



City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee Members

FROM: Alina T. Hudak, City Manager

CC: Rafael Paz, City Attorney

DATE: April 29, 2022

SUBJECT: **NEGOTIATED TERM SHEETS PURSUANT TO RFP 2021-173-KB FOR MIXED-USE DEVELOPMENTS INCORPORATING CLASS A OFFICE SPACE WITH RESPECT TO CITY-OWNED PARKING LOTS P25, P26, AND P27**

History:

The City Commission has expressed an interest in diversifying the City's economy and its revenue sources by capitalizing on economic growth opportunities presented by the current and projected business growth in the region, particularly by making a concerted effort to increase Class A office space inventory throughout the City to attract targeted industries.

At its December 11, 2019 meeting, the City Commission discussed the possibility of making available surface parking lots along Lincoln Lane North to promote the development of Class A office space in the city center/Lincoln Road area. To gauge interest from the development community, the City Commission directed staff to issue a request for letters of interest (RFLI) for the development of Class A office space on surface parking lots immediately north of Lincoln Lane.

On October 9, 2020, the Administration issued RFLI 2021-029-KB seeking expression of interest from developers interested in building Class A office developments on surface parking lots P25, P26, and P27. The RFLI yielded expression of interest from eighteen (18) respondents.

Based on the results of the RFLI, on February 19, 2021, the Finance and Economic Resiliency Committee (FERC or the Committee) recommended the Administration seek City Commission authorization to prepare a Request for Proposals (RFP) for ground leases and development agreements for the development of Class A office space on three Lincoln Lane surface parking lots (P25, P26, and P27). On February 24, 2021, the City Commission discussed the results of the RFLI, accepted the FERC's recommendation, and directed the Administration to include all three surface parking lots as well as the 17th Street parking garage (parking garage G5) in a forthcoming RFP.

On March 17, 2021, the City Commission adopted Resolution No. 2021-31617, authorizing the preparation of a RFP for mixed-use development incorporating Class A office space at three City-owned sites along Lincoln Lane North as well as the 17th Street parking garage (G5).

On June 23, 2021, the City Commission approved the issuance of Request for Proposals (RFP) 2021-173-KB for mixed-use developments incorporating Class A office space and retail on City-owned parking lots P25, P26, P27, and parking garage G5. The RFP included multiple site options for proposed development.

The goals of the RFP included:

- (1) encouraging development of Class A office space to meet growing demand;
- (2) maintaining parking capacity while providing alternative and sustainable transportation and mobility options;
- (3) transforming and activating North Lincoln Lane from a service alley to a vibrant and pedestrian-friendly street with amenities that will enhance the urban experience; and
- (4) connecting the Convention Center District with Lincoln Road.

Key RFP Terms	
Required Class A Office and Retail Space	<ul style="list-style-type: none"> 50% of floor area ratio (FAR) available at each site must be Class A office space. Ground floor portions of the project facing a street, sidewalk, or Lincoln Lane North must include an activated liner of retail, restaurant, personal service, or similar active uses.
Replacement Parking	<ul style="list-style-type: none"> Projects must provide in-kind replacement of existing public parking spaces displaced by the development, in addition to satisfying City Code off-street parking requirements applicable to proposed uses. Project must be staged to minimize the number of parking spaces temporarily displaced during development.
Lease Term	<ul style="list-style-type: none"> 99-year maximum lease term with a 51-year initial term and two (2) 24-year renewal options. Each ground lease structured as a “triple net” lease, with lessee solely responsible for all real estate taxes, utilities, assessments or other public charges, insurance, maintenance, and all other costs and expenses associated with the operation of the Project.
Voter Referendum for Lease Approval	<ul style="list-style-type: none"> Lease of all three lots would require approval by a majority of voters (i.e., greater than 50%) in a citywide referendum (Referendum). Development agreement and ground lease between City and one or both Developers must be in final form and approved by City Commission prior to placement of Referendum question on the ballot. To qualify for November 8, 2022 General Election, ballot items due to Supervisor of Elections by July 29, 2022. At City Commission’s sole discretion, the Referendum could be scheduled for a special election on a different date if: (1) the development agreement and lease for the applicable Option(s) are finalized and approved by City Commission and (2) the Developer pays its pro-rated share (based on total number of ballot questions) of the cost of a special election (approximately \$400,000).

Current Office Market Conditions

The Class A office sector, in Miami Beach and Miami-Dade County at large, has been particularly resilient throughout the pandemic and thereafter. LTC 165-2021 provided comprehensive data and analysis demonstrating favorable market trends and the influx of targeted business industry, all of which provided support for the City's initiatives to attract office users and new development including the RFP. Today, current market conditions continue to suggest a favorable market outlook. Although vacancy for Class A office space in Miami Beach has increased from 10.1% in Q4 2021 to 16.8% in Q1 2022 [according to Jones Lang LaSalle](#)¹, this is representative of new offerings coming online, for example, Starwood's relocation to its new headquarters at 2340 Collins Avenue meant vacating its previous location at Lincoln Place, 1601 Washington.

A more noteworthy market indicator is Miami Beach's sustained growth in asking rents month after month. In 2022, JLL reports that average asking rent for Class A office space in the city has increased more than 28% over the previous quarter, from \$63.12 in Q4 2021 to \$81.08 in Q1 2022. This growth is demonstrated by Deco Capital's Eighteen Sunset project at 1845 Purdy Avenue, where asking leasing rates have surpassed \$100 per square foot [according to the South Florida Business Journal](#)², a record rental rate on par with New York City and witnessed for the first time only recently in Miami-Dade County.

