



MIAMI BEACH

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

COMMISSION MEMORANDUM

TO: Members of the City Commission

FROM: Mayor Philip Levine

DATE: January 15, 2014

SUBJECT: **MIAMI BEACH CONVENTION CENTER DISTRICT PROJECT (MBCC PROJECT)**

INTRODUCTION

During my campaign for Mayor, there was a lot of discussion and debate about the scale, design, and overall program of the mixed-use MBCC Project, yet there was never any dispute about the need to renovate the Convention Center itself, as well as the Center's essential and significant role in the City's - and Miami-Dade County's - economy.

While realizing the imperative to renovate the Convention Center, I have always had significant concerns with tying that process into the larger private development of City-owned land, as contemplated in the City's RFQ for the development of the 52 acre Miami Beach Convention Center District.

Additionally, recent legal events have created the possibility of a further delay to the renovation of the Convention Center (which has already been in the planning stages since 2007). For these reasons, I believe the City Commission needs to reconsider the current program in a way which prioritizes and expedites the renovation of the MBCC in keeping with the desires of the community.

RECENT EVENTS

On July 17, 2013, the City Commission adopted Resolution No. 2013-28286, selecting South Beach ACE (SBACE) as the "Master Developer" for the MBCC mixed-use project under Request for Qualifications No. 22-11/12. The project proposed by SBACE includes the renovation and expansion of the MBCC; a privately owned 800 room hotel designed on top of the Convention Center, including 30,000 square feet of retail within the hotel; 20,000 square feet of privately owned retail on public land north of 17th Street; 70,000 square feet of privately owned retail within the 17th Street Garage; and a public park located within the area known as the "P Lot" adjacent to the MBCC. The private components of the project (the hotel and retail portions) would be developed by SBACE on City-owned land and leased to the Developer for a term of ninety-nine (99) years. Under the City's Charter, the leases of City land for the private components must be approved by the voters in a Citywide referendum.

On September 20, 2013, the Third District Court of Appeal (3rd DCA) in the case of Let Miami Beach Decide vs. City of Miami Beach, removed the lease approval question from the November 5, 2013 ballot. The court held that in order to approve the proposed leases of City land to the Developer under the City Charter provision, voters must be advised of the material terms of the leases that they were being asked to approve.

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Because these terms had not yet been negotiated, the court concluded that, without this necessary information, the lease approval ballot question must be removed from the ballot.

To date, the City and SBACE have yet to finalize the terms of, or execute, the non-binding Letter of Intent (LOI) under Resolution No. 2013-28, nor have the parties commenced negotiations on a term sheet, development agreement, or any of the 99 year leases for the hotel and retail components.

Further, on November 5, 2013, voters overwhelmingly approved a Charter amendment which would require a 60% (rather than majority) voter approval before the sale, lease exceeding 10 years, exchange or conveyance of any City-owned property within the Convention Center Campus. The area defined as the "Convention Center Campus" in the Charter amendment includes the City properties within the Convention Center District site described in the RFQ; and would therefore require that the proposed 99 year leases for the private components of SBACE's project now be approved by 60% of the voters.

PROGRAM RECONSIDERATION

The aforementioned change in circumstances requires reconsideration of the previously defined program. The current design proposed by SBACE combines the private hotel and the public MBCC facility into one building. The newly mandated requirement of negotiating and approving a lease (containing all material terms), prior to its approval by voter referendum, as well as the 60% voter approval now required under the City Charter, could delay the renovation of the MBCC indefinitely if the hotel and Convention Center are combined. Bifurcating the program by decoupling the public from the private uses would expedite the renovation of the Convention Center itself, since neither a lease nor a referendum would be required if the project were to remain a stand-alone building wholly controlled by the City. Decoupling the projects, therefore, will significantly accelerate the renovation of the MBCC. It also eliminates any risk that a referendum on the hotel and retail components would delay or terminate the Convention Center renovation.

PROJECT FUNDING

I appreciate that the purpose of the mixed-use development in the RFQ was to generate private funds to subsidize the renovation of the Convention Center. Fortunately, the City currently has the ability to secure funding for the renovation and expansion of the public project. Funding sources for the Convention Center renovation and expansion include: the Miami-Dade County General Obligation Bond (\$53.6 million), the additional 1% resort tax (estimated at \$230.4 million with collections beginning in 2015) and future dedicated revenues from the existing RDA through 2022 estimated at \$71.2 million). These sources total approximately \$355.2 million and do not require an RDA extension by the County. Additionally, the Parking Enterprise Fund can support up to \$145 Million in future Parking Revenue Bonds for public parking. Furthermore, through better design and value engineering, I believe we can deliver a new and improved Convention Center for less than the \$500 million budget estimated thus far.

MAYOR'S RECOMMENDATION

In order to assure that the renovation of the Convention Center remains the City's priority, I recommend the following for the City Commission's consideration:

1. Approve a motion to rescind Resolution No. 2013-28, and terminate negotiations with SBACE.
2. Approve a motion to reject all proposals received pursuant to RFQ No. 22-11/12 on the grounds that the 3rd DCA's ruling and the new Charter amendment have significantly changed the circumstances and presumptions in the RFQ.
3. Approve a motion directing City staff to issue a new solicitation for design and/or construction services for the renovation and addition. The motion would include:
 - a. Scaling down the scope of the previous master plan by removing any requirement for retail or other private commercial uses. The elements of the renovated Convention Center, however, should include 500,000 sq. ft. of existing exhibit space, the addition of a ballroom, additional meeting room capacity, and adequate back-of-house facilities and state-of-the-art technology.
 - b. Further study the requirement for the development of a hotel at a future date. The study would reconsider the number of rooms, site location, and deal structure. The study would be taking place in tandem with the renovation of the Convention Center, but would be an independent process which would not cause a delay to the Convention Center project. Any hotel should be exclusively financed with private sector dollars.
 - c. Incorporate a 25-year, 3-day level of stormwater service outside of the right-of-way and set minimum elevations that take into account the height of sea level rise based upon current projections. The City will also require features that protect the site from storm surge and require stormwater storage on-site.

CONCLUSION

Due to the immediate availability of funding for the public components of the Convention Center renovation project, and the desire to expedite the project and not allow a referendum to dictate the schedule, phasing, and ultimate design of the Center itself, I request that the City Commission approve this motion, as recommended.

Cc: City Manager
City Attorney

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