



SUPPLEMENTAL PROPOSAL
BEST AND FINAL OFFER (BAFO)



LETTER OF TRANSMITTAL INTRODUCTION

February 11th, 2021

To: Paul A. Bassar – City of Hollywood

Cc: Lee Ann Korst – CBRE

Sent via E-mail

We are thrilled to submit our Best and Final Offer for Azure, the City of Hollywood’s next landmark Public-Private Partnership (“P3”). Throughout this RFP process, we have poured our hearts and minds into curating the absolute best development program for such a special site. We believe we have the most neighborhood-focused proposal which accomplishes the following key objectives: i) Maximizes value for the City, ii) Balances a harmonious set of uses, and iii) Includes a well-thought-out Community Center on the most oceanfront parcel (right behind the “Formal Line of Construction”).

Throughout the evaluation process, we carefully listened to the feedback from the Technical Review Committee and the City Commission. We also engaged with the neighbors through the “1301 Committee” because we thought it was critical for us to better understand the desires of the Hollywood beach residents. We are grateful for the feedback resulting in an even better proposal.

In addition to our Best & Final Offer (“BAFO”), we are also proposing a set of “Alternates” for several dimensions of the Project (see EXHIBIT A - Project Alternates). These alternates are in direct response to the questions and comments received by the various stakeholders. It is important to understand we are leaving these choices as options for the City to consider and we are committed to our financial proposal and making this project a reality within any combination of the choices provided.

In the next few pages, we have consolidated the comments and suggestions we heard and our response (or adjustment wherever possible). We look forward to your review and remain as enthusiastic as we have ever been to make Azure a reality.

With gratitude,



Inigo Ardid
Co-President
Key International



Arnaud Karsenti
Managing Principal
13th Floor Investments



FEEDBACK + RESPONSES



1. Questions as to whether a hotel is complimentary to a residential neighborhood

With more than 2,000 hotel keys in our portfolio, we have extensive experience with many different types of hotel properties. It is important for each hotel to be uniquely curated to represent its immediate surroundings. Azure will be a boutique neighborhood-centric hotel, where tranquility will be the main Lifestyle focus. Guests will be able to unwind and enjoy the world-class Hollywood Broadwalk. At the same time, family & friends can stay within walking distance of their loved ones living at the Summit Condominium, Stratford Towers or any number of other buildings in the neighborhood.

Currently, there are quite literally hundreds of short term rentals in this area of Hollywood Beach, all lacking in the oversight, operational and quality controls required of an orderly establishment. Azure's presence will help the community reduce the negative impacts created by VRBO and AirBNB, providing accommodations for the pent-up leisure demand through a properly and professionally managed offering. As a leisure destination, Azure will have people arriving at the beginning of their stay and they will tend not to leave, so traffic impact is minimal (more on traffic impact below). Azure will also offer the best and finest opportunity for Hollywood residents living inland, to easily experience a world-class staycation.

Finally, we would be remiss not to remind both the technical review committee and City Commission that the most meaningful job/business implications for the neighborhood are brought about by our hotel. As better delineated in the CHMURA updated report tables attached (EXHIBIT B), the hotel portion of Azure is expected to generate 383 out of the 395 total annual jobs, and contribute \$66.9 million out of the \$82.8 million total annual economic impact of the project, representing a huge impact relative to other uses.

2. "Sensitivity to height"

To supplement our original proposal, we are proposing a BAFO Alternate Design which reduces the height from 35 stories to **27 stories**. This alternate design achieves the same density by growing the tower floor-plate along A1A so that we can achieve our proposed density and economics with 283 modern multifamily units and a boutique 248-room hotel on the shared tower. It is important to also note that while it was suggested that we consider extending the tower footprint toward the ocean in a reduction of height, we believe it was more important to continue honoring the views of our neighbors.

3. "It would be best if Key 13th Floor Hollywood, LLC finances all the public improvements including the Community Center and deliver a turn-key solution"

At the request of the City, we have updated our Financial Proposal to include **100% of the Public Improvements as part of our Projects costs** (given this is effectively a \$16MM "upfront" contribution, we have re-balanced the rent payment accordingly). Our Recurring annual payments are updated to \$4,050,000 (\$196MM NPV at 4% Discount Rate). See page 15 for our **Updated Financial Proposal**.

