

May 21, 2019

VIA ELECTRONIC MAIL

Miriam S. Ramos, Esq.
City Attorney
City of Coral Gables
405 Biltmore Way
2nd Floor
Coral Gables, FL 33134

Re: The Palace at Coral Gables / Release of CDD Pledged Account

Dear Ms. Ramos:

As you are aware, the Palace at Coral Gables senior living facility located at 1 Andalusia Avenue and the accompanying public / private parking garage located at 2 Andalusia Avenue, (the "Parking Garage"), were originally constructed and continue to be operated pursuant to two Lease and Development Agreements, which were originally entered into in July of 2008, between my client, the Palace Management Group, (the "Palace"), and the City of Coral Gables, (the "City"). The Lease and Development Agreements have been amended three times since 2008. The Lease and Development Agreements provided for the creation of a Community Development District, (the "CDD"), for the purpose of issuing bonds to finance the construction of the public component of the Parking Garage. The Third Amendment to the Lease and Development Agreements, executed in June of 2011, required that the Palace establish a pledged escrow account, (the "Pledged Account") in favor of the project's lender and the City to be utilized as a reserve account to pay the annual assessments of the CDD in the event that the Palace failed to do so. Over the almost 8 years that the Pledged Account has been in place, it has never had to be utilized, the Palace has a perfect record of paying any and all of its monetary obligations to the CDD and the City on time, and we now respectfully submit, as further detailed below, that the time has arrived for the City to release the monies held in the Pledged Account.

Section C(2)(d) of the Exhibit J to the Lease and Development Agreements, which is referred to in the Agreements as the "CDD Financing Structure", provides in relevant part as follows:

Developer Obligation to Maintain Escrowed Funds for Payment of CDD Assessments. Pursuant to the terms of the Project's

construction/ mini perm financing, Developer is required to deposit into an account maintained with and pledged to Developer's Lender (the "Pledged Account") an amount approximately equal to three (3) times the maximum annual debt service under the CDD Bonds (the "Pledged Amount") to be used solely for the payment of special assessment levied by the CDD ("CDD Assessments"). Once the Developer's Lender has agreed to release its lien on the Pledged Account, Developer agrees that it will maintain the Pledged Amount (including replenishing it by the Developer from time to time should it fall below the original Pledged Amount) in an escrow account to be held by an escrow agent approved by the Developer and the City solely for the payment of CDD Assessments (the "City Escrow Account") for an additional period equal to the greater of (A) three (3) years; (B) until a date which is six (6) years after the issuance of the final certificate of occupancy for the Project; or (C) when the Residential Building has achieved 90% occupancy for a period of two (2) consecutive years, (the "Escrow Period"); and upon expiration of the Escrow Period, the balance of the Pledged Amount held in escrow will then be returned to the Developer.

The entire Palace at Coral Gables project, including the CDD created to finance the construction of the public component of the Parking Garage have been a complete success. In July of 2011, the Pledged Account was created with an initial deposit of \$1,899,937.50. As mentioned above, this Pledged Account has never been utilized and it has accrued a minor amount of interest so that the total Pledged Amount held in escrow at present is approximately \$1,902,661.72. Since 2012, the Palace has paid every CDD Assessment which has been due semi-annually in May and November of each year with the average payment amount being approximately \$635,000. These payments have been in addition to the rent payments which the Palace has paid each year to the City which have increased every year and totaled almost \$350,000 for 2018.

As you can see, there has been a solid seven-year record of the Palace complying with its obligations to pay the CDD Assessments and at no time did any party even remotely need to consider utilizing the Pledged Account to satisfy these payments. The terms by which the Pledged Amount would automatically be released are close to being fulfilled by their own terms. As you can see from the Release, a copy of which is attached to this letter as Exhibit "A", the project's lender released its right to the Pledged Account on April 27, 2017, thereby triggering the outside date for the City's release of the Pledged Account which is April 27, 2020, since the two other conditions precedent, six years elapsing since the final certificate of occupancy for the project was issued, will be satisfied soon on July 18, 2019 and two consecutive years of 90% occupancy for the Residential Building has already been satisfied. The final certificate of occupancy for the Project was issued on July 18, 2013, and the Residential Building achieved

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two consecutive years of 90% occupancy on October 31, 2018. The project has definitely demonstrated that it has reached a point of stability and increasing returns and that it can continue service the CDD Assessments without issue and without recourse to the Pledged Account.

At this point in time, we believe that it is clear that the Pledged Account has fulfilled its intent of providing security for the payment of the CDD Assessments and should be released. To continue to hold the Pledged Account in escrow until April of 2020 will serve no purpose other than to prevent the Pledged Amount from being utilized for a more productive ends. Accordingly, we would request that a Fourth Amendment to the Lease and Development Agreements be approved by the City Commission which authorizes that the City release the Pledged Amount no later than July 31, 2019. The release of these monies will continue to enhance the excellent and mutually beneficial relationship which the City and the Palace have built over the last 14 years thanks to the exceptional effort and good faith which has been demonstrated by both sides and which has led to one of the best senior living facilities in the country and the world as has been recognized by numerous third parties and which is already known and greatly appreciated by many of Coral Gables senior citizens. Thank you for your attention to this request and please advise if I can be of any further assistance in this matter.

Sincerely,



Mario Garcia-Serra

cc: Mr. Peter Iglesias, City Manager
Cristina Suarez, Deputy City Attorney
Mr. Jacob Shaham
Mr. Oscar Roiz

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Exhibit A

