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Meeting Minutes

Tuesday, November 16, 2021

11:30 AM

Bahia Mar

City Commission Chambers

100 North Andrews Avenue, Fort Lauderdale, FL 33301

CITY COMMISSION WORKSHOP

FORT LAUDERDALE CITY COMMISSION

DEAN J. TRANTALIS Mayor

HEATHER MORAITIS Vice Mayor - Commissioner - District I

STEVEN GLASSMAN Commissioner - District II

ROBERT L. McKINZIE Commissioner - District III

BEN SORENSEN Commissioner - District IV

CHRIS LAGERBLOOM, City Manager

JOHN HERBST, City Auditor

JEFFREY A. MODARELLI, City Clerk

ALAIN E. BOILEAU, City Attorney

CALL TO ORDER

Mayor Trantalis called the meeting to order at 11:38 a.m.

QUORUM ESTABLISHED

Commission Members Present: Vice Mayor Heather Moraitis (participated via communications technology), Commissioner Steven Glassman, Commissioner Robert L. McKinzie, Commissioner Ben Sorensen and Mayor Dean J. Trantalis

Also Present: City Manager Chris Lagerbloom, City Clerk Jeffrey A. Modarelli, City Attorney Alain E. Boileau and City Auditor John Herbst

MEETING ANNOUNCEMENTS

Mayor Trantalis announced details regarding the meeting format, including how members of the public can view and participate.

CONFERENCE REPORTS

CF-1 [21-0929](#) Bahia Mar Discussion - (Commission District 2)

Mayor Trantalis explained the purpose of this Workshop is to continue Bahia Mar *Project (Project)* development discussions and update the public on his individual negotiations and Commissioner Glassman's negotiations with representatives of the tenant, Rahn Bahia Mar (*Tenant*).

Mayor Trantalis recognized Robert Lochrie, Esq., Lochrie and Chakas, P.A., on behalf of the Tenant. Mr. Lochrie announced the attendance of co-counsel John Milledge, Esq., and *Tenant* representatives.

Mr. Lochrie provided a review of the process to date regarding the proposed *Project* and the 2017 Bahia Mar Site Plan approved by a previous Commission (*Initial Site Plan*).

Earlier this year, the *Tenant* presented the Commission with a proposal to extend the existing ground lease and a revised *Project* site plan. Today's presentation incorporates additional *Project* site plan modifications (*Modified Site Plan*) based on Commission input. The *Modified Site Plan* includes a reduction in the number of residential units, overall buildings, building height on the north finger of the property,

the number of commercial uses on the property, increases to open space and park areas, expanding the number of hotel units, ensuring they are luxury-branded and incorporating the luxury-branded resort lifestyle into the entire *Project*. Additionally, the Commission requested the Tenants meet with representatives of the *Boat Show* to ensure the *Boat Show's* needs were met and present *Project* financial information to the Commission. The *Initial Site Plan* included two hundred thirty-seven (237) boat slips that will remain in the *Modified Site Plan*.

The previous site plan included six hundred and fifty-one (651) residential units and two hundred fifty-six (256) hotel rooms. The *Modified Site Plan* consists of three hundred fifty (350) residential units in a mixed-use building, two hundred fifty-six (256) hotel rooms, and sixty (60) hotel residences, all to be managed by a luxury-brand hotel brand. The luxury-brand resort lifestyle would be utilized throughout the entire *Project*.

The previous site plan included commercial square footage of approximately one hundred and fifty-one thousand (151,000) square feet. The *Modified Site Plan* has seventy-three thousand eight hundred (73,800) square feet of commercial square footage.

The previous site plan consisted of four-point seven (4.7) acres of open park space area within the overall *Project*. The *Modified Site Plan* includes six-point one-four (6.14) acres of open park space. The total amount of open space in the *Modified Site Plan* is over seven (7) acres.

Mr. Lochrie expounded on stakeholder discussions with EDSA, the *Boat Show* and the Tenant, resulting in additional updates to the *Modified Site Plan* addressing the *Boat Show*.

