

RESOLUTION No. 2009-205-1151

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MIAMI GARDENS, FLORIDA, AUTHORIZING THE CITY ATTORNEY AND THE CITY MANAGER TO TAKE ANY AND ALL STEPS NECESSARY IN ORDER TO CREATE THE CITY OF MIAMI GARDENS LEASING CORPORATION, AND TO HIRE A FINANCIAL CONSULTANT TO EVALUATE THE PROPOSAL SUBMITTED BY THE MGTC GROUP; PROVIDING FOR THE ADOPTION OF REPRESENTATIONS; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City was approached a few months back by the MGTC Group regarding the development of a City Hall/Police Headquarters Complex, and

WHEREAS, the MGTC Group is made up of various entities including developer, K Mack, architect, Santos Ramundez, a development group, MDG, a contractor, H. A. Contracting, and well as an underwriter, Loop Capital, and

WHEREAS, the proposal is a public/private development of the City Hall/Police Headquarter Complex at the Wachovia site located on Northwest 27<sup>th</sup> Avenue, and

WHEREAS, the MGTC owns the property directly adjacent to the Wachovia site, and

WHEREAS, the City Council has been presented a proposal outlined by the City Manager for financing the development, and

WHEREAS, the City Council would like to authorize the City Manager and City Attorney to take the steps necessary to form the leasing corporation and to hire a financial consultant to analyze the MGTC proposal,

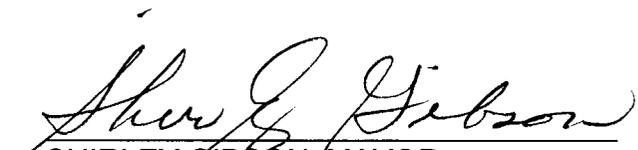
NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MIAMI GARDENS, FLORIDA, AS FOLLOWS:

Section 1. ADOPTION OF REPRESENTATIONS: The foregoing Whereas paragraphs are hereby ratified and confirmed as being true, and the same are hereby made a specific part of this Resolution.

Section 2. AUTHORIZATION: The City Council of the City of Miami Gardens hereby authorizes the City Manager and the City Attorney to take all steps necessary in order to create the City of Miami Gardens Leasing Corporation and to hire a financial consultant to analyze the MGTC proposal.

Section 3. EFFECTIVE DATE: This Resolution shall take effect immediately upon its final passage.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF MIAMI GARDENS AT ITS REGULAR MEETING HELD ON OCTOBER 28, 2009.

  
SHIRLEY GIBSON, MAYOR

ATTEST:

  
RONETTA TAYLOR, MMC, CITY CLERK

PREPARED BY: SONJA KNIGHTON DICKENS, ESQ.  
CITY ATTORNEY

SPONSORED BY: DANNY CREW, CITY MANAGER

MOVED BY: Councilman Campbell  
SECOND BY: Councilman Bratton

**VOTE: 5-2**

Mayor Shirley Gibson	<u>X</u> (Yes)	___ (No)
Vice Mayor Oliver Gilbert, III	<u>X</u> (Yes)	___ (No)
Councilman Melvin L. Bratton	<u>X</u> (Yes)	___ (No)
Councilman Aaron Campbell	<u>X</u> (Yes)	___ (No)
Councilwoman Barbara Watson	<u>X</u> (Yes)	___ (No)
Councilwoman Sharon Pritchett	___ (Yes)	<u>X</u> (No)
Councilman André Williams	___ (Yes)	<u>X</u> (No)



## City of Miami Gardens Agenda Cover Memo

<b>Council Meeting Date:</b> <i>(Enter X in box)</i>	October 28, 2009		<b>Item Type:</b> <i>(Enter X in box)</i>	<b>Resolution</b>	<b>Ordinance</b>	<b>Other</b>	
				x			
<b>Fiscal Impact:</b> <i>(Enter X in box)</i>	Yes	No	<b>Ordinance Reading:</b> <i>(Enter X in box)</i>	<b>1<sup>st</sup> Reading</b>		<b>2<sup>nd</sup> Reading</b>	
	x			<b>Public Hearing:</b> <i>(Enter X in box)</i>	<b>Yes</b>	<b>No</b>	<b>Yes</b>
			x				
<b>Funding Source:</b>	Bonds		<b>Advertising Requirement:</b> <i>(Enter X in box)</i>	<b>Yes</b>		<b>No</b>	
						x	
<b>Contract/P.O. Required:</b> <i>(Enter X in box)</i>	Yes	No	<b>RFP/RFQ/Bid #:</b>	<i>n./a</i>			
	x						
<b>Sponsor Name</b>	Danny Crew City Manager		<b>Department:</b>	<i>City Manager</i>			

**Short Title:**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MIAMI GARDENS, FLORIDA, APPROVING "IN CONCEPT," THE PROPOSAL SUBMITTED BY THE MGTC GROUP FOR DEVELOPMENT AND CONSTRUCTION OF A CITY HALL/POLICE HEADQUARTERS COMPLEX; AUTHORIZING THE CITY ATTORNEY AND THE CITY MANAGER TO TAKE ANY AND ALL STEPS NECESSARY IN ORDER TO CREATE THE CITY OF MIAMI GARDENS LEASING CORPORATION, AND ANY AND ALL STEPS NECESSARY IN ORDER TO INITIATE IMPLEMENTATION OF THE CONCEPT; PROVIDING FOR THE ADOPTION OF REPRESENTATIONS; PROVIDING AN EFFECTIVE DATE

**Staff Summary:**

Please see the attached Report and Executive Summary

**Recommendation:**

Recommend that the City Council approve the proposal from Miami Gardens Town Center, LLC and authorize the City Manager and City Attorney to proceed with the necessary steps to enable this project to move forward.

