

LEGISLATIVE FACT SHEET

DATE: 06/05/17

BT or RC No: BT 17-117
(Administration & City Council Bills)

SPONSOR: Office of Economic Development
(Department/Division/Agency/Council Member)

Contact for all inquiries and presentations: Office of Economic Development

Provide Name: Daphne Colbert

Contact Number: 904-630-7117

Email Address: daphnec@coj.net

PURPOSE: White Paper (Explain Why this legislation is necessary? Provide; Who, What, When, Where, How and the Impact.) Council Research will complete this form for Council introduced legislation and the Administration is responsible for all other legislation. (Minimum of 350 words - Maximum of 1 page.)

Liquid Proof, LLC dba Four Fathers Distillery was founded by Tim and Sandra Daniels in September of 2013. The purpose of the corporation was to create a distillery to manufacture limited production quantities of a variety of authentic craft spirits, private label production and private barrel aging for consumers. Four Fathers is developing a proprietary brand of Vodka, Rum, White Still Vodka and a specialty series of Hardbrew House Spirit Beers. They currently are working with Bacardi to distill and bottle up to 250,000 cases of specialty spirits for national distribution. They also propose to open their distillery to the general public for tours similar to Anheuser-Busch. Mr. Daniels purchased the facility at 2917 Borden Street in May of 2015 to create the distillery. The various permitting issues and costs associated with converting the building to a distillery are becoming problematic and creating an economic hardship for this emerging small business. The project site is served only by a 1 inch water line and a septic system versus a sewer. To operate a distillery the Fire Marshal has dictated that the building had to be sprinklered. To sprinkle the building requires a new 6" water line be run to the building to provide the water pressure needed to support the sprinkler system. The cost to run the new 6" water line to the building and connect to the JEA system costs \$36,244. The cost to install the required sprinkler system is \$50,000. To assist the business to make the water line and sprinkler system upgrades Liquid Proof, LLC is requesting the City provide the financial assistance totaling \$86,000 from the Northwest Economic Development Trust Fund or they will have to relocate their operation to another leased facility outside of the NW Economic Development Fund area. To support and induce Liquid Proof, LLC's objective to convert the office/warehouse building into a distillery the company has indicated that a NW Fund Grant of \$25,000 to offset the cost of extending the 6" water line to their building and a \$61,000 NW Fund loan to pay for the proposed sprinkler system to meet the fire and safety standard dictated by the Fire Marshall is respectfully requested.

APPROPRIATION: Total Amount Appropriated: \$86,000 as follows:
 List the source name and provide Object and Subobject Numbers for each category listed below:

(Name of Fund as it will appear in title of legislation)

Name of Federal Funding Source(s)	From: _____	Amount: _____
	To: _____	Amount: _____
Name of State Funding Source(s):	From: _____	Amount: _____
	To: _____	Amount: _____
Name of City of Jacksonville Funding Source(s):	From: NW Jacksonville Economic Development Fund - Miscellaneous Sales	Amount: \$86,000
	To: NW Jacksonville Economic Development Fund - Subsidies/Loans	Amount: \$86,000
Name of In-Kind Contribution(s):	From: _____	Amount: _____
	To: _____	Amount: _____
Name & Number of Bond Account(s):	From: _____	Amount: _____
	To: _____	Amount: _____

PLAIN LANGUAGE OF APPROPRIATION / FINANCIAL IMPACT / OTHER:

Explain: Where are the funds coming from, going to, how will the funds be used? Does the funding require a match? Is the funding for a specific time frame? Will there be an ongoing maintenance? ... and staffing obligation? Per Chapters 122 & 106 regarding funding of anticipated post-construction operation costs.

(Minimum of 350 words - Maximum of 1 page.)

