

COMMITTEE MEMORANDUM

TO: Members of the Finance & Economic Resiliency Committee

FROM: Raul J. Aguila, Interim City Manager

DATE: January 22, 2021

SUBJECT: **CITY'S DEPENDENCE ON TOURISM REVENUE**

Background

This item was referred to the Finance & Economic Resiliency Committee (FERC) and the Budget Advisory Committee (BAC) at the June 24, 2020 City Commission meeting by Commissioner Samuelian. The purpose of the dual referral was to identify ways to lessen the City's dependence on tourism revenue given the recent impacts from COVID-19, hurricanes, Zika, and other economic shocks. Examples provided in the referral included:

- Identifying and growing new revenue streams
- Recruiting new businesses
- Transforming one-time funds into recurring revenue
- Increasing reserves
- Insuring our tourism revenues (e.g. parametric insurance)
- Cost reductions

The item was heard by the BAC at their September 15th meeting. The BAC was generally supportive of the various initiatives and would appreciate the opportunity to weigh-in on specific opportunities, especially those identified by Spectra, the City's sponsorship and naming rights consultant, as they move forward for consideration by the City Commission.

This item was heard at FERC on October 23, 2020 and the initial presentation provided a general overview of various initiatives. The Committee's comments included the importance of increasing commercial Class A office space, within hospitality further embracing arts and culture, supporting programs encouraging working virtually from Miami Beach, and focusing on economic development. The Committee's direction was to come back on a monthly basis to hear presentations by the lead departments regarding progress towards specific initiatives. In November, the FERC focused on a presentation from Spectra regarding potential sponsorships and naming rights. In December, the main topic was business attraction and retention by Economic Development. For today's meeting, the focus will be on potential economic incentives by Economic Development.

Analysis

The City of Miami Beach is highly dependent on the tourism and hospitality industry. According to the Beacon Council, about half of the jobs in Miami Beach are in the Accommodation and Food Services industry. In terms of the City's budget, Resort Taxes comprise \$88 million or 13% of the total budget and 10% of revenue in the General Fund. In the Parking Fund, visitors account for 80% of parking demand.

The City is making progress on several initiatives to lessen the City's dependence on tourism revenue. Below is a list of items along with the latest update regarding each effort.

IDENTIFYING AND GROWING NEW REVENUE STREAMS**Initiative:** Identify sponsorships and naming rights opportunities**Department:** Communications & Marketing

On July 29, 2020 the City Commission approved Spectra Partnerships as the City's new sponsorship and naming rights consultant. The City has historically had a full-time position that sold, fulfilled, and managed all sponsorship, advertising, and other revenue generating opportunities for the City yielding over \$1 million in revenue each year. Under the new structure, the in-house position has been eliminated and Spectra will manage all sponsorships and naming rights for the City and have a dedicated individual to handle the existing work as well as new opportunities. As individual sponsorship or naming rights opportunities are identified, they will be brought to the City Commission for consideration.

The contract term is 5 years with 3 one-year optional renewals. As requested by Commission, in the event that Spectra fails to negotiate a naming rights deal for the Miami Beach Convention Center, that is approved within 24 months from the effective date of the contract, the contract can be terminated. Spectra will be compensated using a commission structure as follows:

Revenue Generated Under a Naming Rights Agreement	
Annual Revenue	Percentage due to Spectra
\$0 through \$700,000	10.0%
\$700,001, through \$900,000	12.5%
\$900,001 through \$1,500,000	15.0%
\$1,500,001 or more	17.5%
Revenue Generated Under Commercial Rights Agreement	
Annual Revenue	Percentage due to Spectra
\$0 through \$200,000	50%
\$200,001, through \$1,000,000	18%
\$1,000,001 or more	22%
Revenue Generated on Upsell Revenue	
Upsell Revenue	Percentage due to Spectra
All	20%
\$1,000,001 or more	22%
Revenue Generated under Coca-Cola Agreement	
Revenue	Percentage due to Spectra
All	5%

Since their previous City update, Spectra has welcomed Greg Carney as their new Director of Partnerships. A seasoned executive, Greg, has extensive sponsorship and strategic partnership experience, including selling sponsorships for the public sector. Greg's position is solely dedicated to Miami Beach business. Since his start date, he has been having one-on-one introductory meetings with the Mayor and Commissioners.

Spectra has continued to work with Coca-Cola to arrive at a proposal to help mitigate the challenges in reaching our required annual purchase amount. The proposal will be heard during the January 13 commission meeting.

In addition to naming rights, Spectra is also prospecting potential sponsors for Marvelous March, the Lummus Park Activations, the Artisanal Market, and the Soundscape program. They have had productive conversations with brands in the following categories: Food and Beverage, Alcohol and Spirits, Healthcare Systems, Fitness, Quick Service Restaurants, Automotive, Finance/Consumer Credit, Retail/Wholesale, Insurance (Auto), Insurance (Health), Airlines, and Cruise Lines.

Initiative: Maximize value of City-owned assets
Department: Property Management

The Property Management Department is working hard to maximize the value of City-owned assets across our real estate portfolio. Various initiatives are being pursued such as developing better standards, CPI adjustments to our lessors, generating additional revenue, and working with Economic Development to evaluate potential real estate deals. To facilitate these efforts, CBRE was recently engaged to conduct an inventory review which should be ready by the end of the calendar year.

CBRE is currently reviewing approximately 380 parcels. This inventory review will organize the data and provide the city with the following:

1. A complete description of the asset including acreage, and any structures on the property.
2. Zoning of existing property and potential zoning changes to generate additional revenues.
3. Suitability of sale and development opportunities.
4. Any potential discrepancies between the City's existing inventory file and the research CBRE will provide.

This inventory will allow the City to identify and maximize opportunities and provide decision making data for the best and most suitable use for city-owned property.

FURTHER DIVERSIFY WITHIN TOURISM

Initiative: Attracting remote workers
Department: Tourism & Culture

The hospitality industry has been dramatically affected by the impacts from COVID-19. A key opportunity during this time is to attract people from urban areas and cooler climates to work and/or learn remotely from Miami Beach. The Miami Beach Visitor and Convention Authority (VCA) and the Greater Miami Convention & Visitors Bureau (GMCVB) have been at the forefront of this trend and have created campaigns for Miami Beach and Miami, including the VCA "My Miami Beach, Your Escape" campaign and the GMCVB "Play, Work & Learn Remotely in Miami" program. These programs have been in place, in response to COVID-19, since August and the GMCVB program currently has 22 participating hotels in Miami Beach offering specials that are geared towards working remotely and going to school remotely such as:

- Pool side working stations,
- Zoom lighting locations within the hotel,
- Power lunch meals,
- Hair/makeup options for virtual meetings,
- Spa treatments between meetings,
- "After school" day camp services provided by the hotel,
- Lunch/snacks/meals for kids,
- Onsite or access to private tutor,
- Free WIFI.

Most of the packages ran through the Fall and hotels are extending the offer, as tourism recovers in the first quarter of 2021. The GMCVB program has been featured in several articles including:

- Timeout <https://www.timeout.com/miami/news/these-miami-hotels-are-renting-out-their-rooms-as-private-offices-for-the-day-101520>

- The Miami Times: https://www.miamitimesonline.com/lifestyles/entertainment/mix-business-with-pleasure-in-the-305/article_5d788802-18cc-11eb-a985-8b5a67044016.html

The GMCVB *Miami Shines* campaign is heavily promoted during the winter in key feeder markets across the U.S. including New York, Boston, Philadelphia, Chicago, and Washington D.C. Likewise, GMCVB extended its annual and beloved *Miami Spice*, *Miami Spa* and *Museum & Attractions* months to months which complement *Miami Shines* and enhances reopening efforts. The VCA's "My Miami Beach, Your Escape" campaign is being promoted to the Miami Beach drive market.

More information on both programs can be found on the following websites:

- GMCVB program: <https://www.miamiandbeaches.com/offers/work-and-learn-remote-packages>
- VCA campaign: <https://www.miamibeachvca.com/newsroom/news/miami-beach-unveils-my-miami-beach-your-escape-campaign-featuring-local-photographers-to-showcase-the-lure-of-the-destination.stml>

Additionally, the GMCVB promoted an incentive, "Practice Safe Sets", in partnership with Miami Beach hotels and the Miami Beach Convention Center to encourage the return of the film and industry to return and utilize our hospitality and convention assets as health and safety locations for productions. <https://www.miamiandbeaches.com/things-to-do/arts-culture/film/film-in-miami/practicesafesets>

Workcation – Miami Beach hotels are promoting longer-term stays for guests to capitalize on the remote-work and schooling opportunities - <https://www.travelpulse.com/news/destinations/miami-beach-entices-visitors-to-take-workcations-in-2021.html> ; <https://www.prnewswire.com/news-releases/miami-beach-invites-visitors-to-turn-vacations-into-remote-workcations-in-2021-301192503.html>

Initiative: Promoting arts, culture, and daytime activation

Department: Tourism & Culture

Tourism, cultural and creative sectors are important to the economic footprint of City of Miami Beach. They spur innovation across our economy, as well as contribute to numerous other channels for positive social impact (wellbeing and health, education, inclusion, sustainability, etc.). Policies, programs and programming that support these sectors are not homogenous but must be holistically diverse to provide for short-term and long-term strategies that leverage the economic and social impacts of culture in our broader recovery plans and can potentially transform our economy.

