

MIAMI BEACH

Special City Commission Meeting

City Hall, Commission Chambers, 3rd Floor, 1700 Convention Center Drive

July 12, 2013

Mayor Matti Herrera Bower
Vice-Mayor Edward L. Tobin
Commissioner Jorge R. Exposito
Commissioner Michael Góngora
Commissioner Jerry Libbin
Commissioner Deede Weithorn
Commissioner Jonah Wolfson

City Manager Jimmy L. Morales
City Attorney Jose Smith
City Clerk Rafael E. Granado

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ATTENTION ALL LOBBYISTS

Chapter 2, Article VII, Division 3 of the City Code of Miami Beach, entitled "Lobbyists," requires the registration of all lobbyists with the City Clerk prior to engaging in any lobbying activity with the City Commission, any City Board or Committee, or any personnel as defined in the subject Code sections. Copies of the City Code sections on lobbyists laws are available in the City Clerk's Office. Questions regarding the provisions of the Ordinance should be directed to the Office of the City Attorney.

Call to Order - 1:00 p.m.

REGULAR AGENDA

R7 - Resolution

- R7A A Resolution Approving The Selection Of _____ As The Master Developer For A Public-Private Mixed-Use Development In Miami Beach For The Enhancement Of The Miami Beach Convention Center Campus/District, Including The Expansion Of The Miami Beach Convention Center And Development Of A Convention Center Hotel And Authorizing The City Manager To Negotiate A Term Sheet, Development Agreement And Any Other Documents Necessary For The Such Development.

(Requested by City Manager's Office)

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MIAMI BEACH

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

COMMISSION MEMORANDUM

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: July 12, 2013

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, APPROVING THE SELECTION OF _____ AS THE MASTER DEVELOPER FOR A PUBLIC-PRIVATE MIXED-USE DEVELOPMENT IN MIAMI BEACH FOR THE ENHANCEMENT OF THE MIAMI BEACH CONVENTION CENTER CAMPUS/DISTRICT, INCLUDING THE EXPANSION OF THE MIAMI BEACH CONVENTION CENTER AND DEVELOPMENT OF A CONVENTION CENTER HOTEL AND AUTHORIZING THE CITY MANAGER TO NEGOTIATE A TERM SHEET, DEVELOPMENT AGREEMENT AND ANY OTHER DOCUMENTS NECESSARY FOR THE SUCH DEVELOPMENT.**

ADMINISTRATION RECOMMENDATION

Adopt the Resolution.

BACKGROUND

On March 9, 2011, the City Commission adopted Resolution No. 2011-27620, which endorsed and supported the concept of the Miami Beach Convention Center (“MBCC”) renovation and expansion, including the development of an adjacent Convention Center hotel. The City Commission also authorized the City Manager to secure any necessary expertise required to assist with the project, and to issue a Request for Proposals (RFP) to secure those consulting services. Through the resulting competitive solicitation process, the firm of Strategic Advisory Group (SAG) was selected and retained as the City’s consultant in the project development process.

As part of its initial responsibilities, SAG assisted the City in drafting a Request for Qualifications (RFQ) for the master development of the Miami Beach Convention Center District (the MBCC District). The RFQ is the first step in an effort to create options for Convention Center improvements through a master development of City-owned properties surrounding the MBCC.

The maximum potential development site for the MBCC District is approximately 52 acres, encompassing the MBCC, the adjacent surface parking lots, the 17th Street Parking Garage, the Fillmore Miami Beach at the Jackie Gleason Theater, City Hall, and City-owned buildings at 555 – 17th Street and 1701 Meridian Avenue. The combined area allows for up to approximately 6.2 million square feet of total FAR, inclusive of the existing structures. While the total acreage available for redevelopment is up to 52 acres, the objective would be for any proposed development thereafter to create significant open public spaces and other amenities that benefit the whole community.

The RFQ Process:

On January 11, 2012, the City Commission authorized the Administration to issue Request for Qualifications No. 22-11/12 for Qualified Developers for a Public-Private Mixed-Use Development in Miami Beach for the Enhancement of the MBCC District, Including the Expansion of the Miami Beach Convention Center and Development of a Convention Center Hotel (the RFQ).

The primary objectives of the RFQ were to:

1. Improve the MBCC;
2. Facilitate the ability of the MBCC to attract high impact conventions, meetings, and tradeshow in an increasingly competitive environment; and
3. Redevelop the surrounding area, including transforming the MBCC District into a new vibrant neighborhood with year-round activities; increasing outdoor public space; creating a walkable district providing connectivity between the MBCC and Lincoln Road and the City's historical and cultural district; providing iconic architecture in keeping with the City's history of significant design; incorporating sustainable (LEED) design principles; while being sensitive to the surrounding residential neighborhoods (particularly with respect to traffic and scale); and offering optimal economic and community benefits to the City.

The minimum requirements to be delivered by the successful Proposer of the RFQ were as follows:

1. Enhancements to the MBCC, including at a minimum, Class A renovation, outdoor function space, and additional meeting space,
2. Development of a headquarter hotel, and
3. Provision of a multipurpose/ballroom space of 60,000 net square feet.

The RFQ was intended and structured as a two-phased process:

- 1) Phase I (entitled, "The Evaluation and Selection Process") being a qualifications-based review and evaluation of all proposals, culminated with the approval and selection by the City Commission of the short-listed proposals; and
- 2) Phase II (entitled, "The Negotiations Process"), commenced with negotiations between the City and the short-listed proposers to arrive at a Letter of Intent (LOI) and a detailed Master Plan. Each team's plan outlines proposed uses within the MBCC District. These plans include the renovation and expansion plan for the MBCC, the convention headquarters hotel plan, and any proposed public open/green spaces; a phasing and absorption plan; and the proposed business terms for each proposer's project, including proposed ground lease payments, the financing plan, any request for public assistance, a summary of projected City revenues to be generated by the proposed development, and any other information outlined and/or required pursuant to the RFQ.

Phase I of the RFQ concluded on December 12, 2012, upon the City Commission's adoption of Resolution No. 2012-28102, accepting the City Manager's recommendation and approving the short-listing of the two top-ranked proposers, Portman-CMC ("Portman") and South Beach ACE ("Tishman"), to proceed to Phase II and the negotiation of the LOI's/Master Plans. Procedurally, the conclusion of Phase I accomplished two (2) things:

- a. It terminated the City's Cone of Silence requirements (in order to permit City staff and SAG and the proposers to have unimpeded communications and other mutual exchange of information during the Phase II negotiations process); and
- b. since it signaled the conclusion of the selection and evaluation process (with Phase II signaling the commencement of the negotiations between the City and the selected

proposers), it concluded the period for the filing and consideration of protests by proposers under the City's Bid Protest Ordinance, as codified in Section 2-371 of the Code.

Phase I Irregularities:

Questions have been raised by some in the community over what role, if any, the former City Procurement Director and his associates (who were not employees of the City) played during the evaluation and selection process. The concern, understandably, is whether those individuals engaged in any actions that tainted the process and affected the outcome. We have looked at this issue very carefully, including extensive discussions with the State Attorney's office. The conclusion is that while there may have been an initial effort by those individuals to insert themselves into the Convention Center procurement process, they were arrested and charged with crimes in connection with other procurement activities in the City not related to the MBCC very early in the process and thus had no impact on it.

In particular, the former Procurement Director was removed from his position and terminated from employment with the City at the early stages of the evaluation and selection process. There is no indication that the short listing of the two teams was in any way tainted, and certainly the negotiation process since the short listing has been completely transparent and open. Attached please find as Exhibit A hereto, a written summary from the State Attorney's office confirming the conclusions set forth above. The investigative due diligence conducted for the City by Kroll Advisory Solutions did not reveal any information that would contradict that conclusion.

The Negotiations Process:

Since short-listing Portman and Tishman in December 2012, there has been much activity as outlined below. In an effort to ensure that the Mayor and Commissioners were kept up to date on the master planning progress throughout the process, the Administration held briefings with individual Commissioners every month, as well as provided status reports on the project at every Commission meeting. All public meetings and Commission Workshops during Phase II were videotaped and aired repeatedly on MBTV Channel 77 in an attempt to reach the broader community, particularly those who could not attend any or all of the public meetings.

In 2013, the following events occurred:

January

City staff conducted kick-off meetings with Portman and Tishman that included detailed tours of the MBCC. On January 29, the City held the first Public Community Meeting (est. 300 in attendance) where the Administration presented the objectives of the RFQ and introduced the two short-listed teams. The teams did not present at this first meeting, as the goal for the meeting was to hear from the public. The public was asked to provide comment on how it wanted the MBCC integrated into the community, what type of complementary uses and open spaces would appropriate as part of the project, and raise any other issues of interest. During this time, the Administration also set up an email address to collect additional input. All correspondence received at this email address was forwarded to both teams and is available for public review.

February

The teams, equipped with valuable input from the community, spent most of February developing guiding principles for the master plan based on community input and a preliminary master plan which they presented at the first City Commission Workshop on February 28. Approximately 150 people attended and many provided feedback and comments. The teams also presented to the Convention Center Advisory Board (the "CCAB").

March

During this period, both teams worked closely with the Administration and SAG on issues such as optional design lay-outs for the MBCC, preliminary project cost estimates, traffic and parking issues, and preliminary analysis of potential financing sources. After considering staff feedback and the additional public input received at the last community meeting, the teams presented their refined master plans with 3D massing models at a Joint Community Meeting and City Commission Workshop on March 27, where they received meaningful feedback from the Commission and the public. The teams also presented their updated plans to the CCAB and Greater Miami & the Beaches Hotel Association ("GMBHA") where they received additional comments.

April

Early in the month, City staff met again with the teams to specifically discuss parking requirements for their respective proposed plans. Both teams also were required to submit their draft Letters of Intent (LOIs) on April 8, which were negotiated in meetings with the Administration and our consultants (SAG, Squire Sanders, and the City's Financial Advisor). The City also presented the Convention Center Project to the Miami Dade County League of Cities on April 11.

May to Present

In May, each team revealed their final proposed master plan and submitted their final letter of intent to the City.

May 14 Portman and Tishman presented their master plans and proposals for:

- The expansion and renovation of the MBCC
- The creation of a new Ballroom
- Development of a new 800-Room Headquarter Hotel
- A parking and traffic plan
- A proposed mixed-use development program
- Land lease terms
- A construction phasing plan
- A financing plan

May 15 The Administration and SAG presented a comparison of each team's proposal – calling out differences in the proposed MBCC design, parking design, Hotel design and approach, overall development program, open space plan, lease payment plan, and financing plan.

