

City of Coral Gables City Commission Meeting
Agenda Item C – Public Comment
July 11, 2023
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Vince Lago

Vice Mayor Rhonda Anderson

Commissioner Melissa Castro

Commissioner Ariel Fernandez

Commissioner Kirk Menendez

City Staff

City Attorney, Cristina Suárez

City Manager, Peter Iglesias

City Clerk, Billy Urquia

HR and Risk Director, Raquel Elejabarrieta

Public Speaker(s)

Tom Prescott

Maria Cruz

Agenda Item E-2 [10:31 a.m.]

An Ordinance of the City Commission authorizing execution of the Third Amendment ("Third Amendment") to Amended and Restated Lease ("Lease") between the Biltmore Hotel Limited Partnership, a Florida Limited Partnership ("Developer") and the City of Coral Gables, a Florida Municipal Corporation ("City") executed February 10, 1986 and Amended and Restated July 29, 1999 (the "Original Lease") and amended on January 2, 2001 (the "First Amendment") and on March 29, 2022 (the "Second Amendment") [the Original Lease, the First Amendment and the Second Amendment being collectively referred to as the "Lease"] amending Section 15 of the Lease by revising the property insurance requirements.

Mayor Lago: Okay, we'll do E-2, switch back to E-2. E-2 is time certain.

City Attorney Suarez: E-2 is An Ordinance of the City Commission authorizing execution of the Third Amendment ("Third Amendment") to Amended and Restated Lease ("Lease") between the

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Biltmore Hotel Limited Partnership, a Florida Limited Partnership ("Developer") and the City of Coral Gables, a Florida Municipal Corporation ("City") executed February 10, 1986 and Amended and Restated July 29, 1999 (the "Original Lease") and amended on January 2, 2001 (the "First Amendment") and on March 29, 2022 (the "Second Amendment") [the Original Lease, the First Amendment and the Second Amendment being collectively referred to as the "Lease"] amending Section 15 of the Lease by revising the property insurance requirements.

HR and Risk Director Elejabarrieta: Good morning, Mayor, Vice Mayor and Commissioners, Raquel Elejabarrieta, HR and Risk Management. Before you is an ordinance authorizing the City Manager to enter into a third amendment to the Biltmore's lease. Currently, the Biltmore lease requires the Biltmore to obtain property insurance for all risk in the amount of \$100 million dollars. The lease also requires that the insurance has commercially reasonable deductible limits. The Biltmore's property insurance policy period runs from March of 2023 through March of 2024. The Biltmore recently advised the city that as of March of 2023, they had obtained \$100 million of property insurance for all perils except windstorm. They advised that they had obtained \$50 million dollars of windstorm insurance with 85 percent deductible, capped at \$2.5 million and a 20 percent retention. As a result of that, they are not in compliance with the insurance requirements of the current lease. They have asked for an amendment to the lease for this policy period. So this amendment would only apply for the 23-24 insurance policy period and then it will revert back to the current lease requirement for the March 2024 renewal period. The reasoning provided by the Biltmore for its failure to obtain \$100 million of windstorm insurance and obtaining the \$50 million windstorm insurance is very similar to the reasoning or the issues that the city experienced also during its renewal. Overall, there was a reduced capacity in the State of Florida, caused a restriction in the supply of insurance, significantly increasing the premiums. As you know, the City of Coral Gables experienced a 33 percent insurance premium rate which resulted in approximately like a 55 percent premium rate increase of over \$1.2 million dollars for the city. So the Biltmore was experiencing something very similar. In addition to that, the city also took a 19 percent retention in the second \$25 million layer cap, and also removed a \$7.5 million-dollar deductible cap. Those are things that we needed to do in order to be able to renew our insurance. Other municipalities also experienced the same thing. In my staff analysis, I prepared a chart that showed all the other, several other municipalities within Dade County and Broward County and the type of coverage they were obtaining for windstorm. So we are, based on that analysis and what we experienced and the Biltmore's experience, we are recommending that the Biltmore that the lease be amended only for this period for the 23-24 insurance period to allow the Biltmore to obtain \$50 million in windstorm insurance, provided that they obtain a letter of credit in the amount of at least \$9.8 million dollars, under the terms to be set by the city. The reason we chose \$9.8 million dollars as a letter of credit is to cover the 20 percent retention that they currently have. So the \$9.8 million dollar credit would allow, in the event of a storm, so every year there is, what's called, a Catastrophe Reports that the city had done, the Biltmore had done, that projects the amount of loss that the properties under that portfolio obtain depending on different types of storms. So based on that report, a \$37.8 million-dollar loss is a projected ground up loss with amplification, if the Biltmore were to be hit with a storm corresponding to what's called a 700-year return period. The Florida Building Code uses the 700 return period to set the codes for these types of structures. So the \$9.8 million dollars represents the self-insurance retention and the