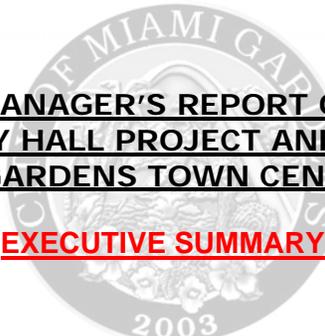
**ITEM K-2) RESOLUTION  
Proposed City Hall**

**Attachment:**

Executive Summary

Report of the City Manager

(Enclosed Separately) Proposal from the Miami Gardens Town Center, LLC group.

The seal of the City of Miami Gardens is centered at the top of the page. It features a circular design with the words "CITY OF MIAMI GARDENS" around the perimeter and the year "2003" at the bottom. The seal is partially obscured by the title text.

**CITY MANAGER'S REPORT ON THE  
PROPOSED CITY HALL PROJECT AND PROPOSAL BY  
MIAMI GARDENS TOWN CENTER, LLC**

**EXECUTIVE SUMMARY**

**Background**

Attached is my report on the proposal presented to the City by the Miami Gardens Town Center, LLC Group regarding a joint venture to build a new City Hall and Police Headquarters and to undertake associated commercial development on land controlled by MGTC group immediately south of the City's old Wachovia site.

The City has been working toward building a new City Hall since 2005 when we purchased a future site on NW 27<sup>th</sup> Avenue. Currently, the City is renting space for its City Hall. A temporary police headquarters was built in 1997 by renovating an old industrial building in the Sunshine Industrial Park. Both the Police Department and the City Hall are deficient in space for their respective operation. Additionally, neither facility is centrally located for the residents' convenience.

**Proposal**

In August, the City received a proposal from the Miami Gardens Town Center, LLC development group. This group consisted of a developer (K Mack), an architect (Santos Ramundez), a Development group (MDG), a contractor (H.A. Contracting) and an underwriter (Loop Capital). This group proposed a public-private development of the City Hall/Police Headquarters buildings and the privately owned/controlled property located immediately south of the Wachovia site between that site and NW 183<sup>rd</sup> Street.

The MGTC group proposes a guaranteed maximum price development where the City and the developer agree on a maximum price for the public buildings. If the project costs exceed that budget, the developer is responsible for the overage; if the costs are less than that budget, the City and the developer split the savings. The buildings would be designed and constructed to the City's standards, with the City retaining the rights to approve all major design aspects.

**Financing**

It has been proposed by the MGTC group that the financing consist of a standard municipal financing mechanism called Certificates of Participation (COPs). These have been widely used by Florida cities and school boards since the 1980s. COPs are a type of revenue bond whereby the City creates a not-for-profit leasing corporation who becomes the actual owner of the property and solely responsible entity for the repayment of the bonds. This financing ensures that the City does not become responsible nor does it carry the debt on its books. The City then leases the new facility from the leasing corporation on a year-to-year basis for 30 years, after which the City can re-purchase the property, including the buildings, for \$10.00.

In order for the City to pay the lease, the City needs to raise approximately \$1.9 million over our anticipated lease payments. To raise this revenue, the City would need to increase its millage 0.15 mills per year for the next three years or \$13.20 per year for the average homeowner.

## **Recommendation**

It appears that the proposal received from the Miami Gardens Town Center Group is a viable way for the City to achieve its last major goal as a new city. The MGTC group appears to have the experience and professional partners to carry out the plan. By collaborating with the MGTC, the City can take this final step in the development of a new City, and can give the residents a visible and practical centerpiece that will help residents and visitors identify the community while providing a convenient location to the public in need of City services.

I recommend that the City Council approve the proposal from Miami Gardens Town Center, LLC and authorize the City Manager and City Attorney to proceed with the necessary steps to enable this project to move forward.

**REPORT OF THE CITY MANAGER ON THE  
PROPOSED CITY HALL PROJECT AND PROPOSAL BY  
MIAMI GARDENS TOWN CENTER, LLC**

**Report**

**Introduction**

In August, the City received a proposal from the Miami Gardens Town Center, LLC development group (MGTC) inviting the City to participate in its proposed development of a portion of the City's Town Center area. The proposal involves a number of actions required in order to effectuate this proposal. These include a Joint Development Agreement; proposed financing structure; creation of an independent City corporation to serve as "owner" of the project; the design and construction of the City Hall and Police buildings; and the construction of approximately 15 acres of commercial and mixed-use property adjacent to the City Hall site.

Any such proposal is complicated, but this one is even more so as it involves a number of unusual financing components that may not be familiar to the City Council. This report will address these and other aspects in detail to provide Council with insight into the process and the City's role.

**History**

No city is complete without a City Hall. Over the past 5 ½ years, Miami Gardens has undertaken numerous projects and priorities in order to position itself as a complete city offering services to its residents. During this period, time and money were dedicated ensuring that the City had the foundation to survive and prosper by building a strong financial base, renovating deteriorated parks, initiating a first rate police department, and beautification of our community were all key ingredients in solidifying community support and achieving financial independence. The last of these core projects must now be addressed – the need for a new City Hall Complex. In 2006, the City purchased 4+ acres of land on NW 27<sup>th</sup> Avenue just for this purpose (The old Wachovia Site). It was the first step in the building of a permanent City Hall.

Since our incorporation in 2003, the City has rented space in two locations for a temporary City Hall. While these locations have served the City adequately during our development phase, they have now become inadequate and inefficient, lacking adequate security, space, and parking. The current location is not convenient for our residents, and we have become separated from our largest employee component, the City's police Department, which is facing a space shortage.

If we do nothing, the City's current rent alone may total over \$50 million over the next 30 years, and we will have nothing to show for it. We are not building any equity for our residents. The time has come for the City to move forward and complete this important practical and symbolic project.

In 2007, the City Council adopted a comprehensive plan for the City's town center area. Included in this plan was a City Hall facility as well as commercial and residential components. As Council knows, we have control over our City Hall land, but have no control over the balance of the town center properties. It was anticipated that private developers would step in and

develop these other properties in general accordance with our Town Center Plan. Until recently, we have not had any interest from the private sector in doing such a project.

