

CITY OF CORAL GABLES
Property Advisory Board
EXCERPT Meeting Minutes

Wednesday, August 9, 2017, 8:30 a.m.

Different Location: Coral Gables Art Cinema, 260 Aragon Ave, Coral Gables, FL 33134

| PAB MEMBERS | J | F | M | A | M | J | J | A | S | O | N | D | APPOINTING ENTITY |
|-------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|----------------------------|
| | '17 | '17 | '17 | '17 | '17 | '17 | '17 | '17 | '17 | '16 | '16 | '16 | |
| Alberto Manrara | - | - | - | - | - | P | X | P | | - | - | - | Mayor Raúl J. Valdés-Fauli |
| Jonathan Leyva | - | - | - | - | - | P | X | P | | - | - | - | Commissioner Michael Mena |
| Luba DeWitt | E | P | E | E | P | P | X | P | | P | X | P | Commissioner Patricia Keon |
| Valerie Quemada Vice Chair | P | P | E | P | E | E | X | E | | P | X | P | Commissioner Vince Lago |
| Tony Gonzalez | E | P | P | P | P | P | X | P | | P | X | P | Commissioner Frank Quesada |
| Edmund Mazzei | - | - | - | - | - | P | X | P | | - | - | - | City Manager |
| Andrea Molina | P | P | P | Ph | P | Ph | X | P | | P | X | P | City Commission |

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

STAFF AND GUESTS:

Javier Betancourt, Director, Economic Development Department
Leonard Roberts, Assistant Director, Economic Development Department
Mariana Price, Administrative Assistant, Economic Development Department
Steven Krams, President & Executive Director, Coral Gables Art Cinema
Marlin Ebbert, Board Secretary, Coral Gables Art Cinema

Meeting Motion Summary:

A motion to support the sale of Lot 24 to Doctors’ Hospital as per the Proposed Deal Terms, with the added recommendation that the funds made from the sale be redirected to replacing the land sold with a longer-term and more developable parcel, including a modification for the City to explore ways to collect tax on the lot once sold, passed unanimously.

Mr. Betancourt brought the meeting to order at 8:36 a.m.

6. Doctors Hospital Parking Lot (Action)

Mr. Roberts reviewed the Proposed Deal Terms for the sale of Lot 24 to Doctors’ Hospital as follows:

On December 30th, 1987, the entered into a lease with Doctor’s Hospital (the “Hospital”) related to the City-owned parking lot 24 (the “Lot”) located on the northwest corner of University Drive and Pisano Ave, across from Doctor’s Hospital. The Hospital uses the Lot to provide free valet service for patients and visitors. In 1992 the lease was assigned to HealthSouth. The Hospital was later purchased by South Miami Hospital and the lease was assigned in 2003. South Miami Hospital was part of the Baptist Heath so in 2006 the Hospital was then reassigned to what is

now Doctor’s Hospital (part of the Baptist Hospital). The initial term of the lease is set to expire on December 31, 2017; on May 9th, 2017, the Hospital executed their automatic renewal right for an additional 30 years.

The proposed terms are as follows:

- The City would convey parcel 03-4119-006-0200 to the Hospital subject to an updated survey;
- The Hospital will pay \$3 million cash for the land “as is”;
- A restrictive covenant will state the Lot will be used for parking;
- The Hospital will continue to maintain the common area surrounding the site;
- The Hospital will have 120 days’ due diligence from effective date of a Purchase and Sales Agreement;
- Closing will occur 30 days after inspection is finalized;
- The Hospital will provide a \$200,000 security deposit;
- No Broker involvement.
- Contingent on Baptist’s Board and City Commission approval.

