

CITY OF CORAL GABLES
Property Advisory Board Meeting
Wednesday May 21, 2014, 8:00 a.m.
Economic Sustainability Department
1 Alhambra Plaza, Suite 617, Coral Gables, FL 33134

MEETING MINUTES

MEMBERS	O	N	D	J	F	M	A	M	J	J	A	S	APPOINTING ENTITY
	'13	'13	'13	'14	'14	'14	'14	'14	'14	'14	'14	'14	
Luis Espino Vice-Chair	P	+	+	E	P	P	P	A					Mayor Jim Cason
Jack Elmore	E	+	+	P	P	P	P	P					Vice Mayor William H. Kerdyk, Jr.
Stuart McGregor	P	+	+	P	P	E	P	E					Commissioner Patricia Keon
Valerie Quemada	E	+	+	P	P	P	E	P					Commissioner Vince Lago
Tony Gonzalez	P	+	+	P	P	P	P	P					Commissioner Frank Quesada
Valentin Lopez Chair	P	+	+	P	P	P	P	P					City Manager Carmen Olazabal
Vacant													City Commission

A = Absent
P = Present
E = Excused
+ = No Meeting

STAFF AND GUESTS

Leonard Roberts, Acting Director, Economic Sustainability Department
Barbara Tria, Broker Associate, Kerdyk Real Estate
Michelle Cash, Marketing Manager, Economic Sustainability Department
Jorge Casuso, Business Development Analyst, Economic Sustainability Department

Motion Summary:

Mr. Elmore made a motion to approve the minutes from the April 30, 2014 Board meeting. Mr. Gonzalez seconded the motion, which passed unanimously.

Mr. Gonzalez made a motion to recommend a proposed new lease for Haagen-Dazs at 286 Miracle Mile to the City Commission, which was seconded by Mr. Elmore and which passed unanimously.

Mr. Lopez called the meeting to order at 8:35 a.m.

1. Review and approval of the Property Advisory Board Minutes of April 30, 2014.

Mr. Elmore made a motion to approve the minutes from the April 30, 2014 Board meeting. Mr. Gonzalez seconded the motion, which passed unanimously.

2. Presentation by Barbara Tria, Broker Associate, Kerdyk Real Estate

Ms. Tria made a presentation on the general state of real estate in Coral Gables. In the past, companies selecting a site looked at price, but now they look at the total experience offered and what can be done with the space, Ms. Tria said. They are looking for flexibility. Office tenants currently require 225 square feet per employee. By 2017, it will be 171 square feet. Vacancy rates have been decreasing, Ms. Tria said. In the depth of the recent recession the vacancy rate in South Florida was 22 percent. Today it is between 15 and 16 percent. Ideally, it should be between 5 and 6 percent. Coral Gables has bigger “floor plates” and remains desirable due to its location.

When it comes to retail, rent and occupancy rates are laggards. There is a demand for high quality locations, but prospective tenants are willing to wait. Parking remains important. E-commerce has an impact on brick and mortar stores. The younger generation wants “to feel loved and motivated” and prefer businesses such as Starbucks, Ms. Tria said. Restaurants and banks are both expanding.

Ms. Tria then looked at the City’s different commercial corridors. She expects that the North Ponce corridor will become more service oriented. Developer Tibor Hollow has bought an old car dealership site near 8th Street for housing. While the Central Business District tends to focus on Miracle Mile, Ms. Tria says she sees “wonderful possibilities” for other streets. Ponce South of Bird Road is experiencing major changes.

The demand for hotel rooms remains “strong,” Ms. Tria said. Two new hotels are expected to go up near the Christian Science building and a high-end boutique hotel is planned for Merrick Park. The site, however, is “tight,” and parking will be an issue. Residential properties are now going for \$250 to \$300 per square foot per month. Commercial properties around Ponce and Miracle Mile are charging in the high 60s plus triple net, while those on interior streets are charging as low as \$35 plus triple net.

