

MIAMI BEACH

COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee Members

FROM: Eric Carpenter, City Manager

DATE: September 20, 2024

TITLE: UPDATE ON NEGOTIATIONS WITH 1940 BARCLAY PARTNERS, LLC, PURSUANT TO REQUEST FOR PROPOSALS (RFP) NO. 2023-115-KB, FOR THE REDEVELOPMENT OF THE CITY-OWNED PROPERTY LOCATED AT 1940 PARK AVENUE (THE BARCLAY) FOR A DEVELOPMENT AND GROUND LEASE AGREEMENT

RECOMMENDATION

The Administration requests feedback from the Finance and Economic Resiliency Committee (FERC) on development objectives for the Barclay property and the proposal discussed below.

BACKGROUND/HISTORY

The Barclay Plaza property, located at 1940 Park Avenue (the "Property"), is a contributing Art Deco building in the Museum Historic District and Miami Beach Architectural District, recognized for its architectural and historical significance. Originally built as the Barclay Plaza Hotel in 1935, it later became an apartment building in 1957, before it was deemed uninhabitable and was acquired by the City in 2015.

A detailed history of the Property was included in the March 22, 2024 FERC Memorandum, which provided background on the City's acquisition of the Property from the Miami Beach Community Development Corporation (MBCDC) in 2015 and the City's competitive solicitations for redevelopment of the Property in Fiscal Year (FY) 2018 and 2019.

A. Property Conditions

One month before the City's acquisition, the Building Official issued an emergency demolition order on December 12, 2014. However, on May 17, 2023, the Miami-Dade County Unsafe Structures Board approved a Compliance Agreement requiring the City to secure and maintain the property until redevelopment could occur.

Prior to City ownership, restoration of the Property was expected to be extensive. The Property was poorly maintained for years and noncompliant with recertification requirements, with conditions worsened by fire damage to the historic lobby. Over the years, trespassing vagrants have vandalized or destroyed electrical wiring, windows, and building access points. A feasibility study conducted by MC Harry Associates in August 2021 advised that full replacement of major building systems would be required.

The City has ensured adequate funding for ongoing general maintenance and loss-prevention measures including improved perimeter fencing, site lighting, and regular upkeep. In FY 2023, the City spent approximately \$14,050 on insurance and landscaping, and \$19,002 on general maintenance and repair services. Recent improvements and services include enhanced fencing and regular monitoring by the Miami Beach Police Department (MBPD).

B. Existing Historic Structure

Under the City's Land Development Regulations (LDRs), City-owned property converts to GU (Government Use). Zoning parameters for GU properties, i.e., floor area ratio (FAR), height, required parking, etc., are based on the average of the surrounding zoning districts, which, in this case, are RM-2 (Residential Multifamily Medium Intensity) and CCC (Convention Center District).

The existing three (3)-story building measures 27,505 sf and 38 feet in height, with 66 efficiency units. The Property's current FAR is 1.1, well below the maximum allowable 2.37 FAR under applicable GU zoning, which also allows a height of 75 feet (plus three additional feet with approval from the Historic Preservation Board (HPB)).

The 66 residential units do not meet minimum unit size requirements or ADA standards, likely requiring reconfiguration for residential use. Significant alterations to the Property, including exterior modifications, alterations to public interior spaces like the hotel lobby, and construction of attached or detached additions, would require a Certificate of Appropriateness from the HPB.

C. Request for Proposals (RFP) 2023-115-KB

On November 16, 2022, the City Commission authorized RFP 2023-115-KB for redevelopment of the Property (the "RFP"). The City received one (1) proposal, from The Barclay Partners LLC, now known as 1940 Barclay Partners, LLC ("Developer"). An Evaluation Committee, appointed by the City Manager, scored the proposal 87 out of 100 available points, based on the RFP evaluation criteria.

On September 13, 2023, the City Commission directed separate discussions with the Developer and the Housing Authority of the City of Miami Beach ("Housing Authority" or "HACMB"), which did not submit an RFP proposal. In January 2024, the Housing Authority's Board of Commissioners authorized a future partnership with the Developer and a twenty percent (20%) equity interest in the redevelopment project.