### **Next Steps in City Hall Project**

In order to construct a new City Hall, a number of things have to take place. First, a space study needs to be completed to determine the amount of space that will be needed. A preliminary study has been completed by the City's in-house registered architect. The study estimates that the City will need to build approximately 70,000 square feet of office space to accommodate City staff, and an additional 70,000 square feet for the Police Department. The site will also require a parking structure of approximately 600 spaces. It is proposed that the City Hall be constructed as a certified L.E.E.D. structure.<sup>(1)</sup> A preliminary cost estimate prepared by the Developer estimates the total somewhere between \$50 million and \$55 million. An in-house estimate prepared by staff comes to a similar number.

### **Construction Approaches**

#### **1. Standard approach to Construction**

The process would begin with a final space study. Once that is completed, City Council would engage the services of an architect to prepare several renderings of the exterior of the complex. Council would select its desired approach to the design, and the architect would begin detailed plans and specifications. This step would take approximately 9 to 12 months. Once design plans are completed and approved by the City, bidding and construction would begin. A construction time frame of 18-24 months would be considered normal.

#### **2. Alternative Approach to Construction**

Another approach to financing such a project that many municipal governments use is called a Guaranteed Maximum Price Contract or G-Max. Under this scenario, the City and developer form a partnership and share in any savings resulting from completing the project under the negotiated maximum.<sup>(2)</sup>

### **Financing**

Of course, none of this can take place without financing. No matter what financing method is finally chosen, the result is essentially the same: Property taxes must be raised to pay for the improvement.

---

<sup>(1)</sup> **LE.E.D.** - The Leadership in Energy and Environmental Design green building rating system, or LEED, is a voluntary, consensus-based national standard for developing high-performance, sustainable buildings.

<sup>(2)</sup> Guaranteed Maximum Contracts or G-Max are becoming more popular as a corporate vehicle to minimize risk, avoid claims and integrate the diverse interests of a complex project. Under a G-Max contract the parties essentially form a partnership, and the contractor is guaranteed a set profit, but there is also a guaranteed set maximum price. The G-Max is popular because it incentivizes the parties to work together. The contractor has no incentive to jack up prices because he is getting a set profit.

A bond issue to raise \$55 million would cost approximately \$3.5 million a year for 30 years for debt service. Currently, the City pays approximately \$900,000 per year in rent and bonds for our present facilities. By 2012 when we would move into the new City Hall, rent at our present locations will be closer to \$1,200,000 per year. That leaves a gap of approximately \$2,300,000 million in annual new money needed to pay the yearly payment on a new City Hall. Thus, the bottom line is that we need to find \$2.3 million in new revenue. Realistically, the only source the City has to raise this revenue is property taxes. However, unlike the earlier increases, this one is relatively small. In order to raise this revenue, we would need to increase the tax rate by 0.55 mills. This translates to 55¢ in additional taxes per \$1,000 of assessed valuation for the average home in Miami Gardens:

**Table 1: Cost of Tax Increase at various Taxable Values**

Taxable Valuation	Current Tax Rate	After City Hall Increase Rate	Annual Additional Cost	Monthly Additional Cost
\$ 50,000	5.3734	5.9234	\$27.50	\$2.29
<b>\$ 88,000</b>	<b>5.3734</b>	<b>5.9234</b>	<b>\$48.40</b>	<b>\$4.03</b>
\$100,000	5.3734	5.9234	\$55.00	\$4.58
\$200,000	5.3734	5.9234	\$110.00	\$9.17

= Average Miami Gardens Taxable Value

Like different approaches to construction, municipalities have a number of options with regard to financing. Each offers its advantages.

**1. General Obligation (G.O.) Bonds**

General Obligation Bonds are traditionally the cheapest way to pay for a major capital improvement; cheaper means borrowing at the lowest interest rate. A G.O. bond requires a vote of the residents agreeing to raise their property taxes to pay back the loan. This approach would require us to place the issue on the ballot at the next scheduled election in fall of 2010 or call a special mail referendum at a cost of approximately \$130,000. While this approach is traditionally the least expensive way to borrow, because of the President’s stimulus program, it is not currently the cheapest alternative.

**2. Revenue Bonds**

Another type of bond issue that a city can use to finance a capital improvement is the Municipal Revenue Bond. There are several varieties of revenue bonds, but all require a pledge (promise of payment) of some City revenue source to repay the bond [except that the property tax cannot be pledged]. These are the type of bonds we have used so far in Miami Gardens. We have pledged the City’s Communication Tax, ½-cent sales tax and our Utility Tax receipts. Because these are not as solid of a promise of repayment to the investor, Revenue Bonds cost slightly more than G.O. bonds.

The downside of using these bonds is that the City raises no additional revenue to pay for these bonds, using only existing revenue. Thus, room has to be found

within the existing budget to repay them. While this may be possible for smaller bond issues such as we have done in the past, it is not feasible for a large bond issue as you run into competition for funding with other City activities. Except for our bi-annual equipment bonds, the City can no longer afford to add additional revenue bonds without a new source of revenue to cover the payments. The City Council could raise property taxes at budget time and use the money to pay for the bonds, you just cannot promise to use tax revenue [This is what we did for the police building].

### **3. Capital Lease-Purchase**

Another common way for municipal governments to “borrow” is through a capital lease or capital lease-purchase. Other variations exist such as Certificates of Participation (COPs). While we usually think of this approach as a way to buy equipment, it can also be used to purchase property or to construct buildings. Using COPs, the city does not actually own the asset until the lease term expires. For example, when the City of Pompano Beach built its City Hall in the mid-1980s was financed using this method. A wholly-owned City Non-Profit Corporation was established to be the “owner” of the property and the finished building. The City government then leased the property on a year-to-year basis until the building was paid for (30 years). At the end of the lease period, the City bought the building back for \$10.

One advantage of this method is that the asset (and liability) is not on the City’s books. This is because the City retains the right to halt payments each year if it chooses. If the City does stop payments, then they must leave the building and it is sold to the private market. Because of this right to cancel, lenders want to ensure that the capital project is a vital part of the City’s government and their canceling is quite remote. In Florida, many schools are financed this way.

