



ECONOMIC IMPACT ASSESSMENT:

OCEAN TERRACE

- Prepared by -

Lambert Advisory, LLC

- Prepared for -

City of Miami Beach, FL

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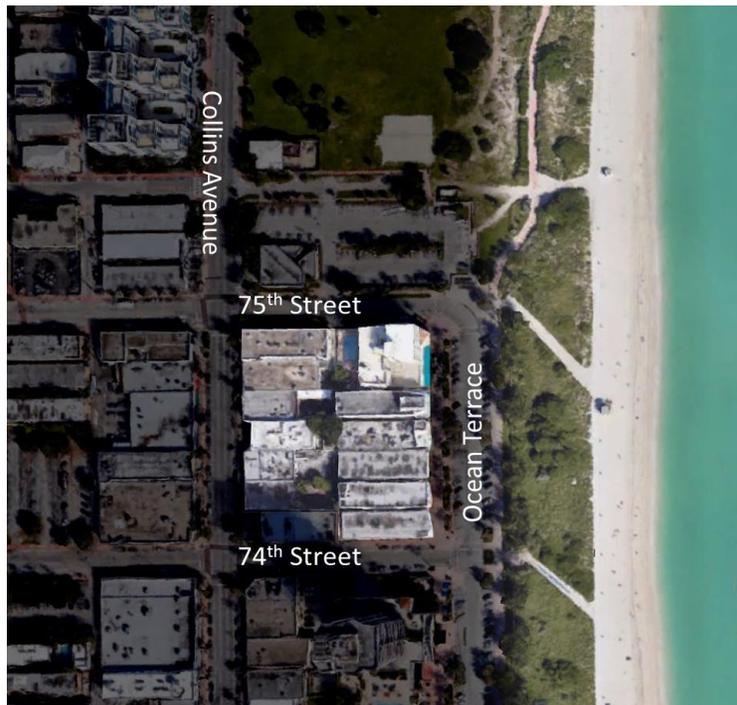
Economic Impact Assessment
Ocean Terrace

Introduction and Summary of Key Findings

Lambert Advisory has completed an economic impact assessment for the proposed development of Ocean Terrace, a major mixed use residential, hotel and retail project located in the City of Miami Beach. The analysis estimates select tangible direct and indirect/induced economic benefits that will be derived from the construction and operation of the development and based upon the inputs and assumptions set forth herein. This report identifies and quantifies the benefits created by the proposed Ocean Terrace development within City of Miami Beach and Miami Dade County. The methodology, assumptions, and analysis governing this document are detailed in the *Methodology, Analysis and Results* section below, with a summary of economic benefit headlines included at the end of this section.

The Ocean Terrace development is situated in the City of Miami Beach’s North Beach neighborhood, and generally bounded on the north by 75th Street, on the east by Ocean Terrace, on the south by 74th Street, and on the west by Collins Avenue. The site is currently developed with 182 hotel rooms (within two separate hotel properties) and 29,118 square feet of retail. A portion of these buildings will be demolished to allow for a substantial redevelopment of the property.

Figure 1: Ocean Terrace – Location and Boundary Map



The Ocean Terrace development represents a luxury condominium, hotel and retail development that will incorporate amenities including but not limited to: signature dining, spa and fitness center, meeting/banquet facilities and rooftop deck. The development represents the first new significant residential and commercial investment within the North Beach neighborhood in nearly 20 years. In addition, the City is planning for comprehensive improvements to the roadway and public space

fronting the Ocean Terrace development, extending from 73rd Street to 75th Street. This includes an estimated \$15 million in streetscape and roadway improvement expenditures envisioned as part of the Urban Design Plan under the North Beach Master Plan.

In this effort, the Ocean Terrace Holdings (Developer) is contemplating a full funding contribution of the proposed \$15 million roadway and public space improvement, in consideration for: a.) the City vacating the right-of-way and the Developer providing an easement back to the City; and, b.) the vacated streets providing additional development rights of approximately 83,000 square feet for the Development.

