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Convention Center Hotel and Expansion Update

December 2014

Workshop Objectives



- Provide the Board with a Project Update
- Project Financing
- Role of Tourist Development Taxes in support of the project
- Review of the Proposed Solicitation Process
- Sneak preview of website

Accomplishments



Accomplishments

- County Taskforce – Regular meetings have been held to address the procurement process, review the Master Plan and to provide progress updates to all team members
- Economic and Fiscal Impact Analysis – HVS Convention, Sports & Entertainment presented the results of its Economic and Fiscal Impact Analysis to the Board and staff, including new spending, job creation and resulting tax revenues possible from a Broward County Convention Center expansion
- Site Review – Staff analyzed the site's restrictions such as easements, common-use agreements and others to mitigate unknowns involved with a project of this complexity

Accomplishments *cont.*

- Stakeholder Meetings – Conducted multiple Stakeholder Meetings, including with City of Fort Lauderdale, to gain input and create dialog with relevant parties
- Financial Model – PRAG has developed financial models that staff will utilize to evaluate and illustrate key financial terms of the main development models as they are proposed by potential developers
- Final Master Plan – HKS Architects presented several concepts to the Board and staff, where a final concept was accepted and developed into a Final Master Plan

Accomplishments *cont.*

- Developer Outreach – Reached out to developers with experience in Convention Center projects over past 7 years to determine industry interest
- Project Website – County staff has developed a website where the general public and interested developers can view project details, master plan renderings and estimated timelines. The website can be found at <http://www.broward.org/ccexpansion>

HKS - Final Master Plan



Final Master Plan – “The Vision”

- The Master Plan developed by HKS Urban Design Studio incorporates the vision for a waterfront destination for Broward County
- The vision is composed of a series of plan elements that:
 - Expands the convention center towards the water
 - Provides a new 750 room headquarters hotel
 - Develops open urban areas including a waterside esplanade
 - Offers the potential for a multi-modal transportation plaza
 - Adds independent retail/entertainment space opportunities
 - Creates an optional jetty/commercial harbor

Final Master Plan – “The Vision”

The Master Plan conducted by HKS addressed and included the following elements:

- Stakeholder coordination
- Public Outreach
- Site Analysis & Feasibility
- Conceptual Design
- Building Massing
- Sightlines
- Traffic
- Circulation
- Parking
- Transportation and Multi-modal improvements
- Access and connectivity
- Sustainability
- Security
- Art
- Jurisdictional Permit Reviews and Entitlements

HVS – Hotel Market Analysis



HVS – Hotel Market Analysis



- Projections for a proposed hotel were created based upon a comparison of similar size and quality hotels in the market
- HVS estimates that after a stabilized occupancy rate of 70% is achieved in the **fourth year** of operation, an applicable average room rate of \$185.44 will generate a base Net Operating Income of \$14,834,000*

(Note: According to Smith Travel Research, Annual Average Occupancy and Daily Rates for hotels greater than 500 rooms for 2013 were 74.5% and \$187.21, respectively, for Greater Fort Lauderdale.)

*Excludes debt service

Comprehensive Convention Center Expansion & Hotel Planning Model



Convention Center Hotel Funding Models



Two Basic Models:

