Analysis of Pending CDMP Application by International Atlantic, LLC

Florida TaxWatch

FALL 2016

Prepared by Robert D. Cruz, Ph.D.
Florida TaxWatch Chief Economist. Miami, FL

Summary of the Issues and Findings

- International Atlantic, LLC submitted an application to amend Miami-Dade County's Comprehensive Development Master Plan (CDMP). The applications include an analyses submitted to the County with the objective of guiding County planning staff in their evaluation of the **CDMP Land Use Policies 8E and 8F**. Policy 8E requires the County to evaluate CDMP amendments considering the application's consistency with the Goals, Objectives, and Policies of all Elements of the CDMP and other timely issues. Policy 8F requires an evaluation of adequacy of non-residential land supplies determined on the basis of land supplies in subareas of the County appropriate to the type of use, as well as the countywide supply within the Urban Development Boundary.

- The International Atlantic application is associated with a 194.5 acre parcel in Northwest Miami-Dade County seeking to change the designated land use to *Business and Office and Employment Center* from its present designation of *Industrial and Office.*

- International Atlantic readily concedes that there is already enough vacant Business and Office land to accommodate absorption per Policy 8F at the *Minor Statistical Area, Tier Level,* as well as countywide.

- International Atlantic's rationale as to why they should be allowed to re-designate the properties' land use to *Business and Office and Employment Center* from the existing *Industrial and Office* designation essentially boils down to three key points.

- The following three key points **are the arguments the applicant has submitted** to receive approval of the change in land use from *Industrial and Office* to *Business and Office and Employment Center*:

  - The American Dream Miami (ADM) development, like their Mall of America in Minneapolis, will represent a unique ability to attract tourists with ADM's mix of entertainment and retail, and, therefore, ADM will have broader net economic benefits relative to *Office and Industrial* development.

- The developers of ADM concede that there is an adequate amount of vacant *Business and Office* land to satisfy demand through the 2030 planning window and, therefore, does not satisfy the policies of 8E and 8F. International Atlantic, LLC, argues that Miami-Dade County lacks the appropriately located, vacant property large enough to accommodate ADM's proposed project under a land use designation that allows a mega-mall development.
- After removing the *Industrial and Office* designated land use from the applicant's properties there will still be adequate *Industrial and Office* designated land in the *Planning Minor Statistical Area 3.1*, the *Northern Tier*, and countywide to accommodate absorption of vacant land in this land use category to almost 2040.

○ Florida TaxWatch has studied the applications submitted to the County by International Atlantic, LLC. Our findings are based on analyses that address each of the preceding **three key points**:

- **Job Growth and Net Economic Benefits.** An objective analysis of the historical data and experience of the Mall of America (MOA) actually shows that no appreciable, recurring local economic benefits were evident in the 10 years from when the mega-mall opened. The actual history strongly suggests that the development of ADM is not likely to produce significant, recurring economic benefits to Miami-Dade County and the Miami MSA.
- While International Atlantic, LLC's application focuses on the employment of 11,000 workers at MOA, and as many as 13,000 during peak season in 2015,[1] the history of net job creation in the first decade of MOA provides a very different picture. In 1992 the mega-mall opened its doors with 10,000 employees. Estimates from the U.S. Bureau of Labor Statistics from 1992 to 2002 show, however, that employment of workers in retail department stores in the Minneapolis-St Paul-Bloomington MSA increased at a paltry annual rate of 0.3 percent (virtually no growth at all).
- Department stores in Minnesota outside of the Minneapolis MSA did not experience developments similar to MOA and yet during the period from 1992 to 2002, employment in department stores in the rest of Minnesota increased at an annual rate of 1.2 percent. The difference in the performance of growth in retail employment in the Minneapolis MSA compared to the performance in the rest of the state confirms the views of early critics of MOA who worried that hiring at the mega-mall was almost assuredly displacing jobs rather than creating a significant number of new retail jobs.
- The history of MOA also clearly shows that it would not have been developed but for substantial amounts of government subsidies in the form of tax rebates and public infrastructure investment. American Dream Meadowlands (also owned by same group behind American Dream Miami), which is currently under construction and significantly behind schedule is seeking an $800 million bond issue through New Jersey's Sports and Exposition Authority. The bonds would be paid by a state economic incentive program.

1 The number of workers in 2015 is measured in head counts, and not "full-time equivalents."

- It is also important to keep in mind that unlike the Mall of America in 1992, Miami-Dade County is already a shopping "Mecca" for 15.5 million domestic and international visitors spending $24.4 billion in 2015. Future economic conditions in the Caribbean and Latin America, Canada, Germany, United Kingdom and France will be the key drivers of retail spending by international tourists, notwithstanding the development of a mall along the scale of MOA or larger. The correlation between economic conditions in the countries that comprise the Miami MSA's top visitor markets and international visitor spending suggests that the scale of development or the combination of entertainment with retail would not likely have any *unique economic benefits* as the applicant's analysis suggests.
- **No other vacant property in the County is appropriately located and large enough to accommodate the American Dream Miami project.** An analysis of the Northern Tier shows that several parcels in excess of 20 acres are already designated as vacant commercial and can accommodate larger scale commercial development in the Northern Tier.
- **Adequate Industrial and Office designated vacant land exists in Planning Minor Statistical Area 3.1, the Northern Tier, and countywide to accommodate absorption nearly to 2040.** Focusing only on the Planning Department's quantitative methodology, there is adequate land to accommodate demand from industrial users in the Northern Tier of the County for the foreseeable future. Modern distribution centers, however, need convenient access to interstate highways and sometimes rail, an efficient site plan with appropriate truck turning radiuses and, well defined loading and unloading. Taking these critical requirements in mind, on a practical level there will be potentially two but practically only one adequate vacant consolidated land holding that could accommodate a modern industrial park development in the Northern Tier if the applicants are successful in their application. Re-designation of land use to *Business and Office* for both parcels potentially eliminates the future opportunity to accommodate a second modern industrial park in the Northern Tier.

Analysis of Re-designating Land Use as Proposed by International Atlantic, LLC

International Atlantic's application to amend the Miami-Dade CDMP, contains an analysis submitted to the County with the objective of guiding County planning staff in their evaluation associated with CDMP Land Use Policies LU-8E and LU-8F.   Both policies together require evaluations confirming that proposed CDMP amendments are consistent with the *Goals, Objectives, and Policies* of all *Elements* of the CDMP, other timely issues, and also the determination of adequacy or inadequacy of non-residential land supplies. Our analysis finds that the proposed amendments associated with a 194.5 acre parcel in Northwest Miami-Dade County do not comply with policies LU-8E and LU-8F.

