



**JEDC General Meeting
City Hall, 4th Floor (Suite 400)
Mayor's Large Conference Room**

Wednesday, March 10, 2010 – 9:00 a.m.

MEETING MINUTES

Commissioners Present: Chair Z. Boulos, C. Corr, B. Ezell, C. Gibbs, R. Helms, J. Meeks, B. Moore, H. Rowan and R. Shoemaker

JEDC Staff Presenting: Lindsey Ballas, Joe Whitaker and Jorina Jolly

Representing Office of General Counsel: Juliana Rowland and John Germany

I. CALL TO ORDER

Chair Boulos called the meeting to order at 9:04 a.m.

II. ACTION ITEMS

APPROVAL OF THE FEBRUARY 10, 2010 JEDC MEETING MINUTES
THE FEBRUARY 10, 2010 JEDC MEETING MINUTES WERE APPROVED UNANIMOUSLY 9-0.

NORTH FLORIDA SHIPYARDS, INC. RECOVERY ZONE FACILITY BONDS – Lindsey Ballas

Ms. Ballas provided an overview of the project recommending approval of the JEDC Bond Resolution authorizing the issuance of Recovery Zone Facility Bonds in the not to exceed amount of \$3,909,000.

Ms. Ballas introduced Mr. Robert Wilson, CFO for North Florida Shipyards, Inc. and Mr. Matthew Self, President of North Florida Shipyards, Inc.

The following were relative comments from the Commission:

- Commissioner Meeks suggested for the future although not financially liable, we do only have a certain amount allocated to us and thought we needed a little more organized documentation as far as how we review a company's financial capabilities so that we don't look foolish in the aftermath if someone is approved for a bond that does not have credible financial circumstances that would allow them to do what they said they were going to do.

A MOTION WAS MADE BY COMMISSIONER HELMS AND SECONDED BY COMMISSIONER MOORE AUTHORIZING A RESOLUTION OF THE JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION PERTAINING TO THE ISSUANCE OF ITS INDUSTRIAL DEVELOPMENT REVENUE BONDS (NORTH FLORIDA SHIPYARDS, INC. PROJECT), SERIES 2010, IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING \$3,900,000, FOR THE PURPOSE OF MAKING A LOAN OF FUNDS TO NORTH FLORIDA SHIPYARDS, INC., A FLORIDA CORPORATION (THE "BORROWER"), IN ORDER TO FINANCE ALL OR ANY PART OF THE COSTS OF A CAPITAL PROJECT COMPRISING AN INDUSTRIAL PLANT AND A COMMERCIAL PROJECT IN AN ENTERPRISE ZONE WITHIN THE MEANING OF THE FLORIDA INDUSTRIAL DEVELOPMENT FINANCING ACT, LOCATED IN THE CITY OF JACKSONVILLE, DUVAL COUNTY, FLORIDA, AND OWNED AND OPERATED BY THE BORROWER; AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE AND LOAN AGREEMENT; APPOINTING THE TRUSTEE UNDER THE INDENTURE; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN OTHER DOCUMENTS REQUIRED IN CONNECTION WITH THE FOREGOING; AUTHORIZING A DELEGATED NEGOTIATED SALE OF THE BONDS, AND APPROVING THE CONDITIONS AND CRITERIA FOR SUCH SALE; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT WITH RESPECT TO THE BONDS; WAIVING THE PROVISIONS OF SECTION 104.306(b) (APPLICATION REVIEW CRITERIA) OF CHAPTER 104 (BONDS) OF THE ORDINANCE CODE OF THE CITY OF JACKSONVILLE, TO PERMIT THE BONDS TO BE ISSUED WITHOUT MEETING CERTAIN RATING REQUIREMENTS OF SAID SECTION; AND PROVIDING CERTAIN OTHER DETAILS IN CONNECTION THEREWITH. THE MOTION PASSED UNANIMOUSLY 9-0.

DIGITAL RISK, LLC – Joe Whitaker

Mr. Whitaker provided an overview of the project requesting that the JEDC authorize the introduction of legislation to City Council which:

- Recommends that Digital Risk, LLC be approved as a Qualified Target Industry business;
- States that the commitment of local financial support for the Qualified Target Industry Tax Credit Program exists and will be appropriated in the not to exceed amount of \$105,000; and
- Authorizes JEDC to utilize the authority provided by City Council Ordinance 2005-1460-E requiring only two readings before City Council and authorizes JEDC to submit proposed Ordinance and all pertinent background information to be provided to the City Council Auditor simultaneous to filing with Legislative Services Division.

