

Downtown Investment Authority

MEMORANDUM

To: James Bailey, Jr., Chair of the Board of the Downtown Investment Authority
From: Mr. Aundra Wallace, Chief Executive Officer, Downtown Investment Authority
Subject: The District Transaction Proposed Performance Based Structure Summary
Date: December 15, 2017

This memorandum summarizes the recommended terms and structure to incentivize the District development at the former JEA Southside Generating Station. This Memorandum represents only a non-binding expression of the Downtown Investment Authority's present desire to negotiate the agreements referenced herein generally in accordance with the terms and conditions set forth in this Memorandum, subject at all times to the Downtown Investment Authority's completion of its due diligence in connection with the transactions contemplated herein, in the Downtown Investment Authority's sole and absolute discretion.

This memorandum is for discussion purposes only, which may, if agreed to by the parties, will result in a term sheet which will then require the sequential approvals of the DIA Board, the JEA Board, the City of Jacksonville Administration, and the City of Jacksonville City Council. All references to the City and JEA taking any proposed action are contingent upon the future negotiations and agreement by those entities respectively.

A. Elements will assign all its interests in the Purchase and Sale (P&S) agreement with JEA to the City, and the allocation of development rights to the DIA.

1. JEA amends the P&S to:

- i) Approve the assignment to the City no later than March 30, 2018;
- ii) Extend the property Closing Date to July 16, 2018; and
- iii) JEA approves the cash flow note funding the purchase of the property.

2. On or before March 30, 2018, the City, the DIA and Elements will sign the Redevelopment Agreement and agree to the form of the related agreements referred to in Section B below.

3. Under the Nomination/Assignment Agreement, Elements will:

- i) Covenant and agree with the City that it has, or will by the Closing Date, complete all of the Buyer pre-closing obligations under the P&S unless waived by the City and JEA, in their sole discretion; and
- ii) Within 90 days after the date of execution of the Redevelopment Agreement (RDA),

Elements shall submit to the City and DIA evidence satisfactory to the City and DIA in their reasonable discretion that Elements has, in binding form subject to customary closing conditions, at least \$18.698MM in equity capital and loan commitments for its portion of the estimated Public Infrastructure cost at that time. By November 15, 2018, Elements will provide to the City and DIA, in binding form subject to customary closing conditions, it has equity capital and firm loan commitments in sufficient amounts above the City's funding obligation to fund the Public Infrastructure as determined by either: (a) the Public Infrastructure costs within a binding Guaranteed Maximum Price contract in form and substance reasonably acceptable to the City and DIA; or (b) the Public Infrastructure cost estimates, including the contingency, as determined by 100% designed engineering plans. Any additional costs or cost overruns in connection with the Public Infrastructure improvements in excess of the Approved Funding and the DIA Contribution defined in Section B(3)(iii) below shall be the sole obligation of Elements.

- iii) The assignment of development rights shall obligate the DIA, as Master Developer under the Development Order, to hold the development rights in reserve solely for Elements for the duration of the Option Agreement (described in Section B.2. below) for re-assignment back to Elements in accordance with the terms of the Option Agreement.

B. Elements, the DIA, and the City enter into a Redevelopment Agreement ("RDA") which includes the following:

1. A Ground Lease: This provides Elements access and control of the portion of the project that contains the development Parcels and allows for the public infrastructure work to be completed. The Ground Lease shall:

- i) Have a start date at least thirty days after the property Closing Date with JEA, July 16, 2018, under the P&S, to allow the DIA to publish the required Chapter 163, Florida Statutes notice of disposition.
- ii) Have a five (5) year term, with a one (1) year extension option at the reasonable discretion of the DIA.
- iii) Provides for rent due if Elements has not completed a significant percentage of the Public Infrastructure as follow: (a) by the end of Month 30 - 40% completed (\$50,000 per year); (b) by the end of Month 42 - 80% completed (\$75,000 per year); (c) by the end of Month 54 - 100% completed (\$100,000 per year and for each year thereafter). Such completion dates may be extended due to Force Majeure events or delays caused by a lack of funding by the DIA pursuant to its funding obligations.