While these are the three principal methods for local governments to borrow money for improvements, for the next year (until December 31, 2010), the federal government is offering a special type of bond for local governments.

#### **Build America Bonds (BABs)**

Under the president’s stimulus program that was passed by Congress, the IRS is authorized to offer local governments special Build America Bonds. These bonds are similar to traditional municipal except, 1) They are Taxable, thus carry a higher interest rate; but 2) The IRS rebates to the issuer (City), 35% of the interest paid to the bondholders, which makes the effective interest rate even lower than traditional tax-exempt bonds. Because of peculiarities of the bonds, it is also possible to issue a hybrid of traditional tax-exempt revenue bonds and Build America Bonds to take advantage of the strengths of each.

Table #2 below illustrates the advantages and disadvantages of the five possible approaches that can be used to finance the City Hall/ Police Headquarters project:

**Table 2: Comparison of financing Alternatives\***

	<b>Traditional G.O. Bond</b>	<b>Traditional Revenue Bond</b>	<b>Capital Lease-Purchase (C.O.P.s w/BABs)</b>	<b>Capital Lease-Purchase (COPs with Hybrid of BABs &amp; Tax-Exempt Revenue Bonds)</b>
Approval Authority	Referendum	City Council	City Council	City Council
Par	\$55,930,000	\$55,790,000	\$55,095,000	\$54,925,000
All-In Interest Cost	6.23%	6.57%	4.98%	4.97%
Issuance Costs	\$2,515,810	\$2,613,910	\$2,670,906	\$2,635,738
Time to Issue	3-10 months	2 months	2 months	2 months
Who Issues	City	City	Leasing Corp	Leasing Corp
Liability for Repayment	City	City	Leasing Corp	Leasing Corp
Annual Debt Service	\$4,064,696	\$4,234,756	\$3,483,818	\$3,482,281
Other (Costs) or Savings	+4,000,000*** -\$135,000 **	\$4,200,000***	\$4,200,000***	\$4,200,000***
Total Principal & Interest	\$119,483,200	\$124,515,338	\$102,276,238	\$102,254,131
<b>Interest Savings Over G.O.</b>	<b>n/a</b>	<b>\$5,032,138</b>	<b>\$ 17,206,962</b>	<b>\$17,229,069</b>

\* Figures provided by Loop Capital

\*\* Cost of the mail referendum

\*\*\* Under these scenarios, the City will sell the existing City Hall property to the Non-Profit and have \$4,200,000 in cash to spend as desired on furniture or paying down the bond payments.

What is surprising from Table #2 is the total interest savings of Scenario 4 over the traditional G.O. Bond approach (scenario #1) – over \$17 million over the life of the bonds.

**Proposal from the Miami Gardens Town Center, LLC Group**

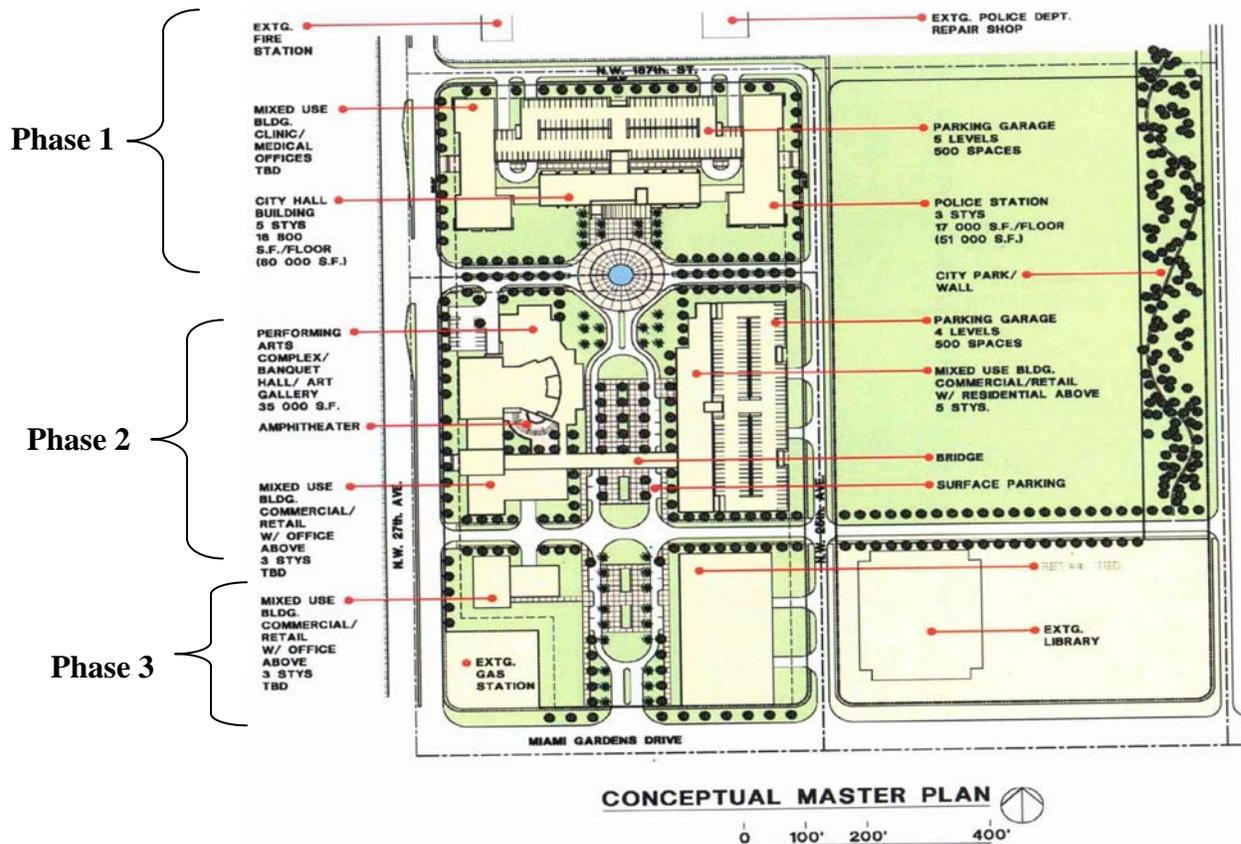
In July 2009, Miami Gardens Town Center, LLC (“MGTC”) submitted a proposal to the City Council of the City of Miami Gardens to develop, design, construct and manage a Town Center for the City. The proposed project would consist of several phases. MGTC has control of most of the property immediately south of the proposed City Hall site and have proposed that this area (including the City Hall) be developed as a complete project.<sup>(3)</sup> It would be a mixed use with government, private commercial and upper floor residential. This would be similar to Mizner Park in Boca Raton (except with the addition of government buildings).