Mr. Lochrie narrated a slide presentation illustrating the proposed *Modified Site Plan*.

A copy has been made part of the backup to this Agenda item.

Mr. Lochrie said, at the request of Commissioner Glassman, the *Modified Site Plan* allows the *Boat Show* to maintain its central entrance and tent locations. He reviewed additional details of the *Modified Site Plan*, impacting the *Boat Show*.

In response to Mayor Trantalis' question, Mr. Lochrie explained details of adjacent buildings. Space adjacent to those buildings is part of the *Project*.

Mr. Lochrie commented on advantages of an extended ground lease.

Mr. Milledge continued narrating the presentation illustrating the *Modified Site Plan's* revenue streams.

In response to Mayor Trantalis' question regarding annual transfer fees, Mr. Milledge confirmed approximately one-quarter of one percent (.25%) of resold units.

In response to Mayor Trantalis' questions, Mr. Milledge confirmed that Initial Residential Sales Participation Fees (RSPF) represent the City's revenue percentage based on residential condominium sales. Should there be one hundred percent (100%) sales over that period, the City will receive \$35,770,000.

In response to Commissioner Sorensen's question regarding the period of time, Mayor Trantalis explained the amount of time that would be the time required to sell all units.

Mayor Trantalis recognized Ken Tate on behalf of the Tenant. Mr. Tate explained details related to the RSPF shown in the presentation represent the revenue stream to the City from initial luxury residential condominium sales. Two percent (2%) of each initial unit sale of the luxury-branded residences plus one half of one percent (.5%) for every future resale of those residential units. Two percent (2%) goes to the City and an additional quarter of one percent (.25%) into a Community Trust Fund based upon a valuation of fifteen hundred dollars (\$1,500) per square foot. This is based on two percent (2%) of the first twelve hundred dollars (\$1,200) per square foot with an increase above the two percent (2%) for anything over twelve hundred dollars (\$1,200) per square foot.

Transfer Fees listed in the presentation are revenue from resale of residential condominiums. Three-quarters of half of the one percent (.5%) Transfer Fee would go to the City, and the remaining one-quarter goes to a Community Trust Fund to serve community needs. An annual transfer rate of seven point five percent (7.5%) is estimated.

In response to Mayor Trantalis' questions regarding the *Project* construction timeline, Mr. Tate explained he envisions building two (2) buildings at a time. Should current market conditions continue, development is anticipated to occur over three (3) to five (5) years.

Mr. Milledge reviewed details of the proposed Community Trust Fund and its intended use for operational costs for programs administered by

a Community Foundation or the United Way. The City would be the donor and would make recommendations to the Community Foundation or the United Way. Commission could enact a Community Trust Fund Advisory Committee and the Commission would control donations.

In response to Mayor Trantalis' question regarding calculations listed in the presentation, Mr. Tate explained they are based on stabilization. A seven percent point five (7.5%) annual rate is anticipated for resale of condominium units.

In response to Commissioner Sorensen's questions, Mr. Tate explained the concept of hotel residences is fee simple ownership of super-sized hotel rooms that includes the use of all hotel amenities with owners specifying dates of use. When not in use, they go into the hotel rental pool. Under this proposal, the City would receive two percent (2%) of the initial sale of the four hundred ten (410) units.

Mr. Milledge explained details related to annual transfer fees funding the Community Trust Fund estimated at approximately \$150,000 per year.

Mr. Milledge reviewed highlights from the *Washington Economics Group's Economic Impact Study*, outlining positive economic benefits of the *Project* to the City and the County during and after construction. He urged the Commission to move forward with consideration of the *Project*.

Mr. Tate clarified property taxes listed in the presentation represent twenty percent (20%), the City's portion.

Mr. Tate explained the concept of a Community Trust Fund to fund operational expenses of programs benefiting community needs and cited examples. The City would appoint a Community Trust Fund Advisory Board to make funding recommendations to a Community Foundation or the United Way.

Mr. Lochrie concluded presentation comments and requested Commission direction.

