



CITY OF JACKSONVILLE BEACH

FLORIDA

Council Briefing Notice

City Manager George Forbes will conduct a Council Briefing to update the City Council about ongoing items in the City. This briefing will include, but not be limited to, a request to lease CRA property, Dix Hite downtown plans, and the residential parking program.

Monday, March 19, 2018, at 6:00 P.M.

Council Chamber Conference Room, 1st Floor, City Hall

11 North 3rd Street

Council Members in attendance at the briefing may include:

Mayor: William C. Latham

Council Members:	Lee Buck	Keith Doherty	Christine Hoffman
	Bruce Thomason	Phil Vogelsang	Jeanell Wilson

Please note: Council members in attendance at any briefing may vary, according to their schedules.

In accordance with the Americans with Disabilities Act and Section 286.26, Florida Statutes, persons with disabilities needing special accommodation to participate in this meeting should contact the City Clerk's Office at (904) 247-6299, extension 10, no later than one business day before the meeting.

City of Jacksonville Beach • 11 North 3rd Street • Jacksonville Beach, Florida 32250
www.jacksonvillebeach.org • (904) 247-6100

City of

Jacksonville Beach

City Hall

11 North Third Street

Jacksonville Beach

FL 32250

Phone: 904.247.6268

www.jacksonvillebeach.org

MEMORANDUM

TO: The Honorable Mayor and Members of the City Council
FROM: George D. Forbes, City Manager *GDF*
SUBJECT: Request to Lease CRA Property
DATE: March 15, 2018

Attached is a copy of the initial proposal from the new owner of the Johnson Gallery who is interested in leasing the vacant lot immediately north of the *Ritz*, and who is also interested in leasing a number of existing public parking spaces in the new CRA-owned public parking lot on 2nd Street North, between 3rd and 4th Avenues North.

This proposal will be initially discussed by the Community Redevelopment Agency at their March 26, 2018 meeting.

If you have any comments you would like staff to provide to the CRA at that meeting, please provide them to Mr. Mann at the Monday, March 19 Council Briefing.



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January 17, 2018

Art Graham, Chair
Community Redevelopment Agency
11 North Third Street
Jacksonville Beach, FL 32250

RECEIVED

MAR 13 2018

**RE: Offer to Lease 128 4th Ave. N., 204 4th Ave. N., 422 2nd St. N.,
218 4th Ave. N., 215 3rd Ave. N., and 412 2nd St. N.**

PLANNING & DEVELOPMENT

Dear Chairman Graham:

On behalf of our client, JAX BEACH AF LLC (“Developer”), we have been authorized to submit this offer to lease the following property in Jacksonville Beach owned by the Jacksonville Beach Community Redevelopment Agency (“CRA”): 128 4th Avenue North (RE# 173933-0000) (the “Small Lot”); and 204 4th Avenue North (RE# 174075-0000), 422 2nd Street North (RE# 174074-0000), 218 4th Avenue North (RE# 174076-0000), 215 3rd Avenue North (RE# 174083-0000) and 412 2nd Street North (RE# 174072-0000) (collectively, the “CRA Property”).

Developer

Developer is an experienced commercial real estate developer based in Jacksonville Beach with numerous projects in the local area including: (i) architectural and engineering design of a 5,000 square foot standalone restaurant; (ii) \$5 million renovation of an existing multi-family complex including grounds and amenities with planning and design for Phase II renovation of similar scope; (iii) redevelopment of a 10,000 square foot mixed-use restaurant/bar with retail component; (iv) repurposing/redevelopment of an existing community-based structure into a 6,000 square foot brewery and (v) development of two (2) 250-unit multi-family complexes from the ground up.

Redevelopment Plan

Developer recently acquired the property located at 117 4th Street North (RE# 173935-0000), previously known as the J. Johnson Gallery (“Project”). Developer has completed renovations to establish professional office use on the upper floor of the Project and plans to renovate the downstairs area to establish two (2) upscale restaurants. Developer engaged CBRE, Inc. (“CBRE”), to prepare marketing materials and seek potential established restaurateurs for the proposed sites. Marketing materials, including renderings, preliminary floor and site plans and

brief location and demographic data for the building are attached hereto as Exhibit 1.