<sup>(3)</sup> For letter from Property Owner, see Proposal, page 115.

## 1. Phase I of the Project

Phase I of the project would be the City Hall, police headquarters and a multi-story the parking structure to serve these two uses. The City's facilities would consist of approximately 65,000 square feet City Hall, a 65,000 square foot Police Station, and a five-deck parking garage. Phase II would consist of an Entertainment district and a retail-shopping destination. MGTC is also in discussions with Miami-Dade County to try to locate Performing Arts Center on this site. They are also in discussions with various retail businesses, including those currently on the site they own and various hospitals to add a medical component to the project.

Map 1: Proposed Public-Private Development – City Hall to NW 183<sup>rd</sup> St.



## 2. Phases II and III of the Project

After Phase I begins construction, MGTC will begin Phase II and possibility Phase III depending on the timing of commitments by retail tenants.

## **MGTC Proposed Development Team**

In order to achieve these objectives, the MGTC group has assembled a development team comprised of professional development partners experienced with similar projects both within the United States and abroad.<sup>(4)</sup>



Artist rendering of the north portion of the proposed development. Beyond the traffic circle lies the City Hall (center) the parking structure (center right) and the police department (right). This is only a rendering. No design has been proposed. This will be City Council's decision.

### **1. MDG Development Group (MDG)**

MDG is a Texas-based national developer with completed projects in 34 states and Europe. The Group's officers have extensive background in the development industry. While most of their projects have been tilt-up construction, they do have experience in traditional construction, though none developing a City Hall or Police building.<sup>(5)</sup>

### **2. Santos Raimundez Architects, P.A. (S/R)**

S/R is a Miami-Based firm with over 30 years in the design business. Past clients include the Miami-Dade School Board, Miami-Dade County and South Florida several cities. None has involved a City Hall structure or a police department headquarters building. Most of the school construction has been tilt-wall construction.<sup>(6)</sup>

---

<sup>(4)</sup> For detail information of the proposed development team, see Page 12 of the Proposal.

<sup>(5)</sup> For more on MDG, see Proposal, page 13.

<sup>(6)</sup> For more on S/R, see Proposal, page 63.

**3. H.A. Contractors (HAC)**

HAC is a construction management group who would provide the on-site construction oversight on behalf of the City. They have over 25 years of construction management experience in a wide variety of commercial, utility and government projects, though they have not managed the construction of a City Hall building or a police headquarters. <sup>(7)</sup>

**4. Loop Capital Markets (LOOP)**

Loop Capital Markets is one of the nation’s fastest growing investment bank and broker-dealers serving clients in public and corporate finance; taxable, tax-exempt, and global equity securities sales and trading. Founded in 1997, Loop is the largest Minority-owned bond underwriter in the nation. They are based in Chicago with offices in Baltimore, Charlotte, Cleveland, Dallas, Detroit, Hartford, Houston, Indianapolis, Los Angeles, Newark, New Orleans, New York City, Orlando, San Francisco, and Washington, D.C. Loop is well known in the underwriting market and has a good reputation among the industry.<sup>8)</sup>

**5. K Mack, LLC (KMACK)**

K Mac is a Miami Gardens-based developer that is the principal coordinator of this project. K Mack has previously developed several projects in Florida including the Chili’s Plaza at NW 199<sup>th</sup> and US 441 in Miami Gardens. They also have control of the property south of the proposed City Hall site. K Mack is represented by Mr. William Green. <sup>(9)</sup>

**Legal Team**

Any complex project such as the proposed development requires a number of legal experts representing the various parties. Below are the various outside legal representation involved.

**1. Greenberg, Trauig (City of Miami Gardens Bond Counsel)**

Greenberg, Trauig is the third largest law firm in the State of Florida with over 1,700 lawyers in 32 locations around the world. The public Finance Section is the second largest firm serving as bond counsel for public clients in Florida. Robert Gang is a partner and will serve as Bond Council for the City. He has practiced law for 37 years, 36 of which have been devoted to the field of public finance. He served as Co-Chair of the National Public Finance Practice for ten years. Greenburg will serve as the City’s bond council on this proposal.<sup>(10)</sup>

---

<sup>(7)</sup> For more on HAC, see Proposal, page 42.

<sup>(8)</sup> For more on Loop Capital Markets, see Proposal, page 105. Their web site is: [www.loopcap.com/](http://www.loopcap.com/).

<sup>(9)</sup> For more on K MACK, see Proposal, page 36.

<sup>(10)</sup> For more information on Greenberg Trauig, please see Proposal, page 89 and [www.gtlaw.com/Home](http://www.gtlaw.com/Home).