In accordance with Section 2-2014 of the Procurement Code, two real estate appraisals were conducted with regard to the Lot. The appraisals were done by MAI certified appraisers’ Gallaher & Birch, Inc. and Waronker & Rosen, Inc. The appraisers valued the site based on its current allowed used, multifamily duplex. The site is rectangular and narrow in shape; due to these features and the potential set back requirements the degree of utility for purpose of building a duplex is diminished. Waronker & Rosen provided a hypothetical value based on a City operated valet. This valuation assumed the City would charge for a valet services resulting in income valuation of \$3,600,000. Summary of appraisals are as follows:

| | Gallaher Birch (2/3/17) | | | Waronker & Rosen (1/16/17) | | |
|-------------------------------|-------------------------|------------------|----------------|----------------------------|------------------|----------------|
| | SF | Appraisal | PSF | SF | Appraisal | PSF |
| Lot 24 | 43,900 | 2,350,000 | \$53.53 | 43,900 | 2,200,000 | \$50.11 |
| Lot 24 as a valet lot | N/A | N/A | N/A | 43,900 | 3,600,000 | \$82.00 |
| | 43,900 | 2,350,000 | \$53.53 | - | 1,400,000 | \$31.89 |
| Income Valet % Premium | | | N/A | | | 64% |

Due to the potential constraints to build a duplex structure, the Hospital’s parking demand, the longevity of the Hospital’s parking use, and the remaining 30 years’ term makes the Hospital well suited as the potential purchaser. They currently lease the lot for \$91,606 annually which is set to increase by 25% to \$114,507.50 on January, 1, 2018 (increase based on parking meter rate increases). The current income and future income translates to a 3.05% and 3.82% capitalization rate, respectively. The appraisers determined a capitalization rates of 5% which would translate to a value of \$2,290,000 based on future income (in line with the appraised values).

The following is a summary of the net present values for the next 30 years based on projected rent increases and a potential sale at the end of the 30 years:

| | (2018-2048) |
|------------------|--------------------|
| NPV 4.50% | \$3,154,677 |
| NPV 5.00% | \$2,878,060 |
| NPV 6.00% | \$2,418,892 |

Therefore, a sales price at \$3,000,000 would be above market value based on comparable sales and its existing and future income. The \$3,000,000 would be below the hypothetical assumption of the City operating an income producing valet service. This use could not occur until the existing lease expired, which would be on December 31, 2048.

Questions for the Property Advisory Board, and suggested answers:

1. Does the proposed use conform to the city’s comprehensive plan and is it compatible with the surrounding neighborhood?

The property is zoned is multifamily duplex. The restrictive covenant allows the use of a surface parking lot. The covenant restricts the use of any property controlled and/or owned by Doctor’s Hospital in surrounding neighborhood.

2. Analyze the positive or negative impacts on adjacent property.

The parking use complements the demand of the Hospital. Their ownership will allow them to operate as a parking lot and potential increase the parking to meet the demand of Hospital's parking. The negative impact is mitigated with the covenant which provides consent for the alternate use. The property is zoned duplex, but the site is narrow and would cause constraints for a developer to maximize the profits for a potential multifamily duplex development (based on appraised values) vs. a sale at \$3,000,000. A sale at \$3,000,000 would generate a higher rate of return than if sold based on its current zoning or if the City continued leasing to the Hospital.

3. Are the terms and conditions of the proposed swap based on market terms and value?

City has ordered two appraisals for each site. The purchase price is above market value based on its current use and/or its current zoning. The remaining terms should be further negotiated. Due to the remaining 30 term, the most suitable purchaser would be Doctor's Hospital.

Board members expressed their concern that it is much easier for the City to sell land than it is to obtain it, citing as one example for the need of land to build charter schools for Coral Gables residents to attend schools within the City itself. Mr. Betancourt reassured them that historically, the City is very cautious in making land sale decisions. Mr. Mazzei inquired as to whether the City could then collect taxes if sold to Doctors' Hospital, to which Mr. Roberts responded that the hospital is a not-for-profit organization and therefore could not be charged tax. Mr. Roberts explained to the board that the hospital is beholden to a restrictive covenant, which would require it to have the consent of the existing neighbors if they were to decide to change the use or to build on the site.

Ms. Molina made a motion to support the sale of Lot 24 to Doctors' Hospital as per the Proposed Deal Terms and its suggested questions and answers, with the added recommendation that the funds made from the sale be redirected to replacing the land sold with a longer-term and more developable parcel. Mr. Gonzalez seconded the motion. Mr. Mazzei made a motion to modify that motion with the suggestion that the City explore options for how the Hospital could pay tax on the lot. Mr. Gonzalez seconded that motion, which passed unanimously.

The meeting was adjourned at 9:56 a.m.

Respectfully submitted,

Mariana Price, Administrative Assistant - Economic Development Department