While the Project allows for sufficient on-site parking pursuant to the Jacksonville Beach Zoning Code (“Code”),¹ the site does not allow for the ratio required to attract the type of upscale restauranters Developer desires for the Project. Specifically, based on CBRE’s detailed market analysis and research and prospective restauranters’ feedback, Developer must provide a minimum of ten (10) parking spaces per one thousand square feet of space in each restaurant to complete redevelopment of the Project.

According to the marketing efforts completed by CBRE to date, access to additional parking must be located within a reasonable distance from the Project. Developer’s efforts to secure parking on nearby privately owned land have not been successful. As a result, Developer proposes to lease the Small Lot, which Developer has determined can be developed to provide approximately thirty (30) parking spaces, and a minimum of seventy (70) parking spaces on the CRA Property in order to satisfy projected parking demands.

The proposed leases and development of the Small Lot will satisfy CRA objectives by providing much-needed upscale dining and parking to the core Jacksonville Beach area, while providing a guaranteed income source for a portion of the parking spaces within the CRA Property. In turn, the leases will facilitate redevelopment of the Project as an infill, mixed-use development contributing to the establishment of a compact mixed-use downtown area with specialty retail oriented to restaurants and entertainment. In turn, the Project will create additional tax revenue benefitting both the City of Jacksonville Beach and the CRA.

Market Value Analysis

Section 163.380(2), Florida Statutes, specifically authorizes leasing property “at a value determined to be in the public interest”. Section 163.380(2) further provides that “[i]n determining the value of real property as being in the public interest for uses in accordance with the community development plan, the county, municipality, or community redevelopment agency shall take into account and give consideration to the long-term benefits to be achieved by the county, municipality, or community redevelopment agency resulting from incurring short-term losses. . .” In accordance with Section 163.380(2), Florida Statutes, Developer has determined that the fair market value for one (1) parking space in the Jacksonville Beach area is \$1.49 per day and the CRA will not incur any losses. This determination is based upon a valuation analysis of parking spaces in the Jacksonville Beach area prepared by local parking expert, RTA Consulting, Inc., a copy of which is attached as Exhibit 2.

Offer Terms

Developer offers to lease the Small Lot from the CRA and develop the Small Lot as a parking lot providing approximately thirty (30) spaces at an initial rate of \$1.50 per diem per space,

¹ See BOA#73-98; Variance Application 98-1983 dated October 8, 1998.

less Developer's estimated cost of improving the lot, subject to the terms and conditions detailed in the letter of intent attached hereto as Exhibit 3. Developer further offers to lease a minimum of seventy (70) parking spaces located on the CRA Property, and up to seventy-five (75) parking spaces depending upon the number of parking spaces that can be developed on the Small Lot, at a rate of \$1.50 per space per day, subject to the terms and conditions detailed in the letter of intent attached hereto as Exhibit 3.

The proposed rate in the offer exceeds the fair market value for each space, will result in development of much-needed additional parking, will provide a guaranteed income stream to the CRA for such spaces and permit the redevelopment of the Property to include two (2) upscale restaurants all at no cost to Jacksonville Beach. In turn, the Project will create additional tax revenue benefitting both the City of Jacksonville Beach and the CRA.

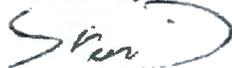
Recognizing that Section 163.380(3)(a) requires consideration of "the financial and legal ability of the persons making such proposals to carry them out," Developer represents that it is capable of fulfilling all obligations under this proposal without requiring contingencies related to equity or financing.

Conclusion

Based on the foregoing, and the authority granted pursuant to Section 163.380, Florida Statutes, we respectfully request that the CRA lease the Small Lot and spaces within the CRA Property to Developer, pursuant to the terms detailed in the attached letter of intent.

We look forward to the opportunity to discuss the matter further and to completing the proposed transaction to the mutual benefit of the parties and the Jacksonville Beach community.

