

**Miami Economic
Associates, Inc.**

April 14, 2020

Mr. David Martin, Manager
Alton Mixed Use Investments, LLC
2665 S. Bayshore Drive
Miami, FL 33133

**Re: 300 Alton Road – Economic and Fiscal Benefit Analysis
Miami Beach Marina Lease Extension and Upland Redevelopment**

Dear Mr. Martin:

Miami Economic Associates, Inc. (MEAI) has performed an analysis to estimate the economic and fiscal benefits that will accrue to the City of Miami Beach and several other governmental jurisdictions as a result of the development of a mixed-use project at 300 Alton Road (the Proposed Mixed-use Project).¹

Based on information provided to us by members of your organization, we understand that the Proposed Mixed-use Project will be comprised of 60 condominium units, 30,000 square feet of retail and restaurant space and 15,000 square feet of office space. We further understand that it will be developed in conjunction with improvements that will be made to the upland portion of the Miami Beach Marina property on which it will be located. These improvements will include enhancements to the existing Baywalk and the marina's entrance as well as the creation of a new pedestrian access to the marina. They will also include the creation of more than 3 acres of green space, including a 1-acre at grade fully permeable park, that will increase the City of Miami Beach's ability to address the impacts on the South Beach area of rising sea levels while serving as the site for an art in public places program.

¹ The other governmental jurisdictions considered in this report are Miami-Dade County, the Miami-Dade County Public School District and the Children's Trust, all of which impact the lives of City of Miami Beach residents.

The Proposed Mixed-use Project and the other upland improvements just discussed will all occur after an extension of the lease on the Miami Beach Marina property, inclusive of the marina itself as well as the upland area, has been negotiated between the City of Miami Beach and Alton Mixed Use Investments, LLC. Under the terms of that lease extension, improvements will also be made to the marina itself that are intended to re-position it in the yachting world as a truly first-class facility. MEAI understands that these improvements are expected to result in increased employment at the marina and increased revenues for the City of Miami Beach both in terms of its portion of the operating proceeds as well as the ad valorem taxes paid annually. It is also expected that the users of the marina who do not live in South Florida are likely to extend the amount of time they moor there and spend increased amounts of money within the City during their stay. **However, since the terms of the lease extension are still being negotiated, this report does not address the economic and fiscal benefits that will accrue to City of Miami Beach from improvements to the marina itself. The benefits discussed below relate solely to those generated as a result of the development of the proposed mixed-use project at 300 Alton Road.**

The estimates of economic and fiscal benefits presented below are based on assumptions about the cost to develop the Proposed Mixed-use Project and other upland improvements and the prices and rent levels that it will achieve 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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Project Description

As stated above, the Proposed Mixed-use Project will be developed on the upland portion of the Miami Beach Marina property. According to the current plans, its 60 ultra-luxury condominium units will include 6 duplex units, 22 three-bedroom units, 18 four-bedroom units, 12 five-bedroom units and 2 penthouse units. At that location, the condominium units will also have excellent views of Downtown Miami skyline and the cruise ship activity entering and leaving the Port of Miami. Finally, the location will also afford their residents convenient access to the MacArthur Causeway, which will take them to Downtown Miami and other significant places on the mainland of Miami-Dade

County such as Miami International Airport. With respect to the proposed commercial space, it is anticipated that 10,000 square feet will be occupied by food and beverage establishments while 20,000 square feet will be occupied by retail establishments. The project will also contain 15,000 square feet of office space. MEAI estimates that the project will have a value for ad valorem taxes purposes in the range of \$508.0 to \$510.5 million, depending on the specific taxing jurisdiction.

The commercial portions of the Proposed Mixed-use Project will be developed on land leased from the City of Miami Beach under terms that are still being negotiated. The residential units, however, will be developed in an air rights parcel, which will be sold to Alton Mixed Use Investments, LLC at a fair market value to be established by independent professional appraisers retained for that purpose by the City of Miami Beach at the expense of Alton Mixed Use Investments, LLC. The condominium units themselves will then be sold to their buyers on a fee simple basis.

Based on information provided to MEAI by members of your organization, we understand that the Proposed Mixed-use Project and the other upland improvements discussed above will cost approximately \$147.5 million to construct in terms of "hard" costs, exclusive of the amounts that will be spent on tenant improvements and furniture, fixtures and equipment in the restaurant spaces. We further estimate that an amount approximating \$59.0 million will be spent on "soft" costs including, but not limited to, architectural and engineering fees, building permit and impact fees, project management, real estate taxes during the construction period, construction loan interest, marketing and sales and leasing commissions. Accordingly, the development proposed on the upland portion of the Miami Beach Marina property will cost in excess of \$200.0 million to develop.