Mayor Trantalis provided an update of his meetings with the *Tenant* and *INFORMA PLC*, owners of the *Boat Show*, to ensure the *Boat Show* remains for the duration of its thirty (30) year lease.

Mayor Trantalis requested City Auditor John Herbst provide an update of discussions regarding compensation to the City. City Auditor Herbst explained two (2) approaches: 1) as presented by the applicant, base

rent and City participation in the development and ongoing property revenues; and 2) as landlord, receiving flat rent based on parcel value not including better revenue streams. After working with Colliers International, the City's real appraised property values were developed.

Colliers estimates the parcel value at \$180,000,000, and with a six percent (6%) to seven percent (7%) cap rate, annual rent based on existing zoning would be approximately \$10,000,000 - \$12,000,000. City Attorney Herbst noted challenges related to this valuation, i.e., a clean site available for development based on existing zoning with no encumbrances versus current circumstances.

An alternative valuation is the net present value based on future cash flows under the existing lease, which looks at the current rental revenue. Should nothing happen with the site, i.e., no further development, the current rental rate is \$1,700,000. When extended out for the life of the lease and then discounted back at an appropriate interest rate, the value of the leasehold is substantially lower.

City Auditor Herbst said actual value is likely between these two valuations. Since the site will not remain in its existing condition and will be redeveloped to its highest and best use, the challenge is determining a fair value for the land using the top-line number of \$182,000,000.

In response to Commissioner Glassman's question regarding the impact of lease encumbrances on the parcel appraisal with no development, City Auditor Herbst said the amount would be approximately \$30,000,000 - \$40,000,000. Further comment and discussion ensued on the parcel's appraised value based upon different scenarios, including what is currently being proposed by the *Tenant*.

Commissioner Glassman explained his individual discussions with stakeholders and expounded on his viewpoint. He noted concerns in prior *Project* presentation discussions related to condominiums. Commissioner Glassman discussed apprehensions regarding the ability of condominium associations to negatively impact the *Boat Show*, i.e., their ability to modify condominium documents. Commissioner Glassman requested input from City Attorney Boileau to address this concern.

Commissioner Glassman remarked on his opposition to the approved 2017 *Initial Site Plan* and noted the *Modified Site Plan* was heading in the right direction, citing examples that benefit the *Boat Show*, the immediate area and the entire City.

City Attorney Boileau explained at the July 2021 meeting a request was made to the *Tenant* to provide a Master Declaration governing the relationship between all parties. The Master Declaration draft contains strong language protecting the *Boat Show*. Any residences sold would waive any rights or legal objections to the *Boat Show*. This language will be in every related document and provides full notice to anyone purchasing *Project* property. Every property owner on the *Project* would have an inferior interest with regard to the *Boat Show*.

Commissioner Glassman pointed out the purpose of Bahia Mar cited in documents as a high economic driver for the City. He commented on input related to taxes, income and future value. Further comment and discussion ensued.

Commissioner Glassman remarked on compensation to the City and his favoring a formula realizing the site's future potential value.

Mayor Trantalis clarified his viewpoint regarding taxes included in the presentation as part of City compensation. The City would receive taxes in any compensation scenario as it functions in dual roles as both landlord and governing agency.

Commissioner Glassman discussed concerns related to condominiums and remarked the *Modified Site Plan* provides a public purpose, i.e., improved open space areas and amenities for public enjoyment.

Commissioner Glassman explained his viewpoint regarding the impact of the *Project* on traffic infrastructure and cited an example of another major project on the barrier island with little impact on traffic due to these types of residences being second, third or fourth homes versus permanent homes.

Commissioner Glassman said he did not support selling any portion of the parcel and noted the need to move forward prudently.

Vice Mayor Moraitis discussed her viewpoint and noted the numerous concessions and Commission requests negotiated with the *Tenant*. She cited examples included in the presentation towards ensuring Bahia Mar is a world-class marina.

In response to Vice Mayor Moraitis' question, Mr. Lochrie said the *Modified Site Plan* includes eight (8) buildings.

