

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY

Meeting Date: February 11, 2025 [] Consent [X] Regular
[] Ordinance [] Public Hearing

Department: Facilities Development & Operations

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to conceptually approve: the non-binding summary of material terms (Term Sheet) for the proposed developer agreement (Developer Agreement) and new room block agreement (RBA) between CityPlace Hotel, LLC (CPL) and Palm Beach County (County), for the design, development, permitting, construction, operation and maintenance of a branded hotel at the Palm Beach County Convention Center (Convention Center).

Summary: In September 2020, the Palm Beach County Tourist Development Council received the final report of the Palm Beach County Convention Center District Expansion Study (Expansion Study) it had commissioned. The Expansion Study was prepared by Conventions, Sports and Leisure International, and identified as a priority the addition of committable hotel rooms (optimally 600) in order to sustain and expand the Convention Center's marketability and support its future expansion. In October 2023, the County advertised Request for Proposals No. 2024-101-ARQ for the design, development, permitting, construction, operation and maintenance of a branded hotel at the Convention Center. This new hotel is commonly referred to as the Convention Center "Second Hotel" given the existing room block agreement for the Convention Center Hilton Hotel. The RFP: established as a goal the attainment of 600 committable rooms; identified three (3) County-owned sites for development; allowed for private sites to be proposed; and offered in exchange leveraging of the County's parking infrastructure (i.e., the Convention Center Parking Garage). Three (3) proposals were received, two (2) of which were deemed non-responsive due to failure to provide the required letter of intent from a surety company or financial institution. The remaining proposal, submitted by CPL, was deemed responsive and proceeded to evaluation by the selection committee. The selection committee met in April 2024 and recommended award to CPL subject to the negotiation of four (4) conditions: 1) the number of leased parking spaces within the Convention Center Parking Garage and the resulting financial proposal; 2) that a new room block agreement be established to govern room holds for the Hilton Hotel and the Second Hotel; 3) that the County retain its ability to build additional rooms on the County-owned sites at the Convention Center; and 4) that all community outreach efforts were to be handled by CPL. The Director of the County's Facilities Development and Operations (FDO) Department served as the sole negotiator, with negotiations coming to a close in January 2025. The Term Sheet reflects the negotiated material terms. Staff is recommending approval, but notes that in considering staff's recommendation the Board of County Commissioners (BCC) should take into account three (3) key policy matters as further explained in this agenda item: 1) the financial impact due to the need to take remedial action on the tax-exempt bonds issued for construction of the Parking Garage; 2) the release of the Garage Easement that currently burdens the land on which CPL proposes to build the Second Hotel; and 3) the County's ability to develop additional rooms in light of the timeline for development requested by CPL. Should the BCC approve the Term Sheet, staff will work with CPL towards attainment of a Developer Agreement and a new RBA that can be brought back for consideration and approval by the BCC in the coming months. Staff notes that attaining an RBA that fully delivers on the County's operational needs will be essential to ensuring the success of this initiative and to support the continued profitability of the Convention Center. (FDO Admin) Countywide/District 2 (MWJ)

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Attachments:

- 1. Location Map
2. Site for Development of Proposed Second Hotel
3. Summary of Negotiated Terms
4. Term Sheet

Recommended By: Isami Ayala-Collazo
Department Director Date

Approved By:
County Administrator Date

Digitally signed by Isami Ayala-Collazo
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Total PDF Editor Version: 12.1.0

Background and Policy Issues: The selection committee recommended award to CPL. An overview of the key policy matters to be considered while reviewing the recommended Term Sheet follows.

The RFP

The Expansion Study provided that adding committable hotel rooms within one-half mile of the Convention Center should be viewed as a first priority with respect to growing the convention center and tradeshow business in Palm Beach County. It further stated (page 6 of the report) that future hotel development initiatives should focus on: “[a] new 600 room headquarter hotel developed with a room block agreement securing 500 committable rooms”; adding that “[w]hen combined with future hotel development within one-half mile of the [Convention Center], significant increases in market capture could be realized.” The Expansion Study identified six potential sites for deployment, two (2) owned by the City of West Palm Beach (CWPB), three (3) County-owned, and one (1) privately-owned. As a result of the recommendations of the Expansion Study, the RFP set as a goal the delivery of at least 600 committable rooms; made available the three (3) County-owned sites for development; allowed for private sites to be proposed; and offered in exchange leveraging of the County’s parking infrastructure (i.e., Convention Center Parking Garage). No County financial subsidies were offered and, although respondents could secure financial assistance from other public entities, they were precluded from submitting proposals contingent on securing public financial assistance, be it from the County or other public entities. The RFP also provided the material terms under which a room block agreement were to be executed between the County and the recommended proposer. Proposals were submitted by Sonnenblick Investments LLC, Portman Holdings LLC, and CPL. The proposals submitted by Sonnenblick Investments LLC and Portman Holdings LLC were deemed non-responsive due to failure to provide the required letter of intent from a surety company or financial institution. The remaining proposal, submitted by CPL, was deemed responsive and proceeded to evaluation by the selection committee.