Summary of Key Findings

The paragraphs that follow summarize the most significant findings of our analysis with respect to the Subject Project.

Economic Benefits

- During the period in which the Proposed Mixed-use Project and the other upland improvements are being develop, they will generate a total of **2,111** jobs including 1,273 on-site construction jobs (direct jobs). The remainder of the jobs would be either in businesses related to the construction industry such as those that sell construction materials or trucking companies (indirect jobs) or jobs in businesses across the economy in which the direct workers and the indirect workers spend their earnings (induced jobs). The earnings of all the direct, indirect and induced workers throughout the entirety of the development period would approximate **\$112.1 million**.
- MEAI estimates that once development of the Proposed Mixed-use Project is completed, at least **185** people will be employed on full-time equivalent basis in its retail, restaurant and office spaces and in property operations and maintenance inclusive on-site parking. However, the number of people who are employed on-site

will likely exceed the number just stated because people employed in retail and restaurant establishments and parking operations are in many instances part-time workers. It would also serve as the basis for the employment of a total of **76** indirect and induced workers. **The earnings of all the direct, indirect and induced workers will approximate \$9.58 million annually.**

Fiscal Benefits

- Prior to the period in which the Proposed Mixed-use Project is being developed, it will provide the City of Miami Beach with a multi-million dollar one-time fiscal benefit, in an amount not currently known, as a result of the sale to Alton Mixed Use Investment, LLC of the air rights parcel in which the condominium units will be developed.
- During the period in which the subject project is being developed, the City of Miami Beach also would collect more than **\$1.32 million** in master building permit fees. It may also collect component or trade-related building permit fees and water and sewer connection fees but the information currently available is insufficient to formulate an estimate of the amounts of these fees that might be paid. The project will not, however, be required to contribute to the Transportation Concurrency Management Fund because it will produce fewer PM peak hour trips than the existing uses on-site that will be demolished.
- During the development period Miami-Dade County would also benefit, potentially collecting more than **\$1.0 million** in road impact fees although the amount could be lower if credits for existing development on-site that will be demolished. The Miami-Dade Public School District will collect nearly **\$230,000** in school impact fees.
- The development of the Proposed Mixed-use Project will provide new annual recurring revenue for the City of Miami Beach in the form of land lease payments with respect to the land on which the project's commercial elements will be located. The amount that will be paid has not yet been negotiated.
- The development of the Proposed Mixed-use Project will also generate over **\$3.0 million** annually in ad valorem taxes revenue for the City. Miami-Dade County will collect nearly **\$2.75 million** annually in ad valorem revenues while the Miami-Dade County Public School District will collect more than **\$3.6 million**.

Economic Benefits

The term "economic benefits" relates to the positive impact that the Proposed Mixed-use Project will have on the economy of the City of Miami Beach and/or Miami-Dade County. The economic benefits that the project will provide will be both non-recurring and recurring in nature, with the former occurring during the construction period, the latter on an annual basis each year after the project has been fully completed. Table 1, at the top

of the next page, summarizes the economic benefits that will be generated. The monetary amounts shown are expressed in 2020 Dollars.

Table 1 Economic Benefits ** 300 Alton Road (2020 Dollars)		
Benefits	Non-recurring	Recurring
Jobs Created		
Direct	1,273	185
Indirect	355	30
Induced	483	46
Total	2,111	261
Labor Income (All workers)	\$ 112,082,100	\$ 9,575,099
Gross Domestic Product (Value-added)	\$ 146,788,500	\$ 15,992,800
** The jobs shown above do not include the jobs that will exist within the Miami Beach Marina itself.		
Source: Alton Mixed Use Investments, LLC; 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 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 construction, which is expected to total \$147.5 million for the proposed mixed-use project and the other upland improvements discussed above. 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 development period.