Vice Mayor Moraitis confirmed the need to renegotiate City

compensation and concurred with Commissioner Glassman's recommendation that the lease compensation include base rent and a percentage split of revenue streams.

Vice Mayor Moraitis remarked on public/private partnerships (P3s) located on public land, including the *International Swimming Hall of Fame (ISHOF)*, where the City is a financial participant but will not receive revenue from the east and west portions.

Mayor Trantalis commented on the unsolicited P3 proposal for the One Stop Shop and said annual rent proposed for two (2) acres at the One Stop Shop is \$1,000,000.

In response to Vice Mayor Moraitis' question regarding setting aside revenue from the sale of City land for the Affordable Housing Trust Fund, City Manager Lagerbloom said this is done for certain City properties and would research policy and provide an update. Usually, proceeds from City-owned property go into the General Fund.

Vice Mayor Moraitis commented on the need to address Affordable Housing and her support of the presentation's proposal for a percentage of *Project* revenue.

Vice Mayor Moraitis confirmed her readiness to move forward. She commented that the concession regarding condominiums is to fund public amenities requested on the Project.

In response to Vice Mayor Moraitis' questions regarding further opportunities for public input, Mayor Trantalis confirmed the scheduling of an additional Workshop to allow public input.

City Attorney Boileau said the public would have an opportunity to provide comments when various documents, i.e., leases and other items, are presented to the Commission. Further comment and discussion ensued on the process, the purpose of this Workshop and the public's ability to provide input.

Commissioner Glassman commented on the need for consistency going forward regarding the process related to public input during Commission Workshops. Mayor Trantalis confirmed public input would be allowed during a Workshop.

Vice Mayor Moraitis recommended providing additional information in Agenda backup, informing the public about what is being considered and providing an understanding of goals.

In response to Vice Mayor Moraitis' question, City Attorney Boileau explained the need for direction moving forward regarding a business model. Vice Mayor Moraitis reiterated she supports the base rent with a split revenue business model.

Commissioner Glassman requested clear direction to the City Manager and City Attorney at the conclusion of this Workshop to move to the next step.

Mayor Trantalis discussed the need to determine rental value of the site and commented on the Tenant's viewpoint regarding the impact of existing entitlements reducing rental value. He reviewed earlier input from City Auditor Herbst and Colliers.

Commissioner Glassman noted the importance of determining the appropriate amount of base rent.

In response to Commissioner Glassman's questions regarding an appropriate percentage of the valuation of the site, Ken Krasnow, Colliers, commented on details associated with making this determination. A valuation would be based on an analysis of what is currently being proposed. Further comment and discussion ensued.

In response to Commissioner Sorensen's questions, Mayor Trantalis explained details associated with the lease and encumbrances, i.e., *Tenant* entitlements approved by a previous Commission. City Attorney Boileau confirmed.

Commissioner Sorensen explained his perspective regarding the *Project* applicant and the *Tenant* being the same entity and questioned this aspect diminishing the parcel's value.

City Attorney Boileau said limitations in the approved *Initial Site Plan* include the Tenant's request for a lease extension due to the condominium component in the *Modified Site Plan* and noted other aspects.

Mayor Trantalis said Commissioner Sorensen's point was valid and commented on determining whether existing entitlements reduce the parcel's value.

City Attorney Boileau commented on his understanding of the current valuation based upon the current use and limitations.

Commissioner Sorensen suggested working with the *Tenant* to remove the current encumbrance to allow the City to receive the greatest return on this public property.

City Auditor Herbst provided an alternative perspective regarding different values for this asset, i.e., purchasing the current leasehold interest in the property for use as a park versus a developer's fully built out condominium Project.

Commissioner Sorensen discussed the opportunity to cancel the lease and consider all possibilities.

City Auditor Herbst reviewed the four (4) values, based on the entity controlling the site and use: 1) the property as based upon the net present value and future cash flows (bottom line number); 2) value of the site with the currently approved *Initial Site Plan* with no lease extension; 3) value of the site based on it being development ready for its highest and best use in the marketplace; and 4) the value based on the developer's Modified Site Plan.

