C4 AG REFERRAL TO THE PUBLIC SAFETY AND NEIGHBORHOOD QUALITY OF LIFE COMMITTEE A DISCUSSION REGARDING PROGRAMMING THE COLLINS PARK ARTIST WORKFORCE HOUSING PROJECT FIRST FLOOR SUBLEASE

MIAMIBEACH

COMMISSION MEMORANDUM

TO:	Honorable Mayor and Members of the City Commission

FROM: Rickelle Williams, Interim City Manager

DATE: June 26, 2024

TITLE: **REFERRAL TO THE PUBLIC SAFETY AND NEIGHBORHOOD QUALITY OF LIFE COMMITTEE A DISCUSSION REGARDING PROGRAMMING THE COLLINS PARK ARTIST WORKFORCE HOUSING PROJECT FIRST FLOOR SUBLEASE**.

RECOMMENDATION

The Administration recommends that the Mayor and Commission refer the item to the Public Safety and Neighborhood Quality of Life Committee for discussion.

BACKGROUND/HISTORY

Currently under construction, the Collins Park Artist Workforce Housing Project ("Project"), located at 224 23rd Street, is a mixed-use residential workforce housing development that will prioritize income-eligible artists, educators, and other members of the Miami Beach workforce.

Pursuant to a Ground Lease and Development Agreement dated June 1, 2023, the Project consists of the construction, development, and operation of an approximately 74,000 square feet, 7-story mixed-use housing facility constructed on City owned land formerly operated as a municipal surface parking lot. The facility will consist of (i) the ground floor, a portion of which is master leased back to the City, to be used for a not-for-profit public purpose, and the ground floor will also serve as lobby space for the facility's housing units, (ii) a second floor with approximately 32 beds of dormitory housing intended to be occupied by the Miami City Ballet, Inc., and (iii) floors three (3) through seven (7) containing 80 residential artist workforce housing units.

In addition to City support in the form of a Lessor (City) Capital Contribution of $5.85 million and G.O. Bond for Arts and Culture grant of $4 million, the Ground Lessee has financed the design and construction of the Project with tax-exempt bond financing, with principal and interest payable solely from Project revenues. Once the Project is constructed, the Ground Lessee is responsible for the operation and maintenance of the Project, with the intent that the Project is entirely self-supported by the rental revenues the Project will generate. Throughout the 90-year lease term, the Ground Lessee shall pay rent to the City equal to all surplus funds available after payment of debt service and operational expenses.

On February 23, 2022, the Mayor and City Commission approved the First Floor Sublease between the Ground Lessee as Sublessor and the City as Sublessee/Tenant, for the first floor retail space within the Project ("First Floor Sublease"). As recommended by the Finance and Economic Resiliency Committee and provided in the Ground Lease, City retention of the ability, at its option, to program the first floor commercial space, subject to City payment of first floor rent utilizing any surplus Project revenues generated by the residential housing component, provides a public space and placemaking opportunity for the City to curate an appropriate street-level activation compatible with the Collins Park Cultural District or utilization for other public purposes.

The First Floor Sublease, dated June 1 2023, contains the following key terms. See Exhibit A (First Floor Sublease).

Key Terms – First Floor Sublease	
Sublessor / Landlord	• CFC-MB I, LLC, a wholly owned affiliate of Community Finance Corporation, an Arizona not-for-profit corporation, the same entity as the City's Lessee in the Ground Lease.
Sublessee / Tenant	• City of Miami Beach
Use of Premises / Eligible Subtenants	• Uses specific to City business; or • Subleased/managed by not-for-profit/tax-exempt entities existing and operating under 501(c)(3), preferably with a cultural or performing arts purpose.
Premises	• Portion of Project ground floor retail space fronting on 23rd Street, to be delivered by Landlord as a baseline shell, with minimal building systems.
Size	• 2,248 square feet
Term	• Initial term of five (5) years; and • Seven (7) renewal periods of five (5) years each, exercised at the City's option.
Rent	• $62,634 in Lease Year 1, with 2% annual escalations thereafter.
City Termination	• In the event the City Commission does not appropriate sufficient funding for the rental payments, City may terminate on 90 days' notice.
Utilities	• City responsibility: electricity, telephone, cable, and internet, • Landlord responsibility: all other utilities, e.g., water and sewer service and garbage collection
Janitorial and Property Management Services	• Landlord provides and bears costs for maintenance and janitorial service for common areas, and janitorial service to the Premises consistent with the same level of janitorial services provided for commercial office space. • The Landlord also provides other Services including trash removal, landscaping, pest control, and building security.
Repairs and Maintenance	Landlord responsible for all repair, maintenance, and replacement of all HVAC, plumbing, electrical, glass, security, and structural components and systems and all appliances, fixtures, and other appurtenances contained in or serving the Premises, except in the case of Tenant/Eligible Subtenant gross negligence or willful misconduct.

ANALYSIS

The First Floor Sublease presents a unique opportunity to enhance our community's cultural landscape, support local arts, and foster greater civic engagement. By utilizing this 2,248 SF space effectively, the City will maintain the Collins Park neighborhood's reputation as a vibrant hub for artistic expression and community activities, which will enrich the lives of our residents and attract visitors.

Potential issues for consideration and discussion by the Public Safety and Neighborhoods Quality of Life Committee (PSNQLC):

1. Occupancy Date: According to the ground lessee, as of May 31, 2024, construction of the

Project was 53% complete. Barring unforeseen circumstances, the Premises are currently anticipated to be delivered to the City in the form of a baseline shell on March 1, 2025.

2. Annual Rent. Notwithstanding intended use of the space, the City is responsible for Annual Rent of the Premises, in the amount of $26 per square foot in the first year. This rate equates to $5,219 monthly or $62,634 in Year 1, with 2% escalations annually. Over the course of the first ten (10) years, Annual Rent equals $685,821.