Additionally, it is worth noting that while other proposals pinned public improvements at \$10MM, our proposal envisions a spectacular set of civic improvements totaling \$16MM (up \$1MM from the originally proposed \$15MM as a result of the new and re-imagined Harry Barry Park). These significant civic amenities will be accretive to the entire neighborhood including our project, and the performance payment assumptions reflect those benefits inuring to the City.



FEEDBACK + RESPONSES



4. **"Maximizing Financial Return is of paramount importance for the City"**

As stated by the Mayor, we understand that strengthening the City's balance sheet is of utmost priority. We have "sharpened our pencils" in every way possible to provide the City with the most competitive financial proposal possible. It is worth noting that the combination of Hotel and Residential uses enables us to pay more than any of the other competing proposers.

In addition to our BAFO - Financial Proposals which includes the financing of all of the Public Facilities, we have also provided an alternative financial proposal to the extent that the city prefers to use public finance mechanisms to finance the Public Facilities (consistent with our initial proposal) and earn \$4,710,000 in recurring annual payments (NPV of \$212MM using a 4% Discount Rate). See EXHIBIT A6 for the Alternative Financial Proposal.

5. **"Prefer oceanfront open plaza areas rather than the F&B Pool"**

As part of our BAFO - we are updating our design and relocating the Retail area to the west of Surf road, "lining" the garage. This new design opens up the oceanfront providing additional plaza/public space and dune protection. The intent is to reduce the intensity of the development on the oceanfront, further increasing the prominence of the community center. In the event that the City desires the retail to remain on the Oceanfront, we are providing an "Alternate Design" (See EXHIBIT A2). However, it is worth mentioning that either plan includes even more public open-spaces and dune protection than the original proposal. It is also worth noting that all new construction will be built west of the CCCL preserving the dune.

6. **"It would be best to preserve Surf Road Functionality as a full through road"**

As part of our BAFO, we have brought back the podium parking to allow sufficient space for Surf Road as a full thoroughfare road. By sharing spaces between the hotel and the residential components, we were able to reduce the garage footprint while continuing to provide the city with its 135 spaces (dedicated 24/7) and maintaining code-compliance (See EXHIBIT A3).

7. **"We would like to see a phasing option to move into the new Community Center before we demolish the old one"**

We are proposing a schedule where we build the community center first and open the new one prior to demolition of the existing one. This option is provided in the event that the city desires to prioritize having continuity in public spaces over other aspects of the project. Alternatively, we are also providing the option to the city to dual track the community center and the Tower as proposed in the original submission (See EXHIBIT A5 for both schedule options).

8. **"What happens to Harry Berry Park"**

As mentioned on our previous memo, we have brought back a renovated Harry Berry Park on the northside of our Community Center. We are contributing an additional \$1 MM in public improvements for this park which will have restroom services, seating, outdoor lighting, and a sculptural play area. With this additional \$1MM contribution our total public investment will be \$16MM.



FEEDBACK + RESPONSES



9. “Who maintains all the open public spaces”

We will maintain and take on all the operating expenses for all the public open spaces.

11. “It would be preferable to restrict short-term rentals”

As part of our BAFO, we commit to adding restrictions in all leasing agreements related to short term rentals.

12. “It would be value-add to have a Dog Park along US-1”

As part of our BAFO, we improved the landscaping experience along A1A and added a complementary dog park area for public use.

10. “Dune Protection is a key focus area for the Commission and the City of Hollywood”

We recognize the proposal of any new beach-front development must concurrently consider the restoration of the natural dune ecosystem along its beach frontage. A dune ecosystem, while fragile, is of paramount importance in coastal development, as a healthy dune ecosystem serves to ameliorate the negative effects of sea level rise while guarding against storms. They absorb wave energy, maintain sand, and help to minimize erosion. Thus, we have given careful consideration to the design and implementation of the dune. Our design accounts for all resiliency standards set out under the Florida Statutes (FS), Florida Administrative Code (FAC), and National Flood Insurance Program (NFIP) by the Federal Emergency Management Agency (FEMA). These standards are met through compliance in structural design and elevation with both the CCCL as defined at this location by the “Formal Line of Construction” and the proposed flood elevation standards that are expected to be included in the newest NFIP maps expected to be effective later this year. See EXHIBIT C for dune protection details.



