

MIAMI BEACH

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

COMMISSION MEMORANDUM

TO: Mayor Dan Gelber and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: July 2, 2018

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RECOMMENDATION OF THE CITY MANAGER, PURSUANT TO REQUEST FOR PROPOSALS (RFP) NO. 2018-238-KB, FOR THE DEVELOPMENT OF A CONVENTION HOTEL ADJACENT TO THE MIAMI BEACH CONVENTION CENTER ("PROJECT"); AUTHORIZING THE ADMINISTRATION TO NEGOTIATE A DEVELOPMENT AND GROUND LEASE AGREEMENT WITH MB MIXED USE INVESTMENT, LLC, A JOINT VENTURE BETWEEN TURNBERRY AND TERRA GROUP, WITH SAID AGREEMENT SUBJECT TO PRIOR APPROVAL BY THE MAYOR AND CITY COMMISSION BEFORE FINAL EXECUTION THEREOF.**

ADMINISTRATION RECOMMENDATION

Adopt the Resolution.

BACKGROUND

On April 13, 2016, the Mayor and City Commission established the Mayor's Ad Hoc Blue Ribbon Steering Committee on the Convention Center Hotel (the "Committee"), chaired by Commissioner Ricky Arriola and Vice-chaired by Commissioner Kristen Rosen-Gonzalez.

On February 14, 2018, the Mayor and City Commission considered the Committee's report regarding potential options for a Convention Center Hotel development, including options with respect to a proposed Hotel's location, size, height, and related issues such as traffic mitigation, and the like. At the February 14, 2018 City Commission meeting, the Mayor and City Commission directed the Administration to prepare a Request for Proposal ("RFP").

On May 16, 2018, the Mayor and City Commission approved Resolution No. 2018-30310, authorizing the issuance of an RFP for the Convention Center Hotel for a lease of the approximately 2.6 acre site located adjacent to the Convention Center.

On May 17, 2018 the City issued Request for Proposals No. 2018-238-KB (the RFP) for the Development of a Convention Headquarter Hotel Adjacent to the Miami Beach Convention Center. A voluntary pre-proposal meeting was held on May 24, 2018.

On June 7, 2018 the City Manager, via Letter to Commission (LTC) No. 323-2018, appointed an Evaluation Committee (the "Committee").

On June 14, 2018 the City received a responsive proposal from MB Mixed Use Investment, LLC, a joint venture between Turnberry and Terra ("Miami Beach Connect").

On June 21, 2018, the Evaluation Committee convened to consider the responsive proposal and conduct oral presentations. The Proposer's presentation to the Evaluation Committee is included as Attachment A. The Evaluation Committee's advisory rankings are discussed more fully below.

NEED FOR A CONVENTION CENTER HOTEL

The City of Miami Beach has been contemplating the development of a convention center hotel for more than two decades. In that span, the City has solidified its brand as an international destination for tourism, arts and culture, shopping, dining and entertainment. The City of Miami Beach is currently engaged in a public construction project that includes a complete renovation and expansion of the Convention Center. This state-of-the-art building will enable our City to compete for world-class events and meetings.

A hotel adjacent to the Miami Beach Convention Center is the next step in creating a highly competitive convention destination. The hotel will have a dramatic impact on the ability to book conventions and events that generate hotel room nights and spending throughout the city. The following summarizes the key impacts:

