective of a stand-alone real estate project because its impact from a macro perspective is much greater, not just for Downtown, but for the region. The traditional calculations of ROI, financial gap, and incentive criteria fail to recognize the catalytic impact of the Project. The Johnson Consulting Study provides one analysis of the macro perspective economic impact and we understand that the NEFL Regional Council is conducting another. Those analyses should help inform the policy decision facing City Council as to whether the level of incentive is warranted.

Furthermore, it is our understanding that many of the conditions we recommend have been requested previously by the Administration – often we have identified something that is not new and was considered previously. However, the Developer has not agreed to them. Nevertheless, it is our opinion that they should be part of any consideration and City Council should be aware if these conditions are not acceptable.

### **Scope of Review and Analysis:**

The DIA has previously reviewed and recommended approval of the Market Rate Multifamily Rev Grant on a standalone basis, as well as provided an Allocation of Development Rights to the overall Project. The DIA has now been requested to review and analyze the complete development proposal, incentives requested, and various documents prepared in conjunction with Ordinance 2020-648. Please note that Ordinance 2020-648 expressly waives the applicable provisions of the Ordinance Code and Business and Investment Plan, including the CRA plan, which would otherwise dictate certain processes, evaluation criteria, and responsibilities of DIA. Our review will point out where such waivers would require a different process or conclusion.

Pursuant to Florida Statutes, as a Community Redevelopment Agency, we have responsibility for redevelopment proposals within our boundaries to the extent that authority is delegated by City Council. Chapter 55 of the Ordinance Code retains to City Council some authority that could be delegated by statute, and among other things gives DIA the authority to dispose of “property acquired for or intended to be used for community redevelopment purposes.” Until very recently, we had been advised by legal counsel that property used by the City for other City purposes but within the boundaries of Downtown, did not meet that definition and was not subject to our disposition procedures and review. For several years, the Mayor’s office moved forward with negotiations on Lot J, also with that understanding. We have now been advised that several case law interpretations now lead to the conclusion that City-owned and utilized property comes under DIA jurisdiction when it is made available for redevelopment. It is for this reason that 2020-648 contains numerous waivers of Chapter 55 and Chapter 500. Nevertheless, we will provide our estimate of the fair value of land to be donated in lieu of the appraisal required by Ordinance.

Section 19 of Ordinance 2020-648 waives the requirements of the BID plan regarding the calculation of the amount of the REV Grant and the maximum term thereof. Therefore, we previously evaluated only consistency with the CRA Goals and the impact on the tax increment district. We will now include review of BID criterion as well.

As this package has been previously reviewed by the Council Auditors, we will not attempt to restate all suggested amendments and comments made by the Auditors and will only point out where we disagree with their recommendation or have something to add. Otherwise, we rely on their presentation and negotiation of those points.

Comments will incorporate revisions made in the collaborative draft documents delivered November 25<sup>th</sup>; however, as of Sunday the 29<sup>th</sup> we have not received revised loan documents.

Note that we are not reviewing the current legislation and exhibits from the perspective of other pending discussions such as Jaguar lease extensions or stadium renovations as these are beyond the purview of DIA.

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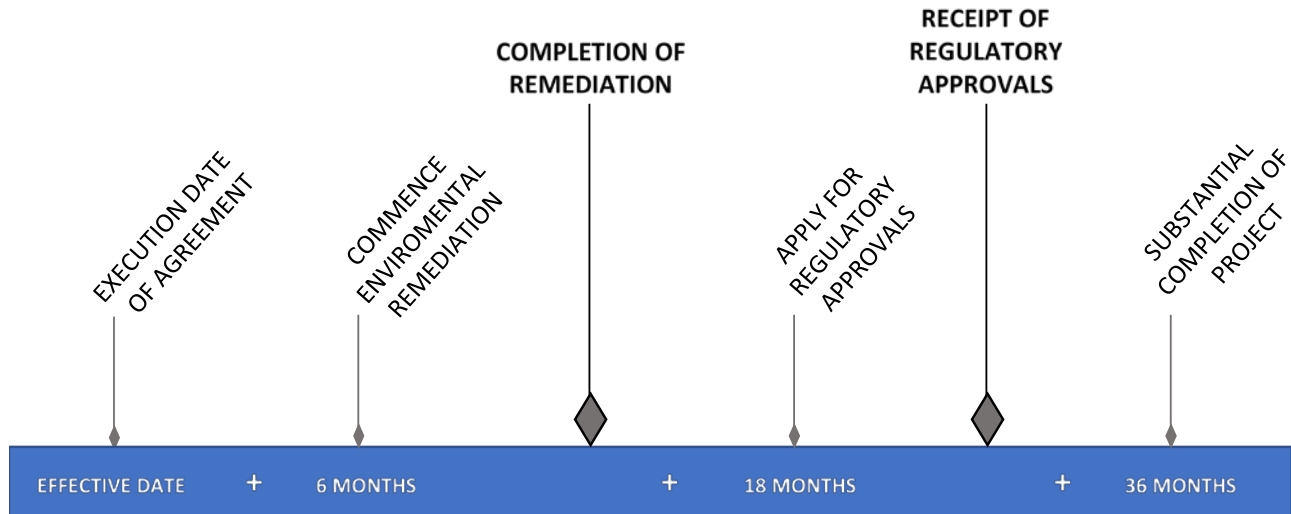
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**I. General Project Description of Proposed Redevelopment**

The Project will consist of four uses on five development parcels located on Lot J and the adjacent retention pond. Recent revisions have established minimum numbers of units, square footage et. However our analysis will continue to address the master plan number rather than the guaranteed minimum.

1. Live! entertainment district, envisioned to be similar in quality to Philadelphia, St. Louis, and Arlington, as adjusted for current health and safety best practices and market conditions. The district is expected to consist of an entertainment venue with street-level restaurants and retail in the amount of 75,000 square feet throughout the Live! district and 40,000 square feet of Class A office space. The primary Live! use parcel is City-owned and leased to the Developer for \$100 per year. That property is expected to contain a portion of the retail and entertainment space and the office space. The Live! uses can also be divided between the two Mixed-Use parcels and the Hotel parcel which will be developer owned, but the Live! Component will remain City-owned. The Live! district is expected to create a vibrant and pedestrian-friendly atmosphere throughout the Project as the core component.
2. Two luxury mid-rise residential buildings anticipated to be similar in quality to Kansas City and St. Louis with a minimum of 350 residential units. Each will be developed on pads to be conveyed by deed to the Developer. A 700 space structured parking facility is proposed to be integrated into the mid-rise residential buildings and/or as street parking, and the garage is expected to be City-owned. A portion of Live! may be located at street level in each building. The Mixed-Use component is contemplated to be structured as two independent condominium regimes, one for each building. In accordance with Section 5.3 (e) of the Redevelopment Agreement, the Developer Subsidiary, and beneficiary of the REV Grant, will own the residential condominium units in each building and the City will own the condominium interest in the Parking garage and Live! Components contained in such buildings.
3. A boutique luxury hotel (150-250 rooms) will be constructed on a fourth parcel to be conveyed to the Developer by quit-claim deed.
4. A new surface parking lot (700 spaces) will be developed where the storm water retention pond to the west of Lot J currently exists. Amendment 15 of the existing Jaguars lease removes Lot J from the lease and absorbs the surface lot into the lease with City with respect to Jaguars gameday parking.

**DEVELOPMENT SCHEDULE**  
(SECTION 13.7 OBLIGATION TO COMMENCE PROJECT)



Completion of Remediation and Receipt of Regulatory Approvals are, to an extent, beyond the control of the Developer and rely on government agency approvals.

**II. The Developer**

Gecko Investments, LLC is a wholly owned subsidiary of Iguana Investments, LLC. Both entities are ultimately owned in totality by Mr. Shahid Khan. Globally, Mr. Khan is the principal of the Four Seasons Hotel Toronto, Jacksonville Jaguars, Bold Events, Flex-N-Gate Automotive and Fulham Football Club. Mr. Khan has an extensive background in development projects which includes, but is not limited to, The Four Seasons Hotel and Residences Toronto, a 259 Room hotel and 210 private residences (Toronto, ON); Fulham Pier, a sports-anchored, 150 million GBP mixed-use development project (London, UK); Daily’s Place Amphitheater and Dream Finders Homes Flex Field (Jacksonville, FL), TIAA Bank Field luxury clubs and stadium video boards (Jacksonville, FL).

The Cordish Companies’ are privately held and were established in the Baltimore-Washington area in 1910. The founder’s grandson, David Cordish has been the Chairman and CEO of the company since 1968. Fourth generation members of the Cordish family play instrumental roles in the firm’s operations including:

Blake Cordish: Principal and Vice President of The Cordish Companies, as well as President of its Real Estate Development division responsible for the development, design and construction of the Company’s portfolio of commercial real estate, coworking spaces, entertainment districts, gaming, hotels, residential, restaurant and sports-anchored projects. Blake Cordish has overseen the development of several major projects within the Company’s portfolio including the Power & Light

District in Kansas City, MO; Maryland Live! Casino & Hotel in the Baltimore/Washington Corridor; Fourth Street Live! in Louisville, KY; and the Seminole Hard Rock Hotels & Casinos in Hollywood and Tampa, FL.

Reed Cordish: Principal and Partner of The Cordish Companies, President of Entertainment Consulting International (ECI), an entertainment and restaurant company. Reed Cordish has played a pivotal role in developing the company's Live! brand, which has grown to encompass large-scale entertainment projects, sports-anchored districts, casinos, hotels and residential projects.

Jon Cordish: Principal, Vice President & the Director of Finance for The Cordish Companies of Baltimore, Maryland, USA.

Cordish Companies hold themselves out as “the country’s largest and most successful developer of mixed-use districts developed in partnership with professional sports venues and team owners.” The firm has created similar districts including Ballpark Village in St. Louis and Xfinity Live! in Philadelphia, which are said to “transform stadium areas into year-round destinations to play, live and work.” Florida developments include Live! Resorts Pompano, the Seminole Hard Rock Hotel and Casino: Hollywood, and the Seminole Hard Rock and Casino: Tampa.

In addition to serving as master developer on projects, Cordish is shown to have in-house expertise and capabilities in business operations with departments for Construction, Architecture, Engineering, Leasing and Property Management, among others. The Cordish website indicates that it “owns and operate businesses as diverse as Live! Casino & Hotel Maryland, with over 3,400 full-time employees in this one project alone, to luxury apartments such as the One Light tower in Kansas City, to co-working offices spaces, such as Spark in Baltimore.”

*Finding:*

*The Developer has the demonstrated experience and capacity to perform its obligations under the various contracts and a proven track record of project delivery.*

**III. Consistency with CRA Plan Goals:**

The Project is found to be consistent with the following Goals:

**Redevelopment Goal No. 1** - Reinforce Downtown as the City’s unique epicenter for business, history, culture, education, and entertainment.

1. Increase the opportunities for employment within Downtown.
2. Support the expansion of entertainment and restaurant facilities.

*The Live! Component, in particular, squarely addresses this goal.*

**Redevelopment Goal No. 2** – Increase rental and owner-occupied housing downtown, targeting key demographic groups seeking a more urban lifestyle.



1. Actively pursue a minimum of 3,850 built and occupied multi-family dwelling units by 2025; and strive to induce construction of 350 multi-family dwelling units per year.
2. Coordinate marketing efforts for downtown housing opportunities to achieve blanket coverage on a local, regional, state, and national level.

*The Project increases the opportunities in the residential rental market, and contributes to the annual dwelling unit count goals*

**Redevelopment Goal 3** - Simplify the approval process for Downtown development and improve departmental and agency coordination

1. Initiate public-private partnerships
2. Provide publicly owned land and building space for public and private development which will support and strengthen Downtown’s commercial and residential base and comply with the other Redevelopment Goals.

*The Project seeks to develop under-utilized City Property and requests the donation of this land as part of a public private partnership to strengthen Downtown’s commercial and residential base.*

**Redevelopment Goal 4** – Improve walkability/bikeability and connectivity to adjacent neighborhoods and the St. Johns River while creating highly walkable nodes.

