

South Beach

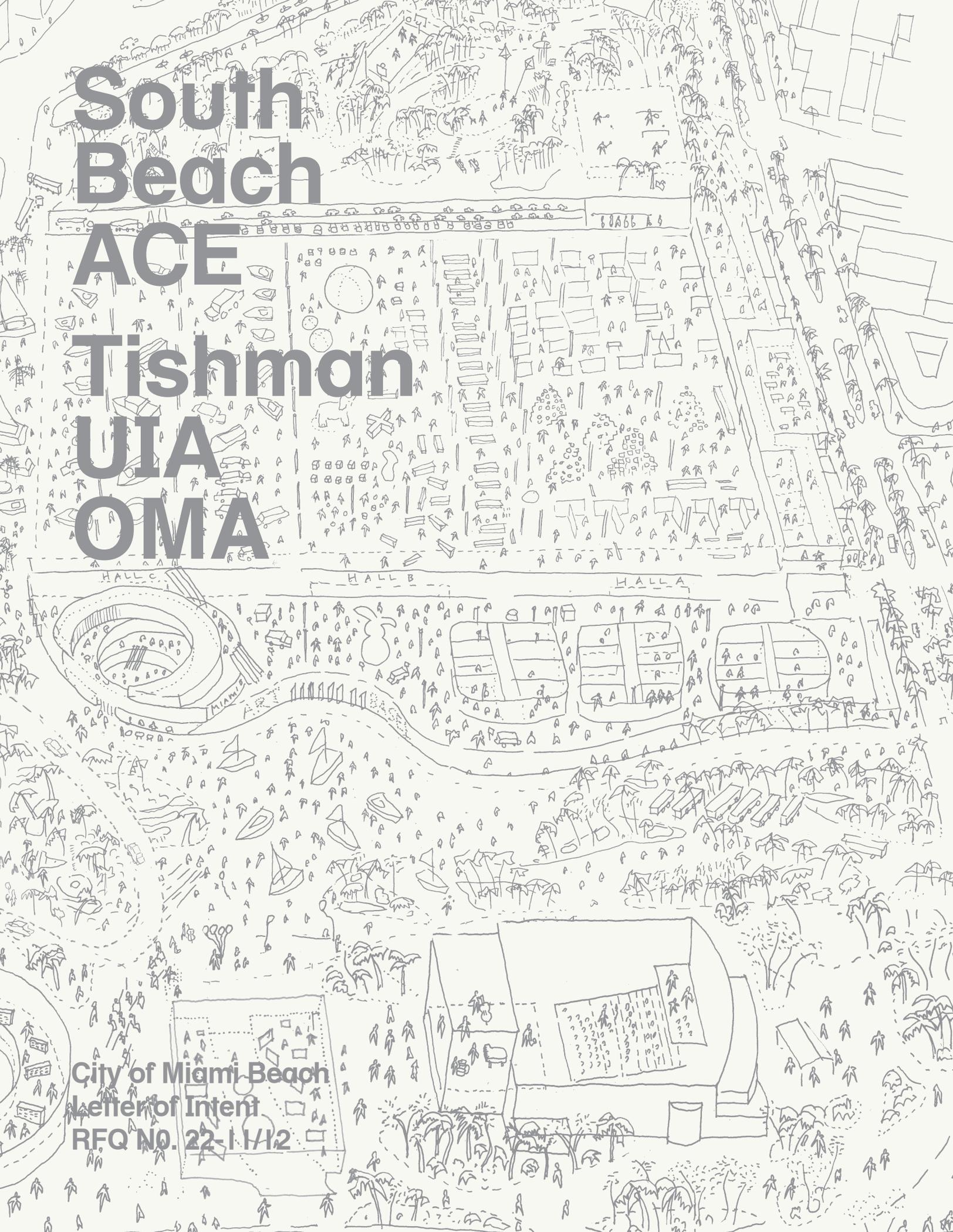
ACE

Tishman

UIA

OMA

City of Miami Beach
Letter of Intent
RFQ NO. 22-11/12



**South
Beach
ACE**

**Tishman
UIA
OMA**

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**South
Beach
ACE**
**Tishman
UIA
OMA**

May 3, 2013

City of Miami Beach
Procurement Department
1700 Convention Center Drive
Miami Beach, FL 33139

South Beach ACE appreciates the opportunity to submit the attached Letter of Intent and corresponding master plan for the Miami Beach Convention Center District. We have spent the last six months studying the site, meeting with key stakeholders and residents and formulating a proposal to address the present and future needs of the Miami Beach Convention Center, the City, its residents and the region as a whole. While diverse in scope, our master plan is designed as a cohesive venue which builds on and connects to both the historic and modern day Miami Beach and its numerous cultural, leisure, entertainment, civic and residential assets.

Throughout this process we have remained focused on the City's stated goals of creating a master plan for the site that is "developed holistically, maximizing the value of the land, economic and community benefits, and job growth." We believe we have struck a perfect balance between activating the site while providing significant community and public spaces which will be used and enjoyed by residents and tourists for years to come. Perhaps most importantly, we have created a design for the Convention Center which we have already tested and it has proven to be both iconic in its design as well as grounded in its functionality and ability to attract new high impact convention, trade show and meeting business.

The specifics of our proposal are described in detail in the attached LOI and master planning documents. We look forward to partnering with you on this exciting and transformative project.

Sincerely,

Tishman Hotel & Realty



Dan Tishman

UIA Management



Robert Wennett

OMA

Rem Koolhaas

1 This Letter of Intent (“LOI”) outlines certain terms and conditions under which the Master Developer
 2 (defined below) would renovate and expand the Miami Beach Convention Center and develop a convention
 3 hotel, certain public amenities, and certain commercial and residential uses within the City of Miami Beach
 4 (“City”) Convention Center District Site (“District Site” or “Site”). The summary of terms and conditions outlined
 5 below is intended as an aid to the parties in negotiating the business terms of a possible transaction. The terms
 6 and conditions set forth in this LOI are not intended to limit, and do not limit, any and all terms and conditions
 7 that may be incorporated into the final documents and other final instruments executed in connection with any
 8 final agreement reached by the parties.

10 1. Purpose

11 City issued a Request for Qualifications No. 22-11/12 for the Development of the Miami Beach Convention
 12 Center District (“RFQ”). The District Site consists of 52 City-owned acres, and is envisioned to include the
 13 following components: Convention Center (“Center”) renovation; Center ballroom addition; Center meeting
 14 space addition; headquarter hotel (“Hotel”); parking; outdoor public spaces; restaurants, entertainment,
 15 retail, and other commercial and residential uses that are
 16 economically viable and acceptable to the City.

17 2. Parties

18 2.1. City – City of Miami Beach, Florida

19 2.2. Development Team

20 2.2.1. Master Developer – The Master Developer,
 21 South Beach ACE, LLC, is a to be formed special
 22 purpose entity owned by and controlled by
 23 affiliates of Tishman Hotel & Realty LP and UIA
 24 Management LLC.

25 2.2.2. Design-Builder – An affiliate of Master Developer
 26 or its members will be the primary design-builder
 27 for the Public Components (defined below) if City
 28 elects to do a Design Build Agreement.

29 2.2.2.1. Lead Architect – OMA will be the Lead Architect under the Design-Builder for
 30 the Public Components. The Lead Architect will be supplemented by
 31 convention center specialist, tvs design, and landscape architects, Michael Van
 32 Valkenburgh Associates, Inc. and Raymond Jungles, Inc. (collectively, the
 33 “Lead Architects”).



