

# Palm Beach County convention center hotel talks stymied by tax-break demand

WLRN Public Media | By [Jane Musgrave](#) | [Stet News](#)

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*Elkus Manfredi Architects / West Palm Beach Site Plan Submission*

A proposed 23-story hotel on land owned by Related Ross next to the Palm Beach County Convention Center.

When an email popped up in Palm Beach County government offices last week, it appeared Related Ross was ready to reopen negotiations that would put the giant developer in control of the hotel business for the county convention center.

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But, while Related Ross had signaled the proposal was coming, shortly after its arrival it sent another email: Never mind.

“Not sure who delivered that (was not us) but it looks to be a working draft and is also missing numerous key pages – not a formal submission so please disregard,” Related Vice President Alex O’Connor wrote in a follow up.

The mixed messages are just the latest dustup in an ongoing drama that started a year ago when the county selected Related Ross to build a 400-room hotel to boost business at the convention center on Okeechobee Boulevard in downtown West Palm Beach.

Related broke off talks in May when the county rejected its request to spare the hotel, a Signia by Hilton valued at \$290 million, from property taxes. The mysterious proposal, which O’Connor disavowed, called for tax breaks.

O’Connor declined to say how the 14-page proposal ended up in county hands. He promised to call Stet back. He never did.

Despite the withdrawal of the proposal, there is no indication Related plans to walk away from the chance to build a second convention hotel next to the one it already operates on adjacent land.

Tax cuts would “make the project financially viable,” O’Connor wrote county officials when the company ended contract talks, blaming its decision on President Donald Trump’s tariffs and a downturn in hotel business.

But, despite those claims, a tax break loomed large in the company’s decision.

Like the deal it got in 2013 to build the 400-bed Hilton West Palm Beach, it said it wants to build the second hotel, sell it to the county for \$1 and lease it back so it wouldn’t have to pay property taxes, according to the draft proposal and county records.

Related would share at least \$3 million annually in hotel profits with the county but the company would avoid at least \$6 million in property taxes.

Related, headed by Palm Beach resident and Miami Dolphins owner Stephen Ross, urged county officials not to get bogged down in extraneous details.

The “big financial offer” is that the county would be getting the land valued at \$20 million essentially free, Related said in the draft proposal. Further, the company would commit to blocking off rooms for convention-goers, as the county demanded.

### **Negotiations break down at critical time**

While the talks stall, the county is moving forward with plans for a 280,000-square-foot addition to the 20-year-old convention center. The county also wants a developer to build a 200-room boutique hotel on the roughly 23-acre site.

Assistant County Administrator Isami Ayala-Collazo has been the point person for the on-again, off-again negotiations with Related.

The breakdown came after County Administrator Verdenia Baker announced her retirement in March. Ayala-Collazo was among four finalists for Baker’s job. When county commissioners on June 17 selected Clerk and Comptroller Joe Abruzzo, Ayala-Collazo quit, effective Aug. 1.

Some of the biggest developers in the county were openly banking on new county leadership as the search began.

“We now see some changes at the county that are going to be very encouraging,” The Palm Beach Post quoted Related Ross President Ken Himmel as saying at a March 12 groundbreaking. “I was at a presentation yesterday with a tourism group and I said, ‘Watch what happens after June 1. Things are going to finally open up.’”

Ayala-Collazo has not commented on her abrupt resignation. But she explained why she rejected Related’s approach.

Related’s request for a tax break was a non-starter, Ayala-Collazo told the county’s Tourist Development Council two days after the deal collapsed. After advertising the project to developers nationwide, the county couldn’t change the rules to accommodate the company that has been a major player downtown since opening CityPlace in 2000.

The terms were supposed to be simple, Ayala-Collazo said. The developer would build the hotel and pay the county \$630,000 a year to lease 630 parking spaces in the convention center’s 2,500-space garage.

“Either you use my land and my parking spaces and pay me for it or you use your land and my parking spaces and you pay me for my parking spaces,” she said, summarizing the deal for the council that oversees the county’s bed tax money.

The switch Related sought wouldn’t be fair to other developers who may have also wanted property tax breaks but followed the rules, Ayala-Collazo said. Further, she said after consulting the county attorney, such a concession wouldn’t have been legal because it violated the terms of the request for proposals, or RFP.

“We told (Related) if that is the path you require it cannot occur under the current RFP,” she told the TDC.

To put such terms on the table, the county would have to readvertise the contract to give other companies the chance to bid, she said she told Related.

### **Trump tariffs, industry downturn cited**

The company responded by backing out of the deal. In a May 6 email, O’Connor listed many factors for the company’s change of heart.

Since the election of President Donald Trump, interest rate conditions haven’t been favorable and tariffs have driven up the cost of construction, particularly for hotels that import furniture and fixtures, he wrote.

Also, O’Connor said, the South Florida hotel market isn’t as robust as it once was. In 2024, he said the Hilton lost money for the first time since 2016 “with revenue coming in millions below forecast.”

But, he said, while the company was pulling the plug on the contract that county staff had spent months negotiating, it wasn’t walking away. He promised Related would submit an “unsolicited proposal in short order” that would benefit the county.

“We are committed to building a new hotel that will expand the opportunities to attract world-class conventions to Palm Beach County as soon as possible — we remain in a position to break ground this year” he wrote.

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There is a chance the situation could become more complicated. Related has also submitted plans to West Palm Beach to build the second hotel.

While the city could approve the project without county approval, Related would then have to renegotiate its parking deal with the county.

Related had agreed to lease 630 parking spaces in the convention center garage or build them on the site it is proposing for the second hotel, currently a surface parking lot.

The site plan it submitted in April 2024 to the city shows a 23-story hotel, including a six-level, 630-space parking garage..

About 375 spaces would go toward hotel traffic, the rest to the convention center, the county said in a draft report. But the county believes it has the rights to all the spaces.



*Palm Beach County*

The Palm Beach County Convention Center.

## **County begins planning to expand convention center**

In the meantime, other changes are in the works for the convention center. The second hotel is seen as a way to transform the center so it becomes a magnet for national conventions instead of local events and trade shows.

But, there has long been concern that that 350,000-square-foot building is too small to become a player in the highly competitive convention trade.

Ayala-Collazo said county staffers are now negotiating with Convergence Design, of

room boutique hotel on the roughly 23-acre site.

A third hotel would provide that convention center with the 1,000 nearby hotel rooms that a 2000 study said was key to its success.

Related claims the convention center site isn't big enough for everything the county wants.

The other two companies that submitted bids in 2024 to build the second hotel proposed putting it on the convention center land. The proposals, which were rejected because they didn't include proof they had loans lined up, would have eaten up land that is needed for the expansion, Related said in its draft proposal.

That, it said, is one of the beauties of its' pitch: the second hotel would be built on Related land, giving the county room to expand the convention center.

Tourist council members had mixed views about whether the expansion is needed. But, they all agreed that a second hotel is critical.

"If we have more hotel rooms, the opportunity for national conventions is there," said County Mayor Maria Marino, who is also chair of the tourist council. "We can't even go to that market because we don't have the rooms."

Related insisted that urgency is why its offer should be accepted.

"Related is in a position to break ground this year," it wrote in the draft proposal. "Reissuing the RFP and selecting another developer would likely add at least two years to the process."

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