Figure 2: Ocean Terrace Development Program

Source: Ocean Terrace Holdings

Use	Units/Sq.Ft.
Condominium	58 units
Resort Hotel	110 rooms
Retail	18,015 sq.ft.
Parking	220 spaces

Considering the Developer’s proposed capital improvement contribution, and the corresponding allowances outlined above, the City is seeking to identify the economic benefits associated with this proposed agreement. Namely, there are two areas of focus for this analysis and each of which is described in detail in following sections: 1.) *Impact from Short-term Construction Employment and Expenditure*; and, 2.) *Long-term/Recurring Impact and Benefit from the Ocean Terrace Development and Improvements to Roadway/Public Space*.

As set forth herein, the Ocean Terrace development and corresponding improvements to roadway and public space is envisioned to be a transformative project for the surrounding area and provide measurable incremental benefit to the City as a result of significant direct capital investment, as well as from on-going expenditure from its residents, visitors and employees. Estimates of the tangible impacts from direct and indirect expenditures are captured by this analysis. However, we clearly recognize that there are other potential intangible impacts – such as the project’s ability to serve as a catalyst for future development in the immediate area; however, these are not included in this analysis, as they are nearly impossible to quantify.

In sum, the most notable economic impact benefit headlines from the Ocean Terrace development include:

- **1,270+ direct and indirect/induced construction (and related) jobs** annually during the proposed two-year construction period, which generates a total of **\$122 million in direct and indirect/induced labor income** during the construction period that will flow to the local and regional economy.
 - including an estimated **\$2.2 million to the City** in permit and related fees;
- **115 net new direct full time equivalent (FTE) jobs** generating **\$17.2 million** (2019 \$’s) in total annual wages available for expenditure within surrounding businesses;

- incremental annual ad valorem tax revenue to the City of approximately \$1.6 million upon stabilized operations; or, an estimated \$27 million in net present value (NPV) over a 30-year projection timeline;¹
- an estimated \$120,000 to \$240,000 in incremental annual ad valorem tax revenue to the City of Miami Beach as a result of impacts to surrounding property values;²; and,
- \$1.125 million in annual resort tax revenue upon stabilized operations to the City; or, an NPV of \$19.1 million during a 30-year projection period.

The following table provides a summary of the long-term/recurring fiscal benefits to the City of Miami Beach:

Figure 3: Summary of Estimated Long-term Incremental Fiscal Benefits to the City of Miami Beach from Ocean Terrace Development (Upon Stabilized Operations, 2019 \$'s)

Source	Annual	NPV (30 yrs)
Ad Valorem Tax – Ocean Terrace	\$1,600,000	\$27,000,000
Ad Valorem Tax – Surrounding Properties ³	\$180,000	\$3,200,000
Resort Tax – Ocean Terrace	<u>\$1,125,000</u>	<u>\$19,100,000</u>
Total	\$2,900,000	\$49,300,000

¹ Assuming a 7.0 percent discount factor and 3.0 percent annual growth rate

² Refer to Section 2c for details

³ Assumes mid-point of *moderate* and *upper* scenarios

Methodology, Analysis and Results

The proposed residential, hotel, and retail development will have a positive impact on the surrounding community in terms of taxes, jobs, and general investment generated, and will also enhance the area's existing commercial/retail demand. This development will help maintain economic stability within the area and attract on-going investment during the next several years.

The analysis herein considers an evaluation of the current plan to measure the incremental economic benefits of the Ocean Terrace development, as well as additional benefits to the City from the Developer's proposed capital contribution to the roadway/public space improvements. We have completed this analysis based on generalized development and performance information (i.e., development program by use, development timing, development costs, residential and commercial sales/rental rates, absorption/occupancy, and other operating performance measures) that is estimated based upon information provided by Ocean Terrace Holdings (Developer). Importantly, Lambert has not independently verified through a market study, or otherwise, the development cost and/or operating performance data and cannot attest to the accuracy of those estimates herein.

The analysis herein has been prepared to reflect the economic impact of development related activity upon completion within a 2-year development timeframe, and for the purposes of this analysis assumes the period in which the recurring economic impacts from the vast majority of the residential and commercial uses will be derived from operations. The economic impacts as stated herein from construction and operation of the Ocean Terrace development are presented in current (2019) dollars. Any change in development and/or operating assumptions from those utilized as part of this analysis can have a material impact on the direct and in-direct economic indicators stated herein.