1. Create new open spaces with a mix of pedestrian oriented amenities and activities.
2. Provide for proper management and maintenance of public spaces.
3. Create a mixture of uses so that housing, activities, retail and other businesses are within useful walking distance

*The Project creates a new neighborhood focused on walkability with an internal mix of uses and large pedestrian plazas. The management and operation of the public spaces is specifically addressed both as to responsibility and funding.*

**Redevelopment Goal No. 6** – Maintain a clean and safe 24-7 Downtown for residents, workers, and visitors.

1. Promote a larger residential presence through development opportunities of all types of price ranges, including mixed-income and mixed-use structures.
2. Provide increased walkability through: Support and attract additional commercial, service, residential, transportation, recreation, and open space uses.

*The Project will allow for residential, commercial, recreational, and open space uses that do not currently exist in the immediate vicinity*

*Finding:*

*In conclusion, the Project meets many of the established goals for Downtown redevelopment and would be a major addition to Downtown vibrancy.*

#### **IV. Current Property Status**

The City of Jacksonville is currently the owner of tax parcel 130572-0150 which is commonly referred to as Lot J and developed as 1,309 paved parking spaces and tax parcel 130590-0000 which is a 9.43 acre stormwater pond. Lot J is currently committed to parking use pursuant to the Jaguars Lease and is managed by ASM Global. Lot J is currently assessed at a land value of \$9.00 per square foot by the Duval County Property Appraiser for a total of \$3,618,531 with an additional \$42,057 of improvements such as asphalt and light fixtures. As City-owned property, both parcels are currently tax exempt. We are not reviewing any information regarding current income derived from use of the parking spaces that may be located on the parcels proposed to be developed for the Project as this income is split between the Jaguars and a City sports complex sub-fund for ASM Global which offsets other ASM Global expenses. For our purposes, our current income is zero and the base year assessed value for Rev Grant purposes is \$9.00 per square foot of the to-be-determined Mixed-Use Component parcel or parcels.

#### **V. Fair Value of Property**

Per the ordinance code, DIA is required to obtain appraisals of City-owned property prior to disposition. While that requirement is waived, based on appraised values of comparable property, and after consultation with our Board Chair, Mr. Ron Moody, MAI, SRA, who is a local appraiser, we have assigned values to the parcels to be conveyed which we believe are materially accurate representations of fair value.

Land to be developed for multifamily use is generally appraised on a per unit basis. The most recent appraisal we obtained used 4 comps and concluded that a \$30,000 per unit value was appropriate for the River City site. Based on the location of the Mixed-Use Component, and its lack of river frontage, after consultation with Mr. Moody we concluded that a value of \$22,500 per unit is a reasonable valuation. Therefore, the land on which the 400-unit multifamily apartments will be constructed is valued at \$9,000,000 ( $\$22,500 \times 400$  units).

Similarly, land to be developed for Hotel use is valued on a per door basis. A recent appraisal prepared for a riverfront hotel site establishes a \$22,000 per door value and again, as discounted for lack of riverfront and general location, the value we have assigned is \$20,000 per door. Using the minimum hotel commitment of 150 rooms, the resulting land value is \$3,000,000 ( $\$20,000 \times 150$  rooms).

Together, the value of the land to be conveyed on a fee-simple basis, is estimated to be \$12,000,000. This City incentive has not been included in ROI calculations prepared by others. However, we would note that this value assumes a remediated buildable site- which this is not. Without specifics on the cost of remediation, we cannot provide the appropriate reduction but believe some portion of the infrastructure budget is simply bringing the land up to this value.

## **VI. Market feasibility and Impact on other Downtown Districts**

The Developer did not provide a market feasibility analysis for this Project or any of its components. We understand they have conducted their own market feasibility and have developed their master plan in reliance on that analysis. This section will focus on general market supply, demand, and absorption (financial gaps and incentives will be addressed separately).

DIA did engage Red Rock Global and Urbanomics to conduct a market feasibility analysis for Downtown in 2014 and is currently under contract with Willdan Financial Services, Inc., who is updating that earlier study through the winter with delivery expected mid-March 2021. The 2014 study is included as an appendix to the adopted BID Plan and available on our website. In addition, the routine analysis of financial gaps on other Downtown projects and the data collection and analyses that form the basis for the annual State of Downtown Report allow us to draw reasonable conclusions regarding general market supply and demand by sector.

**Residential:** Since 2014 and adoption of the BID Plan, with a focus on residential growth, Downtown has seen a 66% increase in multifamily units from 2015 to 2020. Nearly 650 new apartments have opened since the start of 2019 and Downtown's 3,851 units boast a 94% occupancy. Absorption has been slower on the Southbank than Northbank in the last year but may be product specific. An additional 652 units are currently under construction. Older market feasibility studies projected an absorption potential of 400-500 units per year throughout all of Downtown and the 2014 study considered a goal of 350 units per year a stretch. The established benchmark was to add 5,400 new residents by 2025.

We have far outpaced that supply and at 94% occupancy are developments experiencing demand commensurate with supply. As of the 2019-2020 State of Downtown report, 6,137 residents were living Downtown and over 4,000 new units were proposed. New unit delivery is a blend of low-income, mixed-income, and market rate developments. With over 56,000 people working in Downtown, the housing market in Downtown can continue to expand significantly.

While COVID caused a brief regression in monthly rent rates, most properties Downtown have rebounded and the Barnett, for example, again has a waiting list. CBRE shows residential rents in Downtown increasing from an average of \$1.10 per SF in 2010 to \$1.85 in 2019 with five properties in excess of \$2.00 per SF. This breakpoint is critical to cover construction costs and we do not foresee an oversupply leading to a rent decline or occupancy decline. General population growth is strong for NE Florida and the urban lifestyle remains popular among empty nesters and millennials.

It is our belief that the proposed 400 residential units, developed in conjunction with the adjacent retail and entertainment facilities, will be absorbed in a reasonable timeframe following completion and will not adversely impact rent rates or occupancy of other properties. We do believe it would be equally important to continue to provide the necessary incentives in other Downtown areas, especially for historic properties in the Core, to remain competitive. We anticipate Downtown Preservation and Revitalization Program requests in excess of \$30 million in the aggregate in the coming year for a number of proposed projects.

**Retail:** Our 2014 study identified a 37% vacancy rate in Downtown storefronts. Per the most recent State of Downtown Report, retail vacancy in Downtown has decreased to just under 30%. DIA has recently launched two targeted incentive programs - the Food and Beverage Retail Enhancement Program and the Façade Grant program, both applicable only in the Central Core, to encourage renovation and occupancy of these vacant spaces. In contrast, the recently developed Brooklyn Station is experiencing success and drawing not only Downtown residents and workers, but those from nearby neighborhoods as well. We would anticipate the Live! Retail space would experience similar success to that seen in Brooklyn Station, although the demographic would include fewer Downtown workers and more tourists and event attendees.

We have concern that in the short term the new Live! space may slow absorption of the currently vacant storefronts and the creation of the targeted dining districts in the Core if aggressive lease-up incentives are employed by the Developer. This concern is mitigated by the timing of completion which, at 4-6 years, will allow time for COVID impacts to fully abate and other major City park and infrastructure projects in the Core to be completed, thus increasing the desirability of those storefront locations. We also believe the proximity of residential tenants and office workers to the Core, and its unique character, will allow it to compete with the Live! but perhaps for a different demographic. Incentive levels may impact the competitive market elsewhere in Downtown.

**Hotel:** The Hotel will be an integral component to the proposed District and capture visitors to the various sports and entertainment venues as well as general leisure travel. The hotel is the most challenging Component to support from a market feasibility perspective, however it is also the last to be constructed and subject to conversion to another use. Our 2014 study concluded that without new demand generators, new hotels would undercut the occupancy of hotels currently in the market. It should be noted though that Live! is a new demand generator. Furthermore, that same study indicated that a retail focused environment with the possibility of hospitality and residential was feasible on the Landing site. While this location is removed from the Core, the same combination of on-site uses and the unique draw of the Live! District will help ensure feasibility. Finally, the fact that there is currently no boutique hotel in Downtown, would make the product more desirable (although a boutique hotel is planned for the Trio).

With the Downtown hospitality market currently at 36.3% occupancy as of the end of September and pre-COVID occupancy of slightly over 70%, occupancy and room rates are both viewed as too low to support additional inventory in the Downtown market at this time. The BID Plan sets an occupancy performance measure of 80% which we have yet to achieve.

Absent a true feasibility study, we agree conceptually that the increase in unique events and venue space will draw more visitors in the aggregate rather than just relocate visitors from one facility to another. However the extent of incentives provided for this facility will allow it to compete in the market at a substantially subsidized room rate potentially undercutting other facilities and preventing the growth in average daily rate and REVPAR that increased demand should bring.

While the flag for the Hotel Component has not been announced, research of other Cordish related sports districts finds Loews hotels frequently included in those developments. A hotel of that caliber, with unique, high-end restaurants and amenities, would serve as its own draw. Such a hotel would likely attract a different market of visitors than the current stock of hotel rooms within Downtown Jacksonville

and would potentially add to the number of visitors to the area overall. In conclusion, we believe the unique nature of the Live! District and the Hotel Component can be supported by demand in the immediate vicinity and that the Project has the potential to increase demand throughout Downtown.

## VII. Financial Analysis

### A. Current Terms

The City and DIA are providing the following financial participation to the project in a total, or rather maximum, obligation of \$233,300,000 together with a donation of land valued at \$12,000,000. Additionally, the DIA has allocated development rights sufficient to accommodate the development. These development rights were provided free of mobility fees. Further, it should be noted that of the \$233,300,000 in public funds, \$65,500,000 is in the form of a zero-interest loan, paid back over 50-years.

- \$50,000,000 for the Live! component

*The City will contribute 50% of the construction costs of the Live! Component paid pari passu, up to a maximum of \$50,000,000.*

- \$12,500,000 REV Grant

*The REV Grant is paid over a 20-year period at 75% of the tax increment, the base year of which is 2020 and the land value base is \$9 per square foot. The REV Grant only applies to the residential portion of the mixed-use component. The REV Grant is conditioned upon a minimum private capital investment of \$95,000,000 (for the Mixed-Use component inclusive of the parking garage and Live), noting that any amount less than \$111,000,000 results in a proportionate reduction of REV Grant value. In other words, a private capital investment of \$111,000,000 or greater entitles the developer to 100% of the maximum value of the REV Grant, noting that the actual annual payment and ultimate value of the REV Grant is based on the incremental ad valorem taxes paid.*

- \$77,700,000 for Horizontal and Vertical Infrastructure **plus** \$15,100,000 for additional costs over \$77,700,000 for a total of \$92,800,000 towards infrastructure.
- \$65,500,000 50-year loan, zero interest

*The City loan is for the Hotel Component and Mixed-Use Component up-to a maximum amount of \$65,500,000. The loan is paid back over 50-years at zero percent interest. The Developer must deposit into a trust account, 20% of the amount of the loan drawn, which trust fund will provide the source of loan repayment.*

- \$12,500,000 hotel completion grant

*The \$12,500,000 is paid upon completion of the hotel component, payable in five (5) equal installments as follows: first payment upon completion, then one payment per anniversary of the substantial completion date over the next four years.*

Total potential Direct COJ Incentives are estimated at \$245,300,000 which includes the following:

REV for the Mixed-use Residential Component	\$12,500,000
Completion Grant for the Hotel	\$12,500,000
Property for development of Mixed-use properties	\$9,000,000
Property for development of the Hotel property	\$3,000,000
COJ contribution towards Infrastructure improvements	\$77,700,000
COJ contribution towards Add'l Infrastructure improvements	\$15,100,000
COJ contribution towards Live! Component	\$50,000,000
COJ Loan for Mixed-use and Hotel Components	<u>\$65,500,000</u>
<b>TOTAL</b>	<b>\$245,300,000</b>

The City investment for Infrastructure is disbursed first. The Developer is required to provide a Completion Guaranty at that the start of construction to ensure completion of the Project and a minimum private capital investment (inclusive of the City Loan) of \$229,000,000. The land conveyance would occur once pad dimensions are determined and final plans approved, but not before execution of the completion guarantee. The City's match for Live! is disbursed pro rata with the Developer's expenditures. The City Loan is disbursed once construction on the Mixed-Use Component is commenced and City funds may be used first. A reconciliation occurs at substantial completion of the Mixed-Use and Hotel components.

It is our understanding that the level of incentives in the aggregate is what the Developer requires to make this proposal and any change may be unacceptable.