To do so, we focus on (1) creating a strategic vision that holistically offers citywide, community and episodic cultural offerings that attract, retain and sustain our residents, businesses and visitors in the entertainment/Art Deco district and throughout the city that; (2) creating timelines that building upon a foundation and sets a path to slowly embed diverse and emerging art that reflects the past, present and future of the Miami Beach community; (3) leverage the contributions and input of our cultural organizations, community leadership and the special events industry; (4) identify "what" makes Miami Beach culturally unique; and (5) envision Miami Beach as an arts and culture destination not just in words, but in our programming, collections, people, businesses, events and character.

We do this by:

- Continuing activations with signature festivals and events, supplemented by the unexpected, surprising, multi-generational and multi-ethnic events. Expand the food culture and cuisine of the District. Take the art of food seriously.
- Continuing to develop private/public partnerships to create economic opportunity zones that encourage creative economy businesses to develop and locate in the arts district.

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Soundscape Cinema Series – returning for its 11th season, the free weekly series of family friendly movies begin with a November – May schedule complete with social distancing circles on the grass for healthy and fun viewing. <https://patch.com/florida/miamibeach/miami-beach-announces-new-season-free-films-under-stars>

Culture Crawl - The City of Miami Beach is partnering with some of the world's best cultural institutions to provide a night of free, unique and unforgettable experiences. Every third Thursday of the month, from 6 p.m. to 9 p.m., Miami Beach will become alive with culture as various institutions and buildings produce virtual programming and/or open their doors to give Miami Beach residents and visitors a taste of what Miami Beach's cultural community has to offer. From backstage tours, exhibition openings, and free film screenings in the park, there will be something for everyone. All events are free unless otherwise noted.

Miami Beach Artisanal Market - The Miami Beach Artisanal Market will launch in 2021 and will be a free local weekend marketplace that integrates a curated selection of artistic goods, services, and organic produce. Located in Lummus Park between 13th – 14th streets, the market will offer a variety of 30+ curated artisanal merchants providing unique and handcrafted items including, but not limited to, clothing, glass work, recyclable paper goods, jewelry and accessories, home goods, handbags, farm to table produce, holistic wellness, art, ceramics, pet supplies, along with activities, entertainment and much more. The Miami Beach Artisanal Market is the perfect neighborhood for local residents, tourists and visitors looking for something unique and quintessentially Miami Beach.

Leveraging our Cultural partners:

- Friends of the Miami Dade Public Library
- Holocaust Memorial Committee
- Jewish Museum of Florida-FIU
- Living Arts Trust (O-Cinema)
- Miami Beach Botanical Garden
- Miami Beach Film Society
- Miami Beach Urban Studios-FIU
- Miami City Ballet
- Miami Design Preservation League
- Miami New Drama
- New World Symphony
- Oolite Arts
- The Rhythm Foundation
- University of Wynwood
- Wolfsonian-FIU
- The Bass Museum

Media coverage: Miami New Drama Seven Deadly Sins -

<https://miami.cbslocal.com/2020/12/11/live-theater-returns-with-seven-deadly-sins-on-lincoln-road/>; <https://www.americantheatre.org/2020/12/17/how-to-stage-7-deadly-sins-in-a-way-thats-not-actually-deadly/>

Sustainability Temporary/Permanent Installations:

A major permanent installation, *ReefLine*, an underwater public sculpture park that is designed to serve as a vibrant artificial reef, will open in December 2021 on the coast of Miami Beach. The first mile will be completed by December and the public art project will run seven miles long and will educate and entertain our residents and visitors on the importance of our coral populations and sustainability. <https://news.artnet.com/art-world/underwater-sculpture-park-miami-beach-1925582>

In addition, temporary installations, including, but not limited to the continuation of *Art Outside* by The Bass (*Art Outside* – an iterative exhibition of contemporary public art throughout Miami Beach. <https://news.artnet.com/art-world/art-world-at-home-silvia-cubina-1926725>), murals on Washington Ave, curated painting of water tanks, amongst other ideas, large and small are being considered.

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Media coverage: The Bass Museum Art Outside - <https://news.artnet.com/art-world/art-world-at-home-silvia-cubina-1926725> ;

Lummus Park Activations

HITT in the Park	Weekly
Instagrammable Moment	January
MLK, Jr. Commemoration	January
College Football Playoff Championship	January
Re-Think Family Activation	January, February, April, June
Music in the Park	Monthly
Sing A Long	Monthly
Theater in the Park	Monthly
Bubbleman / Storytelling / Tour the Park	Monthly
Painter/Painting in the Park	Monthly

Citywide Programming includes:

Soundscape Cinema Series	November - May
New Year's Eve	December
Cultural Crawl	January - May
MLK, Jr. Virtual Commemoration	January
Artisanal Market	February - December
Memorial Day Weekend	May
Juneteenth	June
July 4 th Celebration	July

Miami Beach Open House

Investing in the revitalization of our commercial corridors with an experimental cultural artist residency within vacant storefronts and spaces has provided a platform to celebrate our artistic and cultural communities and leveraging the opportunity to fill and energize empty commercial spaces that are blighting our neighborhood. By offering a stipend of \$2,500 to 71 artists (more than 300 applicants), the program allows the artists a space to engage with the community, build networks and share their work and creative thinking. The pilot will be realized by February and seeks to bridge a gap between artisans and commercial owners. Additionally, the program should provide an alternative platform to showcase artists, available storefronts and stimulate commercial corridors while uniting our residents

and visitors. A logo and communication plan is being prepared for the official launch of the first artist(s) opening(s).

RECRUITING NEW BUSINESS

Initiative: Enhance business recruitment and retention

Department: Economic Development

Business Retention and Attraction

The City of Miami Beach's Economic Development Department (EDD) is dedicated to fostering a robust economy that stimulates balanced growth by connecting business, community, people and jobs through business assistance and resources, corridor development/ redevelopment, real estate, and creating a diverse economy for this dynamic and resilient community. Economic Development's goal is to establish, grow and diversify the city's business community by promoting the city's image and assets, supporting businesses, encouraging real estate development, and creating a diverse economy for this dynamic and resilient global community.

Business Climate

The financial stability of the City of Miami Beach is impacted by various factors including the business climate. The business climate is defined by a collection of economic and environmental indicators including but not limited to labor force, number and variety of business establishments, jobs, population, unemployment, gross domestic product (GDP), labor and building costs, median income, cost of living, household type and size, dwelling units and type, homeownership rates, and housing costs. The October 2019 Economic Conditions Report and the Spring 2020 Business on the Beach report provide a snapshot of the economic and business climate pre-COVID 19.

It is important to note that over 35 percent of total employment in the City of Miami Beach is attributed to jobs in the arts, entertainment, food services and accommodations industries. By comparison, these industries account for less than 15 percent of total employment in Miami-Dade County. In 2018, industries like manufacturing, finance and insurance, healthcare, and information accounted for less than 10 percent of industry share of employment in the city. The importance of the hospitality and tourism industries to the Miami Beach business environment is undisputable. The scale of these industries is no doubt bolstered by the assets and brand of the city which includes an urban beach, tropical climate, diverse population, and cultural infrastructure. These industries are directly and indirectly supported by the City in many ways including but not limited to capital investments, grants and subsidies, zoning overlay districts, public safety, sanitation and programming to foster entertainment, cultural experiences, leisure and recreation. These industries also generate significant revenue for the city and have a broad economic impact.

It is imperative that the city continue to embrace, support and enhance the hospitality and tourism industries. However, the need to diversify the economy has become an evident and necessary component for the resiliency of the city. The overwhelming dependency on this industry can have a crippling effect on the city with the increasing regularity of adverse environmental variables. The instability of the current economic environment makes it difficult to make long-term projections. The viability of businesses can shift from one week to the next. Vacancy and market rates for housing and commercial spaces continue to fluctuate. Retail and office vacancy have increased over the past several months.