- **Competitive Landscape** – Out of the 30 top U.S. convention destinations, Miami Beach is one of four that currently does not have a headquarter hotel attached or adjacent to its convention center. The other three cities include: Ft. Lauderdale, which is in the process of developing a hotel; Los Angeles, which is also in the process of developing a hotel; and New York, which does not need a headquarter hotel in view of the significant hotel inventory in the nearby Broadway District. With the addition of a convention hotel for the Miami Beach Convention Center, Miami Beach will be truly competitive as a convention destination.
- **Client Demands** – The City and the Greater Miami Convention and Visitors Bureau (GMCVB) have reached out to the Convention Center's target market and continue to receive feedback that many convention planners will only consider Miami Beach for their event if there is an attached hotel. With a hotel, the City will finally have an opportunity to book these events. Art Basel has also expressed strong support for the hotel.
- **Center Bookings** – Case studies in other destinations that have expanded/renovated their convention center, and developed a convention hotel, have shown material increases in convention bookings. Average convention room night impact increased 42%. The City and GMCVB have already established increased convention center booking goals to be implemented once the hotel is approved.
- **Area Hotel Impact** – City staff has studied the impact on existing hotels when a new convention hotel opens. In cities where new convention hotels have been developed, hotel room night demand exceeded the increase in room night supply within 1 to 3 years.
- **Room Rate Driver** - City staff has analyzed the times of year when Miami Beach realizes its highest hotel rates. Other than New Year's Eve and large sporting events, many of the high rate periods coincide with convention center events. More conventions booked means more high-rate periods, which means more hotel revenues, equating to more tax revenues that support City services.

- **Traffic** – The convention hotel is critical to change the Convention Center's booking mix from "drive-in" consumer and trade shows to "fly-in" conferences and conventions. This should reduce the traffic impact of the convention center by reducing the number of daily trips.
- **Contractual Room Block** – One of the challenges with booking the Convention Center is that the City has no room block agreements with any hotels in the area, including large-scale hotels capable of providing large enough group room blocks to support convention events. Room commitments are critical to attracting premier conventions. The proposal provides for a Room Block Agreement, requiring the Hotel to commit 80% of its rooms to citywide events that are to occur at least 30 months in the future and, among other things, include price protection to ensure a fair rate is offered. This is a game changer for Miami Beach.
- **Tax Impact** – The Hotel will pay convention development, resort and property taxes that go to the City described in further detail in the analysis below.
- **Increased Dedicated County Funding** – Miami-Dade County is contractually obligated to increase its Convention Development Tax funding to the City of Miami Beach by up to \$1.5 million annually through 2044 – **only if a convention hotel is developed**. This totals \$31.5 million more to the City.
- **Art in Public Places** – The hotel will contribute \$3.2 million of the budget to the City's Art in Public Places fund, to be used for Art in Public Places projects in the City.

The advantages of developing the proposed convention hotel are substantial and complement the City's investment in the MBCC Renovation and Expansion Project. I truly believe that our investment in the Convention Center, coupled with a new convention hotel, will catapult Miami Beach into a leadership position in the convention market. Failure to build an adjacent headquarter hotel will diminish the return on our investment in the Convention Center.

ANALYSIS

I first want to address any concern that the City received only one proposal for the hotel project. In 2015, we also received a limited response (only two) despite a much longer procurement process; One responsive proposal for the hotel (Portman's proposal), and a second bidder who was disqualified because they requested a \$25 million subsidy, contrary to the RFP. As you may know, communities seeking a convention center hotel usually (if not always) have to provide a subsidy by way of free land, tax benefits/rebates, cash grants or some combination thereof. Our RFP indicated that there would be no subsidy of any kind. That requirement significantly shrinks the applicant pool. This issue was discussed in last year's Hotel Blue Ribbon committee, with committee members acknowledging that the City may have to consider providing a subsidy in order to attract serious bidders. Fortunately, we have received a proposal from a qualified team that requires no subsidy.

