

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

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Meeting called to order at 1:26:41 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)

ACTION: Motion made by Vice-Mayor Tobin, seconded by Commissioner Wolfson to extend the decision for two weeks to obtain more input; Voice vote: 2-5. Motion fails. Item to come back to the July 17, 2013 Commission Agenda. Lilia Cardillo to place on the Commission Agenda if received. **Maria Hernandez to handle.**

Mayor Bower introduced the item and asked City Attorney Jose Smith to explain.

Jose Smith, City Attorney, explained that after the last meeting concerning this RFQ process, they were directed to meet with both proposers to discuss the issue of the agreement of the covenant not to sue, and Chief Deputy City Attorney Raul Aguila and staff from the City Attorney's Office have been working very diligently to come up with language that is legal and acceptable to both sides. Recently, both parties and the City Manager signed the agreements; therefore, he believes that that issue now has been resolved and should not affect deliberations today.

Jimmy L. Morales, City Manager, gave a historical background of the Convention Center project since November 2001 until now. He apologized for the late delivery of the memorandum, and thanked all members of his team for putting in late hours and for their efforts. He added that they are fortunate, as a City, to have two phenomenal teams, professionals, developers and architects that presented them with phenomenal master plans. He stated that either master plan is certainly an incredible improvement. Both teams have shown around the world the capability to deliver top notch projects, so the City has the luxury of selecting between two very good teams, and it comes down to details. He explained that one of the challenges pointed out in the memorandum, is that unlike some RFQ's or RFP's, this one did not have a score sheet, and certainly it would not be right for staff to attach points or percentages, that is ultimately in the Commission's purview. He also gave an overview of the standards that the RFQ called for and introduced Jeff Sachs and Patricia Walker, Chief Financial Officer, to talk about the figures based on the Letters of Intent (LOI) obtained on July 5, 2013.

Jeff Sachs, Consultant, Strategic Advisory Group, explained each of the components of the lease proposals. Starting with the hotel, in terms of their percentage rent, they are both equal at 4% of the gross revenues. The Portman schedule is \$2,950,000; that will grow 2% a year. The Tishman proposal has not changed the schedule, with an amount to get the hotel open, and they have asked for relief on that, which is common in hotel leases. Year two goes to \$3 million, and then they have a fixed amount schedule for years three (3) to 10 of \$3.5 million, and then 11 through 20 at \$4.5 million, and grows 10% every 10 years. Therefore, the \$4.5 million will grow 10% so it will go up \$450,000 and stay that for 10 years and then increases again. There is a feature in all the Portman leases that once they get to year 31, that fixed payment is relooked at every 10 years and reset to 3% of gross revenues, so the City is always going to get the 4% and is reset to the 3% of gross revenue numbers; if there be a dynamic shift in the economy it would reset. As long as the City Commission/Administration believes that Miami Beach is going to grow at least 2% a year that reset never kicks in.

He explained that the net present value (NPV) of the proposed leases, and stated that the total fixed payments for Portman over the term are \$841 million, and the Tishman is \$604 million, so in this case Portman is larger, and the reason for this is that over time the 2% kicks in every year. In total payments, the fixed and variable, Tishman will pay the City \$1.3 billion dollars; and Portman \$1 billion 184 million; a difference of \$124 million. That is driven by the variable lease payments, as Tishman anticipates the hotel to perform at a higher average daily rate. The higher average daily rate is going to drive more variable rent payments, if it happens, so it is an unknown whether or not that hotel will actually be able to achieve that premium over, but that is what is driving the number.

Commissioner Exposito wants to hear from the consultant what are the numbers and the assumptions. Are the assumptions appropriately correct within the parameters that he has studied? He requested accountability for the figures given.

Max Sklar, Tourism and Cultural Development Director, explained that the Greater Miami Beach and Convention Visitors Bureau (GMCVB) and staff, as well as Strategic Advisory Group, looked at the projected hotel rates that both teams have proposed. Tishman is projecting the average daily rate throughout the course of the year. They believe, based upon that review, and compared to the bookings and conventions booked over the last couple of years, that these rates are in line with industry standards. The rates in Miami Beach are higher than most other destinations because of the type of destination Miami Beach is. Discussion held.

Jimmy L. Morales, City Manager, stated that that based on staff's due diligence, without predicting the future, they have no reason to believe that they will not be able to achieve this.

Commissioner Exposito stated that according to research, the expectations were based on very conservative numbers, and asked if those expectations are achievable. City Manager Jimmy L. Morales believes the answer is "yes." Discussion continued.