CPL’s Proposal

CPL proposed to build a 404-room Signia by Hilton hotel, on a parcel (PCN: 74-43-43-28-33-002-0000) owned by CityPlace South Tower II LLC (“CPST II”); an entity which in turn is 87.3% owned and entirely controlled by Related Southeast. The proposed parcel is located to the east of the Convention Center Hilton Hotel and is currently used by CPL as surface parking lot for the Convention Center Hilton Hotel. Through its proposal, CPL requested the lease of 630 parking spaces at the Convention Center Parking Garage, at an annual rate of \$300,000 during construction, and \$600,000 following start operations of the Second Hotel, subject to a 10% adjustment every 5 years. In its proposal, CPL stated that pursuant to Article 8 of the existing room block agreement for the Convention Center Hilton Hotel (R2013-0106), the existing room block agreement should be extended to the Second Hotel.

Garage Easement

On January 15, 2013, the County entered into a developer agreement (R2013-0103)(“Hilton Developer Agreement”) with The Related Companies, L.P. (RCL) and CPL for the development of the Hilton Hotel. The Hilton Developer Agreement required RCL/CPL to build a 630-space parking garage to support the parking needs of the Hilton Hotel. Said parking garage was to be built by RCL/CPL on the parcel now being proposed for development of the Second Hotel. As a result, the parcel which CPL now proposes for development of the Second Hotel is subject to (burdened by) a Garage Easement (R2013-0108) granted by CPST II and CPL to the County. In the Hilton Developer Agreement and Garage Easement the parcel is referred to as the “Garage Land”. The Hilton Developer Agreement for the Hilton Hotel has been amended six times (R2013-0707, R2014-0982, R2015-1856, R2016-0682, R2017-0673, R2022-1576). The third amendment to the Hilton Developer Agreement provided that RCL/CPL was to build a 255-space surface parking lot on the Garage Land, and the parties agreed on a test period to determine, at the County’s sole discretion, whether or not RCL/CPL shall be required to construct additional parking facilities on the Garage Land for use by the Hilton Hotel given parking and traffic circulation considerations. The test period included the completion of several parking studies; a total of five have been completed, two commissioned by RCL, two commissioned by the County, along with one summary report. Pursuant to the sixth amendment to the Hilton Developer Agreement, the test period remains ongoing and the County has yet to issue its final determination as to the need for RCL/CPL to build the 630-space parking garage.

Recommendation by the Selection Committee

The selection committee evaluated the proposal submitted by CPL and recommended award subject to further negotiation on four key variables explained as follows.

Community Outreach – County staff conducted early community outreach and the majority of the responses received expressed marked concerns with the possibility of construction taking place on the parcel being proposed for development by CPL. The concerns were mostly related to sightline/visual impact, traffic congestion, and typical impacts related to construction activities. Therefore, the selection committee believed it necessary to ensure that CPL would carry the full burden of conducting community outreach efforts.

Number of Leased Parking Spaces and Associated Financial Proposal – In its proposal CPL requested 630 spaces (255 to replace those currently in use as part of the surface parking lot built on the parcel, and 375 to meet the requirements for the Second Hotel). The selection committee thoroughly discussed CPL’s proposal in light of its existing obligation to build a 630-space garage as per the Garage Easement. Although CPL **did not disclose** the existence of the Garage Easement in its proposal, the selection committee correctly noted that in order for CPL’s proposal to proceed, the County would need to release the Garage Easement, an action that, the selection committee argued, should be compensated. Furthermore, the number of parking spaces requested (i.e., 630) by CPL exceeded by 114 spaces the number supported by the contents of its proposal. Leasing to CPL a number of parking spaces in excess of those needed could hinder the County’s ability to: 1) develop additional rooms (i.e., CPL’s proposal is 196-rooms short of the optimal number of rooms identified in the Expansion Study), and 2) expand the Convention Center as per its existing entitlements. On the matter of lease payments, the selection committee argued that compensation should align with market conditions.