May 16 Portman and Tishman presented their master plans to the Planning Board. This provided the Planning Board an opportunity to ask questions and provide comments to the two teams.

The teams also presented to the CCAB.

May 20 Full scale models and large renderings of both master plan proposals were set up at the first floor conference room at City Hall for public viewing everyday through June 21.

May 23 Special Call Finance and City Wide Projects Committee Meeting – The Administration and Staff reviewed with the Commissioners the financial comparison between the two proposals with regard to the 30-year financing of the public components of the project. It is important to note that this financial comparison differed from the May 15th presentation which looked at the value to the City over the 99 years of the proposed leases.

- May 28 The two teams had a second opportunity to present to the Planning Board and receive additional feedback.
- June 18 Special meeting of the CCAB wherein the Board expressed their preference for the Portman proposed master plan by a vote of 4-3.
- June 25 Special meeting of the Planning Board – The Board finalized their consensus on the issues and concerns from an urban planning perspective.

Land Use & Development Committee:

On July 8, 2013, the Land Use and Development Committee (the "LUDC") held a special meeting to discuss the Miami Beach Convention Center Master Plan components. All members of the City Commission were in attendance. After hearing from the public and brief presentations from the two development teams, the Committee established the following consensus points on the recommended program for the MBCC District:

- a. Hotel: 800 room Convention Center hotel. The Commission expressed general acceptance with this program element. There was also general agreement that the amount of accessory retail and food & beverage inside the hotel, which would be part of the hotel ground lease, should not exceed 30,000 square feet.
- b. Parking in the 17th Street Garage: The Commission agreed that the existing parking facility should be replaced with a new structure. The City would continue to own, control and manage the Garage once completed (including the City's power to set rates). There were comments about the timing of the construction of this program component. Based on the input of the City Commission, the Administration will revisit the timing of the garage construction and present to the City Commission a schedule that minimizes any potential impact on Lincoln Road businesses and their employees. It should be noted that in 2009, the City Hall parking garage was constructed with 650 spaces and last year, in 2012, the Pennsylvania Avenue garage was constructed with 550 parking spaces, for a total of 1,200 parking spaces constructed over the last four years. These will be important as part of any phasing schedule with respect to the 17th Street garage. The Committee also suggested that the Administration explore different financing approaches, including PPP, developer financing and City Parking bonds.
- c. Retail - North of 17th Street (outside the Hotel): There was general consensus on a maximum of 20,000 square feet of food & beverage and limited retail located in the public spaces north of 17th Street. There were some concerns expressed about the additional recommended restriction that no one establishment could occupy more than 10,000 square feet. Some Commissioners felt the limitation was too large and suggested that the limitation be further reduced. To that end, the Commission can put a restriction in the development agreement that further limits the size of any one establishment, including a limitation on the maximum number of seats for any one restaurant.
- d. Retail - 17th Street Garage: The Commission expressed consensus on the recommendation of up to 70,000 square feet of retail and limited food & beverage located on the ground floor of the Garage. There was no consensus on locating any portion of the commercial space on the roof of the new structure.
- e. Residential: Most of the Commission expressed a willingness to accept some residential component in the Master Plan. The consensus was that it should be low scale, compatible with the surrounding residential areas so as to help activate and create a sense of safety to the

surrounding public open spaces. This will be part of the design process once a team is selected.

- f. Other Hotel: While some Commissioners expressed support for additional hotel units especially if it was an extended stay type product, the majority of the Commission preferred not to include any additional hotel units at this time
- g. Cultural: The Commission agreed with the recommendation to exclude a cultural building from the Master Plan of the MBCC District site.
- h. Jackie Gleason/Fillmore Theater: The Commission was in agreement that any decision regarding the ultimate arrangement between the City and the Developer should be deferred until the renegotiation of the contract with the current manager of the facility (Live Nation) is concluded.
- i. Public Amenities: There was consensus on incorporating the improvements to all the public open spaces as part of the Master Plan. Concerns were raised that the City should also explore the programming of the public open spaces and ensure safety, connectivity and activation of the public realm.

The program language approved by the Committee will be presented to the City Commission on July 12, 2013 and will be reflected in the referendum language which must be approved by September 6, 2013 for the scheduled November 2013 elections. The proposed ballot language will be presented to the City Commission for approval at the July 17th meeting.

ANALYSIS

The Administration would like to reiterate that the City was fortunate to have two outstanding development teams that proffered their vision and skills to the City for this important project. Both teams have dedicated time, energy and significant expense. They have participated in as open and transparent a procurement process as the City and the community have ever seen. Additionally, the teams participation and behavior throughout demonstrated extraordinary good faith and patience. Both teams should be commended for their efforts. There truly can be no bad decision between these two fine teams.

It is also important to understand that neither team has submitted a perfect plan that will require further revision or refining. The Administration and it's consultants have diligently reviewed all the documents and plans submitted. In almost every aspect (e.g. traffic plans, storm water management plans, phasing schedule, landscaping, etc.), each team has deficiencies that will need to be addressed during the design and development phase that will follow the selection. City staff and consultants will work closely with the selected Developer's team of experts to make sure that this project is designed and developed correctly to achieve the City's objectives. Since ground breaking on the project is not anticipated until the first quarter of 2015, the City will have the opportunity to get this right between now and then. It would be unreasonable to expect a developer to do so unilaterally (particularly with respect to public infrastructure issues) and certainly not during the procurement process.

Once a team is selected and appropriate contracts are executed (assuming, of course, approval of the project by the voters in November), significant time and financial resources will be dedicated by both the Developer and the City to address these issues. This project will also have to go through the normal regulatory approval process in the City, which will include further public scrutiny of the construction and engineering plans that are submitted, and the developmental review by the

appropriate City boards and other agencies (e.g. DERM, FDOT). We will do the best job possible to minimize the adverse impacts of this project on the community and accentuate the benefits.

Another observation involves the cost of the project. For purposes of this selection process, the City has accepted the construction costs proposed by each developer (which are fairly similar in many respects). Once the Commission selects a team, the City will engage constructability experts and an Owner's representative that will verify the proposed costs and where possible, work to reduce those costs. The construction plans will be put out for public bid and the Developer will present a Guaranteed Maximum Price (GMP) for the construction of the renovation and expansion of the MBCC to the City. If the City is not satisfied with that GMP, the City will have the option to, among others, terminate the project at that point without any further expense other than the soft costs already incurred.

The RFQ did not include a scoring sheet with points or percentages assigned to each category. However, the RFQ did establish certain criteria for purposes of the master plan to be submitted by the proponents:

- (a) Proposed improvements to the MBCC and redevelopment of its surrounding area facilitate the ability of the MBCC to attract high impact conventions, meetings, and tradeshow.
- (b) The master plan for the site is financially feasible, maximizes the value of the land, and provides economic (including job growth) and community benefits to the City.
- (c) The master plan achieves the City's vision of a new vibrant mixed-use district filled with year-round activities.
- (d) The master plan indicates that the expansion and renovation of the MBCC is best phased to accommodate certain key conventions and shows.
- (e) The master plan achieves a walkable district with significant public green space and other outdoor public spaces.
- (f) The master plan indicates street improvements, including pavement surfaces, sidewalk treatment, landscaping, and lighting, to further reinforce the District's identity.
- (g) The master plan continues the City's legacy of iconic design and modern architecture and the design of the proposed improvements further the City's design standards.

These factors should certainly be kept in mind as each Commissioner evaluates the two proposals and makes their selection. This Memorandum will touch upon many of these factors in the analysis set forth below.

A. Lease Proposals:

In anticipation of approval of Staff's program recommendation to the LUDC, the Administration requested that each team provide, by July 5, 2013, a revised lease proposal assuming the recommendation was adopted. Both teams' July 5, 2013 responses are summarized below:

	Portman	Tishman
Hotel	<p>The greater of 4% of gross revenues or a fixed annual payment of \$2.95m, increasing 2% annually.</p> <p>Beginning in year 31 (after the City bonds are retired) and every 10 years thereafter, the fixed payment is adjusted to be 3% of gross revenues.</p>	<p>The greater of 4% of gross revenues or the following fixed payments:</p> <ul style="list-style-type: none"> • Year 1: \$1.5m • Year 2: \$3.0m • Year 3-10 \$3.5M • Year 11-20 \$4.5m, increasing 10% every 10 years
Retail in 17th Street Garage	<p>The greater of 25% of gross revenues or a fixed annual payment of \$28.40/sf (upon opening in 2018), increasing 2% annually.</p> <p>The fixed payments equate to \$1,988,000 in the first year open.</p> <p>Proposes the same adjustment as outlined above beginning in year 31.</p>	<p>The greater of 25% of gross revenues or a fixed annual payment of \$65.00/sf (upon opening in 2018), increasing 10% every 10 years.</p> <p>The fixed payments equate to \$4,550,000 in the first year open.</p>
Retail North of 17th Street	<p>The greater of 25% of gross revenues or a fixed annual payment of \$17.33/sf (upon opening in 2017), increasing 2% annually.</p> <p>The fixed payments equate to \$346,600 in the first year open.</p> <p>Proposes the same adjustment as outlined above beginning in year 31.</p>	<p>The greater of 25% of gross revenues or a fixed annual payment of \$30/sf (upon opening in 2018), increasing 10% every 10 years.</p> <p>The fixed payments equate to \$600,000 in the first year open.</p>
Residential (Based on May 3 LOI) ¹	<p>The greater of 4.0% of gross revenues or a fixed annual payment of \$341,800 (\$1,139/unit), increasing 2% annually.</p> <p>Assumes 300 units (100 on Meridian & 200 on Washington)</p>	<p>The greater of 4.5% of gross revenues or a fixed annual payment of \$800,000 (\$3,065/unit), increasing 2% annually.</p> <p>Assumes 261 units (all on Meridian)</p>

¹ We have included these residential numbers since the LUDC recommended the inclusion of residential. The exact number of units will likely be lower given the LUDC's emphasis on low scale residential.