- 34 2.2.3. Hotel Brand/Operator – Prior to execution of the Development Agreement, Master
35 Developer shall select the Brand/Operator for the Hotel, and the Hotel shall be developed
36 and thereafter operated as a Marriott, Sheraton (similar in finish and quality to the Chicago
37 Sheraton, which was developed by and continues to be owned by Tishman, and the
38 Overland Park Sheraton), Westin, Le Meridien, Omni, Hyatt, InterContinental, or Hilton
39 (each, an “Approved Brand/Operator”). Selection of brands and/or operators other than an
40 Approved Brand/Operator will require prior approval by City.
- 41 2.2.4. Legal – Master Developer will be represented by Bilzin, Sumberg, Baena, Price & Axelrod
42 LLP for the negotiation of the agreements contemplated herein.
- 43 2.2.5. Finance
- 44 2.2.5.1. Public Finance Underwriter – Goldman, Sachs & Co. shall be part of the City’s
45 underwriting team for the financing of the Public Components in the Traditional
46 Approach (as defined in subsection 7.1.1). Goldman, Sachs & Co. will team
47 with other underwriters selected by the City.

48 **3. Project**

- 49 3.1. Public Components – shall include the Center Renovation, Center Expansion, Center Replacement
50 Parking, Off-Site Infrastructure, and Public Amenities (all as defined below).
- 51 3.2. Private Components – shall include the Hotel, Hotel Parking, Residential, Retail/Restaurants,
52 Entertainment, Cultural Amenity, 17th Street Garage, and all other parking excluding the Center
53 Replacement Parking (all as defined below).
- 54 3.3. Approval by Referendum – Master Developer anticipates that the development of the Project shall be
55 subject to and contingent upon approval by a majority of the voters voting in a City-wide referendum.

- 56 4. **Master Plan** - Exhibit 1 provides Master Plan diagrams for three (3) scenarios: 1) Exhibit 1a is a Base Case
57 comprised only of the Center Renovation and Expansion, Hotel and Hotel Parking; 2) Exhibit 1b is the
58 Phase 1 Components (defined below) which includes the Base Case, plus other Public Amenities and
59 Private Components (set forth in subsection 4.2); and 3) Exhibit 1c is the Future Master Plan that includes
60 the Phase 1 Components and other components that are planned to be developed at a future time.

61 The Master Developer is prepared to invest in, raise financing and develop the Phase 1 Components.

- 62 4.1. Base Case – Master Developer does not recommend implementing the Base Case only, as this
63 option will not generate sufficient revenues to fund the renovation scope for the Center and create a
64 world class Center district with expanded resident and visitor amenities and connectivity to nearby
65 City assets. The Base Case scenario fails to maximize the City’s full potential, does not position the
66 Center and the District among the leading and cutting edge convention destinations, and does not

67 fully revitalize the City center of Miami Beach which falls short of the RFQ’s stated intent of attracting
 68 high impact conventions that will provide expanded economic impact for the City. Furthermore, the
 69 proposal set forth in this LOI, including Master Developer’s ground rent proposal, is predicated on
 70 the full development of the Phase I Components.

71 Base Case Components

72 4.1.1. Center Renovation and Expansion - Renovation and expansion of the Center consistent
 73 with the Renovation Program summarized in Exhibit 2 and the following program areas:

Exhibit Halls	502,000
New Ballroom	60,000
New Jr. Ballroom #1	20,000
New Jr. Ballroom #2	20,000
New 10,000 SF Meeting Space	10,000
Renovated Existing Breakout Space	52,500
New Breakout Space	<u>87,500</u>
Total Function Space	752,000
Renovated Support Space	181,415
New Support Space	<u>384,727</u>
Gross Square Feet	<u><u>1,318,142</u></u>

75 The Center Renovation and Expansion will entail renovation of existing Center space and
 76 construction of new space for the Center as follows:
 77

Light Renovation	439,960
Heavy Renovation	189,605
New Construction with Existing	138,315
New Construction (not including loading aisles)	<u>550,262</u>
Total	<u>1,318,142</u>

85 Note that the concourse and meeting South meeting space can combine to form 130,000
 86 square feet of contiguous exhibit space adjacent to the 502,000 square feet exhibit halls,
 87 bringing the total to 632,000 square feet.

88 4.1.2. Center Replacement Parking – If only the Base Case is developed, all existing surface
 89 parking is maintained and will continue to be available to the public.

90 4.1.3. Hotel -

91 4.1.3.1. Hotel Building - An 800-room convention hotel with 55,000 sf of net rentable
 92 meeting space (including a 20,000 sf ballroom and 15,000 sf Jr. ballroom), 63

93 guest room suites, 540 restaurant/lounge seats, a spa and fitness center, and
 94 pool deck amenities.

95 4.1.3.2. Food & Beverage Venue - Additional food and beverage programming for the
 96 Hotel of approximately 40,000 sf which would otherwise be located within the
 97 Hotel structure is currently planned to be included in an adjacent building. One
 98 of the principal objectives of segregating this food and beverage programming
 99 from the Hotel structure is to increase connectivity between the Hotel/Center
 100 guests and Lincoln Road by fostering Hotel and Center guests to exit the
 101 Center and walk south towards the Food & Beverage Venue and closer to
 102 Lincoln Road.

103 A summary of the Hotel program is provided in Exhibit 4. See Exhibit 5 for Hotel and
 104 Convention Center floor plans and elevations.

105 4.1.4. Hotel Parking – If only the Base Case is developed, the Hotel will work with the City to
 106 identify a location within the District Site for the development of a parking garage to satisfy
 107 the Hotel parking requirements.

108 4.2. Phase 1 Components - In addition to the Base Case Components in subsection 4.1, Phase 1
 109 Components of the Project will include:

110 4.2.1. Cultural Amenity – Approximately 18,000 sf is planned to be developed near the Hotel to
 111 house a Cultural Amenity for the District Site. The Cultural Amenity will be financed by the
 112 Private sector and is included in the Private Components project budget.

113 4.2.2. 17th Street Garage – The 17th Street Garage, which currently includes 1,450 public spaces,
 114 will be renovated by replacing a portion of the public parking spaces with retail/restaurants
 115 (approximately 59,500 sf). The displaced parking spaces and additional parking spaces will
 116 be relocated to two (2) additional parking levels above the existing 17th Street Garage
 117 structure. Upon renovation, the 17th Street Garage will have a total of 1,750 public parking
 118 spaces. Master Developer and City will work together to identify a location within the
 119 District Site to accommodate a portion of the City’s fleet management operation.

120 4.2.3. Theater – City requested in the RFQ that Master Developer include The Fillmore Miami
 121 Beach at the Jackie Gleason Theater (“Theater”) in the Master Plan. Based on the input
 122 received from the community, Master Developer has developed a vision for the Theater that
 123 maintains the existing Theater but refurbishes it with upgrades to restore the Theater to its
 124 original design and make improvements that enhance the District. Master Developer’s
 125 vision for the Theater also includes potentially opening the back of the facility to allow for
 126 interaction between the outside and inside of the Theater. Upon completion of the

127 refurbishment, it is anticipated that the Theater will continue to have approximately 2,700
128 seats.

129 The Theater is currently encumbered by a Management Agreement with Live Nation. Live
130 Nation has expressed a willingness to enter into negotiations to potentially restructure the
131 Management Agreement, but only after City has selected the Master Developer for the
132 Project. Master Developer will work with the City, post-selection, to implement this plan for
133 the Theater. It is anticipated that the costs associated with the refurbishment of the Theater
134 will be supported by the new economic terms to be negotiated with Live Nation or with Live
135 Nation's successor upon modification or expiration of the term of the Management
136 Agreement. The landscaping improvements shown in the Master Plan can be
137 accomplished without modifying the management agreement and are included in the
138 landscape budget.

139 4.2.4. Gleason Name – Master Developer will continue to honor the Gleason name by maintaining
140 the Theater and its existing name and refurbishing the Theater as described above.

