

Miami Economic Associates, Inc.



May 7, 2020

Mr. Thomas Mooney
Planning Director
City of Miami Beach
1700 Convention Center Drive
Miami Beach, FL 33129

Re: AIMCO Properties at Flamingo Point

Dear Mr. Mooney:

Miami Economic Associates, Inc. (MEAI) has performed an analysis to estimate the economic and fiscal benefits that currently and prospectively accrue to the City of Miami Beach from the properties solely owned by Apartment Investment and Management Company (AIMCO) within Flamingo Point. Flamingo Point is a predominately multi-family residential project located between Bay Road and Biscayne Bay north of 14th Street. We also estimated the economic and fiscal benefits currently and prospectively accrue for three other governmental jurisdictions that impact the lives of Miami Beach residents including Miami-Dade County, the Miami-Dade County Public School District and the Children's Trust of Miami-Dade County.

Flamingo Point is organized in three communities designated "Central", "North" and "South", respectively. AIMCO is the sole owner of all the buildings and land that comprise the Central and North communities and all the residential units within those communities are occupied as rentals. In contrast, the units in the South community are condominiums which means that AIMCO is not the sole owner of that community. Accordingly, while AIMCO does own 221 of the South community's 561 units, the South community was not considered in the analysis that MEAI performed.

The Central community is currently comprised of 513 total units inclusive of studio units, one-bedroom units, two-bedroom units and three-bedroom units. These units average approximately 1,240 square feet in size and rent for an average of \$2.56 per square feet per month. The Central community also contains two commercial spaces that contain a total of approximately 6,182 square feet. One of the two commercial spaces is currently occupied by a restaurant and the second one will be by the fall of this year.

AIMCO is proposing to add a new 24-story tower to the Central community that, according to preliminary plans, will contain a total of 33 luxury apartment and duplex units including one-bedroom unit, two-bedroom units, three-bedroom units and four-bedroom units. In addition to being amply sized, these units will also enjoy exceptional views of Biscayne Bay and the Miami-Dade County mainland. Accordingly, they are expected to rent at premium rates. A specific schedule of rents has not yet been established for the proposed units but AIMCO estimates that the average rate per square foot will approximate \$4.50. The new tower is expected to cost approximately \$40.0 million to construct in terms of hard costs.

The North community, which is comprised of a building that was originally constructed in 1960, is currently undergoing renovation, in a process that commenced in July 2019. When that process is completed in January 2022, the number of units in the North community will be reduced from 614 to 366. At that point, the building will no longer contain just studio, one-bedroom and two-bedroom units. Rather, its mix of units will include no studios, one-bedroom units, two-bedroom units, three-bedroom apartments and lofts and five-bedroom lofts. The 366 units are expected to rent for an average \$3.45 per square foot per month. The renovation of the North community is expected to cost approximately total \$97.38 million in terms of hard costs including those covered by the general building permit as well as those relating to mechanical, electrical and plumbing. It is, however, exclusive of contractor fees.

The estimates of economic and fiscal benefits presented below are based on assumptions about the renovation/construction costs paid and the rent levels that will be achieved that are subject to change based on future economic conditions. Our estimates are also based on tax rates and fee schedules that are subject to change over time as a result of governmental actions. Accordingly, the actual economic and fiscal benefits generated by the subject project may vary from those estimated in this report.

The remainder of this letter report is organized as shown below:

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Summary of Key Findings

The paragraphs that follow summarize the most significant findings of our analysis with respect to the properties solely owned by AIMCO at Flamingo Point.

Economic Benefits

- During the period in which the North community is being renovated and the new tower proposed for in the Central Community is being constructed, 1,185 construction workers will be employed on-site. Over 781 additional workers will either be employed in businesses that provide support to the on-site construction activity or work in businesses across the economy in which those involved in the construction activity either directly or indirectly spend their earnings. All these workers together will earn in excess of \$103.3 million during the period that the renovation/new construction work is on-going.
- After the renovation of the North Community and the construction of the new tower in the Central community have been completed, a total of 24 people will be employed on-site to perform leasing and property operations and maintenance functions.¹ An additional 30 workers will be employed by the two on-site restaurants. However, the most significant recurring economic benefit will be the fact the residents of the 906 units that are the subject of MEAI's analysis will collectively spend approximately \$23.24 million annually in retail and food and beverage establishments. MEAI believes that the preponderance of those expenditures will occur in Miami Beach and nearly all of them in Miami-Dade County.

