

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS**

WORKSHOP SUMMARY

Meeting Date: April 12, 2011

Department: Administration

I. EXECUTIVE BRIEF

Title: Staff recommends a motion to:

- A) **conceptually approve** a County subsidy in the amount of \$27 Million for the development of a 400 room Hilton Convention Center Hotel (Hotel) to The Related Companies, L.P. (Related);
- B) **direct** staff to begin negotiations with Related concerning the necessary Agreements to facilitate the development and operation of the Hotel; and
- C) approve a budget transfer of \$200,000 from the General Fund Contingency Reserves to fund specialty consultant and legal services.

Summary: On March 9, 2010, the Board of County Commissioners (Board) approved the Selection Committee's No. 1 ranking of Related for the development and operation of the Hotel and directed Staff to begin discussions with Related regarding the financing for the project. Staff along with Related has evaluated numerous financing options all of which yielded positives and negatives for both parties. The Proposal submitted by Related included a County subsidy of \$35 Million. Federal New Market Tax Credits (NMTC) have been identified as a viable option to reduce the County's subsidy by \$8 Million. There is no guarantee that NMTCs in this amount can be secured, however Related requires a commitment by the County to approach Community Development Entities for NMTC allocations. If the Board agrees to the subsidy, Staff is requesting direction to commence negotiations concerning the necessary Agreements to facilitate the development and operation of the Hotel including the Settlement Agreement with the City of West Palm Beach. Upon completion of negotiations, Staff will present the Agreements to the Board for consideration. It is estimated that this project will create over 360 construction jobs for approximately two (2) years and 300 permanent full-time jobs once the Hotel is operational. The net Annual Regional Economic Impact exceeds \$25 Million annually. **Countywide (JM) (HJF) (PK)**

Background and Policy Issues: Beginning on May 24, 2009, Staff advertised a Request for Qualification (RFQ) for the development of the Convention Center Hotel which established a submittal deadline of August 2, 2009. A Pre-Submittal meeting was held on June 12, 2009, with over 70 people in attendance. Over 135 individuals obtained a copy of the RFQ. The RFQ required each Respondent to identify the Hotel Development/Operations Team consisting of: the Lead Developer, Hotel Operator/Hotel Brand, Financial Consultant/Advisor, and the Construction Manager.

Attachments:

- 1. PowerPoint Handout
- 2. Budget Transfer Document

Approved by: _____

Sharon G. By
Assistant County Administrator

4-7-11
Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2011	2012	2013	2014	2015
Capital Expenditures	\$0	\$27,000,000	\$0	\$0	\$0
Operating Costs	200,000	0	0	0	0
Debt Service	0	2,242,690	2,243,910	2,243,100	2,239,900
External Revenues	0	(27,000,000)	0	0	0
Program Income (County)	0	0	0	0	0
In-Kind Match (County)	0	0	0	0	0
NET FISCAL IMPACT	\$200,000	\$2,242,690	\$2,343,910	\$2,243,100	\$2,239,900
No. Additional FTE Positions (Cumulative)	0	0	0	0	0
Is Item Included in Current Budget:	Yes	_____	_____	_____	No <u>X</u>
Budget Account No:					\$
Reporting Category:					

- B. Recommended Sources of Funds/Summary of Fiscal Impact:**
 The debt service will be funded by available non-ad valorem sources. However, the use of these funds will have a direct impact on ad valorem requirements.
- C. Departmental Fiscal Review:**

III. REVIEW COMMENTS

- A. OFMB Fiscal and/or Contract Dev. and Control Comments:**
If the tax credits are not secured, the debt service on \$35m will be approximately \$2.7m annually.
 [Signature] 4/8/11
 417/OFMB VA
- [Signature] 4/18/11
 Contract Dev. and Control
- B. Legal Sufficiency:**
 [Signature] 4/8/11
 Assistant County Attorney
- C. Other Department Review:**

 Department Director

**Palm Beach County Convention Center Hotel
Request for Board Direction**

**Palm Beach County
Board of County Commissioners**

**April 12, 2011
Workshop**





Timeline

- *March 3, 2010* – BCC Actions:
 - **Ratification of Selection Committee Recommendation for Related/Hilton Team**
 - **Direction to Evaluate Financing Options**
- *April 2010-Current* – **Financial Proforma/Funding Source Evaluations**
- *November 15, 2010* – **Final HVS Consulting and Valuation Report**
- *December 17, 2010* – **Extension of Federal New Market Tax Credit Program**
- *December 31, 2010* – **Expiration of ARRA Bond Programs**

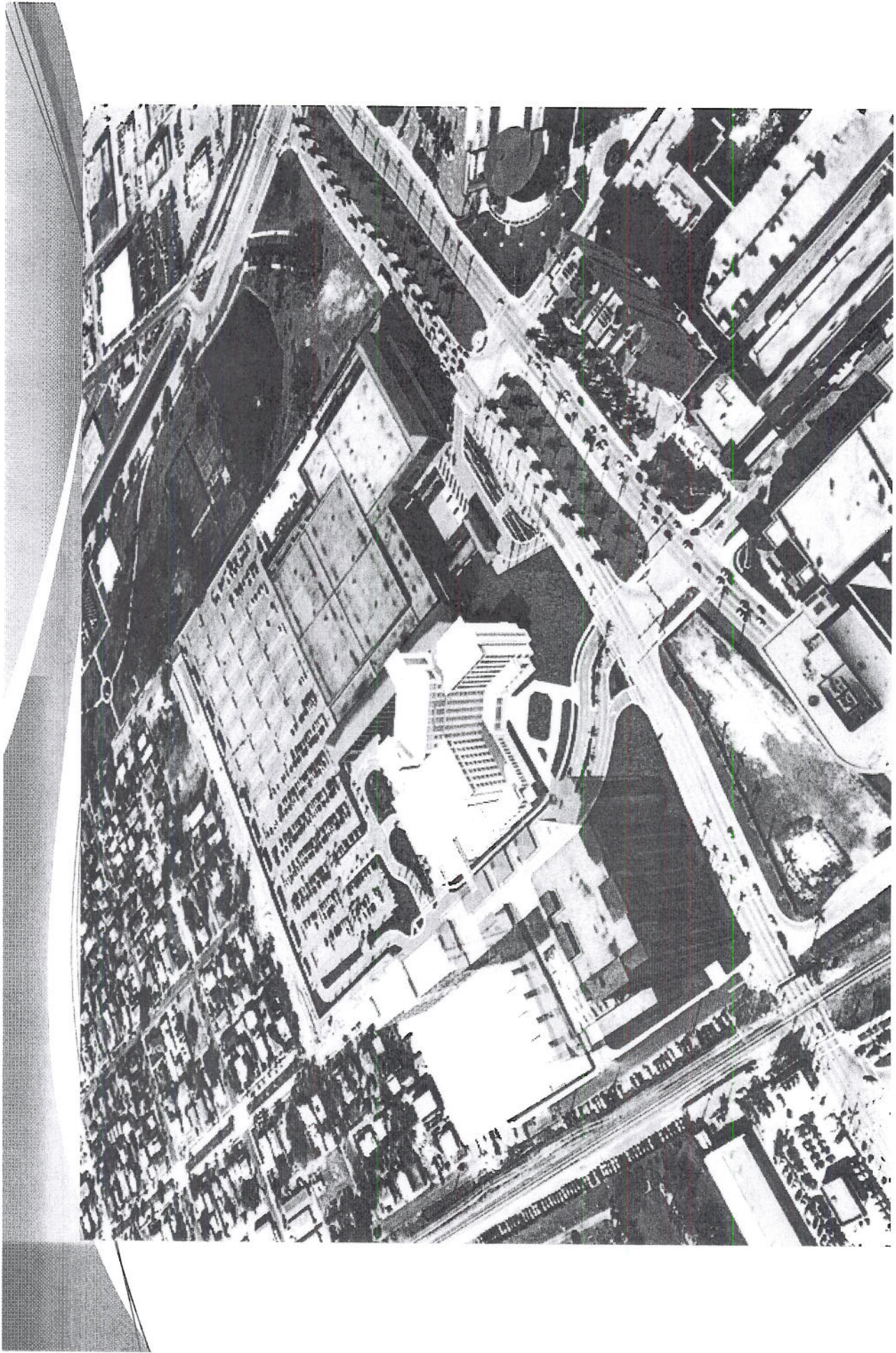


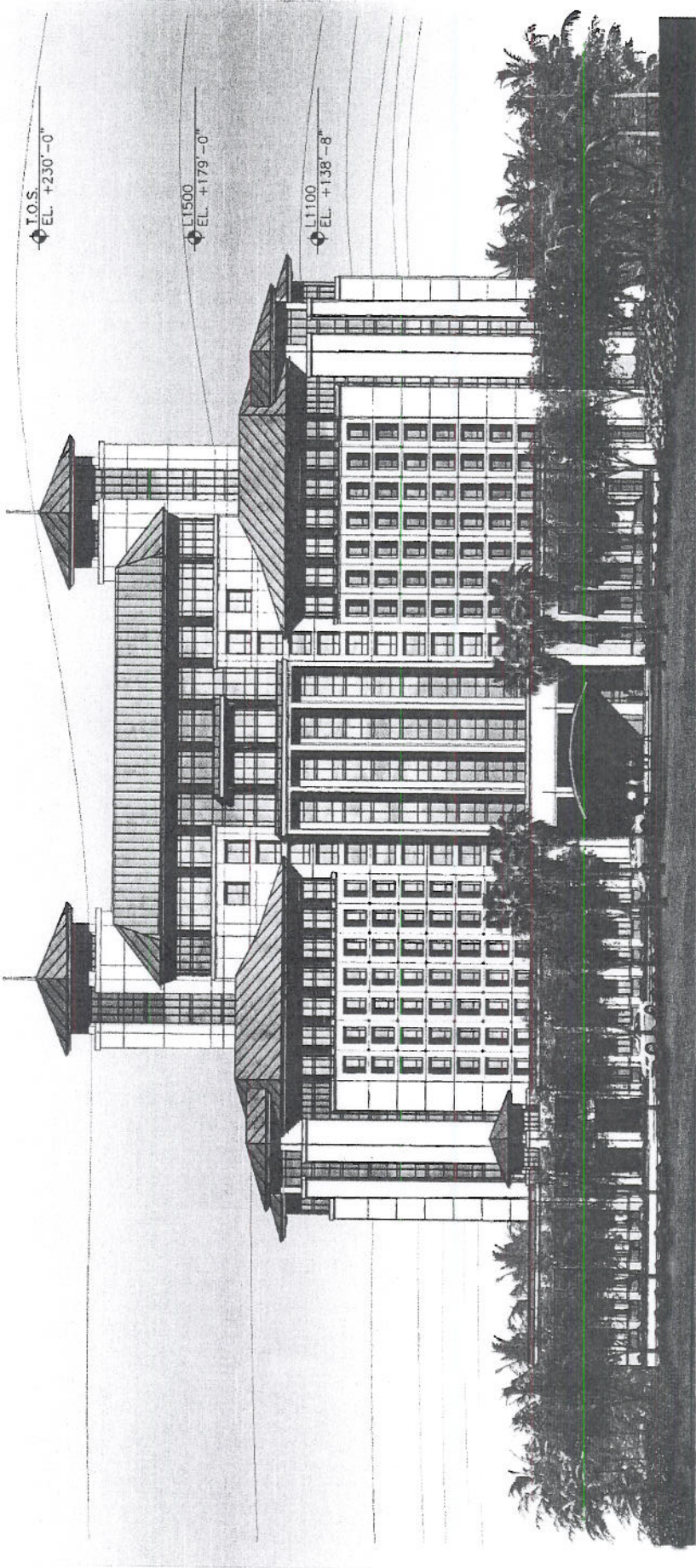
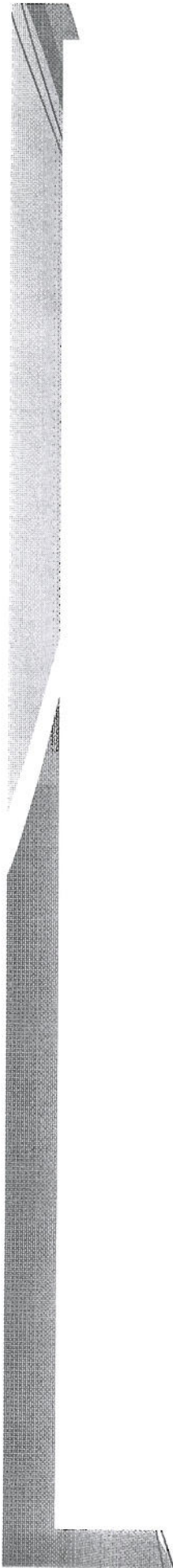


