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Miami Worldcenter Taps Junk Munis for Project's Next Phase.

- **Miami Worldcenter to borrow about $245 million via conduit**
- **Sale comes as junk munis are outperforming rest of local debt**

Miami Worldcenter, an urban renewal project in the city's downtown, is poised to borrow $245 million in the municipal-bond market as it moves to finance the next phase of a venture that is almost two decades in the making.

Developers behind the roughly 23-acre, $6 billion project, one of the biggest such ventures in the US, issued the tax-exempt, unrated debt through a Wisconsin financing authority on Tuesday. Senior bonds due in 2041 and carrying a 5% coupon were priced to yield 5.25%, data compiled by Bloomberg show.

The Florida city has seen an influx of wealthy residents and investment the past few years amid the pandemic, boosting housing prices. But the bond deal is still considered risky, in part because as a conduit deal, the securities don't have the full faith and credit backing of a local government or agency. The offering document says repayment is "speculative in nature" and involves a high degree of risk.

In the borrowers' favor, it's an opportune time to sell such debt. High-yield munis are having a solid year, gaining as the rest of the state and local-bond market has declined. That should set the stage for solid investor appetite, says Daniel Solender at Lord Abbett & Co.

"Overall the demand is strong now for high-yield deals, so that should help," said Solender, the firm's head of municipal debt.

High-yield munis have earned 1.5% this year, compared with a loss of 0.2% for tax-exempt debt broadly, Bloomberg index data show. Diminished issuance has been a key driver of the high-yield gains, according to research from Bloomberg Intelligence strategist Eric Kazatsky. It's been the second-slowest first quarter for high-yield muni sales in the past decade, he said.

Next Phase

Proceeds from the offering, to be sold through the Wisconsin Public Finance Authority, will go toward the project's next phase. This includes financing two parking garages, five areas of retail space, a plaza and several walkways. The developers say it would be the second-largest private mixed-use urban development project in the US upon its projected completion in the next three to four years, behind Hudson Yards in New York.

Taking a cue from Hudson Yards, the developers have been courting high-end retail brands and companies in an effort to turn the area into a hot destination. Adam Neumann's real estate startup Flow plans $300 million of new developments in the area as well.

The bonds will be backed by tax-increment financing generated by all the properties in the development. Under the terms of their economic incentive agreement, the developers will receive 57% of the tax-increment revenue generated by the project through March 2042. The remainder goes to the city and Miami-Dade county.

The sale didn't receive a grade from rating companies. The repayment of the bonds is highly dependent upon an increase in the assessed valuation of the properties at Miami Worldcenter, however there is no assurance that property values will grow, according to bond documents.

Some 96% of Miami Worldcenter's completed retail space has been leased, according to bond documents. However, only about 23% of the planned projects have been completed.

"Initial feedback surrounding the bond issuance has been positive," Nitin Motwani, managing partner of Miami Worldcenter, said in an email.

Miami Worldcenter previously tapped the muni market in 2017, via a sale of $74 million of unrated, tax-exempt bonds through a special taxing district, according to a press release. Proceeds from that sale financed street improvements, mass transit stations and additional water and sewer capacity.

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