141 4.2.5. Residential –261 residential units are to be developed in the “P-Lot” area (See also financial
142 assumptions for rental vs. condo units in subsection 5.4).

143 4.2.6. Public Amenities – Approximately 28 acres out of the 52 acres of ground area of the District
144 Site will be redeveloped into unrestricted public parks and other outdoor public areas,
145 including (a) a recreational area to the north of the Center that will include the preservation
146 of the historic Carl Fisher Clubhouse and house a new community center that will replace
147 the existing community center; (b) a landscaped extension of the Miami Beach Botanical
148 Garden on the band between the residential development on the P-Lot and the Center; (c)
149 park areas in between the new residential buildings on the West portion of the P-lot; (d)
150 significant public open space in the band south of the Center; (e) the widening of the public
151 pedestrian area along Washington Avenue; and (f) open spaces to be created in
152 conjunction with creating retail on Pennsylvania Avenue between 17th Street and Lincoln
153 Lane. A summary is provided in Exhibit 18. The costs of the Public Amenities will be
154 shared by the City and the Master Developer as reflected in the Project budget set forth in
155 Section 6 below.

156 4.2.7. Hotel Parking - The Hotel requires 848 parking spaces per code. The parking requirements
157 of the Hotel will be satisfied in two areas: 1) a 500 space parking garage to be developed
158 by Master Developer and located under the plaza south of the Hotel; and 2) use of 348
159 spaces in a 1,388 space parking garage to be developed by City in air rights over the
160 loading docks and adjacent land north of the Center. The parking garage in (2) above will
161 provide for 1,388 public parking spaces of which 1,040 represent the Center Replacement

162 Parking upon full development of the Phase 1 components. The Hotel and the Center will
 163 enter into an agreement for the Hotel to have use of 348 of the 1,388 public parking spaces,
 164 in a form that would allow the Hotel to meet its parking requirements when added to the
 165 parking spaces located in the parking garage in (1) above. The Hotel will pay the City for
 166 the use of the 348 spaces pursuant to terms and conditions to be agreed upon post
 167 selection. Please refer to Exhibit 6 for a site plan of the District Site depicting the proposed
 168 location for the parking garages described in this section.

169 4.2.8. Center Replacement Parking - The 1,040 public parking spaces currently available in the
 170 two (2) surface parking lots will be replaced in the parking garage described in paragraph
 171 4.2.7(2) above.

172 4.2.9. Additional Parking – Taking into account joint parking opportunities, total parking spaces on
 173 the site are planned as follows:

	Spaces	Financed	Use
Convention Center Replacement	1,388	Public	Public*
17th Street Garage	1,750	Private	Public
Hotel	500	Private	Public
Residential on P-Lot	<u>503</u>	Private	Private
	<u>4,141</u>		

174 * Hotel will have a right to use 348 of these spaces to meet its parking requirements

175 4.2.10. City Hall – City Hall is not to be redeveloped as part of the Phase 1 Components. However,
 176 Master Developer will propose improvements to the landscaping and exteriors of City Hall in
 177 a manner consistent with the Master Plan, subject to further negotiation and approval by the
 178 City. Funding for these improvements is included in the Project budget for the Public
 179 Components.

180 4.2.11. On-site Traffic Improvements – The Master Plan includes the following on-site traffic
 181 improvements: (a) streetscape improvements to create a new landscaped median on 17th
 182 Street that will provide connectivity to Lincoln Road and calm the traffic impact on 17th
 183 Street. The costs of these on-site traffic improvements are included in the Project budget
 184 for the Public Components.

185 4.2.12. Off-site Traffic Improvements: The Master Plan includes the following off-site traffic
 186 improvements: (a) static signage at causeway entries; (b) digital signage indicating parking
 187 occupancies (and infrastructure to provide parking lot data in Center and Hotel parking
 188 garages, City Hall garage, and the 17th Street Garage); and (c) RFID Controlled Bollards to
 189 limit through traffic at Palm View and Bayshore (3 locations). The costs of these off-site
 190 traffic improvements are included in the Project budget for the Public Components.

191

192 4.3. Future Components - In addition to the Base Case and Phase I Components, the Master Plan
 193 includes the option for the potential development of eighty (80) for-rent residential units above the
 194 17th Street Garage.

195 4.4. Traffic Plan – Exhibit 7.

196 4.5. Phasing –

197 4.5.1. Methodology -

198 For the Center to remain as an operating facility throughout the project, construction is required to be
 199 phased to accommodate the meeting schedule, and there will be a cost associated with this. This
 200 phasing premium can be approached in one of three ways:

- 201 • Add a percentage over trade cost. In this approach, the owner does not know whether there
 202 is too little or too much allocated to cover the cost because there is no detail on the specific
 203 methodology of the phasing or how the cost premium would break down.
- 204 • Embed the phasing premium in the pricing of the individual elements of the project. In this
 205 approach, the owner again does not know whether there is too little or too much allocated to
 206 cover the cost and, in addition, the component costs are not shown for what they are really
 207 worth.
- 208 • Develop a logistics plan that implements the design relative to the current meeting schedule
 209 and then specifically identify the added costs associated with implementing the phasing.
 210 Master Developer has chosen this approach.

211 4.5.2 Approach –

212 Master Developer's approach to the phasing of the Project will enable the Center to remain in
 213 operation throughout the construction period. As requested by the operator of the Center,
 214 500,000 sf of exhibit space, 130,000 sf of meeting space and 1,040 parking spaces will be
 215 available for all shows when necessary. Exhibit 8 provides diagrams to show these phasing
 216 plans; in general, Master Developer's phasing is as follows:

- 217 • Construct two temporary meeting facilities, one to the north and the other to the south,
 218 connected to the east concourse to replace the existing meeting space in the west
 219 concourse which will be demolished.



220



221



222

- 223 • Redevelop the 17th Street Garage with retail and 300 additional parking spaces.
- 224 • Construct the new west exhibit hall (“Hall C”) with a new 60,000 sf ballroom, plus two 20,000
- 225 sf junior ballrooms above (collectively, “West Halls”), as well as new loading docks and
- 226 1,000 spaces of the parking garage on the north side of the Center and in the interstitial
- 227 space above Hall C and below the ballrooms.
- 228 • Refurbish the Center’s interior areas in phases between peak demand times in close
- 229 coordination with the Center.
- 230 • Create a new temporary concourse along the south side of the exhibit halls to provide
- 231 access to Hall C and Halls A and B.
- 232 • Once the West Halls are complete, remove the north temporary meeting rooms, complete
- 233 north parking structure to 1,388 spaces and construct the new community center and
- 234 landscaping.
- 235 • Perform a renovation of the east concourse and meeting rooms in coordination with the
- 236 Center, phasing this construction to maintain access.
- 237 • The Hotel, Residential, Cultural Amenity, retail, all remaining open space and parks and
- 238 Theater all are scheduled to be completed within six months of the completion of the Center.

239 4.5.3 Cost Premium

240 Based on the detail provided in Exhibit 8, and as generally stated above, the estimated phasing
 241 premium for the Center is approximately \$38 million in total construction cost. This is comprised of
 242 three main categories: (A) interior building premiums, (B) central plant premiums, and (C) temporary
 243 meeting space.

244 (A) The interior building premiums are approximately \$13 million and consist of building a temporary
 245 meeting concourse to be used by the public during construction, which makes up about half of
 246 this cost, and additional costs for temporary partitions, public protection and building protection.

247 (B) The central plant premiums are approximately \$11 million. If the Center did not need to operate
 248 during construction, the existing equipment would be relocated and reused. However, since the
 249 Center will be operational, approximately 75% of the equipment needed will have to be
 250 purchased, in order to keep the existing equipment running the Center during construction while
 251 the central plant is relocated from its current position. There is a minimal salvage value for this
 252 existing equipment, which is incorporated into the overall budget.