2. An Option Agreement: This establishes Performance Benchmarks for the purchase and sale of the property over time to Elements and the purchase by Elements of individual portions of the property.

- i) Subject to extensions as referenced below, provides for the takedown of a minimum of the first two takedown parcels with a strike price for each parcel of \$1.00 in accordance with an option exercise schedule to be included in the Option Agreement, within the first three (3) and four (4) years, respectively, from the Effective Date of the Option Agreement, after completion of at least fifty percent (50%) of the public infrastructure improvements and compliance with the Performance Benchmarks to be set forth in the Option Agreement, which include (a) a signed purchase and sale agreement with a third-party purchaser, all regulatory and building permits have been obtained, and all acquisition and construction financing is in place to proceed with the project and (b) proposed development in accordance with Section B.2.ii) below.
- ii) The take down parcels on Exhibit B to the current draft of the Option Agreement shall be revised to delete 400K Sq.Ft. in each instance and to substitute the value of the development rights (per Exhibit A attached hereto) equal to 22% of the estimated total post construction aggregate assessed value of the parcels shown on Exhibit A ($.22 \times \$289,551,500 = \$63,701,000$). So long as the remaining land and development rights remain consistent with the approved master plan, any combination of parcels shown on the Preliminary Site Plan attached as Exhibit B hereto and the development rights may be used to satisfy the required takedowns. Any material variation from the approved master plan shall be subject to the reasonable approval of the Downtown Development and Review Board.
- iii) Elements may extend the first takedown parcel (within the first 3 years) for two (2) one year extensions, the second takedown parcel (within the first 4 years) for one (1) one year extension and the third takedown parcel (within the first 5 years) for one (1) one year extension, as described in Exhibit B to the current draft of the Option Agreement, subject to payment of an option extension fee of \$1 per one year extension. If the first and second takedown parcels are fully extended, both of these takedown parcels must be closed by the end of the first five years and would contain development rights equal to 44% of the estimated post construction aggregate assessed value.
- iv) Commencing with the first day of the sixth year from the Effective Date of the Option Agreement, Elements shall commence paying an Annual Parcel Option Extension Fee in the amount of \$800,000 to extend the Option on any remaining parcels. The Option term will expire ten (10) years from the Effective Date of the Option Agreement. To the extent parcels are taken down and the City begins receiving ad valorem revenues from the project parcels, and such annual ad valorem tax revenues actually received exceed ad valorem tax revenue

payable on the assessed value of \$127,402,000 (\$63,701,000 x2), then fifty percent of such excess ad valorem tax revenues, on an annual basis, shall be applied to reduce the Annual Parcel Option Extension Fee.

- v) The City will approve a District Development Assessment (the "District Assessment") at a rate of 1.25 mills (0.125% of tax-assessed value of improved property) applicable to parcels within the District. In addition to annual ad valorem taxes, each purchaser of property within the District shall pay to the DIA, at the same time as its annual ad valorem taxes are due, an amount equal to its District Assessment for a period of ten (10) years commencing on the first full calendar year after the purchaser has received a certificate of occupancy for its improved parcel. The City's rights to collect District Assessments (including lien rights, interest, and penalties) shall be the same as exist with respect to ad valorem taxes. Any assignment to a third party of Element's rights or interests in any of the parcels must include the aforementioned District Assessment.
- vi) Upon the expiration or termination of the Option Agreement, City shall retain any remaining development parcels.
- vii) As option strikes are executed development rights will be returned to Elements for the parcel(s) closed upon. Upon receiving notice of the exercise of an option strike by Elements in accordance with the Option Agreement and prior to the closing of the conveyance to Elements, the DIA shall authorize the use of the reserved development rights for Elements and/or its buyer(s) to obtain permits and approvals necessary for the development of the option parcel and any supporting infrastructure, and, at the closing of the option strike, the City/DIA shall convey the property and transfer the development rights to Elements and/or its buyers. Such authorization and transfer of development rights by the DIA shall be non-discretionary and purely ministerial.

