

COMMITTEE MEMORANDUM

TO: Members of the Finance & Economic Resiliency Committee

FROM: Raul J. Aguila, Interim City Manager

DATE: March 26, 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 and January, the main topic was business attraction and retention as well as potential economic incentives by Economic Development. In February, the focus was a presentation by the Property Management Department regarding the Asset Inventory Study recently completed by CBRE and follow up from Economic Development. For this meeting, Property Management will discuss potential opportunities regarding the vacant parcels identified in the Asset Inventory Study.

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.

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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%

In January, Spectra 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 Partnerships continues to drive new conversations and virtual meetings on building new corporate sponsorships for Miami Beach.

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Spectra is actively scheduling and holding sales meetings with Miami, South Florida, and national companies to introduce the opportunity for partnerships and to define what areas companies may wish to consider further. Creating this pipeline is important so that decisions can be made quickly once marketing spending returns to pre-pandemic levels. Spectra has had productive conversations with premium brands in the following industries:

- Apparel
- Automobile
- Bank-after 3/29 RFP responses
- Beer
- Beverages (non-alcoholic)
- Cable/Internet
- Energy Providers
- Energy Drinks
- Grocery
- Health and Fitness
- Healthcare
- Rideshare
- Spirits
- Sporting Goods
- Telecommunications
- Water

While they have received positive feedback, please note that most brands have frozen spending until Q3 at the earliest. Many will not begin activations until calendar year 2022. This is all dependent upon events and venues being fully operable.

Initiative: Maximize value of City-owned assets

Department: Property Management

The Property Management Department is exploring best practices and methods 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 lessees, generating additional revenue, and working with Economic Development to evaluate potential real estate deals. To facilitate these efforts, CBRE was engaged to conduct an inventory review of real estate assets owned by the City.

In its initial review, CBRE identified 384 parcels maintained by the City from tax rolls and unique Folio numbers. Through a hierarchical search process, the firm was able to uncover twenty-two (22) additional parcels covering nearly 300,000 square feet. Of these, nineteen (19) were excluded from the portfolio for further review by the City, resulting in 387 total parcels covering 690 acres of land that were assessed, mapped, and catalogued by use type as depicted in Attachment B and more particularly described in Table 1 of Attachment A, enclosed hereto. The complete description of the asset, including acreage and any property structures were also summarized. The distribution of parcels revealed that a quarter of the City-owned area is vacant land.

In addition, CBRE categorized zoning of existing properties and provided recommendations for potential zoning changes. The inventory identified 136 parcels that do not have any improvements and/or serve as parking locations. Of the 136 parcels for potential disposition, twenty-three (23) are vacant lots encompassing 238,288 square feet with no clear use identified. The underutilized parcels or disposition candidates were summarized with a proposed rezoning and mapped. The City would work in collaboration with the Planning and Zoning Department to assure compatibility with surrounding uses and neighborhoods.

The City would need to evaluate the monetary and public benefits it would realize through rezoning. Underutilized parcels can be sold, or ground leased to achieve higher and better use. If implemented, the parking component would be required as part to the overall site redevelopment to ensure adequate and available parking for public use. Concurrently, CBRE noted other anticipated benefits including:

- Returning the property to the tax rolls and private sector benefit
- Creating a source of revenue (one time or ongoing) from the disposition proceeds to fund other city mission critical needs
- Reducing liability associated with ownership (e.g., slip and falls)
- Reducing operating expenses associated with maintaining the property
- Avoiding long-term capital expenditures

The City now has an updated repository of real estate portfolio data that it can use for developing long-range plans and strategic decisions regarding development, acquisitions, and disposal of City-owned assets. CBRE has provided the City with portfolio data that can be maintained and validated through dynamic table summaries. This provides a resource that can be regularly updated as the City makes changes to zoning, land use, or lease; rectifies and incorporates any exceptions noted in the report; and can be integrated with GIS platforms for mapping. The portfolio data would be reviewed on a regular basis to ensure accuracy and integrity.

The City's real estate inventory provides opportunities to assess the suitability of sale and development. The report provides recommendations on parcels that could be sold, returned to the tax rolls and generate revenue to maximize the value of City-owned assets. The Property Management Department is partnering with the Economic Development Department to identify and address these opportunities, establish leases and agreements aligned with targeted businesses, and provide lease spaces for businesses that would further diversify the City's economy. The Administration recommends that the Economic Development and Property Management (Office of Real Estate) utilize this information to develop a strategic plan on suitability and maximizing use of the City's assets.

For this meeting, the Property Management will discuss potential opportunities regarding the vacant parcels identified in the Asset Inventory Study as requested at the last meeting of the FERC (see attached Presentation).