The City retained Miami-based real estate appraiser Blazejack and Company (Blazejack) to review the original land lease proposals submitted on May 3. Blazejack concluded *"that the proposed terms of the ground leases are consistent with market rates, terms, and parameters as of June 15 2013."* This would include the percentage rents for each segment, and is consistent with the advice given by SAG. Blazejack went on to note that for the retail, components, it believed the rent paid by ultimate tenants would likely to be at least \$100 for the 17th Street Garage Space and \$75 for the retail north of 17th Street. In the May 3 submittal, Tishman estimated average tenant rents for both north and south of 17th Street to be \$92 per square foot and Portman estimated \$135 per square foot. Blazejack believes both sets of assumptions were reasonable in light of market conditions.

The following table compares the value of each revised lease proposal over the 99-year term on a net present value ("NPV") basis assuming a 5% discount rate. NPV is the lump sum amount someone would pay the City for the lease stream today assuming they wanted a 5% return.

Schedule of Total Payments and Fixed Payments							
Fixed Payments over 99 Years				Total Payments over 99 Years			
	Portman	Tishman	Difference		Portman	Tishman	Difference
Hotel	\$841,659,988	\$604,991,862	\$236,668,126	Hotel	\$1,184,312,160	\$1,309,188,532	(\$124,876,372)
Retail North of 17th Street	101,353,840	89,965,473	11,388,367	Retail North of 17th Street	113,595,356	89,965,473	23,629,883
	\$943,013,829	\$694,957,336	\$248,056,493		\$1,297,907,516	\$1,399,154,005	(\$101,246,490)
% of Total	73%	50%		Fixed Total	\$943,013,829	\$694,957,336	\$248,056,493
				Variable Total	354,893,687	704,196,670	(\$349,302,983)
				Total	\$1,297,907,516	\$1,399,154,005	(\$101,246,490)
Retail in 17th Street Garage	\$563,735,314	682,238,171	(\$118,502,857)	Retail in 17th Street Garage	\$649,909,010	682,238,171	(\$32,329,161)
NPV of Fixed Payments over 99 Years				NPV of Total Payments over 99 Years			
	Portman	Tishman	Difference		Portman	Tishman	Difference
Hotel	\$81,171,938	\$76,131,424	\$5,040,514	Hotel	\$113,428,564	\$143,285,617	(\$29,857,053)
Retail North of 17th Street	9,932,061	12,042,822	(\$2,110,761)	Retail North of 17th Street	11,101,015	12,042,822	(\$941,806)
	\$91,103,999	\$88,174,245	\$2,929,754		\$124,529,579	\$155,328,439	(\$30,798,859)
				Fixed NPV	\$91,103,999	\$88,174,245	\$2,929,754
				Variable NPV	33,425,580	67,154,194	(\$33,728,613)
				Total NPV	\$124,529,579	\$155,328,439	(\$30,798,859)
Retail in 17th Street Garage	\$53,258,597	91,324,730	(\$38,066,133)	Retail in 17th Street Garage	\$61,188,704	91,324,730	(\$30,136,026)

The analysis excludes the residential elements that need further definition by the City Commission in terms of the number and type of allowable units. In the May 3 LOIs submitted by each team, the NPV of Portman's 300 residential units was \$12 million or \$39,850/unit and Tishman's 261 units was \$16 million or \$61,500/unit, a difference of \$4 million NPV in Tishman's favor. This will change as the number and scale of units allowed along Meridian is likely decreased.

Fixed payments are based on the Developer proposals. The variable percentage rent is based on the Developer's projection through stabilization (assumed to be the third full operating year) and then grow at a common 2% annually thereafter. Both developers believe growth will exceed the 2% used for comparison.

Over the 99 years, Tishman proposes to pay the City for the Hotel and Retail North of 17th Street just under \$1.4 billion in lease payments, or \$101 million more than Portman. On a net present value basis, this equates to \$155 million in total Tishman payments, \$31 million more than Portman. However, when you view the fixed or guaranteed payments over the 99 years, the net present value of Portman's fixed payments are \$3 million greater than Tishman's. Portman's fixed or guaranteed payments represent 73% of their total payments while Tishman's fixed payments represent only 50% of their total payments to the City.

Over the 99 years, Tishman proposes to pay the City for the Retail in the 17th Street Garage \$682 million in lease payments, or \$32 million more than Portman. On a net present value basis, this equates to \$91 million in total Tishman payments, \$30 million more than Portman. The numbers for the 17th Street garage are not included in the Convention Center financing since the timing of the construction and the nature of the financing need to be decided at a later date.

The Tishman hotel lease indicates a higher NPV. It is driven by proforma differences and the Tishman approach to positioning the hotel at a higher rate in the marketplace. Since Tishman increased their hotel percentage rent to the same 4% as in the Portman proposal, the lease revenues will be the same if the hotels ultimately perform at a similar level.

B. Corporate and Financial Due Diligence:

The City's legal counsel, Squire Sanders LLP, retained Kroll Advisory Solutions ("Kroll") to prepare an "Investigative Due Diligence Report" (the "Kroll Report"). The purpose of the Kroll Report was to identify material legal proceedings, personal controversies, corporate governance issues, undisclosed business interests and other issues that reflect the subjects' reputation, character and integrity. A copy of the Kroll Report Summary dated July 11, 2013, including a summary of litigation, is attached as Exhibit B.

Additionally, Squire Sanders retained KPMG LLP to conduct financial due diligence investigations of each team. The objective of the engagement was to assist the City in assessing the risks and opportunities of the City's proposed relationship with each of the development teams. On-site work was conducted at each of the development team's respective attorneys' offices in Miami, Florida. The primary scope of the engagement was to obtain, read, make inquiries concerning and comment on information that the City and the development teams provided to KPMG, in addition to interviews of officers and management.

KPMG procedures for Portman concentrated on reviewing the following documents provided:

- Unaudited balance sheet at May 31, 2013, March 31, 2013, and December 29, 2012.
- Unaudited income statement for the three months ended March 31, 2013 and five months ended May 31, 2013.
- Unaudited income statement for the twelve months ended December 31, 2012.

KPMG procedures for Tishman concentrated on reviewing the following documents provided:

- Unaudited balance sheet at May 31, 2013, and December 29, 2012. Audited balance sheet and income statement as of and for the 12 months ended December 31, 2012.

The financial due diligence provided as business overview for each development team as well as an assessment of the basis of presentation of financial information, access to management and scope limitation; budget to actual comparisons, net working capital, analysis of balance sheets, evaluation of debt and commitment and contingencies on the company's financial statements as well as other off balance sheet commitments identified during the course of due diligence; and evaluation of cash flows.

Tishman Hotel and Realty, headquartered in New York, NY, is engaged in the management of hotel and other commercial real estate properties, providing real estate brokerage and advisory services in various hospitality and entertainment based real estate businesses and UIA Management is a full service real estate service company located in Miami Beach, Florida. The activities of Portman Holdings are supported financially by Portman Financial Inc., a holding company owned by the Portman family and the CMC group is a Miami based full service real estate development, construction, and Investment Company with particular focus on luxury condominium and commercial properties. Overall KPMG summarized that nothing would limit either development team from delivering on their LOI commitments, however, the following should be noted:

Due to the confidential and private nature of THR, KPMG was not allowed to copy any information. UIA did not have audited financial statements for the 2012 period. As such, information was derived from management reporting packages that are on a cash basis. Access to Portman financial documentation was limited to a 2.5 hour meeting with Portman at their offices. During the meeting, KPMG was presented with limited information and were not allowed to copy any information presented.

The May 3 Portman LOI indicated \$597.5 million in private investment into the Full Program, with \$46.7 million contributed by the Master Developer, \$186.9 million from third-party equity investors, and \$344.3 million in debt. The 800-room hotel is the largest component, with a total private investment of \$305.3 million, with \$24.4 million contributed by the Master Developer, \$97.7 million from third-party equity investors, and \$183.2 million in debt.

The May 3 Tishman LOI indicated \$583 million in private investment into the Full Program, with \$57-86 million contributed by the Master Developer, \$229-200 million from third-party equity investors, and \$297 million in debt. Tishman did not provide a breakout of investment by component, but did indicate the hotel would cost \$391 million. Assuming the capital structure for the overall project, this would indicate a \$38-58 million contribution by the Master Developer, \$154-134 million from third-party equity investors, and \$199 million in debt.

Based on this and the information submitted in the May 3 LOIs, it appears that each team has an equal ability to execute the private financing and each team will have significant financial investment in this project.

C. Convention Center Program & Functionality:

The City retained Conventional Wisdom to review each proposer's convention center program. Conventional Wisdom is an Orlando-based firm specializing in developing convention centers. Staff includes former building managers and convention center architects/planners. Their review included a comparison against convention facility standards in the areas of site organization and traffic management, vehicle and pedestrian arrival and building functionality (exhibit halls, meeting rooms, ballrooms, support service areas, loading docks and food service). The analysis also included conference calls with each team to discuss the issues that were raised in their initial review and Conventional Wisdom subsequently reviewed additional data from each team.

- i. Conventional Wisdom highlights that both teams have reoriented the layout of the current exhibition halls to allow freight loading from one side and a public access from the other side, which is standard of most convention centers. However, Conventional Wisdom is concerned with the sufficiency of programmed space for back-of-house servicing, support, storage, exiting, mechanical spaces, shops and employee areas, technical and electrical closets, pantries and food service support provided by both plans. Although the plans at a concept level do not typically show these spaces in detail, accommodations must be made during design to include these items. Conventional Wisdom's review of the support space elements revealed the "master plan" nature of the drawings and the need for both teams to think through support areas when they move into facility design. Conventional Wisdom concluded both teams are short on support spaces and have to work through many details such as exiting. Conventional Wisdom indicated that while the support space is under accounted for, the targeted meeting and ballroom space of 250,000 square feet is generous for a center with 500,000 square feet of exhibit space. Conventional Wisdom recommended that the \$500± million budget could be maintained if the ballroom/meeting space program is reduced to 200,000 square feet to provide for funds for additional support areas. Reducing 50,000 square feet of costly ballroom/meeting space will enable 80-100,000 square feet of additional, less costly support space to be developed.
- ii. Tishman's greatest challenge, according to Conventional Wisdom, will be in addressing facility exiting requirements, as exhibition halls deeper than 540 feet have longer than typical travel distances. Tishman's plan has exhibit halls with a depth of 610 feet. This plan concept anticipates exiting through the enclosed loading docks. If this solution is deemed unacceptable by local code officials, an alternate exit pathway will have to be developed that is not included in the current programmed space.
- iii. Alternatively, Conventional Wisdom believes Portman's biggest challenge is with a shortage in public lobbies, concourses, registration, front- and back-of-house support areas, and food service. The Portman plan has a similar exiting challenge through its loading docks, but has a shorter travel distance than Tishman and has proposed a below-grade pathway to Washington Avenue under the truck apron. Another challenge in Portman's plan is their reuse of the west side meeting rooms. Conventional Wisdom believes that a large number of the existing rooms are not up to "Class A" standards and are too small with inadequate clear ceiling heights.
- iv. With respect to the ballroom, from a functional and organizational perspective, Conventional Wisdom views the two solutions as equivalent. In the Portman scheme, the outside ballroom creates the opportunity to activate the public open spaces, and interaction with the surrounding programs. By being detached, the ballroom can have a diversity of programming with non-convention related events. Of concern, the two kitchens required with a detached ballroom may have some operational considerations. In addition, the ballroom building occupies space that could be used to create additional open space; however, as stated by the LUDC, there is an equal concern of creating additional open space with no program. Tishman places the ballroom on an upper level of the facility and requires additional vertical circulation for both front-of-house patrons and back-of-house service/support. However, there are certain economies of scale with respect to the support services needed as only one kitchen area is required. An integrated ballroom, however, may not adequately serve non-convention related functions, particularly if no other activity is taking place in the convention center.
- v. In the opinion of Conventional Wisdom, each of the concepts presented to the City will require more programmed space than in the original submittals to meet programmatic deficiencies discovered during Conventional Wisdom's review process. The areas within the respective plans will grow as the designs are developed and that will represent an increase in costs that

can only be mitigated by a reduction in programmed area as recommended above by Conventional Wisdom.