The economic impact analysis for the Ocean Terrace development is based on application of the IMPLAN Economic Impact Model. This model is highly recognized and one of the leading analytic tools for measuring the economic impact that includes, but not limited to, real estate developments, including, going-concern operations among commercial, residential establishments.

Lambert applied the IMPLAN Economic Impact Model for assessing the short-term (construction) and long-term (stabilized operations) economic impact of the Oceanside development and its components. The IMPLAN model examines inter-industry relationships in a state, regional or local economy and provides indirect and induced output for employment, income and value added based on multipliers for the economy being analyzed.

The analysis provided herein presents estimates of the direct, indirect and induced economic impacts that will be derived from the construction and stabilized operation of the Oceans Terrace development and its components. The short-term economic impact analysis is based on construction cost of the development and its components over a two-year construction period as provided by Developer. Regarding the long-term economic impact, Developer provided Lambert with general performance estimates for the proposed development (i.e., condominium sales, hotel occupancy and ADR, commercial sales/rental rates). Lambert has not independently verified through a market study, or otherwise, the development cost and/or operating performance data and cannot attest to the accuracy of the estimates herein.

The following table provides a summary of the proposed Ocean Terrace development:

Figure 4: Ocean Terrace Development Program

Source: Ocean Terrace Holdings

Use	Units/Sq.Ft.
Condominium	58 units
Resort Hotel	110 rooms
Retail	18,015 sq.ft.
Parking	172 spaces

The construction of Ocean Terrace (including roadway/public space improvements) is projected to be completed within a two-year timeframe. Based upon the information provided and estimates made, construction and subsequent operations of Ocean Terrace will generate considerable benefits to the immediate area, the City of Miami Beach, and the broader Miami-Dade County community. There are two key areas in which the project will provide positive economic impacts:

1. Short-term construction employment and expenditure
2. Long-term economic and fiscal benefits from capital improvements, operations and residential and visitor expenditure

For both short-term and long-term impacts, which are detailed in the following analysis, the economic benefit to the area is the result of projected increases in revenue from primary sources, including employment, wages, and taxes. Accordingly, the impact from these key sources comes from two distinct measures:

- Direct Expenditures – disbursements for site acquisition and development (hard and soft costs), resident/worker/visitor expenditure, and expenditures associated with the operation of the grounds and building
- Indirect/Induced Expenditures – net additional expenditures that flow into the local economy as a result of the new development.

Economic impacts from the four key sources are detailed in the following sections.

1. Short-Term Construction Employment and Expenditure

The impact from short-term construction employment and expenditure is directly associated with the project’s development; the table below shows a summary of estimated development costs for both the Ocean Terrace plan:

Figure 5: Ocean Terrace – Summary of Development Costs

Source: Ocean Terrace Holdings

Item	Update
Ocean Terrace - Hard Costs	\$130,000,000
Ocean Terrace - Soft Costs	\$69,000,000
Roadway/Public Improvements	\$15,000,000
Total	\$214,000,000

For Short-term construction, the investment activity is supported by NAISC Sector Codes (Codes) and, for purposes of this analysis, we have allocated costs among two categories: Code 236220 – Construction of New Commercial Structures; and, Code 236117 – New Housing For-Sale Builders.

Figure 6: Summary of Short-Term Economic Impacts from Construction of Ocean Terrace

(Source: IMPLAN; US Census)

ImpactType	Employment	Labor Income	Output
Direct Effect	1,527	\$75,447,064	\$213,999,989
Indirect Effect	476	\$23,637,340	\$68,549,024
Induced Effect	535	\$23,372,918	\$72,857,039
Total Effect	2,538	\$122,487,323	\$355,406,052

As outlined above, and under the Original Plan, the construction and capital improvements within the City of Miami Beach will create significant short-term economic benefits including an average **1,270+ direct and indirect/induced construction (and related) jobs** annually during the proposed improvement period, which generates a total of **\$122 million in direct and indirect/induced labor income** during the construction period that will flow to the local and regional economy.

