

PLANNING BOARD

MIAMI BEACH CONVENTION CENTER
HEADQUARTER HOTEL
DEVELOPMENT AND GROUND LEASE

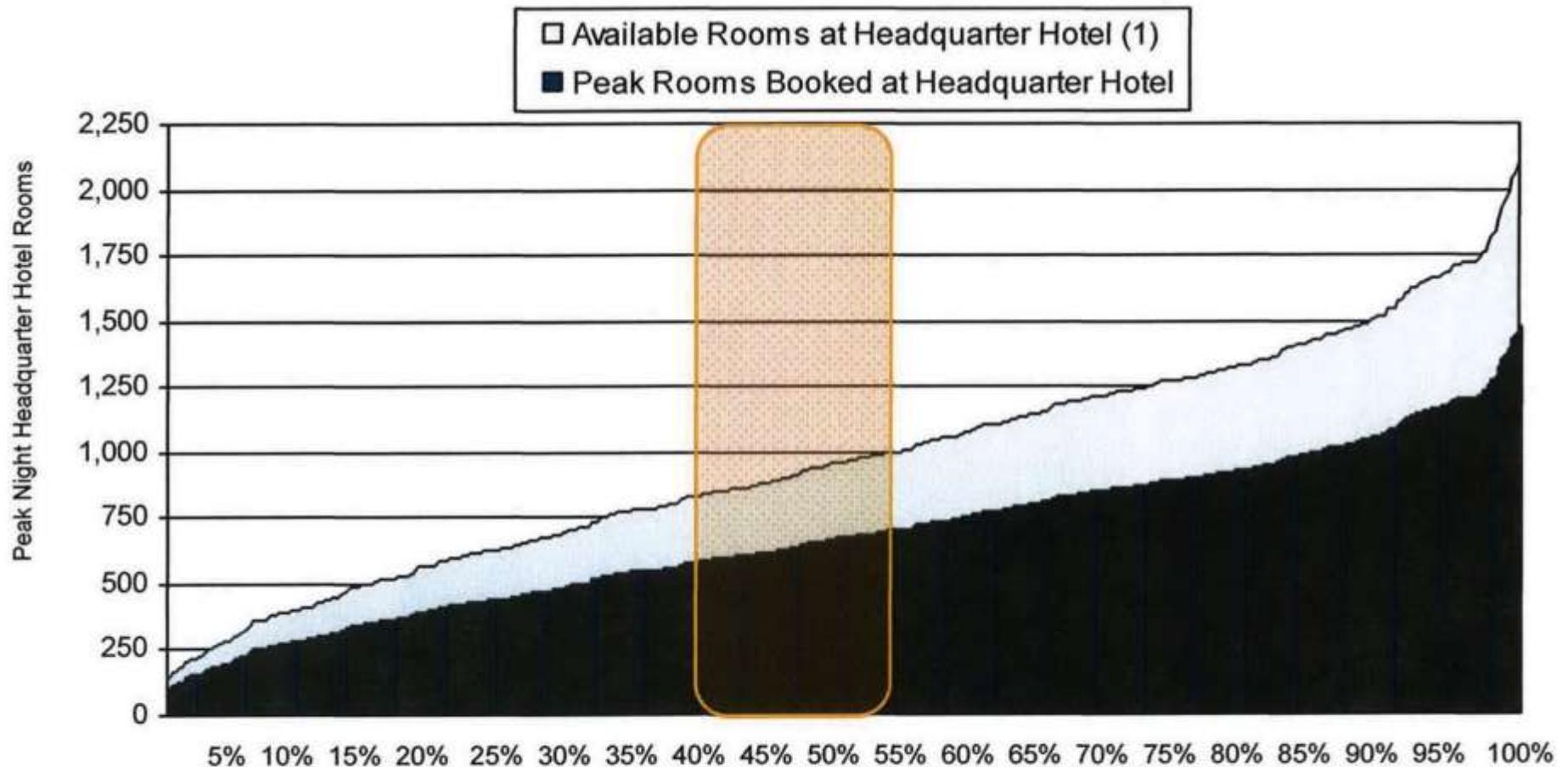
July 28, 2015

AGENDA

- **HQ HOTEL BACKGROUND**
 - Market
 - Booking Goals
 - Hotel Site Selection
 - Traffic Study Results
- **HOTEL LEASE SUMMARY**
 - Terms
 - Room Block Terms
- **FINANCIAL IMPACT**
 - Lease Payments to City
 - Comps
 - Transaction Rent
 - City Revenue
 - Jobs

