5G-1

Agenda Item #:

# PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS AGENDA ITEM SUMMARY

Meeting Date:	Date: October 22, 2019	[ ] Consent [ ] Ordinance	[X] Regular [ ] Public Hearing	
Department:	Administration			

## I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve: postponing further consideration of the proposal dated October 15, 2019 by Related/City Place Hotel, LLC, for development of 250 hotel rooms to augment the number of rooms available for use by the Convention Center, until completion of the ongoing study of Convention Center operations.

Summary: Related developed the existing 400 room Hilton Convention Center Headquarters Hotel which opened for business in 2016. The County provided Related \$27M in ad valorem funding assistance, and also acquired 3.6 acres of land for the Hotel from the City for \$10M and leased the land and Hotel to Related under a 99 year ground lease. Since the Hotel opened, operating performance of the Convention Center has improved dramatically, and the Hotel has experienced a very high occupancy rate. Staff has had numerous discussions with Related regarding the need for additional hotel rooms, as Related operates the existing Hotel, owns 1.8 acres across the street in a logical location for development of an additional hotel and could deliver additional rooms most expeditiously. Staff would like to see 400-600 rooms developed, while Related believes that based on current Convention Center performance, market conditions and financing availability, the market will only support development of 250 rooms at this time. In response to those discussions, Related submitted the attached proposal to develop additional rooms on its 1.8 acre site using the same ground lease structure currently in place for the existing Hotel. Related is proposing to develop 250 hotel rooms at this time, with ability to develop an additional 250 rooms should market conditions permit. To develop the initial 250 rooms, Related is seeking financial assistance of \$6.25M upon obtaining building permits, and \$15M payable by the County over a 25 year period. Related would require comparable financial assistance to construct the second phase of 250 rooms. Bed taxes cannot be used to fund construction of a hotel, so any financial assistance provided to Related would have to be funded by ad valorem. Related has committed to seek to have the City contribute up to 25% of the County's financial assistance, however, it is staff's recommendation that the County not move forward with additional rooms unless and until the City agrees to financially contribute. Related is also requesting the County lease it 450 parking spaces within the existing Convention Center Garage at a rate to be determined. The construction cost of those spaces is approximately \$9M. Related is also requesting that the County release Related from its existing obligations to construct 650 parking spaces for the existing Hotel .Finally, Related is requiring that the County not allow a competing hotel to be developed for 5 years after completion of construction of the second phase, with no set timeframe for completion.

# **Continued on Page 3**

### Attachments:

1. Location Map

2. Proposal from Related

Recommended By:	V.C.11	10-21-18
	Department Director	Date
Approved By:	10Bake	10/21/19
	County Administrator	Date /

# II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fig.	scai impa	ct:			
Fiscal Years	2020	2021	2022	2023	2024
Capital Expenditures Operating Costs External Revenues Program Income (County) In-Kind Match (County					
NET FISCAL IMPACT					
# ADDITIONAL FTE POSITIONS (Cumulative)		<del></del>			
Is Item Included in Current Bu	dget:	Yes	N	To	
Does this item include the use o	f federal f	unds? Yes	N	To	
Budget Account No: Fund	P1	Dept rogram		nit	Object _
B. Recommended Sources of  No fiscal impact.	Funds/Su	mmary of Fisc	al Impact:		
Fixed Assets Number	W				
C. Departmental Fiscal Revie	ew:				
	III. <u>RE</u>	VIEW COMM	<u>ENTS</u>		
A. OFMB Fiscal and/or Cont	ract Deve	Contract De	Short	Sew of	esbowitz
B. Legal Sufficiency:  Assistant County Attorney	<u>-10/21/</u>	19			
C. Other Department Review	<b>/:</b>				
Department Director					

This summary is not to be used as a basis for payment.