253 (C) The temporary meeting space premium is approximately \$14 million. In order to maintain the
 254 existing client meeting schedule as reviewed with the Center operator, approximately 80,000 SF
 255 of temporary meeting space is required.

256
 257 4.6. LEED Certification – All components of the Master Plan will achieve a LEED Certification.

- 258 5. **Site Leases** – See Exhibit 9 for a diagram of each site to be leased and Exhibit 10 for a summary of all
 259 lease payments including a conservative financing case which assumes Pro Forma growth until
 260 stabilization, and then 2% stabilized growth, and a Pro Forma scenario which includes Pro Forma
 261 assumptions throughout the term. All site leases will be executed by component after Master Developer has
 262 provided evidence reasonably satisfactory to the City that the Master Developer can obtain any required
 263 financing.
- 264 5.1. All Leases – The following will govern all leases
- 265 5.1.1. Lease payments are paid as an operating expense prior to any debt or equity.
- 266 5.1.2. The financing for the Public Components and the Private Components are interdependent
 267 to be viable. Accordingly, City, Master Developer, public underwriter and private lender(s)
 268 will work together to ensure that the entire Project financing can be closed simultaneously,
 269 including providing satisfactory evidence to City and the bond purchasers that the Lease
 270 payments will commence when necessary to fund the debt payments on the financing for
 271 the Public Components.
- 272 5.1.3. Lease payments will be paid semi-annually, 30 days prior to the semi-annual bond
 273 payments.
- 274 5.1.4. In addition to such other termination provisions as may be negotiated between the parties in
 275 the final agreements, a lease will terminate if there is a material change to an agreed upon
 276 stated use without City's reasonable approval.
- 277 5.1.5. For the Hotel, and in addition to such other termination provisions as may be negotiated
 278 between the parties in the final agreements, lease will terminate if the Room Block
 279 Agreement is terminated for reasons attributable solely to Hotel Owner or if the Hotel is no
 280 longer operated by an approved Hotel Brand/Operator without City's reasonable
 281 approval.
- 282 5.1.6. The leases will be effective upon closing of the financing and, in addition to such other
 283 termination provisions as may be negotiated between the parties in the final agreements,
 284 will be terminated if the closing has not occurred by December 15, 2015 (subject to
 285 standard extensions for force majeure events, material adverse changes and delays in the
 286 schedules set forth in this LOI not attributable to Master Developer, among others).
- 287 5.1.7. The leases will contain other standard ground lease terms and conditions, including notice
 288 and cure periods for events of default and standard lender/leasehold mortgagee
 289 protections.
- 290 5.2. Hotel – Master Developer will jointly lease Site 4 and the air rights of Site 1 from the City for 99
 291 years. Lease payments will begin upon opening (i.e., issuance by City of a Temporary Certificate of
 292 Occupancy for the entire Hotel) of the Hotel, but in any event no later than December 2018
 293 (assuming the Timeline described in Section 8.3.4 and subject to standard extensions for force

294 majeure events, material adverse changes and delays in the schedules set forth in this LOI not
 295 attributable to Master Developer, among others). The Lease payments for each operating year of
 296 the Hotel will be in an amount equal to the greater of the Base Rent or the Percentage Rent
 297 described below:

298 5.2.1. Base Rent:

299 Year 1 of operations \$1,500,000

300 Year 2 of operations \$3,000,000

301 Years 3 – 10 of operations \$3,500,000

302 Years 11 – 20 of operations \$4,500,000

303 Thereafter Increases 10% every 10 years

304 This Base Rent equates to total payments over the term of \$605.0 million, or \$76.1 million
 305 NPV at 5% or \$95,164 per room.

306 5.2.2. Percentage Rent: The Percentage Rent for each operating year of the Hotel will be
 307 determined based on the gross revenues of the Hotel operation. Percentage Rent will be in
 308 an amount equal to:

309 Years 1-10 of operations 3% of Hotel gross revenues

310 Year 11 of operations and thereafter 3.5% of Hotel gross revenues

311 Percentage Rent, assuming market growth upon stabilization, equates to total payments
 312 over the term of \$3,942.3 million, or \$145.1 million NPV at 5% or \$276,582 per room. Using
 313 our financing case which assumes market growth, followed by 2% growth upon
 314 stabilization, equates to total payments over the term of \$220.6 million, or \$21.6 million NPV
 315 at 5% or \$27,008 per room.

316 Master Developer's operating projections for the Hotel reflect Percentage Rent exceeding
 317 Base Rent commencing in the first year of operations.

318 5.2.3. 1,000-Room Hotel – At the City's request, Master Developer has evaluated increasing the
 319 room count of the Hotel to 1,000. Under that scenario, Master Developer would be willing
 320 to increase the Hotel base rent by \$1,000,000. The total base rent for the Hotel, including
 321 this increase, equates to total payments over the term of \$742 million, or \$94.9 million NPV
 322 at 5% or \$95,000 per room. Please refer to Exhibit 3 for a description of the impact this
 323 change in Project scope could have on the financial plan for the Project.

324 5.3. 17th Street Garage – The Master Developer will lease Site 5 from the City for 99 years. Lease
 325 payments will begin once Master Developer takes possession of the Site, which will occur upon

326 issuance of a Full Building Permit by the City for Master Developer's proposed renovation of the
327 facility (Date of Possession). Annual lease payments for the period commencing on the Date of
328 Possession and during construction will be equal to the facility's net operating income for the trailing
329 12-month period ending on the Date of Possession. Upon the earlier to occur of (a) the 30-month
330 anniversary of the Date of Possession; and (b) the date on which the retail is 90% occupied, lease
331 payments will increase to the greater of (i) a base rent equal to \$6,000,000 per year or (ii) a
332 percentage rent equal to 10% of the annual gross revenues of the 17th Street Garage operation. The
333 base rent will increase by 10% every 10 years commencing on the 10-year anniversary of the date
334 on which the lease payments increased to the greater of base rent or percentage rent. This Base
335 Rent equates to total payments over the term of \$928.0 million, or \$133.0 million NPV at 5%.

336 5.3.1. Residential (17th Street Garage) – As described in Section 4.3 of this LOI, the Master
337 Developer has proposed to develop eighty (80) for-rent residential units above the 17th
338 Street Garage. Lease payments will begin upon opening of the Residential project on the
339 17th Street Garage (i.e., issuance by the City of a Temporary Certificate of Occupancy for
340 the entire residential development on the 17th Street Garage). Lease payments will be in an
341 amount equal to the greater of (i) a base rent equal to \$200,000 per year or (ii) a
342 percentage rent equal to 4.5% of the annual gross revenues of the 17th Street Garage
343 residential project. The base rent will increase by 10% every 10 years commencing on the
344 10-year anniversary of the opening of such residential project. This Base Rent equates to
345 total payments over the term of \$31.4 million, or \$4.6 million NPV at 5% or \$58,236/unit.
346 Please refer to Exhibit 3 for a description of the impact that this Future Component could
347 have on the financial plan for the Project.

348
349 5.4. Residential (P-Lot) - The Master Developer will lease Site 2 from the City for 99 years. Lease
350 payments will begin upon opening of the Residential project on the P-Lot (i.e., issuance by the City of
351 a Temporary Certificate of Occupancy for the entire residential project on the P-Lot). Lease
352 payments will be in an amount equal to the greater of (i) a base rent equal to \$800,000 per year or
353 (ii) a percentage rent equal to 4.5% of the annual gross revenues of the Residential project. The
354 base rent will increase by 10% every 10 years commencing on the 10-year anniversary of the
355 opening of the Residential project. This Base Rent equates to total payments over the term of
356 \$120.0 million, or \$16.1 million NPV at 5% or \$61,521/unit. If the different buildings that compose
357 the residential component on the P-Lot open on different dates, the base rent will be distributed
358 among the buildings in the proportion of that the number of units on each building bears to the total
359 number of units to be developed on the entire P-Lot and the base rent allocated to each building will
360 commence upon the opening of the subject building.

