

City of Coral Gables City Commission Meeting

Agenda Item E-5

October 9, 2007

City Commission Chambers

405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Slesnick Donald D. Slesnick, II

Vice Mayor Maria Anderson

Commissioner Rafael “Ralph” Cabrera, Jr.

Commissioner William H. Kerdyk, Jr.

Commissioner Wayne “Chip” Withers

City Staff

City Manager, David Brown

City Attorney, Elizabeth Hernandez

City Clerk, Walter J. Foeman

Deputy City Clerk, Susan Franqui

Cathy Swanson Rivenback, Director of Development

Don Nelson, Finance Director

Kevin Kinney, Parking Director

Public Speaker(s)

Steve Helfman, Special Counsel

Barry Abramson, Real Estate Advisor

Patty Greenberg, National Health Care Consultant

Rip Holmes, Coral Gables Property Owner

E-5

Ordinance on First Reading. An Ordinance of the City Commission of the City of Coral Gables authorizing the acquisition by the City of the Palace-owned parcel and the simultaneous ground leases of the City’s public properties for their development as a Senior Housing Facility by and between the Palace Management Group, LLC, a Florida Limited Liability Company (“Palace”), and the City of Coral Gables, a Florida municipal corporation, pursuant to Ordinance No. 2004-30, of City-owned property located at 45 and 50 Andalusia Avenue, Coral Gables, Florida and privately owned property located at 83 Andalusia Avenue, Coral Gables, Florida, the legal descriptions and folio numbers of which are set forth as follows:

- (1) 45 Andalusia Avenue (City-owned Municipal Lot 9) Lots 35 through 43 and Tract B, in Block 4, of CORAL GABLES CRAFT SECTION, according to the Plat thereof, as recorded

in Plat Book 10, Page 40 of the Public Records of Miami-Dade County, Florida:

Folio No. 03-4117-005-0890

(2) 83 Andalusia Avenue (Palace owned Parcel-f/k/a Melody Inn Parcel) Lots 44 through 47, in Block 4, of CORAL GABLES CRAFT SECTION, according to the Plat thereof, as recorded in Plat Book 10, page 40, of the Public Records of Miami-Dade County, Florida.

Folio Nos. 03-4117-005-0971; 03-4117-005-0980 and 03-4117-005-0990

50 Andalusia Avenue (City-owned Parking Garage 5) (The “Parking Garage”): Lots 10 through 20, in Block 5, of CORAL GABLES CRAFT SECTION, according to the Plat thereof, as recorded in Plat Book 10, page 40, of the Public Records of Miami-Dade County, Florida.

City Manager Brown: Ms. Swanson.

Ms. Swanson Rivenback: Thank you Mr. Manager, the title is as long as the lease. The City is entering into a ninety nine (99) year lease agreement, which is actually thirty plus, thirty plus, thirty plus nine, and we are following very specific procurement code procedures in order to bring that even to you. Good morning Mayor and members of the City Commission, the lease that we are talking about is between the City of Coral Gables and the Palace Group for the redevelopment of Lot 9 and Garage 5 on Andalusia; there addresses are 45 and 50 Andalusia, and they are immediately across the street from each other between Galiano and Douglas Road. Before I begin though, allow me to introduce those in the audience that have allowed us to reach this position today. First we have representatives from the Palace Group; we have Jacob Shaham, Helen Shaham, and Zack Shaham, who's talking in the audience, thank you for coming. We have Adam Rosenblum, [inaudible]... specs marketing and specs for the Palace; we have Oscar Roiz; Oscar is the CFO, and every time I call Oscar he says its like getting pulled over by a Police Officer, I'm not exactly sure what it means, but we very aggressively negotiated this on behalf of the City and we think we have a win/win agreement, so I won't take that personally; Mario Garcia Serra and Nancy Lash are representing Greenberg Traurig; Joel Goldman was also involved in the negotiations and he has left Greenberg Traurig and went with Bayview Financial here in Coral Gables; and Fullerton Diaz, I saw John Fullerton in the audience; the artistry of the Fullerton Diaz making this project happen; from the City side we have Barry Abramson, the City's real estate advisor answering any financial questions you have; National Health Care, Patty Greenberg and Bob Matrazzo. You wanted to make sure from the very beginning that we dealt with the very specific

