

**CITY OF CORAL GABLES  
BUDGET/AUDIT ADVISORY BOARD**

**Meeting Minutes: Thursday, September 17, 2015**

Conference Room First Floor , City Hall, 405 Biltmore Way, Coral Gables, Florida

| MEMBERS                  | O  | N  | D  | J  | F  | M  | A  | M  | J  | J  | A  | S  | APPOINTED BY:                  |
|--------------------------|----|----|----|----|----|----|----|----|----|----|----|----|--------------------------------|
|                          | 14 | 14 | 14 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |                                |
| Jose E. Smith            | P  | -  | -  | -  | P  | P  | P  | P  | P  | -  | P  | P  | Mayor Jim Cason                |
| Erin Knight              | -  | -  | -  | -  | -  | -  | -  | -  | -  | -  | P  | P  | Commissioner Jeanette Slesnick |
| Alex Menendez            | E  | -  | -  | -  | P  | P  | P  | P  | P  | -  | P  | P  | Commissioner Vince Lago        |
| John Hollan <sup>^</sup> | P  | -  | -  | -  | P  | P  | A  | P  | P  | -  | P  | P  | Commissioner Frank C. Quesada  |
| Cheryl Goldstein         | P  | -  | -  | -  | P  | E  | P  | P  | P  | -  | P  | P  | Commissioner Pat Keon          |
|                          |    |    |    |    |    |    |    |    |    |    |    |    |                                |

(Dash indicates no meeting; blank space indicate member not yet serving.)

<sup>^</sup>- New Member

<sup>#</sup>- Special meeting

<sup>\*\*</sup>- Resigned Member

Staff:

Keith Kleiman, Budget Director

Lori St. John, Chief Compliance Officer

Leonard Roberts, Assistant Director of Economic Development

Minutes preparation and Recording Secretary: Nieves Sanchez, Bailey and Sanchez Courtreporting, Inc.

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CITY OF CORAL GABLES

BUDGET/AUDIT ADVISORY BOARD

MEETING: THURSDAY, SEPTEMBER 17, 2015, 8:00 A.M.

FIRST FLOOR, CITY HALL

405 BILTMORE WAY, CORAL GABLES, FLORIDA

MEMBERS PRESENT:

- ALEX MENENDEZ, CHAIRMAN
- CHERYL GOLDSTEIN
- JOHN HOLIAN
- ERIN KNIGHT
- JOSE SMITH

CITY STAFF PRESENT:

- KEITH KLEIMAN, BUDGET DIRECTOR
- LORI ST. JOHN, CHIEF COMPLIANCE OFFICER
- LEONARD ROBERTS, ASSISTANT DIRECTOR OF  
ECONOMIC DEVELOPMENT

1 THEREUPON:

2 (The following proceedings were held.)

3 CHAIRMAN MENENDEZ: Good morning, everybody  
4 So everybody had a chance to take a look at the  
5 meeting minutes from the last meeting? Does  
6 anybody have my questions about the minutes?

7 MR. HOLIAN: I just have one question --  
8 one comment. Have we been using this the whole  
9 time?

10 CHAIRMAN MENENDEZ: No, that's new.

11 MR. HOLIAN: This is new, okay.

12 Well, no problem, because it was just like  
13 -- I don't really read the minutes a whole heck  
14 of a lot. I just glance at them. But that was  
15 pretty amazing. To have it verbatim was a  
16 little spooky.

17 But I just have one comment. I think, at  
18 the end of the meeting, I recommended that  
19 Board Members talk to their Commissioners about  
20 the audit process. And that was the only thing  
21 I saw that -- that was the only thing I looked  
22 at, quite frankly.

23 CHAIRMAN MENENDEZ: Can we correct the  
24 minutes to include that on it? Or can we just  
25 make it on the record now, that he -- we'll

1 make it on the record now.

2 MR. HOLIAN: That's fine.

3 CHAIRMAN MENENDEZ: I think we are here.  
4 Who is missing today? No members are missing,  
5 so it should be okay.

6 All right. Anybody want to make a motion  
7 to approve the minutes?

8 MS. GOLDSTEIN: So moved. I will make a  
9 motion.

10 CHAIRMAN MENENDEZ: Okay. I have a motion.  
11 Do I have a second?

12 MR. SMITH: Second.

13 CHAIRMAN MENENDEZ: All in favor?

14 MR. SMITH: Aye.

15 MS. GOLDSTEIN: Aye.

16 MR. HOLIAN: Aye.

17 MS. KNIGHT: Aye.

18 CHAIRMAN MENENDEZ: Okay. Great.

19 And now that we have you here, we can talk  
20 about the Starbucks lease. I guess it's the  
21 second time you're coming back.

