

CITY OF CORAL GABLES
BUDGET/AUDIT ADVISORY BOARD
Meeting Minutes: December 20, 2016, 8:00 a.m.
 Conference Room First Floor, City Hall, 405 Biltmore Way, Coral Gables, Florida

MEMBERS:	M	J	J	A	S	O	N	D	J	F	M	A	APPOINTED BY:
Jose E. Smith**													Mayor Jim Cason
Erin Knight				P				P			-		Commissioner Slesnick
Alex Menendez				P				P			-		Commissioner Vince Lago
John Holian				P				P			-		Vice Mayor Frank C. Quesada.
Cheryl Goldstein				P							-		Commissioner Pat Keon

^ = New Member
 # = Special Meeting
 ** = Resigned Member

STAFF AND GUESTS:

Keith Kleiman, Budget Director
 Leonard Roberts, Economic Development Assistant Director
 Mariana Price, Economic Development Administrative Assistant

Meeting Motion Summary:

A motion to move forward with the swap agreement (purchase of the Codina Site and the sale of 2801 Salzedo), contingent upon the Board’s commentary, passed unanimously.

DECEMBER EXCERPT MINUTES

PROCEEDINGS:

The meeting was called to order by Mr. Menendez at 8:05 a.m.

Background:

On June 16, 2015, the City Commission authorized Staff to study the options for addressing the existing Public Safety Building at 2801 Salzedo Street (“2801 Salzedo”) which is in dire need of repairs and has a number of structural issues. 2801 Salzedo houses the administrative staff for the City’s Police and Fire Departments; the Emergency Operations Center; the Information Technology, Human Resources, and Parking Departments; and the Gables Television Studio. It also accommodates 191 City parking spaces and 103 public parking spaces.

Description:

Staff explored several options for a new Public Safety Building (“PSB”) including: rebuilding on the existing site, renovating/retrofitting on the existing site, purchase & build on a third party site, or build on other City owned property, then presented the options to the City Commission. On October 25, 2016, after evaluating the options, the City Commission authorized the City Manager to enter into negotiations with the Codina Partners regarding a contemplated land swap

of the 2801 Salzedo with a 35,000 SF lot located at 250 Minorca Ave (the “Codina Site”) to be improved with a new PSB and a mixed-use Parking Garage Structure (“Garage 7”).

Terms:

The City is interested in obtaining the Codina Site to assemble with its adjacent Parking Lot 6 to construct two separate buildings, a state of the art PSB and Garage 7 for approximately \$54 million construction value (\$37 million PSB + \$17 million Garage 7). The PSB will include a new Fire Station, office space for public safety administrative & IT staff, training rooms, gym, gun range and conference areas. The proposed Garage 7 building will include public parking for up to 450 vehicles, ground floor meeting space, and offices for human resources, labor & risk and other potential City partners. In return, the Codina Partners will demolish the old PSB at 2801 Salzedo and construct a new development to be determined based on the current commercial high rise intensity land use, which would increase the City’s tax base. City staff is working with the Codina Partners to finalize a sales agreement. The proposed terms would only be finalized upon review and approval of the City Commission. The proposed terms are as follows:

- The City of Coral Gables would take the fee simple interest of the Codina site in the first quarter 2017 and will have approximately three years to construct a new PSB of approximately 100,000 square feet and parking to accommodate a state of the art PSB.
- The City will continue occupy 2801 Salzedo while PSB is being constructed, in-lieu of the City paying rent, the City will waive up to \$2 million (equitable to \$7.68 PSF in rent) in City related development fees (e.g. impact fees) to be used towards the development of 2801 Salzedo that are non-transferrable.
- The earliest of either (1) 2801 Salzedo staffs’ relocation to the PSB, or (2) 3 years and 4 months, the City would transfer an “as is” fee simple interest of 2801 Salzedo (including the building and land) to the Codina Partners.
- If the City does not relocate by the end of the 3 years, but before the 4th year anniversary, the City will pay approximately \$110,000 a month (\$15.37 PSF) as a holdover penalty. If the City does not relocate after the 4th anniversary but before the 5th year anniversary, the City will pay a one-time fee of approximately \$670,000 due the first day past the 4th anniversary. If the City does not relocate by the one day past the sixth month of the 4th year anniversary the City will pay another penalty of approximately \$670,000. By the 5th anniversary the Codina Partners will have the right to take possession.
- Each party shall be responsible for their own legal and consultant costs with regard to this transaction (including through closing and post-closing).
- Conditions precedent for the City to close includes a due diligence period not to exceed 60 days for both parties once the contract is executed, contingent on Commission approval.
- The City plans on vacating the existing alley separating the two sites of approximately 3,800 square feet and relocating it.
- No sales commission will be procured.

