



**City of Coral Gables  
CITY COMMISSION MEETING  
March 26, 2019**

**ITEM TITLE:**

A RESOLUTION APPROVING THE GENERAL BUSINESS TERMS AND AUTHORIZING THE CITY MANAGER AND CITY ATTORNEY TO NEGOTIATE A DEVELOPMENT AGREEMENT WITH CORAL GABLES CITY CENTER, LLC (CGCC) FOR THE REDEVELOPMENT OF MUNICIPAL PARKING GARAGES 1 AND 4 (G1 AND G4) IN WHICH CGCC PROPOSES A PUBLIC PRIVATE-PARTNERSHIP TO PROVIDE AN IMPROVED PARKING STRUCTURE WHERE THE CITY WILL RETAIN OWNERSHIP OF THE PUBLIC PARKING COMPONENT IN G1 AND ALLOW CGCC TO BUILD A RESIDENTIAL MIXED-USE PROJECT IN G4 COMPATIBLE WITH THE SURROUNDING NEIGHBORHOOD. *(This resolution requires a 4/5 vote due to the value; if an agreement is reached with CGCC an ordinance will come back to City Commission for two readings)*

**DEPARTMENT HEADS' RECOMMENDATIONS:**

The Finance Department, Planning and Zoning Department, Economic Development Department, and Parking Department will present their recommendations to the City Commission at the meeting.

**BRIEF HISTORY:**

For several years, the City of Coral Gables has been interested in pursuing the redevelopment of Municipal Parking Garages 1 and 4 (the "Garages"), with a focus on the following key objectives:

- Replace two parking garages that have many operational deficiencies, with a new state-of-the-art parking garage (above and beyond recent cosmetic improvements).
- Provide public parking spaces to meet the future needs of Downtown businesses.
- Introduce appropriately scaled mixed uses that would include a variety of retail and residential units onto Andalusia to support the City's goals for a vibrant, walkable Downtown. Pursue a holistic approach to these objectives that balances parking, planning, design, economic development, community and financial considerations.

To achieve these objectives, the City Commission approved Resolution No. 2013-91, dated May 28, 2013 authorizing a Request for Proposal (RFP) for the redevelopment of Municipal Parking Garages 1 and 4. On May 27, 2014, through Resolution No. 2014-102, the City Commission authorized staff to issue Phase I of a request for proposal (RFP). On January 26, 2016, the City Commission approved Resolution No. 2016-30 inviting all five proposers that responded to Stage I of the RFP to submit more detailed proposals in response to Stage II of the RFP; as authorized by Resolution No. 2016-32.

An Evaluation Committee composed of several City boards evaluated the proposals and along with staff recommended contract negotiations with CGCC. The City Commission did not approve any of the proposals submitted under the RFP. However, in accordance with Resolution 2017-23, dated January 24, 2017, the City Commission authorized negotiations with CGCC for a period of up to six (6) months, and providing the City Manager the authorization to extend for up to an additional six (6) months. Should those negotiations fail, Staff was authorized to negotiate with the second ranked firm, TC Gables, LLC, for an additional period of up to six (6) months. The City has and continues to reaffirms its right to pursue alternative courses of action.

The six (6) months negotiation period started on November 6, 2017 to allow CGCC and Staff to negotiate terms by May 5, 2018. Staff provided an update to the City Commission on February 27, 2018 and, three public workshops followed (on June 4, August 27, and September 18, 2018) to provide the City Commission with an update on the status of negotiations. In addition, the City had a workshop discussing the demand and supply of public parking in the Central Business District on September 11, 2018, and Sunshine meetings on September 21, 2018, November 9 2018, December 13, 2018, January 14, 2019, and March 6, 2019 to further understand the details of the proposals. Staff also had several negotiation sessions with the developer; these various communications resulted in the City Manager granting incremental extensions up to November 5, 2018 under the City Manager’s authority and bring forth an agreement to City Commission for consideration. On October 23, 2018, the City Commission adopted Resolution 2018-284 authorizing a nine-day extension; on November 13, 2018 the City Commission adopted Resolution 2018-291 to extend negotiations until January 23, 2019; on January 22, 2019 the City Commission adopted Resolution 2019-59 to extend negotiations until March 13, 2019; and on March 12, 2019 the City Commission adopted Resolution 2019-77 to allow Staff time to finalize negotiations by March 27, 2019. The approval will take into consideration the following main project attributes:

1. Number of public parking spaces.
2. Size of the project.
3. Ownership structure (e.g. City to own public parking).
4. Project financing (e.g. City obligation to pay debt service).

CGCC proposed the following general business terms for the City Commission’s consideration, as a basis for entering into a development agreement for the Garages:

**Parking**

The minimum number of public parking spaces owned by the City as part of the public-private partnership (P3) is 750 spaces. The City currently owns and operates 630 parking spaces as part of the existing Garages 1 and 4 within the 2 - three floor parking structures built in 1962 and 1955, respectively. The 750 spaces will be City-owned and controlled in Garage 1. In addition, CGCC will provide 400 private spaces for the residents of their project. The public spaces will be managed by the City in a manner and practice consistent with, and typical of, Class A office, residential and retail space and the private spaces will be managed by CGCC for their exclusive use.