- The estimates of recurring benefits are annual amounts based on the operations of the Proposed Mixed-use Project and its tenants after construction has been completed and its commercial elements achieve a stabilized level of occupancy. The indirect and induced jobs as well as labor income and gross domestic product were estimated based on an estimate of 185 direct employees on a full-time equivalent basis. The estimated number of full-time equivalents assumes 5.0 workers per 1,000 square feet in the restaurant spaces, 2.0 workers per 1,000 square feet in the retail spaces and 4 workers per 1,000 square feet in the office space. It also assumes the employment of approximately 35 people on-site on full-time equivalent basis who will be involved with property operations and maintenance and on-site parking. The actual number of people who will be employed on-site will likely be greater since many retail and restaurant workers as well as those involved in parking operations are frequently employed on a part-time basis.

Fiscal Benefits

The term "fiscal benefits" refers to the positive impact that the Proposed Mixed-use Project will have on the finances of the City of Miami Beach and the other governmental jurisdictions in which it will be located. Table 2, on the next page, summarizes the fiscal benefits that the project will generate on both a non-recurring and annual recurring basis for each jurisdiction.

With respect to Table 2, the following points are noted:

- As a result of the Proposed Mixed-use Project being developed, the City of Miami Beach will realize non-recurring benefits in the forms of proceeds from the sale of air rights, building permit fees and water and sewer connection fees. It will also generate impact fees for Miami-Dade County and the Miami-Dade County Public School District. It will not, however, need to contribute to the City of Miami Beach's Transportation Concurrency Management Fund because it will result in a reduction in PM peak hour trips relative to the uses currently on-site that will be demolished.
- Once the Proposed Mixed-use Project has been completed, it will provide annual recurring revenue to the City of Miami Beach in the form of land lease payments. It will also generate annual recurring revenues in the form of ad valorem taxes to 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. Finally, it will provide both the City of Miami Beach and/or Miami-Dade County with various forms of annually recurring non-ad valorem revenues such as utility taxes and franchise fees, storm water fees, local business license fees and water and sewer service charges.
- Certain of the sources of revenue enumerated in the two preceding paragraphs cannot be quantified at this time based on the information currently available. Most notable in this regard is the amount of the land lease payment made annually to the City of Miami Beach Community Redevelopment Agency, which are the subject of negotiations between the City.

Table 2 Summary of Fiscal Benefits ** 300 Alton Road (2020 Dollars)		
Benefit	Non-recurring	Recurring
City of Miami Beach		
Proceeds from sale of air rights parcel	***	
General building permit fees	\$ 1,325,210	
Component/trade-related building permit fees	***	
Transportation Concurrency Management Fund****	\$ 0	
Water & sewer connection fees	***	
Land Lease Payment		***
Ad valorem taxes		
General Fund		\$ 2,911,376
Debt Service Fund		\$ 149,055
Utility taxes and franchise fees		***
Storm water fees		***
Total Miami Beach	\$ 1,325,210	\$ 3,060,431
Miami-Dade County		
Road impact fees*****	\$ 1,015,558	
Ad valorem taxes		
General Fund		\$ 2,371,719
Debt Service Fund		\$ 242,920
Library Fund		\$ 144,329
Local business taxes		***
Local option 1% sales tax		***
Water and sewer service fees		***
Total Miami-Dade County	\$ 1,015,558	\$ 2,758,998
Miami-Dade County Public Schools		
School Impact Fees	\$ 228,692	
Ad valorem taxes		
Operating Fund		\$ 3,584,885
Debt Service Fund		\$ 62,767
Total Miami-Dade County Public Schools		\$ 3,647,652
Children's Trust		
Ad valorem taxes		\$ 237,838
Total All Jurisdictions	\$ 2,569,460	\$ 9,704,919
<p>** The figures above related only to the proposed mixed-use project. The fiscal benefits generated by the marina itself are not shown.</p> <p>*** Amount cannot be estimated based on the information currently available.</p> <p>**** No fees will need to be paid because development of the proposed mixed-use project will result in fewer peak hour trips than the existing uses on-site.</p> <p>***** A lesser amount may be paid if credits are given to reflect that development already the project will be demolished to accommodate the proposed mixed-use project.</p> <p>Source: Alton Mixed Use Investments, LLC City of Miami Beach; Miami-Dade County; Miami-Dade County Property Appraiser; Miami Economic Associates, Inc.</p>		

Bases of Estimates of Fiscal Benefits

The materials that follow explain how the estimates of fiscal benefits presented in Table 2 were calculated.

