

# Memorandum



**Date:** April 4, 2013

**To:** Mario Goderich, Assistant Director  
Business Affairs, Regulatory Economic Resources Department  
Small Business Development

**From:** Milton L. Collins, Associate Director *MLC*  
Miami-Dade Aviation Department, Minority Affairs Division

**Subject:** Expression of Interest for Development Sites at MIA  
Project #EOI-02-08

## REVISED RECOMMENDATION:

This is a **revised** request for the Small Business Development (SBD) to approve the attached project in order for the Department to proceed with approval of the Ground Lease Agreements with members of the Odebrecht Group for development of four property sites at the entrance of Miami International Airport under Miami-Dade County Aviation Department **Expression of Interest, Project No. EOI-02-08**.

It is recommended that the Board of County Commissioners (Board) approve Ground Lease Agreements (Agreements) with members of the Odebrecht Group for development of four sites at Miami International Airport (MIA). The Ground Lease Agreement for the first site, known as Parcel 1A, includes Expansion Lease Agreement for the second site known as 1A Expansion. The third site is known as Parcel 1B, and the fourth site is known as Parcel 1C. **These parcels are collectively referred to as "Airport City" at Miami International Airport.**

Under the Agreements, the Miami-Dade Aviation Department (MDAD) is authorized to: (i) exercise all rights of the County; (ii) determine whether Odebrecht may lease any of its improvements to existing MDAD tenants; (iii) authorize construction of other improvements on the Premises; (iv) halt construction if it is not in accordance with the requirements of the Agreements; (v) make inspections for environmental violations; and (vi) approve assignments, transfers, or sales of the leasehold interests to third parties upon Odebrecht's payment of all fees associated therewith and Odebrecht's compliance with MDAD's requirements.

The Minority Affairs Division has evaluated the subject project and recommends the following Contract Measures:

### Parcel A:

CSBE (14.3%) of \$263,304,000.00  
CBE-A/E (10%) of \$22,896,000.00

### Parcel B:

CSBE (14.3%) of \$8,648,000.00  
CBE-A/E (10%) of \$752,000.00

### Parcel C:

CSBE (14.3%) of \$88,320,000.00  
CBE-A/E (10%) of \$7,680,000.00  
SBE (1%) of \$37,078,417.00

Also attached are MDAD's Contract Measures Analysis Worksheet and other supporting documents. The Community Workforce Program (CWP) will be applicable, currently at 10%. This estimate of probable construction and manpower analysis will be provided by the Odebrecht Group once the work commences.

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**Additional Information for Parcel C:**

The Small Business Enterprise (SBE) opportunities focuses on local businesses performing a commercially useful function primarily during the operational phase of the Parcel 1C hotel which will be a 400-room, four-star hotel. MDAD's Contract Measures for SBE firms has been identified as 1% of the annual gross revenue associated with hotel operations. The specific scope of services for potential local SBE opportunities may vary with the particular hotel chain and their respective procurement agreements. At this time, the following scope of services has been identified that could comprise the 1% SBE Contract Measures: 0.32% for cleaning maids to clean hotel rooms; 0.32% for security guards to provide crime prevention and protection services for the hotel; and 0.36% for laundry services including linens cleaning and dry cleaning services for hotel guests.

All three (3) Agreements will generate revenues for the Aviation Department over their anticipated 50-year terms, commencing initially on a graduated basis and then becoming full rent payments upon completion of the improvements.

All Agreements will provide MDAD with land rents at fair market value rental rates and additional franchise fee payments in the form of percentages of gross revenues, depending on the nature of the facility within each of the four development sites. Odebrecht is obligated to fund the entire cost of the improvements built pursuant to the Agreements (**an anticipated \$512 million dollar project**) and upon completion of each site's development, the County shall have full title to the improvements.