On March 22, 2024, the FERC recommended awarding the RFP to the Developer, contingent on a minimum \$6 million upfront payment to the City (the "Project").

On April 3, 2024, via Resolution No. 2024-32977, the Mayor and City Commission accepted the FERC recommendation for award to the Developer, authorized negotiations for a development and ground lease agreement, subject to further review, and referred the Project and any necessary LDR amendments for review by the FERC, the Land Use and Sustainability Committee (LUSC), and the Planning Board, in accordance with the requirements of the City Code.

Based on the Developer's updated proposal dated May 30, 2024 ("Updated Proposal"), an agenda item was prepared for the July 26, 2024 FERC meeting, however, the item was not reached.

ANALYSIS

The Administration and the Developer have met regularly to negotiate terms for an economically viable Project that aligns with the priorities expressed by the FERC, including formulation of a clear path forward to activate the vacant site, while preserving its historic elements, and increasing inventory and accessibility of housing for Miami Beach residents and workers.

Updated Proposal (May 30, 2024)

i. Design

The RFP award authorized negotiations based on a proposal featuring a 12-story tower at 132 feet and 3.46 FAR, exceeding the established context within the surrounding historic district, where the majority of the neighborhood buildings do not exceed three (3) stories. Following the Administration's request to reduce the project scale, the Updated Proposal includes renovation of the existing three-story structure and a new, nine (9)-story (100-ft) residential addition. In contrast to the RFP Award proposal, the Updated Proposal better integrates the new addition with the

fabric of the existing structure but exceeds applicable height and FAR limitations by 33% and 25%, respectively.

In comparison, the 17th level of the nearby Octagon Towers condominium, 1881 Washington Avenue, contains an elevation of 144 ft ¹, and the 15th level of the Parc Plaza condominium, 1775 Washington Avenue, reaches 133 ft ². While the Project's design and massing may need further refinement to be more compatible with surrounding buildings, from a planning perspective, the Project design is an improvement upon the previous iteration.

ZONING	Existing Site	Permitted (GU)	RFP Award	Updated Proposal	Exceeds Permitted Zoning by
Floor Area (sf)	27,505	82,880	105,146	90,332	8.9%
FAR	1.1	2.37	3.46	2.97	25.3%
Total Buildings	1	n/a	2	2	n/a
Height	38 ft	75 ft	132 ft	100 ft	33.3%
Floors	3	n/a	12	9	n/a

ii. Residential Component

- **Affordability:** 129 total units, with 37 units (or 29%) dedicated to affordable and workforce housing.
- **Tenant diversity:** Limited tenant diversity, focusing only on 120% AMI households (23 units) and voucher recipients (14 units) at 30% AMI. Previous iterations included a broader range of income levels (140%, 80%, and 60% AMI tenants). The 92 proposed market rate units account for 71% of the total number of units.
- **Tenant integration:** Both the renovated structure and new addition will contain market rate and workforce housing tenants, with the voucher (30% AMI) tenants residing in the renovated structure.
- **Unit sizes:** The renovated historic building will provide 35 studios (400 sf), serving market rate, workforce, and all 30% AMI (affordable) tenants. The new construction addition offers 42 studios (500 sf), serving market rate and workforce tenants.

RESIDENTIAL COMPONENT	RFP Award	Updated Proposal	Percentage of Project
Total Units	113	129	100%
Total Market Rate	77 (68%)	92	71%
Total Workforce/Affordable	36 (32%)	37	29%
140% AMI	16	0	0%
120% AMI	0	23	17.8%
30% AMI	20	14	10.9%
Total Studios	66 total	77 total	60% total
<ul style="list-style-type: none"> • Market Rate • Workforce/Affordable 	<ul style="list-style-type: none"> • 30 units • 36 units 	<ul style="list-style-type: none"> • 46 units • 31 units 	<ul style="list-style-type: none"> • 36% • 24%
Total 1BR	35 total	44 total	34% total

¹ According to the survey certified by Zurwelle-Whittaker, Inc., Engineers & Surveyors, in the Declaration of Condominium for Octagon Towers I Condominium, recorded in Miami-Dade County Official Records Book 16618, Page 3417.