## **B. Sources and Uses**

### Development Budget Considerations

As shown below, Exhibit E to the Development Agreement provides a summary of the expected Sources and Uses for the total development providing an overall cost of \$445 million for all components and costs combined.

SOURCES AND USES			
Sources (\$MM)		Uses (\$MM)	
Developer	226.8	Residential Building - North	55.0
<b>Total Private Investment</b>	<b>226.8</b>	Residential Building - South	56.0
Live! District	50.0	Hotel	118.5
Residential REV Grant (over 20 years)	12.5	<b>Total Private Owned</b>	<b>229.5</b>
Hotel Support (over 20 years)	12.5	Live! District	100.0
Infrastructure	77.7	Deposit into COJ Trust	13.1
<b>Total Direct Public Investment</b>	<b>152.7</b>	Infrastructure	77.7
COJ Loan (Gross)	65.5	<b>Total Public Owned</b>	<b>190.8</b>
<b>Total Public Investment</b>	<b>218.2</b>	Development Expense	24.7 *
<b>Total Investment - Lot J</b>	<b>445.0</b>	<b>Total Development - Lot J</b>	<b>445.0</b>

\* 7.5% of Residential, Hotel, and Live! District costs

Exhibit E raises several questions as presented.

**Per Square foot/Per unit Costs:** Within the development budget, sub-total amounts for each component are provided from which the following table was prepared to provide estimated cost per square foot with assumptions shown in the footnotes. Notably, these sub-totals do not include horizontal development costs as those are included in the separate \$77.7 million infrastructure budget, from which costs to complete the structured garages are also taken:

Component	Budget	Est. SF	Est. \$ SF
Mixed-use Building – North	55,000,000	170,000 <sup>1</sup>	\$326.47 <sup>2</sup>
Mixed-use Building – South	56,000,000	170,000 <sup>1</sup>	\$326.47 <sup>2</sup>
Hotel	118,500,000	160,715 <sup>3</sup>	\$737.33
Live! District	100,000,000	115,000 <sup>4</sup>	\$869.56

<sup>1</sup>200 units @ estimated 850 sf per unit average

<sup>2</sup>Estimated cost per sf of the residential units is averaged between north and south buildings

<sup>3</sup>250 rooms @ estimated 450 sf average room size that comprise 70% of the total property

<sup>4</sup>Includes 75,000 sf of retail and 40,000 sf of office combined

While the exercise above reduces costs to square foot for each component, it should be noted that the budgets also include related costs such as equipment, FF&E, reserves and costs beyond hard and soft costs related to construction. Estimates per square foot in the table above are inclusive of those amounts as detailed development or construction budgets were not provided to make eliminations for analytical purposes. A cursory review would confirm that these costs, even including FF&E and soft costs, significantly exceed those seen in the Jacksonville market, especially with respect to the hotel and Live! Recent multi-family construction budgets (net of land and garage but including landscape, lighting,

sidewalks, etc. and first floor retail) for Doro, Related, Ford on Bay and Vista Brooklyn range from \$206-\$290/psf.

On a per residential unit basis, \$200,000 per unit is typical of a Class AA multi-family product without incentives or cost reductions. Taking into consideration the land and garage incentive and the additional signage, landscape and hardscape costs included in the Vertical Infrastructure, a reasonable assumption for vertical construction of a Class AAA luxury product in the Mixed-Use Component would be in the range of \$150,000 per unit. Based on the developer provided budget of \$111,000,000 for vertical construction of the MF units only, divided by 400 units, the resulting per unit cost provided is \$277,500 per unit. The Downtown Jacksonville market is characterized by a gap of approximately \$40,000/unit between construction costs and stabilized value with a reasonable (1.2x) return on equity. The difference between the construction cost contained in the Developer's budget and what we would expect to be a realistic cost substantially exceeds that delta.

As to the Hotel, taking into consideration the donation of a development ready pad, the Vertical Infrastructure, and the City contribution for Live! Components which would include restaurant and venue space, a generous per key construction cost for a luxury boutique hotel is estimated to be \$275,000/key. While one national survey prepared by HVS identifies luxury hotel development costs approaching \$700,000/key, that figure includes substantial value (several hundred thousand) in land and site costs. The study further reveals that the increased cost for full-service vs limited service was approximately \$140,000/key. We have been advised by the Developer that the restaurant and event space *within* the Hotel will not be Live! Elements. The budget of \$118,500,000 for the hotel, even if the full 250 keys are developed, yields a per key cost of \$474,000.

**Addition of Land Value:** The Sources and Uses provided in Schedule E does not include a value for the fee simple quit-claim deed of the development pads for each of the Mixed-use buildings and the Hotel component as called for in the Development Agreement. In the revised budgets that follow, an estimated value for those pads is included based on a value of \$22,500 per door for the residential components of the mixed-use properties (\$4.5 million each property) and \$20,000 per door for the hotel property (\$3 million). This amount would include costs to make the property "pad ready" such as clearing, environmental remediation, geotechnical work, etc. that has already been captured in the Infrastructure expenditures. The lack of sufficient detail related to such costs, along with the lack of pad size dedicated to the Mixed-Use Component and Hotel Component precludes netting out such costs but should be recognized as duplicative on some level in the end. The gross number is shown in the analysis below as the conservative approach to incorporating this information related to land being transferred via quit-claim deed.

The revised Sources and Uses shown below is provided to clarify how public and private funding are utilized in each of the four components with additional expenditures for funding the City Defeasance Trust and Administrative Costs of the Developer.



**Table 1. Sources and Uses by Component**

Component	Sources	Uses
<b>Live!</b> Vertical construction of retail, entertainment 75,000 sf of retail and and 40,000 square feet of office space which constitute Live! Lease site and Live components in Mixed Use and Hotel	COJ Investment in Live! 50,000,000 Developer Private Investment In Live! 50,000,000	100,000,000
<b>Mixed Use Components</b> Residential Building-North  (200 units, 350 space garage) Development Pad	Private Capital Investment 32,550,000 COJ Loan 16,200,000 Multi-family Rev Grant (Bridge loan) 6,250,000 Public Infrastructure Garage <sup>1</sup> 9,000,000 COJ Quitclaim Deed 4,500,000	55,000,000  9,000,000 4,500,000
Residential Building-South  (200 units, 350 space garage) Development Pad	Private Capital Investment 33,550,000 COJ Loan 16,200,000 MF Rev Grant (Bridge loan) 6,250,000 Public Infrastructure Garage <sup>1</sup> 9,000,000 COJ Quitclaim Deed 4,500,000	56,000,000  9,000,000 4,500,000
<b>Hotel Component</b> 150-250 room hotel  Development Pad	Private Capital Investment 86,000,000 COJ Loan 20,000,000 Hotel Completion Grant (Bridge loan) 12,500,000 COJ Quitclaim Deed 3,000,000	118,500,000  3,000,000
<b>Infrastructure</b> Horizontal and vertical infrastructure excluding residential garages (\$77.7M less \$18M) Deposit into City Defeasance Trust Developers Expenses	COJ Investment in Infrastrucutre 59,700,000 <i>(\$77.7M - \$18M for garages above)</i> COJ Loan 13,100,000 Private Capital Investment 24,700,000	59,700,000  13,100,000 24,700,000
	<u>457,000,000</u>	<u>457,000,000</u>

1 - Funding for each garage component of the Mixed-Use buildings is shown as a deduction from the \$77.7 million commitment made towards Infrastructure as in that section.

City	164,700,000	50.4%
COJ Loan	65,500,000	
Developer	<u>226,800,000</u>	49.6%
	<u>457,000,000</u>	

As shown in the table above, the proportion of capital from the City is reflected at 50.4% of the total, while the proportion from the Developer is 49.6% of the total development costs, now shown to be \$457 million. The only difference from the original Exhibit E budget on the Uses side is the addition of the land to be deeded for the Mixed-Use components and the Hotel Component, which is reflected here at the same values discussed above, which is also consistent with how they are represented in the ROI calculations.

The Development Agreement also calls for Minimum Developer Investment of Direct Costs into the Hotel Component and Mixed-Use Component to equal or exceed \$229 million. Direct Costs for this purpose include all funding into those components whether from public or private sources. Exclusive of the land contribution and the amount allocated to garage construction from the COJ Investment in Infrastructure, the Minimum Developer Investment as shown totals \$229,500,000.

### **C. Return on investment**

An atypical feature of the Lot J Development analysis in comparison with deals typically structured and underwritten by DIA is the tenure of the benefits of the development deal and lease agreements and the geography across which such benefits are expected to be realized. In most incentive proposals originated and underwritten by the DIA, the models are limited to maximum period of twenty years or less. In the case of LOT J, economic value is modeled to be derived over a significantly longer period, although the REV Grant is maintained at 20 years for calculation of the funding portion.

The analysis that follows incorporates a 35-year time horizon to match the initial period of the Live! Lease agreement before contemplation of any of the four ten-year extensions, which therefore would be accretive to this analysis if exercised. Following the initial analysis is a second analysis based on a traditional 20-year time horizon for consistency with the DIA standard approach, and comparison with analyses prepared by the Council Auditor and other bodies.

As noted, DIA also recognizes that this Lot J proposal has unique considerations given that the nature of the development that it is likely to be a regional draw in comparison with smaller development activities typically modeled. That value is expected to be found in surrounding properties and across Downtown as well as incremental Local Option Sales Taxes and hotel bed taxes from visitors that will not be captured directly within the Live! venues or the Lot J Hotel Component, but rather in other Downtown facilities that benefit from increased demand. Those financial benefits are also not captured in the analysis that follows but warrant consideration in determining the overall benefit of this proposal.

An example of this is found in the development activity taking place around the Sacramento King's stadium following redevelopment in 2014 in an area branded as Downtown Commons. As stated in a press release on that development, Sacramento realized incremental urban investments totaling an estimated \$2 billion, the sale of 38 properties comprising 4 million square feet for redevelopment, and a 40% increase in revenues at the cities top ten downtown core restaurants.

Source: <http://www.downtownsac.org/wp-content/uploads/2017/10/Golden-1-Center-Fact-Sheet-.pdf>

A second example of the success brought on by a Cordish led development is found in Arlington, Texas where an \$800 million Phase II expansion is underway as part of a master development plan with a budget of \$4 billion. The initial phase of the development was a \$250 million Live! Facility similar in operation to what is proposed in Jacksonville that also includes a Loews Hotel. The bulk of the overall costs are found in the \$2.25 billion stadium built for the Texas Rangers as the center of the broad reaching development efforts. From the Dallas Business Journal, the development is proposed to include "adding an 888-room convention hotel with 150,000 square feet of meeting space to be connected by a skybridge to the existing Live! by Loews hotel. It would also include 100,000 square feet of additional restaurant and retail space, 280 residential units, small business incubator space and nearly 2,000 more parking spaces." In this development effort, the City of Arlington is providing an \$11 million grant, nearly \$50 million in bonds, tax rebates on hotel, and mixed-beverage sales for 30 years, and a \$10 million grant for the redevelopment of an underground parking facility.

Source <https://www.bizjournals.com/dallas/news/2019/12/17/texas-live-arlington-cordish.html>

While these are only two examples of success brought on by redevelopment of and around a downtown stadium, it represents the anticipated impact of the Jaguar/Cordish partnership in the Lot J redevelopment effort. DIA recognizes there are no certainties in success by these efforts, but the positive outcomes found in other cities, in many cases led by the same developer proposed to lead the Lot J effort, provide some measure of confidence that the potential for upside may be realized in ways that benefit the broader downtown area, and Jacksonville at large, beyond what may be achieved by smaller development efforts.

**35-Year ROI (See Exhibit 1)**

Over the 35-year time horizon, the ROI directly from the property is calculated at 0.74:1 based on expected incremental ad valorem for the County of \$89.8 million, Local Option Sales Tax and Bed Tax estimated at \$51.3 million, and payroll expenditure benefits in excess of \$1.5 million. Additionally, the present value of the residual value in the property subject to the Live! Lease is shown to provide incremental benefit of \$8.0 million, and the present value of the loan payoff is calculated at \$13.1 million.