FEEDBACK + RESPONSES



13. "What is the traffic impact of adding a hotel component to this neighborhood?"

To address the question of hotel traffic impacts on the neighborhood, Kimley-Horn and Associates, Inc. has performed a trip generation comparison for two (2) potential redevelopment plans. Option A - Azure Proposal includes 270 high-rise multifamily units, 13 low rise multifamily units, and 248 resort hotel rooms; Option B - Other Proposer has 350 high-rise multifamily units.

The conclusion of the trip generation analysis is that Option A development plan is expected to generate less than 50 peak hour trips more than the Option B development plan. For context, AIA has approximately 28,000 vehicles per day and 2,000 during the peak hour. Therefore, this trip difference represents less than 3% difference (See full report on EXHIBIT D). Another important fact is that while Option A has more units than Option B, due to the smaller footprint of the hotel units, the total leasable square footage between Option A and Option B is very similar.

We also engaged Parking Management Company, who handles the parking operations at many of our beachfront hotels, to provide us with a brief parking study for the Hollywood beach market. The study shows how over the last 10 years, drive-in ratios at beachfront hotels in South Florida have steadily declined, and are expected to continue to do so moving forward (See full report on EXHIBIT E).

14. "Why not build a condominium project?"

Building a condominium would require both a significant level of pre-sales and a "fee-simple" transaction (as selling condominium units on long-term ground leases is not a customarily acceptable practice in South Florida). Furthermore, a "fee-simple" type transaction would require a Public Referendum, which on its own creates a level of unnecessary risk.

We strongly believe that a long term ground lease with a vibrant combination of uses (i.e, Hotels and Multifamily specifically) is the right answer for this property as it provides both the highest & best use for the city, recurring revenue, and perhaps most importantly; a higher level of execution certainty.

15. "Please address the Deed Restriction"

Please see the memo attached in EXHIBIT F with the detailed response prepared by Debbie Orshefsky, our counsel at Holland & Knight.

As a summary, the Azure Proposal, if selected, will be subject to the provisions of Section 13.02 of the City Charter and is not subject to the requirements contained in Section 13.01 of the City Charter which only arise when "the City proposes to sell or otherwise dispose of" city-owned property.



FEEDBACK + RESPONSES



16. Public Outreach is Extremely Important

We believe community engagement is of paramount importance for any successful project. That is why we reached out to the Summit Condominium, who graciously invited us to a "1301 Committee" meeting on February 03. This Committee was made up of residents of the neighborhood and Hollywood Beach Civic Association members. The meeting was an opportunity for our team to speak candidly with the people directly impacted by the project and an opportunity for us to incorporate their feedback.

During the meeting, we learned that while the Summit seems generally appreciative of the North-South Orientation of the building, neighbors at The Stratford Towers would like to see the tower structure set further to the west. In recognition of that concern, we have developed some additional diagrams (See EXHIBIT A4) to initiate the studies that would be required to shift the project to the west if we are selected and it is the preferred option of the majority of stakeholders.