issues associated with senior housing and we brought experts on to help that. The City Attorney worked with Weiss Serrota as Special Counsel, Steve Helfman and Ignacio Del Valle, and Ignacio actually took the very detailed lead in the drafting, and we appreciate that. Retail development – we wanted active retail on the ground floor so we brought in Strategic Mindshare; from the internal City side Michael Sparber was absolutely helpful in drafting the insurance provisions and with the assistance of Tony Abella, Sr., and then the City Manager wanted to make sure that what we were really negotiating could really be built, so he put together a very helpful meeting with the regulatory side of the project, Building and Zoning and Planning so we knew what was being proposed could actually be realized at the end, and we found that very helpful. I also have Dr. Schiff here; Dr. Schiff is with the Senior Advisory Board and he was one of the eight Evaluation Committee members that considered this project and shepherd it through, and he has been our link to the Senior Advisory Board and the pulse on this project from the very beginning, and we appreciate that. I'm going to just show a small chart that shows that we've been here with you several times. You first allowed us to hire the consultant; she came back Patty Greenberg and Bob Matrazzo – came back to help us understand what the difference was between independent living, enhanced living, congregate living, assisted living, nursing; so that when you wanted, the RFP developed, it would encapsulate the kinds of uses you wanted because you used as one of your important goals to do something for senior housing; we're losing our senior residents; the City doesn't have this kind of offering, and you were so committed to that that you allowed the City to put parcels of land into that equation, provided replacement parking was met. In February '06, you authorized the issuance of the RFP, heavily marketed it, went to a variety of senior housing experts around the country, developers that have done it before; we only received one proposal coming back. The Certification Committee reviewed it against the requirements that were listed in the RFP; and it not only met the basis of it, it surpassed the requirements of the RFP so it certified the application and brought it forth to the Evaluation Committee. The Evaluation Committee was consisting of a member of Property Advisory Board, Budget Advisory Board, the Economic Development Board, the Senior Advisory Board, the Business Improvement District, the Senior Citizens Coordinator, and also some other City staff to help consider this process. Our office did not formulate a recommendation; we were watch dogs in the process to make sure that all of the procedures were properly followed. In July '06 the Committee through our office came to you and presented the findings of the Evaluation Committee and the findings of the City Manager, and you authorized us to commence negotiations with the Palace Group. We brought back to you on January 23rd in '07 the Memorandum of Understanding; that brought the business terms together in one document so that we could use that as the basis of negotiations. We came back to you in July to present certain business standards, operating standards, parking standards, residential standards that would become items of the exhibits and grounds for default if they were not met; and also Barry Abramson presented to you the financial terms. So in July you saw the very salient parts of the exhibits and the items that were guiding the document; and through this whole summer we went through the Procurement Code process; you have a very detailed process on the issue of any lease, sale, rent, swap, air-rights; you have to go through a public process involving several Boards, several departments, several procedures, and we followed that through during the summer. And today we bring to you on First Reading, it is a two reading procedure – we bring to you on First Reading the lease agreement that

we have before you. So you've seen different parts of this all along the way. I want to first explain the development and then we'll go over the lease agreement. You have two leases in front of you; they are very involved agreements; you allowed us to brief you on the salient points previously, but I also say to the public that at any point if they want to come and review the document to sit down and meet with us so that they also understand what the Commission is considering; they are free to come to our conference room, we will sit down and give them whatever time they need so that they understand the document and the consideration that the City Commission is looking at. Now, I have a – just scanned an enlarged drawing, there are smaller drawings they are actually quite pretty, but it gives you an idea of this is the residential building, 97 feet, 245 units, ground floor retail, there is a walk-through, much like 55 Miracle Mile. There's a walk-through that helps connect the sidewalk up to the walk-through to Miracle Mile, so people are parking in the garage. They can come through and go through without going around up Galiano or Douglas Road; it's really a very lovely project, and we're required elevations from all four sides, because it's not only the front door of Andalusia, it's the backdoor of Miracle Mile, and we wanted to make sure that, that impression was the way that the Commission would want it to look as you front on Miracle Mile.