HQ Hotel Background

TARGET MARKET HQ HOTEL REQUIREMENT

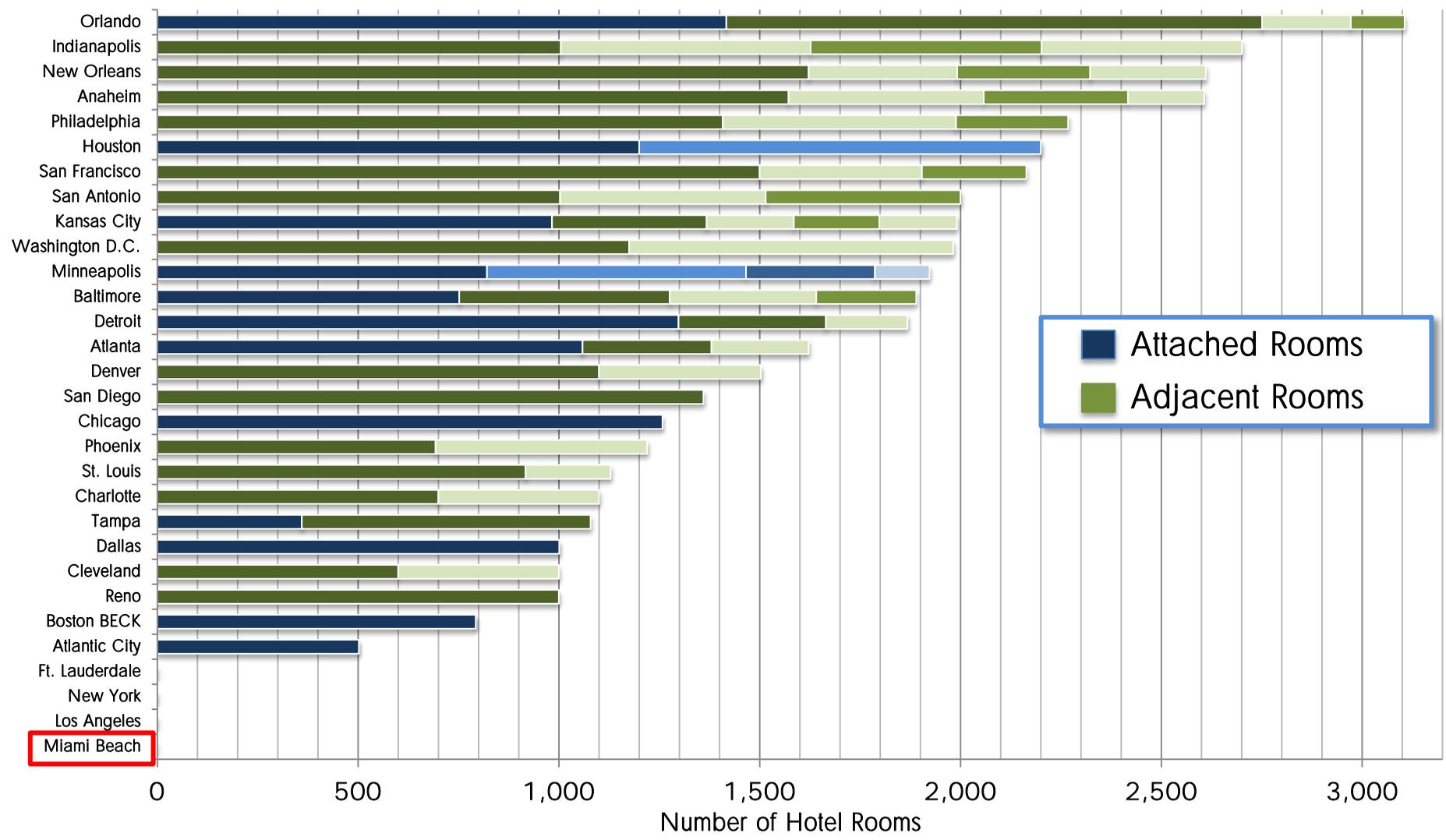


(1) Assumes a 70% committability factor.

Note: Data represents approximately 498 events occupying 100,000 to 500,000 GSF of exhibit space per day

Source: DMAI EmpowerMINT database, 2013

COMPETITIVE LANDSCAPE



CONVENTIONS INDICATING INTEREST...*IF 800-ROOM HQ HOTEL*

		<u>Room Nights</u>	<u>Future Year Peak Rooms</u>	<u>Attendance</u>
Amer Health Info Management Association (AHIMA)	2018	4,000	12,000	3,000
Million Dollar Round Table	2019	8,000	10,600	1,900
IBM	2019 beyond	3,000	7,500	2,200
Oracle	2019 beyond	1,000	3,500	1,500
SAP Users Group	2019 beyond	4,500	12,000	2,500
Cardiovascular Research Foundation (CRF)	2019/22	12,000	24,000	
	5,000			
Amer Society for Radiation Oncology (ASTRO)	2020	12,000	38,000	7,500
Ameriprise Financial, Inc	2020	3,600	10,000	2,150
Amer Soc For Aesthetic Plastic Surgery Inc	2020 beyond	2,500	9,000	1,500
American Academy of Dermatology (AAD)	2020/22/23	18,000	30,000	
	8,000			
American Academy of Periodontology	2021	7,000	9,500	2,100
Assn For Financial Professionals	2022	6,500	20,000	5,000
Amer Acad Of Otolaryngology-head And Neck Surgery	2022 beyond	9,400	21,000	4,300
American Association of Orthodontist (AAO)	2023	19,000	24,000	5,000
Amer College Of Gastroenterology	2024	3,500	9,200	2,400
Risk & Insurance Management Society (RIMS)	2024/2025	10,000	24,000	7,000
Amer Assn Of Neurological Surgeons	2025	7,000	15,000	3,500
World Federation of Hemophilia	2026	6,000	20,500	3,500