The total amount of public investment proposed is \$86,000 in the form of a NWJEDF grant for \$25,000 to offset the cost of extending the 6" water line to their building and a \$61,000 NWJEDF loan to pay for the proposed sprinkler system to meet the fire and safety standard dictated by the Fire Marshall is respectfully requested. The grant will be funded following completion of the infrastructure work. The proposed loan of \$61,000 will be made for a term of 60 months, based upon an amortization period of 240 months requiring a balloon payment at the end of the fifth year. The interest rate for the loan is 3 percent per annum. Monthly payment during the 5 year term is \$338.31. The loan will be secured by a second mortgage on the land and building. There will be no prepayment penalty to pay off the loan. In the event of sale or transfer of the property by the Applicant within 5 years of the grant disbursement, the City is to be reimbursed based upon a declining scale of 20 percent per year. In the event that the Applicant fails to maintain the 5 new full-time jobs 18 months after disbursement of the grant, the Applicant will repay the grant back to the City on the basis of \$5,000 per job, below the 5-person new job creation target.

ACTION ITEMS: Purpose / Check List. If "Yes" please provide detail by attaching justification, and code provisions for each.

ACTION ITEMS:

	Yes	No	
Emergency?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Justification of Emergency: If yes, explanation must include detailed nature of emergency.</p> <div style="border: 1px solid black; height: 60px; width: 100%;"></div>
Federal or State Mandate?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Explanation: If yes, explanation must include detailed nature of mandate including Statute or Provision.</p> <div style="border: 1px solid black; height: 60px; width: 100%;"></div>
Fiscal Year Carryover?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Note: If yes, note must include explanation of all-year subfund carryover language.</p> <div style="border: 1px solid black; padding: 5px;"> <p>JEJE75C is an all years subfund.</p> </div>
CIP Amendment?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Attachment: If yes, attach appropriate CIP form(s). Include justification for mid-year amendment.</p>
Contract / Agreement Approval?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>Attachment & Explanation: If yes, attach the Contract / Agreement and name of Department (and contact name) that will provide oversight. Indicate if negotiations are on-going and with whom. Has OGC reviewed / drafted?</p> <div style="border: 1px solid black; padding: 5px;"> <p>Office of Economic Development to provide oversight and administration.</p> </div>
Related RC/BT?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<p>Attachment: If yes, attach appropriate RC/BT form(s).</p>
Waiver of Code?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Code Reference: If yes, identify code section(s) in box below and provide detailed explanation (including impacts) within white paper.</p> <div style="border: 1px solid black; height: 30px; width: 100%;"></div>
Code Exception?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Code Reference: If yes, identify code in box below and provide detailed explanation (including impacts) within white paper.</p> <div style="border: 1px solid black; height: 30px; width: 100%;"></div>
Related Enacted Ordinances?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Code Reference: If yes, identify related code section(s) and ordinance reference number in the box below and provide detailed explanation and any changes necessary within white paper.</p> <div style="border: 1px solid black; height: 30px; width: 100%;"></div>

ACTION ITEMS CONTINUED: Purpose / Check List. If "Yes" please provide detail by attaching justification, and code provisions for each.

ACTION ITEMS:

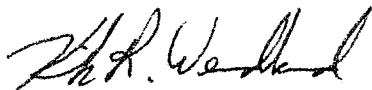
	Yes	No
Continuation of Grant?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Explanation: How will the funds be used? Does the funding require a match? Is the funding for a specific time frame and/or multi-year? If multi-year, note year of grant? Are there long-term implications for the General Fund?

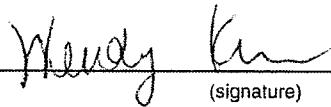
Surplus Property Certification?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting Requirements?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Attachment: If yes, attach appropriate form(s).