3. A Construction Agreement: Controls the construction of the public infrastructure on the project site. Provides for the following:

- i) Provide for the commencement of the public infrastructure work within one hundred twenty (120) days of the City's approval of all of the Elements' financing described in Section A.2.(ii) above; and
- ii) Elements shall pay for the first \$18.698MM of Public Infrastructure Development Budget expenditures on the City owned property; thereafter
- iii) The DIA will pay up to the next \$26.41MM (the "DIA Contribution") of the Public Infrastructure Budget expenditures on the City owned property under the public infrastructure budget (see Exhibit C attached hereto).

- i) Elements is responsible for any public infrastructure costs on the City owned property in excess of \$45.108MM.

B. DIA Cash Flow Notes (“CFN”): The DIA will finance the project by issuing a pair of cash flow notes to the JEA and City respectively.

1. DIA-JEA CFN: The DIA will provide the JEA with a cash flow note. The CFN will have the following terms:

- i) Max Loan Amount (initial) is \$17.59MM
 - (1) In addition the DIA will provide \$1,859,000 in cash at the closing.
- ii) A Term not to exceed Dec 31, 2040; and
- iii) An interest rate of set at the 20 –year U.S. Treasury Note yield end of trading on December 19, 2017 (currently 2.57%); and
- iv) The Note shall be paid annually with a 10-year interest only period and an 11-year amortization schedule (plus 25% of the City Share of the project revenues).
 - (1) The JEA Note will be paid via an annual appropriation from the Southside TID.
 - (2) The unpaid interest on the note shall be capitalized.
 - (3) The DIA may make principal payments, interest payments, and pre-pay, in whole or in part, at its option.

2. DIA-City CFN: The DIA will repay the City for funds needed to fund a portion of the public infrastructure budget for the project. The CFN will have the following terms:

- i) Max Loan Amount (initial) is \$26.41MM
- ii) A Term not to exceed Dec 31, 2040; and
- iii) An interest rate of set at the 20 –year U.S. Treasury Note yield end of trading on December 19, 2017 (currently 2.57%); and
- iv) The Note shall be paid annually with 75% of the ad valorem taxes generated by the project.
 - (1) The unpaid interest on the note shall be capitalized.
 - (2) Upon the start of principal payments under the terms of the JEA Note, 25% of the City Share of the project revenues will be an additional principal prepayment on the JEA Note.
 - (3) The DIA may make principal payments, interest payments, and pre-pay, in whole or in part, at its option.

