



COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission

FROM: Eric Carpenter, City Manager

DATE: October 30, 2024 10:00 a.m. Public Hearing

TITLE: A RESOLUTION OF THE MAYOR AND CITY COMMISSION AUTHORIZING THE INCURRENCE BY THE MIAMI BEACH REDEVELOPMENT AGENCY (AGENCY) OF UP TO \$92,500,000 IN AGENCY INDEBTEDNESS IN ACCORDANCE WITH THE REQUIREMENTS OF CHAPTER 163, PART III, FLORIDA STATUTES. AS AMENDED, IN CONNECTION WITH A GRANT AGREEMENT TO BE ENTERED INTO BY AND AMONG THE AGENCY, MB MIXED USE INVESTMENT HOLDINGS, LLC AND PUBLIC FINANCE AUTHORITY SUBSTANTIALLY IN THE FORM ATTACHED TO THIS RESOLUTION TO FACILITATE THE EXPEDITIOUS DEVELOPMENT OF THE MIAMI BEACH CONVENTION CENTER HEADQUARTER HOTEL. **JOINT CITY COMMISSION AND RDA**

RECOMMENDATION

It is recommended that the Miami Beach City Commission adopt the resolution.

BACKGROUND/HISTORY

City Center Redevelopment Area ("City Center RDA" or "RDA")

On January 26, 1993, the Miami-Dade County (the "County") Board of County Commissioners adopted Resolution No. R-14-93, which, (i) found the City Center RDA to be a "blighted area" within the meaning of Part III of Chapter 163, Florida Statutes, and (ii) delegated to the City of Miami Beach (the "City"), pursuant to Section 163.410, Florida Statutes, certain powers conferred upon the County Commission as the governing body of Miami-Dade County by Part III of Chapter 163, Florida Statutes, with regard to the Redevelopment Area, so that the City Commission, either directly or through its duly designated community redevelopment agency, could exercise such powers.

On February 3, 1993, the City adopted Resolution No. 93-20709, which established a community redevelopment agency (the "Miami Beach Redevelopment Agency" or the "Agency") as an independent legal entity in accordance with Part III of Chapter 163, Florida Statutes, and declared the members of the City Commission as the members of the Agency.

On February 12, 1993, the City adopted Resolution No. 93-20721, which adopted the Agency's City Center/Historic Convention Village Redevelopment and Revitalization Area Plan (the "Redevelopment Plan"), as amended for time to time, for the redevelopment and revitalization of the City Center/Historic Convention Village Redevelopment and Revitalization Area (the "Redevelopment Area").

The County and the City then approved and entered into the Interlocal Cooperation Agreement, executed on November 16, 1993, by which the County delegated to the City certain

redevelopment powers granted by the Act, including but not limited to the creation of the Redevelopment Area and implementation of the Plan.

In 2014, the County and the City adopted Resolutions R-1110-14 and 2014-28835, respectively, approving an amendment to the Redevelopment Plan to define the Miami Beach Convention Center Renovation and Expansion Project (the “Convention Center Project”) for the Miami Beach Convention Center (the “Convention Center”), which includes the construction of a convention center headquarters hotel (the “Convention Center Hotel”), and to authorize the use of Agency Trust Fund revenues as a funding source for the Convention Center Project.

See Exhibit A for more detail on the five (5) amendments to the Interlocal Agreement.

Miami Beach Convention Center

Located in the heart of the Redevelopment Area, the newly renovated Convention Center is a state-of-the-art, flexible special event and exhibition space that welcomes more than 600,000 visitors annually hosting 75-90 regional, national, and international events. Following the recently completed \$640 million renovation, the MBCC is recognized for its excellence as a destination of choice, creating significant economic impact for the City of Miami Beach and the region. The MBCC campus encompasses 1.4 million square feet of indoor space, inclusive of four (4) exhibition halls totaling approximately 500,000 square feet, a grand ballroom of approximately 61,000 square feet, a pre-function area of approximately 18,000 square feet, 84 meeting rooms, and four (4) junior ballrooms, with approximately nine (9) acres of public green space, an 800-space rooftop parking facility, and approximately \$10 million of public art.

Convention Center Hotel

On November 19, 2014, the City adopted Resolution No. 2014-28835, which adopted an amendment to the Redevelopment Plan defining the Miami Beach Convention Center Renovation and Expansion Project to include a new Convention Center Headquarters Hotel (the “Convention Center Hotel”).