On the incentive side of the equation, Direct Incentives are estimated at \$245,300,000 which includes the following:

City of Jacksonville Incentives:	
REV Grant for the Mixed-use Residential Component	\$12,500,000
Completion Grant for the Hotel	\$12,500,000
Property for development of Mixed-use properties	\$9,000,000
Property for development of the Hotel property	\$3,000,000
COJ contribution towards Infrastructure improvements	\$77,700,000
COJ contribution towards Add'l Infrastructure improvements	\$15,100,000
COJ contribution towards Live! Component	\$50,000,000
COJ Loan for Mixed-use and Hotel Components	<u>\$65,500,000</u>
<b>TOTAL</b>	<b>\$245,300,000</b>

The balance above includes the potential investment of \$15.1 million referred to in the Development Agreement as Additional City Infrastructure Improvements, which gives the Developer an opportunity to increase City funding for 50% of costs, up to \$15.1 million, to build an additional parking garage on the retention pond site found on the west side of Lot J to be filled initially for a surface parking lot. The funding under this line item also serves as a reserve for additional remediation costs that may be incurred during the development process. This amount is not included in the related Sources and Uses

discussion found within this Staff Report but when added to the City incentives found there the total balance is reconciled to the ROI calculation.

## **20-Year ROI (See Exhibit 2)**

An ROI calculation over 20 years was prepared for consistency with the approach to ROI as calculated by DIA traditionally, which is similar to the approach utilized by the Council Auditor in their analysis of the Lot J redevelopment.

Note that in each of these cases, DIA staff includes an estimated value property to be transferred by quit claim deed to the Developer for the construction of the Mixed-Use and Hotel Components. The pads are proposed to be developed to a buildable state using funding from the Infrastructure commitment and transferred to the Developer for construction of the horizontal improvements. As a partial offset to this additional City funding, DIA also captures in its calculations the present value of the residual interest in the Live! facility using methodology employed in similar ground lease scenarios where the value today is carried out to its future value at the longest end of the lease as proposed, 75 years, at 6%, and then discounted to estimate today's value at 2.5%. This methodology is consistent with the calculation of the residual land value for the real property under ground lease at Rivercity Brewing Company.

The ROI calculated by this method over 20 years equals 0.40, which is below the 0.44 estimate provided by Council Auditor due to the reasons and differences in approach cited above.

## **D. Incentives**

- i. Infrastructure:** The City Infrastructure grant funds include \$5,000,000 toward environmental remediation (possibly substantially more if the limitation in Section 5.4 of the Development Agreement applies only to Phase II study remediation), utility relocations, the filling of the stormwater pond and construction of a replacement 700 space surface parking lot to accommodate game day demand, new roadways as well as residential structured parking of 700 spaces estimated to cost approximately \$18 million.

Generally, as a public investment into the Project, the City is creating developable pads as illustrated by Exhibit 'B' (Master Development Plan) to the Development Agreement. To create these developable pads, the City is (a) constructing surface parking on what is now the pond west of Lot J, (b) constructing "complete streets", and (c) constructing all utilities necessary to serve the developable pads. Additionally, the City is constructing or acquiring additional supportive infrastructure, as more fully identified below, which is included as Exhibit 'H' to the Development Agreement:

Horizontal Infrastructure Improvements: (i) environmental remediation, including monitoring and obtaining all necessary approvals and close outs required by FDEP and applicable law to establish that all existing environmental concerns have been resolved, (ii) filling the pond on the Storm Water Detention Pond Area, (iii) creating the Surface Parking Lot on the Storm Water Detention Pond Area, (iv) creating building pads as to City-owned components, (v) installing the road and plaza system on the Property (but not the final

paving or finishes), including the curbs, and (vi) relocation and installation of utilities and storm water management systems.

Vertical Infrastructure Improvements: (i) sidewalks, (ii) final paving and finishing of the roads and plazas, (iii) landscaping, (iv) wayfinding and directional signage, (v) the Parking Garages and any street parking that is included in the Project, (vi) public art, (vii) the LED Screen, (viii) public spaces, (ix) hardscaping, and (x) landscaping. At the election of the Developer, one or more additional Parking Garages may constitute a Vertical Infrastructure Improvement.

In total, the City's obligation for infrastructure is maximized at \$92,800,000, inclusive of a \$15,100,000 contingency for overages. During several public meetings, generalized and very broad infrastructure cost projects have been stated:

- 700-space garages at \$18,000,000: estimated at \$25,000 per space, consistent with cost of other garages in Downtown (e.g. Florida Blue); and
- Filling in of pond at \$5,500,000 and surface lot construction: the cost for filling in the pond at Forest and Park Streets in preparation for the Florida Blue garage was approximately \$830,000 and was substantially smaller than the Lot J pond; construction of a surface parking lot in the District is estimated at \$600 per space. Factoring in the size differences, an all-in number for filling in the pond and construction of a 600-700 space surface parking lot is generally consistent with other similar projects Downtown.
- In addition, environmental remediation is included and capped at \$5,000,000 (section 5.4 of the Development Agreement).
- Road construction costs (based on the District budget) can reasonably be expected to run \$1,600 to \$1,800 per linear foot, exclusive of infrastructure (e.g. potable water, sanitary sewer, stormwater, electrical).
- Utility relocation costs could be highly variable

Similarly, in other parts of Downtown, infrastructure improvements have been publicly funded to encourage redevelopment. The construction of the Brooklyn stormwater pond and various road improvement projects such as Riverside Avenue, and the current Emerald Trail and McCoys Creek are examples. In the District, the Southbank CRA committed \$23 million to the construction of the Riverwalk, new riverfront parks, the bulkhead, and roads to access the park. However, in that instance, the infrastructure (roads, utilities, landscape, etc.) serving the private development pads was the responsibility of a newly formed Community Development District for the project.

Anecdotally, using the District development as a means to broadly understand and compare this Project's infrastructure costs, the estimated aggregate budget of \$77,700,000 does not, on its face, seem unachievable (noting that the actual maximum obligation for the City is \$92,800,000). The horizontal infrastructure involved in preparing the development pads is

warranted as this is City owned land we are preparing for sale although we have not included that incentive in other recent dispositions of City owned land. The vertical infrastructure contemplated in this Project substantially increases the City's financial obligation. Based on the foregoing, it appears that a substantial portion of the City funded infrastructure is devoted to hardscape, landscape, public art, signage, LED screens and the like. The use of significant incentives for these expenses to serve the Mixed-Use and Hotel components further reduces the construction costs normally absorbed by the Developer.

Absent detailed construction budgets and operating projections, we cannot confirm a financial justification for inclusion in the budget of the cost of the residential parking garage (\$18 million) nor all of the vertical infrastructure serving the Mixed-Use and Hotel Components which appear to be in excess of \$5 million. Based on the pro formas for other mixed-use residential projects, the donation of the pad ready land and construction of adjacent streets and other horizontal infrastructure, together with the REV Grant, should bridge the financial gap. It is acknowledged there is a risk of creating an entirely new neighborhood, and an expectation of an elevated level of architecture, construction, and finish. However, this additional infrastructure expense, in addition to the interest savings associated with the breadbox loan, absent supporting construction budgets and operating pro formas for the Project, cannot be justified through our standard analysis. We do note the in other Cordish Live! projects, garage and parking costs have been borne by the government partner; however, it is recognized that each development carries with it unique financial and public involvement necessities.

This Project cannot, as a catalyst for Downtown, the City and the Region, be reviewed through a generic Capital Improvement Project lens. Within the Infrastructure Budget there are one-off pieces (e.g. art), technical pieces (e.g. LED boards), enhancements, vertical components (e.g. parking garages), environmental and geotechnical unknowns, etc. all of which complicate or make to date unknown unit cost pricing. As conceptual plans mature into development and engineering plans, an ability of the City through Public Works to analyze and verify infrastructure costs by unit cost will be important. Therefore, staff's review of the Development Agreement's infrastructure obligations is through a lens of assurances of quality and verification of costs prior to and after construction.

*Recommendations:*

1. *Absent construction costs and project detail information, we cannot verify the need for the full infrastructure budget.*
  2. *The Development Agreement should include plain, specific language requiring City approval of infrastructure budgets prior to construction. Consistent with the language in Section 8.9 (a), any dispute of budgets may be resolved between the City Representative and the Developer.*
- ii. **Land Donation:** We find the donation of land for this Project to be reasonable and customary. The parcel sizes have not been defined and we anticipate that they will be building footprints only to minimize taxable value. Other than the acknowledgement of fair

value, and the required publication of a 30-day notice of intent to dispose, we have no recommendation regarding the land donation

- iii. **\$50 Million contribution for construction of Live!:** We have little comparable construction cost data for entertainment venues of this magnitude and no construction budget was provided. We have not had time to research venues in other cities in detail to test this budget however it substantially exceeds the norm we see. We would expect new retail space to range from \$150 to \$350 per square foot. Based on the \$100 million budget for this facility, we assume tenant improvements are included and have concern that this will adversely impact the market for other retail space.

We also note that the City is paying half the cost for the construction of 40,000 square feet office space that will not be on the tax rolls and will therefore undercut other Downtown landlords who are attempting to fill vacant office space in Downtown. DIA staff would recommend that the office portion of the Live!, other than the office space used for management of the Project, be structured as a separate taxable condominium interest. The City's contribution to the construction cost offsets any feasibility gap for the speculative office space. While the City's contribution will still allow lower than market rents to be charged, the tax revenue generated will narrow the competitive advantage and return some revenue to the City for their investment. While we might question the City contribution for any portion of the Office space, the cost of the retail will substantially exceed the cost of the office thus City funds can be viewed as exclusively facilitating construction of the entertainment venue.

This venue is the magnet that will make the entire Project worthwhile and will provide a distinct public benefit. It will generate sales tax, create jobs, attract tourists, and bring our own residents Downtown. Without a doubt, the retail/entertainment investment by the Developer carries greater risk in today's evolving market. Furthermore, this contribution is matched dollar for dollar by the Developer both as to time of disbursement and amount. We will later provide specific recommendations on terms of the agreements related to Live!

*Recommendations:*

1. *We are supportive of the City's matching contribution to the Live! component, not to exceed \$50 million.*
2. *We recommend that the office portion of the Live! other than the office space used for management of the Project, be structured as a separate taxable condominium interest.*

**iv. Breadbox Loan:**

The proposed deal structure contemplates that the City will also provide, as additional incentive, an interest free 50-year loan in the amount of \$65.5 million. The loan is non-recourse but is treated as a genuine loan for tax purposes with repayment due on maturity, to the extent available through trust fund balances. The so called "breadbox" structure

requires the creation of a trust, into which the Developer must contribute an amount equal to 20% of any loan disbursement. The trust balance is invested and grows over time and is expected to fully repay the loan at maturity. As Mark Lamping explained to City Council members on November 24<sup>th</sup>, the structure is in lieu of a grant, which would be taxable to the Developer and would have to be “grossed up” to obtain the same effective value. In this case the effective value is the difference between the \$65.5 million loaned to the Developer and the \$13.1 million required to be deposited into the trust, in addition to other tax benefits that accrue to the Developer. Hence, the net difference of \$52.4 million is additional incentive to the project. Loan proceeds can only be used for the Mixed-Use Component and Hotel Component of the Project and are treated as Developer capital investment. The required rate of return to achieve payoff is 3.25%.

From the City perspective, there is a cost to borrowed funds and a risk associated with repayment, both of which are addressed in the Council Auditor’s report. Details regarding the terms of the various loan documents and investment parameters will be discussed in the documents review section.

Our larger question is the necessity for this additional incentive on top of the infrastructure commitment. As mentioned above, even if the residential garages are eliminated from the vertical infrastructure cost borne by the City, the donation of development ready pads, together with the REV Grant and the other vertical infrastructure such as landscape, lighting, art and signage should be adequate to cover any gap on the Mixed-Use Component between realistic construction costs and stabilized value with a modest return on investment. Note there is a Developer Fee also included in the Budget.

The Hotel Component, as mentioned above, is riskier and will require more financial incentive. Nevertheless, the hotel completion grant, donation of the pad ready site, vertical infrastructure grant, and the City match toward the restaurant and retail spaces, a portion of which are assumed to be within the Hotel Component, should be sufficient to fill a gap in financial feasibility based on a generous net construction budget of \$275k/key for a luxury boutique product. The hotel may include a restaurant and lounge separate and apart from the Live! Component; however, absent construction budgets and a pro forma this cannot be determined. This margin is tighter than multi-family, and as mentioned is riskier, especially when COVID travel pattern changes have not stabilized. Some additional incentive may be appropriate for the Hotel Component but without any detail on the construction budget for restaurant and retail space within the Hotel and the City’s share of that cost, and the variation in the number of rooms contemplated (150-250) no further analysis can be provided.