The real estate development community continues to wager on Miami Beach's life-work-play lifestyle, with planned Class A development projects seeking land use board development approvals in April and May 2022: One Soundscape Park, 1885 Washington Avenue (SHVO), One Island Park, 120 MacArthur Boulevard (Related), and 411 Michigan Avenue (Cube 3/Alberto Campo Baeza). Similar to Sunset Harbour's Eighteen Sunset, which is under construction, all three of these proposed projects take advantage of added height allowances recently enacted by the City Commission, which demonstrates the direct impact of the City Commission's targeted legislation to encourage and incentivize Class A Office development in specific commercial areas. Sustained strong demand and continued migration of people and businesses to the region appear to reinforce Miami Beach's growth trajectory. Robust demand and the scarcity of prime real estate available for development explains why the City received proposals from established real estate development teams with experience in the Miami Beach office development market.

Award & Authorization to Negotiate

RFP responses were due and received on January 12, 2022. The City received proposals from three (3) firms: Infinity Collective LLC, Lincoln Road Holdings LLC, and Lincoln Road Property Owners, L.P. On February 1, 2022, the Evaluation Committee reviewed and evaluated all proposals. Upon review of the results of the Evaluation Committee and an assessment of the proposals, the City Manager recommended that the Mayor and City Commission authorize the City Administration to:

- Negotiate with Lincoln Road Property Owner, L.P., (a joint venture among Integra Investments, Starwood Capital Group, and The Comras Company ("Integra") with regards to P25 and P26 (Option 5), and, if the Administration is not successful in

¹ "Q1 2022 Office Market Report". [Jones Lang LaSalle](https://www.us.jll.com/en/trends-and-insights/research/office-market-statistics-trends/miami). <https://www.us.jll.com/en/trends-and-insights/research/office-market-statistics-trends/miami>

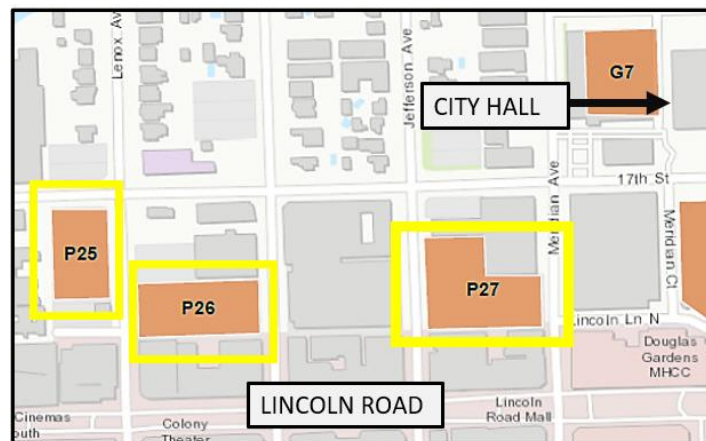
² "Eighteen Sunset developers snag \$60M in construction funding." [South Florida Business Journal](https://www.bizjournals.com/southflorida/news/2022/02/01/60-million-mortgage-for-eighteen-sunset.html) <https://www.bizjournals.com/southflorida/news/2022/02/01/60-million-mortgage-for-eighteen-sunset.html>

negotiating an agreement with Integra in respect to these lots, authorizing the Administration to negotiate with TPC; and

- Negotiate with Lincoln Road Holdings LLC (a joint venture among The Peebles Corporation, Scott Robins Companies, Inc., and the Baron Corporation) (“TPC”) with regards to P27 (Option 3). Additionally, if the Administration is not successful in negotiating an agreement with TPC with regard to lot P27, authorizing the Administration to negotiate with Integra in regard to this option.

On February 23, 2022, via Resolution No. 2022-32054, the City Commission accepted the recommendation of the City Manager and authorized the Administration to negotiate with the proposers. In addition to referring any potential amendments to the City Code (or otherwise) to appropriate land use boards, the Resolution also referred an item to this Committee to discuss the negotiations as a means of providing the Administration with direction during the negotiation phase.

Although the RFP invited proposals to develop four sites (P25, P26, P27, and G5, or a combination thereof), at present, negotiations concern only three sites: P25 and P26 combined, and P27.



P25	
Address	1680 Lenox Avenue
Size	37,454 sq. ft. (0.86 acres)
Parking Spaces	86 spaces
Adjacent Zoning	CD-2 / CD-3
Height allowed by Code	70 feet
FAR allowed by Code	1.87
RFP Proposer	Integra

P26	
Address	1080 Lincoln Lane North
Size	48,000 sq. ft. (1.10 acres)
Parking Spaces	106 spaces
Adjacent Zoning	CD-3
Height allowed by Code	80 feet
FAR allowed by Code	2.75
RFP Proposer	Integra

P27	
Address	1664 Meridian Avenue
Size	59,273 sq. ft. (1.36 acres)
Parking Spaces	151 spaces
Adjacent Zoning	CD-3
Height allowed by Code	80 feet
FAR allowed by Code	2.75
RFP Proposer	TPC

Annual Revenue by Parking Lot					
	FY 18	FY19	FY20	FY 21	FY 22 Year to Date (as of 3/31/22)
P25	\$ 420,478.12	\$ 383,700.87	\$ 228,078.08	\$ 323,489.85	\$ 192,584.11
P26	\$ 541,637.19	\$ 477,463.64	\$ 276,164.83	\$ 385,291.19	\$ 238,479.45
SUM P25+P26	\$ 962,115.31	\$ 861,164.51	\$ 504,242.91	\$ 708,781.04	\$ 431,063.56
P27	\$ 674,658.86	\$ 654,961.62	\$ 378,562.31	\$ 488,165.11	\$ 327,349.40
<i>Source: City of Miami Beach Parking Department</i>					

On March 30, 2022, the FERC received an update on the negotiations, during which the Committee posed questions to the Administration regarding the preparation of the ballot referendum questions and requested that subsequent agenda items present the proposed projects' terms in tandem side-by-side to facilitate the Committee's comparison of both projects.