361 5.4.1. Residential Land Purchase – The value of the fee simple interest over the P-Lot far exceeds
 362 the value of its leasehold interest. If City were willing to sell the P-Lot, the purchase price of
 363 the property would exceed the value of the P-Lot ground lease proceeds by approximately
 364 \$19 million. In addition, City would also receive higher levels of real estate taxes from condo
 365 units than from for-rent units. Please refer to Exhibit 3 for a description of the incremental
 366 impact that selling the P-Lot could have on the financial plan for the Project.

367 5.5. Cultural Amenity – The Master Developer will lease Site 3 from the City for 99 years. The Lease
 368 Agreement will provide for \$1 rental payments per year. The Cultural Amenity building is designed to
 369 maximize access to the public areas of the District Site by having a footprint of only 5,300 square
 370 feet for a building of 18,000 total square feet.

371

372 6. **Project Budget** – Exhibit 11 provides a detailed summary of the budget for each component of the Master
 373 Plan. A summary is as follows (Public Components costs exclude capitalized interest, debt service reserves
 374 and other issuance costs):

<u>Public</u>	
Center Renovation	\$244,710,264
Center Expansion	212,375,317
Subtotal	457,085,581
Outdoor Public Areas/Canal/Earthworks	60,692,155
Public Parking	57,882,435
Phasing	49,102,846
Total	<u>\$624,763,017</u>
	52%
<u>Private</u>	
Hotel Complex (Including Parking & Ancillary F&B)	\$390,895,559
17th Street Garage Parking & Retail	49,873,218
P-Lot Residential/Parking	112,437,198
Cultural Amenity	6,327,321
Public Areas	10,540,039
Community & Info Centers	8,000,000
Relocated Office Space	5,000,000
Total	<u>\$583,073,335</u>
	48%
TOTAL	<u>\$1,207,836,352</u>

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376 All costs related to improving Public Components structures to support Private Components are costs of the
 377 private sector and not included in any Public Components budget.

378 7. Project Financing

379 7.1. Public Components – The Public Components will be financed as described herein. Exhibit 19 sets
 380 forth Goldman, Sachs' underwriting analysis for the Project financing.

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382 7.1.1. The following summarizes the sources and uses:

<u>Sources</u>	
County G.O. Bonds	\$53,600,000
Resort Tax Bonds Repaid by:	
1% HOT Tax 2014 Cash	10,726,123
Project Related Proceeds ¹	566,163,287
Parking Bonds	73,887,161
Total Sources	<u>\$704,376,571</u>

1) Includes project resort tax, RDA and CDT generated proceeds

<u>Uses</u>	
Project	
Convention Center	\$506,188,427
Outdoor Public Areas/Canal/Earthworks	60,692,156
Public Parking	57,882,436
Subtotal	624,763,019
Capitalized Interest	22,694,370
Debt Service Reserve	46,793,772
Underwriter Fees	5,721,661
Total Uses	<u>\$699,972,822</u>
Excess Proceeds	<u>\$4,403,749</u>

383 7.1.2. Approach – Under this approach the City will utilize the remaining funds from the County
 384 G.O. Bond commitment and will issue taxable or tax-exempt bonds to provide funds for the
 385 Public Components, excluding the Center Replacement Parking. The Center Bonds will be
 386 repaid from the new 1% Resort Tax, Project generated land lease payments, excess
 387 proceeds in the RDA available to fund District capital projects, the \$4.5 million CDT
 388 allocation and Resort Tax generated by the Project. These bonds will be secured by the
 389 City-wide Resort Tax. The Parking Bonds are to fund the Center Replacement Parking and
 390 are to be repaid from parking revenues and secured by the system-wide Parking Enterprise
 391 Fund.

- 392 7.1.3. See Exhibit 12 for a summary of this approach for the Phase 1 Components including
393 sources and uses, projected revenue streams, debt service payments, lost parking revenue
394 funding, Capital Reserve funding, Center operating shortfall funding, net revenues, and
395 coverage under a conservative financing scenario and our Pro Forma assumptions.
- 396 7.1.4. Center Bonds – The City will issue 30-year tax-exempt bonds currently estimated to be
397 \$566 million. The average annual debt service payment under this approach is estimated
398 to be \$33 million based on today’s interest rates of 4.11%. The debt service will be repaid
399 by the new 1% Resort Tax, Project generated land lease payments, excess proceeds in
400 the RDA available to fund District capital projects, the \$4.5 million CDT allocation and the
401 Resort Tax generated by the Project. In addition, these Bonds will be secured by the City-
402 wide Resort Tax Income.
- 403 7.1.5. Public Parking Bonds – The City will finance Center Replacement Parking through the
404 Parking Enterprise Fund. Net parking revenues are estimated exceed the cost of public
405 parking debt service. The City will issue 30-year tax-exempt bonds currently estimates to
406 be \$74 million. The average annual debt service payment under this approach is estimated
407 to be \$4.6 million based on today’s interest rates of 4.26%.
- 408 7.1.6. Center Maintenance – It is recommended that once the Center is open, the City ramp up
409 over the first five (5) years to reserve \$3 million annually (increasing annually 2% thereafter)
410 to provide for capital expenditures and Center maintenance. This will provide for the Center
411 to be maintained in a fashion consistent with the standard of maintenance at other First-Tier
412 convention centers (including but not limited to the Orlando/Orange County Convention
413 Center and the San Diego Convention Center). This amount has been accounted for in the
414 overall finance plan and is funded by the Project generated revenues.
- 415 7.1.7. Public Amenities Maintenance –Master Developer will deliver to the City a budget for the
416 cost of maintaining the Public Areas (Maintenance Budget) and an operating and
417 maintenance plan for the Public Areas (Plan) for the City’s approval. Master Developer
418 estimates the Maintenance Budget to be \$1.3 million per year increasing by 2% per annum
419 for basic maintenance. City and the Private Components will enter into a cost sharing
420 agreement to allocate the Maintenance Budget proportionately. The maintenance costs
421 associated with special events programing are not included in Master Developer’s estimate
422 for the Maintenance Budget. At the option of the City and the Private Components, Master
423 Developer is prepared to provide maintenance services for the Public Amenities pursuant to
424 the Maintenance Budget and the Plan. The Maintenance Budget has been accounted for in
425 the overall finance plan for the Public Components and the Private Components. A
426 summary is provided in Exhibit 12h.