² Survey also certified by Zurwelle-Whittaker, Inc., Engineers & Surveyors, in the Declaration of Condominium for Parc Plaza Condominium, Miami-Dade County Official Records Book 17229, Page 0422.

<ul style="list-style-type: none"> • <i>Market Rate</i> • <i>Workforce/Affordable</i> 	<ul style="list-style-type: none"> • <i>35 units</i> • <i>0 units</i> 	<ul style="list-style-type: none"> • <i>38 units</i> • <i>6 units</i> 	<ul style="list-style-type: none"> • <i>29%</i> • <i>5 %</i>
Total 2BR <ul style="list-style-type: none"> • <i>Market Rate</i> • <i>Workforce/Affordable</i> 	12 total <ul style="list-style-type: none"> • <i>12 units</i> • <i>0 units</i> 	8 total <ul style="list-style-type: none"> • <i>8 units</i> • <i>0 units</i> 	6% total <ul style="list-style-type: none"> • <i>6 %</i> • <i>0 %</i>

iii. Compensation to the City

There is no sale of the Property; the City retains ownership of the land under a 99-year lease. Compensation to the City includes:

- A \$6 million upfront payment.
- Annual rent starting at \$52,020, escalating with CPI up to 3%.
- 1% participation in annual net operating income (NOI) and transfers occurring after initial 10 years.

FINANCIAL PROPOSAL	RFP Award Proposal	Updated Proposal
Upfront Payment	\$1,500,000	\$6,000,000
Annual Rent (Year 1)	\$100,000	\$52,020
Projected Rent (99 years)	\$31,810,971	\$21,155,486
Annual Escalation for Annual Rent	CPI (2% Min and 3% Max)	CPI (2% Min and 3% Max)
NOI Participation	1%	1%
Transfer Participation	1%	1% for capital events after 10 years

Outstanding Considerations

1. Financial Proposal

Following execution of a Reimbursement Agreement for Developer reimbursement of City costs for consultants and legal counsel, the City's financial advisor, PFM Financial Advisors LLC, reviewed the Developer's financial model, finding it reasonable and sensitive to Project scale in terms of total units and height.

The Developer seeks a \$2 million public subsidy, relying on yet-to-be identified sources, to offset the \$6 million upfront payment. According to the City's consultant, a financial subsidy, in lieu of additional density, is understandable to ensure Project viability. The Developer has identified public grant programs which could potentially help reduce the \$2 million gap, such as local federal allocations that hinge on specific qualification criteria, or County and State grant programs, which are competitive and require rigorous application processes. Since these sources would rely on application cycles that may extend through the next year, or longer, this may require the City Commission to consider a project contingent on securing additional funding.

2. Zoning and Design

The proposed 100-foot addition exceeds most surrounding buildings in the neighborhood, which generally do not exceed five (5) stories high, with the exception of a few taller structures located nearby in the Museum Historic District. The City Commission will need to weigh the benefits of increasing the supply of workforce and affordable housing against potential impacts on the neighborhood's character. In addition, the proposed Project will be subject to design review and approval by the HPB, which will examine whether the 100-foot proposed addition overwhelms the existing 3-story historic Barclay structure.

3. Steps for Approval

Key negotiated terms for the Project must be finalized before proceeding with detailed design documents and necessary legislative amendments for lease and development agreement approval. Approval will require review at several committee meetings, including FERC and the Planning Board, before final City Commission consideration of the lease and development agreements. Additional required steps, occurring on contemporaneous tracks, include:

Development & Lease Agreements

1. FERC Term Sheet Recommendation for Approval
2. City Commission Approve Term Sheet & Direct Development Agreement (DA)/Lease Negotiation
3. Planning Board Review Development Agreement / Public Hearing
4. FERC Review Lease Agreement
5. City Commission Lease First Reading
6. City Commission Approve DA / Second Reading / Public Hearing
Approve Lease/ Second Reading Public Hearing