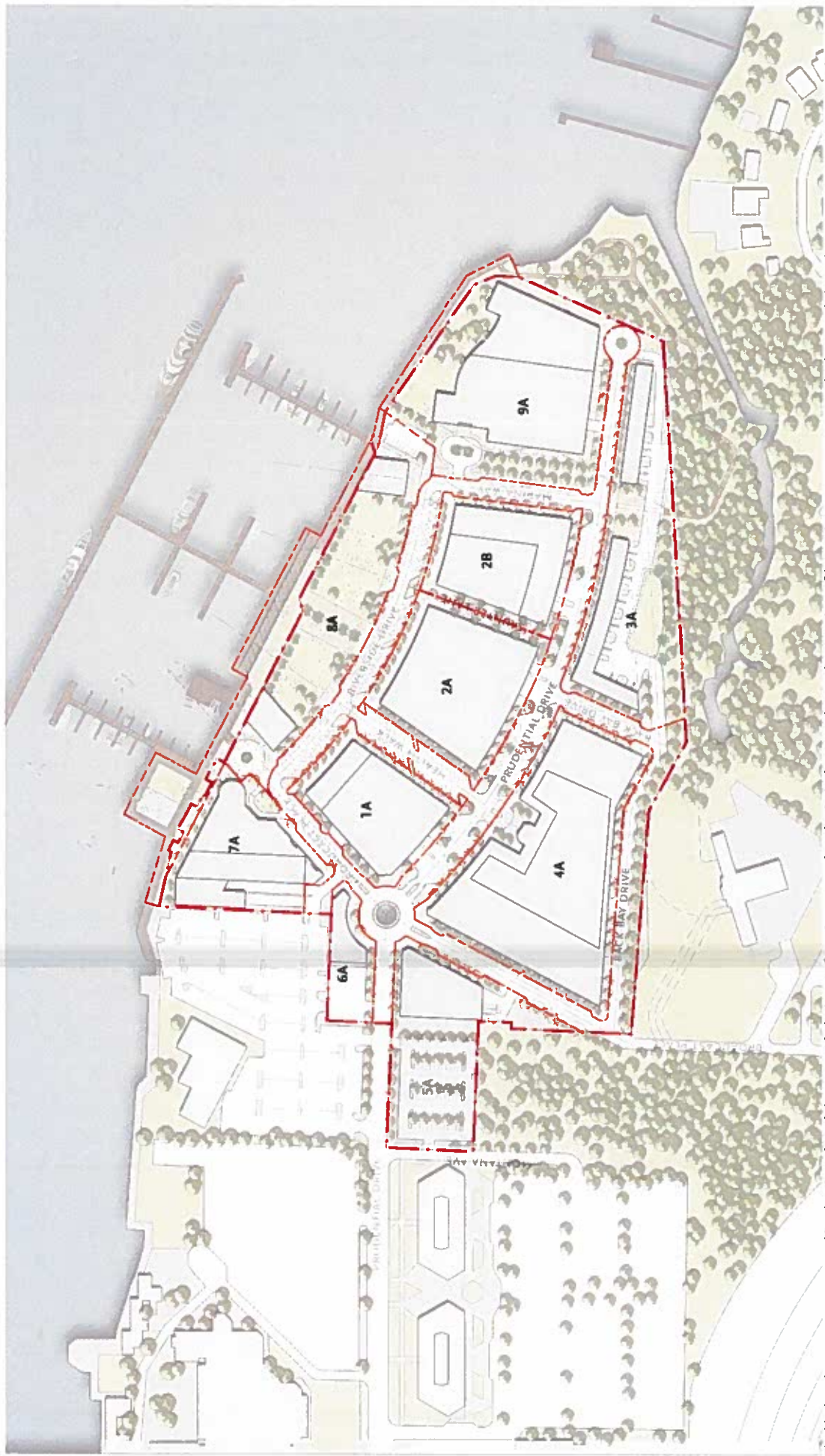
Exhibit A
Value of Development Rights

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	Product	Amount	DRI Phase	Sq. Ft.	Total Sq. Ft.	Post Construction Assessed Unit Value	Post Construction Aggregate Assessed Value	Post Construction per sq. ft. assessed value		Pre Construction Unit Value (25% of Post Construction Unit Value)	Pre Construction sq. ft. value (25% of Post Construction per unit value)
	Residential										
	Apartments	785.00		1,000.00	785,000	150,000.00	117,750,000.00	150.00		37,500.00	37.50
	Condominiums	300.00		1,100.00	330,000.00	198,000.00	59,400,000.00	180.00		49,500.00	45.00
	Townhomes	85.00		1,400.00	119,000.00	260,400.00	22,134,000.00	186.00		65,100.00	46.50
	Total	1,170.00									
	Hotel	200.00		330.00	66,000.00	88,000.00	17,600,000.00	266.67		22,000.00	66.67
	Marina Slip						-				
	Sale	58.00				40,000.00	2,320,000.00			10,000.00	
	Rental	67.00				17,500.00	1,172,500.00			4,375.00	
	Commercial Retail	285,000.00		285,000.00	285,000.00	44,175,000.00	44,175,000.00	155.00		11,043,750.00	38.75
	Office	200,000.00		200,000.00	200,000.00	25,000,000.00	25,000,000.00	125.00		6,250,000.00	31.25
	Total				1,785,000.00		289,551,500.00			17,482,225.00	