137,000

299,800

HQ HOTEL IMPACT ON CC BUSINESS

CITYWIDE EVENT ROOM NIGHTS

	Center Exhibit SF	Year Prior to Opening	3 Years After Opening	Percent Increase/Decrease	Expansion/Renovation
Phoenix	502,500	<i>Note 1</i>	<i>Note 1</i>	150%	Hotel & Center
Charlotte	280,000	93,300	158,200	70%	Hotel
Tampa	200,000	<i>Note 1</i>	<i>Note 1</i>	50%	Hotel
Houston	862,000	175,000	249,700	43%	Hotel & Center
Baltimore	300,000	272,600	387,100	42%	Hotel
Denver	584,000	429,000	600,000	40%	Hotel & Center
Louisville	191,000	<i>Note 1</i>	<i>Note 1</i>	25%	Hotel
Indianapolis	561,600	650,000	780,000	20%	Hotel & Center
San Antonio	440,000	<i>Note 1</i>	<i>Note 1</i>	20%	Hotel
San Jose	143,000	153,500	181,200	18%	Hotel
Myrtle Beach	100,800	147,300	173,300	18%	Hotel
San Diego	525,700	729,700	777,000	6%	Hotel

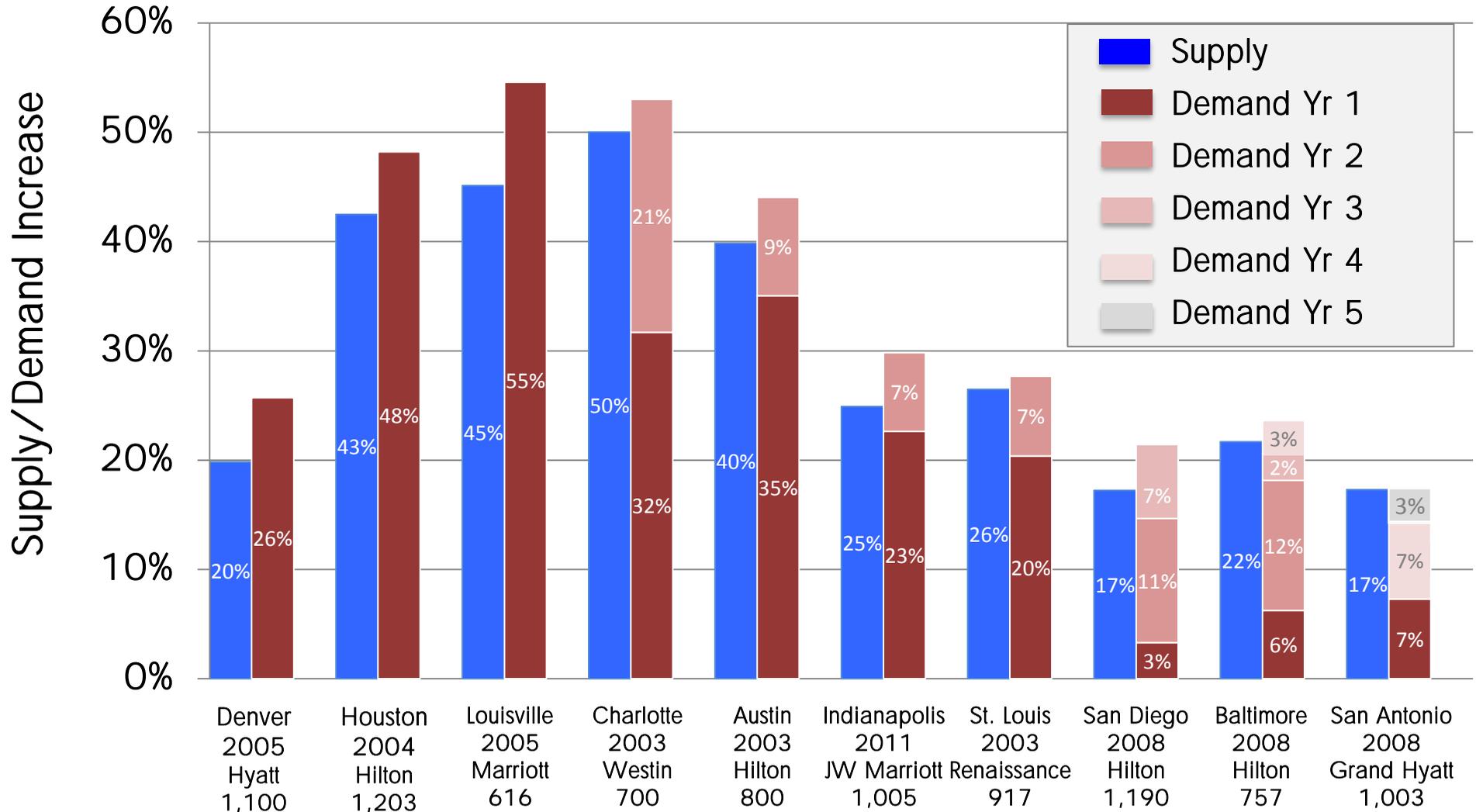
Average

42%

MBCC BOOKING GOALS

- Host **25** to **30** citywide conventions annually in addition to Art Basel
- Generate **250,000±** room nights annually from citywide conventions

