

CITY OF CORAL GABLES
Property Advisory Board Meeting Minutes
Wednesday, August 9, 2017, 8:30 a.m.

Different Location: Coral Gables Art Cinema, 260 Aragon Ave, Coral Gables, FL 33134

PAB MEMBERS	J	F	M	A	M	J	J	A	S	O	N	D	APPOINTING ENTITY
	'17	'17	'17	'17	'17	'17	'17	'17	'17	'16	'16	'16	
Alberto Manrara	-	-	-	-	-	P	X	P		-	-	-	Mayor Raúl J. Valdés-Fauli
Jonathan Leyva	-	-	-	-	-	P	X	P		-	-	-	Commissioner Michael Mena
Luba DeWitt	E	P	E	E	P	P	X	P		P	X	P	Commissioner Patricia Keon
Valerie Quemada Vice Chair	P	P	E	P	E	E	X	E		P	X	P	Commissioner Vince Lago
Tony Gonzalez	E	P	P	P	P	P	X	P		P	X	P	Commissioner Frank Quesada
Edmund Mazzei	-	-	-	-	-	P	X	P		-	-	-	City Manager
Andrea Molina	P	P	P	Ph	P	Ph	X	P		P	X	P	City Commission

A = Absent E = Excused Absence P = Present X = No Meeting Ph = Present by Phone - = Former Board Member

STAFF AND GUESTS:

Javier Betancourt, Director, Economic Development Department
Leonard Roberts, Assistant Director, Economic Development Department
Mariana Price, Administrative Assistant, Economic Development Department
Steven Krams, President & Executive Director, Coral Gables Art Cinema
Marlin Ebbert, Board Member, Board Secretary, Coral Gables Art Cinema

Meeting Motion Summary:

A motion to approve the minutes of the June 14, 2017 meeting passed unanimously.

Motions to elect Alberto Manrara for Chair and Andrea Molina for Vice Chair of the Property Advisory Board passed unanimously.

A motion to recommend that the City support the expansion of the Coral Gables Art Cinema, on the condition they present a viable business plan, upon the expiration of the lease with Patio n' Things, passed unanimously.

A motion to support the sale of Lot 24 to Doctors' Hospital as per the Proposed Deal Terms, with the added recommendation that the funds made from the sale be redirected to replacing the land sold with a longer-term and more developable parcel, including a modification for the City to explore ways to collect tax on the lot once sold, passed unanimously.

Mr. Betancourt brought the meeting to order at 8:36 a.m.

1. Review of the June meeting minutes (Action)

Mr. Manrara made a motion to approve the minutes of the June 14, 2017 Board meeting. Mr. Mazzei seconded the motion, which passed unanimously.

2. Economic Development Director's Report

Mr. Betancourt reviewed the latest edition of the Business Update with the board. The Business Update goes to over 15,000 recipients as an insert in Miami Today, as well as everyone in Economic Development's own database. He also handed out the flyers the City made to promote the one-year pilot program for Freebee, which has been met with overwhelming praise and requests for expansion of coverage area.

3. Appointment of new chair of the board (Action)

Mr. Betancourt announced that a new chair of the board would need to be elected as the Property Advisory Board currently does not have a chair, and included that the current Vice Chair, Valerie Quemada, is out of town. Mr. Manrara and Ms. Molina both expressed an interest in becoming Chair and each explained a little bit about their background and why they believed they should be chair. Mr. Betancourt held a vote for each candidate.

Edmund Mazzei made a motion to nominate Alberto Manrara as the new chair of the Property Advisory Board. Luba DeWitt seconded the motion which passed 4-2. Alberto Manrara made a motion to nominate Andrea Molina as Vice Chair, which Luba DeWitt seconded, and the motion passed unanimously.

4. Coral Gables Art Cinema Presentation (Presentation) – *Steven Krams, President & Executive Director*

Mr. Betancourt introduced Mr. Steve Krams, the President & Executive Director of the Coral Gables Art Cinema. The Art Cinema started in 2006 and within four years was open for business beginning October 15, 2010. Mr. Krams introduced Marlin Ebbert, member of the Cinema's board, as well as the secretary of the cinema's Board of Directors. He also introduced his staff in attendance, Brenda Moe, Administrative Director, Elizabeth Dedios, Operations Manager, Regi Desjardins, Front-of-house Manager, Carolina Mayo, Marketing Manager, and Javier Chavez, Associate Director.