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- 7.1.8. Lost Parking Revenues – The financial plan takes into account the replenishment to the City net parking revenues totaling \$3.8 million annually from the 17th Street Parking Garage and surface parking lots lost from the development of the Phase 1 Components during both construction and operations.
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- 7.1.9. Operating Subsidy – The financial plan takes into account the potential of a \$1.5 million annual operating subsidy. However, Master Developer believes this assumption to be overly conservative. Master Developer in conjunction with Johnson Consulting, a renowned convention center consultant, analyzed the operations and financial performance of the Center and prepared projections for its performance after implementing the Phase 1 scope. In 2012, the Center had a \$78,000 profit and since 2009 it has lost between \$185,000 and \$1.3 million annually. Our projections, which take into account that the Center Expansion is of profitable meeting and ballroom space (not exhibit space), anticipate the Center to be profitable. We are available to review our projections in detail with City. Master Developer recommends reducing the Operating Subsidy reserve by \$500,000 which would at a minimum generate \$8.25 million of additional bond proceeds for the Project or free bond capacity to use for other City needs. Please refer to Exhibit 3 for a description of the impact this reduction could have on the financial plan.
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- 7.1.10. Public Finance Underwriter fees not to exceed 75 basis points of gross proceeds they underwrite.
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- 7.1.11. Additional Sources of Bondable Proceeds – Master Developer has identified the following additional sources of bondable proceeds which are not currently included in the financing plan described in this Section 7 but could be used to increase proceeds for the Project or free bond capacity to use for other City needs. Please refer to Exhibit 3 for a more detailed description of the impact on the financial plan of these alternatives.
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- 7.1.11.1. Term of Bonds – Per City’s direction, the financing plan described in this LOI assumes that City will issue 30-year bonds based on an assumption that the useful life of the Center will be 30 years. Given City’s plan to establish a well-funded CapEx reserve to cover scope beyond typical carpet and furniture replacement, Master Developer believes that the useful life of the Center will be longer than 30 years. If City opted to issue 35-year bonds, City could raise \$35.5 million of additional bond proceeds for the Project.
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- 7.1.11.2. RDA Extension (City) – The financing plan described in this LOI assumes that the RDA will expire in 2022. If the RDA is extended through 2044 to be coterminous with the term of the Center bonds, City could raise \$103.7 million in additional bond proceeds supported by City’s portion of the subject taxes.

- 462 7.1.11.3. RDA Extension (County) – The financing plan described in this LOI assumes
 463 that the RDA will expire in 2022. If the RDA is extended through 2044 to be
 464 coterminous with the term of the Center bonds, City could raise \$90.7 million in
 465 additional bond proceeds supported by the county’s portion of the subject
 466 taxes.
- 467 7.1.11.4. Reinvestment of DSRF – City will establish a debt service reserve fund (DSRF)
 468 of approximately \$41 million in connection with the issuance of the public debt
 469 for the Project. At City’s request, the financing plan described in this LOI
 470 assumes that the funds on deposit in the DSRF will earn interest at a rate of 1%
 471 during the first 3 years of the term of the bonds and 1.5% interest for the
 472 remainder of the term. If City opted to invest the DSRF in a AA Guaranteed
 473 Investment Contract, currently available at 2.8%, the net present value of the
 474 additional investment income generated by the DSRF would be \$9.85 million.
- 475 7.2. Private – Master Developer will secure debt and equity financing for the Private Components. The
 476 Private Components are planned to be financed with approximately \$297 million in debt and \$286
 477 million in equity.
- 478 7.2.1. Equity – The Private Components require an investment of approximately \$286 million in
 479 equity. Tishman has a long-standing relationship with MetLife having partnered with them
 480 on multiple projects for over 25 years. Master Developer and MetLife intend to fund 100%
 481 of the equity required for this Project, with MetLife funding 70% – 80% of that amount
 482 subject to a final plan and transaction structure as negotiated with and ratified by City and
 483 Master Developer, satisfactory cost, budgets and underwriting and securing all approvals
 484 required under MetLife’s corporate governance, as set forth in the letter attached hereto as
 485 Exhibit 13. Master Developer would fund the remaining 20% – 30% of the equity.
- 486 7.2.2. Debt – The Private Components require a debt financing in the amount of approximately
 487 \$297 million. Master Developer has long-standing relationships with multiple lending
 488 institutions that have expressed a willingness to provide debt financing for new projects in
 489 which the Master Developer is involved. (See Exhibit 14).
- 490 7.2.3. Approved Brand/Operator Contribution – One or more of the Approved Brand/Operators
 491 have expressed a willingness to fund a Brand/Operator Contribution.

492 8. Role of the Master Developer

- 493 8.1. Community Involvement – Master Developer will continue to engage the community to gain input into
 494 the Master Plan as it evolves. Master Developer and the City will mutually agree upon a schedule
 495 and process in the Development Agreement for periodic community involvement.

- 496 8.2. Referendum –City will fund the direct costs of undertaking the Referendum (i.e., printing ballots,
497 staffing voting locations, counting votes, etc.). Master Developer will work with other stakeholders to
498 organize and raise funding for the campaign for a vote in favor of the Project in the Referendum.
- 499 8.3. Public Components
- 500 8.3.1. Design Review – Master Developer shall comply with the City’s regulatory design review
501 process and shall be responsible for obtaining and securing all final non-appealable design
502 approvals for all components of the Project. In addition, the Master Developer and the City
503 shall mutually agree in the Development Agreement on a schedule and process that will
504 provide City, its professional staff, and its consultants (all acting in the City’s proprietary
505 capacity) with the opportunity to provide periodic input and approvals throughout the design
506 phase of all of the Project components. The final design shall be consistent with the Master
507 Plan to be approved by the City Commission. No material changes may be made to the
508 City-approved Master Plan without prior City approval.
- 509 8.3.2. Master Developer will work with City to determine the City’s preferred construction delivery
510 method for the Public Components. City has suggested that all Public Components will be
511 delivered by the Master Developer through a Guaranteed Maximum Price or a Design-Build
512 Agreement. Master Developer is prepared to do either option. The Public Component
513 Project Budget is the Master Developer’s best estimate of total Project costs at this
514 conceptual stage of design. Key elements of the process will include:
- 515 8.3.2.1. GMP Process – Following execution of the Development Agreement, Master
516 Developer and its design team (including, without limitation, its Lead Architect)
517 will work with the City and its advisors to assess options and determine the final
518 design and program specifications for the Public Components, based upon the
519 Master Plan to be approved by the City Commission. As part of its
520 responsibilities under the Development Agreement, Master Developer will
521 advance the design and engineering for the Public Components, coordinate the
522 pre-construction logistics and develop, bid, and ultimately present the GMP to
523 City for approval. Upon completion of the tasks described in the immediately
524 preceding sentence, City and Master Developer will enter into a guaranteed
525 maximum price (“GMP”). The GMP will provide the City, as a third party
526 beneficiary, with all necessary safeguards including, without limitation,
527 indemnification, and naming the City as additional insured and co-obligee on
528 the payment and performance bonds.
- 529 8.3.2.2. Pre-GMP Costs – Pursuant to the Development Agreement, Master Developer
530 will be reimbursed a fixed maximum of \$53 million for all pre-construction costs

531 (developer, design, construction manager, etc.) incurred prior to the execution
 532 of the GMP or the Design-Build Agreement. This amount assumes the
 533 Timeline for the development of the Public Components outlined below.

534 8.3.2.3. Maximum Fees – Fees within the Development Agreement will not exceed the
 535 following:

536 8.3.2.3.1. Master Developer – totaling \$18 million:

537 –Development Management Fee – 1.5% of project costs before
 538 financing, excluding the Development Management Fee itself,
 539 currently estimated to be \$9 million assuming the Timeline
 540 outlined below.

541 –Development Reimbursables – 1.5% of project costs before
 542 financing, currently estimated to be \$9 million assuming the
 543 Timeline outlined below

544 8.3.2.3.2. Construction Manager – 2.5% (\$11 million) of trade costs,
 545 phasing and escalation assuming the Timeline outlined below.
 546 Construction manager will be reimbursed for General Conditions
 547 in addition to the fee.

548 8.3.2.3.3. Lead Architect Fee (for all firms defined as “Lead Architects” –
 549 4.25% or \$20 million, assuming the Timeline outlined below. All
 550 other design consultants will be competitively bid.

551 All fees and bond costs are included in the Project budget and are provided for
 552 in the Project’s sources and uses.

553 8.3.2.4. Cost Savings – Any cost savings realized by development of the Public
 554 Components will be shared 50% to the City and 50% to the Master Developer.