The justification provided by the applicant as to why it should be allowed to re-designate the properties to *Business and Office - Employment Center* use from the existing *Industrial and Office* essentially boil down to three key points:

American Dream Key Point 1: International Atlantic, LLC indicates that it is important to the County that American Dream move forward due to American Dream's unique ability with its mix of entertainment and retail to attract tourists when compared with other malls and commercial centers in the County. As a result, American Dream will have broader net economic benefits when compared to the office and industrial development which would be allowed under the current land use designation;

American Dream Key Point 2: International Atlantic, LLC concedes that there is an adequate amount of *Business and Office* land designated to satisfy demand through 2030. The application for a CDMP amendment does not satisfy the requirements of Land Use Policies LU-8E and LU-8F. The applicant, however, indicates that there is no appropriately located vacant property large enough in Miami-Dade County to accommodate the proposed ADM project under a land use designation that will allow a mega-mall development. Therefore, the only way the project could move forward is if the land use is amended;

American Dream Key Point 3: International Atlantic, LLC indicate that even after re-designating their properties land use to *Business and Office and Employment Center*, there will still be adequate *Industrial and Office* designated land in the Planning MSA 3.1, the Northern Tier, and Countywide to accommodate absorption nearly to 2040, well beyond the CDMP's planning window.

Analysis of American Dream, Key Point 1.

A. Stated Premise by American Dream: International Atlantic, LLC argues that ADM is a unique development which will drive economic benefits which do not typically accrue from other retail developments.

B. What the Data Actually Indicates: Based upon the early history of the Mall of America, which is stated by the applicant as the best example for the economic benefits which would accrue from American Dream Miami, there will be no appreciable recurring local economic benefits to Miami Dade County from the development of American Dream Miami. Additionally, the development of Mall of

America and American Dream Meadowlands (New Jersey) have been predicated on deep public sector investment of resources and tax revenue.

C. Discussion:

The Historical Economic Impact of the Mall of America: Bloomington MN

The Mall of America was developed in response to decisions of the local professional baseball and football franchises to relocate from the city of Bloomington, to new facilities in nearby downtown Minneapolis. In 1982 the teams moved from the Metropolitan Stadium to the new Hubert H. Humphrey Metrodome in downtown Minneapolis. The relocation of the teams presented a development opportunity on 78 acres of land with convenient access to major interstate highways and within close proximity to the Minneapolis-St. Paul International Airport. Several proposals for the redevelopment of the Metrodome site were considered by the Bloomington Port Authority, and ultimately a mixed-use retail/entertainment center was chosen for the development.

The construction of the Mall of America ("MOA") broke ground in the summer of 1989 and opened to the public in late summer of 1992. MOA opened with anchor tenants like Macys, Nordstrom, Bloomingdale and Sears, and 330 smaller brand named stores. The size of the retail development, however represented a disruptive competitive threat to the existing malls in the area. The uncertainty associated with a dramatic increase in retail space at the time was expressed in the fear of significant losses in asset values of existing mall properties. The existing mall owners at the time were concerned with the massive scale of the retail components of MOA, the location's favorable access to interstate highways, and the public subsidies directed to MOA. Together these elements represented a significant competitive threat to existing mall operators. MOA benefited from the tax increment financing (TIF) it received, reducing their effective property taxes by 96 percent, and also received a significant share of state sales taxes on purchases within MOA as a rebate.[2] The TIF covered infrastructure improvements such as parking, drainage and roads within the development.

The U.S. Bureau of Labor Statistics (BLS) estimates that two years before the opening of MOA, 35,800 employees held jobs in *General Merchandise* (retail) *Stores*[3] in the Minneapolis metropolitan statistical area (MSA).[4] Between 1990 and 1992 the number of jobs in general merchandise retail declined by 1,900 employment positions.

According to Mall of America, 10,000 employees began working at MOA in August of 1992.[5] BLS data, however, indicates that in 1992 general merchandise retail establishments in the MSA experienced *net loss* in jobs of 3.1 percent (-1,100 jobs). In 1993 the MSA experienced a net increase of just 400 jobs

2 "Minnesota Mall's Impact Questioned," North Jersey.com, 12/24/2011. (Accessed 3/21/2016)

3 General Merchandise Stores, are defined by the Bureau of Labor Statistics as establishments that sell at retail new general merchandise from a fixed point-of-sale location. This subsector consists of Department Stores: NAICS 4521 and Other General Merchandise Stores: NAICS 4529. Establishments in this subsector are unique in that they have the equipment and staff capable of retailing a large variety of goods from a single location. This includes a variety of display equipment and staff trained to provide information on many lines of products.

4 The metropolitan statistical area (MSA) is comprised of 16 counties, of which 14 are located in Minnesota and two on the Wisconsin border with Minnesota. The metropolitan area consists of 7,400 square miles and a population of 3.9 million as of 2014.

5 The estimates of employees in 1992 are from Mall of America: History – Mall of America http:/mallofamerica.com/about/moa/history. (Accessed: 3/21/2016).

(+1.2 percent) compared to 1992. The difference between the actual gain in employment estimated by the BLS, and the direct employment reported by MOA suggests that local mall operators were losing tenants and/or tenants were cutting back on payroll even before MOA opened, which continued through 1993. A review of BLS estimates of employment in general merchandise stores shows a cumulative increase in jobs of only 1,000 employment positions between 1992 and 2002 (a growth of only 0.3% per year), indicating that hiring at MOA was almost assuredly displacing jobs rather than creating a significant number of new retail jobs.[6]

Newspaper articles from 1992 and 1993 often focused on the challenge that long standing retailers were facing as a result of the competitive threat posed by the opening of MOA. In 1992 retailers were just beginning to see hopeful signs of growth in personal income and consumer spending. Notwithstanding the optimism, the Carson Pirie Scott department store announced in May 1992 that it would close the doors of its flagship store in downtown Minneapolis on January 30, 1993, laying off 200 employees.[7] In July 1992, Carson announced that its store in the City of St. Paul would also close on January 30th, resulting in similar layoffs at the Minneapolis store.

