

MIAMI BEACH

COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee Members

FROM: Alina T. Hudak, City Manager

DATE: July 16, 2021

SUBJECT: **FISCAL YEAR 2022 PRELIMINARY CAPITAL BUDGET UPDATE**

Applicable Area

Not Applicable

Is this a "Residents Right to Know" item, pursuant to City Code Section 2-14?

No

Does this item utilize G.O. Bond Funds?

No

ATTACHMENTS:

Description	Type
<input type="checkbox"/> FY 2022 Preliminary Capital Budget Update Memo	Memo
<input type="checkbox"/> FY 2022 Preliminary Capital Budget Update Presentation	Other
<input type="checkbox"/> Attachment A – Preliminary FY 2022 Capital Budget and FY 2022-2026 Capital Improvement Program	Other
<input type="checkbox"/> Attachment B – Preliminary FY 2022 Capital Projects by Location and Funding Source	Other



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

COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee

FROM: Alina T. Hudak, City Manager

DATE: July 16, 2021

SUBJECT: Fiscal Year 2022 Preliminary Capital Budget Update

The FY 2022 Preliminary Capital Budget was reviewed by the Finance and Economic Resiliency Committee ("FERC") at the June 18, 2021 FERC 1st Budget Briefing.

Attachment A contains a comprehensive funding summary of the FY 2022-2026 Preliminary Capital Improvement Program ("CIP"). The following is an update on several items discussed at the June 18th Budget Briefing.

CAPITAL BUDGET PRESENTATION FOLLOW UP

At the June 18, 2021 FERC Budget Briefing, Commissioner Gongora requested a breakdown of the all capital projects recommended to be funded in FY 2022 by area. The table below summarizes the recommended funding amounts by location and percentages. Attachment B provides a detailed report of projects, stratified by location and funding source.

Location	\$	%
Citywide*	58,334,232	83
North Beach	3,928,000	6
Middle Beach	3,101,505	4
South Beach	5,225,000	7
Total	\$70,588,737	100%

**Parking, Fleet, Greenspace, Resiliency/Utility /City Hall Projects included in Citywide*

At the June 18, 2021 FERC Budget Briefing, Commissioner Richardson requested an estimated cost for a conceptual design for the City Hall South Façade. This item was researched by the Property Management Department and the estimated cost is \$19,000. The recommendation is to fund this item during FY 2021 so the design can be completed during FY 2022 and be ready to inform decision making regarding potential funding for construction of the project as part of the FY 2023 Capital Budget process.

NEW CAPITAL PROJECTS

At the Commission meeting on June 23rd, the City Commission approved \$2.5 million of funding for the Sabrina Cohen Foundation's Adaptive Fitness & Recreation Center. The \$2.5 million of funding will come from the General Fund Reserve. This project will be added to the FY 2021

Capital Budget through a capital Budget Amendment at the July 28th City Commission meeting.

The Commission Chambers Renovation project is proposed by the Administration to be added to the FY 2022 Capital Budget. This project will address ADA compliance issues, enhance lighting, acoustics, and audio/visual technology, and convert the ground floor conference room in City Hall into a multi-purpose press room. The proposed renovation would take place over several months during Summer of 2022. The cost of the project is \$900,000 and the recommended funding source is the General Fund Reserve to be transferred to the PAYGO fund.

CAPITAL PROJECT GAPS

At the June 18, 2021 FERC Budget Briefing, several key capital projects with existing funding gaps were discussed.

North Beach Oceanside Park

The funding gap of \$1.9 million is proposed to be addressed in the FY 2021 Capital Budget through a Capital Budget Amendment at the July 28th City Commission meeting. The Administration's recommendation is to close the project gap by applying \$1.9 million of savings in the Middle Beach Recreational Corridor 2 project available due to awarded grant funds.

