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Cover Story

Cover Story: Mega challenges for American Dream Miami

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American Dream Miami might be the most challenging project ever developed in South Florida. But, as one of the nation's most ambitious malls to date, it has the potential to supercharge the region's economy by fueling tourism and retail spending.

Developer Triple Five Group projects 30 million visitors a year for the mall and amusement park, creating a ripple effect of jobs, spending and business opportunities for local companies. But hurdles exist, such as residents' traffic concerns, and raising billions of dollars in private financing at a time when e-commerce has disrupted the national retail market.

Following its May approval, Triple Five is laying the groundwork in northwest Miami-Dade County for the project with 6.2 million square feet of retail and entertainment space, plus 2,000 hotel rooms. The 3.5 million square feet of retail would be the most of any property in North America. Meanwhile, experts say about 20 percent of malls in the U.S. are at risk for closure.

Even for a fast-growing region like South Florida, that's a lot of space for the market to absorb.

"Financing in the retail world has been challenging because of all the headlines and stories of destruction and apocalypse that is out there for retail," said [Ken Krasnow](#), executive managing director with Colliers International South Florida. "But there is opportunistic capital out there that realizes it's not all doom and gloom."

Triple Five crafts plans

[Robert Gorlow](#), head of Triple Five's Miami operation, said he's open to hearing ideas from potential tenants and entertainment brands. The project is still in the early stages, but they hope to have it open by 2023.

American Dream Miami attorney [Miguel Diaz de la Portilla](#) said the legal team at [Saul Ewing Arnstein & Lehr](#) is finalizing the roadway, water and other infrastructure designs required for the massive project. That includes making sure that federal and state plans to expand and add new interchanges to Interstate 75 and Florida's Turnpike stay on track, and that there's land available to absorb the stormwater runoff, he said.

The developer plans to hire an architect in the fall to design the details of the facility and prepare an application to submit to Miami-Dade officials for site plan approval, Gorlow said. A development team, including a project manager, should be assembled in Miami in early 2019, he added. At that point, the developer will start hiring construction contractors.

Much of Triple Five's team is now busy completing American Dream Meadowlands, a 4.5 million-square-foot mall and entertainment complex slated to open in northern New Jersey in March 2019. Once that's done, many of these employees will shift focus to the Miami project, Gorlow said. Triple Five also built the [Mall of America](#) in Bloomington, Minnesota.

"In Minnesota, that mall is the center of activity," he said. "In Miami-Dade County, it would become one of those centers, just like the Design District, the [South] Beach and Brickell. We hope to make the pie bigger for everybody."



Many of the features of the New Jersey project – such as the water park, amusement park, indoor ski slope and ice skating rink – are also proposed in Miami, but on a larger scale. That will likely give Triple Five a leg up on designing the Miami project, as it'll be familiar with the attractions and can use many of the same consulting teams.

Triple Five does its retail leasing in-house. So Gorlow expects many tenants that are coming to American Dream Meadowlands to consider the Miami project.

Retailers slated for American Dream Meadowlands include Saks Fifth Avenue, Lord & Taylor, Hermès, Zara, Lululemon and a Kosher food market. Entertainment venues will include Cirque du Soleil, a KidZania mini city, Legoland discovery center, Sea Life Centres aquarium, Nickelodeon-branded amusement park and DreamWorks-themed water park.

Gorlow said he's eager to speak with potential entertainment programming partners about concepts that could attract more people to American Dream Miami.

"It takes a special family to take on a project like this because the investment is so huge and things are so uncertain," he said of the developer, led by Eskandar Ghermezian and his family members. "Few people have the vision to make something like this happen."

Borrowing billions

At a cost of about \$4 billion, American Dream Miami will be one of the most challenging projects to fund in Florida history. Triple Five will have to pay for it without local taxpayer dollars – as mandated by county commissioners when they approved the project.

Besides construction costs, the developer will incur estimated transportation infrastructure costs of \$210 million, impact fees of about \$58 million, \$650,000 for traffic improvements in Broward County, and millions of dollars more for water and stormwater improvements.

It is possible that state funds could be utilized on some of the highway infrastructure, since the new exits would serve more than just the new mall. The Graham Cos., which is developing a neighboring project, might also contribute to the cost of shared infrastructure.

With such exorbitant costs, Triple Five will likely seek government subsidies to augment private financing, said Dennis Spiegel, president of Cincinnati-based theme park consultant International Theme Park Services.

"That kind of money never comes easy, The mall business is shrinking, not growing, and we are seeing malls close all the time," he said. "But this is a very clear departure from your typical neighborhood mall. This is a destination mall."