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 (MBVCA) 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 MBVCA "My Miami Beach, Your Escape" campaign and the GMCVB "Play, Work & Learn Remotely in Miami" program.

We currently have 11 Miami Beach Hotels offering Work & Learn Hotel packages. Below is a link:

<https://www.miamiandbeaches.com/offers/work-and-learn-remote-packages?filter=offers&orderBy=Personalisations®ionsIds=19,33,42&pageNum=1>

The expiration dates of these offers vary and the amenities include:

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- Poolside working stations;
- Conference rooms available for Zoom meetings;
- Power lunch meals;
- Spa treatments discounts;
- Free WIFI;
- Office space for the day;
- Beach access after conference calls; and
- Wellness and fitness activities for a quick break.

The GMCVB *Miami Shines* campaign continues to be promoted in key feeder markets across the U.S. including New York, Boston, Philadelphia, Chicago, and Washington D.C. Likewise, the VCA's "My Miami Beach, Your Escape" campaign continues to be promoted to the Miami Beach drive market.

The GMCVB promoted incentive, "Practice Safe Sets", in partnership with Miami Beach hotels and the Miami Beach Convention Center, continues 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> As of February 2021, 38 of the 92 hotels participating in Practice Safe Sets (41%) are located in Miami Beach.

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>

As part of the MBVCA recovery marketing efforts, we have enhanced the targeted narrative to entice remote workers and double down on the emerging consumer trend of "workcations," positioning Miami Beach as the perfect lifestyle destination.

Media:

<https://www.travelandleisure.com/trip-ideas/romantic-getaways/best-babymoon-destinations-ideas>

<https://www.prnewswire.com/news-releases/miami-beach-invites-visitors-to-experience-the-destinations-naturally-perfect-backdrop-to-unwind-and-relax-301244963.html>

<https://communitynewspapers.com/miami-beach-news/miami-beach-invites-locals-and-visitors-to-relax-and-tap-their-inner-zen/>

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

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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 festive, family-friendly events, supplemented by the unexpected, surprising, multi-generational and multi-ethnic events; expanding the food culture and cuisine of the District and taking 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.

Current programming includes:

Soundscape Cinema Series – continues its 11th season, the free weekly series of family friendly movies began in November and continues every Wednesday thru May 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 continues to partner 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 comes 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.



ReThink Miami Beach – *ReThink Miami Beach* is a new series of events launched in January 2021 and will take place in February, April and June in Lummus Park on 12th Street and Ocean Drive. The *ReThink* series opens and invigorates the mind, body, and spirit through free family-friendly programming driven by the local community. *ReThink* aims to bring Miami Beach's innovative, creative and imaginative residents and visitors together by providing a safe, healthy, and socially distanced space, as well as a fun and engaging environment to re-think the way we live, play, create, and experience life. *ReThink* programming is driven by local community businesses, artists, performers, and groups. It focuses on three principles—*Living, Playing, and Creating*—that after a quarantined 2020, will allow our residents and visitors to enjoy and embrace 2021 and *ReThink* our individual and collective future and make it better.



Miami Beach Artisanal Market – A Request for Proposals (RFP) to manage the Lummus Park, Normandy Fountain, and Collins Park Artisanal Markets will be release in Q1 2021 and seeks an operator of the free local weekend marketplaces that integrate a curated selection of artistic goods, services, and organic produce. The markets will offer a variety of 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.



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

Sustainability Temporary/Permanent Installations:

The major permanent installation, *ReefLine*, an underwater public sculpture park that is designed to serve as a vibrant artificial reef, continues on course for a December 2021 opening on the coast of Miami Beach. The first mile is scheduled to be completed by December and the public art project is planned to run seven miles long and 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>



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 continue to be considered, planned and executed.



Media:

<https://www.architecturaldigest.com/story/miamis-buoyant-art-and-design-scene-proves-culture-can-thrive-amid-the-pandemic>

Lummus Park Activations

HITT in the Park	Weekly
Re-Think Family Activation	January, February, April 24 & 25, June
Music in the Park	TBD
Sing A Long	TBD
Theater in the Park	TBD
Painter/Painting in the Park	January, February, April, June
SOBEWFF	May
Air & Sea Show	May

