



City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139,
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COMMITTEE MEMORANDUM

TO: Chair and Members of the Finance and Economic Resiliency Committee

FROM: Jimmy L. Morales, City Manager

DATE: November 13, 2020

SUBJECT: **DISCUSSION REGARDING THE APPROVAL OF A NEW LEASE
FOR THE MIAMI BEACH ROWING CLUB**

BACKGROUND

The City of Miami Beach (the “City”), as landlord, and Miami Beach Watersports Center, Inc. d/b/a Miami Beach Rowing Club, as tenant (“Tenant”), are parties to that certain Second Amended/Restated Consolidated Lease, dated July 10, 2002, for the lease of property known as the Ronald W. Shane Center (the “Facility”), located at 6500 Indian Creek Drive, (“leased premises”), for the operation of a rowing facility, including other ancillary uses and the construction of additional improvements on the leased premises. The Consolidated Lease is set to expire on May 21, 2021 and the Tenant has requested a new lease for a term of nine (9) years, for the purpose of continuing its not-for-profit operations in the community.

Tenant is a non-profit organization established in 1995 to bring the sport of rowing to the City of Miami Beach. Tenant provides low-cost rowing, teaching, and training for men, women and young adults; without preference to race, creed, religion, color or sexual orientation. The Facility is open to the general public provided that the users meet the minimum safety requirements of the United States Rowing Association and the operational requirements of Tenant. The Facility is an international destination for Olympic rowers, and home of the Miami Beach Rowing Club, which annually hosts the *Head of the Indian Creek Regatta*, as well as other collegiate races, which benefit the local economy. Recently, the Center has hosted, on a seasonal basis, Hydro, a dynamic brand of online and on-demand rowing classes, who has used the Facility to film on Indian Creek during the months of November to March, broadcasting live to a national and international audience. The Facility offers the following year-round programs and services:

1. programs for youth, adults and people with disabilities;
2. hosting of a dozen out-of-state college teams for winter and spring break training camps;
3. home to the University of Miami and Barry University women’s rowing programs year-round;
4. the Facility’s youth program is one of the top five competitive rowing programs in Florida, winning medals and team trophies throughout the season and qualifying for the national

championships every year; the youth program trains boys and girls starting from 6th grade up to 12th grade, offering tuition scholarships to families in financial need; serves as a steppingstone to high school youth rowers, who are offered rowing scholarships. 100% of the senior high school rowers enroll in college upon graduating;

5. the Facility's adult program consists of Miami Beach and Miami-Dade residents, many of whom are introduced to rowing through the Facility's "Learn to Row" program. Some become competitive rowers, but many row recreationally, enjoying the workout and the scenic environment of Indian Creek;
6. for the past five years, the Facility has offered an adaptive program for people with disabilities, developed from just one rower to a comprehensive program for up to 50 adaptive athletes, who train from one day a month to up to four days a week. Two of the adaptive program rowers represented the United States at the Paralympic Games in Rio in 2016 and one rower competed at the World Indoor Championships earlier this year. The participants of this program exhibit a variety of disabilities, which could include visual impairments, traumatic brain injuries, amputations, and athletes with spinal cord injuries. The Facility recruits participants through its partnerships with the VA and the Jackson Spinal Cord Unit. This special program provides disabled participants with the opportunity to exercise, while enjoying the experience of being on the water. Additionally, these athletes experience a sense of community and support from the comradery that is developed among the participants during training. This program is free of charge to the athletes, as it is funded by a grant from the City, currently, in the amount of \$85,000 per fiscal year, and private donations;
7. as a community resource in the North Beach area, hosting City meetings, public meetings and serves as a polling station for elections; and
8. the second floor hall for hire is utilized for meetings, special events and reception venue.