It should be noted that both teams have successfully completed similar projects elsewhere, and there is no reason to believe that these deficiencies cannot be addressed adequately.

Hotel:

Design

Once a meeting planner begins considering a destination to host their meeting, they first determine if the convention center can accommodate their event. If that test is passed, the next step is to look at the hotel package, with the headquarter hotel and over room block being the priority. The importance of the hotel cannot be understated. Both teams are proposing a similar 800-room hotel with the typical amenities that it provides. The Tishman hotel, with its room tower above the center, creates more rooms with views of Miami Beach's great vistas, and could create a more desirable hotel for convention delegates and other guests.

While the Portman approach has some rooms with good views, many are at a lower level, looking at the side of the Theater. The Portman approach to the hotel design was driven by sensitivity to height that proved to be a non-issue in the community. On the other side of the balance sheet, however, the Portman hotel will be incorporating the Delos Wellness concept that could be a major selling point. The challenge for either developer is keeping the hotel occupied when there is no activity in the convention center.

Rates

It is important to note that there is a difference in the average daily rates (ADR) being charged by the two developers. The Chart below provides a comparison of the two teams with projections made by Hilton, Marriott, Omni, Hyatt and Starwood for the year 2019:

Brand A	\$364
Tishman	\$351
Brand B	\$330
Portman	\$281
Brand C	\$278
Brand D	\$243
Brand E	\$220

The City Administration consulted with the GMCVB, who is responsible for booking the convention center. They reviewed recent examples of contracted hotel rates for conventions that took place in the destination since 2012. The Average Daily Rates (ADR) proposed by both Tishman and Portman are in line with recently contracted hotel rates. The GMCVB also looked at the list of potential new business they would target and the proposed ADRs would be competitive. Part of this reflects that Miami Beach is a more expensive yet desirable market than most of our competitors.

Nevertheless, the Administration and SAG both believe the booking policy should be strengthened to ensure the selected developer and hotel operator quote the most competitive rates that are within industry standards when bidding on citywide business. Both teams have agreed to such a policy.

Residential:

The City Commission has made it clear that any residential development on the MBCC District site should be rental in nature (and not involve fee ownership of public property). The Administration

recommended to the LUDC to remove this element from the Master Plan. However, the LUDC, on July 8, 2013, expressed a willingness to accept some residential component in the Master Plan. The consensus was that low scale rental structures, compatible with the surrounding residential areas would provide a buffer to the existing neighborhoods. Along Meridian Avenue, the Administration suggests a total of approximately 80 units, in structures no higher than 4 stories. The Washington Avenue side of the MBCC could be rehabilitated into apartment units as demonstrated on one of the plans, and the Commission may want to have whichever team is selected explore this alternative. Such an approach would activate each street and create a sense of safety within the surrounding public open spaces.

Significant Design:

The City is home to many iconic structures and buildings designed by world-renowned architects. With the issuance of the RFQ for the Development of the Miami Beach Convention Center District, the City expressed its interest in continuing this legacy of iconic design and modern architecture. It was expected the eventual proposed design of the improvements would further the City's design standards.

Since December of 2012, when the two development groups were shortlisted, the separate design teams have been creating exciting visions for the redevelopment of the Miami Beach Convention Center and the surrounding district. The Tishman design team is led by The Office for Metropolitan Architecture (OMA), founded by Pritzker Prize winning architect Rem Koolhaas. The Tishman design team is rounded out by tvsdesign, a convention center design specialist, and landscape architects Michael Van Valkenburgh Associates, Inc. and Raymond Jungles. The Portman design team is led by Bjarke Ingels, founder of the architectural practice Bjarke Ingels Group (BIG). Mr. Ingles also has numerous awards including the 2010 European Prize for Architecture and the 2012 American Institute of Architects Honor Award. The other lead architect is John Portman & Associates, Inc. widely known for popularizing hotels and office buildings with multi-storied interior atriums. The convention center specialist is Fentress Architect, the local firm is Revuelta Architecture Intl. and the landscape architect is West 8.

Both designs propose improvements to the MBCC, and redevelopment of its surrounding area facilitate the ability of the MBCC to attract high impact conventions, meetings, and tradeshow. The Administration believes that each of the master plans achieve the City's vision of a new vibrant mixed-use district filled with year-round activities. The two teams propose a master plan that create a walkable district with significant public green space and other outdoor public spaces. Each of the proposed plans indicate street improvements, including pavement surfaces, sidewalk treatment, landscaping, and lighting, to further reinforce the District's identity.

Both proposals create a powerful and striking architectural vision of an urban complex unique to Miami Beach and the whole region. The City's legacy of legendary design and modern architecture is maintained by the visions created by both teams and the design of the proposed improvements further the City's design standards. Much has been written about the two designs, and the City is in a very fortunate position as either design will create a truly iconic and architectural statement that will be the envy of other destination cities.

Public Cost:

	Costs		
	Portman	Tishman	Difference
	(in millions)		
Convention Center	\$498.0	\$506.2	\$8.2
Public Amenities	58.3	71.3	13.0
Center Parking (1,040 CC Spaces)	30.4	43.4	13.0
Developer Contribution**	(23.2)	(10.5)	12.7
Net Project Cost	563.5	610.4	46.9
Cap-i, DSR, Issuance *	70.4	76.3	5.9
Total Costs	\$633.9	\$686.7	\$52.8

*Capitalized interest, the debt service reserve requirement, and the issuance costs are a preliminary estimate and will change as the ultimate financing structure is solidified. Economists indicate we may be entering a period of rising interest rates and this could also change this estimate.

**In its original LOI, Portman had proposed \$6.7 million in contributions from the residential activities towards the public amenities. That was deleted in the July 5th letter since residential was proposed to be deleted. We assume that the reinstatement of a residential component will generate some additional contribution depending on the number of units.

The cost to the public for the convention center project, convention center replacement parking, and public amenities North of 17th Street (excludes the 17th Street Garage) has not materially changed except for the following:

1. Public Amenities - Portman's public amenities are estimated to cost \$13.0 million less than Tishman's. Taking into account the Developer's contribution to public amenities of \$23.2 million, Portman's cost is \$25.7 million less than Tishman's. The higher Tishman costs are driven by: 1) the need to build public amenities on the P-Lot where Portman builds a ballroom; 2) the public amenities constructed over the loading docks and parking deck to the North; and 3) the lower private contribution.
2. Convention Center Parking – Portman's cost per space of \$29,200 is lower than Tishman's at \$41,700. This is driven by the additional Tishman structural cost to support the landscaped hill that envelopes the parking. Tishman reduced 348 spaces of the hotel parking that was previously going to be financed and operated by the City, limiting it to the 1,040 convention center replacement spaces and thereby reducing the cost by \$14.5 million. Portman and Tishman have a common approach to this issue now.
3. Developer Contribution – Portman proposes a larger Developer Contribution to the Public Amenities reducing the cost to the City by \$23.2 million or 40% of the cost of the Public Amenities compared to Tishman's contribution of \$10.5 million or 15% of the cost of the Public Amenities

The net cost to the City of the Portman proposal is \$52.8 million less than the Tishman proposal. This is driven by the lower developer contribution and higher Tishman cost to construct public amenities over the parking garage to the North.

Finance Plan:

Funding Plan			
	Portman	Tishman	Difference
	(in millions)		
County G.O.	\$53.6	\$53.6	-
1% Resort Tax	251.2	254.8	3.6
Fixed Land Lease (Hotel & N. of 17th)	57.4	61.5	4.1
Parking Bonds (1,040 CC Spaces)	42.6	60.8	18.2
RDA thru 2022	71.2	71.2	-
RDA Extension	157.8	184.7	26.9
Total RDA	229.1	256.0	26.9
	\$633.9	\$686.7	\$52.8

The project is planned to be financed by the following sources.

1. County G.O. Bonds – This is the amount remaining from the Miami-Dade County commitment of \$55 million toward the project. Funds expended relate to prior studies and consulting and legal fees incurred by the City related to the project.
2. 1% Resort Tax – This is estimated bonding value of the 1% resort tax growing at 2% over the bond term.
3. Fixed Land Leases – The fixed portion of the lease payments are planned to be allocated to the payment of the MBCC debt service. The amount above reflects the net present value of the lease payments for the hotel and retail North of 17th Street that will be used for the debt service payments on the Convention Center bonds. Land lease payments for retail in the 17th street Garage are not included, particularly since the Commission has directed staff to explore various financing models for the garage. This stream is planned to be allocated to the 17th Street Garage financing that is ultimately selected.
4. Parking Bonds – It is planned that the 1,040 replacement parking spaces will be financed by the City’s Parking Enterprise Fund, with debt service payments paid by the net parking revenues of the spaces themselves. The City will control these spaces and set the rates. The higher parking bond figure for the Tishman proposal reflects the higher cost per space proposed by Tishman.
5. RDA (Redevelopment Area) through 2022 – The City has \$90 million in capital projects reflected in its Capital Plan that are related to the MBCC District through 2022, the end of the existing RDA. The amount in the table represents the bond proceeds from that revenue stream. These revenues are a combination of City and County property taxes on incremental property values generated in the Miami Beach RDA that are required to be reinvested within the boundaries of the Miami Beach RDA.
6. RDA Extension – The net remaining funds required are planned to be funded by requesting an extension of the RDA beyond 2022. This will require approval of the County Commission. Under the existing agreement with the County, a portion of the property tax, on increased property values within the defined RDA boundaries, collected by both the City and the County

must be spent in the RDA. In 2013, of the \$30.5 million of property tax paid into the RDA, the County contributed 43% or \$13.2 million or approximately 43% and the City contributed the balance of 57%. Over the life of the RDA, the County percentage of contribution to total RDA revenues has ranged between 43% and 51%. These percentages vary from year to year based on the millage rates established by the two entities.