Commissioner Cabrera: Ms. Rivenback.

Ms. Swanson Rivenback: Yes sir.

Commissioner Cabrera: I'm guessing then by your presentation or that of the developer that that's what the building is going to look like?

Ms. Swanson Rivenback: Yes sir.

Commissioner Cabrera: So the robotic parking system that would reduce the elevation of that building by half that's been taken off the table.

Ms. Swanson Rivenback: I'm sorry sir; this is the residential building to the north.

Commissioner Cabrera: OK.

Ms. Swanson Rivenback: This is the building where there is no parking that is included in this building; the parking is actually to the south on the southern Andalusia side. The way that it is proposed now it is seventy-eight feet (78'), if it was robotic parking it would be forty-five feet (45'), but the way that this lease is drafted it is for traditional parking at the seventy-eight feet (78'), it's actually eight floors; one floor roof, ground floor retail; it is within the parking – the height allowances and it is at this point done in traditional. We had said to them that if during the process – because you are looking at it right now as a landlord, you are going to have it come back to you in your regulatory capacity that if they wish to revise it and propose robotic, they need to include that in their regulatory discussions with the City Commission when they come back.

Commissioner Cabrera: I can't speak for this entire body, and certainly now that my colleague Mr. Slesnick is back, I'll speak more freely about it; I can't speak for this entire

body, but I will tell you that I am extremely intrigued, and supportive of any efforts you have to reduce the elevation of the southern section of this property; and to use all efforts to develop the correct technologies to make this a legacy project, not just a standard old parking garage with lots of columns, and lots of ramps, but to take a shot at it. Again, I can't speak for this entire group, I can only speak for my office and I can just share with you and continue to share with you that I'm extremely intrigued by it. Mr. Fullerton knows about it, I've done a great deal of research on it, and I hope we won't be shallow thinkers, and that we will consider all the alternatives necessary to make sure that this is the very best project that the City of Coral Gables can support. That's my only comment on the robotic parking for today; I'm going to save my big comments for the regulatory process, if and when it comes.

Ms. Swanson Rivenback: It will be coming.

Commissioner Cabrera: Good.

Ms. Swanson Rivenback: It will be coming. The City Attorney likes to make sure that we separate what is landlord positioning and what is City.....

Commissioner Cabrera: I understand. Thank you for letting me throw in my two cents about robotic parking.

Vice Mayor Kerdyk: Let me just also say something about that. When you come back with the regulatory process, I would like to see some statements on robotic parking in general, because I have reviewed it when I was in Europe this past summer and also in Japan, and they are very, very, successful with the robotic parking in those locations there; and so I would like to see it whether it happens in this place or whether it happens in another parking garage, since we've had so much discussion about this at this level here at the City Commission, it would be helpful if you would bring us some definitive thoughts and articles about robotic parking so we can put this to closure at some point, alright.

Ms. Swanson Rivenback: Understood sir. Much more intelligent than I am is your new parking Director and perhaps the Development Department, the Parking Department, and the Manager's Office could work, and the Planning Department, any of the other – the Manager might want to call a meeting and bring us together to properly research and present to you.

Commissioner Cabrera: The bottom line is that the last time this project came before us you showed us two renderings of the southern portion of the building. One rendering had four stories and the second rendering had eight stories, and I think the differences in square foot or elevation was eighty seven versus forty five.

Ms. Swanson Rivenback: You actually have those in your packets at the end of the document that are folded over in the envelope. I didn't enlarge that because it was in color and.....

Commissioner Cabrera: And it's controversial anyway.

Ms. Swanson Rivenback: Understand that in my opinion this is going to be a very beautiful project for Andalusia; they have very sensitively dealt with not only landscape, but pedestrian streetscape for scale and we are really very proud of it. The garage is also attractive; it just wasn't done in color, so I opted for the color version.

