



Mr. David Brown
City Manager
City of Coral Gables
405 Biltmore Way
Coral Gables, FL 33134

Subject: Biltmore Hotel Resolution

Dear David,

We want to start the interactive public process with the City for design and approval of the last major aspects of the Biltmore Hotel's sustainability program consisting of a public underground parking garage and low scale residential development on the site of the Hotel's west parking lot. As successor to the original lessee, we have been working in a dedicated way on the sustainability of this National Historic Monument for the past 17 years, with this last major activity critically important to the property's long term viability. An important part of this public process is to correct misinformation that has been circulated about our program which is still in its conceptual phase.

The current lease (Section 11.1 Construction of Improvements) contemplates such activities and includes language stating that "Developer may construct on Premises... building(s)... improvements, structures and appurtenances..." and that "The City's approval shall not be unreasonably withheld".... The high profile of the Biltmore in the community make the normal solution path for such activities difficult to achieve with City staff without commission recognition that these development activities have a proprietary basis and are essential to the sustainability of the historic monument.

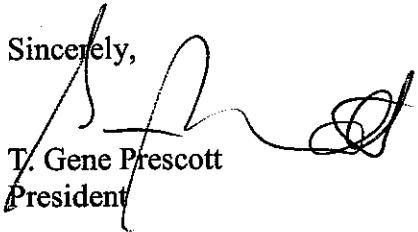
The original lease also contemplated that the City would be a participant in resolving the parking problem by providing twenty year financing. The First Amendment to that lease (section 1.04.1) stated that "Developer shall not be required to contribute... cash towards the cost of constructing such parking structure... if prior to commencement it enters into a nonexclusive license with the City of the Garage in which Developer agrees to pay a rental sufficient to pay over a term of twenty (20) years the expense incurred by the City for such parking structure..."

The significant shift in the business model for development of luxury hotels to include a residential component to pay for the hotel versus traditional debt financing, is a reality that has put the Biltmore at a disadvantage and threatens its viability if not addressed now. Not only will a residential component at the Biltmore permit current borrowings to be paid down to a level more in line with industry standards but the addition of a limited number of hotel rooms as part of the project and the permanent residents create a new base of business that will enhance revenues and spread fixed costs.

The benefits of the project to the City are numerous. An 850 space public underground parking structure will be constructed on the Premises, and therefore become City property at no cost to taxpayers. The property taxes paid by the small community of residents that will be added will provide \$1.5 million annually to the City as its share of more than \$5 million in total tax revenues. At the same time these residents will not increase the City's social or infrastructure costs, such as schools or traffic. In fact a study of traffic has concluded that traffic impacts will actually decrease as a result of the project implementation plan. The City will also benefit from its contractual share of increased annual revenues that new residents and hotel guests will provide. In conclusion, at this time we are seeking approval by the commission of a resolution to include:

1. Instruction to staff to assist and cooperate in the Biltmore's efforts pursuant to those activities contemplated under the current lease as we start the interactive process for design and approval of these last major activities to assure sustainability of the Biltmore. These activities include construction of a public underground parking structure and a limited number of private residences, subject to the normal City review and approval process.
2. Deferral of any City mandated fees required in connection with submittals to review boards or departments in connection with these development activities until such time as a building permit is issued.
3. Instruct the City manager to contact the appropriate federal agencies in order to process the approvals required in connection with these development activities.

Sincerely,


T. Gene Prescott
President