In early June of 1992 public officials expressed their concerns that local retailers could suffer from the expansion of retail space. Minnesota Governor Arne Carlson told the Star Tribune, referring to MOA that "The potential excites us and the prayer is that it does not cause harm to other malls."[8]

Peter Rachleff, professor of labor history at Macalester College in St. Paul, noted that for every job created by a store at MOA, a retail job will be lost elsewhere.[9] BLS estimates of unemployment 12 months before and 12 months after August 1992, does not show a favorable impact in the Minneapolis MSA's unemployment rate.[10] A supervisor with the Minnesota Department of Jobs and Training, referring to MOA's recruitment of sales workers, told the Star Tribune that she always believed that retailers at the mega-mall would need to "steal people from other companies" to meet their hiring quotas.[11]

The pace of employment growth in the Minneapolis MSA during the decade after 1992 was much slower than the growth rates experienced in the metro areas of Minnesota outside of Minneapolis. Over the 10 years after the opening of MOA, the Minneapolis MSA experienced an increase of employment of just 2.9 percent in general merchandise retail stores. Over the same time period, however, employment in general merchandise retail in the rest of the state increased by 12.3 percent. Job growth in *department stores* and *other general merchandise stores* outside of Minneapolis outperformed employment growth in the Minneapolis MSA. (See Figure 1.)

6 Expanding this analysis to include the gains in employment of all retail establishments, which includes smaller retail stores in the Minneapolis–St. Paul–Bloomington MSA, one finds employment in all retail establishments between 1992 and 2002 increased by only 3,400 jobs – far less than 10,000 jobs at MOA. (Accessed: 6/24/2016.)

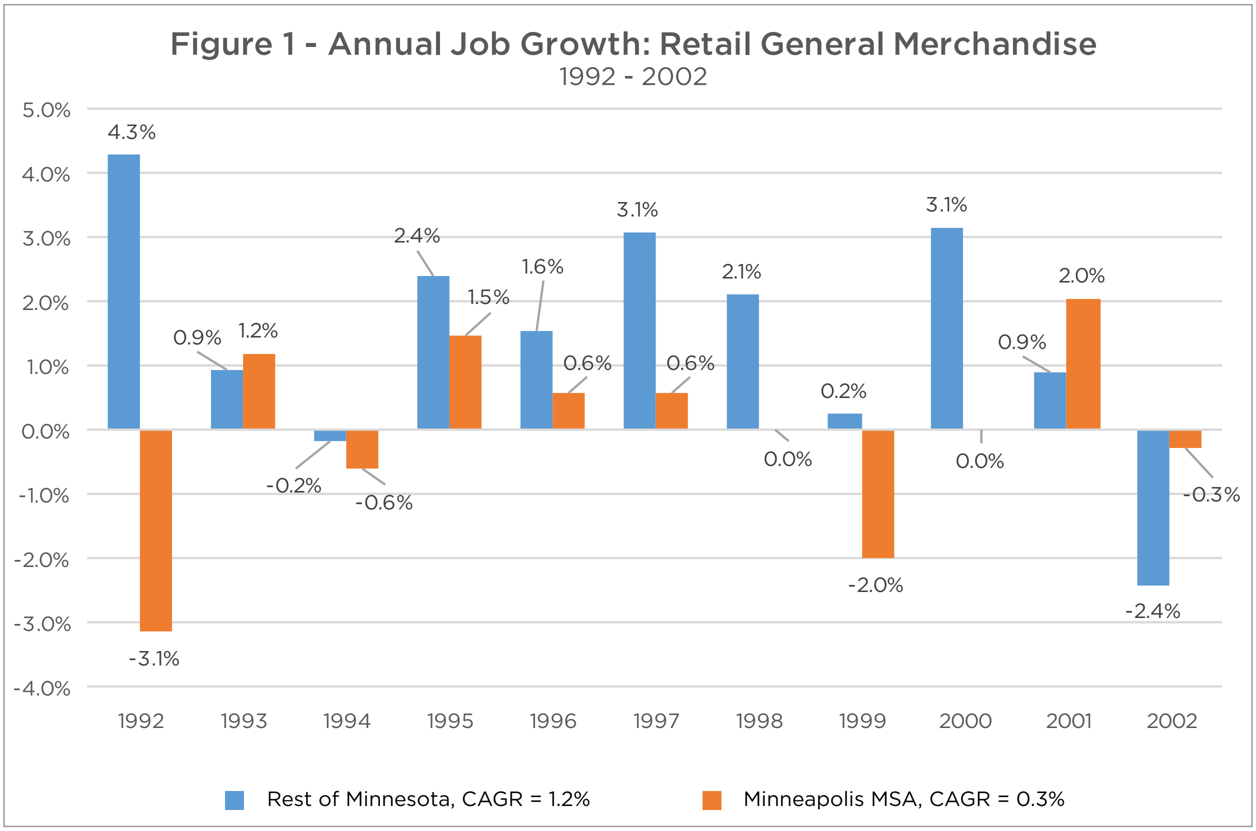
7 "Minneapolis Carson's will close in January," The Star Tribune, May 14, 1992. (Accessed: 7/12/2016.)

8 "Megamall won't mean big cut in jobless," The Star Tribune, June 4, 1992. (Accessed: 7/12/16.)

9 Ibid.

10 The average unemployment rate in the 12 months before August 1992 was measured at 4.6%, while the average unemployment rate in the 12 months after August 1992 was measured at 4.5%; virtually unchanged.

