



City of Coral Gables
CITY COMMISSION MEETING
March 10, 2009

ITEM TITLE:

Update on The Palace Development schedule (this item is related to the Planning Department's agenda item).

RECOMMENDATION OF THE CITY MANAGER:

This is a status report only. No recommendation is needed at this time.

BRIEF HISTORY:

At the March 24, 2009 City Commission meeting, City Staff will formally request an amendment to Exhibit G (Developer's Schedule) of the Lease and Development Agreement Between the Palace Management Group, LLC, and the City of Coral Gables that postpones possession date (when construction will commence) and ultimately the project opening by approximately one year. As envisioned, the new date for the opening would be in December, 2010. As noted in the attached letter dated March 4, 2009 from Mario Garcia-Serra, Counsel for the Palace Group, the delay is exclusively due to the difficulty in obtaining construction financing as a result of the *"credit crisis in the international financial markets which have essentially frozen lending for major construction projects. The accompanying national real estate market crash, which was particularly acute for the South Florida area, has served to even further dampen the ability to obtain financing for projects in South Florida regardless of merits."*

While the need to extend deadlines is a disappointment for all parties – the developer, the City, and the public – it is understood that the financial challenges are not a reflection of this project, our market, or the wherewithal of the developer, but rather the extraordinary times we are in. The Palace Group has shown its commitment by continuing to move forward with securing the Public Approvals, the development of the Final Plans and Specifications, and the establishment of the CDD. To date, the Place Group has already spent more than \$6 million towards the implementation of this important project, including the acquisition of the Melody Inn property. In addition, in the spirit of good faith, the Palace Group has also committed to reimburse the City's third party expenses at the conclusion of all Public Approvals, scheduled for April 30, 2009. (This payment, which is in excess of \$300,000) was originally due by Possession Date, now scheduled for January, 2010.)

A copy of the draft revisions is attached although no action is requested at this time.

APPROVED BY:

DEPARTMENT DIRECTOR	City Attorney (If Applicable)	City Manager

ATTACHMENT(S):

1. March 4, 2009 letter from Greenberg Traurig
2. Exhibit G from Lease and Development Agreement, with suggested updates