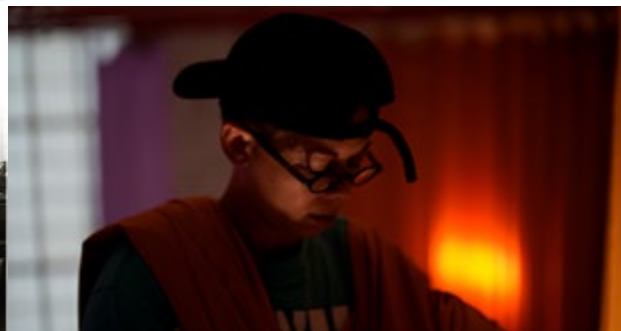
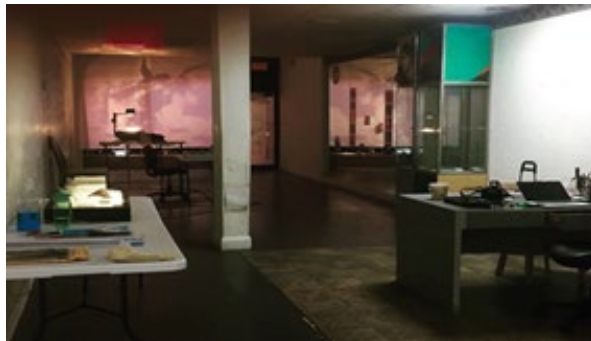


Citywide Programming includes:

Soundscape Cinema Series	November - May
Cultural Crawl	January - May
Normandy Fountain Activation	April, May, June
Memorial Day Weekend	May
Juneteenth	June
July 4 th Celebration	July

Miami Beach Open House

The City launched *Miami Beach Open House* on January 21, 2021 and will continue to activate more spaces through April 2021. A partnership between the Tourism and Culture and Economic Development Departments, Miami Beach Open House is an innovative artist residency program that fills vacant Miami Beach storefronts with artistic workspaces, studios, exhibition spaces and multi-disciplinary performances. In collaboration with participating property owners, Miami Beach Open House provides space to envision and breed new art forms that benefit the City's entire community. The program augments the dynamic cultural atmosphere and highlights available spaces for temporary and long-term economic opportunities.



Media:

<https://www.remiamicbeach.com/citywide/art-will-fill-vacant-spaces-in-miami-beach/>
<https://patch.com/florida/miamibeach/artists-miami-beach-open-house-announced>

RECRUITING NEW BUSINESS

Initiative: Enhance business recruitment and retention

Department: Economic Development

On February 19, 2021, the Administration outlined a three-pronged approach to business attraction for the technology and financial services industry focus areas. The strategy includes 1) Policy Direction and Relationship-building; 2) Inducements and Services; and 3) Public Relations and Marketing. On

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March 17, 2021, the City Commission adopted three (3) resolutions in furtherance of business attraction, retention, and expansion of businesses within the targeted industries. The resolutions support three (3) tactics as follows:

1) Affirmative Resolution Urging Miami-Dade County: A Resolution of the Mayor and City Commission declaring an intent to attract technology and financial services firms/businesses to Miami Beach. Additionally, the adopted Resolution provides direction to the Administration and urges Miami-Dade County to pursue steps to make this type of business attraction a priority. This declaration sent the message to existing and potential businesses that the city is committed to cultivating and supporting these targeted industries. The Administration will engage with the office of Mayor Daniella Levine Cava to participate in the newly launched ReNew 305 initiative.

2) Business Attraction Inducements and Services – Expedited Plan Review and Permitting: No-cost incentive offered to certain eligible businesses and developers to encourage targeted relocations or expansions and associated development. Developments or renovations supporting the targeted industries will be eligible for a 10-day plan review and permitting process.

3) Business Attraction Incentives – Job Creation Incentive Program: The Job Creation Incentive Program (JCIP) is a baseline financial incentive package that will ensure that the city has a greater competitive advantage in the local market and the ability to leverage existing incentives available from the State and County. 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 Miami-Dade County or State of Florida average wage, whichever is higher, at the time of the application.

Additionally, the Administration is working to implement the following strategies:

- Messaging and Collateral: Communicating with the appropriate audience is critical to being successful in efforts to recruit businesses and investors. With a myriad of options both locally and nationally, it is essential that the city highlight the strengths and opportunities that set us apart from other locales. The Administration will develop and disseminate collateral and content through public relations and marketing efforts. A press release summarizing the recently adopted resolutions was issued on March 18th and garnered coverage in the South Florida Business Journal. Going forward, strategic public relations efforts will launch after the Spring Break/High Impact period in order to prevent potential message interruption or dilution.
- Business Leadership Advisory Council: Development of a Business Leadership Advisory Council in coordination with existing business groups. The Council is to be comprised of relevant, top-tier industry leaders in order that the City Commission and Administration may draw from the insights of the Council to develop policies well suited to attract like businesses within the focus areas of technology and financial services. The Administration has already reached out to the Miami Beach Chamber of Commerce to discuss an implementation strategy.
- Access to Leadership: The Mayor and City Commission play a significant role in the business attraction process. Many business owners and leaders make relocation decisions, at least in part, based on the professional relationships built with elected officials and their perception of whether the elected body is supportive. The Mayor and City Commission serve as ambassadors for the city in this regard. This tactic will be achieved by developing a structured, yet flexible method of offering potential business owners access to the elected body which includes a combination of the Mayor along with all or designated members of the City Commission.