Sincerely,



Steven Diebenow

cc: Tripp Gulliford, CBRE, Inc.
JAX BEACH AF LLC (c/o Matt McAfee, Registered Agent)

EXHIBIT 1

MARKETING MATERIALS FOR PROJECT

East Gallery

177 4TH AVENUE NORTH & 502 1ST STREET NORTH
JACKSONVILLE BEACH, FLORIDA



Opportunity for a restaurant in an architecturally significant building in Jacksonville Beach, serving a trade area with tremendous buying power and demographics.

CBRE

Property Details

- The building is located within steps of the Atlantic Ocean and in the heart of Jacksonville Beach, Florida.
- The first floor retail space can be demised into multiple restaurants.
- Walking distance from multiple bars and restaurants, the building is well positioned in the most vibrant entertainment corridor of Jacksonville's Beaches.
- Lease Rate: \$30.00 psf NNN

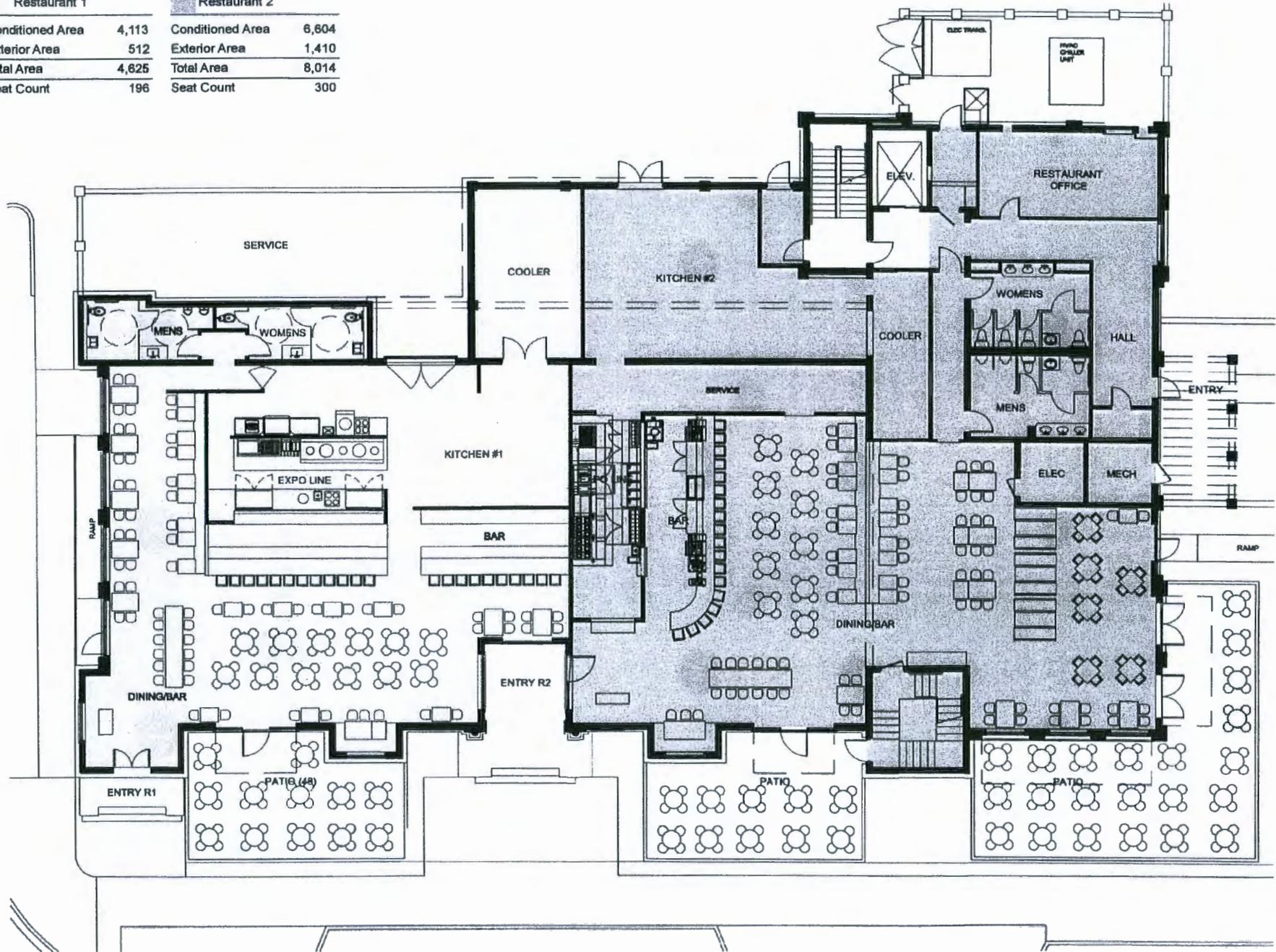


Renderings



Floor Plan

Restaurant 1		Restaurant 2	
Conditioned Area	4,113	Conditioned Area	6,804
Exterior Area	512	Exterior Area	1,410
Total Area	4,625	Total Area	8,014
Seat Count	196	Seat Count	300



Property Photos



Property Aerial



East Gallery

177 4TH AVENUE NORTH & 502 1ST STREET NORTH
JACKSONVILLE BEACH, FLORIDA

2016 Estimated Demographics	1 mile	3 miles	5 miles
Population	8,790	42,353	95,418
Daytime Population	10,301	45,096	97,049
Median Age	38.0	41.2	40.1
Average Household Income	\$65,162	\$84,258	\$88,938
Average Household Values	\$356,413	\$405,691	\$396,201



Presented By:

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CBRE, Inc. | Licensed Real Estate Broker



EXHIBIT 2

VALUATION ANALYSIS

RTA CONSULTING, INC.

220 N Hogan St, Suite 376, Jacksonville, FL 32202 (904) 545-0999 rtarimmer@earthlink.net

November 20, 2017

WILLIAM (TRIPP) GULLIFORD
Senior Managing Director
CBRE, Inc. Licensed Real Estate Broker
225 Water Street, Suite 110
Jacksonville, FL 32202

Re: Valuation Analysis of Parking Spaces in Jacksonville Beach

Dear Tripp:

Attached please find an analysis of the projected net revenues for a surface lot in Jacksonville Beach, Florida based on the following assumptions;

- 90 total surface lot spaces located approximately 2 blocks from the beach on 4th Avenue North