BUSINESS RETENTION/EXPANSION

The economic development strategy is recommended to include short-term and long-term approaches and tactics. Short-term activities offer flexibility in uncertain times and allow for swift repositioning as needed. Long-term strategies supported by incremental and consistent activities can yield significant gains in a more deliberate way. At this time, the primary economic development activity of the city should be business retention with a focus on small businesses (fewer than 5 employees) which account for roughly 70 percent of all businesses in the city.

Investments in business retention are traditionally more productive than business attraction. Up to 80% of net new jobs and capital investment in any economy are generated by existing firms. As of November 2020, the city records about 9,500 business tax receipts associated with about 7,100 establishments. According to the most recent City of Miami Beach Community Satisfaction Survey, roughly 60 percent of businesses would definitely or probably recommend the City of Miami Beach to others as a place to run a business, reflecting a 12 percent decline since 2016. The perception of existing business owners has an impact on the ability to attract future business owners, therefore business retention and engagement is vital.

By December 2020 as Business Tax Receipt (BTR) renewals come due, it will be critical to note which categories of business types/uses increase or decrease. This information will guide business retention (and attraction) efforts. With the impacts of COVID-19 still evolving, the Administration continues to provide resources, services and programs to facilitate the stabilization and retention of businesses and promote quality of life. These include:

- Business Tax Receipt (payment extension and payment plan);
- The Resource Center;
- Consistent engagement with business leaders, Business Improvement Districts/business groups/associations;
- Small Business Assistance Grants;
- Restaurant Reimbursement Grant;
- Rental Assistance and Food Distribution (to support workforce);
- Restaurant Expansion Outdoor Seating Pilot Program;
- Parklet and parking accommodations;
- Temporary transportation and mobility pilot programs;
- Online building permitting;
- Communications, marketing and public information;
- Consumer Confidence/Health Resources (MB Standard Program, Race to the Trace with Dept. of Health); and
- Enhanced public safety and enforcement.

In addition to these ongoing resources, the Economic Development Department will provide new resources and support in an effort to retain and expand businesses. These resources will include:

- Technical assistance and capacity building (entrepreneur and business development);
- Business concierge services for small businesses;
- Site selection/location assistance;
- Welcome letters and packages for new businesses;
- Small Business Weekend promotions; and
- Business visits and canvassing.

In the long-term, funding for the establishment of programs and grants may include:

- Workforce development through partnership with academic institutions and trade groups;
- Commercial property or tenant improvement programs;
- BTR fee reduction; and
- Legacy Business grants and rebates.

BUSINESS ATTRACTION/RECRUITMENT

Business attraction for the City of Miami Beach has not and will not occur in a vacuum or only through the efforts of the City of Miami Beach. Organic business attraction materializes through visitor experiences, media, word of mouth and favorable market conditions. The City of Miami Beach already has a competitive advantage considering location and proximity to Central America/South America/Caribbean, climate, State of Florida tax advantages and a largely positive brand image. Intentional investments in arts and culture, public assets, infrastructure, resiliency, public safety and marketing will serve to complement and catalyze organic business attraction.

Long-range High-level Targets

The Miami-Dade Beacon Council is the official economic development organization for Miami-Dade County. The Council was founded in 1985 to focus on business recruitment, expansion and retention for the entire county. The Beacon Council concentrates on strengthening industry sectors like aviation, banking and finance, creative design, life sciences and healthcare, technology, trade and logistics. These sectors have not traditionally been emphasized as part of the City of Miami Beach's economic development efforts. It stands to reason that if the Beacon Council is utilizing resources to grow, attract and recruit these industries, that the city should align to leverage these resources and efforts for the benefit of the city.

Although retail, hospitality and tourism will not shift as core sectors, it behooves the City to make efforts to recruit and attract businesses in the financial services, technology and healthcare sectors. These targets are more attainable as there is already a presence of these industry sectors within the city. Business attraction efforts will build on Starwood Capital, Wix.com, Mount Sinai Medical Center and others that currently call the City of Miami Beach home. As these existing businesses draw interest from other businesses in their sectors, Miami Beach can become a hub. These businesses can attract supporting and related businesses. For example, Starwood Capital may attract insurance businesses, hedge funds, funds management firms, investment banking firms, private equity/venture capital, private and retail banking among others. Wix.com may attract technology businesses focused on eCommerce, Cloud services, software, advanced manufacturing, robotics/artificial intelligence, simulation, information security, consumer electronics, design (web design), energy and research and development. Mount Sinai and Baptist Health may attract businesses specializing in pharmaceuticals, biotechnology, equipment manufacturing and distribution, facilities and managed healthcare.

At the December 18, 2020 Finance and Economic Resiliency Committee meeting, some members of the Committee expressed support for targeting the financial services and technology sectors and suggested formulation of an advisory council to identify methods of attracting businesses in these sectors. These targets will be recruited through the following proposed methods:

- Tradeshows/industry marketing events;
- Recruitment visits and tours (including with the Beacon Council);
- Contact and coordination with national site selectors and advance teams;
- Development and circulation of marketing collateral (pitch deck and ads);
- Promotion of relocation assistance programs and incentives – Dept. of Economic Opportunity, Enterprise Florida, Miami-Dade County;
- Development of job creation and capital investment incentives;
- Expedited licensing and permitting (with investment/job creation threshold); and

- Relocation concierge services (insights and coordination related to schools, housing, etc.).

Efforts to recruit these types of businesses will require consistent efforts over a long time period. Relocations of large businesses often take several months to years to materialize and are influenced by variables including space availability, housing options, talent pool and financial incentives that are available. Other incentives for current and future businesses could include Commercial Lease Subsidy and Relocation Assistance.

In addition to these high-impact, high-wage targeted industries, secondary targets can serve to diversify and add depth to the existing tourism, hospitality and entertainment industries. Miami Beach may benefit from capturing a larger share of the South Florida marine industry which has an economic output of \$12.5 billion. Recruiting and incentivizing the tv and film industry may also be a key to our economic recovery, not just from the related jobs and spending, but also the tourism stemming from a desire to visit places featured in films and on television. Rather than focusing efforts on disincentivizing and regulating problematic business operators, deliberate effort should be made to curate a desirable portfolio of commercial businesses. For example, recruitment of an independent craft brewery to a strategic location could also have larger economic impact and expand the food and beverage options currently available in the city. The economic development efforts of the city should also include the following:

Experiential Retail

- Although overreliance on retail is not advised, any efforts to attract retail should focus on experiential and artisanal retail are desirable to fill retail voids throughout the major commercial corridors (e.g., activity-based, interactive spaces that are attractive to a variety of age groups and demographics).

Class A Office Development

- Creating a pipeline for Class A Office Development is crucial for attracting businesses that will diversify the economy. The Administration has already advertised a Request for Letters of Interest for Class A Office Development on Lincoln Lane surface parking lots and has recommended a height increase for targeted areas. Following receipt of letters of interest no later than February 11, the RFLI could be followed by a Request for Proposals at the direction of the City Commission. On January 13, the City Commission approved a request by the Lincoln Road BID to allocate \$4,000 to the BID to help promote and produce an interactive online event to promote Miami Beach to the business community. There may also be opportunities in other areas of the city as identified through the forthcoming asset inventory report from the Property Management department, more details below.

Branding and Marketing

- Along with stakeholders and partners, the Administration will engage in branding efforts to include a focus on economic development. By emphasizing city resources, the business climate and efforts to promote business growth, the branding initiative will communicate that the city is open for business and is home to top tier talent. The Marketing and Communications Department is seeking to engage an outside marketing firm to guide the City on this effort. The City's branding efforts will also be informed by the Art Deco Cultural District planning study currently underway by urban planning consultant Zyscovich Architects.

North Beach CRA

- The creation of the North Beach Community Redevelopment Agency (NBCRA) will join the City Center CRA/RDA in utilizing tax increment financing to encourage economic growth and enhanced quality of life. Planning for the CRA will include strategies for the improvement of

the Town Center, Normandy Fountain Business District, and West Lots, among others. CRA creation will add new revenue from Miami-Dade County and spur business attraction (and retention) in North Beach. The Administration and its consultants recently completed a virtual community charrette that received high attendance and interest from members of the public, who provided valuable input about goals for the NBCRA Redevelopment Plan.

City-owned Assets

- The Economic Development Department will partner with the Property Management Department to align economic development goals among city-owned assets. All upcoming leases and agreements will be aligned with targeted businesses and industries, including to some degree an enhanced/elevated tourism and hospitality industry. City-owned spaces will be leased to businesses that will help to diversify the economy of the city. As CBRE completes a citywide asset inventory, the Administration will look at measures to leverage these assets for economic growth and long-term financial stability.