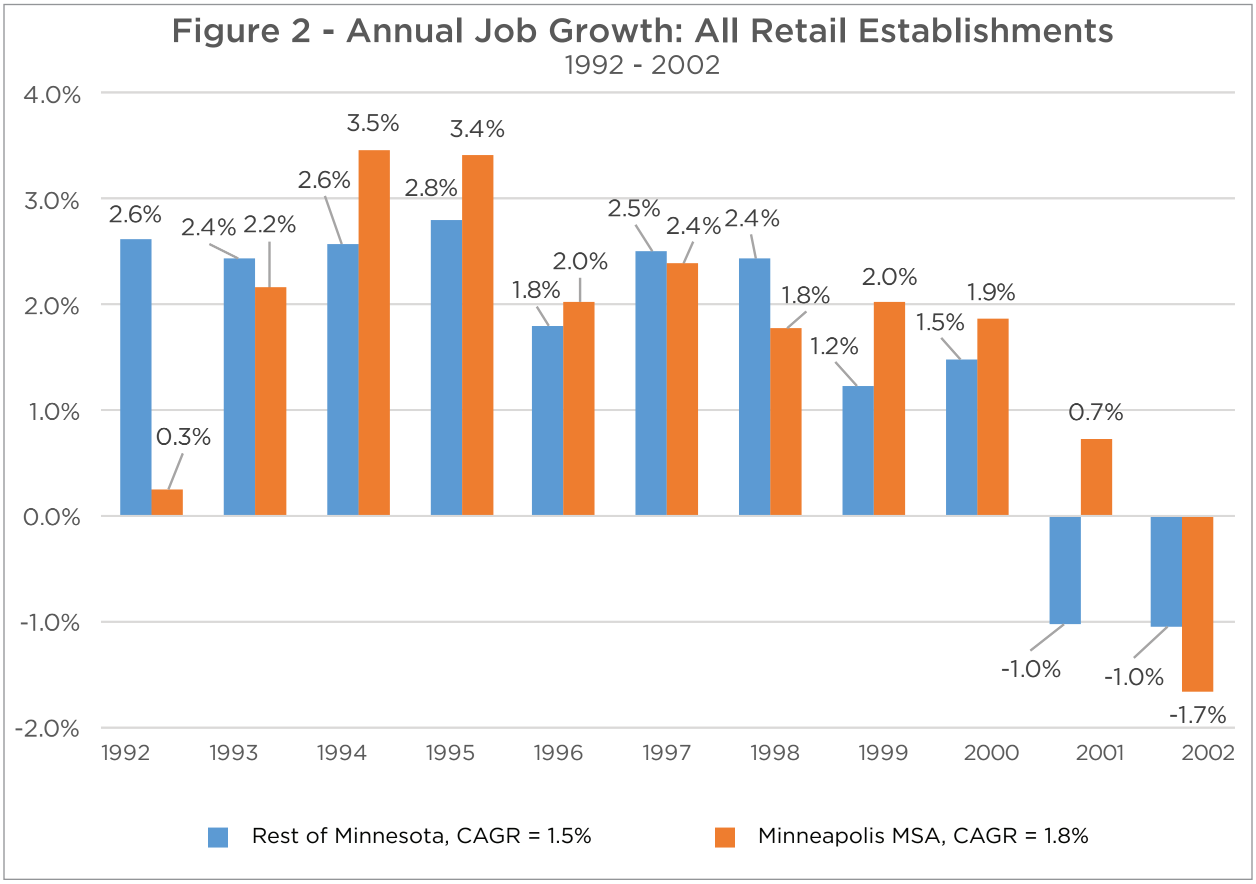
11 "Megamall won't mean big cut in jobless," op. cit.



Beyond department stores, small retail stores (i.e.: jewelry stores. designer clothing stores, or home décor, etc.) are also found in malls, but other retail stores are not necessarily in malls and still may thrive within the metropolitan region. The employment data from 1992 to 2002 **does not show** that employment in retail establishments (large and small) in the Minneapolis MSA experienced a meaningful net positive impact from the development of MOA. The compound annual growth rate in Minneapolis MSA for the period from 1992 to 2002 was 1.8 percent – not appreciably different from the 1.5 percent growth in the areas outside of Minneapolis (See Figure 2).[12]

Demand for retail sales and retail workers are directly correlated with population and personal income (buying power) within a market area. A comparison of the gains in retail employment between the Minneapolis MSA and the areas in the rest of Minnesota from 1992 through 2002 shows that retail employment for every 1000 residents increased at a faster pace in the areas outside the Minneapolis MSA. In 1992 there were 59 retail workers in the Minneapolis MSA for every 1,000 residents, while the areas outside of the MSA had only 54 retail workers per 1000 population. Ten years later there were 60 retail workers per 1000 population in the Minneapolis MSA – virtually no growth in retail workers per population. However, during the same decade, the number of retail workers per 1000 population outside of the areas of Minneapolis rose from 54 to 60, an increase of 11 percent (See Figure 3). Those areas outside of Minneapolis were able to increase retail jobs without public subsidies like those provided to MOA.