In response to Commissioner McKinzie's question regarding termination of the lease, Commissioner Sorensen clarified his proposal to terminate lease would be agreed to by both parties. Further comment and discussion ensued. City Attorney Boileau confirmed that was possible and noted a cost involved. Mayor Trantalis said this was offered but was declined.

In response to Commissioner McKinzie's question regarding the Charter allowing the designation of the land as a park, City Attorney said land use needs to adhere to what is designated in the existing lease, i.e., a world-class marina. A component could include a park. Commissioner Sorensen noted development could include both a world-class marina and park.

City Attorney Boileau clarified the Charter deals with limitations related to the duration of the lease. Should the City buy out the lease, the land could be made a park.

Commissioner Sorensen commented on his perspective and concerns regarding the best use of this public land for condominiums. He confirmed ongoing concerns regarding the *Boat Show* and requested feedback from *Boat Show* representatives.

In response to Commissioner Sorensen's inquiry about the valuation of

rent for the *One Stop Shop*, City Manager Lagerbloom said related negotiations are ongoing.

In response to Mayor Trantalis' question regarding rent received from *ISHOF*, City Manager Lagerbloom said negotiations are ongoing. Rent would be included in a comprehensive agreement. Currently, there is an Interim Agreement for development prior to a comprehensive agreement. City Manager Lagerbloom confirmed that *ISHOF* is a non-profit organization. Mayor Trantalis noted different considerations of rental amounts for non-profit organizations. Vice Mayor Moraitis commented on the ability of many to be a non-profit organization, which does not pay property taxes. She confirmed her understanding that the City is contributing financially to the *ISHOF* P3 but is not receiving compensation.

Phil Purcell, Marine Industries Association of South Florida, expounded on the *Boat Show's* positive financial, economic impact and related logistical efforts. Bahia Mar is one of the most valuable marinas anywhere. He requested the *Boat Show* become tenants of the City, allowing the *Boat Show* to continue to its growth and explaining related details.

In response to Commissioner Sorensen's question regarding rent paid to the *Tenant* during the *Boat Show*, Mr. Purcell said \$6,300,000 in rent was paid and increases and has escalation clauses. Mr. Purcell explained the importance of the *Boat Show* to the community and the marine industry.

In response to Commissioner Sorensen's question regarding the current site working for the *Boat Show*, Mr. Purcell confirmed the *Boat Show's* agreement with needed improvements. He reiterated his request for the *Boat Show* to be tenants to the City, not to a developer or an association, and expounded on the reasoning.

Andrew Doole, INFORMA PLC, said the *Modified Site Plan* works for the *Boat Show*. He commented that work with Keith meeting *Boat Show* needs were included in the *Modified Site Plan*. Mr. Doole explained concerns related to noise ordinances associated with condominium associations, similar to those experienced in the City of Palm Beach.

Mr. Doole confirmed implementation of the *Modified Site Plan* will have an annual \$2,000,000 negative impact on *Boat Show* revenue due to reduced space, an approximate ten percent (10%) decline in revenue.

In response to Commissioner Glassman's question, Mr. Doole confirmed that *Boat Show* revenue would be reduced if the *Initial Site Plan* were implemented.

In response to Commissioner Sorensen's question, Mr. Doole confirmed the rent paid by the *Boat Show* is \$6,300,000 for four (4) weeks.

Mayor Trantalis said a six percent (6%) return on \$180,000,000 is \$10,800,000. Commissioner Sorensen emphasized the need to negotiate improved compensation with the *Tenant* and taxes should not be included in the revenue assessment.

In response to Commissioner Sorensen's question regarding the *Boat Show* leasing directly from the City, City Attorney Boileau said he would review and advise.

Mayor Trantalis said he was unaware the *Modified Site Plan* would diminish the *Boat Show*. Mr. Doole confirmed that overall, there would be less space available and said there is not another location available in the City to recover the income and cited examples.

In response to Commissioner Sorensen's question, Mr. Doole confirmed a ten percent (10%) loss in *Boat Show* revenue.