Vice-Mayor Tobin wants to find room rates that will bring convention center business and business of the people that cannot afford Miami Beach hotel rates. He wants visitors and conventioners to come to the City. He hoped if Tishman is selected, to see in advance the room block agreement, as he does not want to cap the room rate. He requested Mr. Talbert to email or fax the requirements of these conventions that he thinks he can book to his office. **Max Sklar to handle.**

William Talbert, President & CEO of the Greater Miami Convention & Visitors Bureau, explained the kinds of conventions that they are attracting and intend to attract in the future with the new facility, and gave some examples of successful conventions. He added that the bureau is comfortable that rates can and will be achieved in the future. In answering Vice-Mayor Tobin, he stands behind the room rates. Discussion continued.

Maria Hernandez, Special Assistant to the City Manager, replied to Mayor Bower that that the project is expected to be completed in 2017 or 2018. Discussion continued.

Jimmy L. Morales, City Manager, explained that both teams agreed to the language in the LOI's but also negotiations will be part of the agreement and room block rates.

Vice-Mayor Tobin requested clarification on the room block rates in the LOI, and added that he would like to put that in a referendum and set in stone. **City Attorney's Office to handle.**

Discussion continued and there was a question and answer period regarding occupancy presumption and standards.

William Talbert, President & CEO of the Greater Miami Convention & Visitors Bureau, added that rates are compatible with this destination. Miami Beach is one of the top destinations in the world, so when the hotel is not in use for a convention, they are going to have what they call the "vacationer" that is going to help with the rates.

Commissioner Libbin stated that the market will determine the rate. The guarantee is 4% of the gross.

Commissioner Wolfson stated that market is different on Miami Beach because of the construction cost. Therefore, the relevance of the rate is the most important thing in building the Convention Center. He thinks if they are building a Convention Center hotel, and are building excess number of rooms and relying on "vacationers," that is an

inappropriate activity for a municipality to be involved in. In his opinion, they should build what is needed for the types of conventions that they are bringing and nothing more, and get it to the rate it needs to be or do not build. Discussion held.

Jimmy L. Morales, City Manager, stated that it is important for the Commission and the public to understand the essence of a booking agreement with both of these teams, the block agreement, is two things. One, that they will agree to block a set number of rooms off when they are coming to them with a show. Two, the rate will be what they need to attract that meeting. Discussion continued.

Commissioner Libbin asked Jeff Sachs for a percentage of the lowest average rate; and Mr. Sachs explained that they cannot set the rate hard today for 99 years. The formula is based on the market and it is the meetings rate. Discussion held.

Commissioner Góngora added that the important issue is for the room block rates to be competitive and that the rates attract conventions.

Discussion continued regarding room rates.

Jeff Sachs, Consultant, Strategic Advisory Group, stated that the true way to look at valuing the proposals is to look at the NPV. The NPV for the fixed payments is slightly higher for Tishman, \$5 million higher, and the NPV over the long-term goes the other way, it is higher for Tishman, \$29 million. Fixed payments are \$81 million for Portman, and \$76 million for Tishman. Discussion continued.

Mr. Sachs added that the retail in the 17th Street garage are both now at 25% of gross revenues, the greater of 25%. One of them has a fixed payment of \$28.40 per square foot, and Tishman has a higher payment of \$65 per square foot. The Tishman payment of \$65 per square foot is roughly 60% of what they believe they will actually take in, so if you look in their pro forma they are giving the City a very high fixed lease payment. Discussion continued and Mr. Sacks explained that whether it is financed now or later, the retail revenues in the garage will pay back the debt on the 17th Street garage.

Patricia Walker, Chief Financial Officer, explained that this will be financed as part of the parking garage. If the City Parking Enterprise Fund is going to finance the reconstruction of the 17th Street garage, then the lease revenues and anything that happens at that time will be part of that deal, not part of the Convention Center deal, whenever it is that it is determined. Discussion held.

Mr. Sachs explained the lease agreement. Over the 99 years, Tishman proposes to pay the City for the hotel and retail north of 17th just under \$1.4 billion or \$101 million more than that Portman. On a net present value (NPV) basis, this equates to \$155 million for Tishman and \$31 more from Portman. That NPV is how they should think about it and what is the NPV difference, and over the long-term, the NPV in all payments is \$31 million difference. North of 17th, the Tishman proposal is \$31 million more NVP, and on the 17th garage retail they are \$32 million more. The total is \$60 million and that is the number he wants them to remember. Discussion continued.

Mr. Sachs explained that Portman is \$52 million less in cost. The leases are \$60 million more.