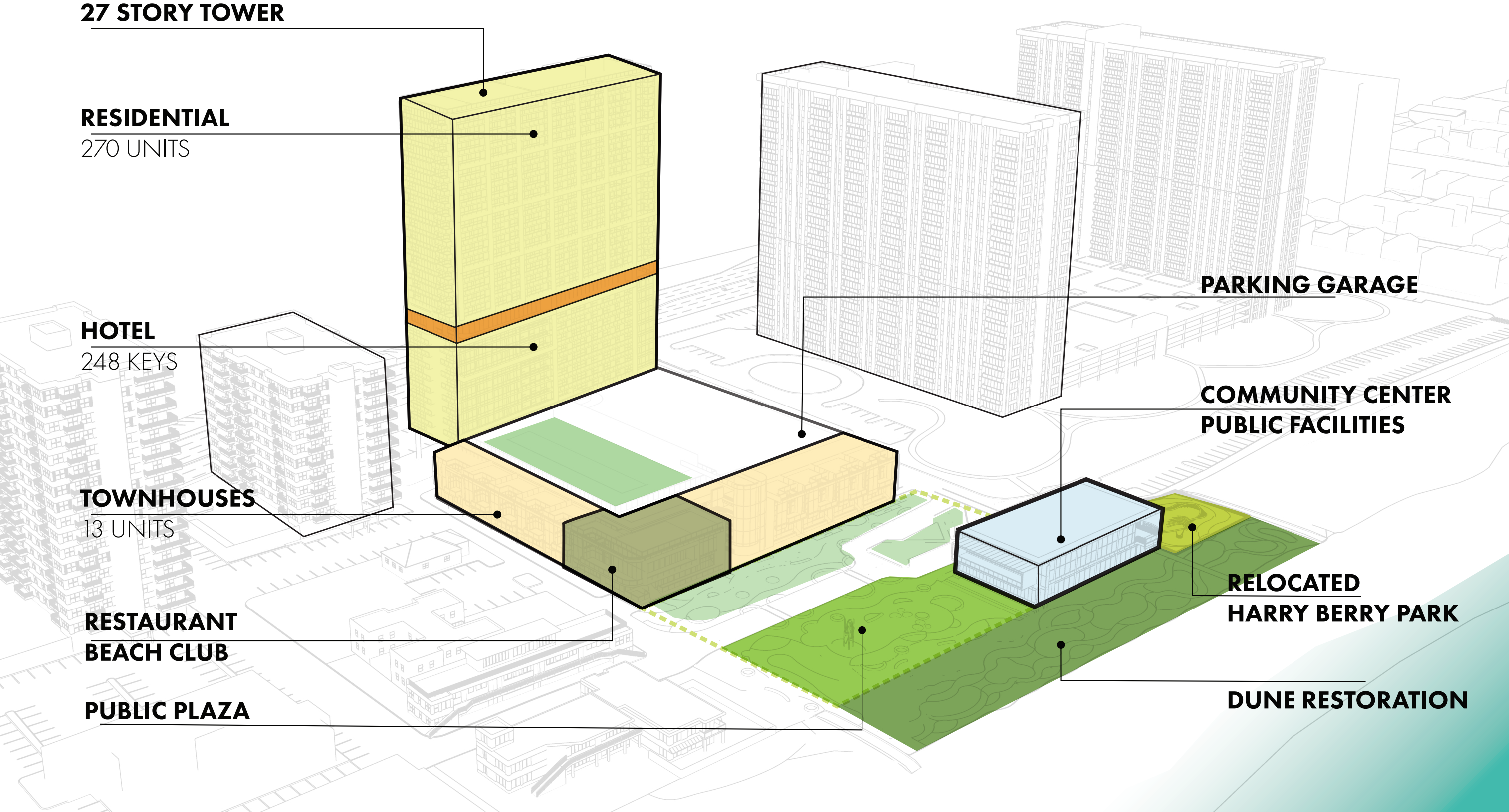
We learned the committee may ultimately care more about the building width than height, even though height seemed to be a major concern for some of the Commission. We learned the 1301 Committee is not opposed to a hotel, just one that brings significant noise and disruption. We were able to educate the neighbors about boutique hotels and the lack of traffic and noise they create, since they are more of a neighborhood amenity than anything else (See EXHIBIT I for more details) . Our team was able to point the 1301 Committee to real world examples we own, like the Marriott Stanton South Beach

quietly located in the South of 5th residential district of Miami Beach. Additionally, and in the interests of alleviating the noise concern from the 1301 Committee, we are willing to commit to building an enclosed event area on top of the parking deck in order to keep all gatherings within closed doors and away from the neighbors. We also learned that if our team were selected, the 1301 Committee would appreciate it if we could study shifting the community center further south, which we are willing to do.