Mayor Slesnick: If we are going to go into the full discussion of robotic parking again then I'd like to not only schedule another presentation by our own Parking Director, but I'd like to call on other parking officials in South Florida and elsewhere for their opinions.

Commissioner Cabrera: Let's do it.

Ms. Swanson Rivenback: I'm sure the Manager.....

Mayor Slesnick: I mean, we talked about this, and we talked about experimenting on a smaller size, smaller capacity garage before we would commit to committing six hundred cars or so to that.

Ms. Swanson Rivenback: We are here for the lease agreement.

Commissioner Cabrera: I know, but this is good, the fact that the Mayor wants to bring this back up is actually refreshing, I'm looking forward...

Mayor Slesnick: I'm looking forward to it.

Commissioner Cabrera: I'm glad you are going to do it because I think it will be a worthwhile debate and democracy....

Mayor Slesnick: I hate to see the senior project go down the tubes over parking.

Commissioner Cabrera: Well it's an important ingredient. When you think of a senior citizen going up eight stories on a ramp to find a parking space, I think it will mean a lot to the quality of life of their residential component.

Ms. Swanson Rivenback: We'll come back – I don't come back to you with regulatory.....

Mayor Slesnick: Ralph, you've talked about how seniors don't like parking garages, they don't like things new, they want side street parking, they want to park at meters, and I can tell you that there's hesitancy or more hesitancy to give their car robotic systems than they are to parking themselves.

Commissioner Cabrera: Well let's see what happens Don, you have your position and I have mine, and I happen to have studied this process and I've studied this project.

Mayor Slesnick: We've heard about Hoboken.....

Commissioner Cabrera: No, there are other places; Europe has been doing it for many, many years so has Japan, and so has other progressive countries.

Ms. Swanson Rivenback: We understand we'll get direction from the Manager and we'll put together consultants and experts that can answer this.

Commissioner Cabrera: That's all we want to do. The process yields that's it's not a good idea. I'm all for it as long as it doesn't – I could agree with him – as long as it doesn't become a politicized process.

Ms. Swanson Rivenback: I understand. Regarding the lease agreement, I will come back to you as a part of the regulatory because our role is strictly landlord; so our focus is getting a lease agreement that works for the City and works for the developer, and this discussion might be helpful, so that you all know where they are briefly in the process for that discussion to continue. If the City Commission authorizes votes on First Reading, and there are four votes that are necessary because it is an ordinance related to land, and we come back to you on Second Reading in November, then it's not until January 4, 2009 that they will take possession of the property. They will need to have those construction plans done; those building permits issued; those payment and performance bonds..... they will be giving us Melody Inn. For the public that doesn't know the Palace purchased for three point five million dollars (\$3.5M) Melody Inn, so that they could meet the concerns of the Evaluation Committee in the City to increase the number of one bedrooms; decrease the number of studios and just let the project flow out a little more. At three point five million dollars (\$3.5M), they accomplished that. They would also need to do third party reimbursements; the CDD formation, and I'll speak specifically on that; so there are a lot of things that need to be done after the Commission authorizes execution and before the building permits are physically issued. Now, I mentioned briefly that the Commission and the Evaluation Committee wanted more one bedrooms, less studios, and I wanted you to see from the residential building – the building to the north – it's a two hundred and forty six thousand square foot (246,000 sq. ft.) building, ninety-seven feet (97 ft.), nine (9) stories, and I'll address the issue of nine stories in a minute, two hundred and forty (240) residential units, fourteen thousand square feet (14,000 sq. ft.) of ground retail – retail that we required because we want to activate Andalusia Avenue. In terms of unit mixes now, we asked in the RFP eighty percent (80%) independent or congregate living, twenty percent (20%) assisted, those numbers play out here. So we would have forty eight (48) studios, one hundred and thirty-eight (138) one bedrooms; two bedrooms there'd be twenty-four for a total of two hundred and ten (210) on the congregate living side; and eight (8) studios, twenty three (23) one bedrooms, and interestingly four (4) two bedroom on the assisted. The way that the Palace has committed to develop this is that the beauty of an assisted living room and the size is the same as a congregate living room. So there are not lesser units or lesser offerings all because an increase of care is needed. So we've put down what the ranges are studios – remember they want them out of their living units and into the general areas and join a variety of public offerings. So studios, three hundred and seventy five feet (375) to four hundred and eighty three (483); one bedrooms, six twenty five (625) to eight forty two (842); and two bedrooms, about nine