Maurice Gibb Park

The funding gap of \$1.2 million is proposed to be addressed in the FY 2021 Capital Budget through a Capital Budget Amendment at the July 28th City Commission meeting. The Administration's recommendation is to close the project gap by applying \$1.2 million of \$1.5 million of savings available in the Parks & Recreation category of the G.O. Bond Program.

Bayshore Park (Par 3)

The funding gap of \$1.9 million is proposed to be addressed in the FY 2021 Capital Budget through a Capital Budget Amendment at the July 28th City Commission meeting. The Administration's recommendation is to close the project gap by (1) applying \$1.5 million of savings in the Middle Beach Recreational Corridor 2 project available due to awarded grant funds; and (2) add \$400,000 of appropriation through the FY 2022 Capital Budget process from Quality of Life – Mid Beach funds.

First Street

The funding gap of \$20 million is proposed to be added to the FY 2022 Capital Budget and funded primarily from the Resiliency Fund.

Fire Station #1

The construction contract for this project is not due to be awarded until October 2022. The Administration's recommendation is to update the estimated shortfall of \$6 to \$10 million next Summer, which may be less if COVID-19 cost pressures unwind over the next year. The updated gap amount would likely need to be funded from the sale of 5 vacant parcels identified by Property Management and CBRE's asset inventory study.

Police Headquarters Renovation

The construction contract for this project is due to be awarded in October 2021. However, this project is phased over time as funding is split between Tranche 1 and Tranche 2. The Administration's recommendation is to review the scope for potential changes and use existing Tranche 1 funding to complete the short-term elements of the project and potentially supplement Tranche 2 funds in future years if needed.

72nd Street Complex

This project was discussed at the June 18, 2021 FERC Budget Briefing. The preliminary estimated funding shortfall range for this project has been \$24.6 to \$49.1 million. Since then, the CIP department completed negotiations with Haskell, the selected bidder. The final negotiated design/build contract GMP is \$85 million. This amount assumes the current scope in the Design Criteria Package. The all-in cost for the project is \$107 million. The current budget appropriation for the project is \$64.4 million. The difference is a funding gap of \$42.6 million. This amount can be reduced through the application of the \$1 million dedicated allocation to this project from the Ocean Terrace Settlement and saving \$4.5 million by reducing the 10% contingency to 5%. The difference is the net gap of \$37.1 million.

One of the strategies for closing the funding gap is to determine the amount for the parking portion of the project (500 spaces) and use parking bonds to close the gap between the total parking cost and the \$10.6 million of parking funds already budgeted in the project. Of the \$85 million design/build contract, approximately \$30 million of it is parking related. Netting out the \$10.6 million, there is potential to issue parking bonds for \$19.4 million, which would reduce the funding gap to \$17.7 million.

At this point, the City Commission has at least 3 options. Option 1 is to continue to pursue an agreement with Haskell, the selected bidder, and identify funding options to close the remaining \$17.7 million gap. Option 2 is to enter into negotiation with the second proposer to develop a design/build contract GMP. Option 3 would be to change the scope in the Design Criteria Package in order to reduce costs to help close the funding gap. Depending on the degree of changes to the scope, it may require a new procurement process.

Funding for this project was discussed at the Finance & Economic Resiliency Committee on May 21st, June 11th, and at the FERC-Capital Budget Briefing on June 18th. Options to close the remaining budget gap for the project are addressed in the section below.

Capital Budget Funding Options

There are several funding options available to help close the gap in existing capital projects and/or fund unfunded projects.

The current North Shore Branch Library site made up of 5 parcels (3 ocean front and 2 on Collins Avenue) was evaluated and has been appraised to have a value of \$75 million less legal, brokerage, and subdivision fees. It is important to note that the City Attorney has opined that the sale of the 3 ocean-front lots would be subject to voter referendum. The appraisal for the 2 parcels on Collins Avenue is \$10.5 million and their sale would not be subject to voter referendum. The City Commission requested a second appraisal that should be available by the end July. One option would be to sell the non-ocean-front lots without going to voter referendum. The second option is to sell all 5 parcels and go to voter referendum in the Spring to avoid project delays. The Administration recommendation is to issue an RFP with different options, evaluate the submissions, and determine if voter referendum will be necessary.