3. Programming and Activation of the Space: The Premises can only be used by the City for uses specific to City business, or they may be subleased to and/or managed by, without Landlord's approval but with prior written notice to Landlord, not-for-profit/tax exempt entities existing and operating under 26 U.S.C. 501(c)3, preferably with a cultural or performing arts purpose ("Eligible Subtenants"). To maintain tax exempt bond compliance, the First Floor Sublease prohibits "Private Uses", which are defined as the activities of a trade or business not related to the exempt purpose of the City, a state or local governmental unit, or a 501(c)(3) organization. However, exceptions to the Private Use exclusion exist under certain conditions for limited periods of time.

4. Requirement for Buildout and Tenant Improvements: Upon delivery, Landlord will provide the City with possession of the Premises as a baseline shell with minimal building systems, in accordance with specified Work Standards and Delivery Specifications as follows:

Work Standards:

- The entire Premises including Common Areas will be cleaned to professional standard
- All Utilities and Tenant Utilities will be fully functioning.
- Walls and flooring will be in new condition.
- All Amenities (Exhibit B of First Floor Sublease) will be clean and functional and otherwise in the condition required by First Floor Sublease.

Delivery Specifications:

1. All required structural elements, including columns, girders, beams, and joists.
2. Masonry or concrete exterior walls.
3. Floor: Concrete slab.
4. Egress Door: Egress will be provided per City Code requirements.
5. Electrical Service: Landlord shall provide two (2) empty conduits for electrical service; Landlord to coordinate with Tenant or its subtenant(s) to confirm the size of the panel. Distribution within the Premises to be by Tenant. Electrical panel by Tenant.
6. Telephone: Landlord shall provide one (1) empty conduit from point of service to a location within the tenant space.
7. Water: Landlord will bring domestic water and sanitary sewer lines to the tenant space.
8. Storefront: Landlord shall provide code-compliant storefront system (including windows).
9. Heating, Ventilation, and Air Conditioning: Landlord will provide a supply and return line from the base building system stubbed into the tenant space and valved off. Tenant will be required to provide its own A/C system.
10. Sprinkler System: Landlord to provide code-compliant sprinkler system for original baseline shell design. Tenant will provide code-compliant sprinkler system for finished space.

FISCAL IMPACT STATEMENT

TBD

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-notices/

FINANCIAL INFORMATION

CONCLUSION

Public or cultural arts activation of this space aligns with the city's long-term goals of promoting inclusivity, diversity, and cultural education. Strategic planning that maximizes the potential of this space could potentially benefit a cultural arts organization, serve as a cornerstone for cultural development in the city, and have a lasting positive impact on our community as a whole.

The Administration respectfully requests Committee review and provide a recommendation regarding the potential programming and activation of the designated space for use by the City, a nonprofit cultural arts organization, or other permitted use.

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?

Yes

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

Economic Development

Sponsor(s)

Co-sponsor(s)

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8th Lease Year	$71,946	$5,995.50
9th Lease Year	$73,385	$6,115.42
10th Lease Year	$74,853	$6,237.75

* If the first year of the Term is a partial calendar year consisting of six (6) months or less, then the Monthly Rent shall be the 1st Partial Lease Year Monthly Rent set forth above. If the first year of the Term is a partial year consisting of more than six (6) months, then the Monthly Rent shall be the 1st Lease Year Monthly Rent set forth above. For illustration purposes only, (x) if the Initial Commencement Date occurs on or after July 1, 2025 and before January 1, 2026, then 2025 shall constitute the 1st Partial Lease Year and Monthly Rent shall be the 1st Partial Lease Year Monthly Rent set forth above and 2026 shall constitute the 1st Lease Year and the Monthly Rent shall be the 1st Lease Year Monthly Rent set forth above and (y) if the Initial Commencement Date occurs after December 31, 2024 and on or before June 30, 2025, then 2025 shall constitute the 1st Lease Year and Monthly Rent shall be the 1st Lease Year Monthly Rent set forth above and 2026 shall constitute the 2nd Lease Year and Monthly Rent shall be the 2nd Lease Year Monthly Rent set forth above.

(a) The Rent is deemed gross rent and represents the entire amount payable each year as set forth above for use and occupancy of the Premises (including all Common Areas (as defined below) and Amenities (as defined below), except those Amenities, if any, for which an additional fee shall be charged as identified on Exhibit B attached hereto and incorporated herein). Unless otherwise directed by Landlord in writing, Rent shall be made payable to Landlord and sent to the following address:

CFC-MB I, LLC
333 N. Wilmont Rd
Ste. 227
Tucson, AZ 85711
Attention: Gary Molenda

(b) In the event that any payment for Rent due to Landlord from Tenant under this Lease is not paid within five (5) business days of the date due, then interest shall accrue on the unpaid balance until paid at a rate equal to ten percent (10%) per annum.

1.6 **"Amenities"**: Tenant shall have the right to use on a non-exclusive basis, the amenities listed on Exhibit B attached hereto and incorporated herein by reference (the "**Amenities**"), which Amenities shall be provided at Landlord's sole cost and expense.

1.7 "**Restricted Uses**" and "**Ffivetenants**"**:** The Premises can only be used by the City for uses specific to City business or it may be subleased to and/or managed by, without Landlord's approval but with prior written notice to Landlord, not-for-profit/tax exempt entities existing and operating under 26 U.S.C. 501(c)3, preferably with a cultural or performing arts purpose, such subtenants or managers hereinafter referred to as "**Eligible Subtenants**" and individually as an "**Eligible Subtenant.**" Tenant understands and agrees that no part of the Premises may be subleased by Tenant to, or managed by, third parties other than Eligible Subtenants without prior