Most development-related expenditures will be made in Miami-Dade County, and the City of Miami Beach should potentially capture a measurable share of these expenditures. The proposed development will generate significant direct impact and other fees payable to the City and County during the construction period which will be available for public expenditures associated with the project including roadways, schools, parks, developmental, administrative, permitting, change of use and other costs. It is difficult to accurately determine the impact fee and other fees at this point since many of these costs are dependent upon certain utility and design components that underlie the fee calculation (ie. including allocation of space for retail, restaurant, etc.). Nonetheless, based upon preliminary construction budgeting, total impact fees related to large-scale mixed-use development, the impact/permit fees are estimated to be more than **\$3 million** over the construction period, with approximately **\$2.2 million** to the City in the form of permit and administrative fees. Additionally, there will be an estimated **\$7+ million** in commissions, of which a considerable amount is presumed to be paid to local real estate brokers/agents.

2. Long-Term (On-Going) Economic Benefits from the Ocean Terrace Development

The Ocean Terrace development is envisioned to be a high-end, luxury residential, hotel and commercial property and, together with the proposed roadway/public space improvements, will have a measurable effect on its immediate surroundings. The development will contribute significantly to the area’s overall beautification through its building design, streetscape and open space enhancements. It will serve as a catalyst for on-going and longer-term investment in the broader North Beach area.

As part of this analysis, there are four primary aspects of long-term impacts that Ocean Terrace’s residential, hotel and retail and retail uses will have on the City and County, including: 1.) Net New Job and Wage Creation; 2.) Marginal Ad Valorem Tax Revenue from Ocean Terrace; 3.) Incremental Enhancement to Surrounding Property Values; and, 4.) Resort Tax.

The following provides a summary of methodology, research, analysis, and findings associated with the four primary categories of long-term/recurring benefits from Ocean Terrace.

2a.) Net New Job and Wage Creation

Presently, there are two hotels (182 rooms in total) and 29,118 square feet of retail on the Ocean Terrace site. While these properties are deemed to be in fair to poor condition (and well beyond their useful life), they do currently employ approximately 42 FTE persons in the hotels and an estimated 72 FTE persons in the retail.

As noted, the new development will be of superior quality and service that will require a level of employment/staffing that is higher than traditional for residential, hotel and retail uses. Based upon input from the Developer, the full-time equivalent employees (FTE's) that will be created as part of the overall development, include:

Residential: At several million dollars in price, there is estimated to be upwards of 25 FTE jobs within the condominium development, including but not limited to: two on-site managers, multiple concierge/front desk personnel, multiple security guards, pool service attendants, several maintenance/landscaping personnel, and multiple valet attendants.

Hotel: The proposed 110 room hotel envisions a branded, luxury full-service property with full-service dining, spa, and staffed pool/cabana service. Staffing for full-service hotels is generally in the range of 0.8 to 1± staff per room; however, luxury properties will generally be in the 1 to 1.5 person FTE room range. Based upon input from the Developer, there will be an estimated 1.2 staff per room for Ocean Terrace, which is equal to 132 FTE; or, a net 90 FTE accounting for existing hotel jobs.

Retail: The type of retail envisioned for Ocean Terrace development will include both full-service and casual dining, as well as boutique retail. The average square foot per employee for full-service restaurants can be as low as 150-200 square feet of space/employee, while casual restaurants may be in the range of 200-250 square feet/employee and boutique retail at 350 square feet/employee.⁴ In the absence of detailed tenant mix at this point, and from a conservative perspective, it is estimated that the Ocean Terrace retail will have an average 275 square feet/employee; or, 65 net new FTE retail jobs created (which accounts for a stabilized 5 percent vacancy factor). In this case, there is actually a net loss in jobs from the decreasing level of retail currently on the site; however, at under 10 FTE jobs, this is quite modest and considered to be a “wash” for purposes of this analysis.

Parking: In general, there may be 1 FTE job per 120 spaces for parking garages. However, for this analysis, it is assumed these jobs are included in the hotel and retail FTE; and, particularly, the balancing of lost retail.