The Property Management Department is exploring best practices and methods to maximize the value of City-owned assets across the City's real estate portfolio. To facilitate this efforts, CBRE was engaged to conduct an inventory review of real estate assets owned by the City. As part of the overall analysis, 5 vacant parcels were identified as strong candidates for potential sale. These parcels have been reviewed by the Finance & Economic Resiliency Committee at their March, April, and June meetings. Recent appraisals estimate that the 5 properties below could be worth \$16.2 million in total.

- 8100 Hawthorne Avenue – appraised value of \$984,000
- 226-87 Terrace – appraised value of \$4,600,000
- 16300 Pine Tree Drive – appraised value of \$3,400,000
- Commerce Street – appraised value of \$1,500,000
- Sunset Drive – appraised value of \$5,700,000

The Administration's recommendation is to issue RFP's for each parcel or approve bid waivers so that the properties can be listed with pre-approved vendors as soon as possible.

On May 26th, the City Commission approved the Seagull Hotel street vacation, which included a voluntary monetary payment to the City in the amount of \$7.4 million. The public benefit cash payment to the City will be provided as follows:

- The first payment of \$750,000 shall occur within 30 days of Historic Preservation Board approval;
- The second payment of \$3,325,000 shall occur prior to issuance of a building permit; and
- The third payment of \$3,325,000 shall be prior to TCO or CO, whichever comes first.

The first two payments will likely be received in the next 6 months. However, the third payment is likely to be received in approximately 2 to 3 years following construction of the project.

The Barclay Plaza apartment building (Barclay) was acquired by the Miami Beach Community Development Corporation (MBCDC) in 2007 using City Redevelopment Agency funds as affordable workforce housing. This property is located to the east of the Miami Beach Convention Center and south of Miami Beach Senior High School. In 2014, the property was red-tagged by the City's Building Department for having repeatedly failed to complete its 40 year assessment. The property was vacated of tenants by MBCDC that same year. In 2015, the Barclay, which had received U.S. Department of Housing and Urban Development funds from the City, was acquired by the City since MBCDC was in default of its funding agreement. The City acquired the building vacant and boarded and has remained so the duration of the City's ownership. Subsequent to its acquisition, the City issued two Requests for Proposals in search of a private workforce housing developer for the site. Unfortunately, there were no responsive respondents to these RFP's. Currently a feasibility study is underway and the results should be available near the end of July. An appraisal of the property was recently completed showing that the Barclay has a value of \$8.3 million.

As the 2018 G.O. Bond program is implemented, savings have been identified from various projects that are available to supplement other G.O. Bond projects in the same category that have funding gaps. For example, if a G.O. Bond project in the Parks & Recreation category needs additional funds and there are savings from various projects in the Parks & Recreation category, then the savings can be applied to help close those gaps. Currently there is \$1.5 million of savings in the Parks category and \$1 million of savings in the Public Safety category that is available. The Administration recommends applying \$1.2 million of the \$1.5 million of Parks & Recreation category savings to the Maurice Gibb Park funding gap to fully fund the project. This funding realignment is included in a proposed capital budget amendment on the July 28th City Commission meeting agenda.

If any other one-time sources of funding are identified, the Administration will evaluate opportunities to use them to close funding gaps for existing projects or help fund unfunded capital projects.

CONCLUSION

The Preliminary FY 2022 Capital Budget has been updated, as noted above, subsequent to the June 18th Capital Budget presentation. Any remaining capital items can be addressed at the FERC-Budget Briefing on July 23rd or at the first public hearing on the proposed FY 2022 Capital Budget on September 17th or at the second public hearing when the final FY 2022 Capital Budget is adopted on September 30, 2021.