*Recommendation: Our analysis of financial feasibility and construction costs, based on the information provided, does not reveal a need for this additional incentive as currently structured. Nevertheless, we understand that this may be non-negotiable from the Developer’s perspective, and actual construction and operating numbers might justify this incentive.*



**v. Market Rate Multi-Family REV Grant:**

As found in the BID Plan, “Tax Increment Financing (TIF) revenue is used to leverage public funds to promote redevelopment activities in community redevelopment areas. A TIF captures the future tax benefits of real estate improvements in a CRA to pay the current cost of making improvements as part of the Community Redevelopment Area Plan. A Redevelopment Trust Fund is established for the tax increment revenue and dedicated to redevelopment.” The subject Mixed-Use Component of the redevelopment is located within the Northbank Downtown CRA with incremental tax revenue contributing to the balance in the Downtown East Redevelopment Trust Fund. As such, incremental contributions above the base line are eligible for appropriation to incentivize redevelopment activity within the CRA TIF district.

The Development Agreement, in Section 14.1, provides for a Recapture Enhanced Value (“REV”) Grant on the Mixed-Use Component “in a total amount not to exceed \$12,500,000, payable in annual installments beginning in the first year following Substantial Completion of the Mixed-Use Component and inclusive of the applicable portion of the Conveyed Property on the City tax rolls at full assessed value (the Initial Year) and ending twenty years thereafter but not later than 2046 (the “Final Year”).

**BID Plan REV Grant Criteria:** The BID Plan establishes parameters for the eligible percentage of REV Grant that would be awarded. That criteria has been waived by the 2020-648 but provides:

“REV Grant Parameters: The grant will be for an amount no greater than 75% of the City/County portion of the incremental increase in taxes for a fifteen (15) year period. The precise REV Grant size will be determined by the following factors:

- 5% for every 25 units produced in Downtown Jacksonville (not to exceed a factor of 30%); plus
- 15% for the development of City-owned lazy / underutilized assets; plus
- 10% for a Mixed-Use development for each 2,500 square feet of retail/office/commercial space (not to exceed 20%); plus
- 10% if the Developer documents they are working with an employer or Non-profit organization to provide other housing incentives for Downtown; plus
- 15% for the development of green space and amenities for residents; plus
- 15% for a project located in a DIA designated Strategic Housing Area (an “SHA”).”

As design of the Mixed-Use Component is still conceptual in nature, we offer no comment on open space, recreational facilities for residents, and similar building amenities or on-site facilities for residents but note that per the Redevelopment Agreement the Developer is required to comply with the Downtown Overlay, design standards and the Comprehensive plan unless subsequent waivers are sought from City Council.

Based on the applicable criteria, even without a fully designed Mixed-Use Component, it is likely that the Project would qualify for a 75% grant. The extension from 15 years to 20 requires City Council approval in any event.

**Base Year:** Since the Agreement defines the base year assessed value and the REV Grant is only paid on the actual project revenues above the base year, the CRA will only be obligated to return a portion of the future revenue it actually receives. The CRA is protected from any obligation to make payments in excess of revenue received and the City will in fact receive tax revenue on the currently exempt base value.

**Annual Project Revenue:** Only the residential condominium units within the Mixed-Use Component will be taxable. Thus, the Annual Project Revenue generated by the Mixed-Use Component and on which the REV Grant is paid will be limited to taxes paid on the residential condominium portion of the buildings. The definition of Annual Project Revenue in this Redevelopment Agreement is consistent with language used for all other REV Grants and ensures that the CRA will not be required to pay a REV Grant on assessed but tax-exempt value.

**Mixed-Use Investment necessary to achieve full REV Grant payout:**

The Development Agreement requires a minimum capital investment of \$95,000,000 for the Mixed-Use component however that would be inclusive of the parking garage funded and to be owned by the City as well as the portion of the Live! located in the Mixed-Use component which is also to be owned by the City and tax exempt. Since these elements will not generate Annual Project Revenue we calculated the minimum investment that would be required in the actual multi-family units in order to achieve full REV Grant payout.

A calculation of the proposed REV Grant is possible by calculation of the minimum expenditure required as an incremental increase in ad-valorem taxes, on real and tangible personal property, over the base year assessed property value. The assessed land value of this parcel has been established by the Jacksonville Property Appraiser's Office as \$9.00 per square foot (\$3,618,531 / 402,059 total square feet). This valuation is also consistent with the value assigned to the surrounding parcels also owned by the City, including the adjacent retention pond which is also proposed to be part of the Lot J development

Given an estimated increase in value of 2% annually, City/County Operating Millage of 11.4419%, and an estimated footprint for the two buildings of 5 acres valued at \$9 psf, the required net incremental value generated to support the REV Grant is calculated at \$62,129,800. Grossing that amount to include the estimated value of the underlying parcel and the standard appraiser's discount assumption of 15% yields a required total gross development cost estimate of \$75,400,000 for the taxable residential condominium components. In light of aggregate minimum investment number of \$229,000,000 it is indeed likely that the residential component assessed value will reach this amount, and if it does not, the amount of the REV Grant is proportionately reduced by definition.

The annual incremental Ad Valorem tax increase attributable to the City is estimated to average \$833,711 per year over the twenty-year REV Grant period, with consideration given to the 4% early pay discount. With an average 75% REV Grant payment estimated at \$625,283, the net incremental contribution to the TIF would approximate \$208,428 annually, or \$4,168,553 over the twenty-year REV Grant period. The incremental increase towards the Duval County School Board, the St. John's River Water Management District, and Florida Inland Waterways is projected to average \$468,039 per year, or \$9,360,781 in total, over the twenty-year REV Grant period and net of the 4% early pay discount.

**Duration:** Although the REV Grant may extend beyond the life of the CRA, per terms of the Development Agreement, "Should the Downtown East portion of the Combined Downtown Northbank CRA ("TIF") terminate or expire prior to full payment of the REV Grant in accordance with this Agreement, the City shall pay any remaining portion of the REV Grant in accordance with the terms of this Agreement." The CRA can commit to payment of the REV Grant throughout the remainder of its life and the Agreement addresses any impacts of expiration of the CRA prior to expiration of the 20-year REV Grant term.

**REV Grant Conclusion:**

Given that the construction of the Mixed-Use Component furthers the CRA goals for addition of residential units, that the CRA plan expressly contemplates the use of REV grants to incentivize market rate multi-family development, and that the CRA/City is protected in as much as it is only obligated to rebate a portion of the actual increase in tax revenues received by the tax increment district; we recommend approval of the 75% 20-year REV Grant on the residential condominium portion of the Mixed-Used Component.

*Consideration: In other development projects, the DIA has chosen not to extend the REV Grant beyond the life of the CRA in order to incentivize completion of the project as quickly as possible, as was done for the District development on the Southbank. The potential loss of out-year REV Grant payments could be considered.*

*Recommendations:*

1. *The Multi-Family REV Grant should be viewed as the first available incentive in the capital stack and we strongly support its inclusion.*

**vi. Hotel Completion Grant**

The Hotel Completion Grant is a \$12,500,000 grant payable upon completion of the Hotel Component over a term of 5 years in equal annual installments. It is to be funded by the General Fund and appropriated as the hotel nears completion and annually thereafter. This timing ensures that funds are not diverted from other needs until they are needed. Furthermore, the fact that this grant is not payable until Substantial Completion (a defined term) provides additional protection to the City.

It has been suggested that this incentive could be provided as a REV Grant. REV Grants are specifically included in the Public Investment Policy for large scale job creation and in our

BID Plan for Multi-family. However, since a REV Grant utilizes the tax increment increase and is therefore payable from the CRA, it must be consistent with the CRA Plan. As mentioned above in Section VI Market Feasibility, the CRA plan does not encourage hotel incentives until we reach a stabilized occupancy level of 80% within Downtown. Thus, even though warranted by a financial feasibility gap, DIA would not support a REV Grant from the tax increment district revenue. It would be possible to structure this grant as a City general fund grant payable over a term of 20 years based on the Annual Project Revenues received from taxes paid on the property- in other words mirror a REV grant structure but make the payment as a general fund grant.

It has also been suggested that the grant could be funded from the \$.06 tourist development tax. Of the six cents collected, two cents is deposited into the Sports Complex Capital Maintenance Enterprise Fund as authorized by Ordinance 2009-0817E, two cents is dedicated to paying debt service on the bonds issued to construct TIAA Bank Stadium, and the other two cents is dedicated to tourism development. Therefore, four cents of the additional revenue to be generated is already pledged to this immediate area and would require further amendment of the JLL Lease to modify. Only the two cents remaining for use by the TDC would be available, but we would urge that it be retained for promotion of tourism elsewhere in Downtown and the county. We would agree with the suggestion from the Council Auditor that a room surcharge could be incorporated to help defray this cost to the General Fund (Adams Mark/Hyatt example).

*Recommendation: Based on the financial feasibility analysis above, we believe the hotel grant is likely warranted (would depend on extent of Live! Contribution to the cost of the Component) and should be included in the capital stack for the Project. However, we would recommend consideration of a room surcharge of not more than 1% as suggested by the Council Auditor.*

**Qualified Opportunity Zone:**

No mention is made of value attributed to the fact that the Property is located in Downtown's only Qualified Opportunity Zone. Elsewhere in the City, this designation has been factored into financial feasibility as the sheltered capital gains provide capital at a lower cost for the development.

## **VIII. Project Documentation:**

Revised redlined documents were provided November 25<sup>th</sup> which reflect the most recent negotiations and responses to Council Auditor comments. The redlines indicate changes from the legislation as filed. Our comments will address the latest redlined versions in anticipation of an amendment substituting the revised contracts at City Council.

### **A. Development Agreement:**

#### **i. Section 1.12**

Previously included language that conditioned the City's Obligations to make further Disbursements on the continued compliance with the Performance Guaranty has been stricken. The Performance Guaranty is the only protection the City has to ensure that the Project components are completed.

#### **ii. Definition : Budget**

As now defined in Article II, the Budget for both Infrastructure and Live! require approval of the City Representative. It is not clear the level of detail required in such budget (more than provided to date?) nor when the Budget initial approval is to occur (prior to incurring reimbursable costs or prior to commencement of any construction). Furthermore, budget line items may be increased up to 10% without approval or offset.

#### *Observation:*

*This Project cannot, as a catalyst for Downtown, the City and the Region, be reviewed through a generic Capital Improvement Project lens. Within the Infrastructure Budget there are one-off pieces (e.g. art), technical pieces (e.g. LED boards), enhancements, vertical components (e.g. parking garages), environmental and geotechnical unknowns, etc. all of which complicate or make to date unknown unit cost pricing. However, the City should have approval, or at least concurrence, authority for the infrastructure budgets prior to construction, especially given the non-traditional infrastructure items identified in Exhibit 'H' to the Development Agreement (e.g. LED boards).*

*Recommendation: The Development Agreement should include plain, specific language requiring City approval of infrastructure budgets prior to construction. Consistent with the language in Section 8.9 (a), any dispute of budgets may be resolved between the City Representative and the Developer.*

#### **iii. Definitions: Live! , Mixed-Use Component, Hotel Component**

Per the term sheet, the Project will consist of four uses: 1. Live! entertainment district, similar in quality to Philadelphia, St. Louis, and Arlington, as adjusted for current health and safety best practices and market conditions. The district will consist of an entertainment venue with restaurants and retail and street-level restaurants and retail in the amount of 75,000 square feet throughout the Live! district and 40,000 square feet of Class A office space. The district will create a vibrant and pedestrian-friendly atmosphere throughout the Project. 2. Two luxury mid-rise residential buildings similar in quality to Kansas City and St. Louis (400 units). 700 parking spaces will be integrated into the mid-rise residential buildings and/or as street parking. 3. A boutique luxury hotel (150-250 rooms) 4. Surface parking lot (700 spaces) at what is now the storm water retention pond to the west of Lot J. The City

will enter into a lease with the Jaguars with respect to Jaguars gameday parking on this lot. The Project will be similar in quality to The Cordish Companies' developments.