- The City's Financial Advisor, RBC Capital Markets, has reviewed the capacity of extending the RDA and it is summarized below:

		RDA Bonding Capacity			
			Pre 2022 Projects		Extension
		Gross	Center	Other	Available
10 years	50%	\$200m	-\$71m	-\$24m	\$105m
20 years	50%	\$244m	-\$71m	-\$24m	\$149m
30 years	50%	\$271m	-\$71m	-\$24m	\$176m
10 years	95%	\$283m	-\$71m	-\$24m	\$188m
20 years	95%	\$364m	-\$71m	-\$24m	\$269m

The Portman proposal can be funded by an extension of the RDA at a 50% allocation² for 30 years or conversely for a 10 year extension at the current allocation of 95%. There is no RDA extension option using a 50% allocation that is sufficient to fully fund the Tishman proposal. The only option to cover the shortfall, requires an extension of the RDA at a 95% allocation for at least 10 years.

Of note, the current RDA is one of the oldest in the County and therefore benefits from the 95% allocation. While our conversations with the County, as well as public comments made by the County Mayor and the Commission Chairwoman, inspires confidence that an extension can be obtained, we are far less sanguine about such extensions being at 95%. If the County only authorizes a 50% allocation, the City will need to identify \$8 million of additional funding if the Tishman team is selected.

Citywide Resort Tax Security – To enable the City to achieve the lowest cost of capital, it is planned that the unencumbered citywide Resort Tax be pledged as a backstop to the bonds financed by the new 1% Resort Tax, RDA through 2022, and fixed lease payments.

17th Street Garage – Staff recommendation to the LUDC was to redevelop the 17th Street parking Garage after the convention center project is completed. Based on the input of the City Commission, Staff will revisit the timing of the garage and develop it as soon as possible on a schedule that minimizes any potential impact on Lincoln Road businesses and their employees.

² In an RDA, the City and the County pay a percentage of the property tax, collected within the boundaries on the increase in property value as compared to the property value of the RDA district in the base year. In an RDA district with a 50% allocation, 50% of the property tax on the increased property values would be paid annually to the RDA district by both the City and the County. Likewise, in an RDA district with a 95% allocation, 95% of the property tax on the increase property values would be paid annually to the RDA district by both the City and the County. The amount paid to the district under a 95% allocation is almost twice what would be paid under a 50% allocation.

The City plans to maintain ownership and control of the parking component to enable the plan to be financed by the Parking Enterprise Fund, if the Commission elects to pursue that route. The Fund has approximately \$145.0 million in bonding capacity, more than sufficient to provide for the parking financing contemplated herein. In such a scenario, the debt on the 17th Street Garage would be repaid from the net parking revenues and the lease of the retail space to the developer. The proposed lease payments for the 17th Street Garage retail are estimated to support up to \$33.1 million in project costs based on the Portman proposal, and \$65.7 under Tishman's proposal. This equates to \$22,800 per space for the Portman, and \$45,500 for Tishman.

Phasing / Schedule:

Both teams have chosen different approaches to their Convention Center construction phasing plans which, in turn, affect the overall schedule of each proposed project. Both approaches enable the Center to remain in operation throughout the construction period of 2 ½ to 3 years. Although the RFQ does not specify the exact amount of existing area which is to be maintained during construction, both teams attempt to retain existing areas of approximately 500,000 square feet of exhibit space, 125,000 to 130,000 square feet of meeting space and 1,040 surface parking spaces in order to allow for continued Center operation.

Tishman Phasing Approach:

The overall planning strategy of the Tishman Team is to orient the Exhibition Halls north to south with a 42 bay loading dock consolidated to the north, and the new concourse and main entry located on the south. Access to the convention center from the east is maintained. Along Washington Avenue the building is 35 foot in height and the 5 story west side is 94 foot high. The building envelope is pushed north to align with 18th Street, yet it is expanded to the northern edge of the site by a multilevel parking structure, cooling tower and mechanical plant covered by a 6 level landscaped berm. The footprint of the hotel is fully contained within the building envelope and rises to a height of approximately 194 feet to the high point.

Phasing Sequence - Initial Phase:

Tishman will be constructing two temporary structures, one to the north and the other to the south, with both connecting to the existing east concourse. This allows existing meeting space in the west concourse to be demolished in the initial stage of the project. The temporary structures, manufactured by Sprung Instant Structures, Inc., are approximately 40,000 square feet each and made of an insulated fabric membrane attached to an aluminum frame. The structures received Miami-Dade County Product approval through a Notice of Acceptance (NOA) on April 25, 2013 for a period of 5 years. The NOA confirms that the product has been designed to comply with the "High Velocity Hurricane Zone" of the Florida Building Code.

The cost of the temporary structures adds \$14 million to the Pre-GMP / Design Build Costs of the project. The structures take approximately 6 to 8 months to build in addition to the 36 month convention center construction schedule. In order to maintain the existing client meeting schedules, the Tishman team emphasizes the need for these structures to be isolated from the interior construction.

Subsequent Phases:

Once the temporary structures are completed, demolition commences on the north loading area, the new central plant commences, followed by demolition of the west concourse for construction of Exhibit Hall C and commencement of the western portion of the hotel. Once Exhibit Hall C is completed, construction staging is maintained at the north end of the site, exhibit hall reconstruction is phased into the project, and public access from the P-lot is maintained.

When the new meeting rooms above Exhibit Hall C are completed, the northern temporary structure is removed and the northern parking structure and east concourse commence construction. During this period, phased renovation of the existing halls is completed.

Once the central plant and loading area are completed, the remaining portion of the hotel and subterranean parking can commence on the south side.

Final Phase:

Upon construction of all new meeting rooms on upper levels and on the east concourse, the temporary structure on the south end of the building is removed and the hotel construction continues. Public entrances from the east and west remain until the hotel is completed at which time the main public access converts to the south side of the building facing 17th Street.

Overall Schedule:

The schedule of the Convention Center for the Tishman team is 36 months which includes two construction "shut down periods" of 4 months each from the months of November to March over the 3 year period. The overall schedule indicates the contractor would continue construction of the hotel during the 4 month period when no work would be taking place within the convention center footprint. The hotel is the critical path of the final project which is over a period of 3 ½ years after signing of the GMP contract, and is estimated to be on line by September 2018.

PROS:

- Construction of the temporary meeting rooms reduces the risk of interior meeting space not being available during the interior construction phasing.
- The P-lot remains open until replacement spaces are available within the added parking structures to the north of the convention center.

CONS:

- The temporary buildings require partial removal of existing mature landscaping on the north and south east corner of the site. The buildings also appear to encroach upon an existing sewer pump station.
- Temporary structures can be subjected to noise during construction.
- The front of the Jackie Gleason Theater will be blocked by a structure for a substantial period of time and a new driveway / drop off will have to be temporarily created on the south side of the theater during the construction phase.
- Once removed, the future use of the temporary structures remains unknown.
- Purchase of the temporary structures, approximately \$14 million, is being charged to the City prior to negotiation of a GMP.
- The overall approach to the phasing of the convention center will bring the majority of convention center traffic to Washington Avenue for a period of approximately 3 years.
- Meeting room space in a tent like structure may deter certain bookings during this phase.

Portman Phasing Approach:

The overall planning strategy of the Portman team is to re-orient the Exhibitions Halls east to west with enclosed single loading consolidated on the east side of the building. A new entry road which is aligned with existing 20th Street, including a signalized intersection and bridge over the Collins Canal, would provide truck access into the enclosed 36 bay loading dock. The 3 story, 64 foot high building envelope is slightly pushed north and south of the existing building footprint and the hotel rises to a maximum height of approximately 124 feet on the south side of the building. A 60,000 square foot ballroom with a partially subterranean parking garage is a stand-alone, 2 story, separate structure connected to the main building by an enclosed bridge on a second level and a covered walkway on

the first level. The separate building also contains the new central plant, additional meeting rooms and additional loading bays.

Phasing Sequence - Initial Phase:

Portman will be creating a series of separate temporary parking areas around the site to offset partial loss of parking on the P-lot during the first phase of construction. A temporary loading area on the north side of the site will be constructed while the south loading area remains in operation during the majority of the construction period. The south end of Convention Center Drive will be partially closed past the current entrance of the Center in order to provide additional parking. Construction staging areas will be located to the north and south of the site.

In the first phase of the project, the central plant located adjacent to the future ballroom building begins along with a section of the partial underground parking deck. At the same time a new 100,000 square feet exhibit hall and 40,000 square feet of meeting rooms will commence on the north side of the site and construction of the 2nd level of the hotel commences on the south side of the site in order to maintain the south loading dock operational. The existing central plant also remains operational during this phase.

Subsequent Phases:

Once the major events of 2015 have ended the Portman team will commence construction of the main ballroom building. Underground utilities, particularly an existing 30" sewer force main, will need to be relocated early during this phase of construction.

Interior renovation of the existing convention center building will not commence until the north exhibit hall and meeting rooms are completed. After completion of this new section, the remaining interior renovation of the east and west sections of the building, which include the upper parking decks and loading dock, commences in a phased sequence. The majority of the existing exhibit halls and upper bridge connector function during this time in order to allow 500,000 square feet of exhibit space and approximately 125,000 to 145,000 square feet of meeting rooms to remain operational.

During Phase 6 of the project the extension of the rear entry road, bridge and traffic signal is constructed during a period of 6 months. The Community Center on the north east corner of the building may also commence at this time, however this is a non-critical path item.