hundred and thirty five square feet (935 sq. ft.). So you have two hundred and forty six thousand square feet (246,000 sq. ft.); the total project is a ninety-seven million dollar (\$97,000,000) project; and your role in this is a very critical role, you are providing the land and your highest cost is opportunity cost. In our financial revenues in our negotiations we calculated those parking spaces today; how much money is the City getting, and we subtracted any future revenues from the Palace against those. The parking garage as it is included in the lease agreement is five hundred and forty two (542) parking spaces. Three hundred and thirty seven (337) of those parking spaces are public replacement spaces required as a part of the RFP the MOU and the lease agreement. Kevin Kinney has done a fabulous job putting out defensible auditable parking standards even to the point where he addressed the lighting, and the candles, the lument in the garage so that that garage functions well for shoppers, for permit parkers that use it today, the whole garage will come down, a new garage will come up, and then the addition two hundred and five (205) spaces employees of the Palace, residents of the Palace, and I neglected to say a very important point that a revision in the new plan includes a porter cashier drop off on Andalusia Avenue, and complimentary valet parking for all residents of the Palace. So if they are driving in and they wish to leave their car in the very front entrance of the Palace, off the street into the porter cashier, they can do that and Palace staff will valet park that vehicle for them. The three hundred and thirty seven (337) spaces, remember you required they be City standards, City rates, same price, whether you are in a regular public garage or the Palace garage. There are probably four hundred (400) pages of agreements in front of you; two specific leases, one that deals with the residential building; one that deals with the parking, but they are joined at the hip, they cannot separate the two agreements. I wanted to talk about some of the unique provisions of the agreement; acceptable operator – a critical importance to you with the ninety nine (99) year lease agreement who we are dealing with today and who we might be dealing with in the future. You have twelve different criteria that have to be met by an acceptable operator if a new operator is going to come; and then it still has to be brought back to you and you as a Commission; still get to decide, noting the criteria, but not obligated to follow them exclusively whether or not that meets the intent of what your version was of acceptable operator. They are guidelines but it is not an automatic. Our senior housing consultant helped us develop those, and we believe that they are very, very good. Commissioner Withers asked a question before at the last meeting on what's a senior, and tell us about how that priority would really work. The way that this lease is drafted a senior is sixty two (62) years old, everything has to comply with the Fair Housing Act, Gables priority is.....

Vice Mayor Kerdyk: I just had to say that by the time it gets done Chip might be there.

[LAUGHTER]

Ms. Swanson Rivenback: Well if he was he'd get priority because he is a Gables resident. Your Commission wanted to make sure that all Gables residents and their families receive priority placement if there was a waiting list. That priority placement runs the length of the lease. So thirty years from now when perhaps Commissioner Withers is ready to come in, he would still have that priority within the waiting list.

Commission Withers: Thank you Cathy.

Ms. Swanson Rivenback: Payment in lieu of property taxes -- two points here -- one is your Commission is painfully aware that property tax formulas and situations are changing; we agreed on a base line of revenue because we considered that revenue in calculating our long term rent returns. So if that changes you at least have a baseline of revenue as it relates to real estate taxes.

Mayor Slesnick: Since I qualify do I have to requeuse myself?

Ms. Swanson Rivenback: You'd have to ask the City Attorney and take her direction.

City Attorney Hernandez: You are one of them. Sure a large percentage of residents that qualifies so you cannot requeuse yourself.