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deductible that the Biltmore would be responsible for, if it were to be hit by a code storm. And so, we feel that with the \$50 million dollars of windstorm insurance and the \$9.8 million dollar letter of credit that the city would be allowed to use, or the Biltmore would be required to use to pay the reduction, the self-retention and the deductible that that would cover the Biltmore in the event of either one large storm or two small storms. The Amendment would only, like I said, the Amendment would only be applicable for the 23-24 insurance policy period. I think its also important to note that the Biltmore currently has or we require the Biltmore to have a priority of payment endorsements, so in the event that they are hit by the storm, all the insurance funds must first go to rebuild the Biltmore before it goes to other exposures or other properties covered in the same policy. So, city staff is recommending that amendment provided the Biltmore obtains the letter of credit in the amount of \$9.8 million dollars. I believe that Tom Prescott from the Biltmore is here, I'm not sure if he would like to say a few words or explain your position.

Mr. Prescott: Everything she said is accurate and true. So, I have nothing further to add, but to be a resource to answer any questions. We will establish that letter of credit to assuage the concerns raised by this Commission last month.

Mayor Lago: First off, thank you very much for following through on the request. I know its very difficult. These times in the insurance market are very trying. Just to give you a little bit of background and how bad things are in the market. I know, obviously, we all pay our homeowners insurance, but I think when you look at it in a global front. Yesterday, I was with the Manager and our City Attorney, and I got a call from our State Senator, Ileana Garcia, to talk a little bit about appropriations and some other issues that we're looking forward to in 2024. But one of the items that she brought up was what I brought up with her when we were having a long discussion was about insurance. People are starting to receive their renewals and the numbers are shocking, not only in the residential, but the commercial numbers are stratospheric. I have requested through the leadership of Senator Ileana Garcia, to have representative for Citizens Insurance at the next Commission meeting, but what I'm asking for and will do with the Senator's help is, she is really taking a leadership role and I appreciate her leadership on everything is, have that person be here front and center in the first-floor conference room to meet with residents. So residents next month during the Commission meeting, she'll come here, we'll talk about appropriations and everything that we were able to accomplish in the 2023 Legislative Session, give credit where credit is due, but also just as importantly is, we'll have the representatives here from Citizens where they can meet with residents and talk a little bit about why is it that the rates are what they are; and number two, forecast into the future. What I think is important, I want to highlight again and Raquel mentioned it and thank you for your leadership on this and your hard work on this is, the issue of this is a one-term bind, correct.

HR and Risk Director Elejabarrieta: Correct.

Mayor Lago: So, next year I want to be positive, I want to be very, very positive, I think its important to be positive, especially when you're talking about an asset, when you're talking about millions and millions of dollars, but I expect that we may be in a worse situation next year, and God willing we don't have a hurricane this year, but what we've seen over the last year has really

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dried up the coffers and if you read the newspapers, you have multiple different insurance providers threatening to leave the state. So, moving forward, I think this is a good effort. I think it's a good opportunity for us to protect this world-class asset, but we have to find real, real solutions. So when we talk about insurance, I know that the State Legislator Legislative Session is between the State Representatives, Senators and the Governor are working hard this year to get this accomplished and to pass Bills that will hopefully reduce the cost of insurance. Nobody really knows what's going to happen in 2024, but we need to pray for the best, because if not, we're going to see a lot of people and I'm already receiving a lot of phone calls from people, especially in the North Gables and people who are retirees, who are extremely concerned about the fact that they may have to move forward without insurance. For a lot of retirees that's very difficult for them to swallow. Next month I'll be coordinating with the Senator, Ileana Garcia and the Manager and Raquel, to have these individuals from Citizens here. I just wanted to bring that up since we're talking about insurance, and it goes hand-in-hand. I think we've gotten to the point where there is nothing else, we can do here, correct Raquel.

HR and Risk Director Elejabarrieta: Right. Correct. I think the staff feels comfortable with this recommendation and we feel for one year it's the best we can do.

Mayor Lago: Okay. So with that, there's no other further comments.