Explanation: List agencies (including City Council / Auditor) to receive reports and frequency of reports, including when reports are due. Provide Department (include contact name and telephone number) responsible for generating

Division Chief: 
(signature)

Date: 6/5/17

Prepared By: 
(signature)

Date: 6/5/17

ADMINISTRATIVE TRANSMITTAL

To: MBRC, c/o Roselyn Chall, Budget Office, St. James Suite 325

Thru: _____
(Name, Job Title, Department)
Phone: _____ E-mail: _____

From: Kirk Wendland, Executive Director, Office of Economic Development
Initiating Department Representative (Name, Job Title, Department)
Phone: 630-2455 E-mail: kwendland@coj.net

Primary Contact: Paul Crawford, Deputy Executive, Office of Economic Development
(Name, Job Title, Department)
Phone: 630-7063 E-mail: paulc@coj.net

CC: Allison Korman Shelton, Director of Intergovernmental Affairs, Office of the Mayor
904-630-1825 E-mail: akshelton@coj.net

COUNCIL MEMBER / INDEPENDENT AGENCY / CONSTITUTIONAL OFFICER TRANSMITTAL

To: Peggy Sidman, Office of General Counsel, St. James Suite 480
Phone: 904-630-4647 E-mail: psidman@coj.net

From: _____
Initiating Council Member / Independent Agency / Constitutional Officer
Phone: _____ E-mail: _____

Primary Contact: _____
(Name, Job Title, Department)
Phone: _____ E-mail: _____

CC: Allison Korman Shelton, Director of Intergovernmental Affairs, Office of the Mayor
904-630-1825 E-mail: akshelton@coj.net

Legislation from Independent Agencies requires a resolution from the Independent Agency Board approving the legislation.

Independent Agency Action Item: Yes No
Boards Action / Resolution?

Attachment: If yes, attach appropriate documentation. If no, when is board action scheduled?

FACT SHEET IS REQUIRED BEFORE LEGISLATION IS INTRODUCED

Northwest Jacksonville Economic Development Fund (NWJED)
Request for Funding Assistance
Four Fathers Distillery
Project Summary

Applicant Contact Information: Tim Daniels, Founder
President
Liquid Proof, LLC
2917 Borden Street
Jacksonville, FL 32209

Project Description: Liquid Proof, LLC dba Four Fathers Distillery was founded by Tim and Sandra Daniels in September of 2013. The purpose of the corporation was to create a distillery to manufacture limited production quantities of a variety of authentic craft spirits, private label production and private barrel aging for consumers. Four Fathers is developing a proprietary brand of Vodka, Rum, White Still Vodka and a specialty series of Hardbrew House Spirit Beers. They currently are working with Bacardi to distill and bottle up to 250,000 cases of specialty spirits for national distribution. They also propose to open their distillery to the general public for tours similar to Anheuser-Busch. Mr. Daniels purchased the facility at 2917 Borden Street in May of 2015 to create the distillery. The various permitting issues and costs associated with converting the building to a distillery are becoming problematic and creating an economic hardship for this emerging small business.

The building was originally developed in 1963 as an office with a small warehouse. As a result utilities serving the building are minimal. The project site is served only by a 1 inch water line and a septic system versus a sewer. To operate a distillery the Fire Marshal has dictated that the building had to be sprinklered. To sprinkle the building requires a new 6" water line be run to the building to provide the water pressure needed to support the sprinkler system. The cost to run the new 6" water line to the building and connect to the JEA system costs \$36,244. The cost to install the required sprinkler system is \$50,000. To assist the business to make the water line and sprinkler system upgrades Liquid Proof, LLC is requesting the City provide the financial assistance totaling \$86,000 from the Northwest Economic Development Trust Fund or they will have to relocate their operation to another leased facility outside of the NW Economic Development Fund area.

Initially the project will result in the creation of 5 employees within the first 18 months of operation. The average wage is \$48,500, plus benefits. The project is located within a Level 2 Economically Distressed Area (Census Tract 162) within Jacksonville's Northwest Economic Development Fund Area. The threshold for qualifying for enhanced economic development incentives is an average wage of \$29,500 the proposed new jobs will pay 165% of the threshold wage. Payroll generation for the business is estimated to be \$229,000 per year. The private capital investment is estimated to be \$522,000 including the cost of the water line hook-up and sprinkler installation.