The following is a summary of net new direct FTE jobs created from the Ocean Terrace development:

⁴ Based upon data published by Institute of Transportation Engineers (ITE)

Figure 7: Scenario 1 and 2: Estimate of Net New FTE Jobs from Ocean Terrace Development

Use	Sq.Ft./Units	Total FTE
Residential	58 units	25
Retail	18,015 sq.ft.	0
Hotel	110 rooms	<u>90</u>
Total		115

Based upon the estimated net new FTE jobs created by Ocean Terrace, the following table provides a summary of total wages based upon wage data from Florida Department of Economic Opportunity (FDEO):

Figure 8: Summary of Estimated Annual Wages from Net New Direct FTE Jobs
(Source: IMPLAN; US Census)

Impact Type	Employment	Avg. Annl. Wage	Total Wages
Residential	25	\$50,380	\$1,260,000
Retail	n/a	n/a	n/a
Hotel	<u>90</u>	<u>\$31,592</u>	<u>\$2,900,000</u>
Total Effect	115	\$36,173	\$4,160,000

As illustrated above, the **115 net new direct FTE jobs** from Ocean Terrace generates annual wages totaling **\$4.2 million** (2019 \$'s) that will be expended within the City and, particularly, within surrounding businesses. In addition, these direct jobs will create an additional **78± indirect and induced jobs** throughout the region.

2b.) Incremental Ad Valorem from Ocean Terrace

The development of Ocean Terrace will provide significant benefit to the City and County by way of real property and personal property (ad valorem) taxes. Especially, based upon residential sales that will reportedly be in the range of an average \$4.5 to \$5.0 million, and the hotel resort that will generate more than \$32 million in gross revenue annually upon stabilization. The tax amount is based upon the County Tax Collector’s current millage rate of 19.0742 (per thousand dollars of value).

Real property is typically assessed at between 80 and 90 percent of Fair Market Value (FMV); or, for the purposes of this analysis, we calculate ad valorem taxes for Ocean Terrace based upon an estimated taxable value (including land) of approximately \$290 million. As a result, the development should generate approximately \$6.0 million in real property taxes upon stabilized operations (in 2019 \$'s); or, a total of approximate \$1.85 million to the City of Miami Beach. Presently, the Ocean Terrace aggregated parcels indicate a taxable value of \$39.5 million, with a current tax payment of \$754,000; or, the City’s current taxable portion being approximately \$233,000. Therefore, the **incremental ad valorem tax revenue to the City from Ocean Terrace is approximately \$1.6 million** upon stabilized operations.

Figure 9: Ocean Terrace – Ad Valorem Tax Estimate Upon Stabilization

Source: Miami Dade County Property Appraiser; Ocean Terrace Holdings; Lambert Advisory

<i>Item</i>	<i>Millage</i>	<i>Annual Tax</i>
City of Miami Beach Operating	5.7288	\$1,804,572
City of Miami Debt	0.160	\$50,400
Miami Dade County Operating	4.6669	\$1,470,074
Miami Dade County Debt	0.4644	\$146,286
Miami Dade County Schools (State, Local)	6.774	\$2,133,810
Miami Dade County School Debt	0.229	\$72,135
South Florida Water Mgmt.	0.1209	\$38,084
Okeechobee Basin	0.131	\$41,265
Everglade Construction	0.0417	\$13,136
Library District	0.284	\$89,460
Children's Services	0.442	\$139,073
FIND	0.032	\$10,080
TOTAL	19.0742	\$6,008,373

Based upon this stabilized incremental tax revenue, the following table provides a summary of the **\$27 million in net present value (NPV)** of this revenue (upon stabilization) during a 30-year timeframe, which assumes a 7.0 percent discount rate and 3.0 percent average annual growth rate.

Figure 10: Incremental Ad Valorem Tax Revenue from Ocean Terrace - 30 Year NPV

Stabilized Year Incremental Tax Revenue (2019 \$'s)	\$1.6 million
Total Incremental Tax Revenue (30 years)	\$76 million
<i>NPV Incremental Tax Revenue</i>	\$27 million

2c.) Incremental Enhancement to Surrounding Property Values

Ocean Terrace is envisioned to vastly improve the aesthetics of the surrounding area and, not only from the building’s design and features, but also from a proposed comprehensive improvement to the roadway and public space fronting the development (from 73rd Street to 75th Street). This includes an estimated \$15 million in streetscape and roadway improvement expenditures envisioned as part of the Urban Design Plan under the North Beach Master Plan and for which these benefits will not only serve the development, but the surrounding residents, workers and visitors that will be accessing and utilizing the public space.