The 60% referendum requirement is also a significant challenge to qualified bidders, especially since the last one failed to achieve voter approval in 2015. Given opportunities elsewhere, developers are averse to investing substantial time, energy and money in a proposed project that then has to be approved by a super majority of the voters. Finally, the City received an unsolicited proposal in April from a group proposing a management agreement structure (which would not have required a referendum under the City's charter), but the City Commission decided that they preferred the ground lease approach and wanted to work towards a November 2018 referendum. The group that had submitted the unsolicited proposal chose not to respond to the RFP. In light of

the foregoing factors and history, there is no guarantee that a less compressed timetable would have generated additional responsive proposals

Developer Experience

The proposer, MB Mixed Use Investment, LLC, a joint venture between local Miami Beach companies Turnberry and Terra Group, with a registered operating name Miami Beach Connect ("MB Connect"), meets and exceeds the qualifications requirements of the RFP. MB Connect's team has extensive convention hotel development and architectural experience that includes the projects listed below. As indicated in the proposal, Terra Group has raised and developed over \$4 billion and over 4.5 million square feet of residential and commercial real estate. Turnberry has raised and developed over \$7 billion and over 20 million square feet of retail, 7,000 residential units, 1.5 million square feet of Class A office space and several hotels and resorts. The team has been involved in developing or financing the following projects:

- \$260 million development of the 533-room JW Marriott Nashville (under construction, 2018)
- \$1 billion renovation of the 1,594-room Fontainebleau Miami (2008)
- \$4 billion development of the SoLe Mia North Miami Beach mixed use complex (under construction)
- \$110 million development of the 220-room Boston Courtyard (2018)
- \$200 million development of the 685-room Turnberry Isle Miami Resort (under construction, 2018)
- \$230 million expansion of the Aventura Mall (2017)
- \$339 million development of the 70-unit Eighty Seen Park residential tower, Miami Beach (under construction, 2019)
- \$584 million development of the 274-unit Park Grove residential tower, Coconut Grove (under construction)
- \$332 million development of the 99-unit Grove at Grand Bay residential towers, Coconut Grove (2016)
- \$75 million development of the 10-unit Glass residential tower, Miami Beach (2015)
- \$60 million development of the Mary Street commercial tower, Coconut Grove (under construction, 2019)

Design Experience

Arquitectonica is the lead designer for the Project. Arquitectonica was founded in 1977 and is an internationally recognized architectural firm founded and based in Miami. Arquitectonica has designed several convention center hotels, including the following:

- 3,800-room Revel Hotel Atlantic City (2012)
- 1,700-room City of Dreams Hotel Macau (2009)
- 1,200-room Hilton Americas Houston (2003)
- 1,000-room Sheraton Downtown Phoenix (2008)
- 1,004-room Grand Hyatt San Antonio (2008)
- 1,000-room The Cosmopolitan Hotel Las Vegas (2010)
- 850-room Westin Times Square New York (2002)
- 311-room Westin Lima

Arquitectonica has also teamed with ArquitectonicaGEO, an international landscape architectural firm affiliated with Arquitectonica and based in Miami. Examples of ArquitectonicaGEO's landscape design projects include East Hotel at Brickell City Centre, Hyde Midtown Hotel & Residences, SLS

Lux Hotel & Residences, Mandarin Oriental Hotel at Taikoo Hui Complex (Guangzhou, China), and Perez Art Museum Miami (PAMM).

Finally, MB Connect has teamed with Local Office Landscape Architecture, to serve as chief architect of the Hotel project's resiliency plan, to protect built environments and natural ecosystems from the risks of climate change, rising seas and weather disturbances.

Proposed Hotel Program

MB Connect proposes to develop an 800-room convention headquarter hotel to include the following program elements:

<u>Ballroom/Meeting Space</u>	<u>Sq. Feet</u>	<u>Food & Beverage</u>	<u>Seats</u>
Ballroom	20,000	Restaurant Club	400
Junior Ballroom (2)	16,300	Lobby Lounge	150
Breakout Meeting	23,118	Pool Grille	65
Support	<u>37,120</u>	Lobby Bar	100
Total	96,538		

Parking Spaces: **320**

<u>Guest Rooms</u>	<u>Units</u>	<u>Sq. Feet</u>	<u>Sq. Feet/Unit</u>
Standard	735	257,250	350
Suites	55	33,310	606
Hospitality Suites	<u>10</u>	6,830	1,708
Guest Support		<u>88,860</u>	
Total	800	386,250	375

The 320 parking spaces proposed adheres to the City Code requirement of 0.4 parking spaces per room.