3. Renewal of Fritz & Franz Bierhaus lease at 60 Merrick Way.

Background: Satchmo Blues Bar and Grill, Inc d/b/a Fritz & Franz Bierhaus has been in possession of the property pursuant to a prior lease agreement dated June 24, 1997. In 2006, the tenant exercised its renewal option, which expires on October 23, 2017. In order to settle an outstanding balance, to conform to the City’s standard lease format, and to clarify terms the tenant would like to enter into a renewal lease.

Premises: 60 Merrick Way, Coral Gables, FL 33134 that consists of 3,618 SF of ground floor retail space and 123 SF of storage located in the City’s Parking Garage #6.

Use: Restaurant and Bar

Term: 10 years from June 1, 2014 – May 31, 2024

Renewal: Provided the City chooses to renew the lease, the tenant will have 2 – 5 year renewal terms. Base Rent will in no event be less than 105% of the rate of the last lease year in the initial term or first renewal term, as applicable. Landlord shall have the right not more than twelve (12) months or less than six (6) months prior to the end of the initial Lease Term to notify the Tenant that the Landlord will not renew the Lease.

Security Deposit: The City continues to hold \$12,662.30 of security deposit.

Rent: Base Rent will be increased from \$22.14 per square foot to:

LEASE YEAR	BASE RENT PER MONTH	BASE RENT PER SQUARE FOOT
6/1/14-5/31/15	\$8,140.50	\$27.00
6/1/15-5/31/16	\$8,384.72	\$27.81
6/1/16-5/31/17	\$8,634.96	\$28.64
6/1/17-5/31/18	\$8,894.24	\$29.50
6/1/18-5/31/19	\$9,162.59	\$30.39
6/1/19-5/31/20	\$9,436.95	\$31.30
6/1/20-5/31/21	\$9,720.36	\$32.24
6/1/20-5/31/22	\$10,012.82	\$33.21
6/1/21-5/31/23	\$10,314.32	\$34.21
6/1/22-5/31/24	\$10,624.86	\$35.24

Percentage Rent: Per the original lease term, the Tenant was obligated to pay percentage rent, but has requested that the Landlord increase Base Rent and eliminate Percentage Rent, which will also be easier for the City administratively. Historically percentage rent accounted for approximately \$4.59 PSF of rent on average; hence, the proposed base rate is \$26.72 psf (\$22.14 existing plus calculated average percentage rent of \$4.59). The past due percentage rent shall be collected as a “Past Due Amount” discussed below.

Operating Expenses: Tenant will continue to pay its proportionate share of insurance and building expenses, which is currently \$1.67 per square foot.

Tenants’ proportionate share of the building’s common area expense is 1.92% and their proportionate share of the chiller expenses is 23.9%.

Real Estate Taxes/Bid Assessment: Tenants will continue to pay its share of Real Estate Taxes and the BID assessments.

Past Due Amounts: Due to disputes and unclear accounting, Tenant has not paid CAM or percentage rent since 2007. Landlord calculates the past due amount to be \$173,864.52. It is agreed that the Tenant shall pay \$69,545.81 in 48 monthly installments of \$1,448.87, and that in the event that Tenant fails to make any of these payments, or any other payments under the lease, that they will owe the full amount of \$173,864.52 minus any amounts already paid (which is similar to past due reconciliations for other City tenants).

The Tenant has also agreed to pay 100% of all past due CAM and percentage rent [\$19,519.03] from October 1, 2013 to May 31, 2015 on or before November 30, 2014.

Mr. Gonzalez made a motion to approve renewal of the Fritz & Franz Bierhaus lease at 60 Merrick Way with a suggestion to increase the security deposit by approximately \$4,000. Mr. Elmore seconded the motion, which passed unanimously.

4. Review Outstanding Rent Report

Mr. Roberts told the Board that the Outstanding Rent Report showed all tenants to be current.

5. Additional Business.

Ms. Cash informed the Board about the different sponsorship opportunities for businesses at the July 4 fireworks celebration at the Biltmore Hotel.

A motion to close the meeting at 9:45 a.m. passed unanimously.

The next Property Advisory Board meeting is scheduled for Wednesday, June 18, 2014, at 8:30 am.

Mr. McGregor apologized that he would not be able to attend as he will be out of town.

Respectfully submitted,
Jorge Casuso
Business Development Analyst, Economic Sustainability Department