NORTH MIAMI
FLORIDA
776 N.E. 125 Street, North Miami, Florida 33161

Council Report

To: The Honorable Mayor and City Council

From: Ruby C. Johnson, Purchasing Director
Purchasing Department

Date: March 13, 2012

RE: **A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF NORTH MIAMI, FLORIDA, APPROVING THE EXECUTION OF A LEASE AGREEMENT BETWEEN THE CITY OF NORTH MIAMI, AS LANDLORD AND OLETA PARTNERS, LLC, AS TENANT, FOR THE PREMISES KNOWN AS "BISCAYNE LANDING"; AUTHORIZING THE CITY MANAGER TO DO ALL THINGS NECESSARY TO EFFECTUATE THE TERMS OF THE LEASE AGREEMENT; PROVIDING FOR AN EFFECTIVE DATE AND ALL OTHER PURPOSES**

RECOMMENDATION

Staff is recommending that the Mayor and Council authorize the City Manager to execute a lease agreement with Oleta Partners, LLC in accordance with RFP 43-10-11 (A & B) for the Re-development of the Biscayne Landing Property.

BACKGROUND

The negotiation team has determined that Oleta Partners, LLC is a qualified developer and has presented a viable project for the Biscayne Landing site. The negotiation team held numerous negotiation meetings and community workshops resulting in presenting a lease that is within the best interest of the City of North Miami.

Outside Counsel has provided a summary of significant terms for review. Staff is requesting authorization to execute the attached lease agreement and move forward with the development of the Biscayne Landing property.

ATTACHMENTS

Resolution
Summary of Lease Agreement

RESOLUTION NO. _____

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF NORTH MIAMI, FLORIDA, PROPOSING THE EXECUTION OF A LEASE AGREEMENT BETWEEN THE CITY OF NORTH MIAMI, AS LANDLORD AND OLETA PARTNERS, LLC, AS TENANT, FOR THE PREMISES KNOWN AS "BISCAYNE LANDING"; AUTHORIZING THE CITY MANAGER TO DO ALL THINGS NECESSARY TO EFFECTUATE THE TERMS OF THE LEASE AGREEMENT; PROVIDING FOR AN EFFECTIVE DATE AND ALL OTHER PURPOSES.

WHEREAS, on June 2, 2011, the City of North Miami ("City") issued ***Request for Proposal #43-10-11 (A) for the Redevelopment of the Biscayne Landing Site for the City of North Miami, Florida,*** as amended ("RFP-A"), representing the first phase in the City's efforts to seek a qualified developer to develop or purchase the approximate 183.85 acre-site known as Biscayne Landing ("Biscayne Landing"); and

WHEREAS, on June 29, 2011, the City issued ***Request for Proposal #43-10-11 (B) for the Redevelopment of the Biscayne Landing Project Stage 2*** ("RFP-B"), representing the second phase in the City's efforts to seek a qualified developer to develop or purchase Biscayne Landing; and

WHEREAS, Oleta Partners, LLC, a Florida Limited Liability Company ("Developer"), was the sole respondent to both RFP-A and RFP-B; and

WHEREAS, on October 25, 2011, the Mayor and City Council adopted Resolution Number 2011-141, authorizing the City Manager, the City Attorney, and their designees to negotiate the lease or sale of the Biscayne Landing project site with the Developer; and

WHEREAS, the City is responsible for the continued operation, repair and maintenance of the Biscayne Landing site until such time that the City enters into a lease or sale agreement; and

WHEREAS, negotiations between the City and Developer has culminated into a lease agreement which the Mayor and City Council desire to move for execution, in accordance with the direction provided to City Administration at the duly noticed, public meeting of February 28, 2012.

NOW THEREFORE, BE IT DULY RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF NORTH MIAMI, FLORIDA:

Section 1. **Authorization to Execute Lease Agreement.** The Mayor and City Council of the City of North Miami, Florida, hereby propose the execution of a Lease Agreement between the City of North Miami, as landlord and Oleta Partners, LLC, as Tenant, for the premises known as "Biscayne Landing".

Section 2. **Authorization of City Manager.** The City Manager is hereby authorized to do all things necessary to effectuate the terms of the Lease Agreement.

Section 3. **Effective Date.** This Resolution shall become effective immediately upon adoption.

PASSED AND ADOPTED by a _____ vote of the Mayor and City Council of the City of North Miami, Florida, this _____ day of March, 2012.