22 MR. ROBERTS: Right.

23 So I'm Leonard Roberts, from the Economic  
24 Development Department, and the City's also --  
25 the City's Asset Manager.

1           Last time I was here, we were in  
2           discussions about Starbucks relocating from  
3           Ponce and Miracle Mile to Ponce (sic) and  
4           Salzedo, in the current Supercuts location.

5           This Board had some comments in regards to  
6           the original deal terms. Those comments  
7           included the termination fee -- you guys had  
8           comments in reference to a termination fee. In  
9           regards to what -- you know, finding Supercuts  
10          a place to survive, which we're working with  
11          right now. You know, they're working with two  
12          brokers.

13          And also requested, in regards to the  
14          six-month abatement, you had requested three  
15          months abatement.

16          And, then, this lease was a ten-year term,  
17          with two -- four five-year terms, and you  
18          requested that those remaining two options be  
19          removed, or at market price.

20          So we went back to Starbucks, after meeting  
21          with the two other Boards, which are the  
22          Economic Development Board and Property  
23          Advisory Board, and what they came back to us  
24          at, is that -- this Board had no issue with the  
25          starting rate, but what they countered back at,

1 which was at \$45 a square foot -- they came  
2 like at a higher price, right, to compensate  
3 for that -- I guess, for the additional  
4 abatement that you guys requested, the three  
5 months versus six months.

6 The impact of going to \$45 versus \$44 over  
7 the first ten-year term is roughly \$20,000.  
8 They increased their termination fee from  
9 70,000 to 100,000. And the options, 1 through  
10 2, they increased the rate, so the City will  
11 make an additional \$400,000 over the first --  
12 over the options 1 through 2, for the first  
13 ten-year -- the second ten years, which would  
14 generate an additional \$400,000 in revenue.

15 (Simultaneous speaking.)

16 CHAIRMAN MENENDEZ: I'm sorry, you said,  
17 they didn't allow the City to go to market rate  
18 or are you suggesting a rate?

19 MR. ROBERTS: No. So the first two  
20 options, they would go up, versus -- it was  
21 originally, we request -- they had \$60.50, and  
22 then \$66. They went to \$69, from 60, and,  
23 then, from \$66 to 80, and then options 3 and 4  
24 to market rate.

25 MS. GOLDSTEIN: Okay. So can I make a --

1 can I question something that you said?

2 MR. ROBERTS: Sure.

3 MS. GOLDSTEIN: You said that this Board  
4 did not have an issue with the rate, but this  
5 Board did have an issue of the starting rate.  
6 So I just want to correct you on that.

7 MR. ROBERTS: Okay. So you did have a  
8 concern with the starting rate?

9 MS. GOLDSTEIN: Yes, because, if you  
10 remember correctly, we knew what -- we knew  
11 what their current lease was being raised to,  
12 or in and thereabouts, correct?

13 MS. KNIGHT: What is that figure?

14 MS. GOLDSTEIN: So that space and -- so  
15 that space is owned by -- that they're in now,  
16 is owned by --

17 MR. LEONARD: Terry Hill.

18 MS. GOLDSTEIN: Yeah, and they advised them  
19 that their rate was going to go up like  
20 astronomically. Do you remember what it was?

21 MR. ROBERTS: They didn't give me an exact  
22 rate, but I'm projecting it's going to be -- I  
23 think it's going to be like -- from my  
24 understanding -- they didn't tell me a rate,  
25 because, obviously, I would --

1 MS. GOLDSTEIN: We said a rate. I think we  
2 said a rate.

3 CHAIRMAN MENENDEZ: I think it was said  
4 three times as much.

5 MR. ROBERTS: Yeah.

6 CHAIRMAN MENENDEZ: But that was just what  
7 we thought that's what it was.

8 Yeah, they were hitting them with a three  
9 times increase.

10 MR. LEONARD: Yeah. That's what they told  
11 me. They didn't give me a rate. They said  
12 that the rate has gone up substantially, versus  
13 where --

14 MS. GOLDSTEIN: And their rate now is?

15 MR. LEONARD: What we're offering is --

16 MS. GOLDSTEIN: No. No. No. The rate in  
17 their current space.

18 MR. ROBERTS: Oh, I don't know the rate.

19 CHAIRMAN MENENDEZ: A quick question. The  
20 base rent per month, that's per month, \$99,000?

21 MR. LEONARD: I'm sorry, that's an error  
22 from the last report. I didn't correct it. It  
23 was annual.

24 CHAIRMAN MENENDEZ: Because I was going to  
25 say, we're getting the best deal in the world,

1 and I want you guys to know that if we get 1.2  
2 million dollars --

3 (Simultaneous speaking.)

