

CORAL GABLES

THE CITY BEAUTIFUL

Economic Development Board Meeting Meeting Minutes

Wednesday | October 6, 2021 | 8:00 a.m.

Location: Zoom and Police and Fire Headquarters (PFHQ), Community Meeting Room A
2151 Salzedo Street, Coral Gables, FL 33134

EDB MEMBERS	J	F	M	A	M	J	J	A	S	O	N	D	APPOINTING ENTITY
	'21	'21	'21	'21	'21	'21	'21	'21	'21	'21	'21	'21	
Julio Grabiell	Z	Z	Z	P	P	P	X	P	P	A			Mayor Vince Lago
Olga Ramudo, Chair	P	E	Z	P	P	P	X	P	P	P			Vice Mayor Michael Mena
Stuart McGregor	Z	E	Z	P	P	Z	X	E	E	E			Commissioner Kirk R. Menendez
Tania Cruz-Gimenez	-	-	-	-	-	Z	X	E	P	P			Commissioner Rhonda Anderson
Mary Snow	-	-	-	-	-	P	X	P	P	P			Commissioner Jorge Fors, Jr.
VACANT	-	-	-	-	-	-	-	-	-	-			City Manager Peter Iglesias
Thad Adams	-	-	Z	P	P	P	X	P	P	P			Chamber of Commerce

A=Absent E=Excused Absence P=Present X=No Meeting Ph=Present by Phone Z=Zoom - =Former Board Member

Staff and Guests:

Julian H. Perez, AICP, CFM, Director, Economic Development Department
 Belkys Perez, Assistant Director, Economic Development Department
 Francesca Valdes, Business Development Coordinator, Economic Development Department
 Yenis Gomez, Administrative Assistant, Economic Development Department
 Mark Trowbridge, President, Coral Gables Chamber of Commerce

Chairwoman Ms. Olga Ramudo brought the meeting to order at 8:15 a.m.

1. Excuse Stuart McGregor's absence

Ms. Cruz-Gimenez made a motion to excuse Mr. McGregor's and Mr. Adams seconded the motion, which passed unanimously. There was no discussion regarding the minutes.

2. Review and approval of September 1, 2021, Economic Development Board Meeting Minutes. Mr. Adams made a motion to approve the meeting minutes and Ms. Snow seconded the motion, with the correction that Ms. Snow had suggested to create a position to include a representative from the Business Improvement District (BID). The motion passed unanimously.

3. Coral Gables Chamber Update

Mr. Trowbridge updated Board members with a roundup of activities and initiatives the Coral Gables Chamber has been working on, such as:

- Assisting in establishing a stronger collaboration between the GMCVB & the Beacon Council.
- Working with the Greater Miami Chamber of Commerce to organize an outbound mission to Israel in early 2022.
- Working closely with the Mayor and the Business Improvement District (BID) to enhance the cleanliness of the Downtown.

Mr. Perez thanked Mr. Trowbridge for everything he does for the City of Coral Gables, the Coral Gables Chamber, and all his support.

Ms. Cruz-Gimenez inquired about the incentive programs available in the City of Coral Gables to attract new business. Mr. Adams suggested that since this would be a multiple-hour conversation, it would be best to set up a meeting to put together a plan to gather best practices. Ms. Ramudo agreed that the November board meeting or a special meeting should be scheduled. Mr. Perez explained that the City currently does not offer financial incentives, but just as valuable, are the permitting assistance services for incoming companies.

4. Office Report

Mr. Adams provided Board members with a presentation on the office market. Mr. Adams explained the importance of the office market to residents. The commercial sector generates tax revenue, helps to keep the millage rates low and the City's level of service high.

- **Miami-Dade Office Market**

The Miami office market recently experienced a drop in vacancy rates in the 2021 third quarter due to a record net absorption of 915,000 square feet. Which means, the net increase or decrease of office space includes leases, people that have moved out of buildings and construction, so that's a very significant absorption rate number. The Plaza is adding almost 500,000 square feet of space to Coral Gables. Mr. Adams discussed the work from home phenomenon. A vast majority of companies want to be able to work remotely, but not four or five days a week, instead, one or two days a week. As a result, he suggests we will see smaller footprints. At the same time, due to the pandemic, very dense occupancy of office space will change to spread out the workforce to incorporate social distancing.