Fiscal Benefits

- Prior to the commencement of work on the renovation of the North community, AIMCO paid to the City of Miami Beach an amount totaling nearly \$2.0 million in upfront and building permit fees. Additional fees were paid the proposed mechanical, electrical and plumbing work. Based on the City's fee schedule, MEAI estimates that fees in the amount approximating \$650,000 will need to be paid to the City for upfront and building permit fees prior to the time construction begins on the proposed new tower in the Central community, with additional fees being paid for the mechanical, electrical and plumbing work.

Typically, prior to the construction of a new building such as the 33-unit being proposed in the Central community, it is also necessary to pay a number of impact fees to the City, Miami-Dade County and the Miami-Dade Public School District. However, MEAI believes that in this instance the payment of such fees will not be necessary due to sharp reduction in the overall number of units on-site resulting from the renovation of the North community. As previously discussed, prior to its renovation, the North Community was comprised of 614 units. After it is renovated,

¹ The size of the on-site staff complement reflects that outside contractors are used to perform some tasks. The number of people employed by those contractors to work at the subject properties is not known.

the North community will only have 366 units. The reduction of 248 units will more than offset the 33 new units that will comprise the proposed new tower in the Central community.

- MEAI estimates that once the renovation of the North community and the construction of the new 33-unit residential tower are completed, the City of Miami Beach will collect more than \$1.65 million annually in ad valorem taxes from properties that were subject to its analysis. Miami-Dade County and the Miami-Dade County Public School District will collect more than \$1.49 and \$1.96 million, respectively.

Economic Benefits

The term "economic benefits" relates to the positive impact that the properties that are solely owned by AIMCO at Flamingo Point currently have or will in the future have on the economy of the City of Miami Beach and/or Miami-Dade County. The economic benefits estimated below will be both non-recurring and recurring in nature, with the former occurring during the period the renovation and new construction activities are underway, the latter on an annual basis each year after the project has been fully completed.

Non-recurring Economic Benefits

Table 1 summarizes the economic benefits generated by the renovation of the North community and the construction of the proposed new tower in the Central community. Since the renovation of the North community is on-going, a portion of the non-recurring economic benefits resulting from that project are already being realized with others materializing in the near future. The non-recurring economic benefits that will be generated by the new tower will be realized after it is approved for construction by the City. The monetary amounts shown are expressed in 2020 Dollars.

Table 1 Non-recurring Economic Benefits ** Properties Solely Owned by AIMCO Flamingo Point (2020 Dollars)			
Benefits	North Renovation***	New Central Tower	Total
Jobs Created			
Direct	840	345	1,185
Indirect	235	96	331
Induced	319	131	450
Total	1,394	572	1,966
Labor Income (All workers)	\$ 73,997,000	\$ 30,395,100	\$ 104,392,100
Gross Domestic Product (Value-added)	\$ 99,042,600	\$ 39,807,000	\$ 138,849,600
Source: AIMCO; IMPLAN; GAI Consultants Inc.; Miami Economic Associates, Inc.			

With respect to Table 1, the following points are noted:

- The estimates of job creation, labor income and gross domestic product (or value-added) were formulated using the IMPLAN Input-Output Model developed at the University of Minnesota approximately 40 years ago and which has been updated on a continuing basis in subsequent years. A description of the model may be found in the appendix to this report on page 11 of this letter report.
- The term “direct jobs” refers to jobs on-site. “Indirect jobs” are jobs in industries related to the on-site economic activity while “induced jobs” are jobs in economic sectors across the entirety of the economy in which the direct and indirect workers spend their earnings. Illustratively, during the renovation or construction period, the direct jobs would be filled by the on-site construction workers. The indirect workers would include people employed by building supply and trucking firms, among others, that provide goods and services that support the on-site construction activity. The Induced workers would include people working in supermarkets and doctors’ offices, among other venues, that the direct and indirect workers patronize.
- The estimates of non-recurring benefits are based on the estimated cost of hard of renovation and new construction, which are expected to approximate \$97.38 million and \$40.0 million, respectively. Soft costs were not included in the input to the model since the model estimates those expenses and their inclusion in the input would result in double-counting. The benefits shown would be generated throughout the entirety of the period in the renovation or new construction activity is occurring.