Mr. Whitaker introduced Mr. Tom Green with Providence Partners, LLC who is Digital Risk's real estate and site selection advisor and Mr. Peter Kassabov, CEO of Digital Risk, LLC who provided an overview of their company and operations.

The following were relative comments from the Commission:

- Asked if the operations in Jacksonville will duplicate the other cities or have a special function.

Mr. Kassabov responded that right now it will duplicate the operations in Orlando. The company is structured such that they have dedicated teams by client. Jacksonville will have specialized teams either to some of the government entities or to some of the other clients that they have.

- Asked how many of the first 100 jobs will be relocated from Orlando or other operations.

Mr. Kassabov responded that with the exception of management they expect to recruit much of the people from Jacksonville. They believe there is a very good talent pool in Jacksonville. Mr. Kassabov commented for the record that they have some concerns because Jacksonville is a major back office bank operation so they would like to start their operations relatively soon before the mortgage origination boom comes again so they recruit the best of the best now.

Mr. Whitaker added that they do not get the QTI refund for any jobs relocated from Florida. They will have to be new jobs or people coming from outside of Florida.

A MOTION WAS MADE BY COMMISSIONER MOORE AND SECONDED BY COMMISSIONER ROWAN AUTHORIZING A RESOLUTION OF THE JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION ("JEDC") SUPPORTING AN ECONOMIC DEVELOPMENT AGREEMENT ("AGREEMENT") AMONG DIGITAL RISK, LLC ("COMPANY"), THE CITY OF JACKSONVILLE ("CITY") AND THE JEDC, REQUESTING THE CITY COUNCIL TO ENACT LEGISLATION: (1) RECOMMENDING THAT THE COMPANY BE APPROVED BY THE STATE OF FLORIDA'S OFFICE OF TOURISM, TRADE AND ECONOMIC DEVELOPMENT AS A QUALIFIED TARGET INDUSTRY ("QTI") BUSINESS PURSUANT TO SECTION 288.106, FLORIDA STATUTES AND (2) EVIDENCING A COMMITMENT OF CITY SUPPORT IN AN AMOUNT NOT TO EXCEED \$105,000 AS THE LOCAL FINANCIAL SUPPORT UNDER THE QUALIFIED TARGET INDUSTRY TAX REFUND PROGRAMS (PAYABLE OVER MULTIPLE YEARS PER GUIDELINES SET BY THE STATE OFFICE OF TOURISM, TRADE AND ECONOMIC DEVELOPMENT); AUTHORIZING THE EXECUTIVE DIRECTOR OF THE JEDC, OR HIS DESIGNEE, TO EXECUTE AND DELIVER DOCUMENTS AND TAKE FURTHER ACTION TO EFFECTUATE THE PURPOSE OF THIS RESOLUTION; PROVIDING AN EFFECTIVE DATE. THE MOTION PASSED UNANIMOUSLY 9-0.

LENDER PROCESSING SERVICES, INC. – Lindsey Ballas

Ms. Ballas provided an overview of the project requesting that the JEDC authorize the introduction of legislation to City Council, which:

- Recommends that LPS be approved as a Qualified Target Industry business;
- States that the commitments of local financial support for the Qualified Target Industry Tax Credit, Brownfield Bonus and Enterprise Zone Bonus necessary for the target industry business exist and will be appropriated in the not to exceed amount of \$595,000; and
- A waiver of the Public Investment Policy to allow the QTI Brownfield and Enterprise Zone Bonuses for this project located in a designated Brownfield and Enterprise Zone area.

Ms. Ballas introduced representatives present from Lender Processing Services, Inc.: Jeff Carbiener, President and CEO; Francis Chan, CFO; Scott Batsch, Vice President and Tax Director; Todd Johnson, General Counsel; and Michelle Kirsch, Senior Vice President of Marketing and Communications.

Mr. Carbiener provided an overview of their company and operations.

The following were relative comments from the Commission:

- What percentage of the mortgages in the country does LPS touch?

Mr. Carbiener replied a little over 50%, about \$30 million of the country's \$50 million, plus mortgages are processed in the Jacksonville data center.