Exhibit B
Preliminary Site Plan

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The block and street pattern proposed is urban in scale and character with the intent of creating a new urban district in the city and expanding its existing fabric. Existing streets are proposed to be extended into the site to connect to the proposed street grid pattern, which creates a variety of block sizes. Refer to pages 52-53 for a comparison of the block sizes proposed with other current Jacksonville mixed use developments.

Exhibit C
Budget

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DISTRICT 12 20 16 * Revised * Budget

Job Number: 44169

Date: 12/15/16

Location:

40

Client: Date:

\$1,131,005

		COST	%	\$/UM
Division 00.1 Allowances		\$0	0.00%	\$0.00
Division 00.2 Unit Prices		\$0	0.00%	\$0.00
Division 00.3 Design		\$0	0.00%	\$0.00
Division 00.4 Preconstruction		\$0	0.00%	\$0.00
Division 01 General Conditions		\$0	0.00%	\$0.00
Division 01.1 General Requirements		\$0	0.00%	\$0.00
Division 02 Sitework		\$21,689,515	47.94%	\$542,237.88
Division 03 Concrete		\$7,186,342	15.88%	\$179,658.55
Division 04 Masonry		\$0	0.00%	\$0.00
Division 05 Metals		\$0	0.00%	\$0.00
Division 06 Wood & Plastics		\$0	0.00%	\$0.00
Division 07 Thermal & Moisture		\$7,339	0.02%	\$183.48
Division 08 Doors & Windows		\$0	0.00%	\$0.00
Division 09 Finishes		\$0	0.00%	\$0.00
Division 10 Specialties		\$0	0.00%	\$0.00
Division 11 Equipment		\$100,000	0.22%	\$2,500.00
Division 12 Furnishings		\$0	0.00%	\$0.00
Division 13 Special Construction		\$2,424,024	5.36%	\$60,600.60
Division 14 Conveying Systems		\$0	0.00%	\$0.00
Division 15 Mechanical		\$0	0.00%	\$0.00
Division 16 Electrical		\$30,000	0.07%	\$750.00
Division 17 Instrumentation		\$0	0.00%	\$0.00
GROSS COST		\$31,437,220		
Contingency	13.28%	\$4,174,863	9.23%	\$104,371.57
SUBTOTAL		\$35,612,083		
Design & Permitting		\$3,789,932	8.38%	\$94,748.30
P & P Bond	0.65%	\$294,061	0.65%	\$7,351.53
General Liability Insurance	1.20%	\$542,882	1.20%	\$13,572.06
Builder's Risk Insurance	0.40%	\$142,448	0.31%	\$3,561.21
Gross Receipts Tax	0.00%	\$0	0.00%	\$0.00
Sub Bonds	0.00%	\$0	0.00%	\$0.00
Const Mgmt & Fee	10.74%	\$4,858,798	10.74%	\$121,469.95
TOTAL		\$45,240,205	100.00%	\$1,131,005.13