Patricia Walker, Chief Financial Officer, stated that financing is done over 30 years. There are a variety of sources that can be used to fund this, and they have compiled them all together so that they can pay for it, and typically bonds are done on a 30-year basis. The first piece is the County GO bonds. Miami-Dade County gave the City \$55 million in a

general obligation bond specifically for the Convention Center, and they are projecting having \$53 million of that, as some of it has been spent on legal fees and studies. The next component is the 1% resort tax. The 1% resort tax is what was passed by referendum in this City that will go into effect at time an executed development agreement is available. They estimated that to be just under \$10 million and probably maybe by next year when collected, to be just over \$10 million.

Discussion held regarding credit ratings.

Patricia Walker, Chief Financial Officer, explained the reason that they have to be conservative, as this is tourist rate revenue and things can happen to the tourism industry. She added that to back that bond as the pledge of revenues for that, they are going to use the pledge of the entire citywide resort tax. That is a very strong credit line, and even though they do not intend to use the money, with the exception of the 1% to actually pay the debt service, that is the pledge. Discussion continued regarding resort tax.

Commissioner Weithorn asked how much the resort tax is.

Ms. Walker explained that the resort taxes last year were in excess of \$54 million. Discussion continued. In explaining the fixed land leases for the hotel and north of 17th Street, if they look at the hotel north of 17th, they used a different discount rate because they used the bonding rate that is slightly different, this is 4.5%. The difference is only \$4 million between the two proposals. She added that the 17th Street Parking Garage, if the City is reconstructing the new parking garage, then parking enterprise funds will be used to do that.

Discussion held.

Jimmy L. Morales, City Manager, stated they would renovate the 17th Parking garage or tear it down depending on the original proposals, and they would control the parking rates, and in that instance the lease payment could have gone to subsidize the Convention Center. Discussion continued regarding parking garage and retail and parking bond funds.

Patricia Walker, Chief Financial Officer, explained that the parking bonds is the cost to replace the 1,040 spaces in the P-Lot, and the calculation of the bonding, or the cost to do that, is based on the two different costs of the spaces that were provided in the proposals. Portman spaces are less costly than Tishman, and they believe it is due to the structural differences; whereas Tishman's parking is located in "the hill" structure, and that is an \$18.2 million difference. Then there is the RDA through 2022. The redevelopment district's last bond payment is in December of 2022. In that capital plan both teams were approximately \$90 million worth of projects that related to the Convention Center and the parking lot, but they do not have that money as it will come in over the remainder of the life of the district, so that money would have to be financed. They need cash for this, so when adding the numbers together in order to come up with the total amount of the cost to match the cost on page 17, there is a missing component. In the Portman case, on a \$633.9 million project, they are short \$157.8 million; and on the Tishman \$686.7 million they are short \$184.7.

Jimmy L. Morales, City Manager, clarified that these two numbers represent only the Convention Center, the parking for the Convention Center and the public amenities. None of the monies go to the private components. Discussion continued.

Patricia Walker, Chief Financial Officer, explained the opportunities to extend the existing RDA, and added that they calculated what they anticipated the City could finance if the RDA was extended in different ways. The City's RDA is typically at 95% RDA. That means

that there is a base year of assessed property values in an RDA. When the property value is increased, "the increment" piece in that district just within the boundaries of the RDA district, and the agreement currently is 95%, which means 95% of the tax on that increment from Miami-Dade County and 95% from the City get paid into that RDA district. Since they did the last RDA district in 1992, the County has developed a different model, and some of the districts done subsequently are 50% districts instead of 95% districts. At this time it requires the County Commission to approve and the City and County to go into an Interlocal agreement to extend the RDA and summarized that Portman Group needs \$157.8 million from the RDA extension and Tishman needs \$184.7 million, so looking back at the schedule they do not fit into any of the 50% categories, but they do fit into the 10 year at 95%. Discussion continued.

Vice-Mayor Tobin asked if there is a line item for the shared infrastructure cost and if they include the 200 extra hotel rooms or the residential component, how significantly do the numbers go down? Ms. Walker explained that if there are shared costs, it reduces the cost and the City will not have to generate as much funding, depending on the category. Discussion held regarding costs reduction and building structures.

Mayor Bower asked if they need to have the RDA negotiated before starting the project, and Ms. Walker stated "yes," unless they have funding from other sources.

Commissioner Libbin asked if there are other sources, for example, with the garage parking bonds. Ms. Walker stated that the parking bonds can only be used for the parking structures. Discussion continued.

Commissioner Góngora requested to know where they are getting the money. Jimmy L. Morales, City Manager, stated that the County has indicated support, and when a project and team are selected, they will reach out to the County. Miami-Dade County also has budget issues and they would like to get back 50% as opposed to 5%. Discussion continued regarding funding from the County and when the Resort Tax kicks in.