American Dream Miami would probably need a monster loan of about \$3 billion, an almost unheard-of amount outside of the New York City area, said Lotus Capital Partners CEO Faisal Ashraf, who has underwritten and originated over \$20 billion in commercial real estate loans in his career on Wall Street. Yet, the recent \$1.75 billion Aventura Mall refinancing demonstrates that global financial institutions will buy into Miami-Dade retail, he said.

Any deal to finance the project would likely combine multiple lenders, making it a complicated transaction, Ashraf said.

Before obtaining a large construction loan, Triple Five could utilize a smaller predevelopment loan by leveraging the value of its real estate and any licensing deals it signs to generate revenue, Ashraf said. Lenders will also want to make sure Triple Five mitigates traffic, so visitors aren't turned off by congestion, he added.

"It's all about execution," Ashraf said. "They will have to prove out the leasing and sign a couple of strong anchors before they secure a large part of the financing."

Gorlow declined to discuss Triple Five's strategy for financing the project. So far, the developer has received a \$19.65 million mortgage from CIBC Bank USA on the raw land it acquired, and it still needs to close on an additional property from the Graham Cos.

It took Triple Five several years to secure \$1.67 billion to finance American Dream Meadowlands, which it acquired from another developer and then redesigned. About \$1.1 billion of those funds were from a tax-exempt municipal bond backed

by property tax and sales tax rebates in New Jersey.

Floating a government-backed bond might work for Triple Five in Florida, said Eric Fixler, senior director of IPA Capital Markets at Marcus & Millichap in Fort Lauderdale. However, the Florida Legislature's approval would be required for Triple Five to obtain a tax break on its project that it could bond against.

While the development loan would probably have an adjustable interest rate, Triple Five could pay to cap the rate increase to guard against rising rates during the long construction timeline, Fixler said.

Despite the troubles in the national retail market, a bank would probably favor Triple Five's plan to build the only major amusement center in South Florida, which is already a tourist magnet, Fixler said.

"This will be an iconic financing opportunity because of the size and scope," he said.

Next generation of retail

Many experts believe American Dream Miami symbolizes the future of retail, with entertainment and the customer experience taking center stage. Combining the mall with amusement attractions could finally give South Florida a venue on par with Central Florida's popular theme parks.

The project's location – along two major highways, relative proximity to two international airports – and its many attractions, retailers and restaurants should make it a big draw for tourists, Spiegel said.

Ashraf said he's visited a similar development with an indoor ski slope in Dubai that draws visitors from around the world, so he expects the concept should work well in Miami.

Thomas Wuerzer, an associate professor of real estate development at Nova Southeastern University, said his research found 21 percent of people who live within an hour of the American Dream Miami site have visited a theme park in the past year. So Triple Five's project would provide a closer alternative.

A key factor in the project's success will be Triple Five's ability to draw cruise passengers from South Florida ports to its project, Wuerzer said. If it can entice cruise passengers to remain a day or two longer, that would generate additional spending at local businesses and hotels, he added.

Colliers' Krasnow said American Dream Miami is the type of retail center that's primed to do well in the future, despite the growth of e-commerce, because it's based on engaging customers with active experiences.

"It's an entertainment and destination venue first and retail second," Krasnow said. "Nobody would classify Disney World as a shopping mall, but they sell tons of stuff there."

Perhaps in the best test of this concept, over 75 percent of the 2.3 million square feet of retail at American Dream Meadowlands was leased as of May 30, according to a report to bondholders.

Still, South Florida isn't the tri-state area. Unique challenges exist here.

Experts cite managing heavy traffic, a limited labor pool in a tight employment market, and finding affordable housing near the project for its workers as issues that must be addressed in order for American Dream Miami to succeed.

Speigel also said that a series of media mergers, including Disney's acquisition of 21st Century Fox's film and TV studios, could present obstacles to Triple Five's search for branding opportunities. It's unlikely that Disney or Comcast (which owns Universal Studios) would license a popular brand to a competing theme park, or allow brands already used in their parks – such as Harry Potter or Nintendo – to be utilized by competitors, Spiegel added.

"There's always good intellectual property coming along, but the basket is not very full right now," Spiegel said. "Branding is one of the most important things going on in the leisure industry in the last decade."

Still, Spiegel and other industry insiders watching from the sidelines say that if any company can pull off a privately funded project on the scale of American Dream Miami – regardless of its many challenges – it's likely the Triple Five team.

“What [they] have done very well is create facilities that people flock to, and they are primarily one-stop shops,” International Theme Park Services’ Speigel said.

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