

BUDGET AND AUDIT ADVISORY BOARD ITEM
TERMINATION OF EXISTING LEASE AND ENTERING INTO A NEW LEASE
WITH CORAL GABLES CONGREGATION CHURCH, INC.
OCTOBER 6, 2021

The Economic Development Department will be presenting an Ordinance on first reading for City Commission approval at the October 26, 2021, City Commission meeting. The Ordinance is requesting authorization to terminate the existing Lease and enter into a new Lease with Coral Gables Congregational Church, Inc., a Florida non-profit corporation, for the surface parking lot within the platted right-of-way bounded on the north by Malaga Avenue, on the south by Anastasia Avenue, on the east by De Soto Boulevard, and on the west by Columbus Boulevard, for a period of five (5) years and with two (2) additional, 5-year renewal options, at the City's discretion. **City Staff recommends approval.**

Pursuant to the requirements of **Division 12 of the Procurement Code, Section 2-1094 -Analysis for Purchase, Sale or Lease of City Property-** the proposed Ordinance is being presented to the Budget & Audit Advisory Board for its recommendation to the City Commission.

BRIEF HISTORY AND PROPOSED NEW LEASE TERMS:

Pursuant to Resolution No. 26231 (adopted on July 21, 1987), on February 2, 1989, the City of Coral Gables (the "Landlord") and Coral Gables Congregational Church (the "Tenant") entered into a Lease Agreement (the "Existing Lease") for the surface parking lot within the platted right-of-way bounded on the north by Malaga Avenue, on the south by Anastasia Avenue, on the east by De Soto Boulevard, and on the west by Columbus Boulevard (the "Premises"). The Existing Lease term was for ten (10) years and provided for ten (10) additional 5-year renewal options.

Pursuant to the Lease renewal options, Landlord and Tenant renewed the Lease on February 2, 1999 (1st option). Lease renewals also occurred pursuant to Resolution No. 2005-71, adopted April 26, 2005 (2nd Option), and to Resolution No. 09-0463, adopted July 7, 2009 (3rd Option). Landlord and Tenant also renewed the Lease on February 2, 2014 (4th Option) and February 2, 2019 (5th Option) pursuant to shared correspondence.

In 2019, Tenant notified Landlord of its intent to reseal and restripe the surface parking lot at the Premises (the "Tenant's Work") and Landlord determined that in order to perform Tenant's Work and abide by Miami-Dade County Ordinance No. 01-196, lighting would need to be installed (the "Landlord's Work") on the Premises. Landlord also determined that the existing Lease pertained to Premises that consist of platted right-of-way, and as such, lacked the necessary right of termination and appropriate use and occupancy provisions required by applicable law. As such, Landlord and Tenant are requesting authorization to terminate the Existing Lease and enter into a new Lease with the following terms and provisions:

- Term and Renewals: Initial Five (5) year term with two (2) additional, 5-year renewal options, at the City's discretion.
- Rent and Escalations: \$1,200/month increasing at 3% per year throughout initial term and renewals.
- Landlord's Work: Landlord will install lighting on the Premises at its own cost and expense. (Initial FPL Installation Cost-\$3,404.71; \$354.65 monthly electricity and maintenance cost thereafter).

- Tenant's Work: Tenant shall reseal and restripe the surface parking lot at the Premises and upon completion of Tenant's Work (not to exceed \$2,800.00), Landlord will deduct \$200.00 from the monthly rent until the Tenant's Work \$2,800.00 is reimbursed in full.
- Right of Termination: Landlord shall have the right to terminate this Lease, for any necessary reason upon at least sixty (60) days written notice to Tenant, or sooner if the termination is deemed urgent by Landlord.
- Use and Occupancy: Tenant acknowledges that Tenant's use and occupancy of the Premises for a public purpose are a material inducement for Landlord to lease the Premises to Tenant. The Tenant will use and occupy the Premises for no other use or purpose than the public use as a surface parking lot for Tenant's visitors and/or employees.

Aerial View of the Parking Area:



Pursuant to the requirements of **Division 12 of the Procurement Code, Section No. 2-1094 - Analysis for Purchase, Sale or Lease of City Property**, the proposed Ordinance was also presented to:

- The Economic Development Board on September 1, 2021, for its recommendation to the City Commission.
- The Property Advisory Board on September 8, 2021, for its recommendation to the City Commission.
- The Parking Advisory Board on September 22, 2021, for its recommendation to the City Commission.

Pursuant to the requirements of **Division 12 of the Procurement Code, Section No. 2-1094 - Analysis for Purchase, Sale or Lease of City Property**- the Budget & Audit Advisory Board provides answers to the following three (3) questions (suggested answers are below):

1. Is the purchase, sale and/or lease consistent with the property appraisal as required under section 2-1092?

No. An appraisal was not conducted regarding the property. However, the Board feels that the benefits of terminating the existing Lease and adopting a new Lease that provides for both a 3% rent escalation clause and a landlord right to terminate the agreement with 60-days' notice, far outweigh the terms that exist in the current Lease.

2. What is the immediate impact on the current fiscal budget and the long-term effect on future budgets, i.e., the long-term overall effect on the city?

The city will incur the initial costs during FY21-22. The city will improve the platted right-of-way property by adding lighting (Initial Installation Cost by FPL-\$3,404.71; \$354.65 monthly electricity/maintenance cost thereafter), bearing a one-time cost for resealing, and restriping the surface parking lot (\$2,800.00), and the Tenant will be responsible for resealing and restriping for the remainder of the Lease thereafter.

The continued leasing of the platted right-of-way as a surface parking lot to the Tenant will continue to increase the City's revenue base at \$1,200 per month for the first year with rent revenue escalating at 3% per annum. In addition, the surface parking will prevent visitor parking in public swales which will in turn prevent repair costs to public swales in the surrounding neighborhood.

The anticipated revenues for the first year will be: $\$1200 * 12 \text{ months} = \$14,400.00$, less $\$3,404.71$ (initial lighting installation), less $\$354.65 * 12 = \$4,255.80$ (electricity costs), less $\$2,800.00$ (resealing/restriping) = **\$3,939.49**. Revenue year-2 and thereafter will be: $\$1236 * 12 \text{ months} = \$14,832.00$ - less $\$354.65 * 12 = \$4,255.80$ (electricity costs): **\$10,576.20 increasing by 3% per annum thereafter.**

The Board feels that the benefits of terminating the existing Lease and adopting a new Lease that provides for both a 3% rent escalation clause and a landlord right to terminate the agreement with 60-days' notice, far outweigh the terms that exist in the current Lease.

3. Considering the city's mission statement, are there other alternatives to entering into the proposed transaction?

Yes, there are other alternatives. However, the Board feels that the benefits of terminating the existing Lease and adopting a new Lease that provides for both a 3% rent escalation clause and a landlord right to terminate the agreement with 60-days' notice, far outweigh the terms that exist in the current Lease.