Ms. Swanson Rivenback: We built in another provision and that is the right to cancel if the land use change is unsuccessful. I mentioned before that this is ninety-seven feet (97), which is what the zoning goes by linear feet now, not number of stories that is permitted in Zoning Code, it's the right linear feet for the Comprehensive Plan; but the Comprehensive Plan has not yet been updated to remove the number of stories referenced. The City is going to do that; it has presented that to you before but the process is time consuming and, rather than hold up this project, we built in here that they have the right to go for a land use change, it is considered a small scale map amendment change, and tie it to the sight plan. So that ninety-seven feet (97), that's nine (9) stories, that building that you see here would be all that they could build if a map scale amendment was approved. We are not giving them one linear foot of additional height in allowing that. We also said that if they are not successful in accomplishing it they will have the right to cancel the lease because that ninth floor is absolutely critical in their economic equation. The establishment of a CDD for public parking only, and a City guarantee of up to thirteen million (\$13M). Now, I'm going to briefly summarize it, and if you have additional questions.....

Commissioner Cabrera: Madam Director, tell the public what CDD stands for.

Ms. Swanson Rivenback: Absolutely. The State of Florida allows an establishment of a Community Development District for certain public infrastructure improvements. Through negotiations what we are proposing is that the City Commission allow the Palace for only that three hundred and thirty seven (337) public parking spaces, not for the additional two hundred and five (205), that they carve out that -- three hundred and thirty seven spaces and they allow tax exempt financing to create those and run those three hundred and thirty seven spaces. Absolutely appropriate, because this is public replacement parking; this isn't parking for their retailers zoning required parking. There are several procedures that have to be followed in order to create a Community Development District; we've gone through that with the negotiations -- their experts and our experts, and our legal counsel has said at the end of the day that they want what's called a bond validation process. So will go through, Commission will consider, Dade County will consider, the documents can be prepared, but a whole bond validation

process where the Circuit Court is saying: “Yes, this is legally appropriate, and in order” is important as a part of that Community Development District. Why we want to do the CDD is in order to save money in the construction when the parking spaces are over twenty five thousand dollars (\$25,000) a space. That is an eight point five million dollar (\$8.5M) if not more required contribution into the project.

Commissioner Withers: What’s the collateral on that bond?

Ms. Swanson Rivenback: Through the negotiations what came surfaced was that in creating the CDD the improvements – the CDD is paid for by an Assessment District that is created. That Assessment District is only the Palace Improvements, so they have to pay for it; they have asked for – it’s not our land – it’s the Improvement’s, they have asked for a City guarantee. They ask for a City guarantee only for the three hundred and thirty seven spaces obviously, but up to thirteen million dollars (\$13M). Now I want to talk through why we are recommending that guarantee. In order for that guarantee to be called, the Palace would have to not meet the payments of the Assessment District. The financial institution would be – that would put the Palace in default – the financial institution has the right and time to cure that default, so they would need to step in and make those payments. If they don’t make the payments then the bond reserves would step in. If there are insufficient bond reserves – not the City’s bond reserves, but the Community Development District bond reserves – if there are insufficient bond reserves to pay that, then the amount required up to thirteen million dollars (\$13M) would be the City’s, but if that happened and those triggers came into play, then the City would move to own it all. We would get not only the three hundred and thirty seven (337) spaces, the total five hundred and twenty five (525) space garage, but the two hundred and forty thousand square foot (240,000 sq. ft.) residential building to the north. They don’t want that to happen. We would prefer it not to happen, but this is a guarantee that both your Special Counsel, and that’s why we included it into the documentation, and your Financial Advisor has said this is minimal risk for the City.

Commissioner Withers: But I guess my question would be to Don is, would we have to list that as a contingent liability on our balance sheet?

Mr. Nelson: The financing of the CDD does not require us to put it on the financial report, and two questions arose; one is, does it impair our ability to issue future debt?- no it does not. The second question is does it affect our credit rating of our existing or future issuance of debt?- the answer is no. So the concern with the credit agencies – what we are doing is backing up -- is guaranteeing in the event of default on the thirteen million. It doesn’t come into play unless that happens, so therefore we don’t have to report it on our financials, we do have – it does not impair our ability to issue future debt not does it impact our credit rating.