Commissioner Exposito suggested that they think outside the box. The RDA funding is based on the \$200 million base. The current base is \$3 billion.

Ms. Walker explained that they get the taxes on the difference between the numbers. They are getting the increment. \$3.5 billion is the big piece that they get now. The County cannot change the 95% that the City has, unless they refinance the existing debt, because that money is pledged in a bond agreement. The City refinanced all the RDA bonds that were originally done for the last Convention Center headquarter hotel, the two hotels done, the Lowes and the Mirage. There is excess money that will come in over the next few years that they allocated to capital projects and the capital plan. Discussion continued.

Commissioner Wolfson stated that last week the City Manager asked for additional proposals based on a new suggestion that the teams come up with new numbers, and he just does not understand the rush. They do not have an independent traffic study. They do not have testimony as to the concept of what the long-term debt service is going to be on the project. What is this going to cost the taxpayers yearly, whether or not the supposed leases and these payments for land and items that the private sector is going to be pitching in for is going to be enough to satisfy those; and this is all in the backs of the tax payers if the revenue does not come in. They just get today a memo from the City Manager that they are starting to look over and go over numbers and they do not know whether or not the County is going to extend the RDA. He thinks this is relevant.

Jorge Gomez, Assistant City Manager, stated that they hired Conventional Wisdom, a company from Orlando that specialize in developing Convention Centers, to take a look at both plans and give their observations. He reviewed the highlighted issues: 1) To reduce the number of meeting rooms; 2) Have a better ratio of back of house and support service to meeting room and ballroom space, and 3) reduce the programming. He explained that the consultant identified several challenges; both teams completed successful facilities elsewhere, and they are both capable of addressing the concerns and deficiencies identified and be able to come up with solutions and stay within budget.

Jorge Gomez, Assistant City Manager, thanked Max Sklar for his efforts and wisdom, and Richard Lorber for assisting him in going over the numbers regarding parking requirements. He stated that the program has been significantly reduced and keeping the current parking requirements the City can satisfy the program and there is enough flexibility, but both the Planning Board and both teams mentioned that the Convention Center parking requirements may not be what is needed operationally. The current operator feels right now that what is in the district is more than enough parking for what his operational needs are. If parking is going to be added, he suggested maximizing it as much as possible to have flexibility in the future. Discussion continued.

Commissioner Libbin asked how many spaces staff thinks they can reduce, and how can that relate as to the cost. That's another source of revenue.

Jorge Gomez, Assistant City Manager, explained that the goal in the RFQ was to replace all of the public parking. He would be reluctant to lower that number and suggested lowering the private side requirements. Discussion continued.

Maria Hernandez, Special Projects Coordinator with the City Manager's Office, thanked both teams for the phasing breakdown given. They have good plans, step-by-step plans that give a good picture of how the phasing of the project comes together on both the macro end, which is the whole site, and the micro end, within the Convention Center itself. Both teams chose two different approaches:

1. The Tishman team has selected to build two temporary structures on the site; one on the north side and one on the south side. They believe that by doing so ,and putting meeting space in those structures, they take the meeting rooms off the critical path inside the building to have to renovate, so it gives them more flexibility to be able to do that and not to be held hostage in a way during construction for having those meeting rooms provided to be able to meet the minimum amounts needed on a phase by phase basis. That is the beginning of their phasing plan. In addition, that allows them to have the P-Lot always open and available for parking. In subsequent phases, they could take down the inside of the building during different times, and then once their exhibit Hall C is complete on the west side of the building and the first thing they target doing, and they complete the central plans, then they could complete the project. The pros of the temporary meeting rooms are that it reduces the risk of not having the spaces available and the P-lot remains available. The down side is the temporary buildings require removal of mature landscaping; they are also subject to noise during construction. They do not know what to do with them after they are done with them. They cost \$14 million. They would have to be built before they have assigned 100% GNP on the project and they need that time on the front end because they take eight months to build. They are proposing to build the buildings on the site before the City has the guaranteed maximum contract completely signed off. The City would have to enter into another agreement with them, maybe do it as a design build, or have a different kind of vehicle by which they can put these on the site. The risk of that, whether it be on the City or them, or maybe a shared kind of risk, they are not sure how that would work out. They would have to work something out where they could do

that, because if they only allow them to start with the GNP, of course, the schedule can get blown out for another six months, so they would have to work that out on the front end.