County’s Ability to Build Additional Rooms – CPL’s proposal of building an additional 404 rooms fell 196 rooms short of the County’s intended goal as per the Expansion Study and RFP. The selection committee believed it critical to ensure that entering into a developer agreement with CPL would not hinder or limit the County’s ability to expeditiously pursue construction of the additional 196 rooms required to meet the optimal quantity as per the Expansion Study.

New Room Block Agreement- the selection committee did not agree with CPL on its argument that the existing room block agreement applies to the development of a Second Hotel as per the RFP. The aforementioned Article 8 of the existing room block agreement provides that in the event that CPL or an affiliate constructs additional hotel rooms at the Hilton Hotel or on the Garage Land, the existing room block agreement will apply to the new rooms. The selection committee thoroughly discussed this matter and concluded that the RFP was not an expansion as envisioned under the existing room block agreement. Therefore, it conditioned its recommendation to CPL agreeing on entering into a new room block agreement governing both, the existing Hilton Hotel and the proposed Second Hotel.

Negotiated Terms

Community Outreach –CPL agreed to assume **full responsibility** for the development and implementation of the Community Outreach Plan. The County will retain the right to review and approve the same.

Number of Leased Parking Spaces and Associated Financial Proposal – The total number of parking spaces was **reduced** from 630 to 530 spaces. In May 2024, County staff commissioned Anderson & Carr, Inc. to conduct a market parking rent analysis within Downtown West Palm Beach and suburban West Palm Beach. Through negotiations, the monthly lease payment amount per parking space **increased** from \$79 to \$100 (which equals the appraised value per space). The rent will be subject to re-appraisal every five (5) years or a 10% increase, **whichever is higher**. In order to support hotel operations, the County will need to upgrade the existing ticketing/gate infrastructure at the Convention Center Parking Garage. CPL will **contribute up to \$1M** towards said capital improvements. CPL is not willing to compensate the County for releasing the Garage Easement.

County’s Ability to Build Additional Rooms –The Convention Center is part of a Development of Regional Impact (DRI) development order codified as City Ordinance No. 5038-23, which also includes the Kravis Center and CityPlace, amongst other properties. The DRI establishes limits for certain uses and intensities/densities, inclusive of the Convention Center. The County holds the full entitlement (i.e., 750,000 sq.ft.) for the Convention Center use. The hotel use baseline is 800 rooms and it is not fully entitled by current site-specific approvals. Therefore, any stakeholder within the DRI could apply for development of hotel rooms. The DRI allows for conversion across uses as long as the same does not exceed 175% of the baseline. Therefore, the conversion threshold for the hotel use is 1,400 rooms (i.e., 800 x 1.75). As of this agenda item, there are 650 rooms built within the DRI. CPL (and or its affiliates) has an application for 102-room Flagship hotel under review by CWPB. The proposed Signia Hotel will result in an additional encumbrance of 402 rooms (see explanation in section below, *Reduction in Proposed Number of Rooms*). All pending development considered, the remaining number of rooms under the DRI would then equate to 246, just enough for the County to pursue development of a 200-room hotel that will allow it to meet the optimal number of committable rooms as per the Expansion Study. CPL indicated that the County pursuing development of a 200-room hotel would detrimentally affect CPL’s ability to obtain financing and deliver the Second Hotel. The Term Sheet provides for the County to delay its efforts of securing a 200-room hotel for a period of 18 months (from the date of execution of the Development Agreement or until CPL breaks ground on the Second Hotel, whichever occurs first). In consideration for the County’s postponement of its procurement activities, CPL agrees not to pursue, be it directly or through its affiliates or related businesses, development of additional hotel rooms within the limits of the DRI. In addition, CPL, its affiliates or related business entities will take no actions that have

the potential of resulting in a reduction of the remaining rooms available for development under the hotel category of the DRI.

New Room Block Agreement- CPL and County will enter into a **new RBA** governing the **totality of the rooms** that will be available at the Convention Center upon construction of the Second Hotel (i.e., 802 rooms, Signia and Hilton hotels combined). The new RBA needs to improve on the conditions of the existing RBA providing the County added flexibility to leverage the total hotel rooms in order to bring additional events to the Convention Center. The agreed upon conditions for the new RBA, as detailed on the Term Sheet, are fairly broad. If the BCC approves the Term Sheet, CPL and County staff will need to closely collaborate in order to reach an agreement on a new RBA that is beneficial to both parties. Failure to reach such an agreement **completely eliminates** the value for the County to enter into a Developer Agreement with CPL. **Staff does not recommend execution of a Developer Agreement if a mutually beneficial new RBA cannot be attained.**

Development Timeline

Per its proposal, CPL will have 39 months, from execution of the Developer Agreement to start of operations of the Second Hotel, to complete development and construction of the Second Hotel.