Proposed Land Use Amendments

In accordance with the City Code's provision allowing for zoning criteria to be determined by a development agreement, the RFP stated that "Proposals shall be guided by the Land Development Regulations, however, proposed changes to the Land Development Regulations will be considered." On April 8, 2022, the Land Use and Sustainability Committee ("LUSC") provided feedback on three legislative amendments requested and proposed in support of the two projects, which would serve to enhance the project design and provide for more optimal use of the City-owned land:

1. An amendment to Policy RLU 1.1.17 of the 2040 Comprehensive Plan, to allow for all types of residential uses (currently, only workforce and affordable housing are permitted), as well as mixed-use developments, as an allowable use in the Public Facility Government Uses (PF) future land use category.
2. An amendment to Chapter 130 of the Land Development Regulations (LDRs) of the City Code to create a minimum off-street public parking requirement for certain developments on City-owned land in parking district No. 2. Additionally, the proposal creates the ability for developments in parking districts No. 2 and No. 3 to provide additional parking spaces in accordance with the minimum requirements set forth in parking district No. 1.

3. An amendment to Chapter 142 of the LDRs to allow for a maximum building height of 100 feet for GU properties developed by the private sector that incorporate public parking spaces owned by and/or operated for the City within the structure. The applicable area for the proposed height increase is bounded by 17th Street on the north, North Lincoln Lane on the south, Alton Road on the west, and Washington Avenue on the east.

By acclamation, the LUSC transmitted the proposed parking ordinance and the Comprehensive Plan amendment with a favorable recommendation, with the caveat that the LUSC recommended limiting the applicability of the Comprehensive Plan amendment to only those developments within the City Center area. The LUSC also voted 2-1 to transmit the height ordinance to the City without any recommendation. The Administration is supportive of the subject ordinances as they would enhance the leasable spaces within each project, thereby attracting higher quality tenants and, ultimately, offering a better financial return to the City.

On April 19, 2022, the FERC reviewed the draft Term Sheets and provided feedback on the Projects as proposed. Among the issues discussed by the Committee were the appraised land value of each of the three sites, the Proposers' estimated construction cost per space of the Replacement Parking component to be developed for and delivered to the City, and the Committee's desire to see unique and/or independent commercial businesses as the Projects' retail tenants. The Committee noted that Lincoln Road's character was fundamentally altered as international retail brands overtook smaller, local retailers and the Committee expressed a desire for the developments on P25, P26 and P27 to seek retail tenants that would bring back some of Lincoln Road's prior charm.

On April 26, 2022, the Planning Board reviewed the three ordinances and transmitted them to the City Commission with a favorable recommendation. Additionally, the Planning Board recommended that the Projects that include market rate housing also include a portion of workforce and/or affordable housing.

Analysis

Conducting development and lease negotiations with separate proposers on two complex development projects has been challenging in light of the July 29, 2022 deadline for placing these items on the November 2022 ballot. With a view toward finalizing Development Agreements and Ground Leases with both Proposer teams by such date, the Administration and City Attorney's Office have dedicated considerable staff resources and participate in regularly scheduled meetings with both Proposer teams at least twice per week to establish and refine the deal terms. The proposed Term Sheets for both Projects are attached as Exhibit A.

Key Project Terms		
	P25 + P26 (Integra)	P27 (TPC)
Developer Team	Lincoln Road Property Owner, L.P., a joint venture among Integra Investments, Starwood Capital Group, and The Comras Company, referred to herein as "Integra"	Lincoln Road Holdings LLC, a joint venture among The Peebles Corporation, Scott Robins Companies, Inc., and the Baron Corporation, referred to herein as "TPC"

Key Project Terms		
	P25 + P26 (Integra)	P27 (TPC)
Lease Term	<ul style="list-style-type: none"> 99 years: 51 years + two (2) 24-year extensions This Project concerns two independent but interrelated developments on separate sites. One development agreement will govern and provide for the development of both P25 and P26. However, it is contemplated that upon completion of construction, P25 and P26 will each be governed by a separate Ground Lease. “Effective Date” for purposes of commencement of each project and, accordingly, for purposes of the milestones set forth below shall mean the date established in the notice to proceed issued by the City, which in any event shall be no earlier than the later to occur of: execution of the definitive project documents and certification of the referendum results. 	<ul style="list-style-type: none"> 99 years: 51 years + two (2) 24-year extensions “Effective Date” for purposes of commencement of each project and, accordingly, for purposes of the milestones set forth below shall mean the date established in the notice to proceed issued by the City, which in any event shall be no earlier than the later to occur of: execution of the definitive project documents and certification of the referendum results.
Proposed/ Preliminary Site Plan	<p><u>Total (P25 + P26):</u></p> <ul style="list-style-type: none"> Total FAR: 188,299 sf Total Office: 129,280 sf (68%) Total Retail: 24,884 sf <p><u>P25:</u> 6 stories (3 levels of office, 2.5 levels of parking, ground-floor retail)</p> <p><u>P26:</u> 8 stories (4 levels of office, 4 levels of parking, ground-floor retail; however, one convertible level of office is contingent upon approval of the height amendment)</p>	<p><u>P27:</u></p> <ul style="list-style-type: none"> Total FAR: Not provided Total SF: 159,000 sf Office: 80,000 sf Retail: 9,500 sf Residential: 69,500 sf (Approximately 46 market rate units, contingent upon amendment of the Comprehensive Plan) <p>6 stories (2 levels of residential, 3 levels of office, ground floor retail, with parking spread across office and retail levels)</p>