HISTORY

On December 14, 1988, the City of Miami Beach, as landlord, entered into a lease agreement with the Miami Beach Jewish Community Center, Inc. (JCC) for the parking facility located at 65th Street and Indian Creek Drive, to construct and operate a rowing facility, including a boat yard. On November 21, 1989, the City and the JCC entered into the First Amendment to the Lease Agreement, enlarging the size of the leased premises. On November 20, 1991, this Lease Agreement was amended and restated, extending the term of the lease twenty (20) years, thus enabling the lessee to meet University of Miami's requirement to obtain a financial commitment for the construction of a rowing facility. As part of the Amended and Restated Lease Agreement terms, the City also appropriated a matching contribution of \$225,000 toward the construction of additional improvements for the rowing facility. A copy of the Amended and Restated Lease Agreement is attached hereto as **Exhibit A.**

In 1996, the City authorized the assignment of the lease, from the JCC to Miami Beach Watersports Center, Inc., a not-for-profit corporation established to operate and maintain the Facility. In 2002 Miami Beach Watersports Center, Inc., as the current lessee, entered into a Second Amended/Restated Consolidated Lease ("Consolidated Lease"). A copy of the Consolidated Lease is attached hereto as **Exhibit B.**

The Consolidated Lease authorized extensive capital improvements to the existing leased premises, which included the construction of a boathouse, and a second floor events venue. The lease also authorized an additional ten (10) year extension, which is set to expire on May 21, 2021. Pursuant to the Consolidated Lease, Tenant was permitted to secure financing for the improvements, with the consent of the City and for a term that does not exceed the term of the Consolidated Lease, secured by a leasehold mortgage.

In 2007, the Tenant completed a two million dollar expansion project, which included the construction of a dry dock facility and a second story to the building existing at the time. Tenant secured financing for the construction of the additional improvements from its benefactor, Dr. Ronald W. Shane's foundation, the Shane Family Foundation Corporation (Foundation) through an unsecured loan, in the amount of \$850,000.00, evidenced by a promissory note and referenced in the Tenant's financial statements. A copy of the most recent financial statement is attached hereto as **Exhibit C**. Tenant still owes the Foundation approximately \$792,000 of the original investment made by the Foundation (Capital Contribution Balance). The Facility currently includes improvements which have been constructed by the Tenant or its predecessor; to wit: a two-story building (the "Building"), a wet dock (the "Wet Dock") and a dry dock facility (the "Dry Dock") (collectively, the "buildings and improvements").

At the June 6, 2018 City Commission meeting, a discussion regarding the Miami Beach Watersports Center, Inc. lease (*originally titled: Discuss the Miami Beach Rowing Club Lease*) was referred to the Finance and Citywide Projects ("FCWP") Committee. The topic was discussed at the June 29, 2018 FCWP meeting, based upon the Tenant's proposal to continue the operation of the Facility, pursuant to a new management agreement, with a term of nine (9) years, with the requirement that the City contribute to the Shane Family Foundation, the total sum of \$500,000, over a period of five years period, in the amount of \$100,000 annually, as partial payment of the Capital Contribution Balance. The item was deferred to provide the Tenant with an opportunity to describe the proposal in more detail; however, since that time, the parties have considered different options to address a balance between the Tenant's concern for recouping the Capital Contribution Balance and protecting the City's interest.

ANALYSIS

Pursuant to the terms of the Consolidated Lease, Tenant owns the buildings and improvements and is responsible for their maintenance during the lease term and at the end of the lease term, the Improvements transfer to the City. Tenant has successfully operated the Facility for the past 24 years and has the support of the community at large. Through the contributions of the Foundation, revenue from its operations (including membership fees, program fees and Facility use fees), and third party donations, including the City's annual grant, Tenant has been able to manage, maintain and operate a successful and renowned rowing program at the Facility.

As a result of wear and tear in the capital improvements from being waterside, the seawall and other portions of the capital improvements are in need of repair or replacement and Lessee is not financially able to pay for said extraordinary expenses, above and beyond its operations.

City staff has conducted a preliminary review of the baseline condition of the Facility and has determined that the following capital improvements will have to be completed in the near future. The recommendation is to review Capital Budget with the Office of Budget Management to determine funding during the next five-year capital improvement plan.