On April 13, 2016, the Mayor and City Commission established the Mayor’s Ad Hoc Blue Ribbon Steering Committee (the “Committee”) on the Convention Center Hotel chaired by Commissioner Ricky Arriola and Vice-chaired by Commissioner Kristen Rosen-Gonzalez.

On February 14, 2018, the Mayor and City Commission considered the Committee’s report regarding potential options for a Convention Center Hotel development, including options with respect to a proposed Hotel’s location, size, height, and related issues such as traffic mitigation, and the like. At the February 14, 2018 City Commission meeting, the Mayor and City Commission directed the Administration to prepare a Request for Proposals for development of a Convention Center Hotel on alternative parcel sites.

On May 16, 2018, the Mayor and City Commission approved Resolution No. 2018-30310, authorizing the issuance of a Request for Proposals for the Convention Center Hotel for a lease of the approximately 2.6-acre site located adjacent to the Convention Center on a time frame to be able to place the referendum item on the November 6, 2018 ballot.

On May 17, 2018, the City issued Request for Proposals No. 2018-238-KB (the “RFP”) for the Development of a Convention Headquarter Hotel Adjacent to the Miami Beach Convention Center.

On June 7, 2018, the City Manager, via Letter to Commission (LTC) No. 323-2018, appointed an Evaluation Committee (the “Committee”).

On June 14, 2018, the City received a responsive proposal (the “Miami Beach Connect proposal”) from MB Mixed Use Investment, LLC (the “Developer”), a joint venture between Turnberry and Terra Group.

On June 21, 2018, the Evaluation Committee convened to consider the responsive proposal and conduct oral presentations, and favorably recommended proceeding with the Miami Beach Connect proposal.

On July 2, 2018, the Mayor and City Commission approved Resolution No. 2018-30378, authorizing the Administration to negotiate a Development and Ground Lease Agreement, including a Room Block Agreement (collectively, the “Lease”) with the Developer, with said Lease subject to prior approval by the Mayor and City Commission before the final execution thereof.

On July 13, 2018, the Administration submitted the proposed Lease for the Finance and Citywide Projects Committee’s review and input, in accordance with the requirements of Section 82-37(a)(1) of the City Code.

On July 17, 2018, the Mayor and City Commission approved Agenda Item R7A, approving the Lease on first reading, following a public hearing.

On July 25, 2018, the Mayor and City Commission adopted Resolution No. 2018-30425, approving the Lease between the City and the Developer approving the construction and development of the Miami Beach Convention Center Hotel (or the “Hotel Project”) at the site (the “Site”) 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” or “EAA”) to grant access to the Developer to the Site and to certain other areas, including certain portions of the Facility, so that the Developer may perform certain pre-construction activities (the “Early Work”) that would accelerate the timeline for construction of the Hotel Project.

On March 13, 2020, the Hotel developer notified the City it was asserting a Force Majeure event and an Economic Force Majeure event with respect to the COVID-19 pandemic.

On February 4, 2022, in accordance with Sections 2(a) and 11(g) of the Third Amendment to the Management Agreement with Live Nation, the City provided formal notice to Live Nation advising of the City’s intent to recapture possession of the Rehearsal Room on June 1, 2022, and of the expected commencement of construction of the Facility Improvements and Hotel Project.

On February 8, 2022, the City hand delivered formal notice to Live Nation confirming the construction commencement date of June 1, 2022.

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

On May 25, 2022, the City approved a 5th 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 and development of the Miami Beach Convention Center Hotel; and further approved a first amendment to the Early Access Agreement between the City of Miami Beach

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 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.

Convention Center Hotel Force Majeure and Request for Capital Contribution

On November 16, 2023, the Developer notified the City that it was 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, delaying the Developer's ability to raise the capital necessary for the full construction of the hotel project. See attached as Exhibit B.

On November 17, 2023, LTC 515-2023 advised the Mayor and City Commission that the Hotel Developer needed additional time to secure the remaining approximately 12% of their capital raise for the Hotel project. Attached as Exhibit C.

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 approximately 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 Developer has noted that the total project cost has grown from \$360 million to approximately \$600million. The Developer's pro forma was unable to generate return thresholds acceptable to equity investors leaving a deficit of \$75 million.

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

- RDA staff to discuss/negotiate with the Developer public benefits.
- 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 come back with proposals and recommendations on additional public benefits during the May 15, 2024 RDA Board meeting.