	G1		G4		Total		Surplus/(Deficit) Spaces
	Required	Provided	Required	Provided	Required	Provided	
<b>Residential</b>	-	-	411	400	411	400	(11)
<b>Retail Spaces</b>	67	-	60	-	127	-	(127)
<b>Total Private</b>	<b>67</b>	-	<b>471</b>	<b>400</b>	<b>538</b>	<b>400</b>	<b>(138)</b>
<b>Public Parking</b>	-	750	-	-	-	750	750
<b>CGCC's Retail absorbed in Public System</b>							<b>(60)</b>
<b>City Retail absorbed in Public System</b>							<b>(67)</b>
<b>Net public parking</b>							<b>623</b>

The City’s Parking Director has determined the 750 public spaces will meet the City’s day time need. As part of the negotiations, the City allowed the parking requirements of retail component to be absorbed into the public system. The income generated from the public parking will go to the City and CGCC projects the cost to build the garage structure at \$22.9 million (before retail cost) and the City’s estimate cost is \$25.2 million.

### CGCC's Public Parking Construction Cost

	CGCC Cost 750 Spaces	City Built 750 Spaces
<b>Hard Cost Per Space</b>	<b>\$27,500 Per Space</b>	<b>\$26,000 Per Space</b>
City-owned Parking (Hard & Soft Cost)	\$21,251,000	22,485,000
Demo	253,000	253,000
Smart Parking	150,000	150,000
<b>City-owned Parking Cost</b>	<b>\$21,654,000</b>	<b>22,888,000</b>
<b>Direct Cost Per Space</b>		
	\$28,872	\$30,517
Financing Cost ( <i>Garage Only</i> )	1,273,000	2,289,000
<b>Total City-owned Parking Cost w/o Retail</b>	<b>\$22,927,000</b>	<b>25,177,000</b>
Retail Darkshell Build out	3,000,000	2,400,000
<b>Parking to be delivered to City w/ Retail shell</b>	<b>25,927,000</b>	<b>27,577,000</b>
<b>Total Cost w/ Retail Darkshell Per Space</b>	<b>\$34,569</b>	<b>\$36,769</b>

#### Size of the Project

##### *Garage 1: City Owned (Public Component)*

- FAR of .57
- Retail (ground floor) size 20,000 SF (ground floor)
- 750 public parking spaces (8 floors)
- Building height 97.4'
- 10' encroachment in alley

##### *Garage 4: CGCC Owned (Private Component)*

- FAR of 6.38
- 245 Private residential units (9 floors)
- Retail 18,000 SF (ground floor)
- 400 private parking spaces (3 floors)
- Building height 141'
- 10' encroachment in alley

In accordance with CAO 2018-032, the two sites may be combined and developed as either a Planned Area Development (PAD) or Mixed-Use Project as they fit the definition of a “contiguous unified parcel” under the Zoning Code. Since under the current proposal the City retains ownership of one site and CGCC retains ownership of the other, a Declaration of restrictive covenant in lieu of Unity of Title should be recorded in order to allow both sites to be developed as a mixed use project, as opined in CAO 2019-007. In order to comply with the Zoning Code’s requirements for a Declaration of restrictive covenant in lieu of Unity of Title, the Development Agreement will need to detail how the owners will maintain and operate the property as a single building site.

By combining the sites for purpose of a site plan, CGCC’s blended FAR is 4.12.

	Garage 1			Garage 4			Total		
	Land SF	Bldg SF	FAR	Land SF	Bldg SF	FAR	Land SF	Bldg SF	FAR
<b>Garages</b>	34,941	20,000	<b>0.57</b>	55,000	351,000	<b>6.38</b>	89,941	371,000	<b>4.12</b>

The City allows up to 3.5 Floor to Area Ratio (FAR) with Mediterranean bonus and 4.375 FAR with Transferrable Development Rights (TDR's). CGCC is requesting the City provide approximately 56,500 SF of City-owned TDR's towards this Project. The City can transfer TDR's at its discretion. Below is another view of the FAR broken out by Mediterranean bonus (3.5 FAR) and TDR's (4.12 FAR):

	Site Area Square Feet	FAR		Total
		Including Med Bonus 3.5	City TDR's up to .875	
G1	34,941	122,294	8,381	130,675
G4	55,000	192,500	48,125	240,625
<b>City Site Area</b>	<b>89,941</b>	<b>314,794</b>	<b>56,506</b>	<b>371,300</b>
		G1 Retail City-Owned		(20,000)
		<b>CGCC-Owned Total SF</b>		<b>351,300</b>

20,000 SF of the 371,300 SF will be City-owned and operated ground floor retail.

**Ownership:**

CGCC proposes that the Project be structured as a fee simple interest so that the City may maintain ownership of the Garage 1 public municipal garage spaces (the "Public Component"), including the ground floor retail of 20,000 SF.

CGCC would maintain fee simple ownership of G4 (the "Private Component").