555 8.3.3. City Construction Oversight – City will engage a third-party to monitor Master Developer’s
 556 progress and ensure the Project is delivered as agreed upon in the Design-Build
 557 Agreement. Included in the Center budget is an allowance for these costs of 1% of Project
 558 Costs.

559 8.3.4. Timeline – Exhibit 16 summarizes the targeted timeline for the development of the Public
 560 Components. The Public Component Project Budget assumes this timeline.

561 8.4. Private Components

562 Master Developer will design, build, finance, and operate (or arrange the operation of) the
 563 Private Components.

- 564 8.5. Future Development within District Site – The Lease Agreements for the Private Components will
565 provide Master Developer with the right to approve any future projects proposed within the District
566 Site that may have an impact on the Private Components.
- 567 8.6. Disadvantaged Business Contracting Goal – Master Developer will contract no less than 20% of the
568 trade cost value with businesses owned by small, local, minority, women and/or other disadvantaged
569 groups.
- 570 8.7. Convention Center Operations – Master Developer will work closely with the manager of the Center
571 to coordinate its construction work in a manner that will allow the Center to remain in operation
572 throughout the construction cycle. The Convention Center will continue to be operated and
573 managed by Global Spectrum, or its successors, as may be determine by the City in its sole
574 discretion.
- 575 8.8. City Cost Funding – Upon the later to occur of (a) the execution of the Development Agreement; or
576 (b) the passing of the referendum Master Developer will reimburse the City \$1,000,000 for consulting
577 and legal costs related to this transaction. In addition, the Development Agreement will include the
578 costs for City oversight of the Public Components delivery described in Section 8.3.3.
- 579 8.9. Proposal Costs – Any costs associated with preparing the Master Developer’s proposal will be a cost
580 of the Master Developer and will not be charged back to the City.
- 581 8.10. Room Block Agreement – Hotel Owner shall enter into a Room Block Agreement consistent with the
582 following key terms:
- 583 8.10.1. A City-wide Event is an event requiring a three-night stay with at least 1,500 guest rooms
584 on peak with at least 115,000 gross square feet of convention space.
- 585 8.10.2. Room Block
- 586 8.10.2.1. For City-wide Events that are to occur at least 30 months in the future, Hotel
587 Owner will make available for City-wide Events eighty percent (80%) of all
588 guest rooms (and associated suites, ballroom, meeting rooms, etc.) for up to 14
589 nights per calendar month subject to standard hotel booking patterns for peak
590 room blocks.
- 591 8.10.2.2. For City-wide Events that are to occur between 18 and 30 months in the future,
592 Hotel Owner will make available for City-wide Events eighty percent (80%) of all
593 guest rooms (and associated suites, ballroom, meeting rooms, etc.) if rooms
594 and space are available and will make available for City-wide Events eighty
595 percent (80%) of all guest rooms (and associated suites, ballroom, meeting
596 rooms, etc.) for one consecutive four-day period each month for City-wide
597 Events. The Hotel Owner will determine the four-day period.
- 598 8.10.3. Room Block Release

- 599 8.10.3.1. City/GMCVB will provide Hotel Owner a list of Known Release Dates on a
600 periodic basis (not less than semi-annual) listing all future dates the Center
601 cannot be utilized for City-wide Events dues to maintenance, move in/out
602 periods, or any other reason. Hotel Owner will be free to book 100% of the
603 rooms on any of these dates. If a Known Release Date is removed on a
604 subsequent list, the date(s) will fall back under this room block agreement
605 unless the Hotel Owner has already booked such dates(s) for in-house groups.
- 606 8.10.3.2. Hotel Owner can seek a release of rooms from City for in-house groups in the
607 30 months and out period, and such release will be given unless (i)
608 City/GMCVB is actively negotiating with another group for the period covered
609 by the request for release or (ii) City/GMCVB has historically booked the dates
610 covered by the request for release to a City-wide Event. If a release is given
611 and a subsequent City-wide Event desires to use the previously released dates,
612 Hotel Owner will use its best efforts to accommodate the needs of the proposed
613 City-wide Event.
- 614 8.10.4. Room Block Pricing
- 615 8.10.4.1. Hotel Owner shall submit its Initial Offer to participate in a City-wide Event room
616 block at a rate determined in Hotel Owner's sole discretion.
- 617 8.10.4.2. Hotel Owner shall submit each January 1 a Minimum Event Block Rate
618 Schedule and Special Event Block Rate Schedule for each day for the next five
619 years.
- 620 8.10.4.3. The Minimum Event Block Rate Schedule shall be 110% of Owner's good faith
621 forecast of the group room rates that will be included in the pro forma budget or
622 that are used in projections or forecasts by Owner in making its decisions, and
623 planning for, group bookings in the operation of the Hotel.
- 624 8.10.4.4. The Special Event Block Rate Schedule shall be 100% of Owner's good faith
625 forecast of the group room rates that will be included in the pro forma budget or
626 that are used in projections or forecasts by Owner in making its decisions, and
627 planning for, group bookings in the operation of the Hotel.
- 628 8.10.4.5. For up to 14 nights per calendar month, if prior to acceptance of the Initial Offer,
629 City reasonably and in good faith believes that it might be in the City's best
630 interest to compel the Hotel Owner to offer a City-wide Event an alternative rate
631 structure, City may elect to require the Hotel to offer a rate lower than the rate
632 in the Initial Offer, but in no event lower than the rate in the Minimum Event
633 Block Rate Schedule. If the City-wide Event occurs beyond the five-year
634 schedule, the Minimum Event Block Rate shall be determined using an usual

- 635 and customary industry inflation factor as reasonably agreed upon by Hotel
 636 Owner, Operator and City.
- 637 8.10.4.6. For up to six City-wide Events per year, if prior to acceptance of the Initial Offer
 638 City reasonably and in good faith believes that it might be in the City's best
 639 interest to compel the Hotel Owner to offer the City-wide Event an alternative
 640 rate structure, City may elect to require the Hotel to offer a rate lower than the
 641 rate in the Initial Offer, but in no event lower than the rate in the Special Event
 642 Block Rate Schedule. If the City-wide Event occurs beyond the five-year
 643 schedule, the Special Block Rate shall be determined using an usual and
 644 customary industry inflation factor as reasonably agreed upon by Owner,
 645 Operator and City. City-wide Events utilizing this clause count toward the
 646 maximum 14 nights per month subject to this room block commitment.
- 647 8.10.5. The Room Block Agreement will constitute a restriction against the Hotel Site, running with
 648 the land and binding on all successors in title, and shall be superior to all deed of trust liens
 649 against the Hotel Site.
- 650 8.10.6. Term shall continue until the earlier to occur of the following events: (i) the Convention
 651 Center is no longer designated by the City as its principal convention center, or (ii) the
 652 Convention Center is no longer operated and maintained in a manner consistent with other
 653 first-class convention centers.
- 654 8.11. Use and Access Agreement for Ballroom – Hotel Owner and City shall enter into a Ballroom Use and
 655 Access Agreement post-selection. This agreement will provide Hotel Owner with the non-exclusive
 656 ability to book the Center ballrooms and meeting space within a relatively short booking window on
 657 terms and conditions to be agreed upon with City.
- 658 8.12. Convention Center Booking Policy – It is recognized that the renovation/expansion of the Center and
 659 development of the Hotel is being done in an effort to increase the room night impact on the
 660 community. It is also recognized that the Center's and Hotel's success is dependent upon booking
 661 City-wide Events generating room nights. Therefore, City shall modify the Center Booking Policy, to
 662 minimize the impact of the non-room night generating events included in the definition of First Priority
 663 Events. While the Center will use its best efforts to accommodate these non-room night generating
 664 events, such events may need to move their dates if a City-wide Event can be booked. The modified
 665 Center Booking Policy will require approval of the Convention Center Advisory Board and the City
 666 Commission.
- 667 8.13. City Community Benefit Fund – In the event that the Master Developer leases the Theater from the
 668 City:
- 669 8.13.1. Ticket Surcharge – Master Developer agrees to continue to fund the City Community
 670 Benefit Fund by collecting a \$1.50 per ticket surcharge on ticketed public events at the

671 Theater. Collections will be deposited in the City's Community Benefit Fund and utilized for
 672 discounted ticket program for senior citizen and student residents of the City.