4 THE COURT REPORTER: I'm sorry. This is  
5 where things like that happen.

6 CHAIRMAN MENENDEZ: I'm sorry.

7 MS. GOLDSTEIN: I'm sorry.

8 CHAIRMAN MENENDEZ: Okay, yeah.

9 Base rent per month was, actually, I think,  
10 the base rent per year.

11 MR. ROBERTS: Yes. That's where it should  
12 have been. And the starting rate was \$45 a  
13 square foot versus the 44.

14 The impact, over the ten-year period, is  
15 roughly \$20,000, an additional 20,000.

16 So you had requested going from six months  
17 to three months. The 20,000 doesn't exactly  
18 cover it, but the total would have been, let's  
19 see, 33 -- I'll tell you right now. Well, it's  
20 roughly \$50,000.

21 CHAIRMAN MENENDEZ: Yeah. I think that  
22 came into question, because, I guess, the  
23 amount they were putting into spending into  
24 leasehold improvements was about a million  
25 dollars. We had questioned that, even at \$500

1 a square foot, how that will help the City  
2 versus helping their future business and why  
3 they would take any sort of advantage, if they  
4 could afford to spend that much on the  
5 build-out.

6 I think that if we did the opt out option,  
7 as well -- we wanted like reciprocity off that  
8 option. Did that happen?

9 MR. ROBERTS: Well, what they were willing  
10 to do is go from 70 to 100,000. So that covers  
11 the annual rent, that originally was for the  
12 abatement and for the commission, but now they  
13 went up to 100,000, which is roughly a year's  
14 rent.

15 That will give the City more than  
16 sufficient time to find some tenant.

17 MS. KNIGHT: I know that you have a time  
18 constraint, and I'm sorry that this is just my  
19 second meeting, but what are current market  
20 rates on Miracle Mile?

21 MR. ROBERTS: Per Goldstar, in the CBD,  
22 they're roughly \$40 a square foot. On Miracle  
23 Mile, rent, per Goldstar, 42 and change.

24 Now, the actual market asking rates on the  
25 Mile are about \$60 a square foot, and so those

1 rates are based upon a flat rate, doesn't  
2 include a work letter, doesn't include a  
3 leasing commission, necessarily.

4 So, for instance, if they were to lease to  
5 another tenant -- to a new landlord, the  
6 landlord may give them a working letter for an  
7 additional CI allowance.

8 This, we're giving the space as is. We're  
9 not touching it. We are not doing any, you  
10 know, work towards it. What we're doing in  
11 consideration of that is giving them an  
12 abatement.

13 MS. GOLDSTEIN: I think we were all excited  
14 and encouraged about the lease and the move,  
15 but we wanted to make sure the City was getting  
16 as much for it for possible, versus excited to  
17 put someone there and not go for more.

18 MS. KNIGHT: Year 6 to 10, what is the  
19 rate?

20 MR. ROBERTS: Year 6 to 10 is 49.50.

21 CHAIRMAN MENENDEZ: One last question. The  
22 other two Boards that you took the deal across,  
23 were there comments?

24 MR. ROBERTS: The Property Advisory Board  
25 approved the deal yesterday. It hasn't gone to

1 the Economic Development Board.

2 CHAIRMAN MENENDEZ: Okay. And the first  
3 time around, they went to the Economic  
4 Development Board?

5 MR. ROBERTS: Yes. The first time around,  
6 it went to all three boards.

7 CHAIRMAN MENENDEZ: They had comments?

8 MR. ROBERTS: Yes. The Property Advisory  
9 had the most comments. I mean, they're  
10 primarily realtors.

11 And most of the terms that we reviewed, I  
12 mean, there's a lot of changes they requested,  
13 but they felt that this was a pretty good deal,  
14 versus where we were. The big thing for them  
15 is a market rate, to go to market. They would  
16 like to have gone to market a little earlier in  
17 the option period, but they felt very  
18 comfortable with it, because it's a  
19 long-standing tenant, and the end of that Mile  
20 is not as active as the Ponce side. So they  
21 felt as though the off-set, by bringing an  
22 additional business, having Haagan Dazs, having  
23 Starbucks on that side, will help to activate  
24 that area. So they felt pretty comfortable  
25 with it.

1 MS. GOLDSTEIN: And where are we in --  
2 where is Supercuts in --

3 MR. ROBERTS: Finding a different space?

4 MS. GOLDSTEIN: Right. Yeah.

5 MR. ROBERTS: The broker that I know that's  
6 working with them has showed them space, but  
7 I'm not sure, exactly, if they've signed a deal  
8 or not. They're not obligated to tell me if  
9 they have.