- Codina Partner has the right to terminate the swap transaction within two years of the initial sale, at which time the City will pay \$11,500 (\$328 psf) for the PSB site and retain ownership of 2801 Salzedo.
- The City Commission must provide the City Manager with the authority to execute a final contract based on the terms provided.

The price per square foot for the swap will be based on \$267 PSF (See Chart II below). Since 2801 Salzedo is greater in size by 28,000 SF (63,000 less 35,000) the City will be due approximately \$7.5 million upon the transfer of 2801 Salzedo St to the Codina Partners. The City's purchase of the site for approximately \$9.3 million will be netted against the future sale of 2801 Salzedo; hence, no cash out of pocket will be due from the City, unless the Codina Partners decides not to purchase 2801 Salzedo within two years from the sale.

Conclusion:

The 2801 Salzedo site is appraised at \$325 PSF, the Codina site is appraised at \$265 PSF leaving a delta of \$59.68 PSF. If the City were to go out to market to lease a building equivalent to the 2801 Salzedo, a market full service rent would range between \$25 PSF and \$35.00 PSF, which staff has equated to approximately \$7.2 million over three years in rentable value. The difference between the \$7.2 of rentable value for leasing 2801 Salzedo and the \$2 million development credit is considerable saving for the City and should be considered when evaluating swap. In addition, the appraisal of the Codina site does not reflect an assemblage value which typically has a premium to an adjacent landowner. The City averaged premium associated with its two appraisals of Lot 6 (12.5%) and applied it to the Codina Site resulting in a value of \$299 PSF or a delta of \$33.21. Based on the above, the City feels there is equitable exchange related to the swap. The City has ordered a second appraisal, and the City Commission will have both appraisals before making a final decision.

Please see the attached breakout of the funding source for the purchase and development of the proposed PSB and Garage 7: **(Chart II)**

				Analysis	
		SF		Appraisal	PSF
City of Coral Gables Lot		63,000	A	16,821,000	\$267.00
Codina Site Adjacent to Lot 6		35,000	B	9,345,000	\$267.00
			(A-B)	7,476,000	\$0.00
Other City funding (Estimates)					
CIP Fund Balance				8,500,000	
Miami Dade GOB				1,460,000	
Police Impact fees				1,000,000	
Fire Impact fees				1,000,000	
Total Other City Funding				11,960,000	
Total Available for PS Project				19,436,000	
Other loan funding				17,274,000	
Estimated Construction Cost				36,710,000	

Questions for the Budget Advisory Board and suggested responses:

1. Is the lease consistent with the property appraisal as required under Section 2-2014?
 Section 2-2014 provides:

Whenever the city purchases, sells or is involved in a lease of real estate and the fee simple value of the property being sold, or the annual value of the property being leased is in excess of \$250,000, the city shall, prior to consummating the purchase, sale or lease, have the property appraised by two real estate appraisers holding the M.A.I. designation in order to determine the estimated market value.

No, the Board recommends the Commission act in accordance with Section 2-2014 and review the second appraisal before a final decision is made.

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?

There would be no immediate impact or need to pay \$17 million in retrofitting or renting temporary offices. The \$11.5 million contingency should be budgeted for in

FY2018-19. The holdover fees for not completing on time should be passed through to the PSB's general contractor.

The long term effect is that the City will have a state of the art public safety building that will be paid for with approximately \$12 million in existing City funds, \$7.5 from the sale of 2801 Salzedo and a loan of approximately \$17 million. The newly proposed Garage 7 operations along with the increase in City's overall parking rates will pay the debt service for the PSB and Garage 7 purchase and construction.

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

This transaction is appropriate, as it is keeping with the City's vision of being a world class City with a world class PSB. The new Fire Station will provide faster response time to the North Gables area; the Garage 7 will provide an additional revenue stream for the City and public parking for nearby commercial uses. Commercial development of the 2801 Salzedo site will add to the City's tax basis and provide economic stimulus to the area. Other alternatives considered would not provide the same benefit of this proposed swap.

Ms. Knight made a motion to move forward with the purchase of the Codina Site and the sale of 2801 Salzedo based on the terms described above and contingent upon the Board's additional commentary. Mr. Menendez seconded the motion, which passed unanimously.