- Revenue projections are based on income that would be generated during the City of Jacksonville Beach's Parking "Season" (March – October)
- Lots would be operated Friday evenings thru Sunday evening and Holidays (approx 109 total days)
- Parking income estimates were based on rates of \$5 most days, and \$10 for Holidays and event weekends
- Turnover rates for the Lot are based on actual data from a similarly located lot 2 blocks south which operates on the same general schedule; Turnover rates for the projections were increased from the actuals to account for the proximity to the Pier and free parking for residents of Jacksonville Beach
- Free parking for residents was estimated at 20% of overall volume
- Expenses were based solely on projected staffing costs @ 1.4 employees per hour of operation @ \$10 each

Based on these assumptions it is reasonable to assume that each space would generate an average of \$6.88 of Gross Revenue per day of operation, with an average operating cost of \$1.88 per day for a Net Income per space of approximately \$5.00 per day of operation. This gives us an estimated total Net Income generated by the lot of approximately \$49,000 per Parking "Season". These projections do not include any adjustment or discounts for potential disruptions due to weather conditions or street closures during events.

It is reasonable to believe that the actual income could be higher than what we have estimated, but based on our experience with parking operations at beach locations the reality is that numbers usually come in lower due to the previously mentioned issue of weather. For each Season that the weather is mostly perfect throughout you will experience 2 or more Seasons where multiple weekends and events are lost to storms or just rainy, overcast conditions.

Based on these projections, and taking those other issues under consideration I would think a fair daily value for these spaces would be \$1.49 per space on an annualized basis (365 days).

If you have any questions, or if I can provide any additional information please don't hesitate to ask.

Sincerely,

Robert Mark Rimmer
CEO
RTA Consulting, Inc.