12 The difference represents 5,000 retail jobs out of 190,000 jobs in 2002.

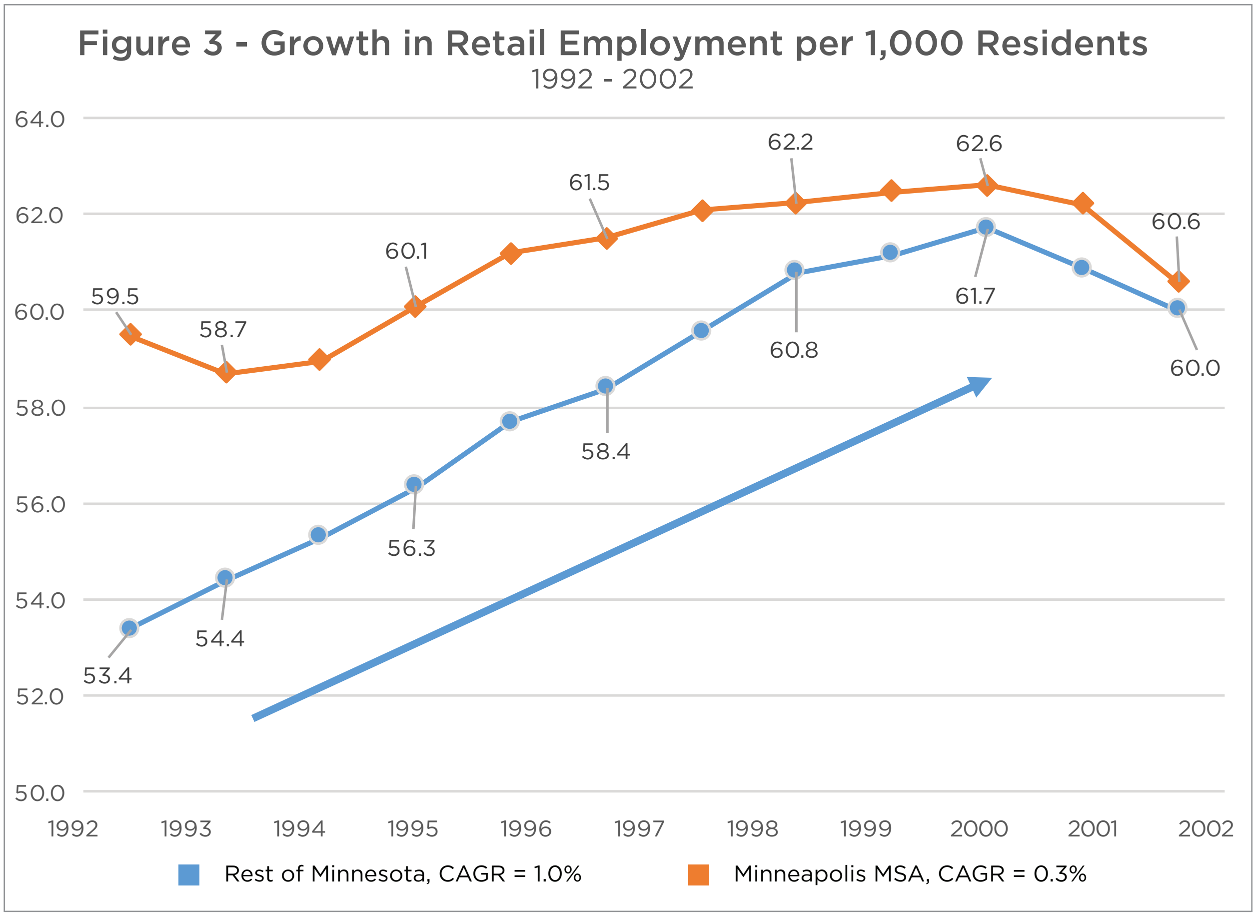


In 1992 critics of MOA argued that it was developing more retail space than the economy of the Minneapolis MSA would be able to absorb within a reasonable time period. MOAs developers argued that the mall would attract as many as 40 million visitors a year that would not only benefit the mall, but also downtown retailers through the many visitors that would also patronize downtown retailers. The economic impact of the net addition of new tourists with the purpose of shopping should be evident by an increased in the ***ratio*** of retail sales to personal income in the Minneapolis MSA. A surge of retail purchases from outside visitors would tend to increase the ratio of retail sales to personal income. The data on retail sales and personal income, however, does not show a growth in retail sales that exceeded the rise in personal income. From 1992 to 2002 sales from general merchandise establishments increased by 18.3 percent, while personal income increased by 22.5 percent; the ratio of sales to income went from 5.3 in 1992 to 5.1 in 2002.[13]

Overview of Public Subsidies in the Development of Mall of America, MN and the American Dream Meadowlands, NJ.

Mall of America and American Dream Meadowlands would not have been developed but for substantial amounts of government subsidies in the form of tax rebates and public infrastructure investment. While the developers of American Dream Miami have indicated they will not seek public funding, the experience of the other similar projects in which they have been involved appears to be that the

13 The increase in sales and income were both adjusted for price inflation between 1992 and 2002, and also adjusted by increases in the population within the MSA. Retail sales data is from U.S. Census Bureau, Economic Census.



developer has been very strategic in requesting government funding support well after the projects are underway in order to place maximum political pressure on local and state elected officials who want to realize the construction jobs or do not want to see the layoff of hundreds of construction workers.

Mall of America

The initial development and the series of expansions of Mall of America was made possible by a series of public subsidies that its developers began receiving at the mall's inception. The development plans soon after the groundbreaking in June 1989 indicated that the mall would be completed in two phases. The mall opened in the late summer of 1992, and it was soon made clear that additional public subsidies would be required to complete the second phase of the project as envisioned in 1992. Additional public subsidies have been necessary for the expansion of the mall between 2006 through 2015.

MOA received tax-increment financing since construction started on the first phase of the development. Public subsidies paid for the cost of critical infrastructure that included: land acquisition; parking facilities; site preparation; sewer, water and drainage; grading; landscaping; and construction of bridges.[14] From 1992 through 2006, MOA received public subsidies of $108 million in the form of tax breaks, most of which were from tax increment financing, and sales taxes rebates.[15]

14 Program Evaluation Division, Office of the Legislative Auditor, State of Description of Selected Tax Increment Districts. Minnesota. March 1996.

15 Chris Serres, "Megamall asking for mega millions." Star Tribune, May 2, 2006. (Accessed: 7/24/2016)

The City of Bloomington provided the tax increment financing for public infrastructure, while the State of Minnesota provided sales tax rebates on purchases generated within the mall.

In 2006 MOA sought additional public subsidies for the development of Phase II a phase that had be promised before breaking ground for Phase I. According to articles in the local press, the owners sought an additional $141 million in public financing, beyond the $106 million that The City of Bloomington had already approved for Phase II. The City Bloomington in 2006 approved an extension of the TIF for an additional 20 years for the purpose of future growth of the mall.

In the summer of 2008 MOA received "a substantial and controversial public subsidy" to spur the construction of Phase II and "provide a boost to the local economy."[16] Despite the additional subsidies from Bloomington and the state of Minnesota, progress on Phase II did not begin as quickly as was expected by legislators that supported the economic incentive package. The package of subsidies approved by the legislature was modified from the proposal put forth by MOA and Bloomington. The modified plan approved by the legislature allowed Bloomington to impose a citywide lodging tax of up to 1 percent, create a special taxing authority within MOA that could impose a sales tax of up to 1 percent, and collect a food and beverage tax of up to 3 percent within the mall. Despite the 2008 package of subsidies, MOA noted that the incentive package would not be sufficient to build Phase II. The federal Stimulus Act of 2009 allowed the Bloomington Port Authority to issue $40.3 million in Recovery Zone (tax-exempt) Bonds that allowed the completion of Phase II of the MOA project.

The TIF funds directed to MOA in 2011 alone accounted for 95 percent of the $7.5 million in property taxes levied on MOA. The local property tax bill after the TIF rebate was $377,000.[17] At the end, the second phase of the mall's development was completed in the fall of 2015, 22 years after MOA's groundbreaking, and with hundreds of millions of dollars in government funding support for a project which was initially conceived as a single project when the Triple Five Group first proposed the project in the 1980's.

American Dream Meadowlands

Triple Five Group is the developer of *American Dream Meadowlands,* which is located in East Rutherford, NJ and is part of the Meadowlands Sports Complex. The development has followed a similar path to that of the Mall of America; relying on substantial public subsidies and experiencing a pace of development that has frequently fallen behind initial construction schedules.

The retail/entertainment project was proposed in 2003, but the developers of the original complex filed for bankruptcy in 2007. In 2009 a successor company was not able to secure the necessary financing to move the project forward, and in July 2013 the Triple Five Group stepped in and gained control of the entire site. [18] The project was renamed the *American Dream Meadowlands*. When Triple Five took over the project, State of New Jersey public entities had already spent $80 million in roads and infrastructure that supports this project.