Seawall	\$ 780,000	already appropriated and funded;
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Dock ramp/landing platform (required as a result of the replacement of the seawall)	\$ 600,000	unfunded
Replacement of 3/5 of the A/C units	\$ 58,000	unfunded
Roof replacement	\$ 235,000	unfunded
Total Capital Improvements:	<u>\$1,673,000</u>	

The City Administration and the Tenant are currently in the process of negotiating a new nine (9) year lease, which will contain the following essential terms:

- (1) **Rent:** \$10.00 per year
- (2) **Term:** Nine (9) year term, January 1, 2021 – December 31, 2030, with the early termination of the existing Consolidated Lease;
- (3) **Uses:** primary operation, a rowing center; opportunities for education for children and adults; a unique and enjoyable venue for rowing and other watersport related activities, special events, receptions, and community meetings; a catalyst for community promotion of its waterway usage; enhancement of rowing-related water recreational education programs; and continued development of adaptive rowing program;
- (4) **Capital Contribution Balance:** City's contribution would be to grant Tenant a new lease for the additional nine (9) years so that Tenant will have additional time to repay/amortize the Capital Contribution Balance;
- (5) **Turnover of Buildings and Improvements:** The City would be transferred the buildings and improvements via a quit claim deed prior to the end of the existing term and the City would insure the Facility as part of its stock, thereby reducing the Tenant's operating expenses;
- (6) **Tenant Maintenance Responsibility:** Tenant would retain responsibility over the operation, management and payment of all utilities, janitorial, pest control, grounds maintenance services, repair and replacement of all improvements, fixtures, and equipment on the leased premises, including maintenance of interior plumbing and electrical and paint;
- (7) **City's Maintenance Responsibility:** The City would be responsible for the maintenance, and replacement (at the City's sole discretion), of the capital improvements or infrastructure (i.e. including, but not limited to, the roof, structural elements and infrastructure, HVAC, exterior structural plumbing and sewer lines, and structural electrical, seawall, exterior paint, exterior windows etc.) for the leased premises;
- (8) **City's Use:** The City would continue to have use of the Facility at no cost to the City, for meetings and as a polling station.

COMPARISON WITH OTHER NOT-FOR PROFIT AGREEMENTS

Tenant has had the use of the leased premises for a period of 24 years; however, the two million dollar (\$2,000,000.00) expansion was completed in the year 2007, giving Tenant only 13 years to amortize the investment. Governmental grants given to not-for-profit entities for the purpose of funding construction projects typically require that the grantees own the land or secure use of the property pursuant to a lease or other agreement for a term of at least 25 years. Below are some examples of current City agreements/City Assets, under which not-for-profit entities have been given extended terms in exchange for the operator's commitment to construct improvements on City property:

Boys and Girls Club – In exchange for constructing a new Boys and Girls Club (the “Club”) facility on Flamingo Park, the City entered into a Management Agreement with the Club, for an initial term of 30 years, commencing on November 1, 2008, with two (2) additional 10 year renewal options, for a total of fifty (50) years. There is no obligation to pay a use fee. The Club is responsible for general maintenance and repairs. For the first ten years of the term, the Club pays for all capital improvement repairs. Starting year 11, the City and the Club split the cost of the capital improvement repairs.

Unidad North Shore Senior Center – In exchange for constructing a senior center, Unidad of Miami Beach, Inc (Unidad), the City entered into a Management Agreement with Unidad for an initial term of forty (40) years with four (4) additional ten (10) year terms, for a total of eighty (80) years. Currently, subject to funding approval during the fiscal year's budget, the City maintains the interior of the premises, including janitorial services (excluding maintenance related to events at the facility) and, at the capital improvement repairs.

New World Symphony – In exchange for constructing the New World Symphony (NWS) building, the City and the NWS entered into a lease dated January 1, 2004 for an initial term of fifty-five (55) years with four (4) ten (10) year renewal terms, for a total of ninety-five (95) years. Rent is \$1.00 per year and the NWS is responsible for maintaining the general maintenance and the capital improvement maintenance for the NWS building. Upon expiration of the lease, the building is turned over to the City.

In light of the foregoing, Tenant's request for a new nine (9) year lease, in order to amortize a portion of the Capital Contribution Balance, is a reasonable request, when comparing the agreement term for City agreements with other non-profit entities similarly situated. Additionally, Tenant boasts that it has proven to be a capable operator and valuable asset to the community, and respectfully requests the opportunity to continue to operate this unique and renowned program.

ACTION REQUIRED

Committee direction on the Miami Beach Watersports Center, Inc.'s lease.

Attachments

Exhibit A – Amended and Restated Lease Agreement;

Exhibit B - Miami Beach Watersports Center, Inc. 2nd Amended and Restated Lease Agreement (07-10-02)

Exhibit C – Tenant's Financial Statements (year end June 30, 2019 and 2018)