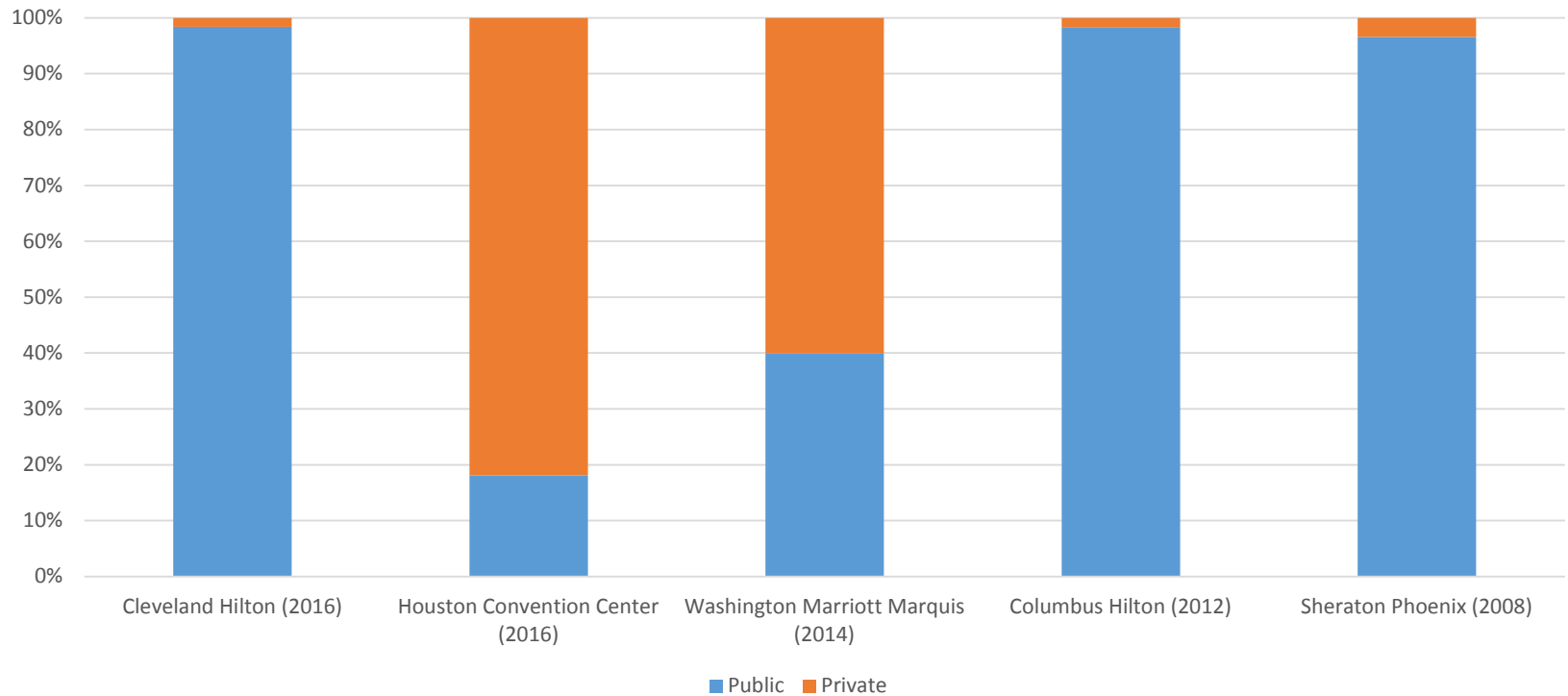
Publicly Owned Hotel

- Private Operator
- Debt secured by hotel revenues with financial back-up/gap covered by the County

Privately Owned and Operated Hotel

- Ground lease from County to private owner
- Debt secured by hotel revenues
- Public funding may be required to fund financing gap

Convention Center Hotel Funding Examples



	Cleveland Hilton	Houston Convention Center	Washington Marriott Marquis	Hilton Columbus	Sheraton Phoenix
Rooms	600	1000	1170	532	1000
Project Cost Per key	\$453,800	\$335,200	\$441,200	\$334,600	\$381,100

Convention Center Hotel Funding Examples *Cont.*



Cuyahoga County, Ohio – Hilton Cleveland (opening 2016)

- 600 Rooms
- Total Project Cost - \$272,300,000 (98% funding by County issued COPs & Cash Contribution from City of Cleveland)
- Owned by Cleveland-Cuyahoga County Port Authority

City of Houston, Texas – Marriott Marquis (opening 2016)

- 1,000 room full service convention center hotel in downtown, attached to the Convention Center via a skybridge
- Total Project Cost - \$335,200,000 (82% funding by Developer Equity)
- RIDA Development Corporation (Private) will own and operate

Washington, D.C.– Marriott Marquis (opened 2014)

- 1,170 Room Hotel
- Total Project Cost - \$516,209,000 (31% funding by Authority bonds)
- The District and Washington Convention and Sports Authority will lease to the Developer for 99 years the use and operation of the Hotel.

Convention Center Hotel Funding Examples *Cont.*



Franklin County, Ohio – Hilton Columbus (opened 2012)

- 532 rooms
- Total Project Cost - \$178,000,000 (90% funding by Authority bonds)
- The Franklin County Convention Center Authority owns and controls the property through a 32-year lease and leaseback with the County

City of Phoenix, Arizona - Sheraton Phoenix Downtown Hotel (opened 2008)

- 1,000 room full service convention center hotel in downtown
- Total Project Cost - \$381,123,000 (96% funding by Public Funds)
- The City owns the site and hotel and leases out both

Comprehensive Convention Center Expansion & Hotel Financial Planning Model



- Developed in conjunction with Public Resource Advisory Group (PRAG)
- Allows County to analyze the fiscal impact of various financing structures and scenarios
- The model looks at public versus private ownership of the proposed Hotel and incorporates various assumptions impacting project return and performance

Hotel Project Financial Plan



Hotel Project Financial Plan



- Developers response to the solicitation will dictate the financial arrangements and impact on the project
- As previously mentioned, the model allows for a comparison between financing of the hotel by the developer or financing by the County
- In general, TDT is not an eligible source to fund debt service on the hotel
- Due to the need for a Room Block Agreement, the County may have to incentivize the project, if privately built and other project opportunities are insufficient to offset total return expectations by the developer