_____
ANDRE D. PIERRE, ESQ.
MAYOR

ATTEST:

_____
MICHAEL A. ETIENNE, ESQ.
CITY CLERK

APPROVED AS TO FORM AND
LEGAL SUFFICIENCY:

_____
REGINE M. MONESTIME
CITY ATTORNEY

SPONSORED BY: CITY ADMINISTRATION

Moved by: _____

Seconded by: _____

Vote:

Mayor Andre D. Pierre, Esq.	_____ (Yes)	_____ (No)
Vice Mayor Jean R. Marcellus	_____ (Yes)	_____ (No)
Councilperson Michael R. Blynn, Esq.	_____ (Yes)	_____ (No)
Councilperson Scott Galvin	_____ (Yes)	_____ (No)
Councilperson Marie Erlande Steril	_____ (Yes)	_____ (No)

SUMMARY OF TERMS
BISCAYNE LANDING
DRAFT LEASE
March 7, 2012

Premises	Approximately 183.8 acres of land in the City of North Miami, in Miami-Dade County, Florida, known as "Biscayne Landing"
Landlord	The City of North Miami
Tenant	Oleta Partners LLC, owned by Millennium LLC, The Swerdlow Group, and The LeFrak Organization
Lease Term	99 years, starting when parties have signed the Lease and Landlord has delivered possession ("Commencement Date")
Renewal Options	One option to renew for an additional 99 years; annual renewal Fixed Rent to be $17,000,000.00
Expenses	"Triple net" lease. Tenant pays all taxes, insurance, construction and repairs, expenses, and responsibilities, with a few exclusions for items personal to Landlord. Tenant controls all operations, leasing, tax protests.
Condition of Premises	"As-is" at Commencement Date, no representations or warranties. There is no due diligence period.
Environmental:	Landfill Closure 1. Groundwater remediation: Landlord will retain responsibility for the work covered in the CH2M Hill agreement, i.e. design and construction of the groundwater remediation system, which is currently underway. Landlord commits in Lease to cooperate with Tenant on placement of pipes, extraction wells, construction activities to facilitate development; Project Coordination Team meets monthly; Tenant can observe CH2M Hill work and advise City PE (or other designee) of any concerns, City PE or other designee will handle using professional judgment); Tenant to assume all other obligations under the CLCP and Landfill closure permit (monitoring, stormwater system, capping, methane gas control). 2. Landfill closure: Tenant to assume all landfill obligations under the CLCP and Landfill closure permit except for the work covered in the CH2M Hill agreement, i.e. design and construction of the groundwater remediation system. General Tenant assumes responsibility for remediating all environmental conditions upon the Premises with the exception of the work covered in the CH2M Hill Agreement.
Grant Agreement with MDC for Landfill Closure	Grant Agreement provides funding for the closure and remediation of the landfill. $31,027,000 was originally allocated to the Site for both closure and remediation. The Schedule of Values shows a remaining balance of approximately $14 Million for the groundwater remediation and $10 Million for Landfill closure/capping. All funds are disbursed pursuant to Grant procedures (inspections, certifications, back-up documents, releases of lien). The Lease provides that Landlord will request/disburse funds for work done pursuant to and in compliance with the Grant Agreement.
Materials on Premises	Landlord will assign rights in construction material and equipment detailed in an inventory list that is on the Premises on the Commencement Date, but excluding the crane and generator; Landlord will be able to request the use of the fusing machine,