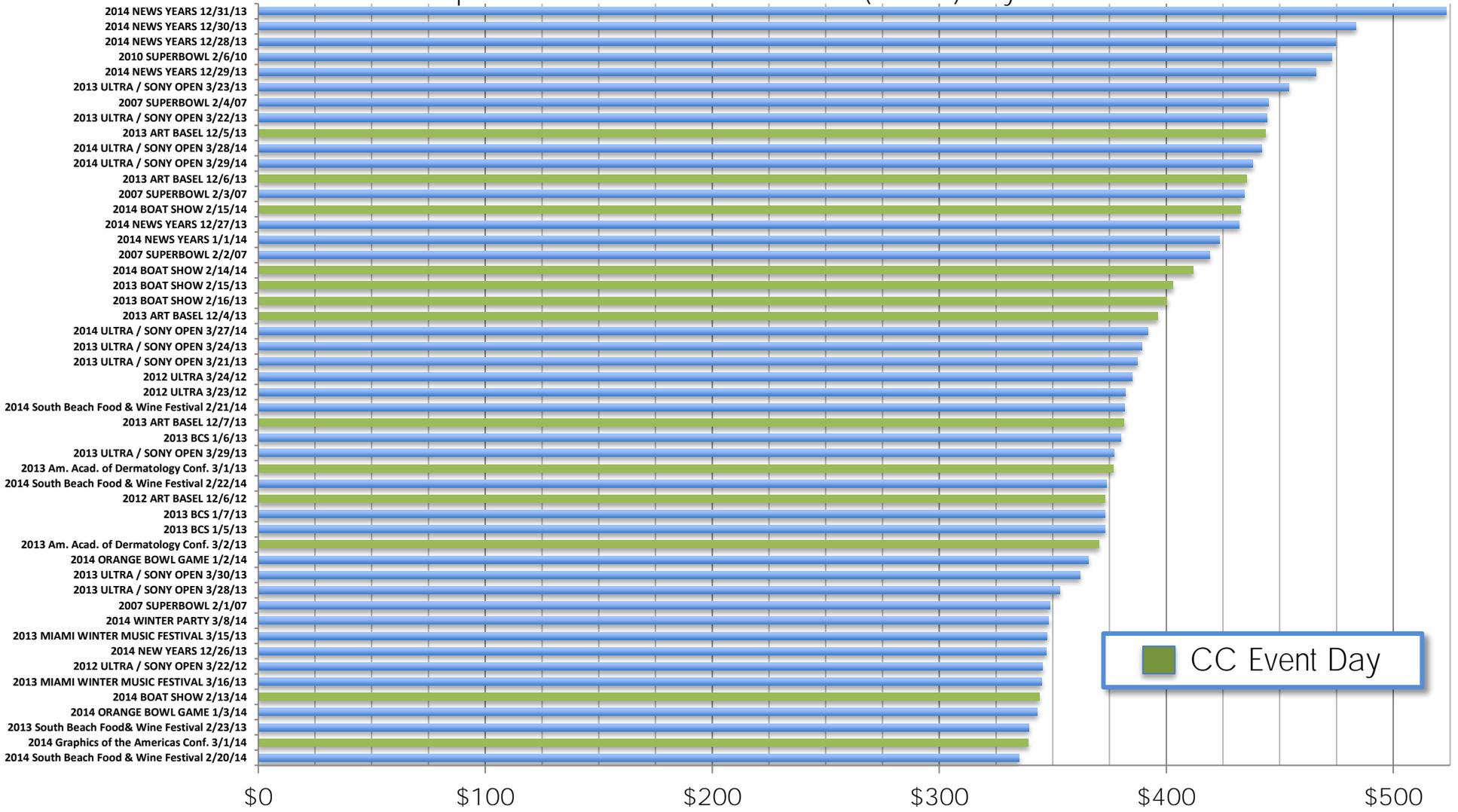
COMPETITIVE SET DEMAND INCREASES WHEN HQ HOTEL OPENS



Opened in Recession

EVENTS DRIVE HOTEL RATES

Top 50 Revenue Per Available Room (RevPAR) Days



■ CC Event Day

HOTEL SITES ASSESSED



P-LOT SITE



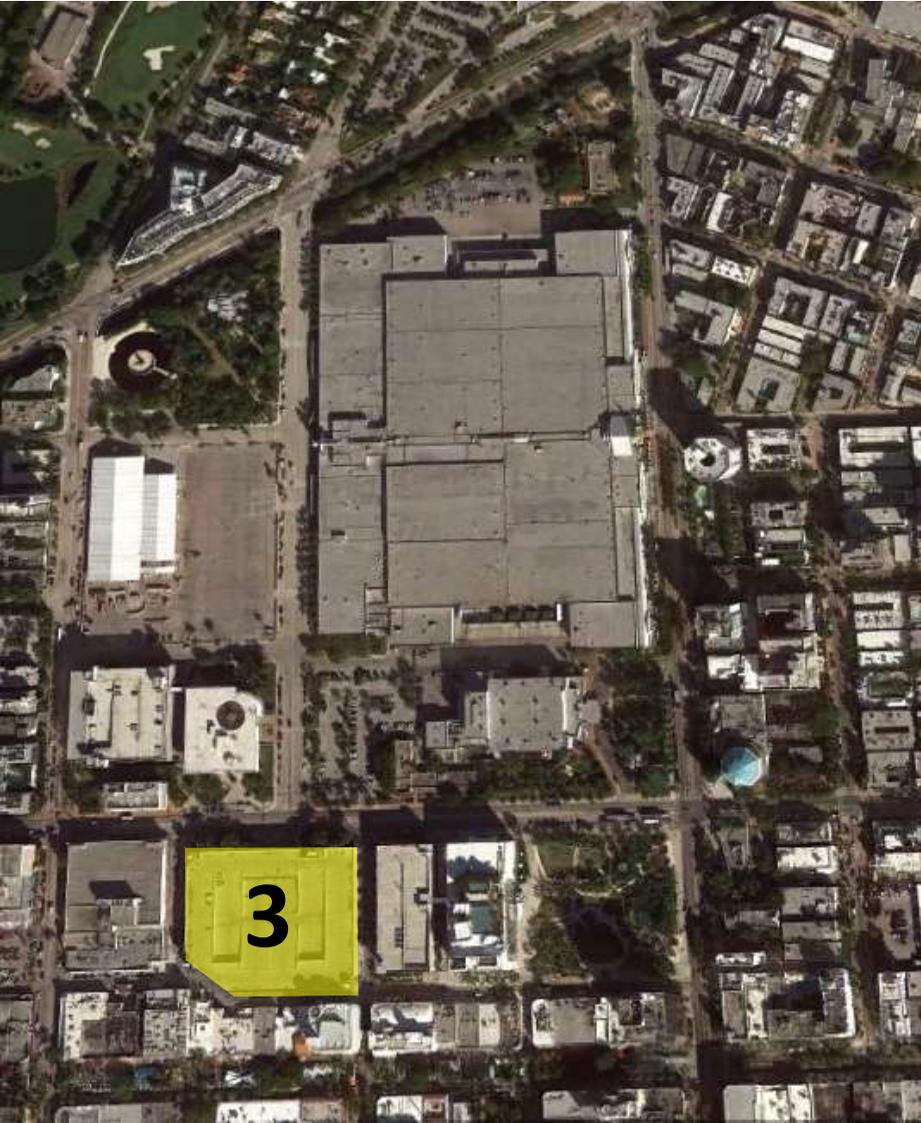
- Large site
- 225± feet high hotel
- Severely limits park area
- Not compatible with Meridian neighbors