Activity ID	Activity Name	Orig Dur	% Comp	Start	Finish	Total Float																																																																																																								
The District - Jacksonville, FL																																																																																																														
Milestones																																																																																																														
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MI1010	Notice to Proceed / Design - June 30th, 2017	0	100%	30-Jun-17 A			◆ Notice to Proceed / Design - June 30th, 2017																																																																																																							
MI1040	Phase 1 Agreement	0	0%		26-Sep-17	0	◆ Phase 1 Agreement																																																																																																							
MI1060	Notice to Proceed / Phase 1	0	0%	27-Sep-17		0	◆ Notice to Proceed / Phase 1																																																																																																							
MI1070	Close on JEA Propoerty	0	0%		31-Jan-18	0	◆ Close on JEA Propoerty																																																																																																							
MI1020	Design Completion	0	0%		27-Dec-18	20	◆ Design Completion																																																																																																							
MI1030	Notice to Proceed / Construction - July 26th, 2018	0	0%	28-Jan-19		0	◆ Notice to Proceed / Construction - July 26th, 2018																																																																																																							
MI1080	Area 1 Complete	0	0%		20-Jul-20	10	◆ Area 1 Complete																																																																																																							
MI1090	Area 2 Complete	0	0%		03-Aug-20	0	◆ Area 2 Complete																																																																																																							
MI1050	Final Project Completion - October 21st, 2021	0	0%		18-Apr-22	0	◆ Final Project Completion - October 21st, 2021																																																																																																							
Design, Permits & Preconstruction																																																																																																														
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Preconstruction																																																																																																														
Construction																																																																																																														
Project General																																																																																																														
PG1020	Project Trailer	8	0%	28-Jan-19	07-Feb-19	0	■ Project Trailer																																																																																																							
PG1030	Access Roads	20	0%	28-Jan-19	25-Feb-19	0	■ Access Roads																																																																																																							
PG1040	Site Fencing & E&S Control	7	0%	28-Jan-19	06-Feb-19	0	■ Site Fencing & E&S Control																																																																																																							
PG1050	Temp. Water	20	0%	28-Jan-19	25-Feb-19	0	■ Temp. Water																																																																																																							
PG1060	Temp. Power	30	0%	28-Jan-19	11-Mar-19	0	■ Temp. Power																																																																																																							
PG1070	Temp. Sanitary	20	0%	28-Jan-19	25-Feb-19	10	■ Temp. Sanitary																																																																																																							
PG1080	Temp. Groundwater Disposal	20	0%	28-Jan-19	25-Feb-19	10	■ Temp. Groundwater Disposal																																																																																																							
PG1110	Insurance & Bonds	1	0%	28-Jan-19	29-Jan-19	825	■ Insurance & Bonds																																																																																																							
Sitework																																																																																																														
03, 04 & 06 - Roads and Utilities Area 1 (5A, 6A, 7A, 1A, 2A, 2B)		336	0%	11-Feb-19	05-Jun-20	40	■ Clearing & Grubbing - Area 1																																																																																																							
SW1010	Clearing & Grubbing - Area 1	20	0%	11-Feb-19	11-Mar-19	0	■ Clearing & Grubbing - Area 1																																																																																																							
SW1020	Demo & Removal of Underground Structures (TBD) - Area 1	30	0%	11-Mar-19	22-Apr-19	25	■ Demo & Removal of Underground Structures (TBD) - Area 1																																																																																																							
SW1030	Clean Import Fill to New Subgrade - Area 1	60	0%	11-Mar-19	04-Jun-19	0	■ Clean Import Fill to New Subgrade - Area 1																																																																																																							