16 Mike Kaszuba, "MOA expansion project is hitting a wall." Star Tribune, August 24, 2008. (Accessed: 7/27/2016)

17 "Minnesota mall's impact questioned." John Brennan, NorthJersey.com. (Accessed: 3/21/2016)

18 "More delays at American Dream Meadowlands over money." John Brennen, et al., NorthJersey.com. April 15, 2016. (Accessed: 7/18/2016)

Recently, Triple Five Group is seeking to sell $1 billion in bonds comprised of a combination of taxable bonds and tax-exempt bonds from New Jersey's Sports and Exposition Authority. *American Dream Meadowlands* will benefit from lower interest rates and property tax payments-in-lieu-of-taxes (PILOT) from the New Jersey Economic Redevelopment and Growth program, and other sources,[19] providing incentive grants in amounts up to 75% of the annual incremental tax revenues generated by over a 20-year period. The grants and sales tax rebates will be dedicated to paying the interest and principal on the bonds.[20] While the details on the issuance of bonds had not been confirmed as of May 2016, Triple Five Group has moved its completion date to 2017. Meeting the projected date of completion is contingent on the sale of $1 billion in bonds backed by government entities and the state and local government approval of the use of sales and property taxes to pay bondholders.[21] There has been substantial concern expressed by elected officials throughout the summer of 2016 in New Jersey regarding the project status and the ability to sell the bonds without further government commitments. As of August 2016, construction has apparently stalled until the financing plan has been settled and the bonds are issued.[22]

Analysis of American Dream, Key Point 2.

A. Stated Premise by American Dream: No appropriately land use designated vacant land exists for American Dream Miami, and as a result the application satisfies the deficiency requirements of LU-8E and LU-8F at the County, Tier and Minor Statistical Area.

B. What the Data Actually Indicates: Enough land exists to accommodate demand for commercial use, given there is no special economic benefit from a mega–mall such as ADM in comparison to other traditional retail centers as the analysis of Key Point 1 above makes clear. As a result, the application does not meet the deficiency requirements in LU-8E and LU-8F for the American Dream Miami project.

C. Discussion: The map on the next page shows the vacant land in the Northern Tier which is currently designated for *Business and Office and Employment Center* use. The County's most recent projections have indicated that there is enough vacant commercial land in MSA 3.1, the Northern Tier and Countywide to accommodate absorption beyond the 2030 planning window.

The analysis submitted on behalf of International Atlantic, LLC concurs with the County's assessment that while the County has enough land to accommodate commercial growth within the planning window, there are no large parcels with the same advantages as the parcel which is the subject of their application. It is this lack of a large enough parcel, together with the presumed special economic benefits created by ADM which the applicant claims to meet the deficiency/adequacy standards of LU-8E and LU-8F.

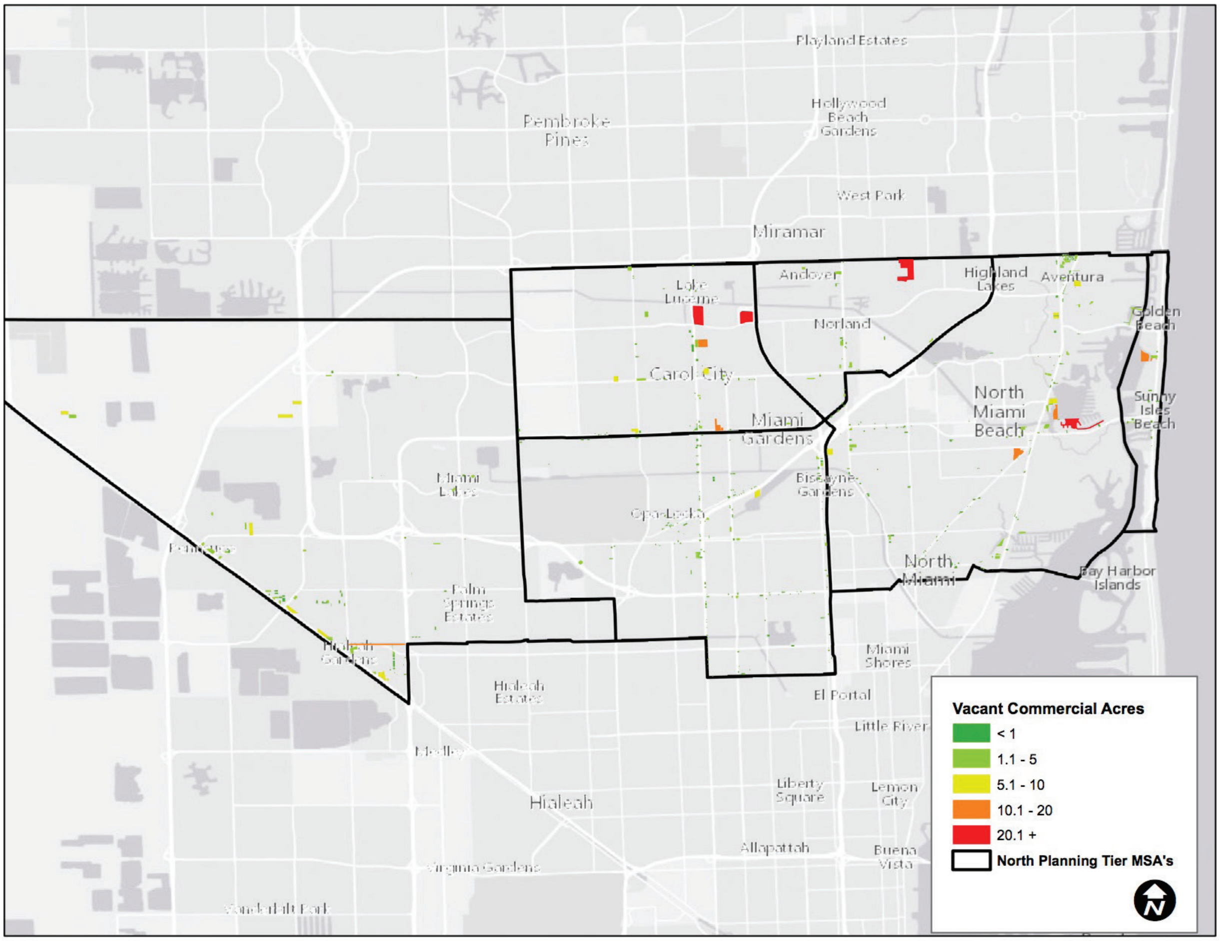
19 See http://www.njeda.com/financing_incentives/programs/bond_financing.

20 A portion of property and sales taxes that would typically be paid to local and state government, will be used to pay the debt service on the bonds issued for the American Dream Meadowlands. For details see: http://www.njeda.com/large_business/economic_redevelopment_growth.

21 "N.J. should not have to cough up $1B to American Dream mega-mall: opinion," Michael J. Doherty, New Jersey State Senator, representing the 23rd Legislative District.