Key Project Terms		
	P25 + P26 (Integra)	P27 (TPC)
	<p>*Percentages refer to the approximate percentage of floor area attributable to total FAR.</p> <p>** Assumes Land Use Amendments move forward. If Land Use amendments do not move forward, the available square footage would be reduced by approximately 21,000 sf.</p>	<p>*TPC has not provided FAR calculations but has acknowledged and agreed that its project must encompass Class A Office space for at least 50% of the available FAR.</p> <p>** Assumes Land Use amendments move forward. If Land Use amendments do not move forward, the available square footage would be reduced by approximately 60,000 sf.</p>
Proposed Land Use Amendments	<ul style="list-style-type: none"> • <u>Comprehensive Plan amendment</u>: Proposed program is not impacted by this proposed ordinance. • <u>Off-street parking amendment</u>: Initial proposal would not be impacted by this proposed ordinance. • <u>Height amendment</u>: On P25, the height amendment would allow for an additional 11', resulting in a height of 86'-2" instead of 75'-0" at the southern end of P25 closest to Lincoln Road, and providing for greater floor-to-ceiling heights of the office and retail levels. On P26, the additional height would allow for (i) greater floor-to-ceiling heights of the office and retail levels; (ii) the top level of parking would include mechanical parking lifts and be convertible into habitable space in the event that parking demand decreased at a future date in time; and (iii) if the Off-Street Parking amendment is approved, an additional floor of Class A office space. 	<ul style="list-style-type: none"> • <u>Comprehensive Plan Amendment</u>: At present, workforce and affordable housing are the only residential uses permitted in land uses designated as Public Facilities. Therefore, this amendment is necessary to permit TPC to include market-rate residential units in its Project. • <u>Off-street parking amendment</u>: The City Code does not count required off-street parking towards FAR limitations. At present, City parking facilities are not considered Required Parking for GU properties. Therefore, TPC could not provide the Replacement Parking and sufficient off-street parking for its proposed office, commercial, and residential uses without exceeding maximum allowed FAR. With the amendment, the Replacement Parking that will be owned by the City and is a required component of the RFP, will not count towards limiting development of other project components. • <u>Height amendment</u>: Initial proposal would not be impacted by this proposed ordinance. However, current conceptual

Key Project Terms		
	P25 + P26 (Integra)	P27 (TPC)
		plans include subterranean parking which may necessitate additional height.
Construction Timeline	<ul style="list-style-type: none"> Temporary Certificate of Occupancy (TCO) is required to be achieved at 63 months from Effective Date for P25 and 82 months for P26. Integra proposes phased construction of the two lots in a manner that will not require the use of other parking facilities in the City to handle displaced parking. All spaces Integra is required to provide during construction will be kept within P25 and P26 throughout the duration of construction. TCO for public parking facilities is required no later than 54 months after the Effective Date. 	<ul style="list-style-type: none"> Temporary Certificate of Occupancy (TCO) is required to be achieved at 61 months from the Effective Date. TPC proposes three nearby municipal parking garages to accommodate displaced parking demand, of which two proposed garages are City-owned. The Parking Department recommends a mitigation strategy that does not rely on public facilities during construction. TCO for public parking facilities is required no later than 61 months after the Effective Date and will be available for public use no later than 3 months after TCO.
Rent	<p>Below are Key Financial Terms, for full financial terms and annual rent payments, please refer to Financial Proposals Table in Exhibit B. Financial terms remain subject to negotiation.</p> <ul style="list-style-type: none"> Initial Lump Sum Payment, immediately upon Effective Date: \$2.5M Guaranteed Annual Rent, beginning one (1) year after Effective Date: <ul style="list-style-type: none"> Year 2: \$650,000 Years 3-4: \$725,000 Years 5-6: \$750,000 Additional Lump Sum Payment, at TCO: \$500,000 per building (\$1M total) Rent Escalations (Guaranteed Rent), commencing at 73 months after Effective Date: the 	<p>Below are Key Financial Terms, for full financial terms and annual rent payments, please refer to Financial Proposals Table in Exhibit B. Financial terms remain subject to negotiation.</p> <ul style="list-style-type: none"> Initial Lump Sum Payment, at Target Date for Construction Commencement (no later than 23 months after Effective Date): \$2M Construction Rent, beginning at Construction Commencement (no later than 23 months after Effective Date): \$150,000 Guaranteed Annual Rent, beginning at Construction Completion (no later than 43 months after Effective Date): \$680,000 Rent Escalations (Guaranteed Annual Rent), commencing on the one-year anniversary of the