The RDA engaged with PFM Financial Advisors LLC ("PFM"), the RDA's financial advisor, to provide financial advisory services related to the proposed partnership towards the development of a Convention Center Hotel. These services included review of project financial pro forma, capacity to complete project, structure of a RDA capital contribution, and potential mechanisms to recapture the capital contribution. The RDA also engaged Squire Patton Boggs, the RDA's bond counsel, to provide bond counsel support services. The Developer and RDA executed an agreement for the Developer to fund all legal and financial advisory expenses related to the negotiations for the capital contribution.

The Developer has requested that the RDA provide a grant in a par amount of up to \$75 million. As contemplated following RDA Board direction 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. In addition, the RDA would be permitted to issue other bonds on parity with the Series 2015A Bonds and incur other obligations that would be on parity with the obligations to make grant payments for the benefit of the Developer subject to satisfaction of certain debt coverage ratios. As of the end of Fiscal Year (FY) 2023, the amount

of outstanding Series 2015A Bonds is \$271,875,000. This grant would be funded by projected annual surpluses from the RDA.

The RDA is budgeted to have a \$9.5 million surplus in FY 2024. The RDA is limited in its ability to utilize any surplus by amendments to the Interlocal Cooperation Agreement with Miami-Dade County. The intention of this limitation was to provide for early retirement of the Series 2015A Bonds. This would allow for the subsequent termination (or expiration) of the RDA.

On February 21, 2024, the City Commission approved a referral to the City's Finance and Economic Resiliency Committee ("FERC") to review the potential refunding of outstanding Series 2015A Bonds.

On April 19, 2024, the RDA Administration presented a refinancing opportunity to achieve debt service savings. The FERC unanimously approved a recommendation to the RDA to proceed with the refunding of the Series 2015A bonds. RDA staff has met with County staff to discuss the opportunity.

On October 16, 2024, the Miami-Dade County Board of County Commissioners 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.

ANALYSIS

The RDA, City, and County have made significant investments in the development of the Convention Center campus including the recent renovation of the Miami Beach Convention Center. The Convention Center serves as a local and regional economic driver. Although the award-winning Convention Center is already very active, the RDA has an interest in the Convention Center realizing its full potential by securing events, conferences and tradeshow that attract visitors from beyond the region, contribute to maintaining or enhancing hotel average daily rates (ADR) and revenue per available room (RevPar), and enhance the business climate.

Although Miami Beach is home to approximately 21,000 hotel rooms, major events and shows would be more likely to select the Convention Center as a host venue if a headquarter hotel was positioned on the Convention Center campus. The 800-room Convention Center Hotel project will maximize Convention Center activations curated to further support the small business community, enhance the tourism and hospitality industry, and generate significant resort tax, property tax and convention development tax revenue.

Over the first 30 years, the Convention Center Hotel is estimated to generate approximately \$188 million in lease and surcharge payments to the City, an estimated \$751 million in taxes allocated to the RDA, City, and County, and an estimated \$514 million in property taxes supporting the school district and state sales taxes. This totals over \$1.266 billion in payments over the next 30 years.

However, PFM's review of project's financial proforma revealed that the project would not be able to proceed without the requested capital from the RDA. For additional detail, see PFM's memo dated May 4, 2024 regarding Convention Center Hotel Project Financing Considerations (attached as Exhibit D).

PFM believes that the return objectives included in the Developer's pro forma are reasonable and standard for the project-types, and we can confirm that the Project as currently designed cannot achieve these return metrics without additional sources of capital in the form of a grant.

Grant Agreement

The RDA's finance team has sought to structure such a grant to maximize the forecasted available cashflows and be amortized as quickly as possible to minimize the added interest expense from the Developer's financing, which would be expected to be serviced solely from the available cashflows of the RDA, based on the priorities described above. The Developer's bonds will be issued by a conduit issuer of bonds, the Public Finance Authority ("PFA"), and the Developer will seek a private placement bond issuer (the "Developer Bonds") for the principal amount of \$75.0 million. The RDA would pay the issuer of the Developer Bonds or its Trustee via an annual grant sufficient to cover the principal and interest on the Developer Bonds. The PFA was created for the purpose of issuing tax-exempt and taxable conduit bonds for public and private entities nationwide for projects that are important to the community. The PFA is sponsored by the National Association of Counties, the National League of Cities, the Wisconsin Counties Association, and the League of Wisconsin Municipalities. The proposed grant agreement with the RDA, PFA, and the Developer is attached as Exhibit E.