Final Phase:

During the final phase of the project the separate ballroom building and meeting rooms are complete which allows for phased reconstruction of the remaining exhibit halls. The east residential wing commences and the demolition of the old community center and 555 office building, as well as remaining site work, is completed.

Overall Schedule:

The schedule of the Convention Center for the Portman team is 30 months with construction of the central plant, ballroom and underground parking deck taking 18 months during the initial 2 ½ year period. The critical path of the project is the separate ballroom building since renovation of the convention center building itself cannot be finished until after the separate ballroom building is completed. The hotel will come on line at approximately the same time as the convention center.

PROS:

- Construction of the separate ballroom and its additional meeting room space allows for the renovation and reprogramming of the existing meeting rooms and pre-function areas located within the convention center building.
- The separate ballroom is a permanent structure which will not require removal in the future.

- A new truck access road off of Dade Boulevard will isolate truck traffic to one location and also will provide a separate entrance to the parking garage in addition to the entrance from Washington Avenue.

CONS:

- The site where the separate ballroom building is located requires relocation of existing underground utilities. Since the ballroom is the critical path of the project there is a risk of unforeseen conditions and challenges during the utility re-work phase which could delay completion of the project and extend the overall schedule.
- The construction of the separate ballroom uses the majority of the existing P-lot, so separate parking areas need to be created throughout the site in order to make up for the deprogrammed spaces. The majority of the temporary spaces are on the south side of the site, which creates challenges for public access during construction until the completion of the underground parking deck at the ballroom building is completed.
- The new proposed entrance from Dade Boulevard requires a substantial amount of approvals from separate government agencies which may cause a delay to the project.

The phasing schedule has been a source of heated competition between the two teams. As noted above, neither team has a perfect proposal, and staff will have to work closely with the selected developer to ensure minimal disruption to the convention center business and timely completion of the project. Both teams have completed difficult phasing projects successfully (e.g. Tishman in New York and Portman in San Diego) and there is no reason to believe they cannot do so here. The Administration will insist on liquidated damages provisions in the event they fail to do so.

Overview of Traffic Plans:

The two teams approached the development of a Traffic Plan from very different perspectives. Initially, both traffic plans omitted or did not adequately address several key points. As a result, numerous comments were issued to each of the teams. Among the key elements not properly addressed in either traffic plan is the analysis of a comprehensive study area to identify the impacts to the causeways providing access to the City and the accommodation of a multi-modal facility on-site. The MBCC is a large scale project that will have impacts to the region. As such, the traffic study must be approached from a regional perspective. The integration of a mass transit component should be incorporated into the overall MBCC Plan in a significant way. In addition, a Transportation Demand Management Plan is essential to mitigate traffic impacts and to ensure the quality-of-life of the community.

The Portman traffic plan followed a standard traffic impact study methodology approach typically used for a proposed private development. The Traffic Plan accounted for each of the surrounding intersections by providing traffic counts and a level of service analysis based on background traffic, committed infrastructure projects, and future conditions with project. In general, the Portman Traffic Plan lacked the essential data and content required to accurately identify the traffic impacts associated with a project of the scale of the MBCC. The team proposes a new bridge over Collins Canal between Convention Center Drive and Washington Avenue that would serve as an extension of 20th Street from Washington Avenue to Dade Boulevard for commercial loading access. Construction of a new bridge at this location would require extensive environmental permitting from various regulatory agencies as well as a detailed traffic analysis to ensure that traffic flow along Dade Boulevard is not adversely impacted with the introduction of a new signalized intersection. While the connectivity provided by a new bridge may be advantageous, there are some safety concerns with the proximity to Miami Beach Senior High School and pedestrian/bicycle crossing treatment at this location that will need to be addressed.

The Tishman traffic plan provided an alternate approach consisting of both planning and traffic engineering aspects. The Traffic Plan analyzed in greater depth the adjacent transportation corridors, accounted for potential impacts on the adjacent neighborhood and offered a broad range of mitigation measures. The data collection effort conducted for this Traffic Plan included an origin-destination analysis which serves as a valuable tool in evaluating area-wide traffic impacts. The Tishman team has committed to preparing a feasibility study for an intermodal facility as part of the design development phase.

After a review of the Traffic Plans provided by the respective teams, it is clear that a more in-depth traffic analysis needs to be conducted as part of the design development phase. The Traffic Plans as provided by the two teams offer a general perspective of the potential issues that will need to be reviewed and analyzed in more detail once a Proposer is selected. City staff will work closely with the selected Proposer to identify tangible solutions to mitigate traffic impacts and concerns associated with the MBCC project. For example, a parking mitigation plan with a shuttle transportation component should be developed by the selected Proposer to offset the loss of parking spaces during construction through the use of interim park-and-ride facilities and transportation services to/from the site. This effort should be viewed as a partnership, with the overall objective of creating a world-class destination that employs innovative transportation solutions and enhances the quality-of-life of the community.

Any discussion on traffic is not complete without acknowledging that one of the important by-products of the new and improved Convention Center and Hotel will be a change in the mix of events that will come to the Center (which will also require amendments to the City's booking policy). Rather than the traditional consumer shows that create daily automobile traffic and parking issues, the goal is to attract high end conventions and meetings where participants visit for several days. Attendees would arrive at the hotel by taxi or public transportation, and would likely not need a car again until they left. Even if they rented a car to arrive at the Center, they would likely not use the car again until their departure since they would have many dining and entertainment options accessible by foot or short taxi ride. In essence, the goal is to attract more business, but less car traffic due to the nature of the business. This also means more people staying in the MBCC District and patronizing the local stores and restaurants. Good planning in this instance, therefore, could significantly mitigate the potential traffic impacts.

Parking:

Both development teams were provided with the City's existing parking regulations at the beginning of the process, and subsequently met for discussions and clarifications with the City's Planning Department. By the terms of the RFQ, the 2,490 spaces currently existing in the surface parking lots (1,040 spaces) and the 17th Street Garage (1,450 spaces) were to be retained and/or relocated on the site to serve as the required parking for the Convention Center. All required parking for the new uses, such as the hotel, retail, residential and cultural uses were to be provided on site by the developer as per the existing parking requirements. Both teams followed this methodology in presenting their proposed parking programs.

Portman's plan provides for 3,795 parking spaces. Tishman's plan originally provided for 4,141 parking spaces, and was revised by a submission dated June 14, 2013 which showed a total of 4,256 parking spaces provided.

There is a difference between the original versions of the two proposals in terms of meeting the parking requirements as set forth in the City Code and by Planning Department staff. While both teams began with a staff calculated required parking shortfall, the Tishman plan was modified in an attempt to meet the parking requirements as specified for their desired program. The original Portman plan indicated a deficit of approximately 10 percent of the total required spaces. Planning

Department staff questioned the Portman team regarding this deficit and requested clarification, and Portman responded with written confirmation that they believed that the lesser figure was the appropriate amount of parking for the proposed program. Their correspondence indicated that it could be possible to accommodate several hundred additional parking spaces through changes in design, if necessary.

Portman's correspondence points to the Planning Board's recommendation that the City's parking requirements for the project be reexamined. The Commission, if it agrees with the Planning Board's assessment, may wish to consider amendments to the parking requirements for Convention Center hotels when adopting the other amendments to the Land Development Regulations necessary for the Convention Center redevelopment. For purposes of this analysis, and based upon the teams official proposals and presentations, the original Tishman proposal more fully met the parking requirements as set forth by the City. It should be noted that the Tishman team also expressed an opinion that the current parking requirements for convention center hotels is too high and does not reflect the operational needs of these types of facilities.

However, this may be made less relevant as the LUDC has recommended modifying the program components to reduce the amount of retail, residential and cultural uses included. Examining the figures that had been discussed at the LUDC meeting of July 8, 2013, this would result in significant reductions in required parking from the original proposals. The included parking chart shows a second column for each team, titled Revised Proposal, which uses the reduced figures discussed at the LUDC meeting. The revised program assumes a limited number of apartments (80 units) along Meridian Avenue, and reduces the commercial space north of 17th Street to 20,000 square feet of retail and restaurant use. Assuming the 20,000 square feet is split into 10,000 square feet of retail and 10,000 square feet of restaurant space, under this scenario, both teams would likely be able to easily accommodate this reduced number of new spaces, with a surplus of spaces left over to accommodate flexibility. For example, an additional 10,000 square feet of commercial space within the hotel was recommended to be permitted in the LUDC memo; likewise, the number of apartments could be increased, and there would still be a surplus of parking spaces to accommodate them.

In summary, although the original proposals' scale led to justifiable concerns with regards to the provision of adequate parking, if the reduced program is approved, there should be ample parking to accommodate either plan.

	Portman				Tishman			
	Original Proposal - May 3 LOI	parking spaces required	REVISED PROGRAM	parking spaces required	Original Proposal - May 3 LOI	parking spaces required	REVISED PROGRAM	parking spaces required
Hotel Rooms	800	400	800	400	800	400	800	400
Mtg Rooms	60,900	466	60,900	466	55,000	410	55,000	410
Hotel F&B	710 seats	44	710 seats	44	540 seats + 1,700 sf (coffee/snack) + 2,240 sf (lounge)	58	540 seats + 1,700 sf (coffee/snack) + 2,240 sf (lounge)	58
Residential	300	495	80*	132	245	503	80*	132
North Of 17th St. F&B	700 seats	106	330 seats	48	1,333 seats	191	330 seats	48
North Of 17th St. Retail	20,479	29	10,000	8	0	0	10000	8
South Of 17th St. Commercial	86,000	0	70,000	0	59,500	0	70,000	0
Cultural	61,000	203	0	0	18,000	60	0	0
New Parking Spaces Required		1,743		1,098		1,622		1,056
Replacement Spaces		2,490		2,490		2,490		2,490
Total Required Parking Spaces		4,233		3,588		4,112		3,546
Total Spaces Provided		3,795		3,795		4,256		4,256
	Deficit	-438	Surplus	207	Surplus	144	Surplus	710

* assuming 80 units of residential

Bridge Over Collins Canal:

In order to construct a bridge over the Collins Canal, Miami-Dade County Department of Environmental Resources Management ("DERM"), Florida Department of Environmental Protection (FDEP) and the US Army Corps of Engineers (USACE) would all have jurisdiction. The City would apply for a Joint Application for Environmental Resource Permit, which includes review by FDEP, SFWMD and USACE. DERM would require a Class I Permit, and potentially additional permits depending on the project impacts.