G:\PREM\AGENDA\2019\10-22-19\CC Hotel Compare 10.18.19 (2)

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Summary Continued: The Tourist Development Council recently hired a consultant, Convention, Sports and Leisure International ("CSL") to evaluate existing Convention Center operations, and among other things, make recommendations on the number of hotel rooms required to support the existing Convention Center and future expansion, parking spaces required for the Convention Center, existing Hotel and additional rooms to be constructed, and the level of financial assistance required to support development of additional hotel rooms. CSL will also evaluate the potential to develop a new hotel on the existing Convention Center site. CVB has been contacted by several developers interested in developing a hotel on the Convention Center site. The ability to develop a new hotel on the Convention Center site would allow the County to issue a Request for Proposals and introduce a competitive element into these negotiations. Currently, staff has a limited basis for evaluating Related's proposal. The results of CSL's study will provide the County the more detailed information required to make an informed decision. The study may also facilitate the option to conduct a competitive RFP process. In addition, Related will be providing detailed financial information on its existing Hilton Hotel operations as required by the Hotel Lease, which will assist in evaluating Related's request for financial assistance. In light of the foregoing, Staff strongly recommends that any decision on Related's proposal be postponed until completion of CSL's study and receipt of Related's financial information. Administration/Countywide (HJF)

## **Background and Policy Issues:**

See attached Summary of Proposed Terms dated October 15, 2019 submitted by Related.



26.70635, -80.05147

# RELATED

Palm Beach County Convention Center Hotel Expansion Summary of Proposed Terms October 15, 2019

# STRICTLY CONFIDENTIAL

The following outlines the proposed terms and conditions upon which CityPlace Hotel, LLC, a Delaware Limited Liability Company, (the "Developer") is prepared to enter into negotiations with Palm Beach County (the "County") for the Developer to move forward with the development of an expansion / addition (the "Hotel") to the existing Hilton West Palm Beach (the "HWPB"), currently connected to the Palm Beach County Convention Center (the "PBCCC"), subject to the negotiation, documentation and approval of final definitive agreements (the "Definitive Agreements").

Hotel Name:

A TBD branded hotel.

Hotel Description:

The Hotel will consist of the following facilities and amenities, subject to further modifications and additions as determined by Developer:

- (a) Approximately 250 guest rooms in Phase I and will include the option to construct up to an additional 250 guest rooms in Phase II;
- (b) Phase I: Approximately 5,000 6,000 square feet of meeting space;
- (c) Phase I: a multi-purpose restaurant outlet; and
- (d) Phase I: fitness area and outdoor pool deck with pool bar.

Phase II Amentities: TBD.

#### Parking:

For Phase I, the Hotel shall provide approximately 80 spaces on-site for valet and guest parking. The Hotel developed in Phase I and the HWPB shall enter in a shared use parking agreement with the County for the utilization of parking spaces within the existing PBCCC parking garage at mutually acceptable terms as more fully defined within the Definitive Agreements. In aggregate, the Phase I of the Hotel and the HWPB shall require utilization of approximately 450 spaces in the PBCCC parking garage.

Such agreement shall be subject to review by the City of West Palm Beach (the "City") in order to satisfy any City parking requirements. Per the parking utilization study recently completed by the County, the County shall also agree to release any overflow parking requirements under the existing Development Agreement with the HWPB.

#### Room Block Agreement:

The terms of the existing room block agreement shall apply to the

#### Land Purchase:

Per the County request, the Developer shall enter into a definitive purchase and sale agreement for the land that is currently owned by Developer that is proposed to be utilized for Phase I of the proposed Hotel. The purchase price for Phase I shall be determined by an independent, 3<sup>rd</sup> party appraiser, to be mutually agreed upon by Developer and County. It is estimated that the current fair market value for the land for Phase I is approximately \$6.25 million. In the event that the Developer and County determine to move forward with Phase II, an additional consideration of \$30,000 per constructed guest room will be required. The sale of the property shall be non-binding until such time that a non-appealable building permit is issued by the City for any phase of the Hotel.

#### Ground Lease:

Simultaneous to closing on the Land Purchase, Developer and County shall enter into a 99-year ground lease upon similar to those agreed upon for the existing HWPB lease for those portions of the property that cover Phase I only. In the event that the Developer and County determine to move forward with Phase II, the balance of the property that is required to construct Phase II will be added to the ground lease under similar terms.

