

**PALM BEACH COUNTY  
BOARD OF COUNTY COMMISSIONERS**

**AGENDA ITEM SUMMARY**

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Meeting Date: July 24, 2012

Consent  
 Ordinance

Regular  
 Public Hearing

Department: Administration

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**I. EXECUTIVE BRIEF**

**Motion and Title:** Staff recommends conceptual approval: of the Terms and Conditions of the following agreements/documents for the development of a 400 room Convention Center Hotel subject to successful negotiations of a replacement agreement to the Settlement Agreement with the City of West Palm Beach: **(A)** Payment, Performance and Construction Guaranty (Guaranty), **(B)** Development Agreement, **(C)** Hotel Lease, **(D)** Hotel Room Block Agreement, and **(E)** Garage Easement (collectively the Agreements).

**Summary:** On April 12, 2011, the Board of County Commissioners (Board) conceptually approved 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) and directed staff to begin negotiations with Related concerning the necessary Agreements to facilitate the development and operation of the Hotel. The Agreements require the County to provide a \$27 Million subsidy, which will be required beginning no sooner than October 1, 2013, and will be distributed after Related has expended their \$20 Million in developer equity and proportionately with the funds borrowed from third party lenders. In the event the cost of the construction of the Hotel is less than the budgeted amount, then the developer and the County will share in any savings in the same proportion that the sum of developer's equity and the third party debt bears to the sum of the subsidy and New Market Tax Credits. The County will provide a guarantee limited to 40% of the senior debt to a maximum of \$20 Million, which guarantee shall expire no later than seven (7) years after the Hotel opening and contingent upon Related Companies, LP providing the mortgagee an unconditional, absolute, irrevocable, and continuing guarantee of payment and performance of the senior debt. Under the ownership arrangement, the County will own the Hotel and CityPlace Hotel, LLC will be the Lessee. The Property Appraiser has determined that that the Hotel and real property is owned by the County and will not be subject to real property ad valorem taxation. The Payment, Performance and Construction Guaranty requires Related to post a Letter of Credit or bond in the amount of \$5 Million at the time of execution of the Agreements as the required security for liquidated damages should construction not commence within 18 months. On March 15, 2005, the County, City of West Palm Beach (City), West Palm Beach Community Redevelopment Agency, City Place Retail, LLC, and City Place Partners entered into a Settlement Agreement to resolve litigation regarding the acquisition of the Convention Center Hotel site. The Settlement Agreement required the construction of 100 condominiums, which is no longer practical or economically feasible. The successful negotiation of a replacement agreement to the Settlement Agreement is required prior to the execution of the Agreements. Upon successful negotiation of a replacement agreement with the City, Staff will bring the Agreements back to the Board for final approval and execution. Attachment A highlights the key terms in each of the Agreements. Countywide (JM) (HJF)

**Background and Policy Issues:** (Continued on page three)

**Attachments:**

- A. [Agreements Highlights](#)
- B. [Payment, Performance, and Construction Guaranty](#)
- C. [Developer Agreement](#)
- D. [Hotel Lease](#)
- E. [Hotel Room Block Booking Agreement](#)
- F. [Hotel Garage Easement](#)
- G. [Economic Impact Report](#)
- H. [Market Study – Hilton Convention Center Hotel](#)

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Approved by: 

Assistant County Administrator

7-3-12  
Date

**II. FISCAL IMPACT ANALYSIS**

**A. Five Year Summary of Fiscal Impact:**

Fiscal Years	2012	2013	2014	2015	2016
Capital Expenditures	\$0	\$0	\$27,000,000	\$0	\$0
Operating Costs	0	0	0	0	0
Debt Service	0	0	2,242,690	2,243,910	2,243,100
External Revenues	0	0	(27,000,000)	0	0
Program Income (County)	0	0	0	0	0
In-Kind Match (County)	0	0	0	0	0
<b>NET FISCAL IMPACT</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,242,690</b>	<b>\$2,343,910</b>	<b>\$2,243,100</b>
No. Additional FTE Positions (Cumulative)	0	0	0	0	0
Is Item Included in Current Budget:	Yes			<input type="checkbox"/>	No
Budget Account No:			\$		
Reporting Category:					

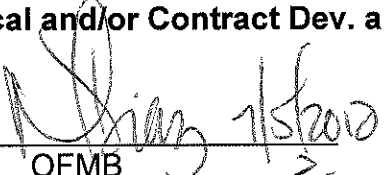
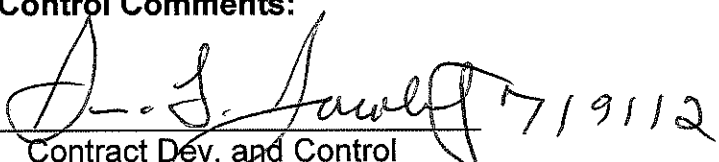
**B. Recommended Sources of Funds/Summary of Fiscal Impact:**

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:**

<p>                  _____                  OFMB</p>	<p>                  _____                  Contract Dev. and Control</p>
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**B. Legal Sufficiency:**

<p>                  _____                  Assistant County Attorney</p>	<p>At the time of COCS review, the documents were in draft form.</p>
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**C. Other Department Review:**

\_\_\_\_\_  
 Department Director

(THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT)

**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. 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.