Attachment A – Preliminary FY 2022 Capital Budget and FY 2022-2026 Capital Improvement Plan
Prioritization by Funding Source

Attachment B – Preliminary FY 2022 Capital Projects by Location and Funding Source



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PAYGO

New Project

- Adaptive Fitness & Recreation Center
 - Allocated from General Fund Reserve and transferred to PAYGO
 - Total of \$2.5 million included in Capital Budget Amendment for the Commission meeting on July 28th



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PAYGO



New Project

- **Commission Chambers Renovation**
 - Address ADA compliance issues
 - Enhanced lighting, acoustics, and audio/visual technology
 - Convert ground floor conference room into a multi-purpose press room
 - Implement renovation during Summer 2022
 - Recommend allocation of \$900K from General Fund Reserve and transfer to PAYGO

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City Hall South Entrance Design

- Conceptual design for the City Hall South Façade is estimated at \$19,000
- Recommend funding in FY 2021 to inform decision making for the FY 2023 Capital Budget process

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Proposed Capital Budget **by Area**



Location	\$
Citywide*	58,334,232
North Beach	3,928,000
Middle Beach	3,101,505
South Beach	5,225,000
Total	\$70,588,737

**Parking, Fleet, Greenspace, Resiliency/Utility/City Hall Projects included in Citywide*

[Attachment B](#) provides a detailed report of projects, stratified by location and funding source

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Capital Project Gaps



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Potential Capital Project Gaps

■ GO Bond projects

- 72nd Street Complex: >\$20 million
- Bayshore Park (Par 3): \$6 to \$7 million
- Maurice Gibb Park: \$1.2 million
- Fire Station #1: \$6 to \$10 million
- Police Headquarters: \$4 to \$5 million

■ Other

- NB Oceanside Park: \$1.9 million
- First Street: \$20 million

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Potential Capital Project Gaps

■ GO Bond projects

- 72nd Street Complex: To be discussed in next slides
- Bayshore Park (Par 3): July 28th Capital Budget Amendment
- Maurice Gibb Park: July 28th Capital Budget Amendment
- Fire Station #1: Future
- Police Headquarters: Future

■ Other

- NB Oceanside Park: July 28th Capital Budget Amendment
- First Street: Included in FY 2022 Capital Budget

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72nd Street Complex Update

- Design/build contract GMP update is \$85 million
 - Original proposal was \$94 million
 - 2nd place bidder is \$80.2 million
 - 3rd place bidder is \$79.9 million
 - Third party cost estimator is \$71 million
 - Assumes current scope in Design Criteria Package

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72nd Street Complex Update

- Design/build contract update is \$85 million
 - All-in cost is \$107 million
 - Less current budget of \$64.4 million
 - Updated shortfall of \$42.6 million
- Net shortfall is \$37.1 million
 - Apply \$1 million from Ocean Terrace Settlement
 - Reduce 10% contingency to 5% to save \$4.5 million

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72nd Street Complex **Update**



- **Design/build contract update is \$85 million**
 - Approximately \$30 million is parking related (500 spaces)
 - Less current parking budget of \$10.6 million
 - Potential to issue parking bonds for \$19.4 million
- **Reduces shortfall to \$17.7 million**

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72nd Street Complex **Options**



- Option #1: Continue to pursue an agreement with Haskell and identify additional funding options
- Option #2: Enter into negotiations with 2nd proposer
- Option #3: Change the scope in the Design Criteria Package to reduce costs; may require new procurement process

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Capital Project Funding Options

- North Shore Library Site: \$TBD
 - Site consists of 5 parcels; 3 ocean front and 2 on Collins Avenue; sale of ocean front parcels triggers voter referendum
 - Would need to negotiate lease-back until new library site is complete as part of 72nd Street Complex project
 - Option #1: sell non-ocean front properties without going to voter referendum; first appraisal value at \$10.5 million; Commission requested second appraisal that should be available at end of July
 - Option #2: sell all parcels and go to voter referendum in the Spring (to avoid project delays); appraised value of at least \$75 million
 - Recommendation: Issue RFP with both options and determine if voter referendum will be necessary

