

MIAMI BEACH

COMMITTEE MEMORANDUM

TO: Public Safety and Neighborhood Quality of Life Committee Members

FROM: Eric Carpenter, City Manager

DATE: December 2, 2024

TITLE: DISCUSS TIMELINE FOR CONSTRUCTION OF MIAMI BEACH CONVENTION CENTER HEADQUARTER HOTEL AND ANTICIPATED OPENING DATE.

BACKGROUND/HISTORY

On July 25, 2018, the Mayor and City Commission adopted Resolution No. 2018-30425, approving the Lease between the City of Miami Beach (the “City”) and MB Mixed Use Investment Holdings, LLC (the “Developer”), approving the construction and development of the Miami Beach Convention Center Hotel (the “Hotel Project”) at the site (the “Site”) located at the northeast corner of Convention Center Drive and 17th Street as defined in the Hotel Lease.

On November 6, 2018, more than sixty percent (60%) of the voters voting thereon in a City-wide referendum approved of the Lease as required by Section 1.03(b)(3) of the City Code.

On December 9, 2019, the City approved the Grand Hyatt Hotel brand pursuant to Section 13.3 of the Hotel lease.

On March 4, 2020, the City and the Developer entered into an early access agreement (the “Early Access Agreement”) to grant access to the Developer to the Site and to certain other areas, so that the Developer could perform certain pre-construction activities (the “Early Work”) that would accelerate the timeline for construction of the Hotel Project.

On March 13, 2020, the Developer notified the City they were asserting a Force Majeure event and an Economic Force Majeure event with respect to the COVID-19 pandemic.

On April 14, 2022, pursuant to the Early Access Agreement, the Hotel Developer’s contractor mobilized on the Site and commenced the initial phases of the Early Work.

On May 25, 2022, the City approved a Fifth Amendment to the Management Agreement with Live Nation to provide for the closure of the Fillmore Miami Beach at the Jackie Gleason Theater during the construction of the Early Work Phase; and further approved a First Amendment to the Early Access Agreement between the City and the Developer to clarify the Developer’s existing responsibility to pay for Live Nation’s costs and expenses resulting from the temporary closure of the Fillmore during the Early Work Phase.

On August 31, 2023, the completed Jackie Gleason Theater was turned back over to Live Nation by the Hotel Developer, and events recommenced in early October 2023.

On November 16, 2023, the Developer notified the City that they were asserting an Economic Force Majeure event due to impaired access to financial markets for development of projects in

the United States similar to the Grand Hyatt Hotel project, which delayed their ability to raise the capital necessary for the full construction of the hotel project. On November 17, 2023, LTC 515-2023 advised the Mayor and City Commission that the Developer needed additional time to secure the remaining 12% of their capital raise for the Hotel project. Notwithstanding, the Developer has expended approximately \$20 million in private funding to complete the Early Work.

During discussions among RDA staff and the Developer, the Developer requested a \$75 million capital contribution in the form of a grant from the RDA to cover the 12% financing deficit. The Developer stated that the project could not proceed without this additional capital contribution due to increased construction and interest costs. The grant could be funded from available cashflows generated within the RDA and would be subordinate to the RDA's outstanding Series 2015A Miami Beach Redevelopment Agency Tax Increment Revenue Bonds ("Series 2015A Bonds") and any bonds issued to refund those bonds.

At the March 13, 2024 RDA meeting, the RDA Board gave the following direction:

- RDA staff to discuss/negotiate with the Developer public benefits for the RDA and City.
- RDA staff to find opportunities for the additional public benefit that may come because of discussions with the Developer.
- RDA staff to negotiate with the Developer on how to close the financial gap without using City funds and come back with a recommendation on how to deliver the long-delayed hotel.
- RDA staff to discuss/negotiate with the Developer public benefits.
- RDA staff to come back with proposals and recommendations on additional public benefits during the May 15, 2024 Commission RDA Board meeting.

On April 9, 2024, the early site work Certificate of Completion was issued, making the site available for the commencement of the vertical construction upon site possession by the Hotel developer.

On April 19, 2024, the Finance and Economic Resiliency Committee (FERC) unanimously approved a recommendation to the RDA to proceed with the refunding of the Series 2015A Bonds.