	and Tenant will provided it and a trained operator on reasonable request.
Initial Payment	On execution of the Lease, the Tenant pays Landlord $19 Million Dollars ($17,500,000 initial payment, $1,500,000 first year's rent).
Payment of back Real Estate Taxes	On execution of the Lease, the Tenant pays outstanding real estate taxes
Base (Fixed) Rent	First Year: $1,500,000.00 year, paid in advance on the Commencement Date. Second through Fifth Years: Rent will be completely abated unless and until Tenant completes 500,000 square feet of Improvements, at which point a reduced rent of $200,000 per year will be due. Sixth Year through the end of the Term: Beginning with the sixth year, the Fixed Rent again goes back to $1,500,000 per year.
Fixed Adjustments to Base Rent	On each tenth anniversary of the Commencement Date throughout the term of the Lease, the Base Rent will be increased by $150,000.00. There will be no indexed (e.g., CPI) increases.
Participation Rent	1. *Retail, Office Recreation/Entertainment Indoor, Recording and TV/Radio Uses (Also Light Industrial if/when approved for the Premises).* 1.5% of Tenant's gross revenue, less certain expenses 2. *Residential Rentals.* (senior and residential) 1.5% of Tenant's gross revenue 3. *Hotel.* 2% of Tenant's gross revenue 4. *Sales(Condo or Senior Housing).* 3% of Tenant's gross revenue (no minimum sales price, required to be third party, good faith, commercially reasonable) 5. *Other Commercial Uses; Future Uses and Revenue.* reasonable additional Participation Rent Amendment to Lease to be agreed in good faith (same for Casino Gambling or Gaming, see section 3.12) (works as a hedge against inflation)
Park Property	Park Property: 7.2 acre site (ball fields) and 13.7 acre site (no ball fields, near Community Center) to be owned by Landlord. Landlord will maintain 7.2 acre portion, Tenant will maintain 13.7 acre portion. 37 total acres of open space (includes Park Property) Community Center: Tenant will build a Community Center comparable to the Gwen Margolis Center, to be owned and maintained by Tenant. Landlord will have free use of the facility at least 3 times a month Lake Ibis will be owned by Landlord, maintained by the Tenant
Financing	No subordination of Landlord's interest to any financing obtained by tenant or a subtenant. Certain Leasehold Mortgagee protections are provided to a Leasehold Mortgagee (cure rights if Tenant defaults, New Lease on termination if exercised within a set time period)
Casualty and Condemnation	Tenant is responsible for restoration after casualty (destruction) or partial condemnation. There is no termination of the Lease, and no abatement of the rent (except for condemnation of essentially all of the Premises, and then the Lease terminates) unless the casualty occurs in the last 5 years of the Lease, in which case the insurance proceeds go to Landlord. Condemnation awards are made in accordance with Florida law.
Use	Tenant may use the premises for any lawful purpose in accordance with applicable zoning and other laws and regulations
Construction Rights	Tenant and subtenants may construct and alter improvements without Landlord approval, but in accordance with all zoning, building codes, Laws, permits, etc..

	Landlord will cooperate where necessary by signing easements, permit applications, etc., within reasonable limitations.
Construction Obligations	Tenant has 3 hard deadlines for construction: 1. Initial Development must be completed by the fifth anniversary of the Commencement Date, and includes the items shown on attached exhibit A. Tenant will provide a projected Schedule of Values and timeline. 2. Second Stage Development must be completed by the seventh anniversary of the Commencement Date, and includes (a) substantial completion of the 500,000 square feet of Required Improvements for which permits were pulled as part of the Initial Development, and (b) pulling building permits for an additional 200,000 square feet of Required Improvements. 3. Third Stage Development must be completed by the tenth anniversary of the Commencement Date, and includes (a) substantial completion of the 200,000 square feet of Required Improvements for which permits were pulled as part of the Second Stage Development, and (b) completion of the Remedial Action (i.e., all portions of the Landfill closure except the work covered under the CH2M Hill agreement for the groundwater remediation system, which is Landlord's responsibility). If any of the hard deadlines are not met, unless it is for good cause ("Unavoidable Delay"), Landlord can hold Tenant in default under the Lease and subject to cure rights in any Leasehold Mortgagee, can terminate it, in which case Landlord will take back the land in its improved state (there will be non-disturbance agreements for certain qualifying subtenants). Landlord keeps the Initial Payment in any event.
Construction of the Balance	Except for the Initial Development, Second Stage Development, and Third Stage Development, there are no hard deadlines in the Lease for construction of the balance of the improvements that will constitute the project in order to provide Tenant with needed flexibility to make the most advantageous decisions according to then current market conditions/trends. The moving force will be the financial incentive Tenant has to begin to recoup its investment; until it builds and subleases, it has no income coming in despite the approximately $50 Million dollars (comprised of the Initial Payment of $19 Million, payment of back real estate taxes, plus costs for the Initial Development of approximately $25 Million, plus carry costs, expenses for plans, professionals, etc.) it has invested in the Premises.
Guaranties	Due to the unusual Initial Payment, no guaranties or security deposits will be required
Bonds	1. Requires compliance with 255.05, Fla. Stat. (2012) for a bond for any "public work," including the Remedial Action. 2. Requires bond to be issued prior to building permit for improvements to be located in dedicated rights of way and/or public facility easements. 3. Requires Tenant to make commercially reasonable efforts (including making it a requirement in subleases) to have Landlord be named on other bond issued for construction (this allows for a construction lender to make the determination as to whether a bond needs to be required, as some subtenants may be creditworthy enough to build without a bond)
Transfer of Lease	1. No transfer until Tenant's Construction Obligations (Initial Development, Second Stage Development, and Third Stage Development) are completed 2. No transfer if an Event of Default exists 3. Any transfer must be to a Qualified Developer 4. A transfer payment of 5% of the gross revenue/consideration to Tenant for