2. The Portman team will be building the ballroom first and on the outside of the building. That is a critical path of the whole project. There are utilities under the site that have to be relocated. They have a period of four months to get it done, since there is a force main in the way and Public Works believes this is doable. However, it could derail the project a little bit if they cannot make it in the four months. Once they have the ballroom complete and they have the north part of the project built, then they can start taking down the exhibit halls and in the building. The cons, of course, are that they do not necessarily control the outcome of the utilities. In addition, the majority of the P-Lot also is taken up by that project, so they have an approach where they have put parking on different locations of the site scattered throughout and mostly on the south side of the site. The new entrance on Dade Boulevard, which is not on the front end of the project, but phased on the back end, is also a challenge, but she believes if they cannot get the bridge done, they have a different way of getting into the building and off of Dade Boulevard and Convention Center Drive.

Neither of the plans is perfect. The hotel for Tishman is an important part of the project. The renovation is long because they have two four month blocks of time where they do not do any construction inside the building, and that is very conservative. They could squeeze that time a bit once they meet with all the different trade shows, and see if they do not need a whole four months of down time during that period, so there are ways that they can try to shorten both times of the Convention Center.

Eric Carpenter, Public Works Department Director, explained that they reached out to a couple of the agencies regarding the bridge to Dade Boulevard. There are a couple of concerns with that they have permitting that needs to take place with multiple regulatory agencies, the Miami-Dade County DERM, (now IAR), the Florida Environmental Group of Protection and the Army Corps of Engineers, and there are some permitting hurdles. They would also go through a process with County engineering and work with the intersection with other intersections so there are some challenges, but these regulatory hurdles could be overcome.

Ms. Hernandez explained that worse scenario is that they would come into Dade Boulevard and instead of an angle straight from Dade Boulevard, they would come into Convention Center Drive. Mayor Bower requested pictures of the bridge. **Maria Hernandez to handle.**

Commissioner Libbin asked if HPB would have to look at the historic canal, if it is a factor.

Jorge Gomez, Assistant City Manager, explained that this area does not comprise the local historic site, but is adjacent to historic site. There are other components of both teams where they do modify the local historic site and that would have to go to the Historic Preservation Board.

Discussion continued regarding Dade County Public Schools and feedback regarding trucks coming out of that area.

Jorge Gomez, Assistant City Manager, met with the Education Committee, because they had the same concerns, and if the Commission selected the team proposing that, as part of the regulatory process, they could figure out actually how to improve the issue that is occurring on Dade Boulevard, because the way that bridge is proposed, it lines up with the exit where the bus drop off is, so if that was a signalized intersection with crosswalks

the students would not be J-walking on Dade Boulevard. That might be a solution. In reply to Commissioner Exposito's question about the bridge process, he explained that the City would dictate which are the issues that they want the design to deal with, and besides the regulatory issues, they will reach out to the school to see if this could improve the situation. Discussion continued.

Vice-Mayor Tobin asked about cleaning up the canal and Mr. Gomez stated that the teams talk about other improvements along the canal edge, and certainly an environmental clean up might be a regulatory component. Discussion continued.

Jose Gonzalez, Transportation Manager, stated that he reviewed both traffic plans, and the consensus is that there is more work to be done from a traffic and transportation perspective. The consensus was that a more detailed traffic plan is needed once a proposer is selected during the design development phase. Discussion held.

Eric Carpenter, Public Works Department, stated that the DRI (Development of the Regional Impact) was modified significantly at the State Legislature level, so they are not looking at the same level of detail at those projects today as they were ten years ago.

Jimmy L. Morales, City Manager, added that what they are trying to achieve is to reposition the Convention Center, not as the day in/day out driving to a consumer show, but to shift it to a four or five day convention destination. He thinks that is the way to market this place and thereby encourage conventioners to walk around. Discussion continued.

Eric Carpenter, Public Works Director, explained that for this development they saw an opportunity to incorporate many of the components that were identified in the new storm water management master plan that was adopted last year. They are looking at the independent 25 year three day level of storm water service retained on the site. They would be looking at the five year one day level of storm water service in the right-of-way based on the design lifetime of the project, which at this point we understand is 99 years. The design criteria would include minimum road elevations, minimum tail water and groundwater and minimum seawater elevations, based on the level the projected sea level rise, based on the best available data at the time that they are moving forward with that process. They are also looking at the adaptation area concept, which is a means of attributing some of the storm water retention deficiencies in basins throughout the City within a basin to a prorated share for each particular development. This particular development would require approximately 5-acre feet of additional storm water storage on site based on its 52-acre configuration. The adaptation area concept is like a storm water concurrency. For example, the South Beach area, which is defined by the hydraulic breaks, columns, canal, the Atlantic Ocean on the east, Biscayne Bay on the west and Government Cut out on the south, they are projecting right now that they are looking at a 55-acre foot short fall in storm water retention within this basin, so based on prorated shares of redevelopment able property they will be looking at a 5-acre foot storage capacity over and above what would be required for this development to be held on site. Potentially it could be in a cistern concept, injection wells, or could be through collective storage on the site and used for irrigation purposes. There are a number of ways it could be incorporated into the project.