*The term sheet is not incorporated by reference into any contract and will not be binding where its terms differ from or expand upon language in the contracts.*

#### **The Live! District**

The Live! District is defined in Article II, Definitions, of the Development Agreement (DA) as an entertainment, retail, bar and restaurant complex known as the Live! "including 75,000 square feet of retail, restaurant, service and other commercial space, portions of which will be located at street level in the residential and hotel buildings, and a minimum of 35,000 square feet of office space to be located on the Property that is subject to the Live! Lease."

*As defined, the references to the entertainment district being similar in quality to Philadelphia, St. Louis and Arlington found in the term sheet descriptions are not binding or required to be constructed. The term retail has recently been debated on another project where a dentist office and real estate office were argued to be retail and we relied on the definition used in our retail enhancement program. The term should be clarified as to intent. Furthermore, the retail could be divided between the four buildings or concentrated in building other than that identified on site plan. The primary use of the Live! Parcel could be office use. The office is not defined as Class A.*

*While the Entertainment venue has clear public benefit and stimulates tourism and many other secondary impacts, it is not clear why the office space in the Live! Component should be publicly owned and tax exempt. The Developer also has the express right to substantially increase the amount of office space in the Live! component without it constituting a Material modification (Article III, Section 3.3. DA)*

#### **Mixed-Use Component, Hotel Component**

References to quality and comparable venues are not included in the definitions.

*Recommendations:*

- 1. The quality and comparable complex references should be included in the definitions.*
- 2. A minimum restaurant, bar, entertainment venue size should be established for the parcel subject to Live! Lease. (Material Modification in Article III excludes a reduction in size)*
- 3. The office space within the Live! Component (beyond that required for management of Project) should be treated as a taxable condominium interest under private ownership.*

#### **iv. Definitions- Project Costs**

The definition of Project Costs has been expanded to include improvements to other parking lots in the Entertainment District (an undefined term, potentially inclusive of the Shipyards as well). Infrastructure funds can be used beyond the boundaries of Lot J and the stormwater pond parcel

Project Costs also includes all soft costs incurred retroactively as well as prospectively. The magnitude of retroactive sunk costs has not been disclosed but could be material. No date is established to set a starting point.

*The vertical construction cost for the Live! Component is shared equally between the City and the Developer the disbursement process is structured adequately to protect the City's interest.*

**v. Article V , Section 5.1 Development Rights**

The recent revised draft changes the outside reversion date of the development rights from 8 to 10 years. This allocation was already approved by DIA, as master developer under the DRI, with a reversion at 60 months or 8 years.

*Recommendation: Conform the Development Agreement to the actual Allocation of Development Rights approved by DIA pursuant to Resolution 2020-11-03 and return to the as filed 8-year time frame.*

**vi. Article V, Section 5.3 (f) re: condominium**

The revised language provides additional clarification regarding the structure of condominium ownership and the City's obligations for assessments. Note, that in addition to operation and maintenance costs for the garage, the City will incur an annual expense for common area expenses.

**vii. Article VI, Section 6.3 Survey**

New language has been added regarding the Developer's right to survey and prepare legal descriptions for property to be conveyed. Note that Ordinance Code, Subdivision Regulations, require that any parcel divided into three or more parcels must be platted. If the intent is to convey by metes and bounds descriptions, the relevant Code section should be waived.

**viii. Article VI, Section 6.7 (e)**

New language has been added to clarify that prior to Commencement of Horizontal Infrastructure Improvements, the Guarantors shall each provide a Completion Guaranty to the City.

**ix. Article VII, Section 7.2 and Article VII, Section 8.9**

New language has been added that any cost savings with respect to the \$77,700,000 in City Funds budgeted to pay for Infrastructure will now be placed in the Facility Capital Fund. It appeared from prior versions that these excess funds would be returned to the City.

**x. Article VIII, Section 8.2**

Despite the use of City Funds for the Public Costs for Infrastructure and Live!, the disbursement requests are certified by the Developer's contractor and architect and there is no provision for Public Works to sign off on % Complete or compliance with plans. The burden is on the City to dispute a request and pay any non-disputed portion. This language mirrors that in the MPS contract we manage and places a major burden on City staff to calculate the appropriate disputed amount in the event there are disagreements as to budgets and contract compliance.

**xi. Article VIII, Section 8.3 Disbursement of City Funds for Non- Public Costs**

The current language is ambiguous regarding the documentation required for public cost vertical infrastructure elements or Live! elements of the Mixed-Use and Hotel Components. It would appear this Section is limited to Non-Public Costs however the section refers to the % of completion of the component as opposed to the non-public portion for the component. It is not clear how the reimbursements for Public Costs that are integral to these components will be documented and processed distinct from the Non-Public Costs.

See also the last sentence of 8.4 which again implies that City Funds are disbursed on a % of completion for the Mixed-Use Component rather than a unit price and comparison to budget as required for the Public cost portions of that component.

**x. Article VIII, Section 8.9 (d) re: reconciliation**

In the revised draft, the Residential Garage reference is stricken but we believe it is still included in the definition of the Direct Costs of the Mixed-Used Component. To exclude that cost, it should be explicitly excluded.

The reconciliation language, which is the City's only recourse in the event the developer's capital investment is less than projected, does not protect the City's conceptual 50/50 partnership in the Project. Rather it appears that the reconciliation favors the Developer to the City's disadvantage. The discount rate applicable to the Hotel grant has increased thus reducing the City credit, cost overruns incurred by the Developer elsewhere may be used as a credit against their Minimum Developer Investment, and if the REV Grant is terminated because the developer failed to meet the minimum investment, the Developer receives full credit for the REV Grant as a Shortfall Payment. Most importantly, any shortfall is deposited into the facility capital maintenance fund for the benefit of Developer's facilities and is never returned to the City. It is explicitly removed from future appropriation by DIA and City Council.

Inasmuch as the Completion Guaranty is intended to ensure completion of a facility, not its cost, and this reconciliation section does not return to the City any portion of funds invested in the event the Developer contribution is substantially less, the City is left without real assurance as to the equality of the partnership venture.

*Recommendation:*

*We believe this section requires further revision and negotiation and that funds should be returned to the City general fund in the event the Minimum Developer Investment is not achieved, however we understand that the new structure was requested by some on behalf of City Council to ensure adequate maintenance funds were available for facility maintenance and ongoing upgrades. The REV Grant value should not be a credit in the event the minimum capital investment for the REV Grant is not achieved or alternatively, the required minimum capital investment necessary to qualify for the REV for the Mixed Use component should be modified to eliminate the garage.*

**xi. Article XI, Section 11.2 re: Infrastructure**

The Additional City Infrastructure Contribution can become payable for associated environmental contamination per this Section and Project Costs include environmental remediation. Yet in Section 5.4 it appears the costs of environmental remediation and monitoring shall not exceed \$5 million. Is this cost capped in the Infrastructure budget or not?

*Recommendation:*

*Clarify the extent of the City's liability within the Infrastructure budget for environmental remediation if it is intended to be capped.*

**xii. Article XII Parking, Sections 12.1, 12.2**

The Development Agreement has been revised to reflect that while the City will own both



the residential garage and the surface lot, the costs of operation and management will be shared per the Parking Agreement. The manager of the residential garage will not charge a management fee. In addition, there is now a requirement that 200 spaces within the residential garage be identified as Public Spaces and available for events. More detail regarding parking structure will be provided in discussion on the Parking agreement.

**xiii. Article XIII, Section 13.7**

As presented in several recent public meetings, the development schedule has been compressed. Please refer to the graphic on page 5.

**xiv. Article XVI, Section 16.9**

Pursuant to Section 16.9, the Developer agrees not to sell any Component before the 5<sup>th</sup> anniversary of completion. This provision was added in response to partial clawback suggestions comparable to other DIA incentives. Note that the minimum hold period to qualify for opportunity zone tax benefits is also 5 years.

**B. Guaranty of Completion**

The Guaranty of Completion is a key component in protection of the City's interest in the Project. The Guaranty is provided to ensure completion of the various Project components. As noted above, the Development Agreement does not condition the City's further performance of its obligations on the Guarantor's performance under the Guaranty. However, the City is only obligated to disburse retroactively for work completed. As a result, the assurance provided by the Guaranty, that work will be completed, is in fact occurring. The City's only remedy under the Guaranty for failure of a Guarantor to perform is litigation. The Guarantors are both limited liability companies which may be shell entities at the time any Guaranty is called into play. With respect to Gecko only, financial data was provided to the City and financial capacity must be demonstrated at various benchmark dates. The Guaranty is not provided until commencement of Infrastructure Improvements.

**i. Section 2.**

The Guarantor is a primary obligor, not a surety, and provides an unconditional and irrevocable guaranty of Substantial Completion of each Component. The Guaranty covers payment of all Cost Overruns and Covers deposit of funds into Defeasance Trust. The Guaranty is a guaranty of payment and not collection, can collect on Guaranty without first exercising remedies against Borrower. Section 2.(ii). Gecko Guarantor only on the Hotel Component.

**ii. Section 5.**

The Guaranty is "expressly conditioned on the timely disbursement of City Funds and...continued compliance of the City with all terms and conditions of the Development Agreement". City shall have no right to enforce the Guaranty "if an Event of Default by the City has occurred and is continuing, after applicable notice and/or cure periods" This should be modified to refer to all material terms or conditions. A technical default should not void the Guaranty. (a corresponding qualifier is used in Section10 as to material

defaults of Guarantor) After the City cures a default, it may “thereafter continue to have a right to enforce this Guaranty...” Do we not need to **reinstate** the Guaranty after such default and cure? Can we **continue** upon cure if the Guaranty has already been declared “null and void”?

**iii. Section 10.**

Material Guarantor defaults become an event of default if not cured within 30 days of written notice.

**iv. Section 1.12 Development Agreement**

As filed version of document provided “During any period in which a default by any Guarantor under a Completion Guaranty has occurred and is continuing, after the expiration of applicable notice and/or cure periods, the City shall have the right to withhold any Disbursements under this Agreement.” However, this has been deleted in the revised redline limiting the City’s remedies.

**v. Section 11.**

As it relates to assignments of the Guaranty, tie back to Section 8. using the Affiliate language for Gecko. Cordish spells out who is eligible, Gecko just has a financial threshold. At least require a domestic entity.

**vi. Section 15.(b).**

Liquidity verifications or tangible net worth requirements are not required. We understand this was requested by the City but not accepted by the Guarantors. Evidence of Total Net Worth is provided at execution of the Guaranty and then again at the earlier of commencement on Live! and Mixed-Use or Hotel. Can we get re-verification at both if more than 6 months apart? Hotel may start substantially later. We do not have verification of Cordish TNW. Can that not mirror the Gecko requirement?

**vii. Section 22.**

How do we facilitate partial satisfaction of the Guaranty upon Substantial Completion of a Component of the Development Agreement? Does this just refer to the physical Component or is there a valuation and maximum liability calculation?

**viii. Section 29.**

How do we facilitate partial release of Cordish if Hotel Component is completed while other Components are not?

*Recommendation:*

*In light of the importance of the Guaranty as security for performance, we believe that re-verification of net worth at the commencement of each component, if more than 6 months apart, should be provided.*

## C. Live! Lease

The Lease Agreement is for the Multi-Use Entertainment and Recreational Facility (i.e, Live! Component), both free standing venue and elements as may be incorporated. The City, as the owner and Landlord, is a non-tax paying entity. Consequently, there will be no ad valorem revenues received, nor lost, through the development of the Live! Component, and the lease rate is \$100.00 per year. That said, through its operation and development there will be gained tangible property tax, payroll tax and sales tax revenues not currently generated. The following provides a summary of the Lease Agreement terms and conditions. For clarification of staff review, staff performed a generalized review of the Lease Agreement, noting general terms and conditions.

The Tenant will be responsible for the operation of the facilities, inclusive of maintenance, repairs, and capital improvements. Similar to the amphitheater lease, the Tenant will create a fund to support future capital maintenance, repairs, and improvements from the dedication of any ticket surcharges. The Live! Lease as filed has a term of 35 years with four ten-year renewals. Only the last two renewal terms (and only with respect to the portions of the Live Component on the Live! Lease parcel) are conditioned on a requirement that the facility be 85% occupied and be in compliance with the Facility Standard of Care. The revised redline extends the original term to 50 years with two renewals.