The Term of the Agreement for Parcels 1A will be 40 years, plus one (1) ten (10) year extension from the Date of Beneficial Operation (DBO) of the first office building. The Term for Parcel 1A Expansion will be 40 years, plus one (1) ten (10) year extension from the earlier of DBO of the first facility or eight (8) years from the Effective Date of the Parcel 1A Agreement. The Term of the Agreement for Parcel 1B will be 40 years, plus one (1) ten (10) year extension from the DBO of the Parcel 1B facilities. The Term of the Agreement for Parcel 1C will be 40 years, plus one (1) ten (10) year extension from the DBO of the Parcel 1C facilities.

**BACKGROUND/SCOPE OF SERVICES/REQUIREMENTS:**

Airport construction projects are traditionally funded in a variety of ways, including the sale of Aviation bonds, federal grants, passenger facility charges, interest earnings, and operating income. As a result of the financial burden of MIA's nearly completed \$6.4 billion Capital Improvement Program, MDAD needs an alternative source of financing for capital projects. More than ever, MDAD's fiscal need for aviation and aviation-related projects at MIA exceeds MDAD's current ability to fund them by traditional methods without risking MIA's competitive position among U.S. gateway airports or jeopardizing its positive bond ratings. Accordingly, like many other government entities across the country, MDAD turned to the Public Private Investor Partnership (PPIP) concept to convert non-performing real estate at the airports, including vacant land and vacant buildings not foreseeably needed for airport purposes, into revenue-producing assets. Under a PPIP agreement, the developer uses its own finances to construct major projects, and pays the County a fair market value rental for the underlying land along with a percentage of gross revenues to reflect both parties' interest in the development of the project.

MDAD has long realized that the entrance to MIA was in need of revitalization with new buildings and removal of the various maintenance and transportation buildings constructed decades ago. The revitalization concept became known as "Airport City" and requires a very significant investment of capital from a developer for the financing, design, construction, renovation, relocation, management,

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and operation of various buildings located in the four (4) available sites to the immediate north and south of MIA's Central Boulevard.

The mixed-use development program being delivered through the proposed Agreements between Odebrecht and Miami-Dade County will usher in a new era for MIA, offering a multi-faceted experience of the highest quality for passengers, visitors and local residents. It will solidify MIA internationally as a world-class destination and as the primary economic engine to Miami-Dade County by creating thousands of new jobs and spurring additional business development opportunities in the County.

In fact, a recent study by the Washington Economics Group estimates that the Airport City at MIA project could create as many as 5,800 jobs and a total positive economic impact to Miami-Dade County of \$827 million during the development and construction phase of the project, and as many as 10,000

permanent jobs for our residents and an annual total economic impact of \$1.63 billion when the facilities are operational.

Under all three (3) Agreements, MDAD will receive fair-market-value land rents for the land under each improvement.

Full rent for the land under any improvement is generally payable upon completion of the improvement, and the initial annual rent for all parcels upon complete buildout of the facilities is estimated to be approximately \$3,562,853.00. Prior to completion, and commencing on the effective date of each agreement, MDAD will receive partial land rent of 10% of the fair-market-value rent during the first year, 20% during the second year, and 30% for the third year up to the date of beneficial operation for all initial improvements (called the "Milestone 2" date), which is 60 months, 39 months, and 41 months from the effective dates of the Agreements for Parcels 1A, 1B and 1C, respectively. In addition, MDAD will receive franchise fees in the form of a percentage of gross revenues from the improvements based on the type of improvement involved to the extent the resulting amount is greater than the land rent. In addition, MDAD will receive franchise fees in the form of a percentage of gross revenues from the improvements based on the type of improvement involved to the extent the resulting amount is greater than the land rent.

The four (4) sites will be developed by members of the Odebrecht Group. The three Development Lease Agreements for each of the four (4) development sites, however, provide that a member of the Odebrecht Group shall maintain at least 10% equity interest in the newly created affiliate and shall satisfy at least 10% of any separate security requirement of a lender. In addition, each Lessee is required to obtain a performance and payment bond to assure the completion of the project. With the bond and the 10% equity and security participation by a member of the Odebrecht Group under each Agreement, the County is reasonably assured that each site will be developed. Upon completion of each site's development, the County shall have full title to the improvements.