A MOTION WAS MADE BY COMMISSIONER GIBBS AND SECONDED BY COMMISSIONER EZELL AUTHORIZING A RESOLUTION OF THE JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION (“JEDC”) SUPPORTING AN ECONOMIC DEVELOPMENT AGREEMENT (“AGREEMENT”) AMONG LENDER PROCESSING SERVICES, INC. (“COMPANY”), THE CITY OF JACKSONVILLE AND THE JEDC, REQUESTING THE CITY COUNCIL TO ENACT LEGISLATION: (1) RECOMMENDING THAT THE COMPANY BE APPROVED BY THE STATE OF FLORIDA’S OFFICE OF TOURISM, TRADE AND ECONOMIC DEVELOPMENT AS A QUALIFIED TARGET INDUSTRY (“QTI”) BUSINESS PURSUANT TO SECTION 288.106, FLORIDA STATUES, (2) EVIDENCING A COMMITMENT OF CITY SUPPORT IN AN AMOUNT NOT TO EXCEED \$210,000 AS THE LOCAL FINANCIAL SUPPORT UNDER THE QUALFIED TARGET INDUSTRY TAX REFUND PROGRAM PAYABLE OVER MULTIPLE YEARS PER GUIDELINES SET BY THE STATE OFFICE OF TOURISM, TRADE AND ECONOMIC DEVELOPMENT, AND (3) AUTHORIZING A LOCAL MATCH OF UP TO \$385,000 IN CONNECTION WITH STATE OF FLORIDA ENTERPRISE ZONE AND BROWNFIELD REDEVELOPMENT BONUS REFUNDS TO THE COMPANY

(INCLUDING A WAIVER OF THE JEDC PUBLIC INVESTMENT POLICY); AUTHORIZING THE EXECUTIVE DIRECTOR OF THE JEDC, OR HIS DESIGNEE, TO EXECUTE AND DELIVER DOCUMENTS AND TAKE FURTHER ACTION TO EFFECTUATE THE PURPOSE OF THIS RESOLUTION; PROVIDING AN EFFECTIVE DATE. THE MOTION PASSED UNANIMOUSLY 7-0-2.

Due to a conflict of interest, Commissioner R. Shoemaker and Chair Z. Boulos abstained from voting.

VESTCOR – Jorina Jolly

Ms. Jolly reviewed the project summary requesting that the JEDC authorize the introduction of legislation to the City Council expressing support for modification of mortgage documents under the project summary terms and conditions for the two mortgages with VCP-Roosevelt and VCP-Lynch to effectuate interest only payments for three years.

Ms. Jolly introduced Mr. Steve Moore, CFO for VCP-Lynch Building, Ltd. (11E) and VCP-Roosevelt Building, Ltd. (The Carling) who provided an overview of their current status.

The following were relative comments from the Commission:

- Commissioner Shoemaker advised that she met with Mr. Moore and asked him difficult questions. She commented that it is a difficult time adding that if we are going to try to do promote downtown we have to help these types of properties. She added that there is still not a grocery store or a lot of amenities needed downtown to be successful. She commented that as a community the project should be supported.
- Commissioner Moore agreed adding that with the rework we are not reducing principal we are not hurt in the long run. It is a rework that works best for the City to do this and move forward with it.
- Commissioner Rowan asked based on the rental rates today in the buildings asked Mr. Moore if he has a sense of what the occupancy needs to hit in order to cash flow.

Mr. Moore replied economic occupancy probably 80's to break even. The Carling based upon commercial leasing would be in that same general vicinity with the occupancy to get back to a break even cash flow situation.

- Commissioner Gibbs asked what Mr. Moore saw in his market analysis that makes him think three years is enough time.

Mr. Moore replied that they initially asked for five years because they don't know what is going to happen. Mr. Moore added that with more companies, as presented earlier in the meeting expand or move to Jacksonville and in downtown specifically, they focus to attract the local downtown employers to get their employees in 11E and The Carling. As

downtown grows with jobs and hopefully other small businesses they hope to attract some of those residents and businesses into the residential and commercial space.

- Commissioner Corr asked about the current occupancy for both buildings.

Mr. Moore responded that to date, the residential occupancy is about 82% in 11E and around 87% at The Carling. All of the commercial occupancy is at The Carling of which there are tenants who struggle to pay, but Mr. Moore works with them because it is important to keep the occupancy.

- Commissioner Corr asked Mr. Barton if there were more similar loans.

Mr. Barton replied that there are five in total, but 11E and The Carling were the largest loans in which the City is the primary lender and development financing entity. The other three loans are small business loans that go back many years and are nominal.