Mr. Krams provided an informative PowerPoint presentation, which included the following:

- Public-private partnership between City of Coral Gables and the Coral Gables Cinemateque.
- Board has desire to expand the Cinema into the space next door to include two additional screens.
- Cinema partners with City for the Movies on the Mile series.
- Relationship with Coral Gables Youth Center where rates and benefits are extended to all members of the Youth Center.
- Annual budget is \$1.1 million. Half comes from ticket sales, the remaining comes from grants.
- Approximately 55% of Cinema patrons stay and spend additional money in the Gables.
- 1,200 members who pay annual dues between \$70 - \$1,500.
- Cinema's geographic reach is significant, considering they're a not-for-profit org.
- 72% of theatre-goers utilize the adjacent City-owned garage.
- Diverse programming includes foreign and independent films, late-night

- programming, Family Day on Aragon (special shows only \$5 which includes popcorn and drink), Miami International Children's Film Festival (November), etc.
- New theatres would be between 50-75 seats each.

Several members of the board had questions for Mr. Krams, which he answered. There are several necessities for the two new screens. Distribution rights to films require a theatre to show that film for a certain amount of time. With only one theatre, the cinema is limited to what they show, and their customers will not normally return within that required amount of showing time to view a film twice. With two more theatre rooms, a new release could be moved to a smaller room to meet the distribution requirements while providing more opportunity to make profit from new films added to their schedules. Mr. Krams stated that theatre-goers demand variety. When asked if the Cinema would be able to make up for lost profit from Patio n' Things, Mr. Krams responded that he did not want to mislead anyone on this board or on the Commission about what the Cinema was seeking to do. He said the Cinema is interested in expanding to support the growth of the "Cultural Corridor" which other merchants on Aragon Avenue are keen to do (Coral Gables Museum, Books & Books, and the Colombian Consulate). While the City may lose profits, the surrounding businesses would benefit from the expansion. The Cinema is seeking the support of the City of Coral Gables to know whether or not they should begin to seek funding and grant opportunities for that possible expansion. They had been advised by the Knight Foundation to seek a grant. The City funded the bricks and mortar of the Art Cinema, as well as replacement of the HVAC system. Other than that, the Cinema has been fully self-sustainable. When asked why the Cinema couldn't consider expanding in a different space, Mr. Krams responded that doing so would essentially be starting a whole new operation, requiring double the staff (as opposed to a few more), and that it would defeat the purpose of expanding within the same space to profit more despite the film distribution requirements (the Cinema would be required to then buy two distribution licenses for each space they use to show a given film).

5. Cinema expansion (Action)

Mr. Roberts explained that the Patio n' Things lease expires in 2020, and it takes time for the Cinema to raise money. He explained that a Letter of Intent would be nonbinding, but would express interest in supporting the Cinema's desire to expand into the adjacent space. Mr. Manrara asked the board if they would like to entertain a motion to support having the Letter of Intent for the Coral Gables Art Cinema to begin the fundraising process.

Mr. Mazzei made a motion to support a conditional Letter of Intent to support the Cinema expansion, dependent upon a reviewed business plan. Mr. Gonzalez seconded the motion, which passed unanimously.

6. Doctors Hospital Parking Lot (Action)

Mr. Roberts reviewed the Proposed Deal Terms for the sale of Lot 24 to Doctors' Hospital as follows:

On December 30th, 1987, the entered into a lease with Doctor’s Hospital (the “Hospital”) related to the City-owned parking lot 24 (the “Lot”) located on the northwest corner of University Drive and Pisano Ave, across from Doctor’s Hospital. The Hospital uses the Lot to provide free valet service for patients and visitors. In 1992 the lease was assigned to HealthSouth. The Hospital was later purchased by South Miami Hospital and the lease was assigned in 2003. South Miami Hospital was part of the Baptist Heath so in 2006 the Hospital was then reassigned to what is now Doctor’s Hospital (part of the Baptist Hospital). The initial term of the lease is set to expire on December 31, 2017; on May 9th, 2017, the Hospital executed their automatic renewal right for an additional 30 years.

The proposed terms are as follows:

- The City would convey parcel 03-4119-006-0200 to the Hospital subject to an updated survey;
- The Hospital will pay \$3 million cash for the land “as is”;
- A restrictive covenant will state the Lot will be used for parking;
- The Hospital will continue to maintain the common area surrounding the site;
- The Hospital will have 120 days’ due diligence from effective date of a Purchase and Sales Agreement;
- Closing will occur 30 days after inspection is finalized;
- The Hospital will provide a \$200,000 security deposit;
- No Broker involvement.
- Contingent on Baptist’s Board and City Commission approval.