**2. Robert Holland, Esq. (Disclosure Attorney)**

Robert Holland has been selected by the MGTC Group as disclosure attorney. This is the individual that will handle disclosure of the bonds to prospective buyers/Investors. <sup>(11)</sup>

**3. Bryant, Miller & Olive (Underwriter’s Attorney)**

JoLinda Herring, Managing Partner of Bryant, Miller & Olive has been selected as the Group’s underwriting attorney. This firm will handle bond-related legal matters from their perspective. Ms. Herring’s background is in municipal law, governmental financing, and blue sky securities law. She has served as bond counsel and underwriter’s counsel for various Florida governments. <sup>(12)</sup>

**4. KnoxSeaton (Co-Underwriter’s Attorney)**

Douglas M. Seaton, Principal at KnoxSeaton has been selected as the Group’s co-underwriting attorney. This firm will assist Bryant, Miller & Olive. Mr. Seaton’s background is in municipal bond financing. <sup>(13)</sup>

**5. Lynn C. Washington/Tyson Strong Hall & Conner (Developer’s Attorneys)**

Lynn Washington and the law group of Tyson Strong Hall & Conner will represent the developer in preparing and reviewing developer’s contracts and other legal matters. <sup>(14)</sup>

**Financing of the Project**

The MGTC Group has proposed a somewhat complicated but not unusual financing for the project. It is similar to the method used by the City of Pompano Beach described above. However, it provides one advantage over other type of financing in that it will qualify for President Obama’s *Build America Bonds* (BAB). These bonds are an integral part of the President’s stimulus program, enabling local governments to issue bonds that are taxable, but carry a lower effective interest rate because of an interest rebate from the IRS. <sup>(15)</sup>

Table 2 below demonstrates this effect where the light blue represents the savings between a traditional tax exempt bond and the Build America Bonds. However, these bonds are only available through December 31, 2010. After that date, traditional financing must be used.

---

<sup>(11)</sup> For more information on Robert Holland, see Proposal, page 90.

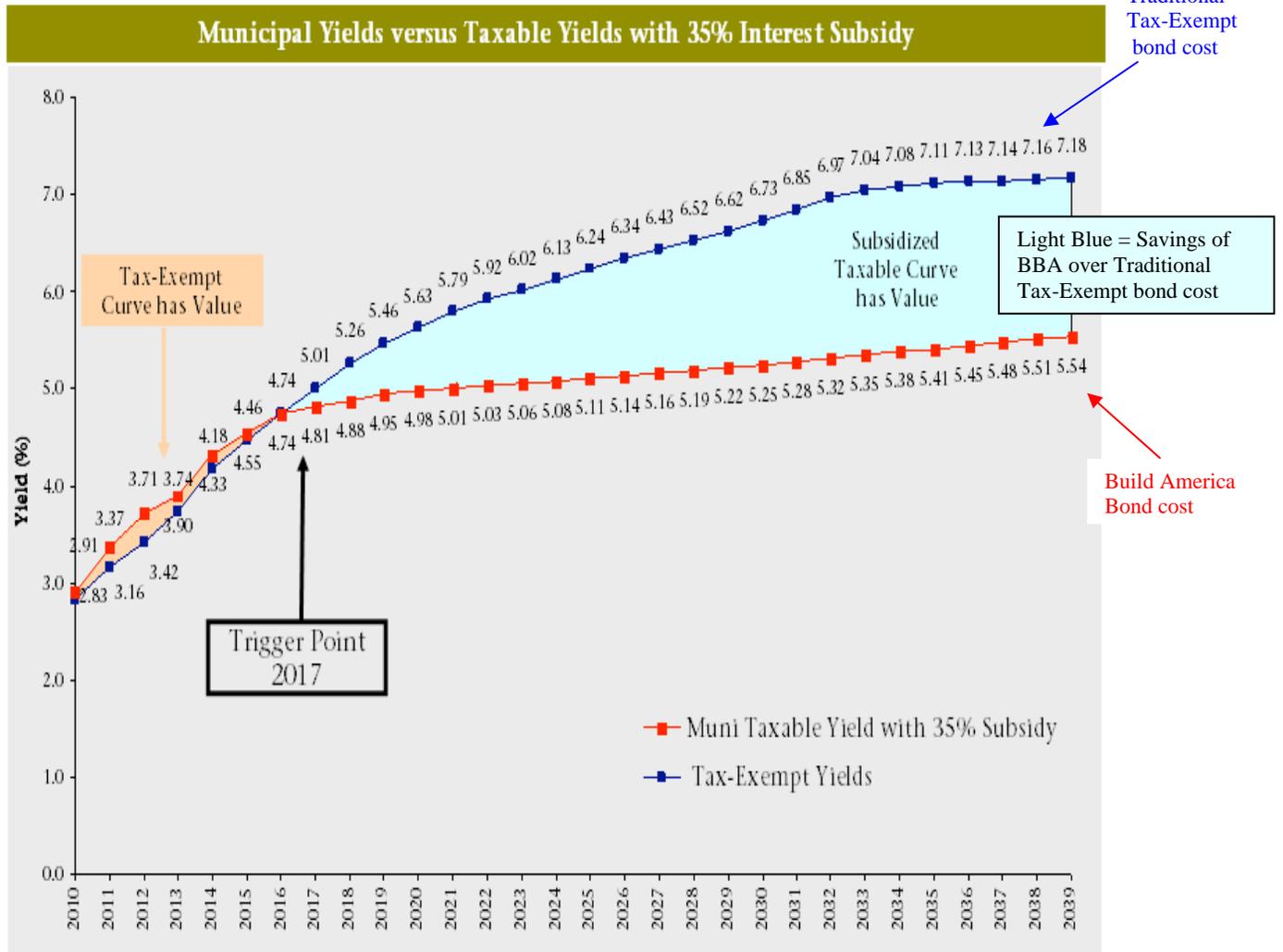
<sup>(12)</sup> For more on Bryant Miller & Olive, see Proposal, page 94.

<sup>(13)</sup> For more on KnoxSeaton, see Proposal, page 96.

<sup>(14)</sup> For more on Washington/Tyson, see Proposal, page 98.

<sup>(15)</sup> See Proposal, page 130 for a sample of the Official Statement from Broward County’s recent BAB bond issue.