CITY HALL SITE



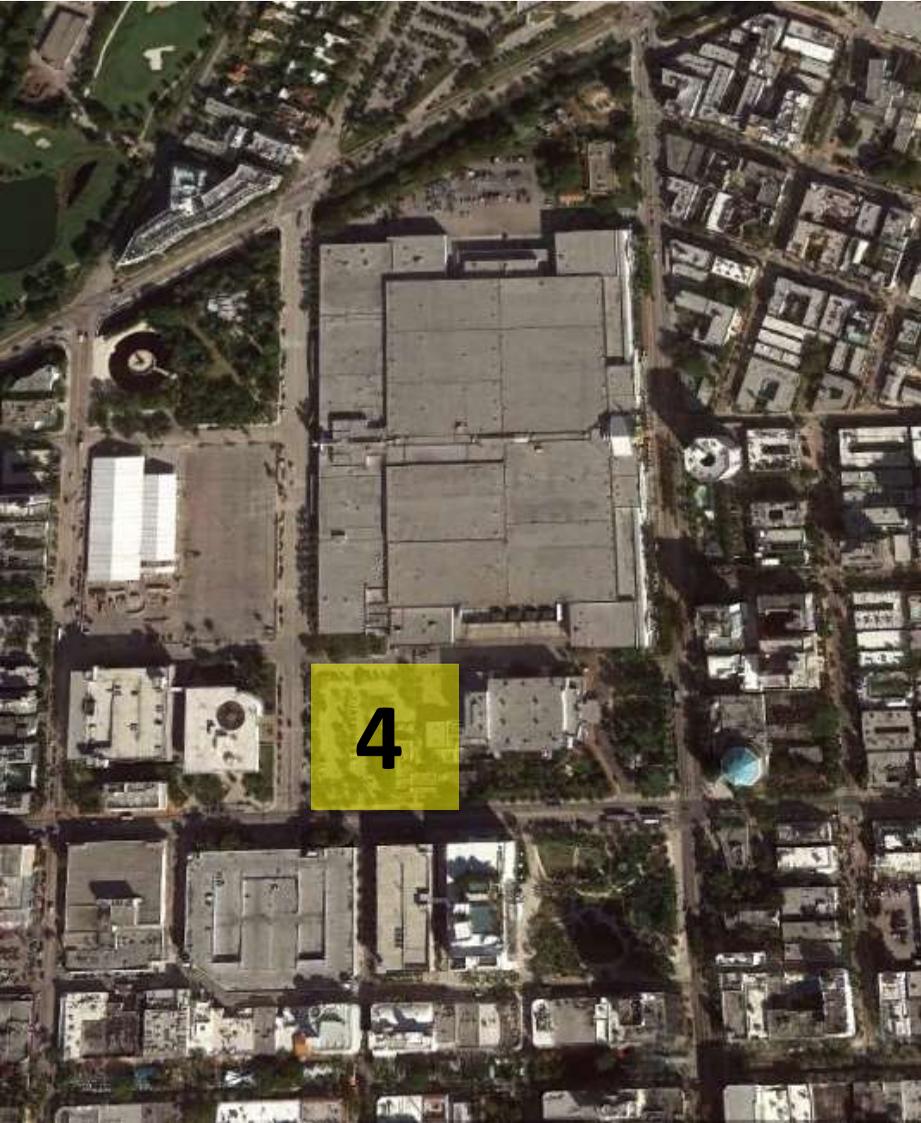
- Small site
- Cannot accommodate ballroom & meeting space program
- 300+ feet high
- City Hall would first need to be replaced
- Delays/complicates hotel approvals
- No new City Hall funding

17TH STREET GARAGE SITE



- Very tall
- 325+ feet high
- Loss of 1,460 parking spaces during construction
- Public parking/Private hotel ownership required
- Allows Soundscape – P-Lot Park Connection

BEHIND FILLMORE SITE



- Accommodates hotel, meeting space and hotel parking
- 300 or less feet high
- Best connection to Center
- Fillmore stays in operation
- Permits use of P-lot for public park purposes
- City Commission selected this site on June 2014

CONVENTION CENTER CAMPUS



HEIGHT & PARKING

- On November 2014, the Planning Board recommended approval to the City Commission for the following:
 - Minimum hotel parking of 0.4 spaces per room for all hotel components
 - Maximum hotel height of 300 feet
- On December 2014, City Commission approved the ordinance.

