

COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission

FROM: Alina T. Hudak, City Manager

DATE: April 28, 2023

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH FLORIDA, ACCEPTING THE RECOMMENDATIONS OF THE FINANCE AND ECONOMIC RESILIENCY COMMITTEE FOR TRANCHE 1 OF THE ARTS AND CULTURE GENERAL OBLIGATION BONDS SERIES 2023, IN THE NOT-TO-EXCEED AMOUNT OF \$101,700,000 AND GRANTEE FUNDING IN TRANCHE 1; PROVIDING THAT THE GRANT AGREEMENTS FOR THE NEW WORLD SYMPHONY, HOLOCAUST MEMORIAL AND MIAMI BEACH HISPANIC COMMUNITY CENTER SHALL INCLUDE FULL FUNDING FOR PROJECT MANAGEMENT AND CONTINGENCY, SUBJECT TO CITY MANAGER ADVANCE APPROVAL OF THE USE OF CONTINGENCY FOR APPROVED SCOPE OVERRUNS AND UNFORESEEN CONDITIONS; AND RECOMMENDING THAT THE AGREEMENT WITH MIAMI BEACH CLASSICAL MUSIC FESTIVAL INCLUDE TERMS OF USE AND REVENUE SHARE.**

BACKGROUND

At the July 20, 2022 Commission meeting, the Mayor and Commission approved Resolution 2022-32261, authorizing a special election, submitting to the electorate of the City of Miami Beach the question asking whether the City shall be authorized to issue general obligation bonds (GOB), not exceeding \$159,000,000, to improve facilities for resiliency of arts and cultural institutions throughout the City, including museums, performance venues, artistic playgrounds, senior/cultural centers, botanical garden, aquatic sculpture park, and related artist/workforce housing.

On November 8, 2022, the voters of the City of Miami Beach approved the issuance of a not to exceed amount of \$159 million in Arts and Culture Bonds as follows:

For Bonds	15,142	64.80%
Against Bonds	8,226	35.20%

Since November 8, 2022, City staff has been working internally and with the institutions to be funded from the proposed 2023 Arts and Culture bonds proceeds to evaluate and refine roles and responsibilities, timing of funding needs, etc., while at the same time, preparing the documents needed by Bond Counsel to evaluate the taxable versus tax-exempt status of each project. The latter is essential as to whether the bonds to be issued will be taxable, tax-exempt or a combination.

On November 16, 2022, the Commission referred a “Discussion with Possible Action as Needed Regarding the G. O. Bonds For Arts And Culture Approved By The Voters On November 8, 2022” to the Finance and Economic Resiliency Committee (F.E.R.C.). At the January 27, 2023 F.E.R.C. meeting, the Administration provided an update including the following:

- Overview of Projects
- Why this bond issue is different from other city issues
- Tax-exempt vs. taxable bond issue
- Potential issues for determining tax-exempt debt
- Potential impacts of 2 tranches
- Potential options for debt structure and number of bonds issues
- Timeline for bond issuance – Summer 2023
- Impact of the Arts and Culture G.O. Bonds, and other bond issues, on property owners.

At that meeting, the Committee also recommended funding \$1.5 million from the Miscellaneous Category for the Collins Park Performing Arts Venue Rotunda Project, which was subsequently approved by the Mayor and Commission at their February 1, 2023 Commission meeting.

The Committee directed that this discussion be brought back to the Committee in March with recommendations for Tranche 1 funding and an evaluation of the breakdown between taxable and tax-exempt components.

In determining the Tranche 1 recommended funding, the Administration evaluated cash flow needs based on schedules created for each of the City owned facilities and information provided by cultural institutions for projects that will not be managed by the City. This approach allows for only the necessary funding to be included in Tranche 1, and therefore reduces initial taxes paid by property owners with tax increases phased in over time.

It is important to note the New World Symphony, Holocaust Memorial, and Miami Beach Hispanic Community Center (Coral Rock House) had been presented as City owned cultural facilities throughout the project development and approval process, including at the G.O. Bond Oversight Committee and at the Commission (either because the facilities are on ground leases or other long-term leases on City land, or because they were included within a City owned facility as a sub-project).