JAX BEACH PARKING SPACE INCOME ANALYSIS

Spaces	90	Rates	Daily \$5.00	Event \$10.00	Operating Hours	Fri 6	Sat 16	Sun 14	Holiday 14
Weekends	35	Holidays	4	Festivals	16	@ \$5	85	@ \$10	20
Income	Turns	Rate	\$'/Day	Total	Resident	Adjusted	Local Resident Impact		-20%
Friday	1.5	\$5.00	\$675.00	\$19,125.00					
Saturday	1.75	\$5.00	\$787.50	\$22,312.50					
Sunday	1.25	\$5.00	\$562.50	\$15,937.50					
Holidays	1.5	\$10.00	\$1,350.00	\$5,400.00					
Festivals	1.5	\$10.00	\$1,350.00	<u>\$21,600.00</u>					
				\$84,375.00	-\$16,875.00	\$67,500.00	Per Day \$619.27	Per Space \$6.88	
Expenses	# of Days	Hrs/Day	Total	All-In Hrly Rate	\$14.00	Assumes 1.4 attendants on average			
Friday	35	6	\$2,940.00						
Saturday	35	16	\$7,840.00						
Sunday	35	14	\$6,860.00						
Holidays	4	14	<u>\$784.00</u>						
	109		\$18,424.00	Per Day \$169.03	Per Space \$1.88				
Net Income			\$49,076.00	\$450.24	\$5.00				
Annualized Per Day			\$134.45						
Per Space			\$1.49						
Annual per Space			\$545.29						
Total Annual (90 spaces)			\$49,076.00						

EXHIBIT 3

LETTER OF INTENT

The following sets forth terms pursuant to which JAX BEACH AF LLC ("Tenant") would lease certain property from the City of Jacksonville Beach ("Landlord") for parking in support of the redevelopment of the property and improvements located at 177 4th Avenue North, Jacksonville Beach (the "Tenant's Property").

1. Parties

Landlord: The City of Jacksonville Beach
Tenant: JAX BEACH AF LLC

2. 128 4th Avenue North

A. SUBJECT PROPERTY

128 4th Avenue North (RE# 173933-0000) (the "Small Lot") as shown on the map attached hereto as **Exhibit "A"**

B. GROUND LEASE

Tenant will enter into a ground lease for the Small Lot (the "Ground Lease") and shall develop parking facilities and related improvements as shown generally on the site plan attached hereto as **Exhibit "B"** (the "Site Plan") for the exclusive use of Tenant and its agents, employees, and invitees. The Site Plan reflects the form and general layout for Tenant's improvement of the Small Lot as a parking lot, showing the general location of parking areas, access points and traffic patterns. Based upon the Site Plan Tenant has assumed that it will be able to develop no fewer than thirty (30) parking spaces on the Small Lot. Tenant shall be responsible for, all costs and expenses required to obtain the zoning and site plan approval for any improvements to the Small Lot; provided, however, Tenant shall have a right to terminate the Ground Lease if any conditions are imposed as part of the zoning or site plan approval that materially and adversely affect the development cost or use of the Small Lot. Tenant shall construct at Tenant's sole cost and expense the necessary parking improvements ("Tenant's Improvements") on the Small Lot, subject to and in accordance with (i) applicable building codes and municipal approvals, (ii) any required third party approvals, and (iii) the tenant's final construction plans. The estimated hard cost to construct the Tenant Improvements is \$100,000.

C. GROUND RENT

Beginning on the Commencement Date Tenant will pay an initial annual Ground Lease payment of \$16,425 per annum (which is based upon the 30 spaces that may be developed on the Small Lot multiplied by \$1.50 per day) (the "Rent"), which annual rent shall be offset by a sum equal to 1/20th of the total actual cost of Tenant's Improvements (the "Net Rent"), which shall be payable in equal monthly installments. As an example, if Tenant develops 30 parking spaces on the Small Lot and the Tenant Improvements cost \$100,000, the Net Rent per annum would be \$11,425. In addition, the Net Rent shall be increased or reduced pro rata based upon the actual number of parking spaces developed on the Small Lot. Tenant shall pay any sales tax due on the Net Rent as additional rent.