We have further confirmed our willingness to come back to the 1301 Committee after this submission to provide an update on how we addressed yours and their inquiries and concerns. We look forward to continuing the alignment work to make Azure a welcomed member of the neighborhood.



BAFO DESIGN SUMMARY



27 STORY TOWER

RESIDENTIAL
270 UNITS

HOTEL
248 KEYS

TOWNHOUSES
13 UNITS

**RESTAURANT
BEACH CLUB**

PUBLIC PLAZA

PARKING GARAGE

**COMMUNITY CENTER
PUBLIC FACILITIES**

**RELOCATED
HARRY BERRY PARK**

DUNE RESTORATION

BAFO - SITE PLAN

ADDITIONAL
GREEN SPACE ON AZALEA

NEW AZALEA TERRACE

ADDITIONAL GREEN
SPACE ON A1A

DOG
PARK

NEW
HARRY BERRY
PARK

COMMUNITY
CENTER

BOUGANVILLE TERRACE

WIDE BROADWALK
EXTENSION

HARRY BERRY PARK
RELOCATION

REINTRODUCE
BEACH ACCESS

OCEAN FRONT
PUBLIC PLAZA

RELOCATION OF
RESTAURANT

REINTRODUCE VEHICULAR
ACCESS ON SURF ROAD

S. SUR ROAD









BAFO - FINANCIAL PROPOSAL



PAYMENTS TO THE CITY

A. UPFRONT PAYMENTS (\$17,303,325)

- Proposer Financed Public Facilities \$16,303,325
- Upfront Rent \$1,000,000

B. RECURRING PAYMENTS (\$4,041,097/ year)

1. BASE RENT (\$783,263)

- Higher of \$700,000 or \$350,000 + 3.5% of Residential Rents
- Grows at CPI

2. PERFORMANCE RENT (\$1,218,086)

- 11.5% of profits over a minimum hurdle

3. PUBLIC USER FEE (\$492,671)

- 1% of Hotel Revenue

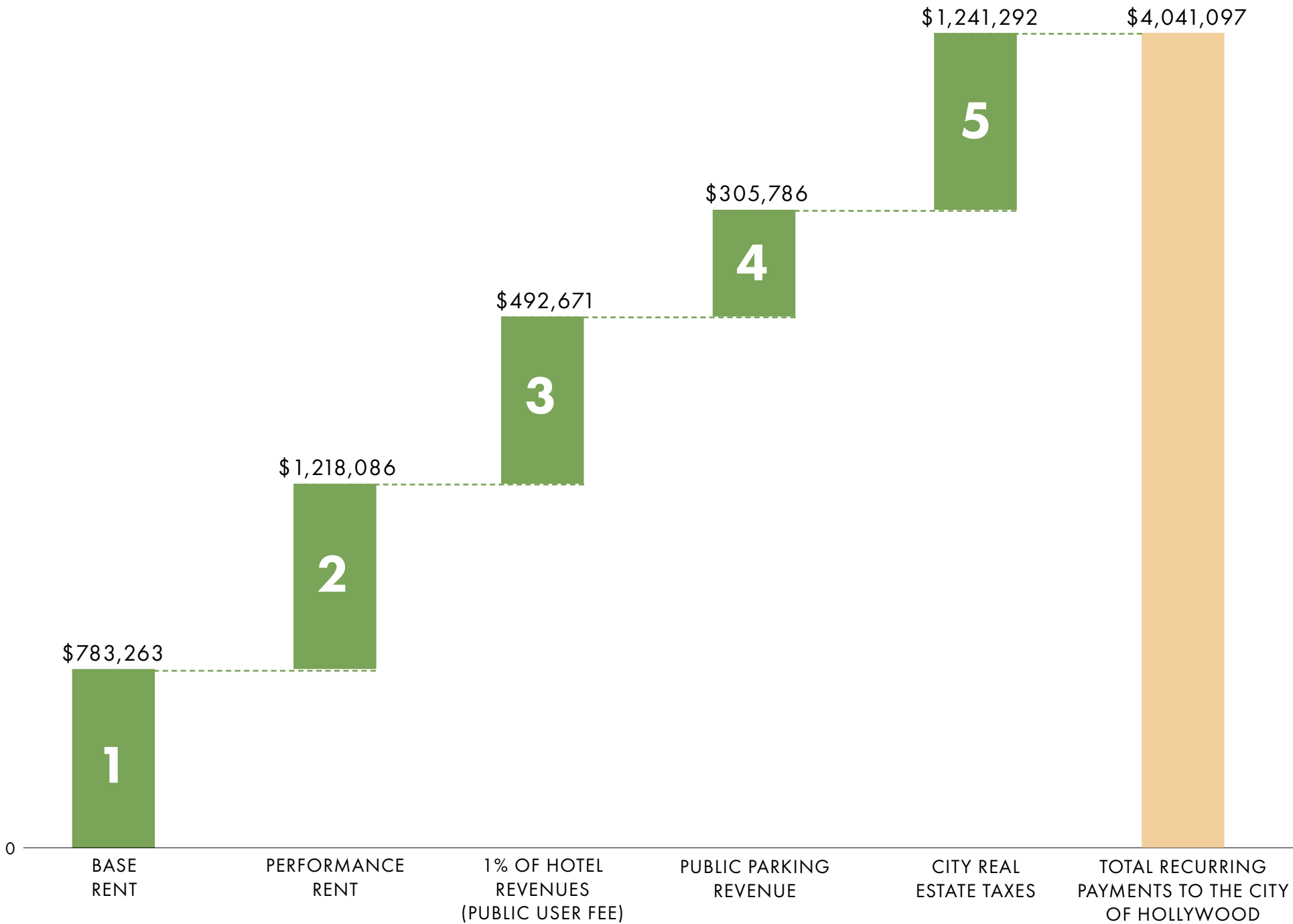
4. PUBLIC PARKING REVENUE (\$305,786)