**Table 3: Comparison of Tax exempt and BAB Bonds**



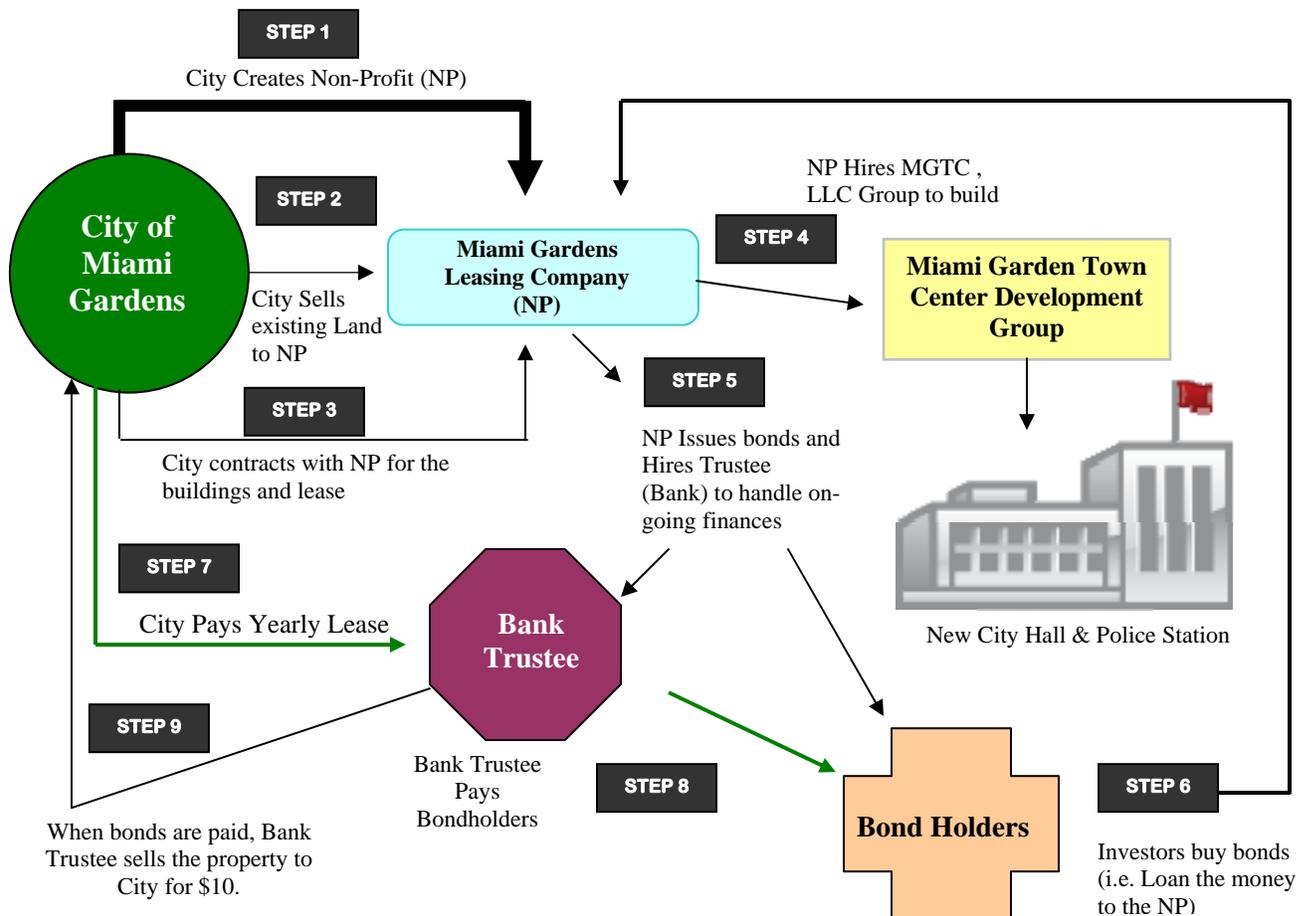
The MGTC group has proposed a blended bond approach, using traditional tax-exempt bonds for the first five years and BAB bonds for the balance of the financing. This yields the cheapest financing available.<sup>(11)</sup> Over the life of the bonds, this blended bond issue would save over \$17 million over the traditional tax-exempt/G.O. option or \$22 million over the traditional tax-exempt/revenue bond.

The MGTC team also recommends that the City secure bond-insurance for the transaction, another feature that they estimate will save the City \$3.5 million over the life of the bonds in lower interest rates. Final savings will depend what rating the City receives from the bond rating agency; in this case Standard & Poor’s: The higher the basic, underlying rating of the city, the lower cost for the insurance.

## Financing Sequence for Project Completion

To try and better explain the sequence of the proposed financing, the following is a graphic depiction of the actions that will take place to complete the project:

**Chart 1: Financing Process As Proposed by MGTC Group**



### **Step 1: Creation of a Non-Profit (NP): The Miami Gardens Leasing Corporation**

In order to begin the process of building a new City Hall/Police Headquarters, the City first creates a Non-Profit leasing corporation (NP). This is done through the State. This NP has three officers and one member. The Officers are usually the City Manager, the City Finance Director and a resident. The one member of the corporation is the City of Miami Gardens. The purpose of the NP is to act as the “Owner” of the project; to contract for the construction of the project; and to enter into a lease with the City to use the buildings. Because the bonds are in the name of the NP and not the City, the debt is not attached to the City’s financials nor is the City responsible for it.

**Step 2: City Sells its Existing Land to the NP**

As part of the arrangement, the City will sell its Wachovia site to the NP. The sales price will be the City's original purchase price (\$4.2 million). The City will then have the necessary cash to pay for furnishings for the new buildings and other related costs.

**Step 3: Contracting with the NP for the Project**

The first order of business for the NP is to contract with the City for the construction and financing of the new City Hall complex. The contract contains all of the protections that the City feels necessary to ensure that the buildings are constructed to its specifications, including a guaranteed maximum price, approval of development team, design standards, architectural features, interior space, grounds, inspections, etc. This contract also includes the financing arrangements for the City to lease-back the facilities and to re-purchase the land and buildings at the end of the lease for a nominal sum, usually \$10.00.