Commissioner Libbin stated that there are garages built that can take storm runoff or surge in the basement that have injection wells. Has that been looked at by any of the teams?

Eric Carpenter, Public Works Director, stated that they are definitely using injection wells throughout the City. It is a concept used in South Florida for some time. It could be used

easily in this project. They are also looking at the concept of creating a storm water retention vault underneath parking garages, or as part of the overall park space, that could be incorporated into those components of the project.

Discussion held regarding storage water under the Miami Beach Golf Club.

Commissioner Exposito clarified that the intent is, and he wants to make this clear, similar to other projects that happened along the City, that you are raising and displacing the storm water, but not into the residential areas. Mr. Carpenter stated that this is correct. Discussion continued.

Jimmy L. Morales, City Manager, stated that as requested by the community, they are proactively thinking about how this project can address its own storm water issues, deal with the sea level issues that impact it, but also view this as opportunity to expand the capacity of the southeast regional site and using it to add capacity, so once they select the team they will work hand and hand with their engineers and architects and look at the plans.

Vice-Mayor Tobin stated that there are certain changes that they will have to make in the Building Code, and how they deal with that when they are contracting to build this center and the Building Code provides for this level, and they actually want to build it for a higher level.

Eric Carpenter, Public Works Director, explained that the best way is to look at the critical infrastructure for the building, and maybe that can be put at a higher elevation, so over time one can adjust the finished floor as the need arise, almost making a sacrificial first floor over the 100 year event. Discussion held.

Jimmy L. Morales, City Manager, stated that at the next Land Use and Development Committee meeting they will be formally adopting the storm water plan. They need to adopt that plan so they can make changes to it. That will lead to an effort; they need to look at the Building Code and some of the Planning Code.

Mr. Morales recognized his staff who has been working for the last three nights past midnight and for months, and the team has done a yeoman's effort compiling a lot of information on complicated issues. They have tried to at least present to this Commission, as honestly and fairly as he can in this process. From all of the presenters, there are aspects of both proposals that are great. They provide all of the components that they have asked for. They have the ability to finance the project. They each have shown expertise in similar projects and now that with the reduced program, they seemed to have met the parking requirements. Both teams have deficiencies that need to be worked on; traffic, storm water and Convention Center functionality, and some are big issues, but they will be at the table working through with them. There are aspects of the project that are very aesthetic in terms of what is iconic design in modern architecture, and does it serve the legacy in the City. Those are questions for the planner in regards to the ballroom and loading areas; the heighten issues, landscaping planning. Both master plans are beautiful. As Administrator, he certainly thinks about cost and financing and the timing of the project. He believes the integrity of the process has been called into question at times and he wants to address this issue. In his memorandum he clearly points to the fact that despite many statements made around the community and elsewhere, they have looked carefully, and the State Attorney's Office looked carefully, they do not believe that any prior issues from the prior procurement director have in any way impacted this project. He was arrested and gone from the City long before he could ever have an impact on this project; and certainly this has been a public and open process and believes there should be no taint coming from that on the process, and hopes they do not have to hear about that

again. With the events this week, he apologized if there was any perception of any effort to favor one team over the other; once they short listed the two teams, this went from a traditional cone of silence procurement to open negotiations. Each of the City Commission members met with the teams individually more than once. Terms have been negotiated many times, and even today, they are negotiating terms from the dais, and they will continue negotiating once they select the team, and whatever did occur was a careless effort perhaps to just try to get the better numbers for the City. To him the integrity of the process is critical. They have not relied at all, on whatever came in July 8 so that no one could question the process. Both teams have signed the letter showing confidence in the process, but to further that, he did not want any member of the staff, including himself, have to give a recommendation, so one way or the other one team could allege one thing or the other. At the end of the day, it is this Commission's decision. They have given them tremendous analysis and facts. There are some differences, and whether or not they matter, or whether or not cost outweighs the iconic or iconic outweighs the cost, at the end of the day, they have two great teams and his ultimate recommendation is that they move forward and bring this project to fruition. Staff, he included and consultants, will work with whichever team to bring the best project.

Vice-Mayor Tobin clarified if the City Manager is saying that he is not going to make a recommendation on which team to select?

The City Manager stated he has not done so in the memorandum. He added that if directed by this body, he will do what he is directed to do. Discussion held.

Jimmy L. Morales, City Manager, stated that he does not want his staff or himself or any member of the team to be the issue. He does not want any team to point to the process and claim anything that staff members have done is the issue. At the end of the day, he thinks the City Commission is here to do the best for the City and their decision should be the key.