Mr. Adams says the greater Miami area is outperforming the national average for rent growth, by about 2%.

Construction remains stable 3.6 million right now with 830 Brickell and the Plaza here in Coral Gables leading the way. Miami has experienced a strong demand for new high-quality office buildings.

There is a concern regarding sublease space. There are companies that decided they're going to reduce in size significantly. As a result, more and more sublease space are coming on the market. This will keep the vacancy rates up. Many of these companies are going to switch to a hybrid work model. Companies are moving to new, smaller locations, subleasing their space which is affecting the vacancy rate and the lease economics. Downtown, Miami International Airport, Brickell, Kendall submarkets account for 80% of the sublease activity in Miami. There are also several bank mergers that are also consolidating office and retail locations.

Miami will continue to attract firms for the more expensive markets, from high tax states like New York, the northeast corridor, California, and Chicago. In the residential market, whenever New York increases their tax rates, the greater Miami area sees a surge of people looking to move to South Florida.

Office vacancies are at a six year high right now which Mr. Adams suggests is not surprising given the pandemic. The market rate average is under \$40 a square foot, vacancies are at 10.5%, availability is at 14.4%. The availability includes sublease space, so that's why it's higher. The 12-month net absorption is 837,000 square feet, which is a very positive statistic.

Current office construction is stable. A million square feet was delivered in Miami-Dade County, so we're looking at the new high-quality assets coming on the market.

In sales, there's been a recent uptick driven by the national and institutional investors. They're looking for high-end assets in the office market. Sales rose over \$2 billion for the first time in four years.

Coral Gables is still the primary hub for Latin America. Mr. Adams explained that it is easier to serve all Latin America from Miami, because of flights than if you were in Latin America which is lacking the hub, a bilingual labor force, education and different time zones.

Miami-Dade County also benefits from a low tax environment. New York, Chicago, Los Angeles, and Atlanta are all higher.

With regard to incentives, the Downtown Development Authority in the city of Miami has created "Follow the Sun". It's a relatively small incentive program in terms of what is being offered \$500 per relocated employee if they meet all the criteria. It's close to 1,000 jobs they've documented just in this last year of companies that have used the program. Mr. Adams says it's a proven winner for the City of Miami and something Coral Gables should consider.

- **Coral Gables Office Market**

Coral Gables office vacancy rate is 12.7%. Rents have been higher in the metro area for last three quarters of 2021. They're expected to continue to climb and that's due to the new office space development of the South Tower at the Plaza. Therefore, Mr. Adams says, spaces for lease at the Plaza will go in the mid to upper \$50 which drives up the rates to include subleases. While rent growth in Coral Gables has been lagging with the pandemic, its interesting rents have not decreased.

Renewals have taken place. There's been a limited number of new leases due to the pandemic, but that is changing now that there's more activity, more leases are in negotiations, and more leases will be signed.

Construction of the North Tower at the Plaza was completed in the fourth quarter of 2020 which pushed vacancies more than 200 basis points. The Link at Douglas is not in the city, but due to its proximity, will be competing against Coral Gables office buildings. The increased vacancy generated by the forthcoming addition of the Plaza South Tower is part of that roughly 500,000 square feet of new space coming to market. BAC Florida Bank has already leased 63,000 square

feet for their new headquarters. ACI Worldwide also leased 27,000 square feet at the Plaza, relocating their headquarter from Naples. The Plaza is expanding the office market to 5% in Coral Gables because of those 500,000 square feet of additional space. Terumo, a large Japanese multinational corporation which produces durable medical equipment, is relocating their Latin American headquarters to Alhambra Towers from Doral.

Office sales are down in Coral Gables due to the pandemic less than \$30 million has traded – the lowest amount in 10 years.

5. Follow-up to Retail Strategy Presentation

The Board did not have any questions.

Mr. Adams informed the Board that Ms. Valdes presented the Retail Strategy to the Board of the Chamber of Commerce and it was well received.

6. Business Tax License Report

Ms. Valdes updated Board members of the new and upcoming businesses in Coral Gables.

7. Open Discussion

Ms. Snow suggested the Board discuss adding a BID member to the Economic Development Board. No discussion was held.

There being no further discussion, the meeting was adjourned at 9:17 a.m.

Respectfully submitted,

Yenisis Gomez, Administrative Assistant, Economic Development Department.