	the transfer is due to Landlord if the Lease is transferred (applies to initial transfer only)
Transfer of Equity Interests in Tenant	1. No transfer until Tenant's Construction Obligations (Initial Development, Second Stage Development, and Third Stage Development) are completed except to a Permitted Equity Owner and except for 20% (non-controlling interest) 2. No transfer if an Event of Default exists 3. (Note: No payment is due to Landlord if Equity Interests are transferred.)
Right of First Offer	(Instead of the requested Right of First Refusal) If Landlord decides to transfer the fee estate, Landlords will notify Tenant as to important terms on which it is willing to sell (purchase price, deposit, any purchase money financing, timing). Tenant will need to exercise or waive the right before Landlord starts marketing.
Option to Purchase Condo parcels	1. Option to Tenant to purchase from Landlord parcels of at least 5+ acres of the 50.6 acres designated as Phase III and IV along the eastern boundary of the Premises (not abutting Biscayne Blvd) which will be used for condo/condo conversion 2. Subject to Landlord's commercially reasonable approval as to location and size of Option Parcel (so remaining property is not prejudiced) 3. Exercisable after the Initial Development is completed and before the 20th Anniversary of the Commencement Date. 4. Purchase price is to be negotiated at the time by the parties in good faith. 5. Prior to recording of deed, covenant running with the land (or other acceptable mechanism) is to be recorded making owner responsible for environmental obligations under the CLCP and other documents as to the purchased Option Parcel. 6. No change to Third Stage Development Landfill Closure obligation.
Recourse	The Lease is nonrecourse to both parties (in a lawsuit the damages would be limited to that party's interests in the Premises, or the proceeds if sold)
Tiered Default System	1. Minor Defaults (e.g., not providing a progress report, not maintaining a building in good condition) do not risk termination of the Lease; the remedy is Delay Fee or specific performance, unless specific performance is not reasonably available, in which case it can become a major default 2. Major Defaults (all defaults except for Minor Defaults, but will include a Minor Default for which specific performance is not reasonably available); after notice and time to cure to each of Tenant and the Leasehold Mortgage, if not so cured, the Lease can be terminated. Leasehold Mortgagee can opt for a New Lease (same terms) within 30 days of such termination, but it has to cure essentially all defaults. If the Lease is terminated and no New Lease is requested, the property goes back to Landlord free and clear of any lease.
Additional Payments to Landlord	1. Tenant will pay up to One Million Dollars to reimburse Landlord for its maintenance and other costs of carrying the property and its third party professional fees incurred in connection with the Lease transaction. 2. Tenant will also reimburse Landlord up to $100,000 annually for its administrative costs monitoring the Lease for the first 5 years of the Lease.
Transfer Taxes	All transfer taxes arising from the Lease transaction, if any, will be paid by Tenant
Subleasing	Tenant may enter into subleases without restriction. Landlord shall agree to recognize and nondisturb subtenants that satisfy reasonable objective criteria in the Lease.

Office Space for Landlord designees on site	Tenant will provide certain office space onsite to the City PE and other Landlord designee in connection with the monitoring of compliance on environmental issues, and will pay half the salary of one monitoring employee, Tenant's contribution not to exceed $125,000.00 annually until Landfill Closure.
North Miami Educational Foundation, Inc.	Tenant to contribute $250,000.00 in August 2012 and an additional $50,000 annually for 5 years (total of $500,000), and take a seat on the board of directors.
Local Preference	10% mandatory, 25% aspirational goal for North Miami residents and businesses. Tenant will plan and implement an extensive outreach and training program, with analysis of data to monitor progress and document efforts; initial local preference liaison officers are Lesly Prudent for Landlord, and Jean and Manny Cherubin for Tenant.