Private Activity/Bond Considerations

The Convention Center and the Parking Garage were funded through tax-exempt bonds, the debt service of which is paid for via Tourism Development Taxes (i.e., commonly known as Bed Taxes). The Parking Garage bond has approximately \$39.8M outstanding with full payoff in 2036. Internal Revenue Service (IRS) regulations dictate limitations for private use and payments received as a result of private uses. Leasing parking spaces to CPL in order to support the development of the Second Hotel will constitute a private use made in connection with the facility. When private revenue is being received by a government entity in relation to facilities financed with tax exempt bonds, IRS regulations mandate a private activity test which is a two-fold test that entails private payments and private use. The County's Office of Financial Management and Budget (OFMB), along with bond counsel, has reviewed the terms of the proposed lease and determined that the resulting Developer Agreement will cause the private activity threshold to be exceeded. At which time, the County will need to take remedial action by retiring the requisite amount of the existing bonds (Series 2015A); this can be done through multiple financing sources (e.g., taxable bonds, reserves). Refunding the Series 2015A bonds on a taxable basis would provide the County maximum flexibility but would cost the County an **additional \$4.3M** (approx.) in the form of increased debt service over the remaining bond life (i.e., 10 years).

Reduction in Proposed Number of Rooms

While in negotiations, staff discovered that CPL had not disclosed that it had already filed an application with CWPB for a Site Plan approval (on 4/09/2024) and a Planned Development Major Amendment (on 5/14/2024). The applications filed by CPL with CWPB show construction of a hotel on the parcel, inclusive of the 630 parking spaces required to operate the new hotel and the existing Hilton Hotel. CPL has continued with its application as submitted. On January 24, 2025, CPL notified the FDO Director that the number of rooms had to be reduced from 404 to 402 due to space constraints, identified through the design, related to the mechanical equipment in the kitchen. As a result, the recommended Term Sheet reflects a reduction of 2 rooms from CPL's proposal.

Additional Financial Considerations

During negotiations, while discussing the financial proposal, CPL offered that the County consider buying the Second Hotel once built, and leasing it back to CPL who would then assume all operations and maintenance, and pay rent to the County. In so doing, CPL appeared to pursue an arrangement similar to the one that it currently holds with the County for the Hilton Hotel. Said arrangement would have the immediate result of removing the property from the tax rolls. Most importantly, it could not be supported by the RFP issued for development of the Second Hotel. **The latter created an insurmountable legal challenge that could only be remediated by cancelling the RFP and issuing a new solicitation under different terms and conditions.** As a result, staff rejected the proposal from CPL.

In entering into a Developer Agreement with the County, amongst other considerations, CPL benefits financially by being able to develop its property without the need to incur the costs associated with building a 630-space garage. For planning purposes, staff estimates the construction cost of each structured parking space to be approximately \$30,000. This translates into avoided costs of approximately \$19M for CPL.

For the County, the financial terms of the lease component of the Developer Agreement, are almost net zero. That is, during the first 10 years (assuming the bonds are refunded), revenue received will serve to deflect increased costs from operations and debt service. Therefore, the County's financial benefit in entering into a Developer Agreement with CPL cannot be quantified at this time and will be primarily driven by the ability to increase convention center events capture through the new RBA. Therefore, **Staff does not recommend execution of a Developer Agreement if a mutually beneficial new RBA cannot be attained.**

ATTACHMENT 1
Location Map



ATTACHMENT 2
Site for Development of Proposed Second Hotel
(PCN: 74-43-43-20-33-002-0000; 900 S Rosemary Ave., West Palm Beach)



ATTACHMENT 3
Summary of Negotiated Terms

Topic	Proposed Term	Negotiated Term
Number of Rooms	404	402
Number of Parking Spaces	630	530
Monthly Lease Payment (per parking space)	\$79	\$100
Lease Payment Adjustment	10% increase in rent every 5 years	Re-appraised market rent every 5 years, or 10% increase whichever is higher
Capital Contribution Parking Garage Improvements	\$0	\$1M
Room Block Agreement	Existing room block agreement to be extended to the Second Hotel	New room block agreement to govern the Hilton Hotel and the Second Hotel

ATTACHMENT 4
Term Sheet

**SUMMARY OF MATERIAL TERMS
PROPOSED DEVELOPER AGREEMENT AND REVISED ROOM BLOCK AGREEMENT
SECOND CONVENTION CENTER HEADQUARTERS HOTEL
(Rev. January 27, 2025)**