D. TERM

The initial term of the Ground Lease shall be for twenty (20) years. Thereafter, Tenant shall have four (4) successive renewals each for a term of five (5) years, subject to

Tenant not being in default. Annual lease payments will increase by ten percent (10%) for each five (5) year renewal term.

E. COMMENCEMENT DATE

The Ground Lease shall commence upon the earlier to occur of (i) the date on which Tenant completes the subject improvements on the Small Lot, or (ii) the date which is 365 days following the date on which Landlord delivers the Small Lot to Tenant with final and non-appealable zoning and site plan approvals (the "Commencement Date").

F. MAINTENANCE

Tenant will maintain the parking areas and other common facilities located on the Small Lot at Tenant's sole cost and expense.

3. Jacksonville Beach Community Redevelopment Agency Property

A. SUBJECT PROPERTY

204 4th Avenue North (RE# 174075-0000), 422 2nd Street North (RE# 174074-0000), 218 4th Avenue North (RE# 174076-0000), 215 3rd Avenue North (RE# 174083-0000) and 412 2nd Street North (RE# 174072-0000) (collectively, the "CRA Property"), as shown on the map attached hereto as **Exhibit "C"**

B. LEASE

Tenant will enter into a lease of seventy (70) parking spaces located on the CRA Property (the "Parking Lease"), as shown on the site plan attached hereto as **Exhibit "D"** (the "Site Plan") for the exclusive use by Tenant and its agents, employees, and invitees. In the event Tenant cannot develop at least thirty (30) parking spaces on the Small Lot pursuant to final site plan approval, then Tenant may adjust the number of spaces subject to the Parking Lease up to a maximum of seventy-five (75) parking spaces. The specific parking spaces allocated to Tenant as part of the Parking Lease shall be designated as reserved for Tenant's exclusive use.

C. RENT

Beginning on the Commencement Date Tenant will pay an initial annual Lease payment of \$1.50 per space per day or \$38,325.00 per annum (the "Rent"), which shall be payable in equal monthly installments. Tenant shall pay any sales tax due on the Rent as additional rent.

D. TERM:

The initial term of the Parking Lease shall be for ten (10) years. Thereafter, Tenant shall have four (4) successive renewals each for a term of five (5) years, subject to Tenant not being in default. Annual lease payments will increase by ten percent (10%) for each five (5) year renewal term.

E. COMMENCEMENT DATE

The Parking Lease shall commence upon the earlier to occur of (i) Tenant's notice of acceptance of the premises, or (ii) one hundred eighty (180) days after the Parking Lease is fully executed (the "Commencement Date").

F. MAINTENANCE

Landlord will maintain the parking areas and other common facilities located on the CRA Property and shall provide utilities, including, without limitation, adequate lighting, to the same at Landlord's sole cost and expense.

4. Right of First Refusal

Landlord shall grant Tenant a right of first refusal to purchase both the Small Lot and the CRA Property.

5. Requirement for Both Ground Lease and Parking Lease

The parties acknowledge and agree that Tenant requires both the Ground Lease and the Parking Lease in order to successfully redevelop and utilize the Tenant's Property for its intended use. Tenant shall have the right to terminate the Ground Lease or Parking Lease, as applicable, if (i) the parties are unable to execute both leases, or (ii) Tenant exercises a termination right under the other lease.

6. Landlord's Work/Site Development

Landlord shall undertake the following (i) complete all of the improvements on the CRA Property required to provide Tenant the necessary reserved parking spaces under the Parking Lease, (ii) assist Tenant in permitting the improvements on the Small Lot.