Zoning Regulations

- Land use and zoning regulations are a key factor in business attraction. The Economic Development Department will partner with the Planning Department to identify opportunities for zoning changes that could attract business. This will include targeted F.A.R. and height increases for Class A Office and hotels in specific commercial zones where strategic incentives are necessary to promote economic development and improve the character of the district.

Quality of Life

- Vibrant placemaking initiatives, public safety and code enforcement, enhanced recreation and improvements to green spaces and the affordable housing stock will attract businesses because they reinforce Miami Beach as a desirable place to do business and to live. Enhancing the visitor experience and improving residential quality of life and not mutually exclusive and investments in these elements should continue to be promoted.

BUSINESS ATTRACTION and EXPANSION INCENTIVES

The City is a unique municipality with a geographic profile that distinguishes it from most municipalities in Greater Miami. Traditionally, we have attracted and supported businesses in ways that don't necessarily involve economic incentives, but which are generally related to quality of life, tourism, entertainment, arts and culture. Especially in times of fiscal conservatism, it is necessary to emphasize our attractive qualities that appeal to out-of-state businesses interested in relocating, such as our superior schools and educational institutions, appealing climate, preferential State tax structure, and abundant housing supply.

Arts and culture are pillars of the City of Miami Beach. Not only have the arts played a vital role in the City's renaissance since the 1990s, but this sector continues to reaffirm the City's relevance and attract visitors to Miami Beach. The City should strive to ensure that tourism plays a strong role in our economy. The influx of visitors and their spending provides important revenue and elevates international prominence.

Nevertheless, it is critical to diversify and enhance the business industries which drive our economy. Reliance on one sole business sector is a recipe for disaster in the event of an unanticipated crisis or economic downturn as we have seen with COVID-19. Keeping this in mind, if we are serious about diversifying and expanding, it is imperative that the City invest in areas that need development and strengthening. It is not enough to merely hope that targeted new industries are attracted if we do not meaningfully invest resources in the recruitment process.

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On September 17, 2020, the Land Use and Sustainability Committee discussed the migration of corporate office tenants from locations outside of Florida to the greater Miami area. On multiple occasions as of late, the Administration has presented information to the Land Use Committee and FERC Committee regarding a meaningful increase in interest in the Miami market from financial services and related firms located elsewhere. Accordingly, in an effort to boost the City's appeal to such firms, the City has issued an RFLI for Class A Office Space near Lincoln Lane North. The deadline for receipt of questions is January 21, 2021 and letters of interest are due February 11, 2021. Leveraging the City's underutilized real estate portfolio is only one way to diversify our economy and promote economic development. The City's annual budget allocation is representative in many ways of the City's priorities and goals. Presently, the City funds very little programs to incentivize and attract new businesses. An objective assessment is that, after initially recognizing our shortcomings, the strategy has been to operate like the City *wants* business diversification and enhancement. In reality, the City *needs* business diversification and enhancement. Miami's efforts and success with attracting technology and financial services companies didn't happen overnight but rather of several years, pre-pandemic. If we need growth and are serious about effecting change, we must be competitive with other metropolitan areas and neighbors and implement measures with resources and financial backing.

In its memorandum to the September 17, 2020 Land Use workshop on the Art Deco Cultural District, the Administration discussed financial and non-monetary incentive types which could be tailored to specifically target desired industries for any of the City's commercial districts. Among the programs, the most effective incentives would require budgetary impacts for the City, such as cash grants or lease subsidies in exchange for business relocation.

The Miami Downtown Development Authority (DDA), an autonomous agency of the City of Miami funded by ad valorem tax levy of constituent members, provides specific incentives to attract new business:

Miami DDA Incentive Fund

Eligibility: Available only to new-to-market businesses or expanding businesses that relocate or hire a minimum of 10 new employees to the Miami DDA District within a 3-year period (along with other program requirements which help highlight the DDA). The program is available to the following industries:

- Financial/Professional Services
- Technology
- Headquarters including regional headquarters

Incentives: The actual award is determined after the company has begun operations, and at the end of each fiscal year upon the verification of new hires and all other obligations. The maximum Miami DDA award is based on the number of employees brought to the Miami DDA District during the initial move and any subsequent new hires.

- Incentives over a three (3) year period following start of operations or the execution of the agreement, whichever is later, may not exceed:
 - \$500 per employee for the first 50 jobs (minimum of 10);
 - \$350 per employee for each job added above 50 but less than 100;
 - \$250 per employee for each job added above 100
- Applicant may be eligible for the following bonuses for new hires only:
 - An additional \$125 per employee if a company is located within the Flagler District as defined by the City of Miami
 - An additional \$125 per employee if new hire received a degree from a public university, private university, or technical school located within Miami-Dade County and graduated within 3 years of the hire date

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- An additional \$125 per employee if previously unemployed or employed below the Living Wage Rate immediately preceding employment with company
 - An additional \$125 per employee if their primary residence is within the Miami DDA District
- A business may not receive more than \$50,000 in awards per fiscal year and the company may not receive more than \$150,000 in award payments over the 3-year eligibility period, however the DDA may waive the \$150,000 total award cap at its discretion.

Miami DDA Property Improvement Grant Program

- Provides grant funding for qualified exterior improvements. The goal of the program is to improve the central business district's physical environment ("curb appeal") and enhance the area's overall perception – while supporting increased economic activity and investment.
- The incentive is administered by the Downtown Miami Partnership (DMP). An independent committee awards funds at its discretion and in accordance with the program guidelines.

The Beacon Council is a public-private partnership that grew out of the Greater Miami Chamber of Commerce and it serves as the official economic development organization for Miami-Dade County. In partnership with Miami-Dade County, businesses may benefit from the following Miami-Dade County Targeted Jobs Incentive Fund.

Miami-Dade County Targeted Jobs Incentive Fund (TJIF)

- The TJIF Program is intended to spur business activity and promote the economic growth of Miami-Dade County.
- The Program offers cash incentives for existing Miami-Dade companies that undertake a business expansion which creates new jobs. New business establishments in Miami-Dade and companies considering relocating to the county are eligible for a TJIF incentive.
- Companies relocating from Monroe, Broward, or Palm Beach counties are not eligible, unless the company plans to relocate outside South Florida, in which case the Beacon Council will try to retain the business in South Florida.
- The TJIF Program awards cash incentives to companies in selected industries that create new above-average paying jobs (at least 10 new jobs) and make a capital investment of at least \$3 million. Businesses that expand or relocate within the boundaries of the Enterprise Zone, Targeted Urban Areas, Brownfield areas and Community Development Block Grant eligible areas are eligible for an additional incentive amount.
- Disbursements of incentive awards only occur after capital investments are made, jobs are created and retained over a specified time period (usually six years), and after paying its County property taxes.

The State of Florida also has economic development incentives, the majority of which are focused on larger companies with a greater impact and, therefore, are more difficult for the City to leverage:

High Impact Performance Incentive (HIPI):

- A negotiated incentive used to attract/grow major high impact facilities in Florida, for sectors such as financial services, corporate headquarters, information technology, among others.
- Within a 3-year period, businesses must create at least 50 new full-time equivalent jobs and make a cumulative investment of at least \$50 million.

Qualified Target Industry Tax Refund Incentive (QTI):

- Provides an incentive for target industries to locate new facilities or expand existing facilities in Florida. The program provides tax refunds of \$3,000 per new job created. Higher awards are available to companies paying very high wages, operating within a designated high impact sector, or meeting other criteria. To qualify, a company must create at least 10 new jobs (and

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a 10% increase for expanding Florida companies), pay an average of at least 115% of area wages, have a significant positive impact on the community, and have local financial support.

In 2019, at the request of the Beacon Council, the Miami-Dade County Board of County Commissioners approved \$801,036 in QTI Local Jobs incentive funding and \$728,836 in TJIF assistance related to the retention and expansion of Starwood Capital in Miami Beach. As consideration for the incentive award, Starwood proposed a capital investment of \$31 million that would result in the relocation of 240 existing jobs and creation of 53 direct new jobs with an annualized salary of \$100,174 (200% of the average County wage).

Veterans Business Training Grant:

- Available to Florida businesses seeking to train and hire military veterans. The program helps businesses meet workforce demands in a competitive environment by facilitating access to training and education in high-demand fields for veterans through matching training grants up to \$8,000 per veteran employee trained.