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Capital Project Funding Options

- Potential sale of 5 vacant parcels identified by Property Management and CBRE's asset inventory study: Appraised at \$16.2M
 - 8100 Hawthorne Avenue – appraised value of \$984,000
 - 226-87 Terrace – appraised value of \$4,600,000
 - 16300 Pine Tree Drive – appraised value of \$3,400,000
 - Commerce Street – appraised value of \$1,500,000
 - Sunset Drive – appraised value of \$5,700,000
 - Recommend issuing RFP or bid waiver to list properties with pre-approved vendors

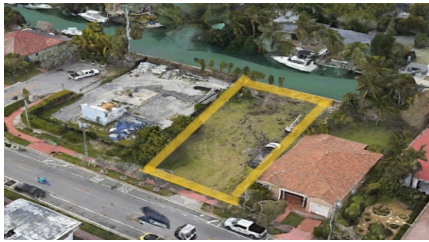
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Property Management Department
Division of Asset Management
Office of Real Estate

Maximizing Value of City Assets

- Folio No. 02-3203-001-3450
- 8100 Hawthorne Avenue, Miami Beach, FL 33141
- Pump Station Vacant Lot; 8,700 Square Feet
- Value: \$984,000 (less legal, brokerage and subdivision fees)



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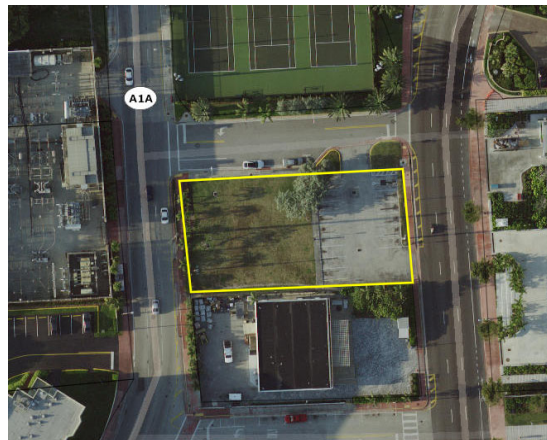
Property Management Department
Division of Asset Management
Office of Real Estate

Maximizing Value of City Assets

- Folio No. 02-3202-006-0430
- 226 – 87 Terrace, Miami Beach, FL 33141
- Vacant Lot; 15,313 Square Feet
- Value: \$4,600,000 (less legal, brokerage and subdivision fees)



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Property Management Department
Division of Asset Management
Office of Real Estate

Maximizing Value of City Assets

- Folio No. 02-3211-014-0050
- Pine Tree Drive
- Vacant Lot; 12,105 Square Feet
- Value: \$3,400,000 (less legal, brokerage and subdivision fees)



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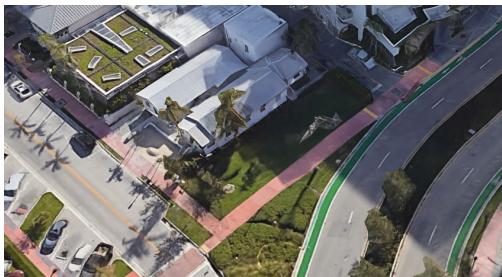
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Property Management Department
Division of Asset Management
Office of Real Estate

Maximizing Value of City Assets

- Folio No. 02-4203-009-2140
- Commerce Street
- Vacant Lot; 2,757 Square Feet
- Value: \$1,500,000 (less legal, brokerage and subdivision fees)