The Agreements provide for a "Financial Closure Date," which is referred to as "Milestone 1" or "M1." The M1 date is marked in months from the Effective Date and allows Odebrecht to complete the financing of the project within that period of time. The M1 date is 30 months, 18 months, 9 months and 9 months from the Effective Date of the Parcel 1A lease, the Parcel 1A Expansion lease, the Parcel 1B lease, and the Parcel 1C lease, respectively. If the M1 date is not achieved under any lease agreement, either party has the right to terminate the agreement.

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Each Agreement requires the Odebrecht Lessee to meet a specific construction deadline. If the Lessee fails to do so, and the failure is not cured or otherwise excused, the County has the right to terminate the entire Agreement.

The four (4) development sites to be developed under the Agreement include the following:

**PARCEL 1A:**

Parcel 1A is sometimes known as the "Central Base" and is located immediately to the north of Central Boulevard, the road used to enter the Airport. The 9.3-acre site will be developed primarily with a 150-room three-star hotel (so as not to conflict with the four-star hotel Odebrecht will be constructing on Parcel 1C), along with office buildings. In addition to constructing the facilities on Parcel 1A, Odebrecht is responsible for construction of a new train stop for the MIA Mover automated people mover train to provide passengers and users of the Parcel 1A facilities convenient access.

The development cost associated with Parcel 1A are projected to cost \$154.5 million. The land rents and franchise fees are projected at \$1.5 million in the first year of stabilized operations. Over the 50-year term, Parcel 1A is projected to generate to the County approximately \$171 million in land rents and franchise fees.

**PARCEL 1A Expansion:**

The Parcel 1A Expansion is a 15.6-acre site immediately north of Parcel 1A and will house the extensive infrastructure improvements Parcel 1A requires. As Odebrecht determines the success of the ongoing development on the Parcel 1A site, it will decide whether or not to demolish the older facilities on the Parcel 1A Expansion site for further development or leave those facilities in place. Even if the status quo is maintained, those older facilities will be blocked from the view of the new developments on Parcel 1A.

The development cost associated with Parcel 1A Expansion are likewise projected to cost \$154.5 million. The land rents and franchise fees are projected at \$2.1 million in the first year of stabilized operations. Over the 50-year term, the Parcel 1A Expansion is projected to generate to the County approximately \$241 million in land rents and franchise fees.

**Parcel 1A and Parcel 1A Expansion Additional Costs:**

Odebrecht has projected costs of \$17 million to construct the additional Automated People Mover Station to serve the Parcel 1A and Parcel 1A Expansion sites, and \$33 million to construct the infrastructure improvements on the Parcel 1A Expansion site that will be necessary to serve both the Parcel 1A improvements and the Parcel 1A expansion improvements.

**PARCEL 1B:**

Parcel 1B consists of a 6.82-acre site south of Central Boulevard across the road from Parcel 1A. Odebrecht will demolish existing facilities and construct a retail service plaza, with a gas station, convenience store, dry cleaner, shops, and a small pet spa.

The development cost associated with Parcel 1B are projected to cost \$12 million. The land rents and franchise fees are projected at \$0.6 million in the first year of stabilized operations.

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Over the 50-year term, Parcel 1B is projected to generate to the County approximately \$76 million in land rents and franchise fees.

**Parcel 1C:**

Parcel 1C is a 1.76-acre site next to Park 6 which is adjacent to the Terminal Building. Odebrecht will construct a 400-room, four-star hotel to be operated by a leading hotel chain. The hotel will directly connect to the North Terminal through the Dolphin Parking Garage and will have amenities and restaurants consistent with the finest four-star hotels. Unlike the other three sites, there are no facilities on Parcel 1C that require demolition or replacement. Odebrecht will be permitted to use 350 parking spaces in the adjacent Dolphin Garage for guests and valet parking. The FAA permitted this use because the parking garages are not operating at capacity and therefore there is no revenue loss to MDAD associated with this use. The development cost associated with Parcel 1C are projected to cost \$141 million.

The land rents and franchise fees are projected at \$2.7 million in the first year of stabilized operations. Over the 50-year term, Parcel 1C is projected to generate to the County approximately \$299 million in land rents and franchise fees.