- 135 spaces

5. PROPERTY TAXES (City Only - \$1,241,292)

- Ad Valorem Taxes

RECURRING PAYMENTS TO THE CITY OF HOLLYWOOD



Economic Proposal	Upfront	Recurring	Total Payments
Payments to the City			
A Upfront Payments	17,303,325	-	17,303,325
1 Base Rent	-	783,263	314,945,835
2 Performance Rent	-	1,218,086	486,298,962
3 Public Facility Fee (% of Hotel Revs)	-	492,671	197,224,090
4 Public Parking Revenue	-	305,786	122,539,284
5 City Property Taxes	-	1,241,292	497,361,269
Total Payments	17,303,325	4,041,097	1,635,672,764
NPV from Payments to the City			196,337,601

EXHIBIT A -
PROJECT ALTERNATES



EXHIBIT A - PROJECT ALTERNATES SUMMARY



	ORIGINAL SUBMISSION	Best and Final Offer (BAFO)	BAFO - Alternates
A1 TOWER HEIGHT (STORIES)	35	27	Anything in between
A2 RETAIL F&B	Oceanfront F&B + Pool	F&B Lining the Garage	Oceanfront F&B (no pool)
A3 SURF ROAD	Not Through Road Public Plaza	Continuous through Road	N/A
A4 TOWER SETBACK (N/2 ALONG A1A)	100' from A1A	100' from A1A	20'-100' from A1A
A5 COMMUNITY CENTER SCHEDULE	Concurrent with Tower	Build Community Center First	Concurrent with Tower
A6 FINANCIAL PROPOSAL (Public Improvements Financing)	City Finances	Key 13 Finances	City Finances

A1

PROJECT HEIGHT

ORIGINAL - 35 STORIES



BAFO - 27 STORIES



ORIGINAL
Oceanfront F&B + Pool



BAFO
F&B Lining the Garage



BAFO Alternates
Oceanfront F&B (No Pool)



A2 RETAIL F&B

ORIGINAL Oceanfront F&B + Pool



BAFO F&B Lining the Garage



BAFO Alternates Oceanfront F&B (No Pool)