Recurring Economic Benefits

On a recurring basis after the renovation of the North community and the construction of the new tower in the Central community are completed, the properties owned solely AIMCO at Flamingo Point will employ a total of 24 people in property operations and maintenance and leasing activities. An additional 30 people will be employed in the two restaurants in the Central community. However, the greatest economic benefit generated on a recurring basis by the properties solely owned by AIMCO at Flamingo Point will result from the expenditures of their residents in retail and food and beverage establishments.

Based on conventional underwriting standards, the average household renting a unit the properties owned solely by AIMCO will have an income in the range of \$150,000 to \$175,000. For the purpose of this analysis, MEAI assumed the following: 1) 85 percent of 906 households are year-round residents while 15 percent of them are in residence for an average of four months a year; and 2) they will spend 20 percent of their income in retail shops and restaurants; and 3) the units will be 95 percent leased.¹ Based on those assumptions, we estimated that their aggregate expenditures in retail and food and beverage establishments would approximate \$23.24 million annually. It should be

¹ All units at the subject properties are leased for a term of one year. However, the on-site manager indicated that approximately 15 percent of them are occupied on a part-time basis.

noted that this estimate reflects the fact the 366 households living in the renovated North community would spend 140 percent of the amount that the 614 households who lived there previously spent. It also reflects the expenditures of the 33 households who would live in the new tower in the Central community. MEAI expects that the preponderance of the moneys expended will benefit business located in the City of Miami Beach and that nearly all will benefit businesses located within Miami-Dade County.

Fiscal Benefits

The term "fiscal benefits" refers to the positive impact that the properties solely owned by AIMCO at Flamingo Point with currently have or will have in the future on the finances of the City of Miami Beach as well as Miami-Dade County, the Miami-Dade County Public School District and the Children's Trust of Miami-Dade County.

Non-recurring Fiscal Benefits

Prior to the commencement of work on the renovation of the North community In July 2019, AIMCO paid to the City of Miami Beach an amount totaling \$1,987,481 in upfront and building permit fees. Additional permit fees were paid for the mechanical, electrical and plumbing work. Based on the City's fee schedule, MEAI estimates the that fees in the amount approximating \$650,000 will need to paid to the City for upfront and building permit fees prior to the time construction begins on the proposed new tower in the Central community, with additional fees being paid for the mechanical, electrical and plumbing work.

Typically, prior to the construction of a new building such as the 33-unit being proposed in the Central community, it is also necessary to pay a number of impact fees to the City, Miami-Dade County and the Miami-Dade Public School District. Included among these are the City's transportation concurrency management fee, the County's road impact fee and the School's District's school impact fee. Water and sewer connection fees also typically need to be paid. However, MEAI believes that in this instance the payment of such fees will not be necessary due to sharp reduction in the overall number of units on site occasioned by the renovation of the North community. As previously discussed, prior to its renovation, the North Community was comprised of 614 units. After it is renovated, the North community will only have 366 units. The reduction of 248 units will more than offset the 33 new units that will comprise the proposed new tower in the Central community.

Recurring Fiscal Benefits

Table 2, on the next page, summarizes the recurring fiscal benefits currently or prospectively generated by the AIMCO-owned properties that are the subject of this report.

- The most significant recurring fiscal benefit for each of the jurisdictions enumerated above is the ad valorem taxes collected on an annual basis. The millage rates

currently being levied by those jurisdictions for ad valorem taxes on the top of the next page.