Notwithstanding, the process of effectively measuring the Ocean Terrace development will have on the surrounding area is extremely difficult (if not impossible); particularly, as it relates to assigning the direct impact that a single development (and its corresponding capital improvements) has on a broader geographic area. First, we understand that there are several under-utilized properties in the respective study boundary that are strong targets for potential for redevelopment in the area. Moreover, we do

understand the history of redevelopment within the Art Deco Historic District, Lincoln Road and other areas on Miami Beach that undeniably benefited greatly from similar redevelopment efforts. However, assigning value growth within a broader geographic area to that of a single redevelopment property/capital improvement is extremely challenging. For instance, concurrent with Ocean Terrace, there are a few prospective noteworthy redevelopment plans being introduced within the North Beach area, including: North Beach Town Center and Byron Carlyle Redevelopment. Both properties are located within 1,750± feet (1/3rd mile) of the Ocean Terrace development. If these redevelopment efforts move forward, they too will be contributing factors to the area's redevelopment and incremental property value growth in the surrounding area. Yet, these two developments were not the direct result of Ocean Terrace, but likely that of a broader planning initiative implemented by the City as part of the North Beach Master Plan. Therefore, while the incremental property value growth within the surrounding area may eventually become quite significant over an extended period time, assigning all of the potential value growth directly to a single development cannot be substantiated. Therefore, for this analysis, we take a cautious and more conservative approach to the impact evaluation.

Recently, Lambert completed a few similar economic impact assessments addressing incremental value growth that capital improvements to public space and other redevelopment has on surrounding properties. As part of these studies, a comprehensive literature review of articles and case studies was undertaken to address the potential positive impacts that certain large-scale development/capital improvement projects could have on neighborhood areas, including increased values on residential and commercial properties.

From the literature review, there is discussion and examples of projects from around the country on creating and improving streets and streetscapes covering an array of projects, including, for example: improving transportation systems to improving the safety; circulation of pedestrians, bicyclists and vehicles; improving roadway aesthetics; and improvements to open/park space. Based upon this research, we apply a highlight two key variables to the analysis herein:

- 1.) *Area of Impact*: The most significant radius of influence on residential properties extends roughly 1/3rd of a mile (1,760 feet) around the development, while a 500-foot boundary was established for office and retail incremental valuation – and illustrated in the following figure.

Figure 11: Map of Residential Parcels within 1/3 Mile & Retail/Office within 500 feet) of Oceanside



2.) *Value Premium*: The literature research referenced herein previews a number of documents related to benefits derived from improvements to streetscape (streets and sidewalks) as well as from improvements to open space. Again, it is extremely challenging to narrowly apply the literature study comparing developments within different regions for which there are several economic, cost and/or regulatory variables. This is illustrated by the wide range of valuation impacts from as low as 2 percent for commercial and, in a singular case, greater than 20 percent for residential based upon varying levels of capital improvement and related investment. Considering the challenges to more narrowly quantify these range of impacts, we use an estimated incremental property value impact in the range of 4 percent (lower) to 8 percent (upper). These incremental values would apply to the existing residential parcels within 1/3rd mile radius and retail/office parcels within 500 feet.⁵

Based upon the methodology and incremental value metrics outlined above, the incremental value analysis was completed for the residential, office and retail properties surrounding Ocean Terrace. The following map outlines the affected parcels utilizing the Miami Dade County GIS Database and Parcel Data.

Based upon applicable residential, office and retail parcel data extrapolated from MDCPA property database, the table below provides a summary of the total assessed value of the impacted properties, with a highlight of incremental increase in assessment based upon lower and upper value premium resulting from the proposed improvements. Furthermore, the table provides a summary of the annual

⁵ Note, incremental value increases are not applied to current homestead properties

incremental real estate tax from these properties that will accrue to the City of Miami Beach based upon current millage rates:

Figure 12: City of Miami Beach – Estimated Annual Incremental Value and Tax Revenue Analysis (from Ocean Terrace Development)

	Total Building Sq.ft.	Current Total Taxable Value	Incremental Assessed Value (lower/upper)	Increment Tax Revenue to City (lower/upper)
Ocean Terrace (surrounding properties)	810 million SF	\$510 million	\$20 M to \$40 M	\$120,000 to \$240,000

As summarized above, the properties impacted by the proposed development totals 810± million square feet of built space, with a total taxable value of \$510 million. Based upon the premium value increments outlined above, the total assessed value of the properties affected by the Ocean Terrace improvements increases by \$20 million to \$40 million, resulting in an estimated **\$120,000 to \$240,000 in additional annual tax revenue** to the City of Miami Beach.