Hotel Brand

MB Connect has indicated it intends to consider national hotel brand/operators with an established and consistently maintained reputation for quality operations. Brands to be considered include those owned by Hyatt, Hilton and Marriott.

Development Budget and Finance Plan

MB Connect has estimated the preliminary development budget to be \$362.1 million and intends to finance the hotel with an estimated \$235.4 million, or 65% in debt, and \$126.7 million or 35% in equity. The MB Connect proposal included financing references from JP Morgan Chase, Wells Fargo, HSBC, Citibank and United Overseas Bank, as well as regional lenders such as Regions Bank and Florida Community Bank. The Proposer team has indicated it intends to fund up to \$20 million in equity for the Project, with the remaining capital to be raised from third-party investors. The development budget and finance plan are consistent with that used in other similar hotel development projects.

Development Schedule

If the voters approve the lease in November of 2018, design and development would commence thereafter, and the proposer anticipates the Hotel would open in September of 2022.

Lease Proposal

MB Connect has proposed to lease the Hotel Site for a period of 99 years. Lease payments are proposed to be **the greater of** an annual minimum fixed rent, or 2.5% of gross hotel operating revenues. A schedule of the proposed lease payments is in attached Exhibit 1. Below is a table of the total and net present value ("NPV") of the lease payments:

	2027 (Yr 5)	Over 30 years		Over 99 years	
		Total	NPV @ 5%	Total	NPV @ 5%
Minimum Fixed Rent	\$2.0m	\$71m	\$27m	\$560m	\$45m
Variable Rent	1.3m	55m	22m	403m	35m
Percentage Rent (2.5% Gross)	\$3.3m	\$126.2m	\$48.8m	\$963.7m	\$80.3m

In FY17, the P29 parking lot where the Hotel will be located generated \$104,634 in revenues. This modest revenue is in sharp contrast to the revenues anticipated under the proposed lease for the Hotel Project, whereby the City is projected to be paid \$3.3 million annually by Year 5. This amount is projected to grow annually with hotel room rate growth through the percentage rent payment. Assuming a modest 2% annual growth after the 10-year pro-forma period, the City is projected to be paid \$80.3 million for the site, the net present value of the lease payments. This equates to \$31.5 million per acre, \$724 per square foot, or \$100,375 per room.

The City has engaged an independent appraiser, Blazejack and Associates, to complete its appraisal for the leased property, and the appraisal will be provided to the City Commission prior to its final approval of the Development and Ground Lease Agreement.

- MB Connect has accepted the City's key lease terms, including: The proposed Hotel is designed to a height of 185 feet, which is the same height as the Lincoln Road "clock tower" at 407 Lincoln Road;
- Developer is to fund all costs to develop, design, construct, equip and operate the hotel, with no City funding or financing;
- Lessees may not own, operate, or manage any establishment offering gambling or wagering in Miami-Dade County;
- Proposer has agreed to adhere to the City's terms outlined in the City's proposed Room Block Agreement.

Transaction Rent

MB Connect has proposed the City will receive additional rent in connection with the first three sales of the Hotel to a third party, and proposes for the City to receive the lesser of \$2 million or 0.25% of the gross sales price (with the City continuing to receive all rent and other payments due to the City throughout the term of the lease). This transaction rent is not common in the industry, particularly where, as here, the City provides no funding or financing for the project (and thereby takes no development risk).

Employment Projections

During the construction and development phases of the Project, the Proposer estimates to

create 1,900 full-time equivalent jobs. Once the hotel has reached a stabilized level of operation, the hotel is estimated to employ 724 full-time workers.