**ORIGINAL
Oceanfront F&B + Pool**



**BAFO
F&B lining the garage - PUBLIC PLAZA**



**BAFO Alternates
Oceanfront F&B (No Pool)**



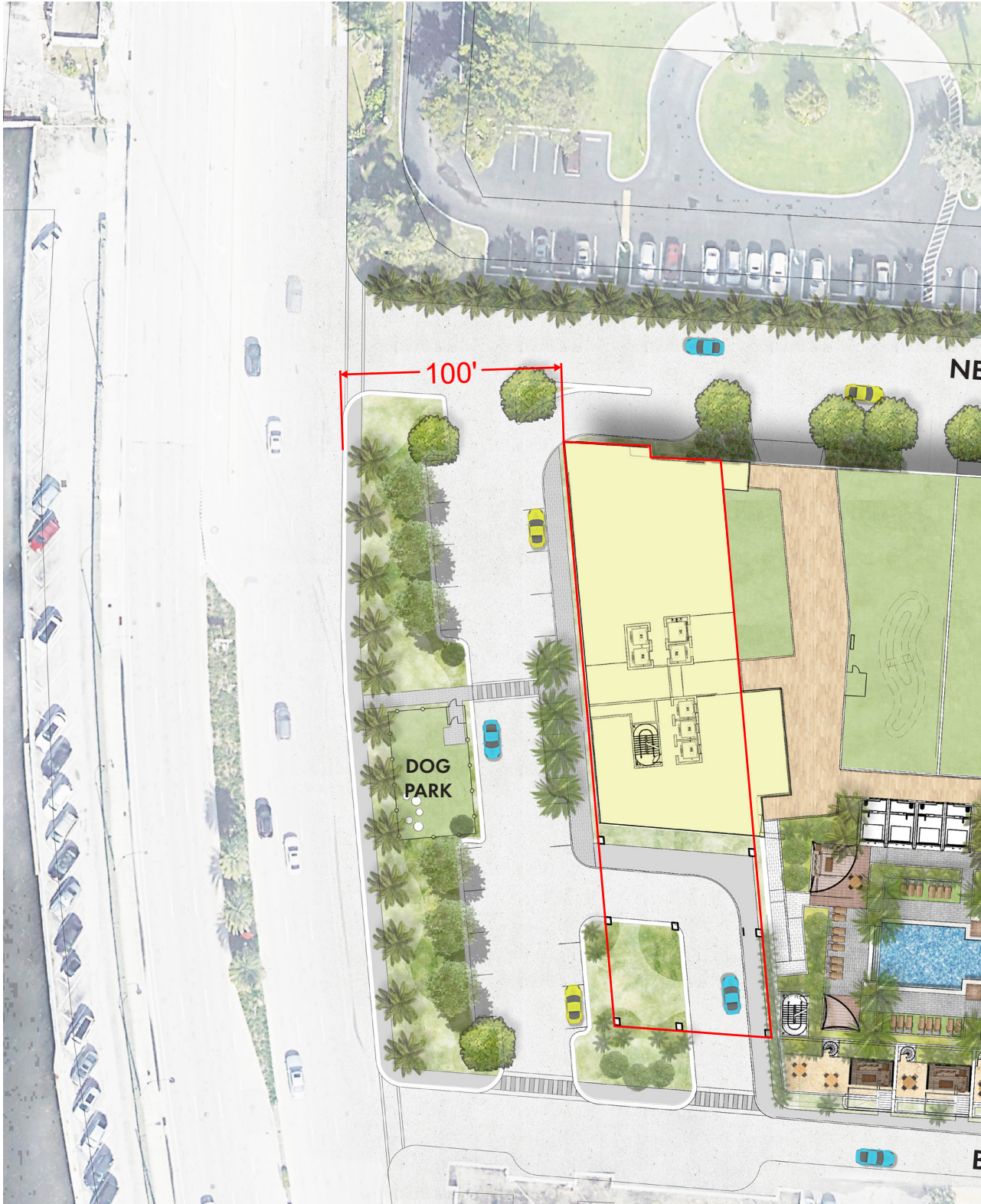
ORIGINAL
PUBLIC PLAZA/NOT THROUGH ROAD



BAFO
CONTINUOUS WIDENED THROUGH ROAD



ORIGINAL / BAFO
100' FROM A1A



BAFO Alternate
20' FROM A1A