Key Project Terms		
	P25 + P26 (Integra)	P27 (TPC)
	<p>greater of 2% or CPI, but no more than 3%</p> <ul style="list-style-type: none"> Percentage Rent Participation: 5% of Effective Gross Income (or Guaranteed Annual Rent, whichever is greater) Base Rent Reset for each of the P25 Project and the P26 Project: At time of rent reset, the new minimum rent would be calculated based on year 6 of \$750,000 (allocated between P25 and P26 as ultimately agreed) and escalated through the rent reset date by the higher of 2% or CPI (uncapped). This would occur at years 51 (for years 52-75) and year 75 (for years 76-99). 	<p>Target Date for Construction Completion (i.e. 55 months after Effective Date):</p> <ul style="list-style-type: none"> Year 1-5: 1.5% (Year 1 commences in month 55 from Effective Date for these purposes, i.e., approximately 4.5 years into the Initial Term) Year 6-10 (commencing in month 115 from Effective Date, i.e., approximately 9.5 years into the Initial Term): CPI with floor of 1.5% and ceiling of 2% Year 11-15 (commencing in month 175 from Effective Date, i.e., approximately 14.5 years into the Initial Term): CPI with floor of 1.5% and ceiling of 2.5% Year 16 through end of Initial Term (commencing in month 235 from Effective Date, i.e., approximately 19.5 years into the Initial Term): CPI with floor of 1.5% and ceiling of 3% Percentage Rent Participation: 4% of Effective Gross Income (or Guaranteed Annual Rent, whichever is greater) Base Rent Reset: At time of rent reset, hypothetical rent would be calculated based on year when full rent (i.e., \$680,000) commences, escalated through the rent reset date by the higher of 2% or CPI (uncapped). This would occur at years 51 (for years 52-75) and year 75 (for years 76-99).

Key Project Terms		
	P25 + P26 (Integra)	P27 (TPC)
City Parking Revenue	<ul style="list-style-type: none"> 100% of net revenues collected from the 192 replacement parking spaces provided back to the City. (Definition of “net” to be negotiated.) 	<ul style="list-style-type: none"> 100% of net revenues collected from the 151 replacement parking spaces provided back to the City. (Definition of “net” to be negotiated.)
Insurance, Taxes, Utilities	<ul style="list-style-type: none"> Both leases are “triple net” however, if the City elects to operate the Replacement Parking Component, the City would be responsible for costs and expenses attributable to the Replacement Parking Component 	<ul style="list-style-type: none"> Same
Project Financing	<ul style="list-style-type: none"> Developer permitted to use multiple lenders including a mezzanine loan, provided that, in each case, an Institutional Lender shall be used and loan-to-cost ratio for construction financing or loan-to-value ratio for permanent financing) shall not exceed 90%. In no event shall the City’s fee interest in the Property be subordinate to any mortgage or liens and the City shall have first priority right of payment of rent at all times. Developer shall at all times maintain not less than 10% equity in the Project, including Developer’s initial equity contribution to the Project. The City is not and shall not be required to provide any funding or financing for the Project, including without limitation, any tax credits and/or subsidies. 	<ul style="list-style-type: none"> Same
Termination for Convenience	<ul style="list-style-type: none"> Developer may terminate the Development Agreement at any time <i>prior to issuance of the building permit</i> in the event: (1) any of the Required Approvals render the Project 	<ul style="list-style-type: none"> Same

Key Project Terms		
	P25 + P26 (Integra)	P27 (TPC)
	<p>economically unfeasible in the reasonable business judgment of Developer;</p> <p>(2) the Project cannot meet concurrency requirements under Section 163.3180, Florida Statutes, or the costs of concurrency mitigation are, in the reasonable business judgment of Developer, economically unfeasible;</p> <p>(3) Developer, after diligent, good faith efforts, has been unable to obtain a full building permit for the Project pursuant to the Approved Plans;</p> <p>(4) Developer, after diligent, good faith efforts, is unable to secure adequate financing on financial terms that are commercially reasonable; or</p> <p>(5) there shall exist any material adverse change in national or global economic conditions that in the Developer's reasonable and good faith judgment would materially, adversely affect the financial viability of the Project.</p> <ul style="list-style-type: none"> The City has no termination for convenience right once the agreements are signed. 	
<p>Termination for Cause</p> <p>(Development Agreement)</p>	<ul style="list-style-type: none"> City may terminate the Development Agreement for cause, as a result of any default by Developer, which continues beyond the expiration of any applicable notice and cure period, in the Development Agreement and the Ground Lease. 	<ul style="list-style-type: none"> Same

Key Project Terms		
	P25 + P26 (Integra)	P27 (TPC)
	<ul style="list-style-type: none"> In any event of termination by Developer or by the City as a result of a default by Developer, (i) the Developer shall assign to the City all right, title, and interest the Developer has in and to the Plans and any other materials pertaining to the Project and (ii) the City shall have no further obligation to the Developer following such termination, financial or otherwise other than those obligations, if any, which expressly survive such termination. 	
Reimbursement	<ul style="list-style-type: none"> Developer has executed an agreement pledging to reimburse the City for the City's out of pocket transactional and professional costs and expenses associated with the due diligence, negotiation, and drafting of the Development Agreement and Ground Lease and development of the Project, up to \$150,000.00, including without limitation fees for the City's parking bond covenant analysis, real estate and transaction appraisals and other required reports; the City's outside counsel and paralegal fees; and any surveys, environmental assessments (if any), title searches, and other reviews engaged by the City 	<ul style="list-style-type: none"> Same
Proposed/ Preliminary Public Benefits	<p>Integra's RFP response proposed:</p> <ul style="list-style-type: none"> creation of new employment opportunities for residents of the City and neighboring communities; diversification of the City's economy by attracting new employers from various industries to the City; 	<p>TPC's RFP response proposed a Project that will:</p> <ul style="list-style-type: none"> Activate, revitalize, enhance and bring new life and energy to this part of the City; Serve as a benefit to the City by improving and replacing the City Spaces with covered, secure and structured parking.