Application for FAR Increase

1. City Commission Referral to Planning Board
2. Planning Board Preliminary Review
3. Noticed Meeting Community Outreach Meeting
4. Planning Board Transmittal to City Commission
5. City Commission First Reading / Public Hearing
6. Noticed Meeting Community Workshop
7. City Commission Second Reading/ Adoption / Public Hearing

Applications for City Code and Comprehensive Plan Amendments

1. City Commission Authorize Negotiations and Committee Referrals
2. LUSC Review LDR and Comprehensive Plan Amendments
3. Planning Board Review LDR and Comp Plan Amendments
4. City Commission First Reading of LDR and Comprehensive Plan Amendments /
Referral of Comprehensive Plan amendment for State review
5. City Commission Second Reading of LDR & Comprehensive Plan Amendments

With input from the FERC, the Administration is committed to advancing redevelopment of the Property.

FISCAL IMPACT STATEMENT

The proposed redevelopment would provide significant financial benefits to the City, both in the short and long term. Key fiscal impacts include the following:

- Upfront Payment: The City will receive a one-time payment of \$6 million from the Developer upon execution of the ground lease (at possession of the site). This payment will provide an immediate infusion of revenue into the City's general fund or other designated accounts.
- Annual Rent Payments: The Developer will provide recurring annual rent payments, beginning at \$52,020, with a guaranteed escalation tied to the Consumer Price Index (CPI), ensuring that rent will increase by a minimum of 2% and a maximum of 3% each year. Over the 99-year lease term, these payments will represent a stable source of revenue for the City.
- Net Operating Income (NOI) Participation: The City will receive 1% of the net operating income generated by the Property, providing an additional, performance-based revenue stream that will allow the City to share in the financial success of the Project.
- Transfer Participation: The City will also be entitled to 1% of proceeds from any transfer of the Property after the first 10 years of the lease, ensuring a portion of future sales or refinancing benefits the City.

While the Developer has expressed the need for a \$2 million public subsidy to offset the initial \$6 million upfront payment, assessment by the City's consultant found the Developer's financial modeling to be reasonable and achievable, assuming successful receipt of grant funds or similar sources of subsidy. Should these funds not be obtained, the City may need to explore other options to bridge the financing gap or revisit certain deal terms to ensure project viability.

Moreover, the Project will help activate a currently vacant City-owned asset, which, under present conditions, generates no revenue and incurs ongoing maintenance costs, thereby reducing the City's financial burden associated with property upkeep. Overall, the redevelopment is projected to generate positive net fiscal impacts, bolstering City revenues and contributing to the long-term economic resiliency of the area.

Does this Ordinance require a Business Impact Estimate? **No**
(FOR ORDINANCES ONLY)

The Business Impact Estimate (BIE) was published on .

See BIE at: <https://www.miamibeachfl.gov/city-hall/city-clerk/meeting-notice/>

FINANCIAL INFORMATION

Updated financial terms will be provided as negotiations conclude and a proposed term sheet is presented to the FERC for recommendation to the City Commission.

CONCLUSION

The Developer proposes a redevelopment project that preserves the historic structure, offers financial benefits to the City, and activates a vacant City asset that currently provides no community benefits or revenue to the City.

The Administration respectfully requests feedback from the FERC regarding the current proposal, including the \$2 million financing gap, and the Committee's development objectives for the Project. Following this meeting, negotiated terms would again be presented to the FERC, for recommendation to the City Commission.

Attachments

- A. Resolution No. 2024-32977 (RFP Award)
- B. Updated Design Proposals dated August 19, 2024
- C. Financial Model Excerpt dated September 9, 2024

Applicable Area

South Beach

**Is this a "Residents Right to Know" item,
pursuant to City Code Section 2-17?**

No

**Is this item related to a G.O. Bond
Project?**

No

**Was this Agenda Item initially requested by a lobbyist which, as defined in Code Sec. 2-481,
includes a principal engaged in lobbying?** No

If so, specify the name of lobbyist(s) and principal(s): **N/A**

Department

Economic Development

Sponsor(s)

Co-sponsor(s)

Condensed Title

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