*Based on our recent experience with River City and the Landing, we applaud the reduction to 35 years on the initial lease term as filed, but do not support the change to 50 years in the redline (River City lease is 99 years and the Landing was 45 years but with a 25 year extension that was exercised early). However, recent experience would confirm that retail, restaurant and entertainment venues require a significant refresh by the 35-year point. (River City is 22 years old and The Landing was demolished 33 years after construction). The capital maintenance fund created by the surcharge is a positive step toward ensuring the continuing quality and appeal of the venue.*

### **Section 2. Definitions**

Facility Event has been revised to include a Landlord Event as a Facility Event. This is significant because ticket surcharges from all Facility Events are deposited in the Facility Capital Fund.

Facility Standard of Care has been revised to strike the requirement that the Facility Premises be kept in "First class" condition substituting "good" condition.

Qualified transferee is defined as an NFL owner, an experienced shopping center operator with a minimum net worth or an affiliate of either.

Tenant Sponsor is a defined term and a list will be provided by Tenant on or before the Commencement Date

### **Section 5. Lease term**

As mentioned above, the Lease term has been revised to 50 years with two ten-year renewals. We believe the 35 year term better protects the City's interest.

The revised draft does establish a window for exercise of the renewal as we also recommended, and the 5 year window provides adequate security for subtenants as well and providing some comfort to the City on the occupancy and condition requirement.

The Occupancy condition for renewal has been lowered from 85% to 75% and the Facility Standard of Care requirement has been eliminated. We do not agree with either of these changes.

*Recommendation: We would recommend a condition that the initial term remain 35 years and all lease renewals can only be exercised in the last five years of the then current lease term to prevent early exercise, and that all renewal options with respect to the Live! Parcel itself be subject to the occupancy and maintenance condition. Nevertheless, we understand that some on City Council have advocated for the longer lease term in order to provide a longer commitment to the venue in association with the NFL team and the current draft was negotiated to achieve that objective. Both perspectives have merit.*

#### **Section 6. Use by Tenant of Facility**

This section permits any lawful use (other than the prohibited uses). In essence we are repeating the recent issue we have encountered with the River City lease. Although the City may want a restaurant or entertainment venue next to the stadium, the tenant could convert the entire building to residential or office.

In subsection (b) Tenant has the right to contest any Governmental Regulations as they relate to the LED Signs. We are not experts on the Charter and Settlement Agreements applicable to the City regarding signs and billboards, but this provision should be reviewed in light of those agreements.

#### **Section 9. Operator Benefits**

The revised draft inserts a new paragraph regarding FL-GA Facility Events that provides the City shall receive 50% of the net Ticket Revenues for such events. Note that this is a Net revenue calculation after deducting all expenses, and not including any ticket charges imposed by subtenants.

#### **Section 10. LED Screens**

The revised Lease (and Development Agreement) now clarify the fact that some LED Screens are part of the Infrastructure Improvements funded by the City while others are integrated into the Live! component cost , but all are managed and maintained by the Tenant. The City has the opportunity to provide City Content for the Ancillary LED Screens.

#### **Section 11. Landlord Use**

Landlord has the right to use the facility on weekdays prior to 3 pm and other days excluding blackout dates. Based on the definition of Blackout Dates including ten consecutive days surrounding holidays and almost any event, essentially this provision could exclude Landlord use. Note that in the recent revision, the FI-GA game period is not longer a Landlord right of use period and as mentioned above, the City only receives 50% of Net Revenue.

The revised lease does allow Landlord to charge for a Landlord Event and retain revenues from ticket sales however Tenant retains all other revenue from Landlord Events (but per Section 12 Landlord's ticket revenue is deposited in the Facility Capital Fund). Further, in

subsection (e) Landlord must also cover the expenses from such Events despite the Tenant's right to retain revenue.

As negotiated, the City's right to host a Landlord event, and the assumption that it will generate any revenue for the City, are dependent on maintaining a good working relationship with the Developer and is not guaranteed. While the permission is not to be unreasonable withheld, the qualifier of Blackout dates effectively negates that provision.

*Consideration: The City's right to host a Landlord event, and the assumption that it will generate any revenue for the City, are dependent on maintaining a good working relationship with the Developer and is not guaranteed in light of the blackout date provision.*

**Section 12. Capital Projects.**

Section 12 establishes the Facility Capital Fund and requires all ticket surcharges for Facility Events, including Landlord Events, to be deposited in the fund. The funds may be spent by Tenant pursuant to an approved Capital Plan for the Facility. In addition, Tenant may make other Capital improvements (not part of the plan) without notice to landlord, unless the improvements exceed \$5 million in value in which case the City will receive notice (not approval). The Capital Plan is presented annually by Tenant to the City representative for approval. (there is no cap on the amount of such improvements or extent of authority delegated to the City Representative for expenditure of the Facility Capital Fund.

**Sections 14 & 15- Indemnity and Insurance**

These sections are not typically reviewed in detail by DIA as such reviews are provided by other City staff- for example, OGC and Risk.

**Section 16. Destruction or Damage**

New language has been inserted that the obligation to repair is subject to the rights of any leasehold Mortgagee. Note that 50% of the cost of construction is paid by the City, yet it is possible in the event of casualty that the Leasehold mortgagee could decide not to rebuild.

**Section 19. Assignment**

A five-year prohibition against transfer has now been included (consistent with the time frame required to take advantage of Opportunity Zone benefits). Subsequently, transfers to Qualified Transferees are allowed.

Subleases are now allowed without Landlord approval contrary to the as filed Lease.

**Section 21. Default.**

The revised draft now gives Landlord a right to terminate the Lease under certain limited Events of Default.

**Section 29. Environmental**

A new section has been added to prohibit hazardous material from being stored on site, require their removal and provide and indemnity and other rights to landlord with respect to such activities on the Facility Premises.

**Exhibit B Prohibited Uses**

- 9. Gambling and betting activities are now allowed if permitted by Governmental Regulations
- 17. The compatibility/consistency with a First-Class Facility provision has now been deleted

**Suggested addition to Live! Lease**

We understand that the Tenant is not the parking operator nor owner, however for the sake of clarity we believe the City's right to receive certain revenues should be confirmed by the Tenant in this document.

*Recommendation: The Live! lease should be modified to add an acknowledgement of the City's right to receive certain parking revenue, consistent with Section 12.6 of the Development Agreement and Section 3.5 of the Lot J Parking Agreement.*

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## D. Parking Agreement

The term of the agreement is open ended: the agreement continues “as long as the Development Area is used and occupied by any portion of the Lot J complex.” The agreement expires when “no part of the Development Area is used and occupied by any portion of the Lot J Complex.”

The proposed 600 space surface lot will be located to the west of the Lot J development, replacing the existing Lot J, and owned and operated by the City. The surface lot serves multiple purposes, including parking for customers of the Live! component, noting that the City has the right under the agreement to use and charge for event parking, and noting further that the developer (referred to as “Owner” in the agreement) may offer complementary, or discounted validated parking within the surface lot for hotel users or customers. In essence, Agreement is, in part, designed to allow the City to derive revenue to pay for the maintenance, repair and operation of the surface lot while also providing parking support for the development. It should be noted that, in the event the developer institutes a discounted parking program, funds do not flow to the developer, but rather are deposited into a dedicated marketing fund for the project.

It is contemplated that one or two garages totaling 700-spaces in the aggregate (minimum 600) will be developed as part of the Mixed-Use (apartment) Component. Two hundred spaces in the aggregate in the residential garage will be Public Spaces for use by Customers. Parking charges for such spaces shall belong to the City. The Developer retains revenue from the residential spaces. Maintenance and repair of the garages are the responsibility of the City, while operation of those residential garages will be split evenly by the developer and the City.

Note that in 2019 DIA completed a Parking Study of Downtown which, among things, recommended the use of Sports and Entertainment area existing parking to provide shuttle parking for the Central Core. This Agreement contemplates that parking will now be restricted for the benefit of the Project.

If the City agrees to pay for construction of, own and bear maintenance and partial operating costs for the residential garage, the language regarding expense calculations should be further refined.

### Recitals

Revised agreement now also includes Lots C and D within the scope of the agreement. Previously only the new surface lot, the residential garage(s) and lots M, N and P were included.

### Article I Definitions

**Lots C and D:** The exhibit which defines Lots C and D is incomplete. **Lot Z is not part of the Sports Complex Parking and while currently managed by ASM Global is considered CRA property available for redevelopment.**

**Maintenance Costs:** includes all Surface Parking Areas- new lot, lots M, N and P and C and D.

**Major and Minor District Events:** The new definitions create a breakpoint of 25,000 attendees

**Operating Costs:** includes all utilities, parking/security staff, cleaning, insurance, taxes, etc. The definition of costs, and payments to affiliated entities of the operator for accounting services, credit card charges, and other expenses, including pass through salaries for management, have been an issue in the MPS contract. This definition should be further clarified.

*Recommendation: Based on our experience with oversight and management of the MPS contract, we recommend that this definition be revised to exclude all general and administrative expenses of the operator.*

#### **Article II Term, Section 2.2**

The term extends as long as any component is used and occupied. It would be appropriate to consider a pro rata reduction in the City's restricted lots if there are multiple components no longer in operation.

*Consideration: In the event the Live! Component ceases to exist, the City's obligation to provide parking for such events will cease, but the Surface Lot will continue to be used for other components. Note that the Surface Lot remains subject to the JIL lease in replacement for Lot J, but is available for other public events and uses.*

#### **Article III , Section 3.11**

New language has been added to address the City's needs for event parking for Major and Minor Events and the Owner's rights for free and validated parking are limited as to location and number based on the level of event.

Subparagraph (f) should be further clarified to address the MPS garage guarantee of net operating loss. The City should not be required to secure additional spaces in such garages at below market rates which result in the DIA incurring additional expense, or failing to benefit from the increased demand which will reduce the net operating loss currently incurred.

#### **Article IV, Fees and Operations**

Management and operation of the new surface lot is assigned to ASM Global by expanding the current parking agreement with that entity. Since parking revenue currently derived by the City on any lots managed by ASM Global is deposited into a unique sub-fund for Sports Complex management, that procedure would be expected to remain in place. Although it may be contemplated that the City may use the surface lot to serve parking needs of other commercial and office parking within Downtown, it should be specific so as to avoid confusion with the Parking Operator, ASM Global.



*Recommendation: The Parking Agreement should be revised to include language that is consistent with Section 12.6 of the Development Agreement to expressly grant the City the right to retain the revenue generated by transient daily paid parkers utilizing the public spaces within the garages and the Surface Lot. Section 12.6 goes further to state that the City will also receive parking revenue from paid attendees of Jaguars NFL games, the Florida-Georgia Game, the Tax Slayer Gator Bowl, Monster Jam, other Stadium Events, events at the baseball grounds, events at the VyStar Veterans Memorial Arena, events at Daily's Place, and any Major or Minor District Event (those being defined terms within the Development Agreement).*

Management of the residential Garage is to be delegated to the Developer subsidiary, but there will be no management fee charged to the City.

The City pays all Operating and Maintenance costs of the surface lots. The City pays all Maintenance costs of the Residential Parking garage and 50% of the operating costs pursuant to an approved budget. This again has the potential to meet the same budget challenges as we have seen with MPS.

#### **Article VI, Section 6.16 and 6.22**

Note that termination of the parking Agreement is not a remedy available to the City in the event of breach by the Owner.

**E. Loan Agreements (revised documents were to be delivered on 11/27 but have not been provided for review) Accordingly, we defer to the Council Auditor's comments on the note and loan documents.**

#### **F. Amendment Number 15**

Part of Ordinance 2020-0648 is "Amendment Number 15 to Lease By and Between City of Jacksonville and Jacksonville Jaguars, LLC." In part, Amendment 15 removes the Lot J parking lot from the Lease and reduces the City's obligation to provide unstacked surface parking spaces from not less than 6,400 hundred to not less 5,100 (see Recital B of the Amendment). However, the Amendment 15 also incorporates the "Pond Parking" (i.e. the Surface Lot) as part of the "Parking Facility" for the JJJ Operative Period Events, JJJ Non-Operative Period Events and Designated Events only (see Section 4 of the Amendment). This appears to be in conflict with Section 12.6 of the Development Agreement, which states that the City will "also receive parking revenue from paid attendees of Jaguars NFL Games."