To support and induce Liquid Proof, LLC's objective to convert the office/warehouse building into a distillery the company has indicated that a NW Fund Grant of \$36,000 to offset the cost of extending the 6" water line to their building and a \$50,000 NW Fund loan to pay for the proposed sprinkler system to meet the fire and safety standard dictated by the Fire Marshal is respectfully requested.

Northwest Jacksonville Economic Development Fund (NWJED)
Request for Funding Assistance
Four Fathers Distillery
Project Summary

The estimated Sources and Uses of Funds are summarized as follows:

Sources		Uses	
1 st Mortgage Loan	\$ 180,000	Acquisition	\$ 80,000
Owners' Equity	\$ 256,000	Renovations	\$ 136,000
NW BIG Grant	\$ 25,000	M & E, FFE	\$ 220,000
NW SBDI Loan	\$ 61,000	Water Line/ Sprinkler	\$ 86,000
Total	\$ 522,000	Total	\$ 522,000

City Assistance: To assist the company the following is recommended:

- Northwest Business Infrastructure Grant (BIG) in the amount of \$25,000 to pay for a portion of the cost to extend the 6" water line to the building necessary to operate the sprinkler system;
- Northwest Jacksonville Small Business Development Initiative (SBDI) loan of \$61,000 to finance the cost of installing the sprinkler system (\$50,000) and (\$11,000) to finance the remaining balance for the extension of the water line to the building. The proposed SBDI loan in the amount of \$61,000 will be made for a term of 60 months, based upon an amortization period of 240 months requiring a balloon payment at the end of the fifth year. The interest rate is 3% percent per annum. Monthly payment during the five year term is \$338.31. The loan will be secured by a 2nd mortgage on the land and building. There would be no prepayment penalty to pay off the loan. The lump sum principal payment to be paid at the beginning of the 6th year is \$48,988.
- Overall the Northwest Fund Assistance proposed (\$86,000) represents 16% of the project cost. The infrastructure grant portion (\$25,000) represents 5% of the project cost.
- Grant amount per new job created is \$5,000 per job.
- The project has a positive ROI of 1.20, for the City of Jacksonville.

Security/Guarantees for City Obligation: 2nd Mortgage on the Real and Tangible Property

Project Implementation Timeline: The infrastructure work can be completed within ninety (90) days after the Economic Development Agreement (EDA) is executed by the parties.

Employment Goals: It is anticipated that 5 new full time jobs will be created within the first 18 months after the infrastructure work has been completed and the distillery is in operation. The average wage is not less than \$30,000 per year plus benefits.

Clawback Provisions: In the event of sale or transfer of the property by the Applicant within five years of grant disbursement, the City is to be reimbursed based upon a declining scale of 20% per year (e.g. 100% year 1, 80% year 2, 60% year 3, 40% year 4 and 20% year 5).

Job Requirement: In the event the Applicant fails to maintain 5 new full-time jobs 18 months after the disbursement of the \$25,000 grant, the Applicant will repay the grant back to the city on the basis of \$5,000 per job, below the 5-person new job creation target.

Northwest Jacksonville Economic Development Fund (NWJED)
Request for Funding Assistance
Four Fathers Distillery
Project Summary

NWJED Policy Waivers:

- None.

Public Purpose: The project supports the following public purpose objectives:

- Leverages new private capital investment in the target area; and
- Stimulates new private capital investment within the Northwest area adding to the tax base; and
- Supports the creation of 5 new full-time manufacturing jobs at an average wage of not less than \$30,000 plus benefits; and
- Places a formerly vacant property located within a Level 2 Distress Area in the Northwest Economic Development Fund Area and places it back into productive use; and
- Supports Jacksonville's desire to support new manufacturing businesses within the Northwest Jacksonville area.