Financing Model – Publicly Owned Hotel Example



Hotel Assumptions¹:

(\$ in Thousands)

Hotel Construction Costs with Contingency	\$299,500
Projected Stabilized Year Hotel Net Operating Income (per HVS)	\$14,800
Occupancy Rate	70%

Financing Assumptions:

Total Debt Required²	\$298,100
Annual Debt Service	<u>\$19,900</u>
Funding Gap between Debt Service & Hotel NOI	<u><\$5,100></u>
Funding Gap as a Percentage of FY2015 Non-Ad Valorem Revenue³	2.6%

1) Assumes a 750 room hotel with stabilized occupancy rates of 70% beginning in year 4. Costs from preliminary Public Works estimates, Net Operating Income figure from HVS Study.

2) Total debt required includes Project Costs less Flag contribution plus cost of issuance

3) FY2015 Non-Ad Valorem Revenues of \$190 million consists of items such as Sales Tax, State Revenue Sharing and other fees.

Room Block Agreement

With a Flagship Convention Center Hotel, it is anticipated there would be a Room Block agreement with the Hotel Operator in order to capture additional convention center business. A typical agreement would apply to 80% of the total room count for all rooms not booked within 24 months and 50% of available rooms not booked within 18 months. Rooms revert back to the hotel for booking beyond 18 months. The agreement value is estimated below:

Illustrative Room Block Agreement Value:

	<u>80%</u>	<u>50%</u>
Daily Room Rate ¹	\$400	\$400
Average Room Block Agreement Rate ²	\$200	\$200
Applicable Rooms (At 80% and 50%)	600	375
# of nights ³	120	120

Annual Value Range= \$14,400,000 to \$9,000,000

- 1) Represents peak season for a comparable four star level hotel in 2020
- 2) Based upon HVS Average Daily Rate of \$185 in the stabilization year, and adjusted for inflation
- 3) Approximate number of nights is based on Christmas through Easter peak occupancy seasons

Convention Center Expansion Financial Plan



Convention Center Expansion Financial Plan



- Assumptions used in the compilation of this model include the following:
 - For debt service, TDT dollars will provide pledge source of funds for Convention Center Expansion, Parking, and Public Space along with revenues generated by the convention center activities, parking, etc.
 - 20 year fixed term debt will be issued to finance the County portion
 - Capitalized Interest, where appropriate, may be funded from available cash; thus would be excluded from total debt service

Financing Model – Convention Center Expansion, Parking & Public Space



(\$ in Thousands)

Construction Costs of Convention Center Expansion, Parking and Public Space options with Contingency	\$179,000
<u>Financing Assumptions¹:</u>	
Total Debt Required	\$174,400
Annual Debt Service	\$11,800
Pro Forma Convention Center NOI (with expansion)²	\$1,000
Funding Gap between Debt Service & CC NOI³	<\$10,800>

- 1) Assumes 20yr Bonds are issued, secured by TDT dollars. Costs from preliminary Public Works estimates, Revenues from HVS Study. Total debt required includes Project Costs less contributions plus cost of issuance.
- 2) Parking revenues not included
- 3) Note the Value of 1¢ generated in TDT dollars for FY2015 is equal to \$10,200,000

Tourist Development Tax



Summary of Current Tourist Development Tax



- Each “cent” generates approximately \$10.2m
- Current Uses
 - Marketing, Promotions, CVB
 - Convention Center Operations
 - Beach Renourishment
 - Arena Debt Service
 - Cultural Tourism and Capital Grants

Recurring TDT Revenues & Expenses



TDT Recurring Revenues (\$53.9m less State 5%)	\$51.2m
<ul style="list-style-type: none">• Convention and Visitor's Bureau• Arena Debt Service• Convention Center Operating & Capital Maint.• Capital Challenge Grant• Staffing for TDT collection, beach project management, debt service administration costs• Growth for CVB/CC Operations Reserve	<ul style="list-style-type: none">\$21.5m - 42%\$8.0m - 15%\$7.8m - 15%\$1.0m - 2%\$1.0m - 2%\$0.3m - 1%
Total Recurring Expenses	\$39.3m - 77%
Net Available TDT Recurring Revenues	\$11.6m - 23%

Programs/Projects Competing for Recurring TDT Funds \$11.6m



- Convention Center Expansion Project \$10.8m
(funding gap for debt service costs)
- Beach Renourishment ?
- BB&T Arena ?
- Signature Event ?

Uses of Estimated \$101.3M FY15 Fund Balance



Capital Projects

• Beach Renourishment Projects*	\$59.1m
• Convention Center Capital	\$1.7m
• Spangler Road Bypass Project	\$7.5m
• Convention Center Expansion	\$2.6m
• CVB/CC ERP & Other Technology	\$0.9m

*Current project budgets of \$65.8m is funded with approx. \$6.7m in State Grant revenue.