22 "Two NJ agencies look to restart stalled American Dream Meadowlands project." John Brennen and Linda Moss, NorthJersey.com. August 5, 2016. (Accessed: 11/01/2016)

Figure 4 - Commercial Vacant Parcels Above 20 Acres in Northern Tier



International Atlantic, LLC argues that the development of ADM will translate into unique economic benefits to the County, but as our review of the history of Mall of America shows that within the first decade of operations, the mega-mall did not lead to significant job growth or other unique recurring economic benefits from 1992 to 2002. The economic benefits from MOA were small at best and more likely, virtually absent, despite receiving substantial public incentives and the benefits of public infrastructure investments.

If having larger parcels for commercial development is important, the map in Figure 4 shows, there are already six designated vacant parcels in excess of 20 acres to accommodate larger scale commercial development in the Northern Tier. These six parcels are 202 acres in total and range from 28 to 48 acres.

Miami-Dade County and the broader MSA is already considered a shopping "Mecca" for domestic[23] and international visitors[24] based on the data reported by the Greater Miami Convention and Visitors

23 Domestic visitors originate from all four regions in the U.S.

24 Seventy percent (70%) of international visitors to Greater Miami come from Latin America and the Caribbean.

Bureau[25] and recognized by the County's own Retail–Entertainment District report.[26] The region will continue to be recognized as a premier retail destination notwithstanding the development of another mall. The scale of expenditures from these international shoppers in the Miami metropolitan area has much more to do with economic conditions in the Caribbean and Latin America than the square feet of retail built in the Miami metro market. There is nothing that would indicate that the scale of development or the combination of entertainment with retail would have any unique economic benefits as the applicant's analysis has indicated, and, therefore, there is no justification for amending the land use designation just because of the project's large size.

Our projections indicate that 8.45 million square feet of additional commercial built space will be absorbed in Miami Dade County between 2015 and 2020. Our projection tracks very closely to the additional 115.1 acres of land (building + parking + open area allocated to any given development), which the County projects to be absorbed annually over the same time frame.

Our analysis, however, shows that nearly 75 percent of the projected growth (6.3 million square feet) will be driven by Miami-Dade residents and Miami-Dade workers who will reside in housing and growth corridors that are well beyond Northwest Dade. We estimate that 2.2 million square feet (MSF) of the projected 8.45 MSF will be in categories such as supermarkets, pharmacies, building supplies which are not going to be tenants of any scale within a project such as ADM. This will leave 6.25 MSF which could potentially be captured by ADM. Of this amount, 75 percent will be driven by local demand rather than tourist demand, given the mall will be located in one corner of Miami-Dade County's 1,946 square miles.

International Atlantic's own projections conclude that a majority of its customers will be visitors and not locals. ADM will capture but a small percentage of this total additional demand for new space. The only way ADM could hope to lease up the space in the new mall and sustain itself is by cannibalizing demand from existing centers, just as the economic history of the Mall of America suggests from the first decade following its opening day.

Our projections of demand takes into consideration the significant deceleration of economic growth in Latin America and the Caribbean region currently affecting retail purchases from international visitors. The International Monetary Fund (IMF) is forecasting slow growth in the Latin America and Caribbean region as compared to the halcyon years from 1998 to 2007 when the compound annual growth rate for the region was 3.1 percent per year.[27] The latest forecast of growth in the region from 2016 to 2021 is 2.1 percent (two thirds the growth rate of 1998-2007). Using the IMF's forecasts of the top 10 international visitor markets for Miami-Dade County suggests that economic growth from 2016 to 2021 for the combined top 10 markets will be 1.9 percent per year compared to the 3.0 percent growth rate they experienced from 1998-2007.

Another consideration related to higher value commercial development is the fact that vacant land is far from the only option for developments such as ADM. Vacant land in the County is becoming

25 Greater Miami Convention and Visitors Bureau (2015), Visitor Industry Overview.

26 Lambert Advisory. 2002. Retail Entertainment District Report. Miami-Dade County, Planning Department.

27 International Monetary Fund. World Economic Outlook: April 2016.

increasingly scarce. A property that is currently occupied by an existing use does not mean that it is not available for redevelopment at higher value/higher density. This option is actually being exercised throughout the County as the amount of vacant land recedes. A vacant parcel does not necessarily translate into that parcel being the best and most appropriate parcel for development from an economic or financial perspective.

Redevelopment of parcels with active development on them are commonplace in urban areas. Such parcels are candidates for redevelopment at higher densities or with higher investment value because they meet the necessary land use designation, are particularly well located in relation to the broader market and often times have the access and transportation network already in place to support higher density development without the imposition of additional offsite costs.

As it relates to ADM, the Calder Race Track site is an example of a property with the appropriate land use designation for commercial use, is larger than the property now controlled by International Atlantic, and has excellent access to the highways and the regional market. Calder has already actively marketed 60 acres of its 250 acre parcel for sale and there has been broad speculation in the local real estate community that the entire 250 acres may be available for purchase given the proximity and challenging competitive positioning of Calder in relation to other pari-mutuel casinos in Miami-Dade and Broward County. Additionally, Calder is in the immediate orbit of the Seminole Hard Rock Casino which has a competitive advantage due to its monopoly on table gaming in South Florida region.

Analysis of American Dream Key Point 3.