Entity	Rate/\$1000 Taxable Value
City of Miami Beach	
General Fund	5.7288
Debt Service Fund	0.2933
Miami-Dade County	
General Fund	4.6669
Debt Service Fund	0.4780
Library	0.2840
Miami-Dade Public Schools District	
Operating	7.0250
Debt Service	0.1230
Children's Trust	0.4680
Source: Miami-Dade County Property Appraiser; Miami Economic Associates, Inc.	

The ad valorem tax revenues estimated in Table 2 on the next page were calculated by applying these millage rates to estimated taxable value of the properties analyzed, which MEAI estimated to be as follows taking into consideration both current assessments and the hard cost estimates associated with the renovation the North community and the construction of the new tower in the Central community:

- o Existing Central Community: \$108,741,000
- o Renovated North Community: \$126,000,000
- o New Central Tower: \$45,000,000

The taxable value shown for the Central community is consistent with that currently determined by the Miami-Dade County Property Appraiser. The taxable value for the renovated North Community reflects that current taxable value of the land underlying it, 20 percent of the current taxable value of the building to account for its outer structure and the hard cost associated with its renovation. The taxable value assumed for the new tower in the Central community is based on its estimated hard cost of construction solely since the land underlying it is accounted for the estimated taxable value of the existing Central community.

With respect to Table 2, the following points should be noted:

- The amounts shown in the Total column will only be realized after both the renovation of the North community and the construction of the proposed new tower in the Central community have been completed. As previously stated, the renovation of the North community is presently in process. However, the construction of the

proposed new tower as envisioned has not yet been approved by the City of Miami Beach.

Table 2 Summary of Recurring Fiscal Benefits Properties Solely Owned by AIMCO Flamingo Point (2020 Dollars)				
Benefit	Existing Central Community	Renovated North Community	New Central Tower	Total
City of Miami Beach				
Ad valorem taxes				
General Fund	\$ 622,955	\$ 721,829	\$ 229,152	\$ 1,573,936
Debt Service Fund	\$ 31,894	\$ 36,956	\$ 11,732	\$ 80,582
Utility taxes/franchise fees	**	**	**	**
Storm water fees	**	**	**	**
Miami-Dade County				
Ad valorem taxes				
General Fund	\$ 507,483	\$ 588,029	\$ 186,676	\$ 1,282,188
Debt Service Fund	\$ 51,978	\$ 60,228	\$ 19,120	\$ 131,326
Library Fund	\$ 30,882	\$ 35,784	\$ 11,360	\$ 78,026
Local option sales tax	\$ 181,508	\$ 177,744	\$ 24,542	\$ 386,862
Water/sewer service fees	**	**	**	**
Miami-Dade Schools				
Ad valorem taxes				
Operating Fund	\$ 763,905	\$ 885,150	\$ 281,000	\$ 1,930,055
Debt Service Fund	\$ 13,375	\$ 15,498	\$ 4,920	\$ 33,793
Children's Trust				
Ad valorem taxes	\$ 50,891	\$ 57,708	\$ 18,720	\$ 127,319
** Insufficient data is currently available to estimate the revenues generated.				
Source: AIMCO; City of Miami Beach; Miami-Dade County; Miami-Dade County Property Appraiser; Miami Economic Associates, Inc				

- The City of Miami Beach collects utility taxes and franchise fees from the providers of telephone, electric and other such services based on their revenues. The amount the City will from the properties solely owned by AIMCO at Flamingo Point will be dependent on the amount of these services used by their residents and commercial tenants which is not presently know; therefore, the amount that would be collected cannot be quantified at this time.

- The City of Miami Beach will collect storm water fees from the properties that are the subject of this report. The amount of fees paid will be based on the amount of those properties' impervious surfaces. Since it is not within MEAI's competence to calculate the amount of impervious surface that they either they currently have or will have in the future, we have not estimated amount of the fees that would need to be paid on an annual basis.
- Miami-Dade County will collect a 1-cent County option sales tax on rents paid by the tenants as well as the amount of sales that will occur in the two on-site restaurants. Since no estimate of the sales volumes that the restaurants will achieve is available, the figure shown in Table 2 is solely based on the rents paid by the residents annually. It also assumes an occupancy rate of 95 percent.
- The Miami-Dade Water & Sewer Department will provide water and sewer services to the properties that are the subject of this analysis. The service fees that will be generated will be determined by usage and the number and the size of the meters through which service will be provided. Since the engineering parameters of the proposed are not yet known, an estimate of the service fees paid cannot be formulated at this time.