TRAFFIC

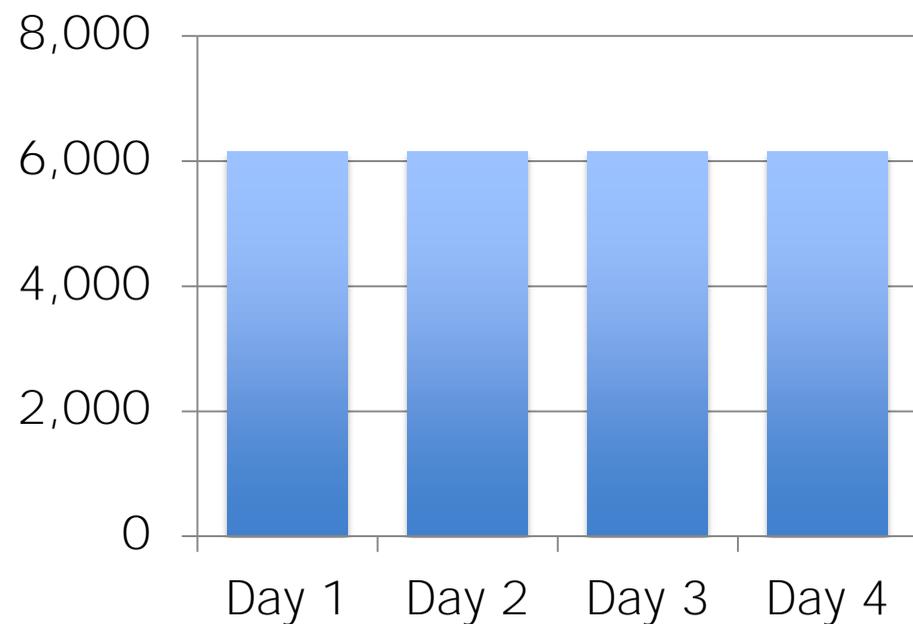
Changing the event mix can reduce traffic:

- In 2014 MBCC Booked
 - 55 consumer/trade shows
 - 5 conventions
 - Consumer Shows
 - Open to general public
 - Most of the attendees are locals who drive to the MBCC and park in the area
 - Parking impacts every day of event
 - High-End Trade Shows and Conventions
 - Events open only by invitation
 - Attendees arrive by bus, rental car or taxi
 - Highest traffic impacts on Event Start and Event End days
 - Lesser traffic impact on interim days
- 
- The New Center
 - 25-30 consumer/trade shows
 - 25-30 conventions

EVENT MIX CHANGE ON TRAFFIC

Consumer Shows

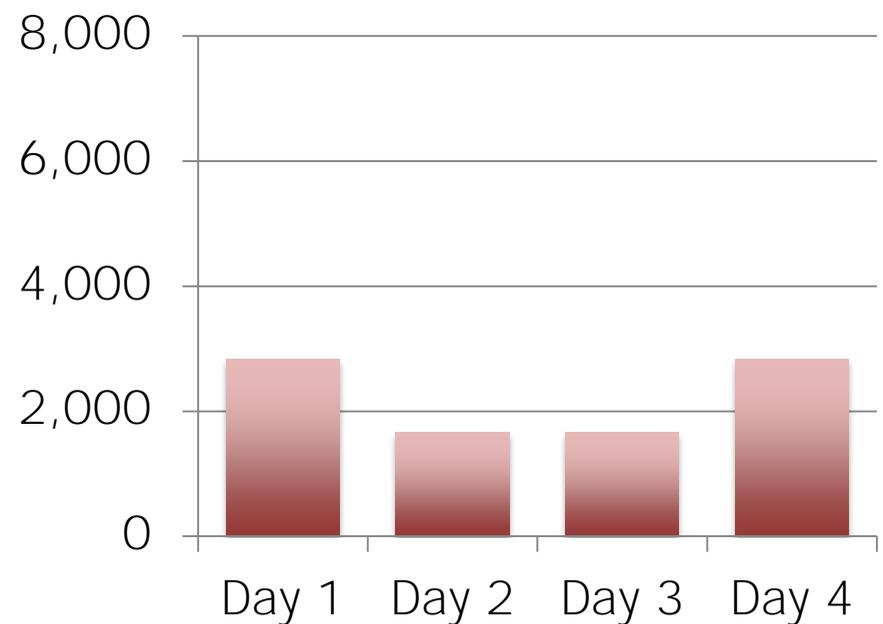
6,150 average attendees per day
24,600 Vehicles Over 4 Days
30 events = 740,000 trips



Two trips per day, two per car

Conventions

4,800 average attendees per event
6,660 Vehicles Over 4 days
30 events = 200,000 trips