The current estimated structure would start grant payments in FY 2025 and continue for five (5) years with total estimated payments of \$85.6 million. The agreement between the Developer, the RDA, and the issuer of the Developer Bonds would limit the total grant amount payments (covering principal and interest) to a maximum \$92.5 million. The total grant payments would be locked in at the time of the issuance of the Developer Bonds. The RDA Financial Projection including the estimated grant payment schedule is attached as Exhibit F.

The Developer has agreed that the public benefits package and the RDA Subordinated Participation Payments shall be extended by five (5) years for each \$3.0 million more than \$86.2 million that the RDA will pay pursuant to the Grant Agreement.

The grant agreement contains provisions ensuring that the grant will be payable exclusively from available RDA funds, and that no payments shall be paid or guaranteed by the City or the County. The grant agreement constitutes indebtedness of the RDA, and pursuant to Part III of Chapter 163, Florida Statutes, and the Interlocal Cooperation Agreement between the RDA, the City, and the County, such indebtedness must be duly authorized by the County and the City.

The RDA Administration met with the developer's team on several occasions to discuss possible public benefits and certain provisions that could provide future financial return to the RDA as further described below.

Public Benefits

In addition to the public benefits (lease payments, property tax revenue, etc.) anticipated from the development of the Convention Center Hotel, the grant agreement includes a public benefits package that will extend for 22 years after the hotel's opening and is valued by the Developer at approximately \$42.8 million over that period.

Public benefits package as negotiated includes the following:

- Waiver of Junior Ballroom Rental Fees
- Waiver of Conference Room Fees
- Public Safety Office
- Reimbursement for Hotel Rooms During Weather Emergencies

- Complimentary Rooms for Official Delegations
- Miami Beach Senior High School (MBSHS) Culinary Arts Program

These public benefits would be accessible to the RDA, City, and County.

Participation Payments

During several rounds of negotiations, RDA staff and the Developer discussed several approaches to providing future financial return to the RDA. These discussions included participation in annual net cash flow to the extent that the project is more successful than what is shown in the pro-forma, a one-time transfer fee, and additional financial considerations.

The final terms include:

- Subordinated Participation Payments (Annual Participation Fee) starting at \$500,000 beginning five (5) years after opening and continuing for fifty (50) years and escalating at 3.0% each year. See attached Exhibit G showing the Subordinated Participation Payments schedule.
 - 50% of the Subordinated Participation Payments will be paid by the Developer to the RDA and the remaining 50% will be paid to the County.
 - Subordinated Participation Payments to RDA are subordinate to debt service but have priority over any distributions of equity.
 - Subordinated Participation Payments would total approximately \$56.4 million over the 50-year period with payment starting at \$500,000 in payment year 1 and ending at approximately \$2.1 million by year 50. The RDA and County's respective 50% share of the payment would total approximately \$28.2 million over the 50-year period.
 - Developer may buyout the Subordinated Participation Payments by providing a lump-sum payment determined by a net present value calculation discounting the remaining Subordinated Participation Payments at the 10-year Treasury rate in effect at the time of the buyout.
 - Any Annual Participation Fee payment due to the RDA after the termination of the RDA shall be made fifty percent (50%) to the City and fifty percent (50%) to the County.
- One-time transfer fee of 2.0% of gross sales proceeds less debt and closing costs upon an arm's length sale to a third party that results in a change of control.
 - Any one-time transfer fee payment due after the termination of the RDA shall be made fifty percent (50%) to the City and fifty percent (50%) to the County.

FISCAL IMPACT STATEMENT

NA

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 Administration recommends that the City Commission approve the resolution and authorize the incurrence by the Miami Beach Redevelopment Agency (Agency) of up to \$92,500,000 in agency indebtedness in connection with the grant agreement to be entered into by and among the Agency, MB Mixed Use Investment Holdings, LLC and Public Finance Authority, substantially in the form attached to this Resolution, to facilitate the expeditious development of the Miami Beach Convention Center Headquarter Hotel.

Following approval of the Sixth Amendment to the Interlocal Cooperation Agreement by the RDA Board and the City Commission, 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. Following possession, the Developer will break ground and commence vertical construction of the Convention Center Hotel which is anticipated to be completed in 2027

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? Yes

If so, specify the name of lobbyist(s) and principal(s): Brian May, David Martin, Jeff Sachs, Eric Singer, and Raphael Andrade

Department

Finance & Economic Development

Sponsor(s)

Commissioner Tanya K. Bhatt
Commissioner Alex Fernandez

Co-sponsor(s)