Commissioner Fernandez: I just have one. I know we spoke about the possibility of starting to price out next year's policy earlier, just to make sure we're not close to hurricane season which may drive up the price. I just wanted to make sure you're still good with taking that approach.

Mr. Prescott: Absolutely. We'll be proactive.

Commissioner Fernandez: Alright.

City Attorney Suarez: Mayor, this is a public hearing item.

Mayor Lago: Yes. Raquel, quick question on that point. When is the first time that a policy can be bound the following year?

HR and Risk Director Elejabarrieta: Usually, especially when it's a tight property insurance market like its been the last couple of years, you will not bind till the day before. Unfortunately, its last minute. The London market is trying to fill the capacity \$50 million of windstorm, excuse me, \$100 million of all perils, that is a lot of capacity to fill, and the city, we, I think we bound the day before. I think the Biltmore bound right before renewal, that's just the state of the market right now, unfortunately.

Mayor Lago: I bring that up because, again, I own property as everybody is aware, and owning the businesses and different things, this is something that is commonplace. Its nothing new. So you can start early and I appreciate you saying you would, but you're not going to be able to bind and we all know, especially people who are professionals in this room know very, very well that you

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can start negotiating all you want, but at the end of the day, they'll drag it on till the last minute, because they want to make sure that, again, what's the hurricane season is going to be like, what are the forecast. Do we face potentially a hurricane in South Florida which would increase rates significantly. I think we need to – I know we're trying to do the best we can and look at 2024 and try to start the process early, but anybody whose in business and understands the simple things about insurance knows that that's not possible. You bind at the last moment.

HR and Risk Director Elejabarrieta: The good thing for the Biltmore and the city is the renewal period, right. End of March we have renewal period beginning of May, so its before hurricane season, so that's something definitely that's to our advantage in such a tight market.

Mayor Lago: But we also have, I've seen a significant change in regards to the lighter maps, which I know the Vice Mayor has been on top of like a hawk, and that has now thrown the pendulum in regards to insurance off kilter incredibly, because areas that did not expect to have flood insurance are now going to be required to have flood insurance. Thanks for your hard work. I'll entertain a motion.

Vice Mayor Anderson: I'll move it.

Commissioner Menendez: I'll second.

Mayor Lago: It's a public hearing, do we have any public comment?

City Clerk Urquia: Yes, Mr. Mayor, we do. Maria Cruz.

Ms. Cruz: Maria Cruz, 1447 Miller Road. What a great day. On the comments that I just heard, I do understand that we have to do the best we can and we have to trust the people that know, but I want to be on the record that a lot of residents are concerned because when we compare Coral Gables to other municipalities, there are not many, many municipalities that have as many historical buildings as we do. So you know, some areas may be able to fix stuff, redo with less money than we would, because we do have a lot of historical buildings and if its taken us almost a million dollars to get Burger Bob's done, and that's not a historical building, and we're still trying to get money to fix the Gondola that's going to cost us a million four, I think seven hundred two times, and the Water Tower we still do not have money, you know we have to be careful because we do have a lot of historical buildings and that's my only comment. Make sure that we're covered because otherwise its going to come from whom, from our pockets. Thank you.

Commissioner Fernandez: And through the Mayor, last meeting we spoke about it, Mr. Manager, and you assured us that these numbers are based on the 700-year incident, taking into account that the Biltmore is a historic building, correct.

City Manager Iglesias: This is a catastrophe risk study by Risk Management Solutions and RMS study. What they did is a statistical model to model different hurricanes that was coupled with a model of building of similar construction to do a loss amplification for a hurricane, and we looked

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at the code hurricane, which is a 700-year hurricane and we determine that this was based on this risk model which is done accurately based on wind tunnel technology that we have now, which I'm very familiar with, it's the best we have. So its always a statistical model, statistics are there, as you know, we still ride planes, but if the plane is falling down you're not real happy, right, but we still use planes all the time. So it being a statistical model, it is based on very good technology and we believe that this is appropriate for the market we have now.

Mayor Lago: Mr. Clerk, do we have any further.

City Clerk Urquia: No sir.

Mayor Lago: Then I'd like to close the public comment. I'll entertain a motion.

City Clerk Urquia: We have a motion, Mr. Mayor.

Vice Mayor Anderson: Yes

Commissioner Castro: Yes

Commissioner Fernandez: Yes

Commissioner Menendez: Yes

Mayor Lago: Yes

(Vote: 5-0)

Mayor Lago: Thank you.