Key Project Terms		
	P25 + P26 (Integra)	P27 (TPC)
	<ul style="list-style-type: none"> enhancing public parking around Lincoln Road; an approximately 0.11-acre pocket park on the ground floor of Lot P26 (the “Public Park Component”); additional public meeting space as well as new health, recreational, entertainment, and cultural opportunities; achieving LEED Gold designation; and addressing the issue of sea level rise by providing onsite stormwater retention. Retail programming (RFP proposal): <ul style="list-style-type: none"> P25’s entire retail frontage on 17th St proposed as “fit row”—health and wellness establishments P25’s Lenox Ave retail frontage is set back in concert with existing street cafes (e.g. Rosetta Bakery) to encourage more outdoor café seating on P25. P26 will provide “boutique, café, home décor, and service-oriented spaces, which will allow businesses that cannot afford Lincoln Road rental rates to thrive.” 	<ul style="list-style-type: none"> Create new rental housing for City residents Create new Class-A office space; Further the City’s sustainability and resiliency efforts for new development; Improve lighting, providing increased safety for area; Create temporary and construction jobs and long-term permanent jobs; Increase the tax base and increase the tax revenue to the City; Provide landscaping and overall beautification of the area surrounding the Project; Create a live, work, and play environment within the Project; Provide economic stimulus to the City; Encourage future development of areas surrounding the Project; and Create a pedestrian walkway connecting the Lincoln Lane neighborhood with landscaping, lighting, benches, and storefronts. Retail programming (RFP proposal): <ul style="list-style-type: none"> Activate the alleyway with community-oriented retail and building-oriented retail, which supports the live-work-play lifestyle that underpins the key leasing strategy Retail designed to complement rather than compete with Lincoln Road, e.g., smaller retail bays and targeting service, entertainment, and restaurants tenants rather than traditional retailers.

Key Project Terms		
	P25 + P26 (Integra)	P27 (TPC)
Non-Disparagement Clause	None of the Developer, any person authorized to speak on behalf of Developer, or any director or officer or member of senior management of Developer, shall engage in a deliberate campaign intended to cause voters in the Referendum to vote against the other project, including by publicly disparaging, impugning, or making derogatory statements regarding the other Project or the other developer.	<ul style="list-style-type: none"> • Same
Referendum Requirement	The effectiveness of the Ground Leases and the Development Agreement shall be contingent upon voter approval of the Ground Lease at the November 8, 2022 general election in accordance with the City of Miami Beach Charter. In the event the Referendum is not successful or if the ballot question(s) are not approved, for whatever reason, the Ground Lease and Development Agreement shall be null and void.	<ul style="list-style-type: none"> • Same

Outstanding items requiring further negotiation and/or action by City bodies or third parties are set forth more fully below.

i. Amendments to Land Development Regulations and Comprehensive Plan

As previously detailed, both Projects would benefit from one or more of three proposed amendments: two LDR amendments and one text amendment to the Comprehensive Plan. The LDR amendments were discussed and approved by the Planning Board on April 26, 2022. All three items must be approved by the City Commission, with anticipated First Reading at the May 4, 2022 City Commission meeting, and the Comprehensive Plan amendment is to be reviewed and approved by the State of Florida. The Integra Project does not require any amendment for financial terms to remain as currently reflected. If the required parking and/or Comprehensive Plan amendments do not succeed, the TPC Project will need to be adjusted by decreasing office and/or residential square footage (or by eliminating the residential component altogether) with corresponding decreases to the rental payments (to be negotiated) to remain viable.

ii. Land Appraisal

As required by Section 82-37(b) the City Code for leases of ten years or more, an independent consultant, CBRE, Inc., was selected for the appraisal following a request for quotes submitted to the City's prequalified pool of real estate appraisers, as designated by the City Commission via Resolution No. 2018-30585. A draft real estate appraisal report has been prepared for consideration by the City Commission in its review of the

proposed Leases. Following receipt of a preliminary draft of the Appraisal Report, portions of which were discussed by the Committee on April 19, 2022, the consultant continues to revise the Appraisal Report. Once the Appraisal Report is finalized, it will be provided to the City Commission not later than First Reading of the Ground Lease.

The appraiser employs a Sales Comparison Approach to determine as-is fee simple value of each of the three sites, whereby recent comparable sales of nearby properties are directly compared to each subject site, as if vacant and available to be put to its highest & best use, with adjustments applied to account for differences in several factors, including location, property shape, view corridors, zoning, market conditions at time of sale, etc. The sales used in this analysis are considered comparable to the subject, and the required adjustments were based on industry best practice. CBRE has indicated to the Administration that the required referendum assumption should not factor into the fee-simple land valuation. The sales comparison approach is considered to provide a reliable value indication for each subject property.

iii. Financial Terms: Rent and other Revenues

a. Lump Sum Payment and Annual Rent

Although the financial and other terms in the RFP responses served as a starting point for negotiations between the City and Developers, such initial terms were not accepted by the City. As noted in the Appraisal Report, Lincoln Road is one of the City's most desirable non-oceanfront locations, and high density, walkable live/work lifestyle environments are currently the highest driver for office and residential real estate assets. Each Developer has adjusted the financial terms from the offers in their RFP responses, both indicating that construction costs have increased since the time of RFP submissions, attributable to factors such as supply chain challenges, rising inflation and interest rates, and geopolitical instability. A detailed comparison of anticipated financial payments to the City from each Developer is contained in Exhibit B.