Commissioner Tobin expressed his surprised by the City Manager's comments.

Jimmy L. Morales, City Manager, stated that if the Commission wants a professional recommendation, they will prepare that for Monday.

Vice-Mayor Tobin suggested extending the selection for a couple of weeks, as he wants to comprehend the following issues:

- What would be the savings on the housing to active the park on Meridian Avenue and Washington Avenue?
- Using the least RDA money or not using RDA moneys at all.
- Clarification on allegations of favoritism about Jeff Sacks from a letter from Tishman and article in The Miami Herald.
- Waiver issue.
- Room block agreement – how does it work in practice?
- Critical terms (on page 29); retaining 80% of any savings, terms and fees.
- Review signed waiver.

Jimmy L. Morales, City Manager, explained that in the present, as the LOI's stand, Portman is confirmed in its July 5 letter the 80-20. Mr. Morales believes Tishman is at 50-50. He added that the other recommendation he has, is that whichever team is selected, must agree to a number of critical terms. These critical terms include: 80% retained of any savings and other fees. Discussion continued regarding saving sources.

Jose Smith, City Attorney, added that on the 16 conditions on Page 29, these are not necessarily all of the conditions. There may be others, like assignment, which are also

covered by the development agreement.

Discussion continued.

Commissioner Libbin stated that the list of 16 items on Page 29 should be given to each developer team, and ask them to respond next week, as he is not comfortable that these are all the requirements given.

Jimmy L. Morales, City Manager, recommended that each of these were discussed by staff and referred by the City Commission, and that they attach all pertinent conditions.

Commissioner Libbin stated that this process has been great and competitive, and perhaps by Tuesday the developers can give you their reactions to the conditions, and they can make a decision at the next Commission Meeting. He asked if either developer had concern about the issues raised that they disagree with or have a difficult time overcoming.

Discussion continued regarding the 16 term and conditions.

Commissioner Góngora stated that they embarked on this process over two years ago, and after many committee and public meetings, they should make a decision on the selection at the next Commission Meeting and he will study both proposals carefully to find what the best is for Miami Beach and the neighborhood.

Commissioner Wolfson is concerned about the affidavit was requested from both proposers, asking to ascertain whether or not they know of a violation of the lobbyist registration laws with respect to this RFQ. There are instances where one of the team members, Robert Wennett, lobbied the Finance and Citywide Projects Committee back in 2011 regarding the Convention expansion and he was not registered. This is important to him. In addition, the other bidder, Mr. Portman, has not registered to lobby. These are significant errors and he thinks they cannot go forward with an award until they have a final decision on whether or not these are violations of the City's Charter, which require debarment of potentially both bidders. It is ministerial in nature and he asked the City Attorney if he were concerned.

Jose Smith, City Attorney, stated that these are allegations that should be considered and investigated, and the proper venue to consider these are with the Miami-Dade County Ethics Commission, the Debarment Committee or the State Attorney's Office, and people should be afforded the right to due process. If allegations prove to be correct, then certain sanctions would apply to violations, but it is premature at this time to state the consequences.

Motion made by Vice-Mayor Tobin to extend the selection by at least two weeks.

Mayor Bower thanked both principals, Mr. Portman and Mr. Tishman, and asked them to approach the podium.

Commissioner Libbin asked proposers, regarding the 16 conditions, what did they find to be troubling that they could not be able to accomplish.

Jack Portman, Vice-Chairman, Portman Holdings, stated that these schemes are preliminary, but conceptually his scheme works to be successful. The comments happen to be another expert's point of view; some of it might work, and maybe not, but they are willing to enter into discussions of what is the best way to lay out this Convention Center in the interest of the City.

Mr. Tishman stated that there is nothing in the report that they would be bothered with, but his comment is relative to the fact that both plans are very conceptual stages, and he reminded people that their plan was reflective on a specific scope requested by the City. He wanted to assure people that they are sensitive to the public funding side project, but it should not be lost that the private sector is putting up at least half as much, if not more, given the new scope. As they go forward and engage in further negotiations, should they be selected, the intent is to be "joined at the hip," and they commit to build the best Convention Center money can buy. He asked if he could make closing comments in the end.

Discussion held and questions were answered by Mr. Tishman.

Jose Smith, City Attorney, stated that Mr. Portman is a registered lobbyist, for the record.

Lucia Dougherty, Esq., confirmed that Mr. Portman had registered as a lobbyist as of today and thanked Commissioner Wolfson for pointing this out. Discussion continued.