Before any permits are issued, the project may require modification to eliminate avoidable impacts and to minimize other impacts. Collins Canal is a known habitat for Johnson's seagrass (*Halophila johnsonii*), which is a listed species on the Threatened and Endangered Species List, and additional mitigation may be required for unavoidable impacts as part of the permit.

There is no guarantee that all regulatory approvals will be obtained or, if obtained, how long it will take. The City does have experience with similar bridge approvals (e.g. West Avenue bridge extension) and it is not unreasonable for Portman to make such a proposal; however it is a risk factor that must be considered.

Stormwater:

The City will require the MBCC to provide an independent 25-year, 3-day level of stormwater service outside of the right-of-way and a 5-year, 1-day level of stormwater service in the right-of-way at the end of its 99-year design life. The stormwater design criteria will include a minimum road elevation, a minimum tail water and groundwater elevation, and a minimum seawall elevation that take into account the level of sea level rise based upon the best available projections. The City will also require features that protect the site from storm surge. Further, because this project likely will be within the boundary of an adaptation action area, the City will require approximately 5 acre-feet of stormwater storage on-site in accordance with the adaptation action area guidelines as developed.

Operations & Maintenance:

The finance plan will continue to incorporate resources for convention center operating subsidies, convention center ongoing capital maintenance, and the costs to maintain the new public amenities. Public resources need to be augmented by private contributions. Portman has proposed to contribute 0.5% of private component gross revenues into a fund to maintain the public amenities. Tishman's proposal is less specific, indicating in the LOI that the "City and the Private Components will enter into a cost sharing agreement to allocate the Maintenance Budget proportionately." Whichever team is selected should be required to create a maintenance fund for the public amenities.

Economic Impact:

Convention Centers are built to generate spending in the community. There have been national and local studies completed that indicate a convention delegate represents approximately \$537 per day on hotel, restaurants, recreation, local transportation, retail, and event related services to the local economy. In-hotel group meeting delegates spend a similar amount, estimated at \$499 per day.

SAG research has shown that the convention center renovation and the development of a new headquarter hotel can increase our citywide event convention delegates by approximately 30%. The CVB and Center management concur with this estimate. The incremental spending from these new guests, combined with the incremental new in-hotel group guests, is estimated to generate \$250 million in new annual spending in Miami Beach's businesses. This is estimated to support 2,300 new local jobs for our residents each year once the project is completed. In addition, the construction of the public and private project is estimated to support approximately 11,000 jobs (full time equivalents) over the construction period.

MANAGER'S DISCUSSION

Earlier it was noted that given the caliber of the two development teams, there can be no bad decision. Either team is capable of delivering a successful project that will positively change the landscape of the MBCC District and generate important economic growth. I think that bears repeating in light of the foregoing analysis.

With respect to certain important issues, both teams have evidenced the ability to perform at a high level. These issues include:

1. Providing all the components of the Convention Center facility as required by the RFQ;
2. Ability to finance the project;
3. Expertise in and positive experience with prior similar projects; and
4. Providing adequate parking for the project (assuming the LUDC program proposal is adopted by the City Commission).

As such, there is no basis upon which to favor one team over the other with respect to these factors.

On some other critical issues, as elaborated earlier in this Memorandum, both teams have submitted plans that have significant deficiencies. These areas include:

- A. Traffic plans;
- B. Storm water management plans; and
- C. Convention Center functionality.

The City will need to work closely with the selected developer team to address any deficiencies. Staff believes that these issues can be resolved through the design and construction drawing process. But, none of these factors will provide a basis to distinguish between the two teams.

There are several critical subjective factors that must be evaluated as part of the selection process. These subjective questions include:

- a. Which master plan continues the City's legacy of iconic design and modern architecture?
- b. Which master plan achieves the City's vision of a new vibrant mixed-use district filled with year-round activities?
- c. Which hotel has greater aesthetic appeal?
- d. Should height be an issue with respect to the hotel?
- e. Which hotel is more likely to facilitate the ability of the MBCC to attract high impact conventions, meetings, and tradeshows in an increasingly competitive environment?
- f. Should the ballroom be located inside the Convention Center or placed outside?
- g. Should the landscaped hill covering the Tishman parking garage and loading dock be considered green space?
- h. Which is preferable: rental residential housing on Washington Avenue as proposed by one team or neighborhood retail and additional entrances into the Convention Center as proposed by the other team?
- i. Which master plan provides greater connectivity to Lincoln Road and the City's historic and cultural districts?
- j. Which master plan provides greater amenities and public spaces for the residents?
- k. Which master plan is more sensitive to the surrounding residential neighborhoods?
- l. Which master plan has better landscaping design?

Reasonable and well-meaning people can have strong disagreements over these subjective factors. Consequently, these are issues that each Commissioner must personally evaluate for his or her self.

There has been extensive discussion throughout this procurement process about the comparative costs of the project and the private contributions and lease payments made to the City. It is important to note that this process is not an Invitation to Bid, and while financial factors are important, they are not dispositive. That said, this is an area where the two teams can be objectively distinguished:

1. The Tishman convention center and public amenities construction is more costly. The construction and financing cost of the Convention Center and the public amenities, when adjusted to reflect the private contribution to the public amenities, is \$52.8 million higher than in the Portman proposal.
2. The Tishman ground lease proposals offer a higher return to the City.
 - a. The bond proceeds generated by pledging the fixed ground lease payments by Tishman for the hotel and the retail north of 17th Street during the 30 year financing period exceeds Portman's proceeds by \$4.1 million.
 - b. The net present value of the Portman fixed ground lease payments over 99 years exceeds Tishman's NPV by approximately \$3 million.
 - c. The net present value of the Tishman ground lease payments (fixed and variable) over 99 years exceeds Portman's NPV by approximately \$31 million.
3. The Tishman proposal requires \$18.2 million more in City Parking Bonds financing and approximately \$27 million more in RDA financing than the Portman proposal. The Portman proposal can be fully financed with an RDA extension of 30 years at the 50% allocation. Full financing of the Tishman proposal cannot occur at the 50% allocation; rather, it requires an RDA extension for 10 years at the 95% allocation.

Since the RFQ did not attach weight or percentages to any of the criteria, each Commissioner will need to determine what weight to give the financial analysis in their decision making process.

A similar situation arises with respect to the construction phasing. The Portman construction phasing schedule promises to deliver the completed Convention Center six months prior to the Tishman team, and pledges to deliver the completed hotel 18 months sooner than the Tishman team. In the context of a 99 year capital investment, six months or 18 months may not be a significant number. In the context of trying to maintain existing business and attract new business, these time frames could be important. As noted earlier in the memorandum, both teams have completed complicated construction phasing programs in the past in other markets. There is no reason to believe that they cannot reproduce that effort at our Convention Center. But the time factor is something to consider in your deliberations.

Regardless of which development team is selected, I do strongly recommend the selected team must agree, as a condition of selection, to the following key terms:

1. The development program shall be that as adopted by the City Commission.
2. The Developer shall have the rights to develop only those components approved by the City Commission on the District Site. City shall retain the right to further develop the District Site at its sole discretion and with any developer it chooses in the future.
3. The cost of this Convention Center expansion and renovation shall not exceed \$500 million, excluding the cost of the public amenities, replacement parking and financing costs.
4. City shall retain 80% of any cost savings realized after the GMP has been finalized.
5. The City should participate in any upside "windfall" realized by the Developer. The City shall receive 20% of annual net cash flows in excess of a 20% "cash on cost return" realized by the developer. Cash shall be defined as net operating income (including the operating revenues, operating expenses, land lease payments to the City, and up to a 4% of gross revenues capital reserve. Shall exclude any administrative charges paid to the Developer or Owner, and capital costs of debt or equity). Costs shall be defined as the initial project development costs.
6. Subject to consultation with the City, ballroom and meeting space can be reduced to 200,000± net square feet to provide for additional support space.
7. The leases shall be cross-collateralized and a default of any component will trigger a default of all leases.
8. Development Fee paid to the Developer shall be 1.5% of the Public Project Costs. The Developer staffing costs shall not exceed 1% of the Public Project Costs.
9. Lead Architect fees shall not exceed 4% of hard costs. This is not inclusive of other design consultants.
10. Any facilities planned to be shared by the public and private components (such as the central plant, infrastructure, or shared structure) shall be shared on a pro-rata basis.
11. Maximum height of the hotel shall not exceed 200 feet.
12. Public Art – The contribution to public art for both the public and private components shall be consistent with current City requirements and this project shall not have any reduced requirement.
13. Any commercial development on the site shall contribute 0.5% of gross revenues into a Public Amenities maintenance fund.
14. The City shall finance only the 1,040 replacement parking spaces and 17th Street Garage space. The Developer shall finance all parking required for the private components (both proposers now offer this).
15. Liquidated damages tied to the construction phasing schedule.
16. All terms of the submitted LOI not modified by the above shall be incorporated into the definitive agreements.

The definitive agreements will come back to the City Commission for approval.

I do wish to take this opportunity to apologize for the issues raised this week with respect to the submission of the amended LOI's. To the best of my knowledge, there was no conscious effort by

any member of the City team to favor one team over another, and I certainly never had any intention to do so. Any concerns that the July 8th Amended LOI submitted by the Portman team represented an unfair competitive advantage should have been dispelled when the City agreed to not consider that letter in our deliberations.

As a further show of good faith in this process, and to allay any concerns that I, any member of my staff or any of our consultants are somehow biased, I will not be issuing a recommendation as to which team should be selected. First of all, as I noted above, much of this decision is going to be based on highly subjective criteria for each of you, and I do not think it would be appropriate for me to substitute my personal opinions for yours. Secondly, neither team can complain if my staff simply presents the facts to you and allows each of you to deliberate and vote in a legitimately public process. Sunshine law is the ultimate cure to any of these concerns. Finally, I am convinced that whichever team is selected, we will be able to work through any issues, continue to sharpen our pens and negotiate critical terms, in order to bring a great convention center and hotel to our community. My ultimate recommendation is that we move forward in this process and bring this project to fruition.

Good luck with the selection decision and my staff stands ready to answer any questions and provide any additional information.