In accordance with Section 2-2014 of the Procurement Code, two real estate appraisals were conducted with regard to the Lot. The appraisals were done by MAI certified appraisers’ Gallaher & Birch, Inc. and Waronker & Rosen, Inc. The appraisers valued the site based on its current allowed used, multifamily duplex. The site is rectangular and narrow in shape; due to these features and the potential set back requirements the degree of utility for purpose of building a duplex is diminished. Waronker & Rosen provided a hypothetical value based on a City operated valet. This valuation assumed the City would charge for a valet services resulting in income valuation of \$3,600,000. Summary of appraisals are as follows:

	Gallaher Birch (2/3/17)			Waronker & Rosen (1/16/17)		
	SF	Appraisal	PSF	SF	Appraisal	PSF
Lot 24	43,900	2,350,000	\$53.53	43,900	2,200,000	\$50.11
Lot 24 as a valet lot	N/A	N/A	N/A	43,900	3,600,000	\$82.00
	43,900	2,350,000	\$53.53	-	1,400,000	\$31.89
Income Valet % Premium			N/A			64%

Due to the potential constraints to build a duplex structure, the Hospital’s parking demand, the longevity of the Hospital’s parking use, and the remaining 30 years’ term makes the Hospital well suited as the potential purchaser. They currently lease the lot for \$91,606 annually which is set to increase by 25% to \$114,507.50 on January, 1, 2018 (increase based on parking meter rate increases). The current income and future income translates to a 3.05% and 3.82% capitalization rate, respectively. The appraisers determined a capitalization rates of 5% which would translate to a value of \$2,290,000 based on future income (in line with the appraised values).

The following is a summary of the net present values for the next 30 years based on projected rent increases and a potential sale at the end of the 30 years:

	(2018-2048)
NPV 4.50%	\$3,154,677
NPV 5.00%	\$2,878,060
NPV 6.00%	\$2,418,892

Therefore, a sales price at \$3,000,000 would be above market value based on comparable sales and its existing and future income. The \$3,000,000 would be below the hypothetical assumption of the City operating an income producing valet service. This use could not occur until the existing lease expired, which would be on December 31, 2048.

Questions for the Property Advisory Board, and suggested answers:

1. Does the proposed use conform to the city's comprehensive plan and is it compatible with the surrounding neighborhood?

The property is zoned is multifamily duplex. The restrictive covenant allows the use of a surface parking lot. The covenant restricts the use of any property controlled and/or owned by Doctor's Hospital in surrounding neighborhood.

2. Analyze the positive or negative impacts on adjacent property.

The parking use complements the demand of the Hospital. Their ownership will allow them to operate as a parking lot and potential increase the parking to meet the demand of Hospital's parking. The negative impact is mitigated with the covenant which provides consent for the alternate use. The property is zoned duplex, but the site is narrow and would cause constraints for a developer to maximize the profits for a potential multifamily duplex development (based on appraised values) vs. a sale at \$3,000,000. A sale at \$3,000,000 would generate a higher rate of return than if sold based on its current zoning or if the City continued leasing to the Hospital.

3. Are the terms and conditions of the proposed swap based on market terms and value?

City has ordered two appraisals for each site. The purchase price is above market value based on its current use and/or its current zoning. The remaining terms should be further negotiated. Due to the remaining 30 term, the most suitable purchaser would be Doctor's Hospital.

Board members expressed their concern that it is much easier for the City to sell land than it is to obtain it, citing as one example for the need of land to build charter schools for Coral Gables residents to attend schools within the City itself. Mr. Betancourt reassured them that historically, the City is very cautious in making land sale decisions. Mr. Mazzei inquired as to whether the City could then collect taxes if sold to Doctors' Hospital, to which Mr. Roberts responded that the hospital is a not-for-profit organization and therefore could not be charged tax. Mr. Roberts explained to the board that the hospital is beholden to a restrictive covenant, which would require it to have the consent of the existing neighbors if they were to decide to change the use or to build on the site.

Ms. Molina made a motion to support the sale of Lot 24 to Doctors' Hospital as per the Proposed Deal Terms and its suggested questions and answers, with the added recommendation that the funds made from the sale be redirected to replacing the land sold with a longer-term and more developable parcel. Mr. Gonzalez seconded the motion. Mr. Mazzei made a motion to modify that motion with the suggestion that the City explore options for how the Hospital could pay tax on the lot. Mr. Gonzalez seconded that motion, which passed unanimously.

7. Strategic Workshop (Discussion)

Mr. Betancourt suggested to the Property Advisory Board that they consider meeting for a two-hour workshop to discuss the objectives and priorities of the board. The board members agreed and Mr. Betancourt said that Ms. Price would be reaching out to schedule a convenient date and time.

8. Outstanding Rent Report

An Outstanding Rent Report of the City's tenants with outstanding rent balances was given to board members.

The meeting was adjourned at 9:56 a.m.

Respectfully submitted,

Mariana Price, Administrative Assistant - Economic Development Department