Traditionally, the City has benefited from its international status in order to attract visitors and investment. Today, it is imperative that the city enact a tailored approach and proactive measures to seek out and attract new industry. To be successful, we must leverage collaboration with our regional partners but also highlight what distinguishes Miami Beach from its mainland neighbors. Attracting new business and investment to the city is a top strategic priority and the initiatives discussed above are necessary to promote and increase awareness of Miami Beach's competitive strengths.

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 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 RFLI specifically asked interested parties not to submit offers or proposals. The deadline to submit letters of interest to the Procurement Department was 3:00 PM on February 11, 2021. The City received letters of interest from fifteen (15) entities prior to the deadline. Three (3) additional letters of interest were received just after the deadline for a total of eighteen (18) responses. The list of interested parties includes accomplished real estate developers and investors, known both locally in the region and nationally. The benefit of the RFLI is that it allowed 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 were requested in order to allow the City Commission to gauge the level of market interest in developing any of the referenced lots.

On March 17, 2021, the City Commission authorized the Administration to prepare an RFP for redevelopment of the City-owned parcels into mixed-use structures incorporating Class A office space and public parking facilities. In addition to the three surface lots, the Administration, at the direction of the City Commission, will also include a fourth City-owned parcel adjacent to Lincoln Road that is improved with a multi-story parking structure – the 17th Street Garage.

The RFP solicitation will aim to maximize use of underdeveloped City-owned assets and encourage private capital investment, offering developers a tremendous opportunity to access public land steps away from Lincoln Road in the heart of South Beach. Proposals must incorporate Class A office space and provide for replacement of any existing public parking. Any P3 project(s) on each of the four parcels would observe the surrounding CD-3 (Commercial, high intensity) zoning. Pursuant to the City's Charter, any long-term ground lease of the parcels would require approval at referendum by a majority of the electorate. Firms invited to participate in the RFP would include but not be limited to respondents to the RFLI.

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

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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;
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

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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 discussed the Alton Road portion of the legislation on January 20, 2021 and continued the item to February 17, 2021. On February 17, 2021 the LUSC discussed the proposal and directed the Administration to incorporate additional modifications, and continued the item to the March 24, 2021 LUSC meeting.

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 transmitted this single block ordinance to the City Commission with a favorable recommendation at their January 26, 2021 meeting. On February 10, 2021 the City Commission approved, at first reading, the single block ordinance for office height increases in Sunset Harbor. Second reading of the single block ordinance has been scheduled for April 21, 2021. The City Commission also referred a Sunset Harbor Overlay ordinance to the Planning Board. This overlay ordinance includes an increase in height for office uses in a broader area of Sunset Harbor and is scheduled to be reviewed by the Planning Board on March 23, 2021.

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 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.

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.

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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:

	General Fund Reserve Amount	Resort Tax Reserve Amount
Reserve as of 09/30/2019	\$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)	-
Remaining Reserve	\$70.7 million	\$10.2 million
New gap in FY 2021	(\$27.8 million)	-
CARES Act funds to date	\$31.6 million	-
CARES Act funds approved but not received	\$7.3 million	-
Revised Reserve	\$81.8 million	\$10.2 million
Police initiatives	(\$7.5 million)	-
Furlough day change	(\$1.2 million)	-
Revised Reserve	\$73.1 million	\$10.2 million

Since the FY 2021 Budget was adopted, the planned use of reserves has changed due to the slower than anticipated recovery in resort taxes and General Fund revenues from the impact of COVID-19. The preliminary first quarter projections anticipate that an additional \$27.8 million will be needed from reserves to re-balance the FY 2021 Budget.

To help offset this cost, Administration recommends applying funds recently received from the Coronavirus Relief Fund under the CARES Act, through Miami-Dade County. As of March 15th the City has received \$34.6 million of which, \$31.6 million is reimbursable to the General Fund. These reserve amounts preserve strong reserve levels for hurricane season and next budget cycle.

At the March 17th Commission meeting, \$7.5 million of additional Police resources were added to the budget including enhanced staffing, acceleration of security camera projects, and creation of a real-time crime center. In addition, a furlough day change was approved resulting in zero unpaid furlough days for FOP and IAFF employees and one less furlough day for all other employees totaling \$1.2 million.

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.

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

Exhibit A-Parcels for Potential Disposition

Presentation-Maximize Value of City-Owned Assets

RJA/JW