On October 16, 2024, the Miami-Dade County Board of County Commissioners (BCC) approved the refunding and the Sixth Amendment to the Interlocal Cooperation Agreement between the RDA, City of Miami Beach, and Miami-Dade County, authorizing, among other things, the form and execution of the grant agreement by and among the RDA, the Developer, and Public Finance Authority to move forward for the Convention Center Hotel project.

On October 30, 2024, the City Commission adopted Resolution No. 2024-33346, which authorized the RDA to incur up to \$92,500,000 in indebtedness in connection with a grant agreement among the RDA, the Developer and the Public Finance Authority for the development of the MBCC Hotel. During the meeting, the City and RDA approved the Sixth Amendment to the Interlocal Cooperation Agreement and the grant agreement as approved by the BCC on October 16, 2024.

On November 6, 2024, the BCC approved a motion to reconsider the previously approved Sixth Amendment to the Interlocal Cooperation Agreement and the grant agreement for the Convention Center Hotel, and approved modifications including a requirement that the RDA pay to the County \$10 million in RDA surplus funds, and requiring that the City's share of the participation fee and transfer fees, pursuant to the grant agreement, be paid to the County for homeless and domestic violence initiatives.

As a result of the County's requested modifications to the Sixth Amendment and grant agreement, on November 14, 2024, the City Commission and RDA Board convened at a special meeting to discuss the County's request. Following discussion, the City and RDA adopted, without modification, the County's requested changes to the Sixth Amendment to the Interlocal

Cooperation Agreement, including (i) a payment to the County of up to \$10 million from the current RDA surplus and (ii) the payment to the County of the City's share of the annual fee and transfer fee payable under the grant agreement, both for use by the County for homeless initiatives.

In addition, the City and RDA adopted resolutions proposing that for a period of 13 years beginning in Fiscal Year 2027 (October 1, 2026), the City will pay to the County between \$4 million and \$5 million per year (adjusted annually by the lesser of CPI and 2%) for homeless and domestic violence initiatives. The City will fund these payments from the 4% City bed tax generated by the Convention Center Hotel (or an equivalent amount from other City bed tax funds). The RDA will pay to the County the amount of any shortfalls (including the payment due in FY 2027 before the expected opening of the hotel). To effectuate this, a Seventh Amendment to the Interlocal Cooperation Agreement and a new Bed Tax Interlocal Agreement would be necessary, following negotiation between the City, RDA, and County, as required.

On November 20, 2024, the BCC discussed the City's proposal favorably with the intent that the City, RDA and County will move forward with negotiating these agreements. The Developer may now move forward with obtaining financing, achieving financial close and commencing construction.

ANALYSIS

Developer's Timeline:

Prior to and following execution of the Sixth Amendment to the Interlocal Cooperation Agreement by the County, RDA and the City, and execution of the grant agreement, the Developer will take steps toward achieving financial closing and coordinate with staff to meet all requirements to take possession of the Site. A comprehensive list of pre-possession conditions (as outlined in the Developer and Ground Lease Agreement) along with their current status is provided in Attachment 1.

The Developer is currently securing financing for both the construction loan and the bond financing from the RDA grant. Construction lenders are evaluating the updated project economics, including the approved grant agreement, and are determining the relevant interest rates. The Developer expects to finalize terms for both the construction loan and the bond financing in December, with final loan documents prepared in January. Debt and equity sources for the full construction cost will be closed shortly thereafter. Loan closing and site possession are projected for late January or early February, with construction slated to begin in March. The project is expected to take 27 months to complete, with the hotel's opening scheduled for late 2027.

FISCAL IMPACT STATEMENT

N/A

Does this Ordinance require a Business Impact Estimate? (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

CONCLUSION

The foregoing is presented to the members of the Public Safety and Neighborhood Quality of Life Committee for update and discussion.

Applicable Area

Citywide

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):

Department

Office of the City Manager

Sponsor(s)

Commissioner Laura Dominguez

Co-sponsor(s)

Commissioner Alex Fernandez

Condensed Title

Convention Center Headquarter Hotel Timeline and Anticipated Opening Date