A. Developer	CityPlace Hotel, LLC
B. Hotel Product	Signia by Hilton
C. Total Rooms	402
D. Site for Development	PCN: 74-43-43-28-33-002-0000 CityPlace South Tower II LLC, 87.3% owned and entirely controlled by Related Southeast
E. Community Outreach	CPL will be responsible for the development and implementation of a Community Outreach Plan as per Section 1(I) of the RFP. The County retains the right to review and approve the Plan.
F. Timeline for Development	From the date of execution of the Development Agreement: <ul style="list-style-type: none"> • (13) months for design and permitting • Twenty-five (25) months for construction • One (1) month for opening activities Total development period from execution to start of operations: thirty-nine (39) months.
G. Lease of Parking Spaces	The County will lease CPL 530 parking spaces at the County’s Convention Center Parking Garage (Garage). CPL will pay an initial monthly rent of \$100/space. That is, \$636,000/year. The rent will be subject to re-appraisal every five (5) years or 10% increase, whichever is higher. CPL will pay 50% of the lease amount starting on the date of execution of the Development Agreement until the date of attainment of substantial completion for the hotel. The Developer Agreement will include provisions for a flex parking arrangement allowing CPL, on a case-by-case basis, the non-exclusive use of additional parking spaces when the Convention Center is not in use and/or can make additional spaces available.
H. Capital Contribution for Garage Improvements	CPL will contribute up to \$1M towards the capital improvements required to upgrade the Garage in order to facilitate the collocated uses (i.e., Convention Center and Hotel).
I. County’s Ability to Build Additional Room’s on the County’s Sites	CPL recognizes and acknowledges that the County will pursue construction of the additional rooms (i.e., 200) required to meet the goal as established under Request for Proposals No. 2024-101-ARQ (i.e., 600 rooms) and which was not met by the proposal submitted by CPL. The County will delay issuance of a separate solicitation to retain development services for the construction of a 200-room hotel on County-owned property, for a period of eighteen (18) months (from the date of execution of the Development Agreement, or until CPL breaks ground on the Signia hotel, whichever occurs earlier). In consideration for the County’s postponement of its procurement

	<p>activities, CPL agrees not to pursue, be it directly or through its affiliates or related businesses, development of additional hotel rooms within the limits of the DRI. CPL, its affiliates or related business entities will take no actions that have the potential to result in a reduction of the remaining rooms available for development under the hotel category of DRI.</p> <p>The County acknowledges that CPL currently has an application pending review with the City of West Palm Beach (CWPB) to develop a 102-room hotel within the limits of DRI, which application shall not be considered to fall under the restrictions resulting from this material term.</p>
<p>J. Room Block Agreement (RBA)</p>	<p>CPL and County will enter into a new RBA governing the totality of rooms available at the Convention Center (i.e., 802, Signia and Hilton hotels combined). The new RBA needs to improve on the conditions of the existing RBA providing the County added flexibility to leverage the total hotel rooms in order to bring additional events to the Convention Center.</p> <p>Where not in conflict with this Term Sheet, the material terms included in Attachment O to the RFP will be incorporated into the new RBA.</p> <p>CPL will provide bi-weekly reporting showing room availability, especially covering the 12-18 months out timeframe.</p> <p>The County will provide CPL monthly pace reports of Convention Center bookings.</p> <p>The hold period will commence at the time the County notifies to CPL that it has made a presentation to an interested group that includes a room quote and will extend until the time of issuance of a letter of commitment.</p> <p>The County and CPL will negotiate new holding periods and room block size for the following tiers of booking periods: 12 months or less, 12-17 months, 18-23 months, 24-36 months, and 37+ months.</p> <p>The 12 months or less booking period tier is mostly aligned towards CPL's leisure travel operations. The 37+ months booking period tier is mostly aligned towards Convention Center's event travel operations. Without either party retaining exclusivity in said tiers, the parties will afford each other added flexibility when determining the new holding periods and room block size for said two tiers.</p> <p>The 12-17 months, 18-23 months, and 24-36 months booking period tiers represent shared business tiers. CPL and the County will work towards negotiating holding periods and room block size for said three tiers, which efforts will include but not be limited to considering a hybrid approach of "Hard Blocks" and "Soft Blocks".</p> <p>Since the Hilton and Signia are different brands/products, CPL and the County will establish independent set of rates applicable to each hotel. The rates for each hotel will be based on prior year actual performance, with a temporary alternate methodology for the Signia to account for the opening ramp up period.</p> <p>The definition of an Event will be negotiated to be generally consistent with either (i) the existing RBA or (ii) other RBA's for convention center headquarters hotels in competing markets.</p>