#### County Subsidy:

Per the County's request and to benefit the existing PBCCC, Developer is willing to take risk and commence construction of Phase I of the Hotel prior to the completion of any proposed expansion to the existing PBCCC. As an inducement for Developer to do so, the County agrees to include a subsidy in order to assist in minimizing the projected financial gap associated with the Hotel. The County shall provide the cash subsidy to the Developer, on an annual basis, upon the completion of the 1st year of operations of Phase I, in an amount equivalent to the actual amount of 'bed tax' collected each year, until the earlier occurs: (a) A period of 25-years or (b) the Net Present Value of such payments equals \$15 million. Such funds shall not be subject to annual appropriations and will be guaranteed to be paid by the County from general funds or other permitted sources. In order to support the future PBCCC expansion and drive future economic growth within Palm Beach County, Developer is willing to go 'at risk' on Phase I prior to any potential PBCCC expansion. The same County Subsidy would be available for Phase II, should it be constructed.

The Developer shall use best efforts to have the City contribute up to 25% of the proposed County Subsidy, on an annual basis.

# Hiring

Developer shall accept the same local, MBE and SBE hiring Requirements: requirements that were utilized for the construction of the HWPB.

PILOT Payment:

Developer and County agree to work with the City on a Payment in Lieu of Property Taxes schedule which would cap applicable property taxes payable at the 2019 amount, subject to CPI adjustments.

Additional Traffic

Considerations: Developer recognizes the need to continue to study future growth patterns in the City and will diligently work together with the County and City on any required traffic impact studies and will seek to develop traffic management strategies that seek to improve existing conditions and seek to mitigate potential future traffic impacts created by the proposed Hotel.

Future Hotel Development:

County will covenant that they will not include or develop any additional guest rooms as part of any planned PBCCC expansion until Phase II has been open for a minimum of 5-years.

It is also understood that the County and City are in discussions regarding the current approvals associated with the PBCCC expansion. All terms here-in are contingent upon asuccessfulresolution on this issue.

The proposed terms and conditions shall remain in effect from the date this proposal is countersigned by Developer until the earliest of: (a) the execution and delivery of the Definitive Agreements by the parties, (b) delivery of written notice by either party to the other party that such party elects to terminate negotiations, or (c) Novemebr 15, 2019 (the "Negotiation Period").

The terms of this proposal are personal to Developer and County. Developer and County shall keep strictly confidential the terms of this proposal and any subsequent negotiation thereof and will not make any disclosure of such terms or negotiation to any third party (except as required by law or on a need-to-know basis to its directors, officers or employees or to its legal and financial representatives, each of whom shall be subject to the same obligation of confidentiality). This paragraph shall survive the termination of this proposal.

This proposal shall be governed by the laws of the State of Florida. This paragraph shall survive the termination of this proposal.

The parties expressly acknowledge and agree that this proposal does not include all the material terms that would be included in the Definitive Agreements, and does not constitute a contract for the transaction described in this proposal. This proposal is intended to only express the interest and desires of the parties to negotiate and attempt to agree on and enter into the Definitive Agreements, subject generally to the terms contained herein. Neither party will rely on this proposal, or any further discussion or negotiations regarding the transaction as a commitment, offer or agreement by the other party to enter into such transaction. Unless and until the Definitive Agreements are executed, neither party, nor any of their respective affiliates, is under any obligation, express or implied, to propose or complete any transaction or to negotiate in good faith toward a binding contract, and any such party may at any time and for any or no reason determine not to proceed with further consideration of any such transaction by sending written notice to the other party of its election to terminate negotiations. Except for the paragraphs which specifically indicate their survival following the termination of this proposal, which each shall be binding on the parties, this proposal does not otherwise create any legally binding obligations on the parties.

We look forward to working with you on this transaction.

Developer

CityPlace Hotel LLC

By:

Gopal Rajegowda

Vice President

By:

Name:

Title:
Date: