

MIAMI BEACH

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

COMMISSION MEMORANDUM

TO: Mayor Philip Levine and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: July 26, 2017

SUBJECT: **DISCUSSION ITEM IN REGARDS TO A LONG-TERM AGREEMENT
WITH ART BASEL MIAMI BEACH FOR USE OF THE MIAMI BEACH
CONVENTION CENTER**

BACKGROUND

The City Manager was recently provided with the attached term sheet (Attachment 1) outlining the basic rent structure and terms proposed by Art Basel Miami Beach (ABMB) for a long-term agreement to lease the Miami Beach Convention Center (MBCC) for the production and operation of the annual art show entitled Art Basel in Miami Beach.

In light of the \$615 million dollar renovation to MBCC, as well as the greatly expanded footprint including new ballroom spaces and the newly renovated Carl Fisher Club House, and given that the MBCC rental rates have not seen an increase in more than a decade, our MBCC operator (Spectra), our convention center consultants (JLL), and City staff created and proposed a new rental structure to take effect in 2019.

Following several conversations and an initial proposal to standardize ABMB's 2019 rates in line with the new rate structure, the City Manager presented a second and deeply discounted proposal to ABMB on July 21, 2017. This proposal for \$888,000 in annual base rent imagined ABMB would have exclusive use of MBCC, excluding the Rooftop Specialty Ballroom and the Carl Fisher Club House. This proposal also included no charge for the First Floor North Ballroom (as has traditionally been the case) and no penalty pricing for longer set up and take down periods. This proposal represented a discount of \$581,000 for ABMB.

In prior years, ABMB has used a total of 624,353 gross square feet (all exhibit halls, meeting rooms, and junior ballrooms). The City proposal for 2019 reflected a total of 673,472 gross square feet (all exhibit halls, meeting rooms, junior ballrooms, and Grand Ballroom).

On July 25, 2017, ABMB proposed an alternate agreement, with a \$750,000 annual rental fee, to commence in 2019, for exclusive use of the entire Convention Center, including all new ballroom spaces and the Carl Fisher Club House. This reflects a total of 698,108 gross square feet (all exhibit halls, meeting rooms, junior ballrooms, and Grand Ballroom, plus the Carl Fisher Club House and Rooftop Specialty Ballroom).

Integral to the consideration of this agreement is the timeline and financing for an elevator/escalator connection, as requested by ABMB in order to create a direct connection between the exhibit halls and the Grand Ballroom on the second floor. Given the current stage of construction, the deadline for approval of the budget and construction for this elevator/escalator connection is concurrent with the July 26, 2017 Commission meeting. Any delay beyond this date will delay the project and increase the cost impact.

In the attached term sheet, ABMB has outlined penalty fees for early termination of the lease, in which case ABMB would be responsible for a varying degree of repayments on the elevator/escalator project (referenced in the term sheet as Additional Improvement costs).

CONCLUSION:

Administration seeks approval for the City Manager to negotiate and finalize terms for a long-term agreement with ABMB, and to delegate authority to the Mayor and Clerk to execute the final agreement following the conclusion of successful negotiations by the Administration, and form approval by the City Attorney.

Further, Administration requests Commission approval to proceed with the elevator/escalator project, should the final terms of the long-term agreement be finalized and an agreement executed by all parties no later than August 4, 2017.

Attachment 1: Term Sheet

JLM/KB/ES