Traffic

The Proposer has engaged Kimley Horn as its traffic engineer and mobility consultant for the Project. The proposal highlighted MB Connect's commitment to ensure the Convention Center District is accessible to all current and future modes of transportation and that pedestrian safety is a priority. The proposal was reviewed by the City's Traffic and Transportation staff with experience in access management and traffic operations. While no formal queuing analysis or traffic analysis was provided as part of the proposal, one of the advantages identified in this plan is the internalization of queueing by utilizing the majority of the footprint of the site for car, valet and ridesharing drop-offs; and truck loading operations separate and apart from visitor entries. This design will reduce the possibility of spillback from the drop-off operations into 17th Street and Convention Center Drive.

During construction, the proposer will need to submit a Maintenance of Traffic (MOT) that also minimizes impacts to 17th Street and Convention Center Drive and will also be required to include a plan that addresses off-site parking arrangements for construction workers and Hotel employees (after completion of construction).

Resiliency

MB Connect has developed a conceptual hotel design that is resilient and adaptable. The proposal accounts for changing conditions throughout the building's expected useful life, while accommodating the needs of the community today. For example, the building is proposed at a raised elevation that protects the building from expected rises in sea levels in the future but its design maintains the street's existing walkability by providing stepped transitions, landscaping and shade at the sidewalk level. Similarly, several floors are designed to adapt to changing conditions, such as the double height retail spaces on the ground level that can allow for higher finished floor elevations in the future and the adaptable upper floors that can transition in use and shape as needed.

The building design also capitalizes on industry best practices and innovative technology to institutionalize sustainability in its operations. The foundation of the building's operational sustainability is the Leadership in Energy and Environmental Design (LEED) certification, of which the proposed design is anticipated to achieve LEED Gold. In achieving LEED Gold, the building will be constructed using sustainable materials, utilize fixtures that reduce energy and water use, and rely on renewable energy systems including a solar roof and a geothermal system for air conditioning and hot water, among other green building practices. The design also weaves green and blue infrastructure designs throughout the building, including bioswales and a cutting-edge blue roof that retains stormwater for reuse on-site. Native vegetation is also a cornerstone of the design and is used to lower the groundwater levels around the property, to capture additional stormwater, and to create beautiful vistas. The integrated design approach used by the MB Connect team is consistent with the recommendations in the South Florida Regional Climate Compact Regional Climate Action Plan and the city's work with the 100 Resilient Cities network.

Public Sector Benefits

A summary of the public revenue impact of the Hotel is attached hereto as Exhibit 2. In addition to the land lease, the Hotel will pay City Resort Taxes and Property Taxes. In addition, the County has agreed to increase the Convention Development Tax funding to the City once a headquarter hotel is opened. Upon stabilization, total lease and tax payments are estimated to be \$10.3 million

to the City. The value of this revenue stream over the lease term is \$223 million net present value.

The hotel will also pay County, school, and State sales taxes. All told, the hotel is estimated to generate \$20.9 million in annual public revenues upon stabilization, equating to \$514 million net present value over the term of the lease.

Additionally, MB Connect has proposed to discuss with the City additional consideration in the form of a 1% "voluntary special assessment" on room revenues, to be dedicated to fund joint marketing efforts to promote the Convention Center, Convention Center Hotel, and tourism in the City. If implemented, this assessment could generate \$1.3 million annually upon stabilization. Subject to further discussion and negotiation, the Administration supports the 1% assessment or fee for marketing purposes.

RFP EVALUATION COMMITTEE

The Evaluation Committee (the "Committee") consisted of the following individuals:

- Paul Freeman, Mayor's AD Hoc Blue Ribbon Steering Committee on the Convention Center Hotel, & Resident of Palm View Neighborhood
- Laurence A. Herrup, Chairman, Convention Center Advisory Board
- David Martinez, Director, Capital Improvements Projects Office, City of Miami Beach
- Jonathan Plutzik, Owner, The Betsy Hotel
- Randy Weisburd, Chief Operating Officer, Atlantic & Pacific Companies, & Resident
- Margarita Wells, Assistant Director, Environment and Sustainability Department, City of Miami Beach, & Resident
- John Woodruff, Chief Financial Officer, Finance Department, City of Miami beach

The Committee conducted an extensive 95-minute Q & A with MB Connect's team and City staff covering a wide range of aspects of the proposed project. The Committee then scored the proposal based upon the criteria outlined in the RFP. High marks, at or above 90, were received from all participants. The table below represents the scores by the committee members.