Both Developers have agreed to similar rent structures: a Lump Sum Payment early in the Lease Term (described below), with Guaranteed Annual Rent commencing, in the case of Integra, 12 months from the Effective Date and in the case of TPC, at the agreed upon target date for commencement of construction, i.e., no later than 23 months from the Effective Date. Integra's Guaranteed Minimum Rent increases progressively from \$650,000 to \$750,000 between years 2 and 5, followed by escalations (greater of 2% or CPI, capped at 3%) commencing in year 7. TPC's Guaranteed Minimum Rent remains constant during its twenty-month construction period at \$150,000, and then increases to \$680,000 upon construction completion, with varying annual escalations throughout the initial term. In both proposals, the Developer is to pay the higher of the Guaranteed Annual Rent or Percentage Rent. Integra has agreed to Percentage Rent Participation of 5% of Effective Gross Income (EGI) and TPC has agreed to 4% of EGI.

Both Developers have agreed to an Initial Lump Sum Payment: \$2.5M for Integra on the Effective Date and \$2M for TPC at the agreed upon target date for commencement of construction, which will occur not later than 23 months after the Effective Date. Integra has agreed to two (2) additional Lump-Sum Payments totaling \$1,000,000 payable in two installments: \$500,000 upon issuance of Temporary Certificate of Occupancy (TCO) for P25 and \$500,000 upon the issuance of a TCP for P26: (based on Outside Dates, these payments will occur not later than 63 months and 82 months, respectively). TPC does not propose any additional Lump Sum Payments.

b. Parking Component

The Off-Street Parking Regulations in the City Code, Article V of Chapter 130, allow developers of properties within historic districts to pay a fee in lieu of providing parking, currently priced at \$40,000 per required parking space. This fee cost per space is intended to represent total average cost for land acquisition and construction of one parking space. Although the Resolution No. 2014-28757 directs that the cost per space should be evaluated on an annual basis by the City Commission based upon the Consumer Price Index (CPI) and amended if appropriate, the current fee structure of \$40,000 was last adjusted in 2014.

Both Projects will contain Replacement Parking equal to the number of spaces currently existing on all three lots, and the City will be entitled to the net revenues from these spaces that are anticipated to be consistent with current collections. The table in the Background section depicting the Parking Department's historical revenue collection for the three lots indicates that the current revenue year-to-date for 2022 could yield annual revenues on par with FY 2019 collections (pre-COVID-19).

iv. Residential Housing Component

During the early phase of the negotiation sessions with the City, TPC offered to devote approximately 20% of its 46 residential units as workforce housing for income-eligible households earning 140% of area median income (AMI). In light of the fact that 140% AMI is the AMI ceiling before workforce housing transitions to market rate, as defined by the City Code and the Miami-Dade County Code, the Administration sought further confirmation of TPC's design and operational plans in order to ensure that the proposed unit mix and rental rates for these units met the City's expectations for workforce housing. During the April 19, 2022 FERC meeting, TPC explained to the Committee that its decision to diversify its proposed programming to include residential housing was driven by economics because strong rental demand would provide project revenue that was more lucrative than solely office programming. Conversely, Integra affirms that an all office/retail approach would be more economically desirable. Nevertheless, the exact programming and floor area that the either Developer intend to deliver will not be defined until each Developer submits its permit applications. As in most development projects, and in light of the recent market volatility in construction, value engineering is expected to occur and this could impact overall project costs and quality.

TPC's financial proposal presented to the FERC on April 19, 2022 juxtaposed potential Rent to the City for two leasing programs: (1) mixed market rate and workforce housing units (TPC's preferred option at the time) and (2) all market rate units *without* any workforce units. The comparison of the two programs demonstrated an insignificant difference between the two scenarios, as the mixed-income scenario proposed only a modest number of workforce units (i.e., 9 workforce units out of 46 total). Because of uncertainty regarding the true impact of the 9 units designated as workforce, including the anticipated rental rates reaching the uppermost income ceiling limit for workforce, in its most recent conversations with staff, TPC has decided to forego designating any residential units as workforce housing. Although CD-2 (commercial, medium intensity) and CD-3 (commercial, high-intensity) zoning allow apartment hotels, hotels, hostels, and suite hotels as a main permitted use, neither Developer proposes any residential use besides TPC's 43 market rate residential units. TPC has agreed that residential units will not be

available for short-term rentals and the term of each residential lease must be for not less than one year. To ensure that the Project's residential units serve their intended purpose and increase the City's rental housing stock for Miami Beach residents, Term Sheets and Leases for both Integra and TPC will prohibit short-term rentals on any Project site.

v. Project Construction Phasing and Implications for Project Development

The Administration notes that if both Projects are approved by the City Commission and by a majority of the City's voters in the Referendum, construction of the two Projects will likely be phased. Project sequencing will take into account all appropriate factors, including impacts on parking availability in the area and other area impacts such as the construction of the Miami Beach Convention Center Hotel, provided that the City may also make a determination, in its sole, reasonable discretion, that both Projects can reasonably be constructed in tandem or otherwise simultaneously without having an adverse impact on the City's residents, businesses, and visitors. The uncertainty at the present time as to the sequencing of the two Projects may adversely affect development and construction costs for the Projects, and both TPC and Integra have expressed concern with the possibility that their respective Projects will not be first noticed to proceed. The City's determination as to phasing and order of commencement (i) shall be made in the City's sole, reasonable discretion no later than sixty (60) days following official certification of the Referendum results and (ii) shall be final and binding on the Developers with no right of appeal.