Closing

The analysis performed by MEAI regarding the properties solely owned by AIMCO at Flamingo point demonstrates that they are economically and/or fiscally highly beneficial to the City of Miami Beach and the other governmental jurisdictions in which they are located. In this regard, the following major benefits are highlighted:

- During the period in which the North community is being renovated and the new tower proposed for in the Central Community is being constructed, 1,185 construction workers will be employed on-site. Over 781 additional workers will either be employed in businesses that provide support to the on-site construction activity or work in businesses across the economy in which those involved in the construction activity either directly or indirectly spend their earnings. All these workers together will earn in excess of \$103.3 million during the period that the renovation/new construction work is on-going.
- After the renovation of the North Community and the construction of the new tower in the residents of the 906 units that are the subject of MEAI's analysis will collectively spend approximately \$23.24 million annually in retail and food and beverage establishments. MEAI believes that the preponderance of those expenditures will occur in Miami Beach and nearly all of them in Miami-Dade County.
- Once the renovation of the North community and the construction of the new 33-unit residential tower are completed, the City of Miami Beach will collect more than \$1.65 million annually in ad valorem taxes from properties that were subject to its analysis.

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Planning Director
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Miami-Dade County and the Miami-Dade County Public School District will collect more than \$1.49 and \$1.96 million, respectively.

Sincerely,
Miami Economic Associates, Inc.



Andrew Dolkart
President

Appendix Minnesota IMPLAN Input-Output Model

The Minnesota IMPLAN Input-Output Model relies on multiplier analysis which quantifies the cumulative effect of dollars inserted into the regional economy. As a dollar moves through the region, it creates additional revenue for linked businesses and/or their employees who also spend that money. More simply, expenditures dispersed by one entity become revenue to another, continuing an economic cycle which ultimately dissipates, bleeding into other regions or areas. Although a few economic models are available, they work in fundamentally similar ways and center on the same indicators. The Minnesota IMPLAN model was initially created over 35 years ago at the University of Minnesota and has been upgraded on a continuing basis in the ensuing years.

The multiplier impacts calculated by the Minnesota IMPLAN model are based on input-output methodology, which explicitly considers the inter-industry linkages that exist within an economy. Each industry needs labor and inputs from other industries in order to produce economic output. Whenever an industry experiences an increase in the demand for its output, many other industries within that economy indirectly experience an increase in demand as well because of these inter-industry linkages. This increase in demand that results from the need for material inputs is called the *indirect effects*. In addition, an increase in production within a region also leads to an increase in household income through the hiring of workers, which in turn generates further demands for goods and services within the region. Firms also need to expand their base of physical capital to meet higher levels of demand, and this too stimulates regional economic growth. The latter effects are referred to as *induced effects*. The inter-industry linkages and the induced effects on consumer and capital spending lead to successive rounds of production, and this process results in an increase in output that exceeds the initial change in demand, or a *multiplier effect*. Similarly, the increase in household income will exceed the initial payroll increase encountered in the industry that experienced the original increase in demand. The total change in employment in the regional economy is a multiple of the direct change in employment.

In addition to estimating employment, MEAI also used the Minnesota IMPLAN model to quantify the total earnings or labor income of the direct, indirect and induced workers as well as the total gross domestic product, or value added, that would result from the efforts of the direct, indirect and induced employees. Labor income consists of all forms of employment income including wages and salaries and proprietor income. Gross domestic product (GDP), also known as value-added, is the increased value of a product or service as the result of the economic inputs (labor and capital) expended at a given stage, GDP is the sum of wages and salaries, proprietor income, interest and indirect business taxes.