EXHIBIT A

DESCRIPTION OF INITIAL DEVELOPMENT

All in compliance with Law and applicable permits and Approvals:

1. The Storm Water Master Plan for the entire site pursuant to applicable permits including FDEP, DPERA, and SFWMD

2. The Lake Fill Project (permit and fill all lakes except Ibis, denoted as such on Exhibit B)

3. Mass Grading and Balancing of Premises (but not individual pad sites), including trash/debris removal and/or compaction to levels approved for development for the full site. All excess material not redistributed or relocated as described, including but not limited to excess material from the landfill, shall be completely disposed of offsite.

4. The Spine Road (Biscayne Landings Boulevard) extension from the intersection of NE 151 Street (to the North) traversing the site and connecting at the intersection of 143rd Street

5. All Utility Infrastructure along the Spine Road, including Domestic Water and Fire Flow Supply, Sanitary Sewer, Storm Water Collection and Disposal, Power Supply Corridor, Communications and CATV Raceways, Gas Supply Main and Reuse Irrigation Main (if allowed by Miami-Dade County Regulatory Authority)

6. All daily Landfill Closure Permit and CLCP (except the ERA Work) required activities, and including without limitation groundwater monitoring

7. The Park Property Improvements (except for the Delayed Park Property denoted on Exhibit B to this Lease, which will be used initially for a staging area and will be landscaped and irrigated as provided in Section 34.1 of this Lease): water booster station apparatus (if required); construction of a minimum of 1 baseball field, one softball field, 1 multipurpose

field, 1 restroom/concession space, 1 playground, 3 picnic shelters, and 2 basketball courts (if space allows, as determined by the design consultant of record), together with Musco lighting for the playing fields, landscaping and irrigation. The Park Property shall not include the walking and biking trails along the open space on the perimeter of the Premises, which shall be constructed, retained and maintained by Tenant or those claiming under it, and the trails shall be open to the public.

8. A Community Center comparable to or better than the Gwen Margolis Center (including kitchen, restrooms, vendor space), to be owned and maintained by Tenant. Landlord will have free use of the facility at least 3 times a month

9. Building permits pulled for at least 500,000 leasable square feet of Required Improvements

10. Creation of a homeowner's association or community development district or declaration of covenants and restrictions or similar funding source running with the land included in the Premises for all environmental monitoring and compliance costs under the CLCP as provided in section 9.3.3 of this Lease.

11. Musco lighting will be provided for all dedicated rights of way.

9.3.1 *Groundwater Remediation.* Landlord entered into the ERA for the design and construction of the groundwater remediation system required under the CLCP. Landlord shall diligently pursue completion of the groundwater remediation system as provided in the ERA and pursuant to the terms of the Grant Agreement, Landfill Closure Permit, and CLCP. The Parties shall reasonably cooperate and work in good faith with each other in coordinating development of each of their components of the project in order not to unreasonably interfere with each others' construction plans, activities and schedules. Landlord and Tenant shall each designate coordination representatives (collectively, the "Project Coordination Team") and establish a regular meeting schedule beginning within seven (7) days after the Commencement Date, and shall meet no less frequently than monthly until the Substantial Completion of the Initial Development, and thereafter as decided by the Project Coordination Team, to allow representatives to provide applicable reports, plans, and other information, and discuss the progress and coordination of the groundwater remediation system (including horizontal piping and placement of extraction wells) and the Initial Development so as not to unreasonably interfere with each other's work, and address issues and problems that arise in a good faith, collaborative manner. Landlord's initial representative of the Project Coordination Team shall be the City PE, and Tenant's initial representative of the Project Coordination Team shall be Herbert George Tillman License # CGC036001. Tenant shall have the right to observe but not interfere with the work done pursuant to the ERA. If Tenant has concerns regarding the quality, appropriateness, or compliance with Laws, applicable Approvals or the Grant of such work, Tenant shall provide a reasonably detailed written description of such concerns to the City PE (or other Landlord designated member of the Project Coordination Team), who will evaluate and if necessary after appropriate consultation and investigation, address the concerns in an appropriate manner.

"Required Improvements" means a building or buildings comprised of the vertical construction, rising from the footprint of such building, and not including parking, landscaping, or other such amenities.

"Remedial Action" means all remedial action for Landfill Closure including capping, stormwater management system, groundwater monitoring, methane gas control plan, and other requirements set forth in the CLCP, Landfill Closure Permit, any approved remedial action plan, and related documents, but excluding the ERA Work, and including any investigation, containment, removal, remedy, clean-up, capping, response, abatement, landfill closure, or any other response action (including on-going monitoring obligations and providing financial assurances).