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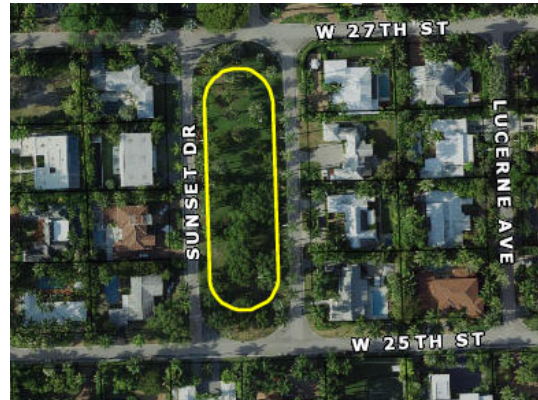
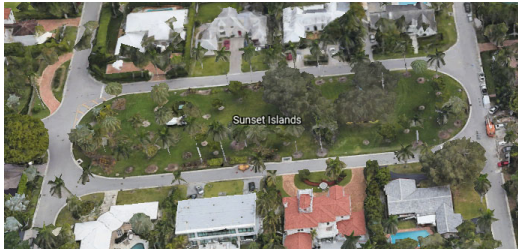
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Property Management Department
Division of Asset Management
Office of Real Estate

Maximizing Value of City Assets

- Folio No. 02-3228-001-1280
- Sunset Drive
- Vacant Lot; 31,808 Square Feet
- Value: \$5,700,000 (less legal, brokerage and subdivision fees)



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Capital Project Funding Options



- Seagull Hotel street vacation: **\$7.4M**
 - 1st Payment: \$750K within 30 days of HPB approval
 - 2nd Payment: \$3.325M prior to issuance of building permit
 - 3rd Payment: \$3.325M prior to TCO or CO, whichever comes first
- Barclay appraisal: **\$8.3M**
- Savings in various GO Bond projects
 - Parks category: **\$1.5M** (allocated \$1.2M to Maurice Gibb Park)
 - Public Safety category: **\$1M**
- Other

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Unfunded Projects

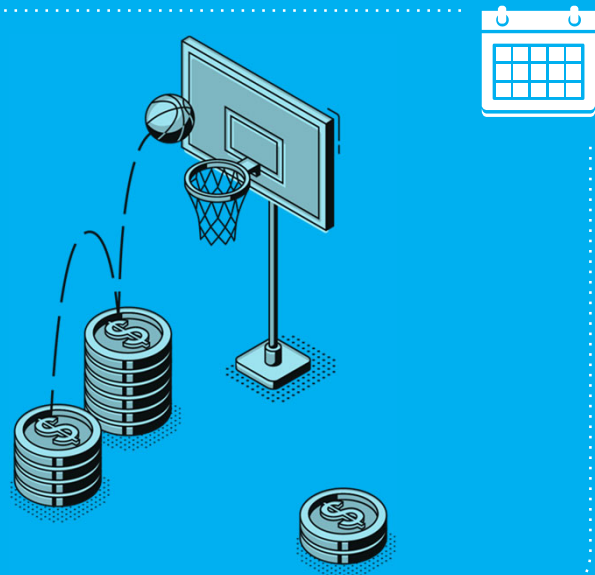


- Collins Park Cultural Facility
- Byron Carlyle
- Barclay
- Old Fire Station #1
- Tight Urbanism
- Fleet Facility
- Other