In response to Commissioner Glassman's question regarding the *Boat Show's* lease with the *Tenant* designating specific space, Mr. Doole explained his understanding it is not delineated in the lease with the *Tenant* but is outlined in an Exhibit.

Commissioner Glassman explained his understanding that *Boat Show* space needs had been met and was unaware of diminished *Boat Show* space and revenue loss.

Mr. Purcell commented these are living documents, and recent calculations were done following previous meetings. Mr. Doole explained INFORMA PLC's agreement to the *Modified Site Plan* was a compromise to achieve a better solution than the one before. Further comment and discussion ensued.

Commissioner McKinzie commented on his understanding and perspective regarding negotiations and expounded on his perspective. Further comment and discussion ensued.

Mayor Trantalis emphasized the importance of meeting needs of the

Boat Show and confirmed the need to adequately provide for the *Boat Show* due to its economic benefits to all stakeholders and cited examples. He commented on his understanding of a compromise agreement that would work for the *Boat Show*. Mayor Trantalis reiterated he was unaware of diminished *Boat Show* space at the Bahia Mar site. Further comment and discussion ensued.

Mr. Purcell commented on the impact of *Boat Show* representatives not being allowed to openly address stakeholders regarding aspects impacting the *Boat Show* not covered in the Modified Site Plan. He reiterated the request to lease directly from the City.

Robert Correa, INFORMA PLC Vice President of Logistics, Mr. Correa confirmed the *Modified Site Plan* agreed to by INFORMA PLC diminishes *Boat Show* space to make it work. Further comment and discussion ensued.

Commissioner Glassman expounded on his understanding during meetings with stakeholders and reiterated he was not made aware of diminished *Boat Show* space, citing examples.

Commissioner Sorensen recommended all parties be allowed open discussion on this topic. Further comment ensued on this topic.

City Attorney Boileau said he had not received a copy of the lease agreement between the *Tenant* and the *Boat Show*.

James Tate on behalf of the *Tenant* clarified the previous lease acquired by the *Tenant* contained the prohibition regarding the *Boat Show's* ability to communicate. Since the 2017 lease, the *Boat Show* has been allowed to speak in public forums where the *Tenant* is present, and the *Boat Show* can also talk in private meetings with the *Tenant* present. Further comment and discussion ensued.

In response to Commissioner Glassman's questions regarding *Boat Show* space, Mr. Tate said the lease states the *Tenant* must provide no less than 100,000 square feet of net leasable space during the development phase and no less than 125,000 square feet of net leasable space once fully developed. Currently, there are 154,000 square feet of climate-controlled space, approximately 47,500 square feet of regular tent space and 7.32 acres of open space for food courts and open entertainment areas along the waterfront.

In response to Commissioner Glassman's questions regarding what was

provided during the recent *Boat Show*, Mr. Tate reiterated no less than 125,000 square feet. The conceptual design of the *Modified Site Plan* is 200,000 square feet of tent space.

Mr. Purcell read a section of the *Boat Show's* current lease restricting its representatives' ability to communicate with the City.

In response to Mayor Trantalis' question, Mr. Doole said the *Modified Site Plan* is twenty-six percent (26%) less space than what is currently available. Further comment and discussion ensued.

In response to Commissioner Glassman's question regarding the delta, Mr. Doole explained the reduction is in the land and booth portion of space, not the in-water area.

Commissioner Sorensen confirmed the need for a copy of the existing lease.

Mayor Trantalis recapped today's discussions that included new details. He recommended returning to discussions with the parties.

Mayor Trantalis concurred with Commissioner Sorensen's remarks regarding the need to appropriately value the property to determine a formula allowing suitable compensation to the City. Further comment and discussion ensued.

Mayor Trantalis confirmed the need to schedule another Commission Workshop to continue these discussions. Further comment and discussion ensued regarding scheduling. Mayor Trantalis confirmed the continuation of this Workshop on Bahia Mar at 1:30 p.m. on Monday, November 29, 2021.

ADJOURNMENT

Mayor Trantalis adjourned the meeting to order at 1:36 p.m.