Therefore, in presenting the funding to be included in the November 8, 2022 referendum question, the assumption was that these projects would be managed by the City and the total costs assigned to each project included the following:

- Contractor General Conditions, Overhead and Profit, Bond, and Permit Fees;
- “Owner’s” Contingency;
- Project Management by the City;
- Program Oversight by the City.

It has since been determined that these three projects will not be managed by the City, but rather by each respective entity. As such, the Administration recommended grant

agreements with amounts that only included original requested costs plus estimated capital expenditures such as Contractor general conditions, overhead and project, bond fees, and, permit fees, but conservatively excluded the undefined “owners” contingency costs, to be made available if needed, subject to advance review of the planned use of the contingency, by the City Commission. The total of contingency for all three of these grants is \$1.66 million.

Further the Administration recommended removing City project management and program oversight costs, as they cannot be capitalized to the City, a total of approximately \$1 million over the three projects. This funding would have been transferred to Tranche 2 for future use if needed, or be unfunded from the bond.

At the February 22, 2023 Commission meeting, the Mayor and Commission approved use of the Miscellaneous funding category for the Miami Beach Classical Music Festival and referred the determination of the amount of funding to the G.O. Bond Oversight Committee to recommend the level of funding. The G.O. Bond Oversight Committee reviewed the project at their March 30, 2023 meeting and made a motion to recommend funding at the “Platinum” level in the amount of \$1.5 million.

ANALYSIS

At the March 31, 2023 Finance and Economic Resiliency Committee meeting, the Committee heard input from staff and various Grantees.

The Committee made the following changes to the Administration’s Recommendation:

- Include project management and project contingency for the three entities as part of the initial grant agreement, with use of contingency related to the approved scope subject to City Manager advance approval, and City project and program management amounts to be used by the entities for their own project management. (Refer to Attachments 1a, 1b, and 1c, updated budget sheets for the three entities).
- Decrease Tranche 1 funding for the Wolfsonian from \$5 million to \$1.5 million, based on the funding needs for the next 3 years stated by the grantee.
- Increase Tranche 1 funding for the Aquatic Sculpture Park from \$2 million to \$5 million, based on an updated expedited schedule provided prior to the meeting.

While supporting the Administration’s funding recommendations for the Byron Carlyle Theater and the Fillmore Miami Beach, the Committee also recommended that these projects remain in Committee for regular updates.

Further, the Committee recommended that the agreement with Miami Beach Classical Music Festival include terms of ownership and use.

The summary table included as Attachment 2 herein reflects the results of the analysis and funding recommended by the Finance and Economic Resiliency Committee for Tranche 1 in the amount of \$101,700,000.

The estimated annual impact to property owners for the issuance of Tranche 1 is \$15 per \$100,000 of taxable value.

In addition, the Committee stated the need for on-going discussion regarding the renovation or redevelopment of the Fillmore (Jackie Gleason Theater) and the Byron Carlyle, and requested the Administration retain the original item specific to those projects.

CONCLUSION

The Administration recognizes that the Art and Culture bonds projects will be transformative to Miami Beach by significantly elevating our museums, performance venues, artistic playgrounds, senior/cultural centers, botanical garden, the future aquatic sculpture park, and related artist/workforce housing.

As such, it is recommended that the Not to Exceed amount of \$101,700,000 in Tranche 1 funding be approved. This will allow for the two Public Hearings on the Series 2023 Arts and Culture G.O. Bond to be heard in May 2023 with the sale of the bonds and receipt of proceeds by summer 2023, resulting in timely implementation of the projects.

Attachment 1a: Budget Sheet for New World Symphony

Attachment 1b: Budget Sheet for Holocaust Memorial Miami Beach

Attachment 1c: Budget Sheet for Miami Beach Hispanic Community Center

Attachment 2: Tranche 1 Summary Table

ATTACHMENT 1c

MIAMI BEACH HISPANIC COMMUNITY CENTER	
Proposed Enhancements:	
1 Restoration of Coral Rock House	500,000
Total Base Cost	\$ 500,000

Contractor General Conditions, Overhead & Profit, Bond, Permit Fees 135,000

Project Management 57,000

Grant Agreement Amount 692,000

Owner Contingency (to be authorized by City Manager) 75,000

TOTAL GRANT PROJECT BUDGET AMOUNT AS PER ATTACHMENT 2	\$ 767,000
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**ATTACHMENT 2
CITY OF MIAMI BEACH
G.O. BOND for ARTS and CULTURE**