*Recommendation: The Development Agreement, Parking Agreement and Amendment 15 documents should be modified to acknowledge the City's access to revenue-producing parking within the Surface Lot and public spaces within the Mixed-Use garages during Jaguar games and other "Non-Operative Period Events and Designated Events" (see Section 4 of the Amendment).*

## **G. Perpetual Access and Use Easement Agreement**

This easement grants to the Tenant under the Live! Lease rights of use over the City streets, sidewalks and plazas.

**Title:** The title and first line refer to this as a Perpetual easement but in the actual grant of easement, it is not perpetual but rather for the duration of the Live! Lease.

### **Section 3.**

The easement granted is unobstructed and “exclusive”. Is this a conflict with Section 13 as what rights are retained to the Grantor when an exclusive easement is granted? Previous version was non-exclusive and City retained right of use.

The easement expressly allows sidewalk cafes- should a pedestrian clear area that is ADA compliant be required? Is compliance with CH 250 re: sidewalk café permitting within Downtown required or is this intended to be waived?

Following Lease expiration, in order to clear title, the City must obtain a quitclaim from the Developer. In other deals, this is proving to be an issue. This standard City term should be handled differently, perhaps by a deed in escrow or an insurable and definitive termination provision.

### **Section 4.**

The initial Improvements to be constructed pursuant the Dev Agreement in the easement area are Infrastructure Improvements. Grantee can make modifications or subsequent improvements at its expense and to the extent that do not exceed \$750,000 (each? Or in the aggregate?) may do so without notice to Grantor.

City funds pay for the initial Improvements and they must be approved by DDRB and meet City standards. There are no similar provisions for the Additional Improvements

### **Section 5**

Grantee maintains the Improvements.

### **Section 9.**

Extensive new language included regarding Grantee’s right to mortgage its interest in the easement. The city’s protection in the event of default on the mortgage are limited and Grantor agrees to modify the easement as requested by a lender. Grantor agrees to notify any lender of a Grantee default under the Development Agreement. These provisions add an administrative oversight burden that will be difficult for the City from a maintenance of records and communication perspective.

### **Exhibits:**

Neither the burdened, or benefitted property is described in the Exhibits. At this point we are assuming their scope but it is not clear what will be inserted in those exhibits.

## H. Air Rights Easement Agreement

The Air Rights Easement is intended to benefit the owner of the of the Mixed-Use Component and provides the air rights necessary to permit construction and ownership of an elevated walkway connecting the two Mixed-Use buildings.

### Section 3.

The easement granted is unobstructed and “exclusive”. Is this a conflict with Section 13 as what rights are retained to the Grantor when an exclusive easement is granted? Previous version was non-exclusive and City retained right of use.

The Grantee is authorized to construct an elevated walkway which will connect the Mixed-Use buildings. Such walkways are generally prohibited by 656.361.6.3 but expressly require DDRB approval.

The Easement remains in force until demolition of both of the Mixed-Use buildings. Language that would have terminated the Air Rights if not used, i.e. an elevated walkway is not constructed as part of the Mixed-Use Components, was deleted.

### Section 4.

The initial Improvements are part of the Mixed-Use Component. Are they part of Non-Public costs (apartments) or Public Costs (Vertical Infrastructure)? Who pays for the initial Improvements. Do they need to be approved by DDRB and meet City standards?

Since the Mixed-Use component will have some private and some City owned interests and well as condominium common area- which part of the Mixed-Use component does this become? This issue has significant impact on the allocation of costs, maintenance , etc. in the future. If part of the Common Area, we pay a portion of all costs of insurance, maintenance, etc. If part of the garage interest, we are responsible for all such costs.

Grantee can make modifications or subsequent improvements at its expense and to the extent that do not exceed \$750,000 (each? Or in the aggregate?) may do so without notice to Grantor. Do the Additional Improvements require DDRB approval or does this grant supersede?

### Section 9.

Extensive new language included regarding Grantee’s right to mortgage its interest in the easement. The city’s protection in the event of default on the mortgage are limited and Grantor agrees to modify the easement as requested by a lender. Grantor agrees to notify any lender of a Grantee default under the Development Agreement. These provisions add an administrative oversight burden that will be difficult for the City from a maintenance of records and communication perspective.

**Exhibits:**

Neither the burdened or benefitted property are described in the Exhibits. At this point we are assuming their scope but it is not clear what will be inserted in those exhibits.

**I. DDRB APPROVALS**

It is clear from the Ordinance that the Downtown Development Review Board review authority is preserved. Recent revisions have added further clarity to the Development Agreement.

The Developer has established, both in various public presentations, and its use of specific descriptions within the Development Agreement, its intent for a world-class venue and high-end residential, hotel and commercial. These descriptors are not what is required by the City of Jacksonville Ordinance Code and applied by DDRB. Any expectation of review and judgment beyond that afforded to DDRB in the Ordinance Code, should be explicitly established by City Council to ensure a standard of quality.

*Consideration: The components of the Project are required in this legislation to meet existing DDRB standards. Should City Council seek more stringent design standards, separate legislation should be filed to establish such standards for DDRB.*

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**Recommendation to Board:  
Approval with Conditions.**

As the Downtown Investment Authority, we must acknowledge the tremendous positive impact this project could have on the immediate vicinity, and all of Downtown. We fully recognize that the analysis we performed, using local market data and the procedures applicable to smaller Downtown projects, fails to recognize the larger economic impact of a project of this magnitude. Furthermore, we understand that many of the recommendations we offer have been previously raised by the Administration and Office of General Counsel and rejected by the Developer. Nevertheless, it is staff's recommendation to the Board that these recommendations be incorporated as conditions by the Board to ensure the best possible project for the City.

If, when presented to City Council, the Developer does not agree, it will be up to City Council to then make the decision whether to proceed. We have provided the review and analysis requested and the DIA has forwarded a recommendation supported by this report.

**Exhibit 1 - ROI as Calculated on 35 Year Time Horizon**

**\$391.5 Million in Capital Expenditures (11/25/2020)**

Ad Valorem Taxes Generated  
 Incremental County Operating Millage - Mixed-Use Residential  
 Incremental County Operating Millage - Hotel  
 Local Option Sales Tax  
 Bed Tax  
 Payroll

	Yes
Include LOST	Yes
Include Bed Tax	Yes
Include Payroll	Yes

Add'l Benefits Provided (Present value of Loan Payoff, Live! Lease Payment, PV of Residual in Live! Component)

**Total City Expected Benefits**

Total City Investment

**Return on Investment Ratio**

(1) \$	51,055,868	
(1) \$	55,312,674	
(2) \$	20,555,542	
(2) \$	30,793,474	
(3) \$	1,554,000	
(4) \$	21,165,544	\$ 180,437,102
(5)		\$ 245,300,000
		\$ (64,862,898)
		<b>0.74</b>

- (1) - The investment from the Company is estimated to be \$111 million for the Mixed-use Development, and \$118.5 million for the hotel.
- (2) - Local Option Sales Tax is based on the revenue generated through retail sales, food and beverage, and commercial leases. Bed tax is drawn from the same assumptions defined more clearly in the notes below.
- (3) - Job estimates are calculated at # of jobs \* avg. wage. Assumes 20% spent locally and a 1 percent sales tax over 20 years.
- (4) - Present value of the loan payoff, NPV of the residual value in the Live! Property, lease payments for the Live! Facility.

<b>(5) - City Incentives as follows:</b>	<b>REV for the Mixed-use Residential Component</b>	\$ 12,500,000
	<b>Completion Grant for the Hotel</b>	\$ 12,500,000
	<b>Property for the luxury mid-rise residential tower(s) and hotel</b>	\$ 12,000,000
	<b>COJ Financial Contributions and Loans</b>	\$ 208,300,000
	<b>Total Direct Incentives</b>	<b>\$ 245,300,000</b>

**NOTE:**

JIC to receive property for the luxury mid-rise residential tower(s)  
 JIC to receive property for the hotel  
 COJ financial contribution to Infrastructure improvements  
 COJ Add'l financial contribution to Infrastructure improvements  
 COJ Contribution for the Live! Component  
 COJ Loan for the Mixed-use and Hotel components  
 COJ PV of Loan Payoff  
 COJ Residual Value Live!  
 FV of \$100M Live! Component compounded @ 1% for 75 yrs  
 NPV of FV of Live! Component discounted @ 2% for 75 yrs  
 COJ Parking Revenue  
 COJ Lease revenue for Live!

Rooms	\$/Room	TOTAL to JIC	TOTAL to COJ	Acres:
400	\$ 22,500.00	\$ 9,000,000		2.755
150	\$ 20,000.00	\$ 3,000,000		0.689
		\$ 77,700,000		
		\$ 15,100,000		
		\$ 50,000,000		
		\$ 65,500,000		
	3.27%		\$ 13,100,266	
			\$ 8,060,278	
			\$ 5,000	
			<b>\$ 220,300,000</b>	
			<b>\$ 21,165,544</b>	

2.5%	\$637,220,743
6.0%	

**TOTAL**

## Exhibit 2 - ROI as Calculated on 20 Year Time Horizon

### \$391.5 Million in Capital Expenditures (11/25/2020)

Ad Valorem Taxes Generated	
Incremental County Operating Millage - Mixed-Use Residential	
Incremental County Operating Millage - Hotel	
Local Option Sales Tax	
Bed Tax	
Payroll	

Include LOST	Yes
Include Bed Tax	Yes
Include Payroll	Yes

Add'l Benefits Provided (Present value of Loan Payoff, Live! Lease Payment, PV of Residual in Live! Component)

### Total City Expected Benefits

(1)	\$	24,750,234	
(1)	\$	26,881,972	
(2)	\$	9,990,015	
(2)	\$	14,965,661	
(3)	\$	888,000	
(4)	\$	21,165,544	\$ 98,641,427
(5)	\$		\$ 245,300,000
	\$		\$ (146,658,573)
			<b>0.40</b>

Total City Investment

### Return on Investment Ratio

- (1) - The investment from the Company is estimated to be \$111 million for the Mixed-use Development, and \$118.5 million for the hotel.
- (2) - Local Option Sales Tax is based on the revenue generated through retail sales, food and beverage, and commercial leases. Bed tax is drawn from the same assumptions defined more clearly in the notes below.
- (3) - Job estimates are calculated at # of Jobs \* avg. wage. Assumes 20% spent locally and a 1 percent sales tax over 20 years.
- (4) - Present value of the loan payoff, NPV of the residual value in the Live! Property, lease payments for the Live! Facility.

### (5) - City Incentives as follows:

REV for the Mixed-use Residential Component Completion Grant for the Hotel Property for the luxury mid-rise residential tower(s) and hotel COJ Financial Contributions and Loans	\$ 12,500,000 \$ 12,500,000 \$ 12,000,000 \$ 208,300,000
<b>Total Direct Incentives</b>	<b>\$ 245,300,000</b>

### NOTE:

- JIC to receive property for the luxury mid-rise residential tower(s)
- JIC to receive property for the hotel
- COJ financial contribution to Infrastructure improvements
- COJ Add'l financial contribution to Infrastructure improvements
- COJ Contribution for the Live! Component
- COJ Loan for the Mixed-use and Hotel components
- COJ PV of Loan Payoff
- COJ Residual Value Live!
- FV of \$100M Live! Component compounded @ 1% for 75 yrs
- NPV of FV of Live! Component discounted @ 2% for 75 yrs
- COJ Parking Revenue
- COJ Lease revenue for Live!

Rooms	\$/Room	TOTAL to JIC	TOTAL to COJ	Areas:
400	\$ 22,500.00	\$ 9,000,000		2.755
150	\$ 20,000.00	\$ 3,000,000		0.689
		\$ 77,700,000		
		\$ 15,100,000		
		\$ 50,000,000		
		\$ 65,500,000	\$ 13,100,266	
	3.27%			
			\$ 8,060,278	
			\$ 5,000	
			\$ 21,165,544	
		<b>\$ 220,300,000</b>	<b>\$ 21,165,544</b>	

2.5%	\$637,220,743
6.0%	

### TOTAL