

Dear DIA Members:

As you know, in the summer of 2014, the Downtown Investment Authority approved the Downtown Northbank and Southside Community Redevelopment Area Plan, which was also adopted by the Jacksonville City Council. The purpose of the plan is to: “Provide a modern redevelopment blueprint for the type of unique urban environment that can take advantage of markets that now exist, and be used as a long-term guide for decisions of the Downtown Investment Authority.” The plan is designed to give rise to goals that will positively influence development creating a vital community as outlined in the plan. Some of its points include setting development goals to achieve the following:

- An inviting public realm for all of greater Jacksonville to enjoy Downtown and the St. Johns River
- Attractive housing alternatives leading to an increase in Downtown residents
- Support for existing and new downtown businesses to foster greater services for residents
- An increase assessed (taxable) value of Downtown property
- A decrease in the total number of vacant buildings and lots (land) Downtown
- An increase in the total number of employees working Downtown

Since we began our master planning process, the Elements Development team, creating what is known as The District, has been hard at work side by side with the DIA and the City to develop new processes that included a local plan amendment that required acceptance by the state, allocation of development rights from the DIA, and approval by the DDRB of a master plan review process that required crafting a different internal review program as the project developed, as well as an amendment to the manatee protection plan to support the planned marina, while not encroaching upon existing marina development rights allocated to other parts of both the Northbank and Southbank areas. There was no real way to know and understand the complexities of this kind of a project until we started the master planning process. Needless to say, both the public sector and the private sector is smarter today than we all were when this process started.

From the beginning of our process, Elements took the initiative to develop the different review protocols with the various city departments, managed the process across several levels of governmental that included various agencies at the local, state and federal governmental level. It has also invested over \$2M to date in order to be in a place to now move forward with a redevelopment agreement with the Administration, Downtown Investment Authority, and Jacksonville City Council. To say this has been a complicated, expensive and time-consuming process would be an understatement. We have spent more than any other private sector developer in terms of the planning stages to move this 30-acres forward as a mixed-use master planned project in downtown. And, while it has taken longer than anticipated due to the huge regulatory hurdles we have faced throughout the process, the time and investment to date has brought us to a point where the end of approvals is in sight and we can focus on turning dirt, going vertical with development and generating property taxes where none are paid today.

Another critical point that should be made is that The District represents a **new market for downtown Jacksonville**. While we have been working diligently on the regulatory and approval processes, we have also been working with and negotiating with investors, developers and advisors to create this new market. Downtown Jacksonville is an emerging market that we believe in and as the DIA has said in its own report, this is a catalytic site for downtown. However, being catalytic does not equal easy. We believe that the City needs to fully comprehend that if we are going to implement, as a community, a project of this scope – it takes creativity, time, planning, investment and partnerships. This is not a stand-alone project. It is a complicated market making project.

- Some of the specifics that have brought us to this point include:
 - Master planning
 - Market studies
 - Amending the DRI process including an NOPC
 - Entitlements by DIA
 - Creation of master plan
 - Approvals by DDRB
 - Marina approval processes
 - Pad solicitations; PSA negotiations; LOI negotiations;
 - Pad design and planning

- Horizontal site work planning including budget and timelines
- BRSA and work with FDEP on closure of areas of concern and certifications
- Financing
- Master developer negotiations
- COJ Redevelopment Agreement (RDA) negotiations
- What has been invested to date by Elements
 - Legal; engineering, architect and master planning; marina permitting; market analysis; overall permitting and fees; surveys; consultants on land use and regulatory approvals: \$2M
 - Deposits to JEA: \$250K

Going forward, we envision The District to be a public private partnership with the public benefit being multi-fold while implementing the Downtown Investment Authority's adopted Downtown Northbank and Southside Community Redevelopment Area Plan references as its project name: Southbank Catalyst Site.

It is being proposed that the City will initially buy the land from JEA and over time convey it back to Elements as development progresses. The City and Elements will jointly fund horizontal infrastructure that will contain public benefiting components of the project including the extension and completion of the Southbank Riverwalk; a riverfront public park; public accessible roads and sidewalks; river activation points including a water taxi stop, kayak launch, marina and other water connecting activities; water, sewer and utilities; public parking; retail opportunities for small and medium size businesses and economic development; mixed-use for sale and for rent housing product; hotel that will generate additional bed-tax.

The redevelopment agreement that will be designed and guided by the term sheet and as approved by the City Council will implement the project's master plan, as approved by the DDRB. Highlights of the proposal will:

- Implement the DIA's recognized Southbank Catalyst site which will develop a new market for the area and attract additional projects and investment.

- Generate both sales tax and new ad valorem including a special assessment that will provide additional upside to the City for the first 10-years of the project above the normal millage rate.

Rationale for deal structure:

- City participation will provide control over process for City to ensure vertical development
- Horizontal infrastructure components have public benefit
- Special assessment provides additional tax revenue to city for first 10-years – public benefit
- If you start with the public infrastructure budget of \$45M and want to provide protections for City investment – having the developer assign its rights under the purchase and sale agreement with the JEA and having the city close on the land provides maximum control for the City to ensure vertical development, which is what will generate the maximum amount of tax revenue for the city as well as the other various beneficiaries of ad valorem tax payments during the life of the project.
- The term sheet also requires that the first dollars spent on horizontal infrastructure come from the developer in an amount equal to the purchase price, so the developer is still investing the same amount of dollars as they would have had they closed on the land first – but the structure that is being proposed gives the City protection, a secured land asset and control. The City's goal is to control the land and leverage performance from the developer for vertical development.
- The City won't invest its portion of the public infrastructure until the developer has invested theirs.
- The deal structure also provides flexibility for the developer to move forward with a phased approach with the approved master plan as the guide.
- The developer will not seek any vertical development incentives
- The City will not close on the sale from JEA until Elements shows it has committed resources sufficient to fund its share of the public infrastructure.
- Performance targets are established to construct public infrastructure and penalties provided if a target is not met.
- Elements is granted an option to purchase the land for 10 years, however it must purchase all of the property within 5 years or pay a substantial fee

to extend its option for up to another 5 years.

- City will retain any development parcels that are not purchased by Elements within the 10-year option period.

The attached diagram is an outline of the deal structure that you may find useful for our upcoming discussions. We look forward to the conversation and presentation at the upcoming DIA meeting and would appreciate your favorable consideration and support of this very important project for Jacksonville.