CRITERIA	Potential Score	Committee Member Scoring							
		#1	#2	#3	#4	#5	#6	#7	Average Score
<u>Proposer Qualifications</u>	15	15	15	15	15	15	15	15	15
<u>Design Team Qualifications</u>	10	10	10	10	10	10	10	10	10
<u>Financial Plan & Terms and Preliminary Budget</u>	35	30	30	30	30	30	32	30	30
<u>Programming</u>	15	10	15	13	12	14	13	12	13
<u>Conceptual Design and Resiliency</u>	25	25	25	22	25	24	24	25	24
TOTAL	100	90	95	90	92	93	94	92	92

CITY MANAGER'S RECOMMENDATION

After reviewing the qualifications and submissions of MB Connect's proposal, and after considering the deliberations and rankings of the Evaluation Committee, and exercising my due diligence consistent with Section 2-369 of the City Code, I recommend that the Mayor and City Commission authorize the Administration to enter into negotiations with MB Connect.

The MB Connect proposal reflects a thoughtful response by a qualified local team and incorporates significant feedback provided by the City Commission and the Mayor's Ad Hoc Blue Ribbon Steering Committee on the Convention Center Hotel, including with respect to:

1. A maximum height of 185 feet;
2. 800 rooms, the Greater Miami Convention Visitor's Bureau (GMCVB's) as well as the Mayor's Blue Ribbon panel recommended target room number to support room blocks for convention events;
3. An efficient approach to vehicle circulation and traffic, by using the majority of the footprint of the site to internalize pickup and drop-offs, and to minimize impacts to 17th Street and Convention Center Drive;
4. A design that is compatible with the renovated MBCC and the surrounding area;
5. The utilization of a world class architect to produce an iconic design as requested by the Mayor's Blue Ribbon panel;
6. A resilient design that incorporates the use of solar power, green and blue infrastructure, native vegetation, and water & resource conservation; and
7. A financial proposal that provides the City with significant revenues, without any City funding or financing for the project.

I recognize that the construction and eventual operation of the Hotel will impact surrounding neighborhoods. As such, staff will work actively with each of these areas to see how we can minimize each impact, address infrastructure and other improvements that could assist those neighborhoods and ensure the City, developer and the eventual hotel operator are responsive to the community.

CONCLUSION

Based on the foregoing, the City Manager recommends that the Mayor and City Commission authorize the Administration to negotiate a development and ground lease Agreement with MB Mixed Use Investment, LLC, pursuant to Request for Proposals (RFP) No. 2018-238-KB for the Development of a Convention Headquarter Hotel Adjacent to the Miami Beach Convention Center, with said Agreement subject to prior approval by the Mayor and City Commission before the final execution thereof.