If additional information is needed, please contact me at (305) 876-7221 or C. Corrales of my staff at (305) 876-7991.

**Attachments (7)**

cc: V. Clark, SBD  
L. Johnson, SBD  
E. Mizrahi, MDAD  
M. Clark-Vincent, MDAD  
B. Rinzler, Odebrecht  
L. Simon, Odebrecht  
J. Zheng, Odebrecht  
M. Hawkins-Moss, MDAD  
L. Allen-Johnson, MDAD  
C. Corrales, MDAD  
\\Project File

**ATTACHMENT B**  
**CBE/CSBE Goals: Airport City at MIA**  
**Parcel B-Convenience Center**

DESCRIPTION OF WORK	TOTAL COST	BY PRIME OR PRIME SUBS	CBE/CSBE	
			AMOUNT	PERCENT
<b>DESIGN/CONSTRUCTION TOTAL (CBE+CSBE)</b>	<b>9,400,000</b>	<b>8,083,952</b>	<b>1,316,048</b>	<b>14.00%</b>
CBE: A/E Services Subtotal	752,000	676,800	75,200	10.00%
CSBE: Construction Subtotal	8,648,000	7,407,152	1,240,848	14.35%
DIVISION 01 - GENERAL CONDITIONS	1,052,098	972,244	79,854	7.59%
DIVISION 02 - SITEWORK	489,946	457,806	32,140	6.56%
DIVISION 03 - CONCRETE	1,039,870	947,945	91,925	8.84%
DIVISION 04 - MASONRY	149,949	22,492	127,457	85.00%
DIVISION 05 - METALS	305,942	275,348	30,594	10.00%
DIVISION 06 - WOOD AND PLASTIC	350,727	350,727	0	0.00%
DIVISION 07 - THERMAL AND MOISTURE PROTECTION	174,012	87,232	86,780	49.87%
DIVISION 08 - DOORS AND WINDOWS	1,095,560	967,051	128,509	11.73%
DIVISION 09 - FINISHES	1,338,913	984,771	354,142	26.45%
DIVISION 10 - SPECIALTIES	249,294	140,602	108,692	43.60%
DIVISION 11 - EQUIPMENT	55,989	55,989	0	0.00%
DIVISION 12 - FURNISHING	804	804	0	0.00%
DIVISION 13 - SPECIAL CONSTRUCTION	24,792	24,792	0	0.00%
DIVISION 14 - CONVEYING SYST.	246,385	246,385	0	0.00%
DIVISION 15 - MECHANICAL	1,084,850	982,983	101,867	9.39%
DIVISION 16 - ELECTRICAL	988,867	889,980	98,887	10.00%

\* Based on conceptual development plans. Individual discipline percentages may be adjusted after program definition.

\*\* Any discrepancy is due to rounding.

\*\*\* FF&E (Furniture, Fixtures & Equipment) is not included.

MIAMI INTERNATIONAL AIRPORT

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**Walters, Vivian (RER)**

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**From:** Corrales, Caridad (Aviation) [CCORRALES@miami-airport.com]  
**Sent:** Friday, April 05, 2013 2:45 PM  
**To:** Clark, Veronica (RER); Johnson, Laurie (RER)  
**Cc:** Walters, Vivian (RER); Mizrahi, Eli (Aviation); Clark-Vincent, Marie (Aviation); Brinzler@odebrecht.com; Isimon@odebrecht.com; JZHENG@odebrecht.com; Moss, Margaret Hawkins (Aviation); Allen-Johnson, Lenora (Aviation); Collins, Milton (Aviation); Corrales, Caridad (Aviation)  
**Subject:** Recommendation Memo Project #EOI-02-08  
**Attachments:** MinorityAffairsSharpScannerDoNotReply\_20130405\_132744.pdf

Good afternoon, attached is the revised Recommendation Memorandum for Project #EOI-02-08. As instructed by SBD, additional information has been added for the SBE portion of the project for Parcel C. Please advise our office if there are any questions.

Thank you,

Caridad "Cookie" Corrales  
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MDAD-Minority Affairs Division  
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