**Step 4: Non-Profit Hires the Development Team**

At this point, the NP enters into a contract with the MGTC Group for the development of the City Hall Complex. The team has been previously approved by the City Council as part of their initial contract with the NP. The NP's contract with the MGTC Group includes the same protections are enumerated in the NP's contract with the City. The development team begins their work on completing the financing and beginning construction.

**Steps 5: Non-Profit Issues Bonds**

Once the contracts are in place, the NP issues bonds to raise the capital necessary to complete the project. This is done through a public sale to national investors. As part of the bond covenants (promises), an independent Trustee (a bank) is hired to oversee the account and service the bond payments.

**Step 6: Funds Deposited with a Trustee on Behalf of the Non-Profit**

Once the bonds have been sold, the funds are deposited into an account owned by the NP.

**Step 7: City Pays its Lease Payments**

When the building is ready for occupancy, the City starts its lease payments on whatever basis is approved in the initial contract with the NP. While the buildings are under construction, the City's bond payments are deferred. This is called "Capitalized Interest." This interest is added to the bond total and is

repaid as part of the monthly lease over the life of the bond. As part of the covenants agreed to by the City, the City agrees to “Budget and Appropriate” the lease payment each year in conjunction with its annual budget process. This means that the City agrees to place the lease payment in the annual budget to be considered by the City Council and that the City Council agrees to consider appropriating these funds for the lease payments. However, THE CITY COUNCIL IS UNDER NO OBLIGATION to approve the budget item. If it does not, the City must move its offices out of the buildings per the process established in the initial contract and bond covenants. This is the reason that the bonds are not considered debt of the City.

**Step 8: Trustee Pays the Investors their Interest and Principal for 30 years.**

When the building is ready for occupancy, the City starts its lease payments. After 30 years, City re-purchases City Hall and its land for \$10.00.

**Guaranteed Maximum Price Construction**

The MGTC Group has proposed using a Guaranteed Maximum Price (GMP) contract for the construction of the City Hall complex. The GMP approach is often used in public construction. Under this method, the City and the Developer agree on a maximum price for the construction of the facility. If the project comes in over that price, the overrun is the responsibility of the developer. If they come in under the GMP, the savings are split between the City and the developer. Obviously, the key to this approach is the setting of a guaranteed maximum price. The City has several registered architects on staff that can competently negotiate on behalf of the City.

**Analysis**

The unsolicited proposal received from the MGTC Group is appealing in a number of ways. The town center area of Miami Gardens is an area of special concern. This is why a separate study was prepared for its revitalization. However, that revitalization requires substantial private investment, which as of today has not been forthcoming. This proposal offers the City a chance to partner with the surrounding land owner to begin the revitalization process.

As far as the City’s plans, the old Wachovia site has been designated as our future City Hall site since 2005. This partnership would provide the design and construction resources to make the City Hall a reality. It would offer the best hope for the private sector to begin the redevelopment of the town center area. The MGTC Group has control over most of the property from NW 183<sup>rd</sup> to the Wachovia and is offering a phased development of their site to match the City’s City Hall design. Because of the type of proposal they have made (Guaranteed Maximum Price) for the City Hall portion, the City’s financial interest is protected. Even if they never build the private portion of the project, the City will not be any worse off that they would if we built the City Hall on our own.

As for the financing, the basic question that City Council must decide is whether to raise the revenue necessary to undertake the project. No matter which approach is taken; there is a minimum \$2.3 million gap between rent payments and the debt service on the construction. My

recommendation is that City Council proceed with the financing using the Capital Lease-Purchase COPs/Hybrid approach. The advantages of this approach are:

- A. It is quick and we should move forward while the construction market is favorable.
- B. Takes advantage of a one-time presidential program to save millions of dollars over traditional financing.
- C. The financing is off the City’s books. This will ensure that the City’s finances are not bogged down with a large debt burden.
- D. This will also provide the City with an infusion of cash (\$4.2 million) from the sale of the land. These funds can then be used to furnish the new buildings and could also be banked with a portion (\$400,000/year) could be used to pay down the annual debt service for 5-7 years, reducing the new money needed to \$1,900,000/yr. This would allow us to lower the needed tax increase by almost 15% or an increase of .45 mills instead of the .55 mills. This could be done with a small increase of .15 mills over each of the next three years.

Using this approach, the annual increase to residents would be substantially reduced:

**Table 4: FY 2011-13 Yearly Increase for homeowner**

Taxable Valuation	Current Tax Rate	After City Hall Increase Rate	Annual Additional Cost	Monthly Additional Cost
\$ 50,000	5.3734	5.5234	\$7.50	\$0.63
<b>\$ 88,000</b>	<b>5.3734</b>	5.5234	<b>\$13.20</b>	<b>\$1.10</b>
\$100,000	5.3734	5.5234	\$15.00	\$1.25
\$200,000	5.3734	5.5234	\$30.00	\$2.50

This approach makes the project affordable to virtually all residents.

**Future Step in the Process**

If the City Council chooses to proceed with the project as proposed by MGTC LLC, there are a number of steps that will take place over the next several months. The major steps include:

FOR THE CITY:

- 1. Approval of the Concept and proposal by GMTTC, LLC.
- 2. Approval of Hiring bond counsel for the City.
- 3. Approval of the creation of the Miami Gardens Leasing Corporation.
- 4. Approval of a bond reimbursement resolution to enable the City to recover associated costs made prior to bond issuance.
- 5. Approval of a contract/agreement with the Miami Gardens Leasing Corporation for the construction of a city hall/police headquarters and the leasing of the facility to the City.

6. Sale of the City's existing property to the leasing corporation.

FOR THE MIAMI GARDENS LEASING CORPORATION:

1. Approval of an agreement with the City for the construction and lease-back of a new City Hall, Parking Structure and Police Headquarters.
2. Approval of a joint development agreement between the leasing corporation and the developer.
3. Issuance of bonds (COPs)
4. Purchase of the City's Wachovia property.
5. Purchase of the developer's property (Mint Lounge).