Business attraction and expansion incentives programs are not limited to the state or county. Cities like Miramar in Broward County have developed incentive programs to attract the growth they seek. While the state and county incentive programs apply to businesses locating or expanding within the City of Miami Beach, there are no existing incentive programs specific to Miami Beach. As the City aims to increase office inventory, we must take additional measures to remain competitive, draw attention to our desire for economic growth, and take advantage of wealth migration trends. South Florida has long been a prime location for businesses to open their Latin American headquarters. Now with growing interest among financial services and technology firms and investors from the Northeast and Silicon Valley, and in a competitive market that includes nearby development authorities and community redevelopment agencies, it is time for the City to be aggressive with its recruitment efforts using dedicated funding for business attraction incentives. For example, on January 12, 2021, it was announced that the West Palm Beach Community Redevelopment Agency (WPBCRA) will be provide a \$1.8 million incentive package for "Project Washington"—a financial services company relocating from the Northeast and creating up to 600 jobs that pay an average salary of \$70,000 per year. The WBPCRA will offer the company \$3,000 per job and pay out the incentive over a four-year period.

The Miami DDA continues to invest in their *Follow the Sun* campaign to attract companies seeking a business climate with favorable tax policies. Since October 2020, the DDA has offered their Incentive Fund program to three companies dubbed "Project Sunshine", "Project Adoration" and "Project Gigantor". Project Sunshine, now revealed as the Blackstone Group, has received national attention for their move to 2 Miami Central, the Brightline location in downtown Miami. The move by the private equity firm will reportedly create over 200 jobs. Blackstone was able to pair their DDA incentive with up to \$650,000 in incentives offered through the aforementioned Miami-Dade Targeted Jobs Incentive Fund (TJIF). Starwood Capital's relocation to Miami Beach was also made possible through the award of incentives by Miami-Dade County to expand operations and create more jobs.

Although a variety of economic development incentive programs can and should be developed as part of a strategic plan, all current efforts should focus on the business attraction incentives that may move the needle for companies contemplating a move to South Florida. Additionally, the City of Miami Beach should promote, encourage and incentivize the expansion of existing businesses within targeted industries. A focus on creating a strong inventory of Class A office, leveraging the existing Miami-Dade County TJIF program and developing an incentive program that is competitive with the DDA will augment organic business attraction. Based on the current competitive market and in consideration of the potential impact on the General Fund, the following business attraction incentive program is proposed to evoke prompt response with gradual fiscal impacts over the long term. The Job Creation Incentive Program is designed to compete directly with the business attraction market leader, the Miami Downtown Development Authority (Miami DDA).

JOB CREATION INCENTIVE PROGRAM

1. Background and Purpose

The City of Miami Beach is invested in economic resiliency through economic diversification. New or existing businesses in the City of Miami Beach may be eligible for a performance-based incentive known as the Job Creation Incentive Program (JCIP). The purpose of the JCIP is to strategically attract companies and expand existing businesses within the City of Miami Beach while increasing the number of quality, high-wage jobs in the community. The applicant must create or relocate a minimum of ten (10) new, fulltime equivalent jobs which average annual wages meeting or exceeding 125% of the County's average wage at the time of the application.

2. Eligibility

The City of Miami Beach JCIP Program will be available to new-to-market businesses or expanding businesses that will either hire or relocate, a minimum of ten (10) new employees to the City of Miami Beach within a **four (4) year period for New-to-Market businesses or three (3) year period for existing businesses**. [Note: DDA offers a three 3-year period for New-to-Market companies]

The Program is available to the following industries:

- a. Financial/Professional Services
- b. Technology
- c. Headquarters including regional headquarters

The City Commission, at its discretion, may waive the eligible industry requirement at the request and recommendation of the City Manager.

- a. Companies applying for the JCIP Program must be "new-to-market" or an "expanding" business already operating within the City of Miami Beach. New-to-market businesses may relocate from anywhere outside of the City of Miami Beach.
- b. Requirements for Expanding Businesses at the time of application:
 - An expanding business must either own its office space property or have an executed multi-year lease (3-year minimum) for the office location within the City of Miami Beach.
 - An expanding business must have a valid Miami Beach business tax receipt (BTR) and may not have any pending City fees or fines, or be involved in any litigation with the City of Miami Beach.
 - An expanding business must be properly licensed and approved by the State and County as applicable.
- c. All awarded Expanding businesses and New-to-Market businesses must meet the requirements above when the incentive will be claimed and disbursed for each eligible fiscal year.
- d. Businesses that do not report employees' wages are not eligible for assistance under the JCIB Program.

The JCIP is contingent on annual funding availability, City Commission approval, and the execution and continued compliance with the requirements of an agreement between the City and the applicant, and is not to be construed as an entitlement or right of an applicant or property owner.

3. Requirements

- a. New Job Category: A New Job must be a fulltime equivalent position (minimum of 2,080 hours annually) and shall:
 - be created in the City of Miami Beach and add to the City's total job base;

- add incrementally to the company's payroll;
- result in a net increase in the number of employees of the applicant company; and
- involve only a new employee working on-site (at least partially) at the company's facility located in the City of Miami Beach.

A New Job excludes an existing employee on current payroll of the business at the time of the application.

- b. Relocated Job Category: A Relocated Job includes fulltime equivalent positions (minimum of 2,080 hours annually) currently identified on the company's payroll at the time of application.
 - Only New-to-Market companies (moving to Miami Beach) can utilize relocated jobs as part of the incentive application.
 - Existing Miami Beach companies seeking to expand operations in Miami Beach may not utilize relocated jobs as part of the job creation requirement.
- c. Job Creation Timeline: Approval of the JCIP application and agreement by the City Commission must occur before the jobs are added or relocated. A business that enters into an incentive agreement with the City of Miami Beach and is located in or relocating to existing office space that does not require significant tenant improvements must add the minimum number of jobs (10) within an agreed to number of months after the effective date of the incentive award. The company and the City of Miami Beach will negotiate a job creation/relocation timeframe.
- d. Living Wage Requirement: The JCIP will not be available to companies that pay any of their employees less than the Living Wage Rate as defined by Section 2-8.9 of the Code of Miami-Dade County, as adjusted annually by the Department of Small Business Development or its successor department, or as defined by Section 2-408 of the Code of the City of Miami Beach and by choosing the higher rate of both. Companies receiving JCIP awards must continue to pay all its employees no less than the Living Wage Rate to remain eligible for the Program.
- e. Wages of New Jobs Created or Relocated: New Jobs or Relocated Jobs must pay an estimated Average Annual Wage at least equal to 125% the average of wages in Miami-Dade County as determined by Miami-Dade County using the most currently available data as determined by the City of Miami Beach and by choosing the higher rate. [DDA excludes New-to-Market relocated (existing) jobs from the calculation]
- f. Job Creation: Participating businesses must create at least ten (10) New Jobs within four (4) years for New-to-Market Businesses or within three (3) years for Expanding Businesses. The time begins to toll once the business begins operation in the City of Miami Beach (designated by issuance of a BTR) or once the Agreement is executed, whichever is later.
- g. New or Relocated Jobs must be maintained for a minimum of one (1) additional year. City of Miami Beach staff will verify compliance with New Job creation and wage requirements as specified in the City Commission approved JCIP application/agreement prior to any disbursement of City of Miami Beach incentives. The Company must agree to furnish all documents necessary for City of Miami Beach staff to verify the Company's compliance with the New Job or Relocated Job salary requirements pursuant to the City of Miami Beach JCIP application/agreement.
- h. Taxes, Fines or other Fees: Where a Company is delinquent in paying its taxes, fines, or any other fees due to the City of Miami Beach, the City of Miami Beach shall withhold Incentive funds until the Company is current. Where a Company is more than one (1) year delinquent,

the Company's City of Miami Beach incentive award shall be canceled, and the Company shall be disqualified from participating in the Program.

- i. Media Announcement: Applicant must (a) mention the City of Miami Beach by name within its initial press release announcing the new office location, (b) at least forty-eight (48) hours in advance, provide the exact date and time of when the press release will be published, and (c) at least forty-eight (48) hours in advance, provide a copy of the press release. The City's Marketing and Communications Department will also issue a press release and media coverage.
- j. Media Appearances: The company must provide an employee representative, of at a minimum a senior level executive position, for a minimum of four (4) engagements in year 1, two (2) engagements year 2, two (2) engagements in year 3, and if applicable, two (2) engagements in year 4, to assist with recruitment efforts of the City of Miami Beach to attract additional companies to the City. Required engagements will consist of a presentation, panel discussion, interview, quote for media story, or comparable engagement.

4. Incentive Award

The amount of the JCIP award is determined based on the information provided and verified in the application process and requires approval by the City Commission. The actual award will be determined after the Company has begun operations, and at the end of each City of Miami Beach fiscal year, upon the verification of New Jobs or Relocated Jobs as specified in the City Commission-approved application/agreement, and all other obligations set forth in the application/agreement and the Resolution approving authorizing the award.