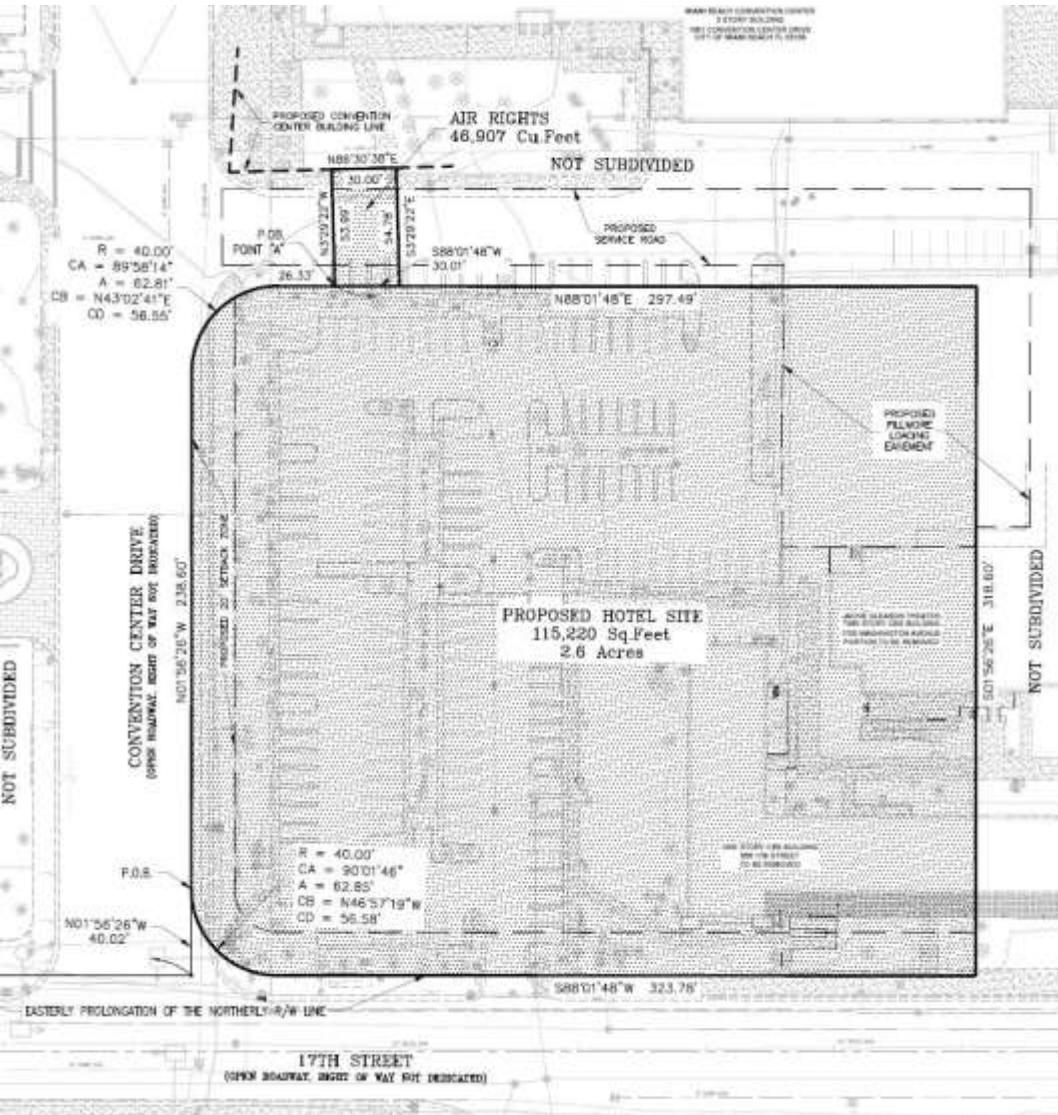


Day 1 in, Day 4 out, 1.4/car

Day 2-3, 50% bus, 50% car, 1.4/car

Lease Summary

HOTEL SITE



- 800 full-service rooms max
- 300 feet height max and .4 parking spaces per room (per City Code)
- Developer to fund and build MBCC Skybridge connector
- Developer responsible for demolition* and construction costs
- Developer must accept site in AS-IS condition

* Responsible for cost on and off hotel site.

TERMS

- **Term**
 - 99 year lease, commencing only once key development and financing milestones are met
- **No City Funding for Hotel Project**
 - No City subsidies or financing for \$400+ million Hotel Project
 - Lessee solely responsible for all costs to design, construct, equip, operate and maintain the Hotel
- **Use Restrictions / No Gambling**
 - Gaming Establishments (i.e. casinos) prohibited on Hotel Site
 - Lessee may not own, operate or manage any Gaming Establishment in Miami-Dade County

TERMS

- **Approval of Preliminary Concept Design Only**
 - Final design subject to Design Review Board and any other standard development approval required by City Code
- **Transfer Restrictions**
 - Lease ensures future owners/investors are acceptable to City and have the financial and operational ability to perform
- **Art in Public Places Contribution** – estimated at \$3.6 million
- **Voter Referendum Required Per City Charter**
 - 60% of voters must approve lease (Nov. 3, 2015 election anticipated)

ROOM BLOCK TERMS

- **Broad Terms**

- City-Wide Events and Orange Bowl, Super Bowl
- 80% of rooms 30 months and out
 - 18 – 30 months, if available
 - One 4-day period each month (operator determined)
 - Includes release of block provisions
- For up to 14 event days per month
- Price protection based on average group rate

Financial Analysis

RENT PAYMENTS TO CITY

- After Third Rent Year and for remainder of the Term, City to receive greater of: **Minimum Fixed Rent or 2.5% of Hotel's Gross Operating Revenues**
 - 4% of Gross Operating Revenues if 110% over proforma
 - 5% of Gross Operating Revenues if 125% over proforma

	Year 4	30 Years		99 Years	
		Total	NPV	Total	NPV
Minimum Fixed Rent	\$1.5m	\$53m	\$21m	\$417m	\$35m
Variable Rent	1.5m	59m	23m	466m	39m
Percentage Rent (2.5% of Gross*)	\$2.9m	\$112m	\$44m	883m	\$74m

$$\mathbf{\$74m = \$92,500/room = \$27.9m/acre}$$

* Ramps up to 2.5% over first 4 full operating years.

