

## **Flagler City Center**

### **Executive Summary**

Miami is positioned as the gateway to the Americas because of its strategic location, accessibility, bilingual culture, and multinational business presence. This city has grown from a small trading village on Biscayne Bay to one of the world's key trading crossroads. The Port of Miami is the largest container port in Florida and is recognized as the world's busiest cruise port. In 2009, the Miami International Airport ranked first in the U.S. by percentage of international flights and second by volume of international passengers. Miami-Dade County outperforms the state in hotel room occupancy, average room rate, domestic/international passenger air traffic, average daily shopping expenditures, and cruise passenger traffic. Downtown Miami has the largest collection of domestic and international financial institutions on the East Coast south of New York City, as well as 40 international consulates.

The subject site is approximately 8 acres in the Central Business District of Downtown Miami, surrounded by government buildings, public transportation, international financial institutions and legal services, discount retail, and business hotels. Our proposal is to develop an international Merchandise Mart complimented by an intermodal station, a 380-room hotel, Class A office space, workforce housing, retail and dining, and ample parking. The complex, branded as Flagler City Center, will leverage the strength of the century old Flagler brand to create a powerful identity including sub-branding opportunities for the Miami Merchant Exchange, Flagler City Station, Flagler City Towers, Flagler City Suites, and Flagler City Place.

The Miami Merchant Exchange, a 500,000 square foot merchandise mart, will bring together international businesses involved in foreign trade by means of a one-stop wholesale center. The tenants will be a strategic mixture of national and international manufacturers and distributors who want to sell their wholesale products to international markets, specifically Latin America and the Caribbean. The pliable walls will allow exhibit space and showrooms to mold to the tenant's needs, as well as take advantage of adequate space to entertain buyers and facilitate business transactions. This niche real estate product is an economic development platform, a gateway to the world, and a signature real estate project.

Currently, Miami is host to many seasonal international trade events throughout the year; the Miami Merchant Exchange (MME) will consolidate these events and provide a permanent home for international vendors with a readily accessible year-round facility. The proximity of the MME to the Port of Miami will not only maintain Miami as the Gateway to the Americas, but will cultivate and expand alternative trade relationships in Asia, Europe, and Africa. The Miami Merchant Exchange will serve as an International trade platform that will harness the dynamic global marketplace, increase the profile of the city, and positively impact the local economy.

In addition to monetary benefits, Flagler City Center raises the quality of life for local residents and employees by providing access to alternative modes of transportation through an intermodal station. This transit oriented development incorporates two Metrorail stops, a metro mover stop, bicycle storage, a taxi stand, bus and shuttle services, and a connection to the Miami International Airport via the Metrorail.

The 380-room flagship hotel will provide accommodation to the critical mass of buyers fueled by the MME. The full service hotel is similar to a convention hotel in that the adjacent business provides a

captive market; however, the permanence of the MME's business model supplies a steady stream of guests, unlike its seasonal convention center counterpart. The 50,000 square foot meeting space included in the hotel will serve the needs of business travelers t visiting Flagler City Center. Likewise, the 100,000 square feet of office in the same structure will provide administrative and support space for the MME showroom tenants. Due to current office oversupply in the area, the 300,000 square foot Flagler City Tower will be completed during the last phase of the project to maximize absorption rates. This time sensitive strategy allows the flexibility to serve both MME tenants and CBD office users as the market demands.

Flagler City Center will not only enhance the vibrant Downtown business district, but also revitalize the area as a 24-hour live, work, and play community. The 500 residential units branded as Flagler City Place will be divided into South and North towers at respective ends of the site, generating around-the-clock pedestrian activity. As the Downtown residential market recovers and currently depressed rents rise significantly, a migration of tenants from the Biscayne Corridor and Brickell Avenue is expected to drive demand for more affordable submarkets of Downtown. Our residential market is phased with the anticipation of this trend and will offer attractive rental rates, while maintaining the urban Miami lifestyle.

The retail component of this mixed-use development consists of 120,000 square feet spread throughout the ground level of the entire project. A variety of tenants will cater to a diverse consumer base consisting of CBD professionals, hotel guests, MME visitors and vendors, intermodal users, and local residents. Service-oriented tenants will fill the intermodal station, accommodating the time constraints of the travelling consumer. Meanwhile, the majority of the dining options are afforded high visibility in the heart of the Flagler City Center and will service the lunchtime crowd, MME population, and the nighttime residential community.

As owners of the site, Flagler Development Company currently leases the property as public parking lots, generating \$400,000 of annual revenue. A discounted cash flow analysis of the FCC development, using a 10% discount rate, projects a net present value of over \$65.7 million. This translates to a levered IRR of 24.55%.

The project has value beyond the immediate return to interested stakeholders. The Miami Merchant Exchange at Flagler City Center will catalyze the rejuvenation of the greater Central Business District. The critical mass provided by the project will spur investment and redevelopment of Miami's undervalued historic center between the FCC and the Biscayne Corridor.