Mr. Barton advised that as the Commission would expect them to do, staff ensured that the request was not driven by anomalies in their management so that the lender in effect was being asked to underwrite bad management decisions. He added that they also wanted to understand whether the underlying model was sound and if you go back, and Steve mentioned this if you go back and look at their historical record from start up through the period of time just into the recession their numbers on both buildings are sound. Granted they could be better with the fact that much of the commercial leases are vacant even in a sound economy. But the fact of the matter is the trend lines in the performas indicated that we had a reasonably healthy business model under the terms that were negotiated from the beginning. Lastly, certainly want to verify that the occupancy and lease rate stress is not unique for some reason and I think we know that intuitively. We looked at all of the data related to the apartment industry and no revelation for many of you whether in the real estate business or not occupancy is off, rates are off, Jacksonville is one of the most stressed apartment markets in the country. It is significantly attributable to the economy.

Mr. Barton added that if and when they ever cash out of those deals, we have a profit participation in the deal as well. It is not just retirement of our debt. They want to be successful because they want to get return on their equity investment and we want them to be successful over time because we are also a profit partner with them not just a lender.

Mr. Barton commented that we are together in this deal. The terms of it can be debatable, the interest rate is favorable, but let's remember the deal was struck a number of years ago. The benefit of the bargain for their involvement in the project has already been struck we are not writing off anything. We are responding to unique economic conditions. Additionally, projects such as Laura St., etc. that help bring amenities to downtown are going to help them be successful too.

- Commissioner Rowan asked and Mr. Moore provided an overview of Vestcor's current financial condition.

- Commissioner Ezell confirmed for the record that the maturity date on the loans was not being extended.

Mr. Germany for clarification confirmed with Mr. Moore that no money would be taken out of the deals while the deferred principal is outstanding. Mr. Moore responded only for the three year extension period.

Mr. Germany for clarification confirmed that money could be taken out after the three year extension period even if there is a deferred principal outstanding. Mr. Moore confirmed adding that the deferred principal will go on the back end of what ever is left at the end of three years.

A MOTION WAS MADE BY COMMISSIONER CORR AND SECONDED BY COMMISSIONER SHOEMAKER AUTHORIZING A RESOLUTION OF THE JACKSONVILLE ECONOMIC DEVELOPMENT COMMISSION (“JEDC”) APPROVING (1) A NOTE AND MORTGAGE MODIFICATION AGREEMENT BETWEEN THE CITY OF JACKSONVILLE (“CITY”) AND VCP-ROOSEVELT BUILDING, LTD. AND VCP-ROOSEVELT GARAGE, LLC AND (2) A NOTE AND MORTGAGE MODIFICATION AGREEMENT BETWEEN THE CITY OF JACKSONVILLE (“CITY”) AND VCP-LYNCH BUILDING, LTD.; AUTHORIZING THE EXECUTIVE DIRECTOR OF THE JEDC, OR HIS DESIGNEE, TO EXECUTE AND DELIVER DOCUMENTS AND TAKE FURTHER ACTION TO EFFECTUATE THE PURPOSE OF THIS RESOLUTION; PROVIDING AN EFFECTIVE DATE. THE MOTION PASSED UNANIMOUSLY 8-0-1.

Due to a conflict of interest, Chair Z. Boulos abstained from voting.

III. INFORMATION/DISCUSSION ITEMS

Executive Director’s Report – Ron Barton

Mr. Barton provided the following updates:

- The NCAA Regional Tournament is coming to the City in a few weeks. Mike Bouda, JEDC Sports and Entertainment Manager is actively involved in making the event a success. It is a great event for the City as well as downtown.
- Bringing final discussions to closure with the Hillwood Company related to the Master Developer Agreement with Cecil. If brought to resolution in the next few weeks a special meeting of the JEDC will be called bringing the agreement before the Commission. A quorum has been confirmed for a special meeting date of March 24.

IV. OLD BUSINESS

Commissioner Meeks asked and Mr. Barton provided an update on MODIS and the insurance company who was contemplating leaving downtown.

Commissioner Meeks asked if the SSE project that was presented at the February meeting had made a final location decision. Mr. Barton responded that they had not made a decision yet.

Chair Boulos commended Mr. Crawford for his work on the Laura Street project.

V. NEW BUSINESS

No new business was discussed.

VI. PUBLIC COMMENTS

There were no public comments.

VII. ADJOURNMENT

There being no further business, Chair Boulos adjourned the meeting at 10:10 a.m.

The next JEDC General Meeting is scheduled for Wednesday, April 14 at 9:00 a.m.

Witness

Jacksonville Economic Development Commission

Print Name: _____

Zimmerman Boulos, Chairman

Print Name: _____

Vote: **In Favor:** __ **Opposed:** __ **Abstained:** _