COMPARABLE P3 HQ HOTELS

	Miami Beach HQ Hotel 2018	Houston Marriott 2016	Washington DC Marriott Marquis 2014	Nashville Omni 2013	Indianapolis JW Marriott 2011
Rooms	800	1,000	1,175	800	1,005
Meeting SF/key	119	104	81	69	102
Development Cost per key	\$405m \$506,000 <i>Parking & No Land</i>	\$359m \$359,000 <i>No Parking</i>	\$516m \$439,000 <i>No Land</i>	\$270m \$338,000 <i>Land & Parking</i>	\$315m \$313,000 <i>Land & Parking</i>
Private Investment	\$405m + 2.5-5% Lease Payment	\$265m + "Easement" repays \$59m grant over 50 years	\$310m + \$60m NPV Lease Payment	\$244m	\$267m
Public Role	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> \$59m grant funded by profits generated by existing publicly-owned hotel \$31.7m publically financed parking garage 10 State tax rebates (6% HOT, 6.25% Sales) 20 yr City tax rebates (7% HOT, 1% Sales, 1.5% Beverage) 20 yr property tax abatement (24% of tax) 	<ul style="list-style-type: none"> \$47m grant \$25m loan repaid by developer \$134m grant; TIF bonds backed by citywide hotel tax \$60m NPV in land lease payments for \$200m in land 	<ul style="list-style-type: none"> \$26m grant (land) Schedule payments of \$245.5m over 20 yrs (generally equating to sales tax rebates) – NPV \$110m 20 yr property tax abatement 	<ul style="list-style-type: none"> \$48m grant from monetized project taxes; repaid by hotel generated taxes

TRANSACTION RENT

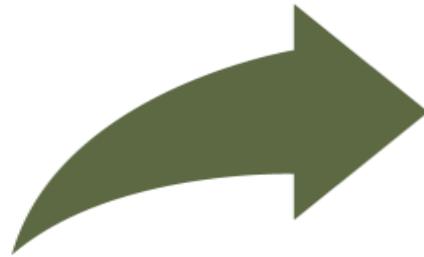
- City to receive a percentage of the first 3 Transfers of the Hotel Project effecting a sale of the Hotel or transfer of control
- City to receive the lesser of:
 - \$2 million
 - 0.25% of Gross Sales Price
- With respect to first Sale, City to receive Transaction Rent only if sales price exceeds \$580 million

CITY REVENUE IMPACT

As Parking Lot

\$263,700

2014 parking meter
and
valet concessions
revenues



As Hotel

\$10,100,000
Operating year 4 (2022)
City leases and taxes

TOTAL CITY FINANCIAL IMPACT

	Over 30 Years		Over 99 Years	
	Total	NPV @ 5%	Total	NPV @ 5%
Hotel Lease				
Minimum Fixed Rent	\$53m	\$21m	\$417m	\$35m
Variable Rent	59m	23m	466m	39m
Percentage Rent (2.5% Gross)	112m	44m	883m	74m
Taxes				
CRA City (thru 3/2044)	34m	16m	34m	16m
CRA County (thru 3/2044)	26m	12m	26m	12m
New Resort Tax (Hotel 1%)	30m	12m	229m	20m
Resort Tax (Hotel 3%, F&B 2%)	118m	48m	902m	79m
CDT Allocation (thru 2044) *	36m	16m	36m	16m
Property Taxes	13m	4m	326m	16m
Subtotal	258m	108m	1,553m	159m
CITY TOTAL	\$369m	\$151m	\$2,436m	\$233m

* Only happens if hotel developed.

Sources: Portman proforma, City of Miami Beach, SAG

TOTAL FINANCIAL IMPACT

	Over 30 Years		Over 99 Years	
	Total	NPV @ 5%	Total	NPV @ 5%
CITY TOTAL	\$369m	\$151m	\$2,436m	\$233m
COUNTY				
Convention Devl. Tax (3%)	54m	20m	650m	44m
Local Option Sales Tax (1%)	44m	18m	336m	29m
Property Taxes	12m	4m	266m	14m
Subtotal County	110m	42m	1,252m	87m
SCHOOLS (Property Tax)	60m	24m	453m	40m
OTHER PROPERTY*	7m	3m	55m	5m
STATE SALES TAX (6%)	264m	107m	2,019m	176m
TOTAL	\$810m	\$327m	\$6,215m	\$540m

* Regional and Children's Trust portion of property tax
Sources: Portman proforma, City of Miami Beach, SAG

JOBS IMPACT

- **Construction (Temporary)**
 - 530 Local Full-Time Employees
- **Operations (Permanent)**
 - 440 Hotel employees
 - 500 supporting hotel and guest spending outside the hotel

CALENDAR

- July 31 – First Reading/Public Hearing (Development & Ground Lease Agreement)
- September 2 – Second Reading/Public Hearing (Development & Ground Lease Agreement and Referendum Language)
- November 3 – Voter Referendum
- Art Basel 2018 – Targeted Opening

Questions