

COMMITTEE MEMORANDUM

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

FROM: Alina T. Hudak, City Manager

DATE: March 30, 2022

SUBJECT: **A DISCUSSION OF A PROPOSED PARKING GARAGE, MIXED-USE OFFICE/RETAIL PROJECT ON THE CITY PARKING LOT AT 1262 COLLINS AVENUE (P16).**

Background

On October 13, 2021, Commissioner Ricky Arriola referred a discussion item to the Finance and Economic Resiliency Committee (FERC) pertaining to a proposal for a mixed-use building at the location of City-owned Parking Lot (P16) located at 1262 Collins Avenue (Item #C4O). The item was deferred to a future FERC meeting for discussion.

Parking Lot P16, located at the southwest corner of Collins Avenue and 13th Street is a 21,000 square foot surface parking lot with sixty (60) spaces. The parcel is comprised of Miami-Dade County folio numbers 02-3234-008-1020 and 02-3234-008-1030. Annual parking revenue for P16 averaged \$380,729.50 for the period between FY2016 and FY2019.

Location Ventures, LLC (LV) submitted an unsolicited proposal that would engage the City of Miami Beach (the City) and LV in a redevelopment Project of P16 with a new mixed-use structure, including ground floor commercial space, office space and a parking garage (Exhibits A). LV is requesting the City Manager consider, by resolution adopted by a five-sevenths vote of the City Commission that the competitive bidding requirements be waived. The new structure is proposed to consist of 169 parking spaces, 8,167 square feet of ground floor retail, and 8,524 square feet of Class A office space, with an overall maximum height of seventy-five (75) feet (Exhibit B).

LV is requesting a 99-year lease term and would maintain a leasehold interest in the garage structure and, as proposed, would collect 100% of the net cashflow from the operation of the garage after debt service until the payoff of the Project equity, and a ten percent (10%) internal rate of return on the Project equity, which is further detailed on the Annual Proforma (Exhibit C). LV shall have a period of twenty-four (24) months for construction of the Project (including development approvals). During the initial ten (10) years of the Lease Agreement, the City shall not realize any revenue from the Project. Upon payback of the equity by LV, which is projected to be ascertained within the first ten (10) years of the Lease Agreement, the City and LV have the right to terminate the leasehold interest and LV would turn over management and operation of the project to the City. The loan balance will also be passed on to the City, which is projected at approximately \$12.3M in the year 2032. The City shall collect 100% of all operational income at that time and may determine future operations, management and partners (if

any) going forward.

ANALYSIS

This parking lot is highly utilized, and the immediate area needs additional parking amenities. The closest parking garage (G3, located across the street on 13th and Collins) is mostly filled. Moreover, parking garage G2 (located on 12th Street – next to the Police Station) also holds excess demand. LV's proposal will add close to fifty (50) additional and needed parking spaces for the City's use. The properties along Washington Avenue will benefit greatly from additional parking spaces. Furthermore, bringing a mixed-use project to the area with offices and retail would complement and enhance the district.

The City would benefit from having a third-party perspective on the potential for redevelopment of this parking lot, which would alleviate the financial impact to the City, while meeting additional parking demands.

Considering the size and location of the subject site, the Administration believes that if the parking lot is to be developed through a public-private partnership, there should be a competitive bidding process. If a competitive bid process is recommended by FERC and approved by the City Commission, then a formal Project Scope and Term Sheet would be developed.

CONCLUSION

If the Finance and Economic Resiliency Committee determines that the development of P16 would be beneficial to the City's economic interests, the Administration recommends the formal competitive bidding process set forth in section 82-39(a) of the City Code be followed, finding that it is in the City's best interest to solicit additional bids and concepts in order to affirm the highest and best use for this parcel.

Exhibits

- A – Location Ventures, LLC Term Sheet
- B – Location Ventures, LLC Concept Design
- C – Annual Proforma