EXHIBIT A

MAP OF 128 4TH AVENUE NORTH (RE# 173933-0000)



EXHIBIT B

SITE PLAN FOR SMALL LOT



EXHIBIT C

MAP OF 204 4TH AVENUE NORTH (RE# 174075-0000),
422 2ND STREET NORTH (RE# 174074-0000),
218 4TH AVENUE NORTH (RE# 174076-0000),
215 3RD AVENUE NORTH (RE# 174083-0000) AND
412 2ND STREET NORTH (RE# 174072-0000)

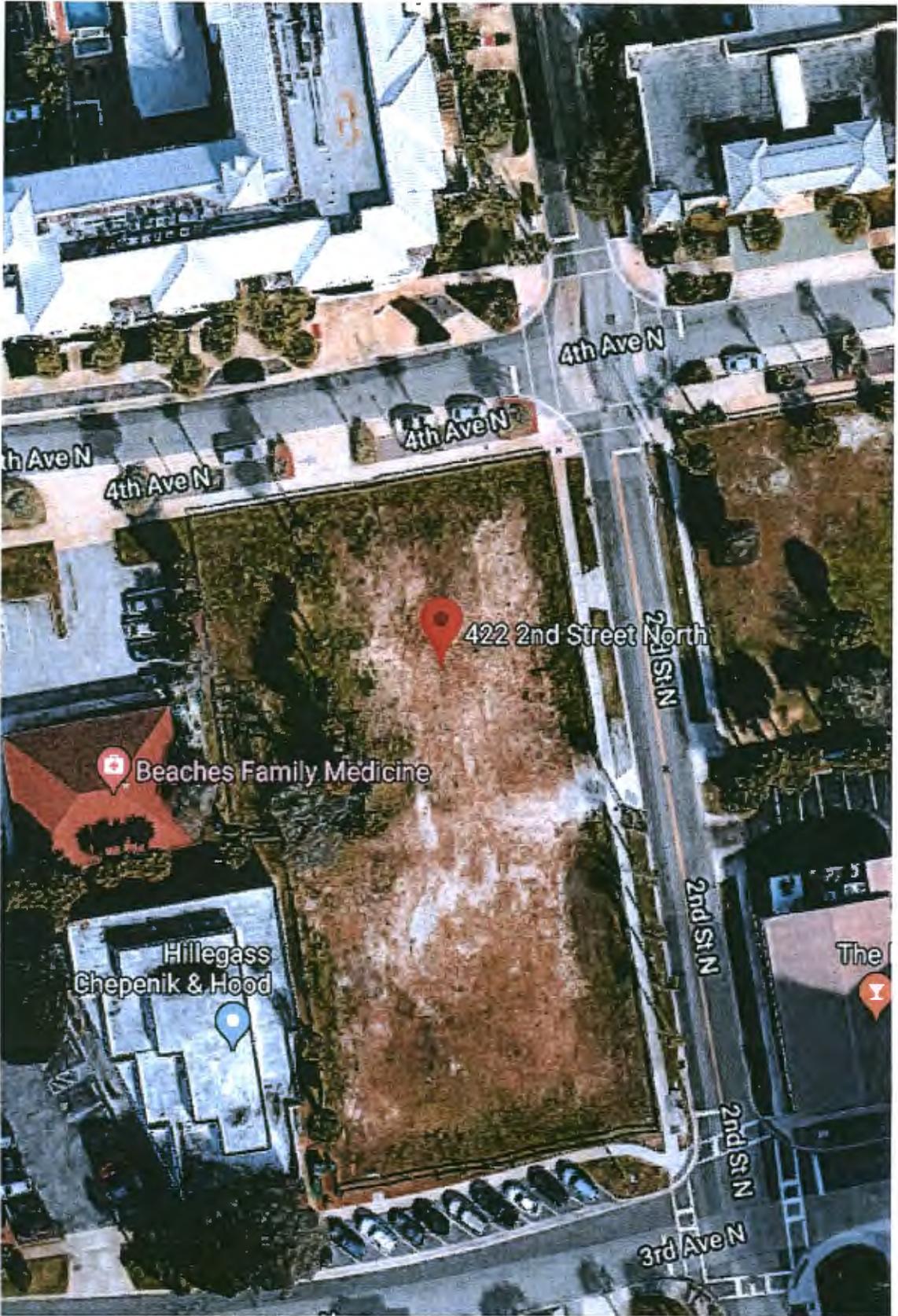
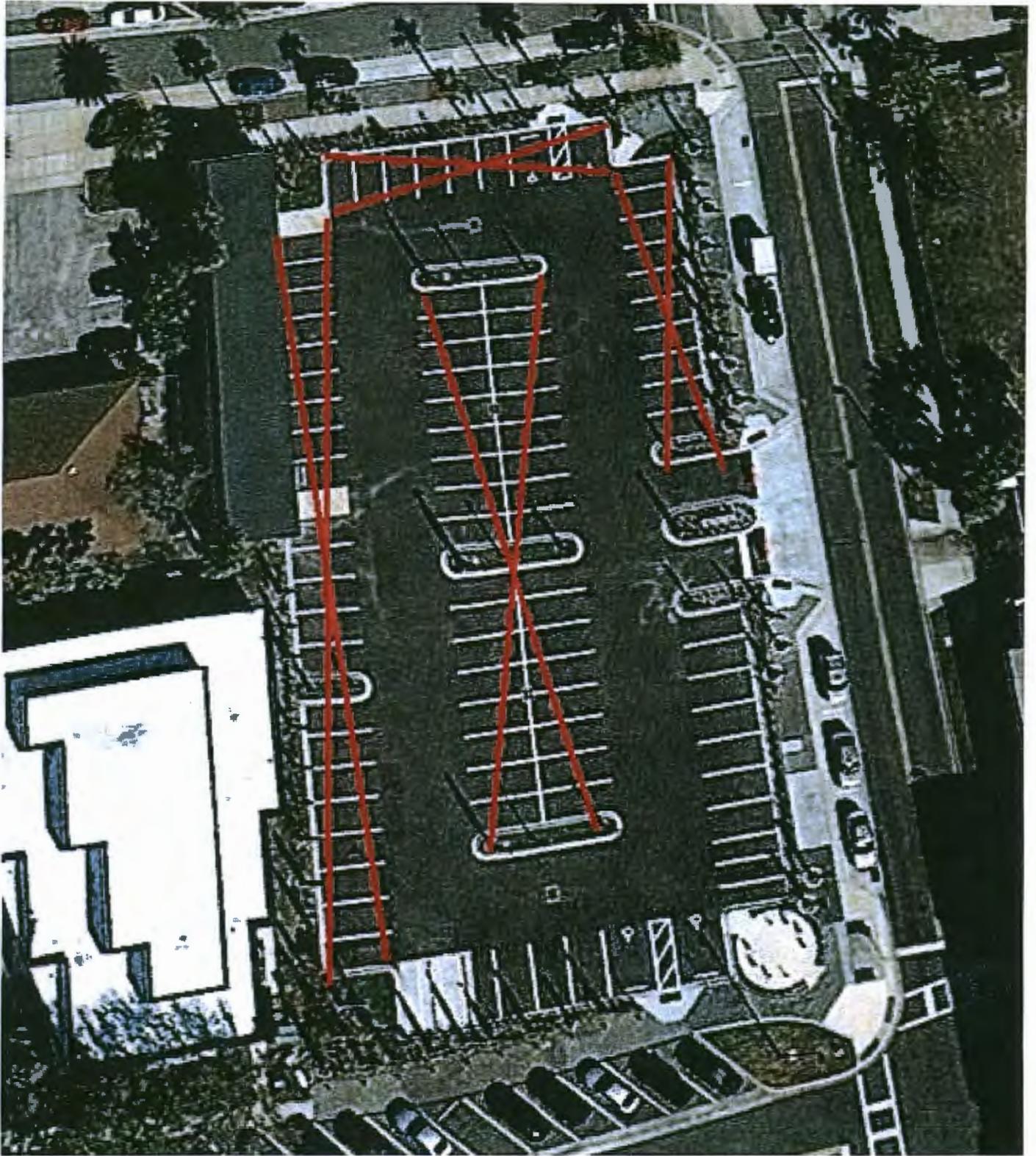


EXHIBIT D

SITE PLAN FOR CRA PROPERTY



*Requested spaces designated in red