The maximum award amount is based on the number of employees brought or relocated to the City of Miami Beach during the initial move, and any subsequent new hires. For expanding companies already located in the city, the maximum award is based on the New Jobs created. The incentives over the four (4) year or three (3) year period after the applicant's start of operations or the execution of this agreement, whichever is later, may not exceed:

- a. \$600 per employee for the first 50 jobs (minimum of 10) [\$100 greater than DDA]
- b. \$400 per employee for each job added between 51 – 100 [\$ 50 greater than DDA]
- c. \$250 per employee for each job added above 100 [Same as DDA]

Applicant may be eligible for the following bonuses for new hires only:

- a. An additional \$125 per employee if a company is located within the North Beach area, as defined by the City of Miami Beach
- b. An additional \$125 per employee if new hire received a degree from a public university, private university, or technical school located within Miami-Dade County and graduated within three (3) years of the hire date
- c. An additional \$125 per employee if previously unemployed or employed below the Living Wage Rate immediately preceding employment with company
- d. An additional \$150 per employee if their primary residence is within the City of Miami Beach [\$25 greater than DDA]

A Company may not receive more than \$60,000 in incentive awards in any single fiscal year, even if all the New Jobs are created or relocated in one (1) year. A Company may not receive more than \$240,000 in award payments over the four (4) year period for new-to-market or \$180,000 in award payments over the three (3) year period for expansions. [DDA annual award cap is \$50,000 and total award cap is \$150,000]

The City Commission, at its discretion, may waive the applicable \$180,000 or \$240,000 total award cap at the request and recommendation of the City Manager.

5. Application Process

- A company wishing to participate in the Program will apply to the City of Miami Beach. Upon request, a Company's confidentiality will be protected, to the best of the city's ability, for any information regarding a project's location and/or expansion evaluation of any Miami Beach site.
- The application will be evaluated by City of Miami Beach staff and approved by the City Commission.
- An application must be signed by an executive officer or owner of the applying company.
- Any New-to-Market company that commits the Company to a location within the City of Miami Beach prior to City Commission approval of the Application/Agreement will render a Company ineligible to participate in the JCIP. The City Manager may waive this prior decision rule and forward the Company's Application to the City Commission for consideration upon the written request by the Company to preserve the incentive for a limited time. However, the City Commission retains the sole and absolute discretion to approve or deny the Company's Application. This prior business decision rule waiver shall not be available to a Company that has already publicly disclosed the intent to locate or expand its operations in the City of Miami Beach.
- Within thirty (30) days of application receipt and initial review, City of Miami Beach Administration shall inform the City Commission and schedule an application presentation at the following available Finance and Economic Resiliency Committee (FERC) meeting (applicable public notice and agenda deadlines apply). Staff will notify the Applicant when the application is scheduled for consideration at any public meeting.
- Pending recommendation from the FERC, City of Miami Beach Administration shall prepare its recommendation on the Application to the City Commission, including an economic impact analysis.
- Each City Commission approved Application shall serve as the written Agreement between City of Miami Beach and the Company, and shall include all Application requirements outlined in this Section and, at a minimum, specify:
 - a. The total number of New Jobs to be created or relocated and that will be dedicated to the project;
 - b. the Average Annual Wage of those jobs, any capital investment, and a time schedule or plan for when such jobs will be in place and active;
 - c. The fiscal impact to the City of Miami Beach;
 - d. The maximum amount of JCIP awards which the Company is eligible to receive and the maximum amount of JCIP awards that the Company is eligible to receive for each fiscal year;
 - e. That the City of Miami Beach may review and verify the financial and personnel records of the Company and/or perform onsite visits to verify employment relating to the New or Relocated Jobs, wages paid, and determine whether the Company is in compliance with the terms of the Application/Agreement;
 - f. The date by which, in each fiscal year, the Company must file a claim to be considered to receive a JCIP award for the following fiscal year (October 1 – September 30);
 - g. That compliance with the terms and conditions of the approved Application/Agreement is a conditional requirement for the receipt of any JCIP award in a fiscal year and that the Company's failure to comply with the terms and conditions of the approved Application/Agreement results in the loss of eligibility for receipt of JCIP awards and the revocation by the City Commission of the certification of the Company as a City of Miami Beach eligible business;

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- h. That payment of JCIP incentives is conditioned on and subject to specific annual appropriations by the City of Miami Beach sufficient to pay amounts under the approved Application/Agreement; and
- i. That the amount of the Incentives received will be based on the Incentive levels specified.

6. Award Disbursement

- a. Annual disbursements will be contingent on the verification of the new jobs created and retained.
- b. Disbursement will begin in the City of Miami Beach fiscal year following the Project's start of operations. The City of Miami Beach's fiscal year runs from October 1 through September 30 of the following calendar year.
- c. Companies will be monitored annually to ensure compliance with the projected number of new jobs and the wages associated with the new jobs. Disbursements to the Company will only be made after it has met all commitments as set forth in the City of Miami Beach application/agreement and the City Commission approved Resolution,
- d. Disbursement amounts are set forth and limited in each year of the disbursement schedule approved in the Agreement and Resolution.
- e. To be eligible to claim any award under the JCIP, an Applicant that has entered into an approved application/agreement must annually apply to the City of Miami Beach for such award. An appropriation, if made by the City Commission, will be paid in the City of Miami Beach fiscal year that begins on October 1 following the claims-submission date.
- f. The City of Miami Beach shall designate staff, or a third party, to administer the JCIP and determine Company compliance. Any awards determined to be due to Companies and processed by said designated staff shall require written approval and authorization of the City of Miami Beach.

Sample Annual Incentive Award

	Company A	Company B	Company C
Number of New Jobs	25 25 jobs x \$600 = \$15,000	75 50 jobs x \$600 = \$30,000 25 jobs x \$400 = \$10,000 Subtotal: \$40,000	110 50 jobs x \$600 = \$30,000 50 jobs x \$400 = \$20,000 10 jobs x \$250 = \$ 2,500 Subtotal: \$52,500
Company Located in North Beach	Yes 25 jobs x \$125 = \$3,125	Yes 75 jobs x \$125 = \$9,375	No 110 jobs x \$0 = \$0
Degree from Local Institution	Yes 10 employees x \$125 = \$1,250	Yes 25 employees x \$125 = \$3,125	Yes 50 employees x \$125 = \$6,250
Below Living Wage	Yes 2 employees x \$125 = \$250	No	No
Residence in City	Yes 10 employees x \$150 = \$1,500	Yes 20 employees x \$150 = \$3,000	Yes 25 employees x \$150 = \$3,750
Total Less Amount Above \$60k Annual Cap	\$21,125	\$55,500	\$62,500 - \$2,500 = \$60,000

The Job Creation Incentive Program reflects a baseline incentive to directly compete with Miami. The City should also consider a complementary approach to now develop a competitive edge beyond the baseline. It is proposed that the Capital Investment Incentive Program will offer an added bonus to new businesses making significant capital investments in the City of Miami Beach.

CAPITAL INVESTMENT INCENTIVE PROGRAM

1. Background and Purpose

The Capital Investment Incentive Program (CIIP) provides an enhanced competitive advantage in the attraction of new-to-market businesses to the City of Miami Beach or expanding businesses already operating in the city. New or expanding businesses must make capital investments in a facility in the City of Miami Beach of not less than \$1,000,000 or \$500,000 if in the North Beach targeted area as defined by the City of Miami Beach. The business must be newly located within the City of Miami Beach or represent an expansion of an existing business. The new or expanding business must create a minimum of at least ten (10) new permanent full-time jobs.

2. Eligibility

- The Program is available to the following industries:
 - a. Financial/Professional Services
 - b. Technology
 - c. Headquarters including regional headquarters
- The City Commission, at its discretion, may waive the eligible industry requirement at the request and recommendation of the City Manager.
- New-to-market or expanding business must make a capital investment in a facility within the city of not less than \$1,000,000. Businesses making a capital investment of not less than \$500,000 qualify for the incentive if they are located in the North Beach target area as defined by the City of Miami Beach.
- For new-to-market companies, the capital investment must be demonstrated by an increase in the assessed value of real property and/or tangible personal property for an existing facility or new facility between the first year applied for and the previous tax year.
- For existing, expanding companies, the increase in assessed value must include increase related to real property improvements (i.e., structural expansions, increased floor space, etc.) for an existing facility or new facility between the first year applied for and the previous tax year.
- The increase will only be evaluated between the application year and the previous year. The increase value will be locked-in for five (5) years.
- New-to-market and expanding business must create at least ten (10) new permanent full-time jobs with average wages of at least 120% of the average of wages in Miami-Dade County as determined by Miami-Dade County.