Attachment A – MB Connect Presentation to Evaluation Committee on 6-21-18

Exhibit 1
Summary of Lease proposal

		Minimum Fixed Rent	Growth	Variable Rent	Growth	Percentage Rent	Growth
1	2023	\$400,000		\$1,998,255		\$2,398,255	
2	2024	800,000	100.0%	1,956,400	-2.1%	2,756,400	14.9%
3	2025	1,200,000	50.0%	1,829,542	-6.5%	3,029,542	9.9%
4	2026	1,600,000	33.3%	1,552,523	-15.1%	3,152,523	4.1%
5	2027	2,000,000	25.0%	1,263,216	-18.6%	3,263,216	3.5%
6	2028	2,040,000	2.0%	1,321,112	4.6%	3,361,112	3.0%
7	2029	2,080,800	2.0%	1,381,146	4.5%	3,461,946	3.0%
8	2030	2,122,416	2.0%	1,449,176	4.9%	3,571,592	3.2%
9	2031	2,164,864	2.0%	1,507,914	4.1%	3,672,778	2.8%
10	2032	2,208,162	2.0%	1,574,800	4.4%	3,782,962	3.0%
11	2033	2,252,325	2.0%	1,606,296	2.0%	3,858,621	2.0%
12	2034	2,297,371	2.0%	1,638,422	2.0%	3,935,794	2.0%
13	2035	2,343,319	2.0%	1,671,191	2.0%	4,014,510	2.0%
14	2036	2,390,185	2.0%	1,704,615	2.0%	4,094,800	2.0%
15	2037	2,437,989	2.0%	1,738,707	2.0%	4,176,696	2.0%
16	2038	2,486,749	2.0%	1,773,481	2.0%	4,260,230	2.0%
17	2039	2,536,484	2.0%	1,808,951	2.0%	4,345,434	2.0%
18	2040	2,587,213	2.0%	1,845,130	2.0%	4,432,343	2.0%
19	2041	2,638,958	2.0%	1,882,032	2.0%	4,520,990	2.0%
20	2042	2,691,737	2.0%	1,919,673	2.0%	4,611,410	2.0%
21-99		<u>518,891,349</u>		<u>370,059,102</u>		<u>888,950,451</u>	
Total		<u><u>\$560,169,920</u></u>		<u><u>\$403,481,683</u></u>		<u><u>\$963,651,603</u></u>	
NPV @5%		\$45,095,161		\$35,205,066		\$80,300,227	

Note: Every five (5) years, the Minimum Fixed Rent will be reset to the greater of (a) the existing Minimum Fixed Rent , or (b) 60% of the average of the actual rent paid during the past five (5) years

Exhibit 2 Summary of Public Revenue Impact

		Over 30 years		Over 99 years	
	2027 (Yr 5)	Total	NPV @ 5%	Total	NPV @ 5%
CITY					
Hotel Lease					
Minimum Fixed Rent	\$2.0m	\$71m	\$27m	\$560m	\$45m
Variable Rent	1.3m	55m	22m	403m	35m
Percentage Rent (2.5% Gross)	\$3.3m	126m	49m	964m	80m
Taxes					
CRA City (thru 3/2044)	0.9m	21m	10m	21m	10m
CRA County (thru 3/2044)	0.7m	16m	8m	16m	8m
New Resort Tax (Hotel 1%)	0.8m	30m	12m	228m	19m
Resort Tax (Hotel 3%, F&B 2%)	3.2m	122m	47m	935m	78m
CDT Allocation (thru 2044)	1.5m	32m	15m	32m	15m
Property Taxes*	0.1m	15m	4m	250m	13m
Subtotal	7.0m	236m	96m	1,482m	143m
CITY TOTAL	\$10.3m	\$362m	\$145m	\$2,446m	\$223m
COUNTY	2.1m	117m	41m	1,210m	82m
SCHOOLS (Property Tax)	1.2m	45m	18m	340m	29m
OTHER PROPERTY**	0.1m	5m	2m	41m	3m
STATE SALES TAX (6%)	7.2m	278m	107m	2,120m	177m
TOTAL	\$20.9m	\$808m	\$313m	\$6,158m	\$514m

* 95% of general property taxes allocated to CRA through 3/2044

** Regional property tax and Children's Trust property tax

Key Assumptions:

All analysis completed on a calendar year basis

Year 1 through 10 based on developer proforma

Assumed 2% growth rate beginning in year 11 and beyond

NPV to 2019

\$1.5m of County CDT allocated to City beginning in third year of hotel opening through 2044

Sources: Developer, City of Miami Beach, JLL