In accordance with Section 2-1092 of the Procurement Code, the City ordered two appraisal at the time the RFP was issued and has received an update in August, 2018. The fee simple interest was in the latest appraisal in 2018 valued the fee simple interest ownership of each site at \$85 per buildable square foot for the first 3.5 FAR and \$40 per buildable square foot for the remaining FAR up to 4.5 as a vacant site. Since the developer will unifying the sites, 351,300 square feet will be built on the G4 site. Since the sites are not vacant the City has deducted the cost of demolition and has derived the following value based on the building program being conveyed to the developer:

	G1	G4	Average Total
<b>Value of Development Rights Conveyed by City</b>			
Land Base @ 3.5 FAR	\$5,197,500	\$16,363,000	<b>\$21,561,000</b>
Land TDR's .875 TDRs to achieve 4.128 from Land base	-	3,906,130	<b>3,906,000</b>
<b>Value of sites being Conveyed</b>	<b>\$5,197,500</b>	<b>\$20,269,130</b>	<b>\$25,467,000</b>
Demo Cost	-	(\$758,000)	<b>(\$758,000)</b>
<b>Value of sites being Conveyed after Demo</b>	<b>\$5,197,500</b>	<b>\$19,511,130</b>	<b>\$24,709,000</b>
City Impact Fee Reimb. & Permit Waiver	181,000	3,179,000	3,360,000
<b>Total Value after Impact/Permit fees</b>	<b>\$5,378,500</b>	<b>\$22,690,130</b>	<b>28,069,000</b>

**Financing:**

CGCC's estimated cost for development of the Public Component is \$25.9 Million while the City's cost to build would be \$25.2 million. The value of the Garages at 4.12 FAR is \$24.7 Million (which includes \$3.9 of TDR's). CGCC is requesting the City portion of the impact fees be reimbursed and the City permit fees be waived for a total amount of \$3.36 million. Staff has projected the real estate taxes due to the City for the private use of \$480,000 annually in a year in which operations are stabilized, 2029. CGCC is requesting an annual increment payment of \$480,000 due from the City and a payment of \$3 million to build the ground floor retail of G1 in exchange for the development rights. An analysis of the total value being conveyed to CGCC vs. what's being received is as follows:

	<b>G4 Sale @ 351,300 SF</b>
Lot Valued provided to CGCC	<b>24,709,000</b>
Impact Fees provided to CGCC	3,360,000
<b>Total Value to CGCC</b>	<b>28,069,000</b>
Cost of construction	25,177,000
<b>Benefit/(Cost) provided to City</b>	<b>(2,892,000)</b>

**Summary:**

The Parking Department has determined 750 public parking meets the City's parking demand. The value of the land, impact fees reimbursement, and permit waiver (\$28.1 million) being conveyed to CGCC is greater than the City's cost to construction public garage (\$25.2 million). CGCC is requesting a mixed used residential tower and providing an FAR of 4.12 based on developing G1 and G4 as a combined site within the allowed height (max is 190'). In exchange, CGCC will build 750 City-owned parking spaces. The City will then contribute \$3,000,000 to construct the ground floor retail and an annual payment of \$480,000 with 2% escalations to CGCC. Staff has reviewed the proposal compared to the previous proposal on February 26, 2019 that requested a \$250,000 annual payment with CGCC controlling the G1 retail, and has determine the value of the project in which the City controls the ground floor retail is financially better. The February 26 and March 18, 2019 Letter of Intent are attached. If the City Commission approves these deal terms, the City Manager and City Attorney will proceed to negotiate a Development Agreement that sets forth the number of parking, size of the project, ownership, operation, and financing outlined above. The Development Agreement will then be brought to the City Commission for two reading and require a super majority vote.

**LEGISLATIVE ACTION:**

<b>Date</b>	<b>Resolution/Ordinance No.</b>	<b>Comments</b>
May 28, 2013	Resolution No. 2013-91	Approved RFP Consultant
May 27, 2014	Resolution No. 2014-102	Authorized Issuance of RFP, Stage I
January 26, 2016	Resolution No. 2016-30	Invited Proposers to Participate in Stage II of RFP
January 26, 2016	Resolution No. 2016-32	Authorized Issuance of RFP, Stage II
January 24, 2017	Resolution No. 2017-23	Approved negotiations with CGCC
October 23, 2018	Resolution No. 2018-284	Approval of negotiation extension period
November 13, 2018	Resolution No. 2018-291	Approval of negotiation extension period
January 22, 2019	Resolution No. 2019-59	Approval of negotiation extension period
March 12, 2019	Resolution No. 2019-77	Approval of negotiation extension period

**ADVISORY BOARD/COMMITTEE RECOMMENDATION(S):**

<b>Date</b>	<b>Board/Committee</b>	<b>Comments</b>
08.04.16 & 12.01.16	Parking Garage RFP Evaluation Committee	Recommended approval of top ranked proposer, Coral Gables City Center, LLC

**ATTACHMENT(S):**

1. Draft Resolution
2. CGCC's proposed business terms
3. CAO 2019-004
4. CAO 2018-032
5. Waronker & Rosen Appraisal: 8-13-18
6. CGCC's attorney, Greenberg Traurig, memo on vertical subdivision