


MIAMI BEACH

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

COMMISSION MEMORANDUM

TO: Honorable Mayor Dan Gelber and Members of the City Commission

FROM: Raul J. Aguila, Interim City Manager 

DATE: February 10, 2021

SUBJECT: **REFERRAL TO THE FINANCE AND ECONOMIC RESILIENCY COMMITTEE, TO DISCUSS A PROPOSED AMENDMENT TO THE CITY'S EXISTING DEVELOPMENT AND GROUND LEASE AGREEMENT WITH MB MIXED USE INVESTMENT LLC FOR THE DEVELOPMENT OF THE MIAMI BEACH CONVENTION CENTER HOTEL, WHICH PROPOSED AMENDMENTS INCLUDE: (1) DESIGN CHANGES TO REDUCE MASS, HEIGHT AND FIRST FLOOR PROGRAMMING; (2) ELIMINATION OF ON-SITE PARKING REQUIREMENT; (3) ABILITY TO UTILIZE MIAMI BEACH CONVENTION CENTER MEETING ROOMS; AND (4) EXTENSION OF OUTSIDE DATES IN THE DEVELOPMENT AGREEMENT DUE TO THE COVID-19 PANDEMIC; AND A REFERRAL TO THE PLANNING BOARD OF AN AMENDMENT TO THE LAND DEVELOPMENT REGULATIONS TO ELIMINATE ON-SITE PARKING.**

BACKGROUND

The City and MB Mixed Use Investment LLC ("MBMUI"), a joint venture of David Martin of Terra and Jackie Soffer of Turnberry, are parties to a Development and Ground Lease Agreement dated July 31, 2018, for the development of the Miami Beach Convention Center Hotel.

In December of 2018, the referendum related to the development and lease of the Miami Beach Convention Center's headquarter hotel was certified. Prior to reaching this milestone, the City had gone through multiple competitive processes to select and entered into a lease with MB Mixed Use Investment LLC ("MBMUI"), a joint venture of David Martin of Terra and Jackie Soffer of Turnberry.

In 2019, MBMUI completed the necessary pre-development requirements to seek financing, including finishing the design and costing, assembling the construction team, obtaining Design Review Board and Land Use Board approvals, executing a process to select Hyatt as the brand, negotiating an Early Site Access Agreement with the City to begin site work, and had preliminary discussions with lenders and equity partners. The developer was in the formal stages of financing the hotel project in January of 2020 when news began to surface regarding a virus spreading around the globe, followed by declarations of a global health emergency in early February, and a declaration of a global pandemic in March 2020.

Many sectors of the economy have been affected by the COVID-19 pandemic, especially the travel and hospitality industries. New-build convention hotel capital markets have not been available since the beginning of the global pandemic as lenders address more immediate

concerns with existing hotels. Moreover, the impact on the hotel industry and its potential recovery path have driven hotel developments to be physically and financially re-envisioned to recreate a feasible hotel development.

PROPOSED AMENDMENTS

Beginning in the summer of 2020, MBMUI began rethinking the physical and financial elements of the City's headquarter hotel project to deliver all the needs originally envisioned by the City in the most efficient way possible, with a goal to have the project to be ready to finance once new-build hotel lending becomes available.

Key issues taken into account included the material impact on projected hotel performance and path to recovery, limited to no construction cost deflation, lower loan-to-value lending, higher debt interest rates and higher equity return requirements. While juggling all these adverse was challenging, MBMUI has re-envisioned the project while still proposing to deliver delivering the 800-room hotel consistent with all the requirements of the referendum. The re-envisioned project will require some modifications to the design and the land lease between the City and MBMUI. The requested modifications to the existing Ground Lease and Development Agreement include,

1. Design – The hotel design has been reduced in mass, height and first floor program has changed to reduce development costs.
2. Parking - The requirement to build new parking within the hotel is proposed to be eliminated. Hotel parking needs can be met in existing facilities owned by the City at the Convention Center and adjacent public garages. Hotel guests and employees are proposed to pay market rates for parking with revenues inuring to the City.
3. MBCC Meeting Space – The meeting space within the hotel is to be reduced and MBMUI proposes to utilize adjacent meeting space at the Convention Center for overflow hotel event meeting space needs. MBMUI proposes to pay market rates for such use and desires to agree with the City on a space booking policy that keeps the nearby space available for hotel needs.
4. Outside Dates – The Land Lease includes a number of outside dates that need modified to account for the impact of the Global Pandemic.

It should be noted that MBMUI is not requesting any changes that are inconsistent with what was approved by referendum, including the number of hotel rooms, lease payments, height restrictions, gaming ownership restrictions, convention center connection obligation, and the requirement for no City funding.

It is requested the City Commission refer the lease amendments to the Finance and Economic Resiliency Committee, and the amendment to the land development regulations to the Land Use and Sustainability Committee for consideration.

RJA/MT/AM