Attachments: Exhibit A – State Attorney Correspondence
Exhibit B – Kroll Advisory Solutions Summary

T:\AGENDA\2013\July 17\MBCC\MBCC Special Meeting_MEMO.doc

Morales, Jimmy

From: Tim VanderGiesen <TimVanderGiesen@MiamiSAO.com>
Sent: Wednesday, July 10, 2013 8:58 AM
To: Morales, Jimmy
Cc: Jose Arrojo
Subject: RE: Miami Beach Convention Center
Attachments: RE: Convention Center Investigation

Mr. Manager,

This email is to update you on the status of the criminal investigation into the Miami Beach Convention Center Project. In late March of 2012, we were contacted by the City of Miami Beach (the City) administration regarding suspicious conduct/activities of Gus Lopez, the former Procurement Director for the City. We met with former city manager Jorge Gonzalez and some of his staff. As a result, a joint investigation between the State Attorney's Office and Miami Beach PD was initiated. The investigation initially focused on the Miami Beach Convention Center Project and subsequently included a parallel investigation into the City's JOC program. As you are aware, the investigation into the JOC program ended in the arrest and filing of charges against Lopez, Pierre Landrin and Maria Pineda (Lopez' wife). That is an open court case.

The investigation into the Convention Center, while still open, should be concluded in the next few months. As you probably know, there is extensive document review and analysis that often times takes longer than expected. However, based on the extensive investigation that has taken place so far, I can say that it is not likely that criminal charges will be filed at the conclusion of the investigation. Although, that determination will not be made until the investigation is completely concluded. As I am sure that you are already aware, for criminal charges to get filed, we have to have sufficient evidence to prove the case beyond a reasonable doubt.

I am attaching email correspondence from last year between the State Attorney's Office and the City. Please let me know if you have any questions or concerns and I will do my best to assist you.

Regards,
Tim

-----Original Message-----

From: Morales, Jimmy [<mailto:JimmyMorales@miamibeachfl.gov>]
Sent: Monday, July 08, 2013 10:26 PM
To: Tim VanderGiesen
Subject: Re: Miami Beach Convention Center

Tim

Thanks. I definitely need it by Wednesday, late morning if possible. My changes only had to do with land use issues and does not change the timing. Thanks again.

Jimmy

Sent from my iPad

On Jul 8, 2013, at 11:25 AM, "Tim VanderGiesen"
<TimVanderGiesen@MiamiSAO.com<<mailto:TimVanderGiesen@MiamiSAO.com>>> wrote:

Mr. Manager,

I am writing to let you know that I anticipate having something for you re: the convention center investigation by Wednesday of this week. My recollection is that your deadline is next week. Can you confirm that I am correct? I was not sure since I read in the news that you may have already proposed changes to the convention center project. Please let me know if you still are requesting something this week from me or if there is more time based on the proposed changes. Thanks in advance for your attention to this matter.

Regards,
Tim

Tim VanderGiesen
Assistant State Attorney
Miami-Dade State Attorney's Office
Phone: (305) 547-0615
Email: TimVanderGiesen@MiamiSAO.com<mailto:TimVanderGiesen@MiamiSAO.com>

Morales, Jimmy

From: Smith, Jose <JoseSmith@miamibeachfl.gov>
Sent: Tuesday, December 11, 2012 6:45 PM
To: Tim VanderGiesen; Martinez, Raymond; Overton, Mark; Brooks, Kathie
Cc: Arias, Ricardo; Jose Arrojo
Subject: RE: Convention Center Investigation

Thank you for your prompt response. It is much appreciated.
Let me know if you need anything from my office.
Jose

From: Tim VanderGiesen [<mailto:TimVanderGiesen@MiamiSAO.com>]
Sent: Tuesday, December 11, 2012 3:51 PM
To: Martinez, Raymond; Overton, Mark; Brooks, Kathie; Smith, Jose
Cc: Arias, Ricardo; Jose Arrojo
Subject: Convention Center Investigation

This email is a follow up to our phone conference last week that included me, State Attorney's Office Chief Assistant Jose Arrojo, Deputy Chief Mark Overton, City Manager Kathie Brooks, Assistant City Manager Jorge Gomez, City Attorney Jose Smith, Assistant City Attorney Raul Aguila and Assistant City Attorney Aleksandr Boksner. As I indicated, the joint investigation by the City of Miami Beach Police Department and the State Attorney's Office, although not formally closed, has not uncovered any criminal wrongdoing directly related to the RFQ or bidding process for the Miami Beach Convention Center Project. While there remains some investigation to be completed, for the reasons discussed during the phone conference, we do not anticipate criminal charges being filed relating to the Convention Center RFQ or bidding process.

Tim VanderGiesen
Assistant State Attorney
Public Corruption Unit

Tim VanderGiesen
Assistant State Attorney
Miami-Dade State Attorney's Office
Phone: (305) 547-0615
Email: TimVanderGiesen@MiamiSAO.com

Hernandez, Maria

From: Brooks, Kathie
Sent: Thursday, July 11, 2013 11:06 AM
To: Hernandez, Maria; Gomez, Jorge; Walker, Patricia; Jimenez, Joe
Cc: Morales, Jimmy
Subject: Comments on Memo

Ver high level

Background - it may be helpful to include information as to the need for the renovation and expansion. We are all up to speed but it would be good for the general public and the record

Schedule of Total Payments and Fixed Payments - I think that there need to be some text discussing what the table shows

Ability to Execute Private Financing - sent separately

Convention Center Program ... - need to make font consistent

Bridge over Collins Canal -- move next to transportation/traffic section

Stormwater - re-title as Stormwater and Potential Sea-level rise - the project is being Bonded for 30 years, so need to reference how much sea level rise was projected during that period in the SWMP (with caveat that this is evolving and City will continue to monitor and adapt) and discuss that the MBCC design will need to take that projected sea level rise into account.

Economic Impact - I believe this is the first time the bureau is mentioned so spell out - and we use the acronym of GMCVB

Hope this helps.

Kathie Brooks
Assistant City Manager
Miami Beach



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**Privileged & Confidential
 Attorney Client Work Product**

Memorandum

To: Squire Sanders
 Date: July 11, 2013
 From: Kroll Associates
 Subject: Bidders for the Miami Beach Convention Center Development

This memorandum presents an executive summary of Kroll's investigative findings to date with respect to the following companies:

- Tishman Hotel & Realty LP
- CMC Group, Inc.
- Portman Holdings, LLC
- UIA Management, LLC

UIA Management, LLC ("UIA")

- Kroll did not identify any federal or state level litigation, or any judgments or liens naming UIA. Kroll's review of federal and state regulatory organizations did not identify any significant records naming UIA. Lastly, Kroll did not identify any controversial or derogatory references to UIA in its review of local, national and international media.

CMC Group, Inc. ("CMC")

- CMC is a defendant in a 2009 federal lawsuit over defective glass installed in the Miami development, Governor House. The case is open. CMC was a defendant in three other federal lawsuits. All have been closed.
- Kroll's review of state-level civil litigation identified 19 cases naming CMC and/or CMC Construction as a defendant. The following three cases are open:
 - Two, filed in 2009 and 2010 and now merged, concern a dispute over a business jet. The case is scheduled for trial in September 2013. The dispute has reportedly led to the ending of Colombo's relationship with Jeffrey Soffer and Craig Robins, two prominent Miami developers.
 - One, filed in 2009, concerns the death of contract employee working on the construction of a parking garage.
 - The last case, filed in 2011, concerns a dispute between Ponte Gadea Dupont, CMC Construction and other companies under the control of Colombo. A fourth amended complaint numbers 75 pages and contains numerous allegations against CMC Construction and Colombo-controlled entities that they violated the operating agreement for the entity developing the Epic Hotel & Residences.
- Several CMC cases above have received coverage in Miami-area newspapers. For example, in 1997 CMC was the defendant in two lawsuits filed by two real estate brokers claiming non-payment of \$1 million in broker fees.
- Colombo is named as a defendant in seven state-level lawsuits (cases that do not name CMC or CMC Construction) filed in Florida. All have been dismissed.
- Colombo has been the subject of a number of articles that have raised potential issues of concern.

This communication contains information that is confidential, proprietary in nature, and may also be client privileged. It is for the exclusive use of the intended recipient(s). If you are not the intended recipient(s) or the person responsible for delivering it to the intended recipient(s), please note that any form of dissemination, distribution or copying of this communication is strictly prohibited and may be unlawful. If you have received this communication in error, please immediately notify the sender and destroy the original communication. Thank you for your co-operation.

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- In 1995 he acquired a car dealership from his former power boat racing partner, Armando Fernandez. Colombo acquired the property after Fernandez was arrested and pled guilty to money laundering, tax evasion and racketeering.
- Colombo is listed among a number of interested parties in a 1993 criminal case against Fernandez, United States of America v. Armando Fernandez. Fernandez was represented by attorney Sam Burstyn.
- A Miami Herald article indicated that Sam Burstyn, an attorney that works with Colombo, went to federal prison in 2006 after pleading guilty to obstruction of justice for aiding a marijuana smuggling ring. Florida State Bar records confirm that Burstyn was disbarred in 2006 without leave to seek readmission.
- A 1998 article referenced an investigation by prosecutors in Italy tracking millions of dollars of illegal payments to ex-Italian Prime Minister Bettino Craxi's Socialist Party. A 2003 judgment indicates that Maurizio Raggio sent \$3 million to a Panamanian company that acquired a 15% interest in an affiliate of CMC Group.
- In 2012, CMC Group was the subject of a public corruption probe over its interest in bidding for the redevelopment of Miami Beach's convention center district. In August 2012 CMC Group and Colombo were cleared of any wrongdoing.
- Kroll's review of regulatory organizations identified no significant records naming CMC Group or CMC Construction.

Tishman Hotel & Realty LP ("THR")

- Kroll conducted searches with federal and state regulatory agencies and found no records of concern related to THR.
- Kroll's searches of federal and state-level criminal proceedings and civil litigation identified 20 civil lawsuits naming THR as a defendant. No cases naming the company as a plaintiff were identified. All of the cases where court documents were available and reviewed by Kroll were personal injury complaints filed by individuals who claimed to have injured themselves on properties developed by THR. The majority of these cases resulted in settlements between the parties or were dismissed.

Portman Holdings, LLC

- Kroll conducted searches of: federal and state litigation records; U.S. bankruptcy records; liens and judgments; regulatory organizations including the U.S. Department of Justice, United States Tax Court, Securities and Exchange Commission, Occupational Safety & Health Administration and the Environmental Protection Agency as well as local Georgia regulators; and media. Kroll identified no records of concern other than two federal lawsuits filed against Portman, Jr. and his son for sexual harassment in 1998.

RESOLUTION TO BE SUBMITTED

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