- 673 8.13.2. Resident Ticket Program – Master Developer agrees to continue to provide a resident ticket
 674 program, providing City residents priority access to up to 100 tickets per event. Master
 675 Developer will determine which events are available for this program and the resident
 676 purchasing the tickets will pay the full ticket price and any applicable surcharge or
 677 commissions.

678 9. Role of the City

- 679 9.1. Height – After the passing of the public referendum, City will agree to increase the height limitation
 680 for the development of the Hotel and the Residential development on the Site consistent with the
 681 Master Plan set forth on Exhibit 17, up to 195 feet for the Hotel and 120 feet for the Residential
 682 development.
- 683 9.2. Public Parking – City will operate and maintain the public parking in a manner consistent with other
 684 City parking garages. The parking garage over the loading docks and to the north of the Center is
 685 proposed to be joint use for the Hotel and the Center. Master Developer and City will agree on the
 686 terms and conditions governing the Hotel use of the garage and payment therefor.
- 687 9.3. Beach Access – Master Developer intends to provide beach access to its Hotel guests, whether by
 688 bidding for a concession on beachfront property where City is the upland owner or by negotiating
 689 with one of the private owners of beachfront upland property.
- 690 9.4. Public Art Requirement – After the passing of the public referendum, City will agree to reduce the
 691 requirement for investment in public art for the Public Components from 1.5% to 0.75% of
 692 construction costs. Given the magnitude of the Project, an investment in public art of 0.75% of
 693 construction costs will result in a sizable investment of \$3.2 million by the Project. In addition,
 694 Master Developer is proposing to invest \$6.9 million in the Cultural Amenity which brings an
 695 additional art element to the District Site and the City of Miami Beach.
- 696 9.5. City Cooperation – City will fully cooperate with efforts to (a) secure federal, state, and local
 697 economic incentives in support of the Master Plan, (b) expedite permitting required to develop the
 698 Master Plan, (c) process any required Planning, DRB, HP Board approvals related to the Master
 699 Plan, and (d) educate the Miami Beach electorate about the referendum. Nothing herein shall be
 700 construed to waive or limit the governmental authority of the City, as a political subdivision of the
 701 State of Florida, to regulate the Master Developer or the development of the Master Plan.

- 702
- 703 10. **Timeline** – Below is a summary of certain target milestones contained in the Timeline set forth on Exhibit
 704 16.

- 705 10.1. Referendum – November 2013

- 706 10.2. Development Agreement Execution (forms of Lease Agreement for each Private Component and of
707 the Room Block Agreement to be attached as exhibits to the Development Agreement) – January
708 2014
- 709 10.3. Convention Center
- 710 10.3.1. Design Start – January 2014
- 711 10.3.2. Construction Start – March 2015
- 712 10.3.3. Completion – February 2018
- 713 10.4. Private Components
- 714 10.4.1. Hotel Completion – August 2018
- 715 10.4.2. 17th Street Garage Completion – September 2015
- 716 10.4.3. Theater – Eight (8) months of construction. Scheduled to open with Hotel.
- 717 10.4.4. Cultural Building – Sixteen (16) months of construction. Scheduled to open with Hotel.
- 718 10.4.5. P-Lot Residential – Twenty (20) months of construction. Scheduled to open with Hotel.
- 719 10.5. Other Public Components
- 720 10.5.1. Community Center Building, North Park, and all North Park areas – December 2017.
- 721 10.5.2. Remaining Public Parks and open spaces (beyond North Park) – Scheduled to open at or
722 about Hotel opening.
- 723 **11. Termination**
- 724 11.1. Phase I Private Component Financing Completion Date – December 31, 2015 (subject to standard
725 extensions for force majeure events, material adverse changes and delays in the schedules set forth
726 in this LOI not attributable to Master Developer, among others).
- 727 11.2. Public Financing – December 31, 2015 (subject to standard extensions for force majeure events,
728 material adverse changes and delays in the schedules set forth in this LOI not attributable to Master
729 Developer, among others).
- 730 11.3. Financing Completion Date – In addition to such other termination provisions as may be negotiated
731 between the parties in the final agreements, City will have the right to terminate the Development
732 Agreement if private financing (and all Master Developer provided equity) for the Phase 1 Private
733 Components is not secured in a form reasonably acceptable to City by December 31, 2015 (subject
734 to standard extensions for force majeure events, material adverse changes and delays in the
735 schedules set forth in this LOI not attributable to Master Developer).

736 11.4. Hotel Construction Start Date – In addition to such other termination provisions as may be negotiated
 737 between the parties in the final agreements, City will have the right to terminate the Development
 738 Agreement if Base Case construction has not begun by December 31, 2015 (subject to standard
 739 extensions for force majeure events, material adverse changes and delays in the schedules set forth
 740 in this LOI not attributable to Master Developer, among others).

741

742 12. Miscellaneous

743 12.1. Governing Law – This LOI shall be governed by and construed in accordance with the laws of the
 744 state of Florida. This LOI sets forth the entire agreement between the parties in regard to the subject
 745 matter hereof and supersedes any and all prior agreements between the parties in regard to the
 746 subject matter hereof. The federal district courts for the State of Florida and the state district courts
 747 located in Miami-Dade County, Florida shall be the exclusive places of venue in regard to any
 748 dispute arising out of this LOI.

749 12.2. No Representations – Except as expressly set forth in the Development Agreement, neither party
 750 shall be deemed to have made any representations, warranties or guaranties to the other regarding
 751 the Project, including, without limitation, any future financial performance to be derived from
 752 investment in the Project.

753 12.3. Use of Estimates – All square footage, dollar and other figures included in this LOI represent the
 754 Project team's best estimates based on the conceptual designs shown and current market conditions
 755 and are subject to revision as the master plan evolves post-selection and changes in market
 756 conditions.

757 12.4. Tourism Economy Impact of Project – City has advised that the RFQ requirement to include an
 758 analysis of the impact of the proposal on the Miami Beach tourism economy is not required because
 759 City's consultant will conduct the economic impact analysis for both teams' proposals so that the
 760 analyses will have common assumptions.

761 12.5. LOI – The parties agree to sign this LOI promptly after City Commission approval.

762 12.6. Exclusivity – As a material inducement for the Master Developer to conduct due diligence with
 763 respect to the Project and to expend money negotiating the Development Agreement and the other
 764 Transaction Documents, City agrees that upon selection of the Master Developer pursuant to RFQ
 765 22-11/12 that the City will negotiate exclusively with the Master Developer with respect to the
 766 development of the Project.

767 12.7. Binding Provisions – This LOI is an expression of the parties' intent with regard to the Project. It is
 768 understood and agreed that this LOI will not, except as provided under the Exclusivity paragraph
 769 above, under any circumstances, whether at law or in equity, be or be deemed to be a binding

770 agreement, and that no such binding agreement between City and Master Developer shall exist
771 unless and until a mutually satisfactory Development Agreement is executed and delivered by both
772 Master Developer and City

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776 **[Remainder of Page Left Blank; see Following Page for Signatures]**

777

778 **SIGNATURES**

779

780 **SOUTH BEACH ACE, LLC**

781

782 By: _____

783 Name:

784 Title:

785

786 **CITY OF MIAMI BEACH**

787

788 By: _____

789 Name:

790 Title:

791

792