SW1060	Main Storm Water Vault & Outfall - Area 1	100	0%	22-Apr-19	12-Sep-19	46	■ Main Storm Water Vault & Outfall - Area 1																																																																																																							
SW1040	Mass Clearing & Import Fill Complete - Area 1	1	0%	04-Jun-19	05-Jun-19	0	■ Mass Clearing & Import Fill Complete - Area 1																																																																																																							
SW1050	Storm Piping & Structures - Area 1	60	0%	05-Jun-19	29-Aug-19	0	■ Storm Piping & Structures - Area 1																																																																																																							
SW1080	Main Sanitary Lift Sattion - Area 1	100	0%	05-Jun-19	25-Oct-19	15	■ Main Sanitary Lift Sattion - Area 1																																																																																																							
SW1070	Sanitary Collection System - Area 1	40	0%	26-Jun-19	22-Aug-19	0	■ Sanitary Collection System - Area 1																																																																																																							
SW1090	Water & Fire U/G Loop - Area 1	30	0%	22-Aug-19	04-Oct-19	0	■ Water & Fire U/G Loop - Area 1																																																																																																							
SW1100	Electrical Duct Bank - Area 1	30	0%	04-Oct-19	15-Nov-19	0	■ Electrical Duct Bank - Area 1																																																																																																							
SW1110	Road Subgrade - Area 1	20	0%	15-Nov-19	17-Dec-19	0	■ Road Subgrade - Area 1																																																																																																							
SW1120	Curb & Gutters - Area 1	20	0%	17-Dec-19	16-Jan-20	0	■ Curb & Gutters - Area 1																																																																																																							
SW1130	Road Primary Grade - Area 1	20	0%	16-Jan-20	13-Feb-20	0	■ Road Primary Grade - Area 1																																																																																																							
SW1140	Asphalt Wear Course - Area 1	5	0%	13-Feb-20	20-Feb-20	0	■ Asphalt Wear Course - Area 1																																																																																																							
SW1150	Asphalt Final Course - Area 1	5	0%	20-Feb-20	27-Feb-20	0	■ Asphalt Final Course - Area 1																																																																																																							
SW1160	Trees & Irrigation - Area 1	10	0%	27-Feb-20	12-Mar-20	0	■ Trees & Irrigation - Area 1																																																																																																							
SW1170	Sidewalks & Pavers - Area 1	30	0%	12-Mar-20	23-Apr-20	0	■ Sidewalks & Pavers - Area 1																																																																																																							
SW1180	Site Lighting - Area 1	15	0%	23-Apr-20	14-May-20	55	■ Site Lighting - Area 1																																																																																																							
SW1190	Hardscape Furniture - Area 1	10	0%	23-Apr-20	07-May-20	40	■ Hardscape Furniture - Area 1																																																																																																							
SW1200	Landscaping & Sod - Area 1	20	0%	07-May-20	05-Jun-20	40	■ Landscaping & Sod - Area 1																																																																																																							
03, 04 & 06 - Roads and Utilities Area 2 (3A, 9A, 4A)		356	0%	11-Mar-19	03-Aug-20	0	■ Clearing & Grubbing - Area 2																																																																																																							
SW2010	Clearing & Grubbing - Area 2	20	0%	11-Mar-19	08-Apr-19	100	■ Clearing & Grubbing - Area 2																																																																																																							
SW2020	Clean Import Fill to New Subgrade - Area 2	80	0%	08-Apr-19	31-Jul-19	100	■ Clean Import Fill to New Subgrade - Area 2																																																																																																							
SW2030	Mass Clearing & Import Fill Complete - Area 2	1	0%	31-Jul-19	01-Aug-19	100	■ Mass Clearing & Import Fill Complete - Area 2																																																																																																							
SW2040	Storm Piping & Structures - Area 2	15	0%	29-Aug-19	20-Sep-19	80	■ Storm Piping & Structures - Area 2																																																																																																							
SW2050	Sanitary Collection System - Area 2	10	0%	20-Sep-19	04-Oct-19	80	■ Sanitary Collection System - Area 2																																																																																																							
SW2060	Water & Fire U/G Loop - Area 2	10	0%	04-Oct-19	18-Oct-19	80	■ Water & Fire U/G Loop - Area 2																																																																																																							

Start Date : 30-Jun-17

Finish Date :18-Apr-22

Data Date : 01-Aug-17

Print Date : 29-Aug-17 - 11:39

Actual Work

Remaining Work

Critical Remaining Work

◆

◆ Milestone

HTW7-3

The District - Jacksonville, FL

Project Bid Schedule Sorted by WBS & Early Start

1 of 2

HASKELL

HASKEL Project # 44169

Date	Revision	Checked	Approved