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Next Steps



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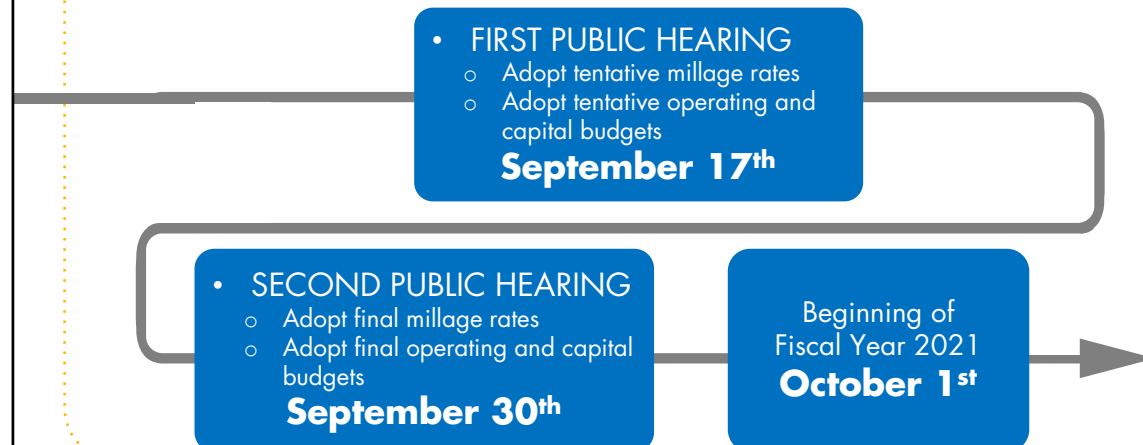
Next Steps



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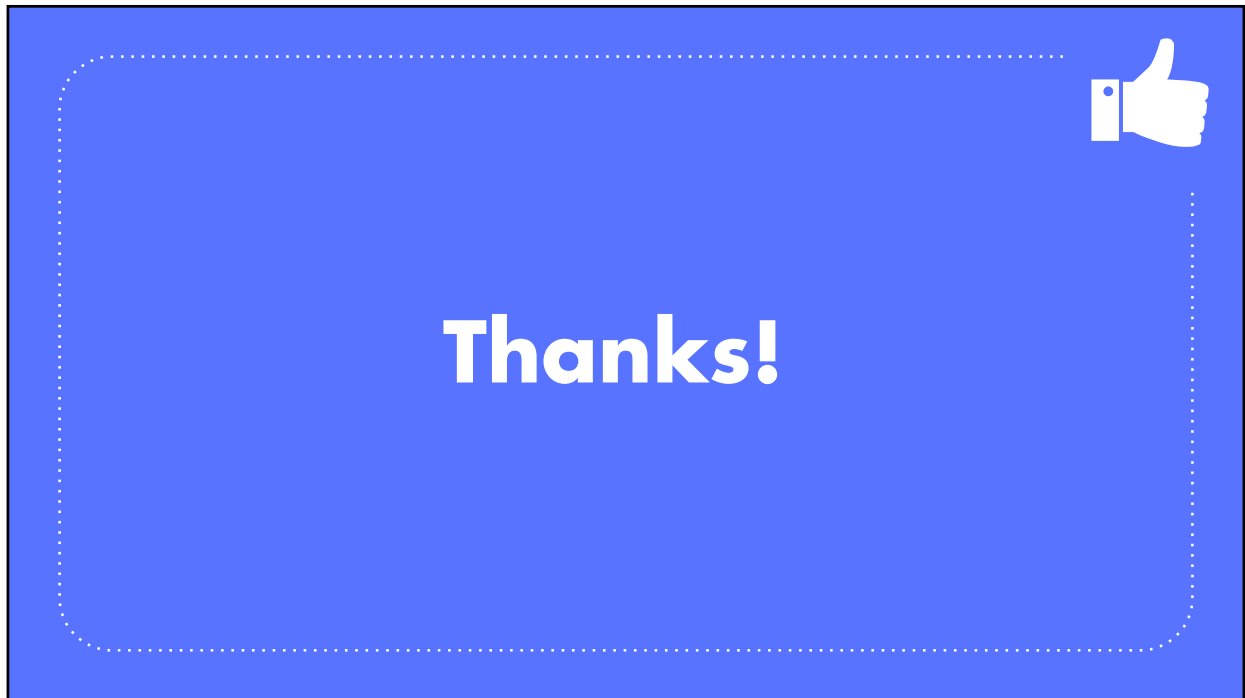
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Next Steps



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