Mr. Tishman commended the City Commission for going through this complicated process successfully. He thanked the City Commission and the City Manager, City staff, and stated that it has been a long process. They support the revised scope and the decision to reduce retail on the 17th Street Garage. He endorses the City Manager's revised project scope, and this reflects closely their Master Plan. He is honored to have had the opportunity to engage with the community and stakeholders; and is quite honored that they gather support from various members of the community and people throughout Miami Beach. He thanked his entire team and commented on a few things:

1. There was talk about occupancy and rate, and admittedly they are building a more expensive hotel, on their back, so the only thing that happens is the City gets more revenue;
2. They are experienced and familiar with the market.
3. They are very comfortable with their assumptions that 2% is low; their underwriting is based on higher numbers.
4. The agreed room block to rooms is identical to other hotels.
5. Regarding cost, the LOI's are clear about the revenue side; they are comfortable with what they presented in the LOI. The added 16 points may have caused impact, but the suggestion that the City may prefer to reduce the cost of the renovation to a number below of what the teams have, he stated that costs are negotiated; there are a number of things thrown around that will keep the costs variable. They stand behind the LOI's.
6. Regarding the RDA, the issue of making the 50% difference is only an issue of having taken the parking retail revenue out of the project and putting it towards the parking, it is only \$8 million, and he assured this is not an issue.

This is a very important decision this Commission has; he does not envy being in their shoes; they have gone through a process of many months; paid consultants, lawyers, tweet, run campaigns, but at the end of the day, they will pick a developer. It has been a friendly battle, and non-friendly, but you will pick a partner that you can work with for a long time. It is a serious decision because this project as massive as it is, done in a such a transparent and professional manner by the Commission, has to be a success; he reiterated that he will be the City's partner, not just the public sector contractor; he will have several hundred million dollars entirely dependent on the success of that Convention Center, and that is no leverage that goes deeper than that. If he does not succeed, the City does not succeed. He wished the City Commission good luck.

Vice-Mayor Tobin asked if his room rates are too high, and they exercise the right to

reduce room rates, will they come back to a "future" Commission and ask for relief. His concern is that if the room rate is too high and they continue to exercise their right, what protection can the City have that they will not ask for assistance.

Mr. Tishman stated that they agreed to the room rate, which is the overall rate they hope to achieve, with the block room agreement. Discussion held. They have a vision of who an operator will be, and when you built a hotel and made a judgment to be in that niche market, he has to build the rooms to a standard, which makes the rates go up. If he wanted to build a Sheraton, it would be less. They have a point of entry in the market which is higher, and that is why they are willing to pay more money. Mr. Tishman stated that he would lose his hotel before he came before this one or a future Commission.

Discussion continued.

Portman Holdings Vice Chairman Jack Portman thanked the City Commission and staff for the process undertaken and he thanked them on behalf of their team. He showed a slide presentation. He gave a brief background of the success of Portman Holdings and added that Portman CMC is the team the City can trust them to be their partners to develop this project in a way that serves the best interest of the people of Miami Beach. Through this project, they have communicated their intention, program and methods; that is the way they do business. The public will have the last word in November, in the referendum. They believe that they are committing and stand with the City to build the public support required through communication and information. At the onset of the project, the goal is being consistent throughout, to build a state of the art Convention Center that meets the needs, and create something unique and especial for residents. In order to accomplish this, they have to provide the best plan. Their plan costs less money to the public, they return more from construction, their Center works better, there are no temporary structures used; this is critical in the proposal. He explained about the underground ballrooms; meeting rooms are on the same side of building and convention goers do not have to walk as far. Hotel prices are lower to make it more affordable to the planners to bring conventions here; they are not building luxury hotels; this is a major difference. Their percentage rate is the same as Tishman. The market will dictate what that hotel and that Convention Center gets. They will invest more money into the landscape of the area and maintenance of it. Public space is at ground level. He personally commits that they will do what they say they do; they will deliver and will be good partners, solving problems the best way. He is not interested in fighting in court, but in building the best project he can build in Miami Beach.

Discussion continued.

Mayor Bower thanked both developers for their presentation and closing remarks.

Motion made by Vice-Mayor Tobin, seconded by Commissioner Wolfson to extend the decision for two weeks to obtain more input; Voice vote: 2-5. Motion fails.

Jimmy L. Morales, City Manager, suggested that the vehicle for this could be the vote on the program on the 17th, and then vote on the team.

Discussion continued.

Meeting adjourned at 5:11:28 p.m.

Handout or Reference Materials:

1. Email from Jimmy Morales to Mayor's Office dated July 12, 2013 at 12:48 A.M., RE: Miami Beach Convention Center

2. Letter from Jonah M. Wolfson dated July 10, 2013, RE: Request for Debarment of UIA Management, LLC, and its Affiliates.