vi. Preliminary Analysis of Development Impacts

Not only will these development projects have lasting impact on the City Center district, but the construction process must be properly planned for and managed because existing City parking facilities will be taken offline during the construction process and development of the Convention Center Hotel is accelerating. Upon authorizing negotiations, the City Commission requested both proposers prepare preliminary, independent analyses for each Project, to address the potential impacts upon (1) traffic, (2) parking, and (3) existing infrastructure, both during construction and upon development, including proposed mitigation strategies. The City Administration continues to review the initial consultant findings that were provided to the City by the Developers on April 13, 2022. Excerpts of these reports are included as Exhibit C and summarized as follows:

a. Parking Mitigation – P25 and P26 (Integra)

Integra's proposal: Phase 1: convert P26 to valet-only parking to accommodate both P25 and P26's combined parking capacity solely on P26, with Integra to cover the cost of the valet service so the public will continue to pay municipal rates; *Phase 2:* construct P25's parking pedestal and make all P25 and P26 Replacement Parking spaces available for public self-parking on P25 upon issuance of TCO for the P25 parking component; *Phase 3:* construction begins on P26 with a priority for obtaining TCO on P26 parking pedestal, while simultaneously completing construction on P25's remaining non-parking components; *Phase 4:* completion of the parking pedestal on P26 and TCO for the non-parking components of P25; in this phase, Replacement Parking is reintroduced at P26 such that Replacement Parking at P25 and P26 will return to pre-development levels; *Phase 5:* complete construction and TCO for entire P26 building.

Administration comments: Integra's proposal maximizes the use of both its Project sites in a phased manner to ensure the continued availability of existing City parking capacity

throughout construction on both sites, without the need to displace existing parking capacity to offsite parking facilities. With further discussion and adjustments proposed by the City, this could represent an acceptable strategy. For example, the City would require the proposed valet operation on P26 to utilize the City's contracted valet company and financial commitment from Integra would be necessary to offer the municipal public parking rate at the P26 valet (currently \$2 per hour).

b. Parking Mitigation – P27 only (TPC)

TPC's mitigation strategy proposes three (3) nearby garages including two (2) City facilities: The Lincoln Garage, 1691 Michigan (privately operated), 17th Street Garage/G5, 640 17 Street (City-owned), and Penn Garage/G9, 1661 Pennsylvania Avenue (City-owned).

Administration comments: The Parking Department has indicated that the mitigation strategy should not rely on the City's other lots or garages and recommended that parking temporarily lost during construction be accommodated via third-party agreements between the developers and private facilities. In addition, as parking revenues must be maintained throughout construction to ensure adequate coverage for the payment of the City's parking bond obligations, the City will need to fund any deficit in the Parking Fund out of the General Fund. Alternatively, TPC could make additional payments to the City during construction to offset the lost parking revenues, but this has not been discussed at this stage of the negotiations.

c. Traffic Management – P25, P26, P27 (Integra and TPC)

Integra and TPC's proposal: Peak-hour roadway-impact analysis for the surrounding roadway network anticipates a significant impact to Alton Road (significant impact is defined as 5% or more of the roadway's adopted level of service capacity).

Administration comments: The submitted analysis does not examine all affected intersections in the vicinity, with no mention of infrastructure needs to support anticipated demand or any multi-modal analysis. Therefore, an improved methodology must be formulated with the Transportation Department during the permitting process to sufficiently address mitigation.

d. Civil Engineering Due Diligence – P25, P26, P27 (Integra and TPC)

Integra and TPC's Proposal: Existing water mains are sufficient for potable water, irrigation, and fire water, and no significant increase in operational demands for the applicable Pump Station PS#01. No determination was possible at this time whether existing gravity sanitary sewer collection system has sufficient available capacity to handle developments' anticipated load, but as with all existing infrastructure, the developers commit to repair and replace any obsolete and undersized water, sewer, and stormwater lines, as needed and requested by the City.

Administration comments: Once utility connections and anticipated demand are more accurately established via construction documents, the City, in its regulatory capacity, will require water and sewer capacity modeling as part of the building permit process. As is customary for all construction projects in Miami Beach, the City's concurrency regulations will require the Developer to pay for and construct any necessary upgrades and improvements as a condition of the building permit approval, e.g., replacement of all sewer

laterals and water services.

vii. Operation of the City's Public Parking Replacement Component

As negotiated, the City shall operate all Public Parking Replacement Components for each Project, provided that, the City shall have the right, in its sole discretion, to decide that the Developer shall operate the Public Parking Replacement Components if notice is provided to the Developer by or before sixty (60) days following official certification of the Referendum results. If the City elects to operate the Public Parking Replacement Component, applicable terms will be incorporated into a separate operating agreement. If the City requires Developer to operate the Public Parking Replacement Component, the Developer and the City will negotiate terms such as standards of operation, responsibility for costs and expenses, etc. In all circumstances, the City and Developer stipulate that parking rates for Public Parking Components shall not be higher than the City's then-applicable rates for similar parking facilities.

CONCLUSION

Subject to the Committee's direction as to the policy and business issues outlined in this Memorandum, the Administration recommends that the Committee approve, in concept, the Term Sheets for each Project, P25 and P26 combined (Integra) and P27 (TPC), and authorize the Administration to continue negotiations and incorporate any direction from the Committee, in order to present the Terms Sheets to the City Commission for consideration.

Attachments

- A. Proposed Term Sheets
- B. Comparison of Financial Proposals for both Projects
- C. Preliminary Impacts Analyses
 - a. Public Parking Mitigation Strategy (*P25 and P26*)
 - b. Parking Mitigation by Desman Design Management (*P27 only*)
 - c. Traffic Management by Langan Engineering and Environmental Services, Inc. (*P25, P26, P27*)
 - d. Civil Engineering Due Diligence by Langan Engineering and Environmental Services, Inc. (*P25, P26, P27*)
- D. Project Renderings