TRANCHE 1 SUMMARY

ALL FACILITIES		Total Amounts (approved July 2022)	Ownership Structure	Grant Project Budgets	Project Execution By:	*Quick Wins	Shovel Ready	**Tranches	Tranche 1
1	Bass Museum of Art	\$ 20,100,000	City Owned	\$ -	FM / CIP	Yes (CRR)	No	1,2	\$ 10,589,000
2	Miami City Ballet	12,000,000	City Owned	-	FM / CIP	Yes (CRR)	No	1	12,000,000
3	Workforce Housing (Miami City Ballet)	4,000,000	Dev & Ground Lease	4,000,000	Servitas	No	Possibly	1	4,000,000
4	Fillmore Miami Beach (Jackie Gleason Theater)	29,100,000	City Owned	-	CIP	No	No	1,2	12,406,000
5	Colony Theater	7,480,000	City Owned	-	FM	Yes (CRR)	No	1,2	4,100,000
6	Miami Beach Botanical Garden	6,270,000	City Owned	-	FM / CIP	Yes (CRR)	No	1	6,270,000
7	Art Deco Welcome Center	1,420,000	City Owned	-	FM / CIP	Yes (CRR)	No	1	1,420,000
8	New World Symphony	5,700,000	Ground Lease	5,700,000	NWS	Yes	Yes	1	5,700,000
9	Holocaust Memorial Miami Beach	7,150,000	Lease	7,150,000	Skyline	No	No	1	7,150,000
10	Byron Carlyle Theater	30,570,000	City Owned	-	CIP	No	No	1,2	10,590,000
11	North Beach Oceanfront Center (UNIDAD)	1,183,000	City Owned	-	FM	Yes (CRR)	No	1	1,183,000
12	MB Hispanic Community Cntr (Coral Rock House)	767,000	Not City Owned	767,000	UNIDAD	Yes	Yes	1	767,000
13	Collins Park Cultural Center (Miami New Drama)	7,670,000	City Owned	-	CIP	No	No	1	7,670,000
14	Miami Beach Bandshell	3,770,000	City Owned	-	CIP	No	No	1	3,770,000
15	The Wolfsonian - FIU	5,000,000	Not City Owned	1,500,000	FIU	No	No	1,2	1,500,000
16	The Jewish Museum of Florida - FIU	750,000	Not City Owned	750,000	FIU	Yes	Yes	1	750,000
All Facilities Total		\$ 142,930,000		\$ 19,867,000					\$ 89,865,000
OTHER PROJECTS									
17	Artistic Playgrounds	\$ 3,835,000	City Owned	\$ -	Parks	Yes (Portion)	Yes	1	\$ 3,835,000
18	Aquatic Sculpture Park	5,000,000	State Land	-	TBD	Yes (Phase 1)	Yes	1	5,000,000
19	Misc. A & C: Collins Park Rotunda	1,500,000	City Owned	-	CIP	No	Yes	1	1,500,000
20	Misc. A & C: MB Classical Music Festival ***	1,500,000	City Owned	-	TBD	Yes	N/A	1	1,500,000
21	Workforce Housing for Cultural Institutions	4,000,000	TBD	-	TBD	TBD	TBD	2	-
Other Projects Total		\$ 15,835,000		\$ -					\$11,835,000
Tranche 1 Total								63.96%	\$ 101,700,000
Tranche 2 Total								36.04%	\$ 57,300,000
TOTAL		\$ 158,765,000		\$ 19,867,000					\$ 159,000,000
GRAND TOTAL (Rounded Up)		\$ 159,000,000							

* CRR refers to Capital Renewal & Replacement Projects

**** Tranche 2 Notes:**

- #1 Bass Museum of Art: Expansion construction approximately 45% complete in T1. Remaining in T2.
- #4 Fillmore Miami Beach: Construction approximately 40% complete in T1. Remaining in T2.
- #5 Colony Theater: T2 scope requires completion of Collins Park Cultural Center space.
- #10 Byron Carlyle: Construction approximately 25% complete in T1. Remaining in T2.
- #21 Workforce Housing for Cultural Institutions: Undetermined Projects go to T2.

*** Misc. A&C: MB Classical Festival: amount recommended by the GOB Oversight Committee on March 30.