3. Incentive Award

The Capital Investment Incentive Program (CIIP) is based upon a point system tied to job creation, ownership, and capital investment. Each point shall make an approved business eligible for an annual payment of up to \$1,000, up to a maximum annual payment of \$50,000. The maximum payment to any eligible company over the maximum five-year period shall not exceed \$250,000. The monetary amounts described herein represent the maximum amounts which may be awarded by the City Commission, and reserves the right of the City Commission to approve lesser amounts for any reasons, including but not limited to available budget resources. The payment of an incentive to an eligible business is made in the 2nd through 6th year after its first year of operation is completed and all qualifying criteria are documented and verified. Qualification for payment of the monetary incentives in years two (2) through six (6) must occur independently at the completion of each successive year to ensure the continued adherence to the criteria established.

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Type of Ownership	Points
Lease of less than 5 years	0
Lease of 5 – 9 years	1
Lease of 10 or more years	2
Ownership with Occupancy	3
Corporate Headquarters in Miami Beach	1

Average Wages of Employees	Points
At or below 120% the average of wages in Miami-Dade County as determined by Miami-Dade County	0
Greater than 120% and up to 124% the average of wages in Miami-Dade County as determined by Miami-Dade County	1
Greater than 124% and up to 130% the average of wages in Miami-Dade County as determined by Miami-Dade County	2
Greater than 130% the average of wages in Miami-Dade County as determined by Miami-Dade County	3

Number of New Fulltime Jobs	Points
Less than 10	0
At least 10 and less than 20	1
At least 20 and less than 50	2
At least 50 and less than 100	3
At least 100 and less than 300	4
300 or greater	5

Capital Investment	Points	Points (North Beach)
Increase in assessed real estate property value	1 point for every \$1,000,000	1 point for every \$500,000
Increase in tangible personal property value	1 point for every \$1,000,000	1 point for every \$500,000

4. Requirements

Barring any conflicts with the eligibility criteria and incentive award description, the requirements for the Capital Investment Incentive Program shall mirror the Job Creation Incentive Program.

5. Application Process

Barring any conflicts with the eligibility criteria and incentive award description, the application process for the Capital Investment Incentive Program shall mirror the Job Creation Incentive Program.

6. Award Disbursement

Barring any conflicts with the eligibility criteria and incentive award description, the award disbursement process for the Capital Investment Incentive Program shall mirror the Job Creation Incentive Program.

Sample Incentive Award (all scenarios reflect location outside of North Beach target area)

	Company A	Points	Company B	Points	Company C	Points
Ownership Type	Lease of 5 – 9 years	1	Lease of 10 or more years	2	Ownership with Occupancy	3
Average Wages	Greater than 124% and up to 130%	2	Greater than 120% and up to 124%	1	Greater than 130%	3
Number of New	25	2		3		4

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Jobs			50		100	
Capital Investment (Real Property)	\$5m	5	\$10m	10	\$20m	20
Capital Investment (Tangible)	\$1m	1	\$1m	1	\$2m	2
Total Points	11		17		32	
Total Annual Incentive	11points x \$1,000 = \$11,000		17 points X \$1,000 = \$17,000		32 points x \$1,000 = \$32,000	
Total Incentive over 5 years	5 x \$11,000 = \$55,000		5 x \$17,000 = \$85,000		5 x \$32,000 = \$160,000	

FISCAL IMPACT

All proposed incentives are performance-based. Job creation and/or capital investments must be demonstrated and/or sustained prior to disbursement of award. The proposed incentives also reflect a lengthy installment period so as not to shock the General Fund without the additional revenue generation that the incentive is intended to induce.

Job Creation Incentive Program applications and awards will vary in quantity and amount based on the number of applications and the application details. Applications may be accepted and awarded at the discretion of the City Commission. A submitted application does not bind the City Commission to grant an award. The maximum annual award for a single company in a single year is \$60,000 if all jobs are created or relocated during that year. The maximum total award over a 3 - 4-year period is between \$180,000 and \$240,000 for a single company. Award funding may be budgeted on an annual basis or through a budget amendment.

Similarly, the fiscal impact of the Capital Investment Incentive Program will be determined by the number of approved applications and the qualifying incentive amounts for each approved application. A single new-to-market or expanding company may qualify for a maximum annual payment of \$50,000. The total payment to any eligible company over the maximum five-year period shall not exceed \$250,000. For both proposed incentives, the required economic impact analysis for each application will serve as guidance in determining the net value of an approved incentive award.

Initiative: Incentivize development of Class "A" office space

Department: Planning & Economic Development

There is currently approximately 940,000 square feet of Class A office space in Miami Beach. When Starwood Capital Group moves into its new space at 2340 Collins Avenue in Q3 of 2021, it will free up 120,000 square feet in its existing space on 1601 Washington Avenue and make available 50,000 square feet in the new building as well for a total of 170,000 square feet or approximately 12% of total Class A office space inventory in the city.

On October 9, 2020, the City issued a Request for Letters of Interest (RFLI) seeking expressions of interest in developing Class A office space on Lincoln Lane North. At the direction of the City Commission and in accordance with CBRE's October 2020 Office Market Overview, the Administration

has prepared and released the RFLI seeking expressions of interest from developers that may be interested in developing Class A office space on any or all of the three largest parking lots adjacent to Lincoln Road, which include P25, P26 and P27. The benefit of the RFLI is that it will allow the City Commission to determine if there is interest from the development market to build Class A office space on any of these lots. Only expressions of interest are being requested at this time in order to allow the City Commission to gauge the level of market interest in developing any of the referenced lots. The RFLI specifically asks interested parties not to submit offers or proposals. If market interest in developing Class A office space on these lots exists as determined by the City's receipt of expressions of interest, the City Commission may consider issuing a future Request for Proposals (RFP) seeking formal detailed proposals from interested parties. A formal RFP would be required to seek development proposals as any development on these lots would require approval of a referendum by the voters. Further, following the receipt of expressions of interest, the Administration may hold industry meetings with any party expressing preliminary interest to discuss any questions or concerns prior to issuing an RFP that would be subject to the cone of silence rules. The information that can be received from the RFLI and the industry meetings will assure the City Commission and Administration that the RFP is developed in a way that promotes the City's best interest while maximizing the benefit the City may receive from development of these lots. The RFLI was issued on Friday, October 9, 2020. A targeted digital advertising campaign for the RFLI commenced in December and will continue through February. Letters of interest are due to the Procurement Department by February 11, 2021.

A proposal to amend the Land Development Regulations of the City Code was referred to the Land Use and Sustainability Committee to help incentivize the development of office space, which is traditionally less volatile than hotels or hospitality businesses to economic shocks. The proposal included height increases in strategic commercial areas to incentivize office uses. The initial draft ordinance proposed an increase in allowable building height for mixed-use commercial buildings containing a minimum of 10,000 square feet of office area. The ordinance was modified to set a minimum threshold of 0.30 FAR in order to qualify for increased height. Additionally, a maximum height of 75 feet was proposed in all of the applicable districts. The following is a summary of the specific commercial areas of the City that were originally proposed for the increase in height:

1. Sunset Harbor Area CD-2 District: Increase from 50 feet to 75 feet.
2. Alton Road CD-2 District: Increase from 50 feet and 60 feet to 75 feet
3. Sunset Harbor and Terminal Island I-1 District: Increase from 40 feet to 75 feet.
4. Fifth Street Area CPS-2 District: Increase from 50 feet to 75 feet east of Lenox Avenue and west of Washington Avenue.

The proposed increase in height would allow for the expanded interior floor to ceiling space being sought by office users and office developers. From a practical standpoint, when parking and mixed-use pedestals are included, the current height limitations in the aforementioned areas limit the interior ceiling heights for all uses. Additionally, the aforementioned areas of the City are along dedicated transit corridors and have access to public parking facilities.

The proposal would apply to limited, strategic areas and would help diversify the City's economy, and is consistent with the concept of transit-oriented development, which is ideal for the identified areas. This is an important point because the City's long-term mobility plan places considerably more emphasis on transit. In turn, this will likely result in less of a need for onsite vehicular storage in the future, which would equate to a reduction in overall building height.

Due to concerns with adjacent historic districts, the Fifth Street area was removed from consideration. The LUSC moved the item to the full City Commission in accordance with the following:

1. A recommendation in favor of the proposal for a height increase applying to Terminal Island;

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2. No recommendation on the areas fronting the west side of Alton Road from 5th Street to Collins Canal;
3. No recommendation on Sunset Harbor.

The LUSC also recommended that the full City Commission consider the following in its discussion on the matter:

1. Requiring visual images and massing studies for the larger areas affected by the proposal, and not just the specific properties seeking the change;
2. Potential quality of life and community/public benefits;
3. Consider a sunset provision for the proposal;
4. Requirements for neighborhood uses and activation at the first level of the building;
5. The inclusion of North Beach in the scope of the ordinance.