Non-recurring Fiscal Impacts

- The amount the City of Miami Beach collects for general building permits fees with respect to the Proposed Mixed-use Project will be based on the amount that will be spent to build it in terms of hard costs. Based on the uses proposed in the Subject Project and the City's current fees schedule for new construction for residential and commercial uses, MEAI estimates that building permit fees in the amount of \$1,325,210 will need to be paid before construction begins on the Subject Project.
- Additional building permit fees may also need to be paid to the City of Miami Beach Building Department with respect to individual components of the proposed mixed-use project such as its fire safety system and elevators. In certain instances, the plumbing, electrical and mechanical sub-contractors may also be required to pay fees over above those estimated above. However, there is insufficient information currently available to calculate these additional permit fees.
- The City of Miami Beach requires each new project within the City to contribute to its Transportation Concurrency Management Fund in an amount that reflects the number of new PM peak hour trips the project will generate, which is not within MEAI's competence to estimate. Kimley-Horn, the traffic engineers for the subject project, estimates that it will generate 48 fewer PM peak hour trips than the existing uses on-site.
- The City of Miami Beach Water & Sewer Department requires that connection fees be paid to activate water and sewer service for a new project. The amount that will need to be paid will be dependent on the number and size of the meters through which service will be provided, which is not currently known. Accordingly, the amount of the fees that will need to be paid cannot be calculated at this time. Credits may be given for the development that currently exists on the project site that will be demolished.
- All new construction projects located in the City of Miami Beach need to pay impact fees to Miami-Dade County for roads and to Miami-Dade Public School District for schools. Based on the current fee schedule, road impact fees in the amount of \$1,015,558 would need to be paid to the County; however, a lower amount might be paid if credits are applied due to demolition of existing development on-site. School impact fees in the amount of \$228,692 will need to be paid to the School District.

Recurring Fiscal Impacts

- In order to develop the Proposed Mixed-use Project, Alton Mixed Use Investments, LLC will be required to lease the property on which its commercial elements will be developed from the City of Miami Beach. The amount of the land lease payment has not yet been negotiated.
- The millage rates currently being levied for ad valorem tax purposes by the governmental entities referenced on Table 2 are shown in the table below. The ad valorem tax revenues projected were calculated by applying these millage rates to proposed project's estimated taxable value, which MEAI estimated to be \$508.2 million for all jurisdictions except for School District and \$510.3 for the School District. These estimates assume that 75 percent of the condominium units will qualify for the Homestead Exemption which is \$50,000 per qualified unit for all jurisdictions with exception of the School District and \$25,000 per qualified unit for the School District.

Entity	Rate/\$1000 Taxable Value	Taxes
City of Miami Beach		
General Fund	5.7288	\$ 2,911,376
Debt Service Fund	0.2933	\$ 149,055
Miami-Dade County		
General Fund	4.6669	\$ 2,371,719
Debt Service Fund	0.4780	\$ 242,920
Library	0.2840	\$ 144,329
Miami-Dade Public Schools District		
Operating	7.0250	\$ 3,584,858
Debt Service	0.1230	\$ 62,767
Children's Trust	0.4680	\$ 237,838

Source: Alton Mixed Use Investments, LLC; Miami-Dade County Property Appraiser; Miami Economic Associates, Inc.

- Both the City of Miami Beach and Miami-Dade County will collect local business taxes from the businesses operating the Subject Project's retail, restaurant and office space. The amount of the fees that will be paid will be dependent on the specific nature of the businesses that occupy the retail and office space, which is not currently known. Therefore, the amount cannot be calculated at this time.
- 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 collected as a result of the development of the Subject Project would be dependent on the amount of these services used by its 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 Subject Project. The amount of fees paid would be based on the amount of the Subject Project's impervious surfaces. Since it is not within MEAI's competence to calculate the amount of impervious surface being proposed, 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 in the proposed office, retail and restaurant space. It will also collect that tax on parking receipts as well as most, if not all, of the sales recorded by the Subject Project's retail and restaurant tenants. However, since the categories of retailers that will occupy space are not know, it is not possible to estimate amount of their sales volumes that will be sales tax-eligible. Since it is also not possible to reliably estimate the sales volumes that will be achieved by the restaurant tenant or the amount of parking receipts, the amount of 1-cent County option sales taxes that will be generated by the Subject Project was not quantified.
- The Miami-Dade Water & Sewer Department will provide water and sewer services to Subject Project. 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 proposed mixed-use project at 300 Alton Road demonstrates that it will be economically and/or fiscally beneficial to the City of Miami Beach and the other governmental jurisdictions in which it would be located.

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.