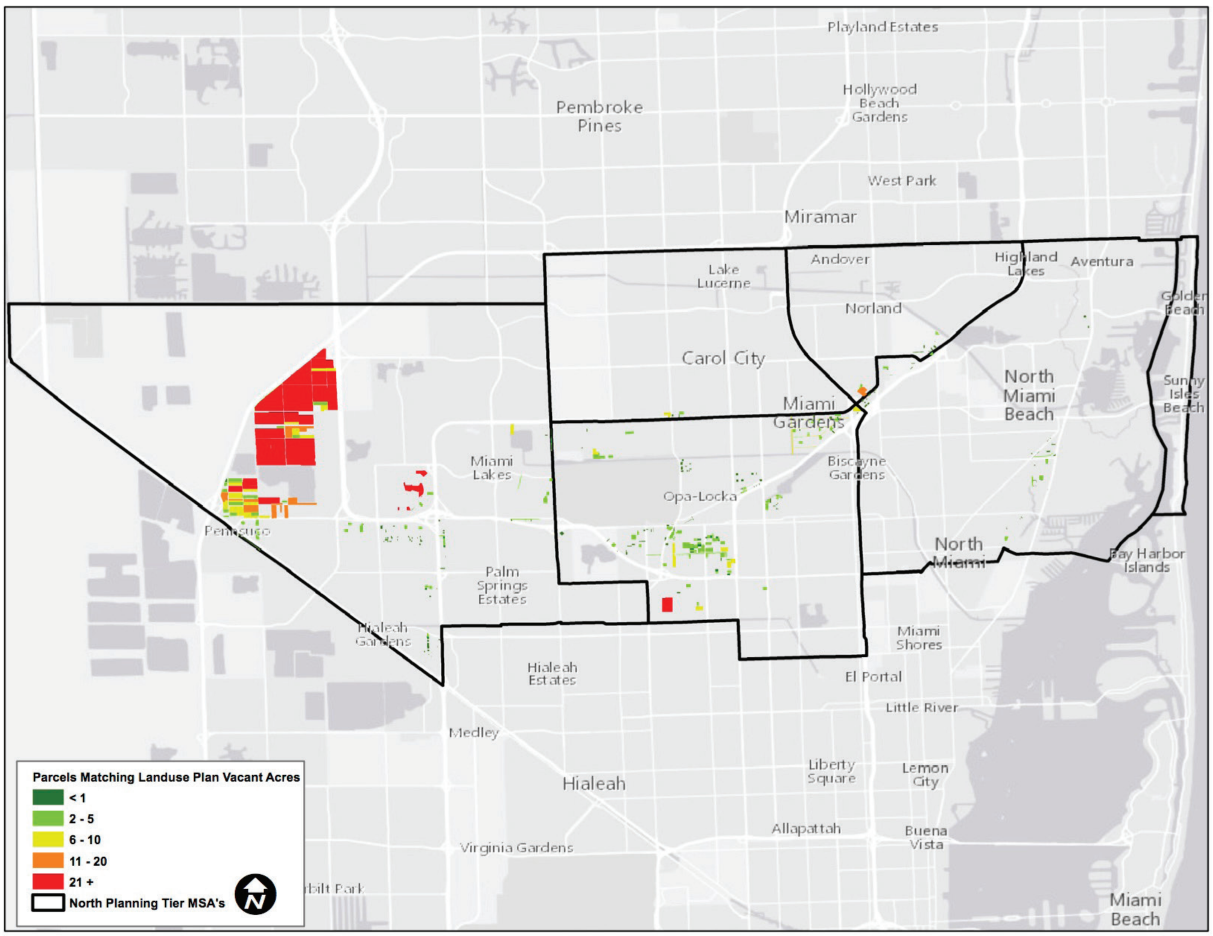
A. American Dream's Premise: Adequate *Industrial and Office* designated vacant land exists in the Planning MSA 3.1, the Northern Tier, and Countywide to accommodate absorption nearly to 2040, well beyond the CDMP's planning window even once the two parcels proposed for modification are re-designated.

B. What the Data Actually Indicates: While on an exclusively quantitative basis there is adequate land to accommodate demand from industrial users in the Northern Tier of the County for the foreseeable future. On a practical level there are only two adequate vacant consolidated land holdings which could accommodate modern industrial park development with modern users in the Northern Tier if the two proposed developments are provided a re-designation of their land use. As a result, if the proposed land use amendment was to be approved, the Northern Tier would fail the adequacy test of LU-8F and the applicant has not demonstrated that the modification will not have a significant adverse impact on future industrial development.

C. Discussion: The map below shows all vacant parcels in the Northern Tier by size of parcel which are designated for *Industrial* and *Office* use. Industrial space will generally be developed only on vacant land and will not displace other uses on any scale given that it is on the lower end of the property valuation spectrum and cannot be easily integrated with other uses such as residential and is therefore allocated to discrete dedicated zones.

Of the 1,882 vacant acres[28] in the Property Appraisers database which are designated for *Industrial and Office* use, in the Northern Tier, 705 acres are in individual parcels or adjacent land holdings of multiple parcels under common ownership less than 20 acres in size and half of those acres are less than five acres in size. These parcels/adjacent holdings are scattered throughout the Northern Tier and are not appropriate for most modern distribution or manufacturing uses which need excellent highway access and are generally developed in modern business parks with appropriately designed roadways to

Figure 5 - Only Two Large Parcels Available for Industrial Development in Northern Tier If Land Use Amendment Approved



accommodate for truck turning radiuses and efficient dock height loading for off-street unloading and loading of product and materials.

There are only six parcels/adjacent holdings which account for 1,038 acres (or 55% of total industrial designated land in the Northern Tier) and are larger than 50 acres in size. Of these, four of the six parcels are the subject of International Atlantic's application (and a separate applicant) to the County. As a result, if the land use amendment is approved, the County will have only two vacant parcels/adjacent

28 This compares closely to 1,627 vacant acres identified by the Planning Department although the difference in vacant designated acreage has no appreciable impact on the analysis.

holdings in the entire Northern Tier of the County that will be able to accommodate modern industrial park development. While one of the parcels is a large 453 acres owned by FDG Beacon Countyline, LLC and the other is relatively small and a poorly positioned 68 acres parcel owned by AMB I75, LLC.

If any barrier to developing these properties were to exist such as an environmental or legal issue, the County will be left with only one or potentially no property in the entire Northern Tier able to accommodate modern industrial park development going forward.

This runs in direct contrast of the County's objective to insure that a balance of development and associated employment creation occurs throughout the County as demand warrants.

While preserving large sites for industrial development may on the face of it, appear to be the same argument that ADM is making as their need for a large site, which does not exist for a mega-mall development, in fact the arguments are very different.

In the case of the industrial land, modern industrial development in the Northern Tier cannot move forward if there are not enough adequate large sites to accommodate that development. In the case of ADM, there are a number of large and more moderate sized sites to accommodate modern commercial development, only not a vacant site large enough to accommodate a mega-mall. Yet, as the assessment of the historical economic impacts of MOA makes perfectly clear, there is no inherent economic benefits from a mega-mall vs. any other mall or retail center. As a result, an amendment would just be consolidating development and subsequent retail sales on one property which has no net-benefit to the County and actually will cannibalize from other retail centers which are currently vibrant and serve the commercial needs of surrounding neighborhoods in close proximity.

ABOUT THE AUTHOR

Robert D. Cruz, Ph.D., is the Chief Economist at Florida TaxWatch. Dr. Cruz previously served as Department Chairman of the Business School at the Kendall Campus of Miami-Dade College. Dr. Cruz held the rank of full professor in the Andreas School of Business at Barry University prior to joining Miami-Dade County as its Chief Economist, and began his academic career in 1981 as faculty member in the economics department at Florida International University.

Dr. Cruz received his PhD in Economics from the University of Pennsylvania in 1985, and his Bachelor of Arts degree from Georgetown University in 1978. Dr. Cruz is a recognized expert in quantitative economic analysis with particular specialization in regional economic development, macroeconomic forecasting, and modeling and simulation analysis.