Project Overview

- *Related New York* is the Lead Entity/Project Developer
- *Hilton Hotels* is the Hotel Operator
- 400 Room First Class Convention Center Hotel
- Parking for Hotel on adjacent Non-County Owned Property
- Only Proposal to provide for the potential of an additional 400 Rooms







NORTHEAST ELEVATION



Major Changes from 2007 Agreement

- *Does not require the County to construct a new parking garage*
 - Previous Agreement required the County to pay \$41,000,000
- *Does not include condominium component*
 - Previous Agreement included 104 residential units
- *Increased Public Subsidy*
 - Previous Agreement required a \$21,000,000 subsidy





Economic Return

- 362 construction jobs
- 300 full time jobs
- Annual Personal Income = \$25 Million
- Annual Gross Regional Product = \$28 Million
- Potential elimination of annual \$1 Million operating deficit of the Convention Center





Related Financial Proposal

- *Proforma Components:*
 - **Related First Mortgage:** \$39,394,367
 - **Related Equity:** \$26,262,911
 - **County Subsidy:** \$35,000,000
 - Total:** \$100,657,278



Funding Sources/Strategies Evaluated to Reduce Public Subsidy

- **HUD/FHA Financing (Section 108 Funding)**
- **Recovery Zone Facility Bonds**
- **Recovery Zone Economic Development Bonds**
- **Build America Bonds**
- **EB-5 Visa Program**
- **Not-for-Profit Ownership (63-20 Corporation)**
- **Public Ownership**
- *Public-Private Partnership*
- *New Market Tax Credits*





Outside Expertise Utilized

- *Harris Beach*
 - National Tax Law expertise
 - New Market Tax Credit expertise
- *HVS Consulting & Valuation*
 - Premier hotel consulting and valuation firm
 - Performed an independent review of Hilton's financial projections for this project
 - Findings support Hilton's occupancy projections
- *Reznick Group*
 - National accounting group





Proposed Financial Proposal

- *Revised Proforma Components:*
 - **Related First Mortgage :** \$39,394,367
 - **Related Equity :** \$26,262,911
 - **New Market Tax Credits** \$ 8,000,000
 - **County Subsidy:** \$27,000,000
- **Total:** \$100,657,278



Projected Debt Service

- **Projected Annual Debt Service = \$2.2 Million**
- **Approximate Debt Service Reduction in 2015 of \$8.6 Million from FY 10-11 levels**
- **Approximate Debt Service Reduction in 2016 of \$25 Million from projected 2015 levels**
- **These projections do not incorporate the expansion of the jail which is currently on hold. Approximate debt service would be \$13 Million**





BCC Direction Required

- (1) Conceptually approve a
County Subsidy of \$27 Million**
- (2) Direct Staff to begin
Agreement negotiations**
- (3) Establish a budget of \$200,000
for outside consulting services**



BOARD OF COUNTY COMMISSIONERS
PALM BEACH COUNTY, FLORIDA
BUDGET TRANSFER

Fund 0001 - General Fund


ACCT.NUMBER	ACCOUNT NAME	ORIGINAL BUDGET	CURRENT BUDGET	INCREASE	DECREASE	ADJUSTED BUDGET	EXPENDED/ ENCUMBERED AS OF 4/6/2011	REMAINING BALANCE
<u>EXPENDITURES</u>								
0001-820-9900-9901	Contingency Reserves	19,361,579	19,361,579		200,000	19,161,579		19,161,579
0001-760-7608-3401	Other Contractual Services	0	50,000	200,000	0	250,000	5,000	245,000
Total Appropriations & Expenditures				<u>200,000</u>	<u>200,000</u>			

Attachment #

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Signatures & Dates

Office of Financial Management & Budget
INITIATING DEPARTMENT/DIVISION
Administration/Budget Department Approval
OFMB Department - Posted

 4/8/11

80 VA
4/7/11

By Board of County Commissioners
At Meeting of April 12th 2011

Deputy Clerk to the
Board of County Commissioners