Figure 13: Incremental Ad Valorem Tax Revenue from Oceanside (Lower and Upper Scenarios)

	Lower	Upper
Stabilized Year Incremental Tax Revenue (2019 \$'s)	\$120,000	\$240,000
Total Incremental Tax Revenue (30 years)	\$5.7 M	\$11.4M
NPV Incremental Tax Revenue	\$2.1	\$4.3M

2d. Resort Tax

Miami Dade County, through its Tourist and Convention Development Tax, assesses a total 6 percent tax on properties renting short-term transient rentals (less than 6 months) in hotels, motels, apartments and other qualifying residential units. However, there are exceptions for the cities of Miami Beach, Surfside and Bal Harbour.

Specific to the City of Miami Beach, the City collects and retains a 4 percent tax on transient rental sales, and an additional 2 percent tax on food and beverage sales. Based upon input from Ocean Terrace, the hotel is forecast to generate approximately \$20 million in annual gross revenue upon stabilized operations. Accordingly, there is an additional estimated \$12 million generated from the resort’s food and beverage service, which includes expenditures from the condominium residents.

In addition to the food and beverage (dining) that will be created on-site, Ocean Terrace residents and visitors will also generate dining expenditures off-site and within the City. It is quite challenging to ascertain the level of food and beverage expenditure that will occur given the likelihood that the vast majority of these owners will be second-home owners and/or investors. This is based upon our research of 8 condominium developments built since 2000 within the coastal area between mid-Miami

Beach and Surfside. Within these developments, approximately 15 percent of condominium owners are primary residents, with 85 percent represented as second-home owners and/or investors. While we do not know at this point the characteristic of the Ocean Terrace resident, it is commonly known that the majority of condominium investment along Miami Dade County’s coastal area (and Downtown Miami) is heavily supported by these second-home buyers and investors. At this point, there is a high degree of uncertainty as to the non-primary resident’s occupancy level in any given year. Nonetheless, for this analysis, we provide a generalized estimate as follows: that 50 percent of the condominium units are fully occupied during the course of a year; the average daily expenditure on dining per household is \$250 per day; and, 40 percent of resident’s dining expenditures not captured on-site will flow exclusively to Miami Beach establishments (which takes into account the plethora of quality dining options in other areas such as Bal Harbour, Bay Harbor, Miami Design District, Downtown Miami, Coral Gables and elsewhere). This would yield approximately \$1± million in annual dining expenditures from residents; or, \$20,000 in F&B sales tax to the City. Similarly, for the hotel guests, we assume: 110 rooms with an average occupancy of 80% (as per Developer); an average daily expenditure on dining per guest room of \$250 (double occupancy); and, 40 percent expenditure off-site and exclusively in Miami Beach. This would yield approximately \$3.2 million in total F&B sales; or, \$64,000 in annual F&B sales tax to the City. Collectively, the resident and resort guest expenditures exclusive to Miami Beach establishments totals \$4.2± million; or, \$85,000 in annual F&B sales tax.

Figure 14: Estimated Ocean Terrace Resort Tax Revenue to City (upon Stabilized Operations)

Source: City of Miami Beach; Ocean Terrace Holdings

Impact Type	Resort Tax Revenue
Est. Annl. Hotel Sales Tax (4.0% of Gross Rev.) – On Site	\$800,000
Est. Annl. F&B Sales Tax (2.0% of Gross Rev.) – On Site	\$240,000
Est. Annl. F&B Sales Tax (2.0% of Gross Rev.) – Off Site w/in City	<u>\$85,000</u>
Est. Total Annual Resort Tax	\$1,125,000
NPV Incremental Resort Tax Revenue	\$19,100,000

As set forth above, the Oceanside Terrace development is projected to generate **\$1.125 million in annual resort tax revenue** upon stabilized operations; or, an **NPV of \$19.1 million** during a 30-year projection period. Importantly, we do recognize that the Ocean Terrace residents and visitors will also spend additional food and beverage (and retail) dollars outside of the hotel and within other areas of Miami Beach.