10 MS. GOLDSTEIN: Okay.

11 MR. HOLIAN: Just to be clear, we did go to  
12 market rate in the renewals?

13 MR. ROBERTS: Yes.

14 MR. HOLIAN: Okay. And the base starting  
15 rate that you were concerned about, we brought  
16 that up?

17 MS. GOLDSTEIN: Yes.

18 MR. ROBERTS: From 44 to 45.

19 MR. HOLIAN: Okay. And the termination of  
20 the lease, you're saying, since they're going  
21 to 100 grand from 70 or whatever, then that's  
22 our other concern?

23 CHAIRMAN MENENDEZ: Yeah. Giving us a full  
24 year to find a new tenant, in case they were to  
25 walk off.

1 MR. HOLIAN: All right. Okay.

2 MS. KNIGHT: And where is Haagan-Dazs  
3 going?

4 MR. ROBERTS: They're currently there.  
5 They relocated one store over.

6 CHAIRMAN MENENDEZ: Supercuts is the one  
7 that needs to get relocated. They're in the  
8 current space.

9 MS. GOLDSTEIN: It's at the corner --

10 MS. KNIGHT. Right. I know, but I have a  
11 picture -- I must have missed it.

12 MS. GOLDSTEIN: It recently went in.

13 Didn't they go in like last year?

14 MR. ROBERTS: They went in, actually, in  
15 July of this year. So they've been there for a  
16 couple of months.

17 MS. GOLDSTEIN: It's not like it's been  
18 there forever.

19 MR. HOLIAN: Didn't we have a Haagan-Dazs  
20 across the street that closed a few years ago?

21 MS. GOLDSTEIN: Coldstone.

22 MR. ROBERTS: Yeah. I think there was a  
23 Hagan Daz in the Village of Merrick Park, when  
24 they first opened.

25 MR. HOLIAN: Okay.

1           CHAIRMAN MENENDEZ: So if anyone doesn't  
2 have any other questions, I appreciate you  
3 coming back and taking a look at our concerns  
4 and addressing them.

5           Anybody else have any questions?

6           Do we need to go through those three  
7 questions, again?

8           MR. ROBERTS: Well, you guys answered them  
9 with a motion, but if you'd like, I can repeat  
10 them, just to kind of confirm what you guys  
11 want.

12           CHAIRMAN MENENDEZ: Yeah, that would be  
13 good.

14           MR. ROBERTS: Sure.

15           Okay. So part of the Procurement Code,  
16 there are three questions that this Board had  
17 to answer. Is the lease consistent with the  
18 property appraisal as required under Section  
19 2-2014?

20           That section says, whenever the City  
21 purchases or sells or is involved in a lease of  
22 real estate, and the fee simply value of the  
23 property being sold or the annual value of the  
24 property being leased is in excess of 250,000,  
25 the City shall, prior to consummating the

1 purchase, sale or lease have the property  
2 appraised by two real estate appraisers holding  
3 an AMI designation in order to determine the  
4 estimated market value.

5 This wasn't over or in excess of \$250,000,  
6 so the Board responded, the annual value of the  
7 lease is less than 250,000, so no appraisal is  
8 required.

9 What is the immediate impact on the current  
10 fiscal budget and the long-term effect of  
11 future budgets, the long-term overall effect in  
12 the City?

13 And the long-term effect is that the City  
14 will have ten years of rent as a result of this  
15 agreement. The proposed rent rate is an  
16 increase over the previous tenant's rate.

17 Consider the City's Mission Statement, are  
18 there other alternatives other than entering  
19 into a proposed transaction?

20 This Board responded, and these are  
21 responses that I had suggested, so the response  
22 was, this transaction is appropriate, as this  
23 is lease space that will generate income for  
24 the City, a property chain that's an establish  
25 business in Miracle Mile and direct pedestrian

1 traffic closer to the 300 Block of Miracle  
2 Mile.

3 CHAIRMAN MENENDEZ: Okay.

4 MR. ROBERTS: Are you also in agreement  
5 with those responses?

6 CHAIRMAN MENENDEZ: I am.

7 MR. HOLIAN: I am.

8 MR. LEONARD: Okay. Will you guys move to  
9 pass this deal?

10 CHAIRMAN MENENDEZ: I would make a motion  
11 to move for passing the deal as is.

12 MR. HOLIAN: Second.

13 CHAIRMAN MENENDEZ: All in favor?

14 MR. SMITH: Aye.

15 MS. KNIGHT: Aye.

16 MS. GOLDSTEIN: Aye.

17 MR. ROBERTS: Okay. Thank you very much  
18 for your time.

19 CHAIRMAN MENENDEZ: Thanks a lot.

20 MS. KNIGHT: You are on schedule.

21 CHAIRMAN MENENDEZ: All right. So next up  
22 is Lori. Lori is going to be doing a  
23 Historical Research Department Audit.

24 Then we've got a budget update.

25 And I do have to be out of here by 8:45.