Uses of Estimated \$101.3M FY15 Fund Balance (cont.)



Reserves

- CVB Revenue Stabilization \$5.0m
- Conv. Center Revenue Stabilization \$2.7m
- Arena Bond Trustee ** \$4.0m
- Unanticipated revenues received in FY14 \$12.3m
 - Net Arena Loan Repayment \$2.5m
 - Federal Grant for Segment III FY05/06 \$8.2m
 - Tourist Development Taxes above FY14 forecast \$1.6m

** bond requirement

Uses of Estimated \$101.3M FY15 Fund Balance (cont.)



OTHER USES

Arena Scoreboard	\$0.3m
Museum Science & Discovery	\$1.8m
One-Time & Recurring Marketing, Advertising, Promotions	\$0.4m
FY14 Capital Challenge Grants	\$1.0m
PACA Project Contribution	<u>\$2.0m</u>

Total Fund Balance

\$101.3m

Multi-Step Procurement Process



Multi-Step Procurement Process



- Developers interested in this project are required to submit a response to Step One
- Developers qualified are short-listed and then invited to submit qualifications of Developer's Team for Step Two
- Developer Teams will then be shortlisted for final ranking/selection in Step Three

Multi-Step Procurement Process Cont.



Pre-Advertisement Meeting

- Meeting with potential Developers to discuss Project, procurement process, and timeline.
- No solicitation documents issued. Meeting is for informational purposes only.
- County reviews any Developer comments and questions to incorporate as clarifications into final procurement process

Step One Solicitation Request for Qualifications

- Request for Qualifications solicitation issued for qualifications of Developers only.
- Non-mandatory Pre-Submittal Conference and Site Visit.
- Matrix and staff reports are provided:
 - Previous projects and references;
 - Financial review;
 - Litigation review.
- The most qualified Developers are shortlisted by the Board.
- Pre-Proposal Bond required to be submitted in Step One (\$250,000); guarantees that if a Developer is shortlisted in Step One, the Developer will submit a response in Step Two and Step Three (if applicable). Non-shortlisted Developers' bonds are returned.

Step Two Solicitation Request of Qualifications of Teams

- Request for Qualifications solicitation issued to shortlisted Developers for qualifications of their proposed teams.
- Mandatory Pre-Submittal Conference and Site Visit.
- Step Two solicitation includes CCNA evaluation criteria.
- Shortlisted Developers submit qualifications of their teams, including:
 - Design Team;
 - Construction Team;
 - Finance Team;
 - Hotel Flag Team;
 - Maintenance/Operation Team.
- Matrix and staff reports provided on Developers' Teams:
 - Previous projects and references;
 - Financial review;
 - Litigation review
- The most qualified Developers (and Teams) are shortlisted by the Board.
- Pre-Proposal Bond from Step One continues, guaranteeing shortlisted Developers submit a response in Step Three. Non-shortlisted Developers bonds are returned.

Multi-Step Procurement Process *Cont.*



Step Three Solicitation Request for Letters of Interest

- Request for Letters of Interest solicitation issued to shortlisted Developers, including submittal requirements.
- Mandatory Pre-Submittal Conference and Site Visit.
- Shortlisted Developers submit responses detailing technical and financial plans for the project (e.g. concept plans, financing plans, etc.)
- Matrix and staff reports are provided:
 - Financial review of proposal;
 - Technical review of proposal;
 - County requirements (i.e. CBE).
- Developers are ranked; highest ranked Developer is recommended for award (Pre-Development Agreement)
- Proposal Bond is required, as a percentage of projected construction amount (5%); guarantees Developer will execute an interim agreement.

Pre-Development Agreement with recommended Developer

- Interim agreement enabling County and Developer to confirm financing of the project, further develop Project's design, confirm project schedule, and conduct preliminary negotiations that may be necessary for final agreement(s).
- Enables the Developer to conduct testing, mitigation and other due diligence tasks, and complete other necessary tasks prior to final comprehensive agreement.

Developer Agreement and Other Agreements with recommended Developer (or Team)

- Terms, conditions, and requirements detailing services required of the Developer, including design, construction, financing, operations, and maintenance.
- Comprehensive Agreement includes requirements for: payment and performance bonds; design reviews; inspections; insurance; maintenance requirements; filing of project financial statements by the Developer; rights and responsibilities upon termination or default; fees, lease and service payments; and other duties of the Developer.
- May involve other agreements, such as lease agreement or other enabling agreements (i.e. Room Block) with Developer or Developer's Team.

Estimated Timeline



Estimated Timeline

Taskforce - Ongoing



Questions