On October 14, 2020, the City Commission discussed the referral of an ordinance to the Planning Board pertaining to strategic increases in building height to incentivize office uses (item C4G), and took the following action:

1. Referred the Terminal Island and Alton Road portions of the proposal to the Planning Board.
2. Continued the Sunset Harbor portion of the referral to the November 18, 2020 City Commission meeting for further discussion and consideration.

On November 17, 2020 the Planning Board transmitted an ordinance specific to strategic height increases for offices on Terminal Island and Alton Road to the City Commission with a favorable recommendation. On December 9, 2020, the City Commission approved the subject ordinance at first reading for Terminal Island only and scheduled second reading / adoption for January 13, 2021. The City Commission referred the Alton Road portion of the proposal back to the Land Use and Sustainability Committee (LUSC) for further discussion. On January 13, 2021 the City Commission adopted the ordinance to increase the maximum height on Terminal Island. The LUSC is scheduled to discuss the Alton Road portion of the legislation on January 20, 2021.

With regard to the Sunset Harbor proposal, On November 18, 2020 the City Commission continued the proposed referral pertaining to office height increases for Sunset Harbor to December 9, 2020. On December 9, 2020 the City Commission referred a draft ordinance for an office height increase affecting a single block area in Sunset Harbor to the Planning Board. The Planning Board is scheduled to consider this ordinance at their January 26, 2021 meeting.

TRANSFORMING ONE-TIME FUNDS INTO RECURRING REVENUE

Initiative: New recurring revenue from Convention Center Hotel

Department: City Manager's Office

On November 6, 2018, voters approved a development and ground lease agreement for the construction and operation of a new 800-room Convention Center hotel and related facilities. The agreement included guaranteed rent payments of \$2 million per year and additional rent over and above that amount based on a formula in the agreement. When the hotel is built, the guaranteed rent payments of \$2 million will provide new recurring funding that is dedicated equally between:

- Stormwater projects
- Traffic reduction measures
- Education initiatives

To illustrate the proposed use of these funds, in Year 5, the Hotel's guaranteed rent to the City is fixed

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at \$2 million. However, in Year 5, the City anticipates it will receive \$2.6 million in total Hotel rent payments, based on the percentage rent due to the City under the Hotel leases. Accordingly, the City would dedicate \$2 million in Year 5 in equal portions of \$666,666.66 for stormwater projects, traffic reduction measures, and education. Any rent payments received in Year 5 in excess of the \$2 million guaranteed rent would be used to support other public programs or projects, as part of the City General Fund.

Given the current uncertain economic conditions in the hospitality industry and the financial markets, however, we do not know as of today when construction of the hotel will commence and, therefore, when the hotel will open for business.

Initiative: Enhance one-time and recurring revenue from Marina Park project

Department: City Manager's Office

On November 3, 2020 residents voted on 3 referendums related to the Marina Park project. The proposed transaction was intended to maximize the performance of the Miami Beach Marina and upgrade its facilities, enhance the neighborhood through neighborhood-oriented commercial and retail spaces, improve resiliency with capital improvements focused on sustainability, provide a park with additional public green space in the city, and generate substantial lease and other revenues for the City.

Voters approved a lease of City property for operation of the marina as well as the proposed use of \$55 million from sale of City property for the project, but did not approve the sale of City property and air rights for the project. As a result, the Marina Park project will not move forward since approval of the sale of City property and the air rights question was needed to make the project happen.

As opportunities arise as part of development agreements or Private Party Partnerships (P3's) the City will continue to look at creating or increase recurring revenue streams.

INCREASE RESILIENCY OF CITY'S FINANCES

Initiative: Increase reserves to be more resilient to economic shocks

Department: Office of Management & Budget

During 2019, the City Commission approved changes to the reserve policies for the Resort Tax Fund and the General Fund. Both of these changes were endorsed by the Budget Advisory Committee.

The Resort Tax Fund reserve policy was increased from a goal of 3 months (2 month requirement) to a goal of 6 months (required amount would begin with 2 months and increase over time as a moving floor until it reaches 6 months). The Resort Tax Fund reserve at the beginning of FY 2020 was \$15.2 million or 3 months.

The General Fund reserve policy was increased from a goal of 2 months or 17% (11% requirement with additional 6% goal) to a goal of 3 months or 25% (17% requirement with an additional 8% goal). The General Fund reserve at the beginning of FY 2020 was \$80.6 million or 23%.

As part of managing the negative financial impact from COVID-19, the City is planning the following use of reserves:

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	General Fund Reserve Amount	Resort Tax Reserve Amount
Current Reserve	\$80.6 million	\$15.2 million
Use of Reserve in FY 2020	(\$0.3 million)	(\$5.0 million)
Use of Reserve in FY 2021	(\$9.6 million)	0
Remaining Reserve	\$70.7 million	\$10.2 million

Note: use of reserves does not include COVID-19 related expenses that are considered reimbursable

These amounts preserve strong reserve levels for hurricane season and next budget cycle. In addition, given the uncertainty regarding the pace of recovery for Resort Tax revenue, it may be necessary to use more of the General Fund reserve than originally planned. An update to the Resort Tax projections is planned in January/February following the close of the first quarter.

Miami-Dade County has received an allocation from the Coronavirus Relief Fund under the CARES Act and the City has executed an interlocal agreement with the County. As of January 11th the City has submitted approximately \$51.4 million of year-to-date expenditures for potential reimbursement and received \$32.8 million. The Administration recommends that any funds that are received would be used to (1) re-balance the FY 2021 Budget and (2) cover any reserve amounts used to balance the budget (General Fund and Resort Tax Fund), currently \$17.4 million, due to shortfalls from the economic impact of COVID-19.

If the Marina Park project had been approved by the voters in November 2020, additional one-time funds could be allocated to offset the planned use of reserves and/or allocate additional funds towards the achievement of the General Fund and Resort Tax Fund reserve policies.

Initiative: Enhance resiliency of Resort Tax revenues

Department: Office of Management & Budget

As recommended by the Mayor's Blue Ribbon Emergency Response Committee, in 2017 and 2018 the City researched the possibility of purchasing parametric insurance to insure the City's tourism revenues, which has not been done in the U.S. before. After evaluating the cost of a premium based for different parametric triggers, staff found that the potential payouts did not make economic sense based on historical data. The analysis showed that resort taxes were surprisingly resilient in that most shocks only resulted in one year of impact before rebounding to normal levels. As a result, the Administration recommended, with the support of the Budget Advisory Committee, to change the Resort Tax Reserve to increase reserves from a goal of 3 months (2 month requirement) to a goal of 6 months (required amount would begin with 2 months and increase over time as a moving floor until it reaches 6 months). Staff continues to monitor parametric insurance opportunities in case that option becomes more attractive in the future.

Initiative: Continually review cost structure of City departments

Department: Office of Management & Budget

As part of the FY 2021 budget process, the Parking enforcement function is being right-sized to be more resilient to future shocks. Currently parking enforcement is comprised of 33 full-time positions and 31 part-time positions. The demand for parking enforcement can vary considerably due to high impact events like Art Basel, the Super Bowl, and the NCAA National Football Championship and economic shocks like hurricanes, Zika, and COVID-19. Due to the fixed costs of the current parking enforcement model, it is difficult to reduce costs in a downturn and expensive to increase service for a high impact event. The proposed model would convert 16 full-time positions to part-time positions and eliminate 13 part-time positions for a total of 34. This change is projected to save \$0.5 million annually.

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Currently the Sanitation department provides services to the Parking Department. As part of other cost saving measures, the Parking Department will be cutting back on services and transitioning to a private service provider. This change is resulting in a \$1.5 million loss of revenue to the Sanitation Department. To date, the Sanitation Department has identified \$1.2 million of cost savings, but there remains at least a \$300,000 gap. Over the next few months, the Sanitation Department is actively evaluating various cost-saving ideas. The Budget Advisory Committee has expressed interest in helping identify and vet the cost-saving ideas and reviewed the item at their meeting on November 17, 2020.

In advance of the FY 2022 budget process, the Administration will continue to evaluate cost-saving measures across the organization to help address the continuing financial impacts of COVID-19 and help close the anticipated budget gap next year.

Conclusion

The Administration will continue to pursue various initiatives to reduce the City's dependence on tourism revenue and each item will be evaluated through applicable Commission Committees for full consideration by the City Commission.

Attachments

Attachment A – October 2019 Economic Conditions Report

Attachment B – Spring 2020 Business on the Beach

RJA/JW