Ms. Swanson Rivenback: Thank you Commissioner Withers for that because as I was listing staff that had been involved I neglected to list Don, and he has been absolutely critical in this CDD process because we wanted to make sure it didn’t impact the City’s bond rating or the City’s borrowing capacity. There is a report that is being issued by his Bond Advisors, and the office is paying for that report, and then we will charge the

Palace against it. You will recall all of the third party expenses are to be paid for by the Palace up to the three hundred thousand (\$300,000). So that is a report that you will have before Second Reading. He's had his verbal but he didn't get it in writing yet. The CDD I know is a complicated process for the public, but just a summary; it's only for the three hundred and thirty seven (337) spaces; it's a thirty two (32) year because we start the process now. At the end of the thirty years the City has the three hundred and thirty seven spaces. We talked a little bit about the thirteen million dollar (\$13M) guarantee only as a last resort; Palace defaults; banks defaults; CDD reserves are not enough and the improvements becomes the City's; the improvements both north and south of Andalusia, route three, but it does not impact the City's bond rating or borrowing; and I talked about the bond validation process. That and the land use map change are probably the two sticker items within this lease agreement. It is long and exhaustive; if you want to talk insurance; if you want to talk condemnation; any aspect of it, we have the experts here. We reviewed with you last time the residential operating standards; the financial terms, but clearly Barry is here and our senior housing consultant is here. If you would like to revisit or refresh on any of those. We are recommending – the Manager is recommending these two lease agreements; agreements that are joined at the hip having followed the procurement process, and we stand ready to answer whatever questions; we've brought everyone of the experts that helped us reach this point here, as well as the Palace because at the end of the day its their ninety seven million dollars (\$97,000,000).

Commissioner Anderson: I have a question about the bond validation process.

Ms. Swanson Rivenback: He'll answer it better for you Commissioner.

Commissioner Anderson: That's fine; no problem. Mr. Helfman, you are welcome to come up. It's actually a very simple question. Does that bond validation process obviously include review of financial record and all of the other things? Just give me a twenty-five words or less thought process on it.

Mr. Helfman: Absolutely. The court will ultimately issue a final judgment that says that every aspect of this transaction, the leases, the bonds, the guarantee that we spoke about, everything is valid and enforceable, and it is sort of the "belt and suspenders" approach to this whole process. It is a court approval of the entire transaction.

Commissioner Anderson: And that's exactly what I wanted to clarify, because not only do we approve it, but a court reviews it in depth with financials, with everything; everything is taken into account and they render an opinion separate and a part from what we do as an approval process through the landlord – our landlord capacity.

Mr. Helfman: That was our condition to this lease, and equally as important, possession of the property is not given up until that happens.

Commissioner Anderson: Absolutely.

Mr. Helfman: It is a condition to the City giving up the possession of the property, so they need all the zoning approvals, regulatory, all of the building permits, they need all

their financing in place, and they need a final judgment of the court blessing this project before we hand over the property.

Commissioner Anderson: So the citizens of Coral Gables can stand rest assured that this has been looked at in depth.

Mr. Helfman: They can't get any more protection than that; that's the judiciary telling you that this is a valid project.

Commissioner Anderson: Thank you very much.

Ms. Swanson Rivenback: Can I answer any other questions?

Vice Mayor Kerdyk: Can I talk to Barry for a second please? Good morning Barry.

Mr. Abramson: Barry Abramson, Abramson and Associates, glad to see you all again.

Vice Mayor Kerdyk: Barry, great to see you. One hundred and twenty thousand dollars (\$120,000) a year first year – second year of the lease, then the increase is ten thousand (\$10,000) per year up to maximum of two hundred and fifty thousand (\$250,000) in year fifteen through thirty, correct.

Mr. Abramson: Um huh.

Vice Mayor Kerdyk: Base rent. My question is more toward the percent rent which starts out at point zero five (.05) the fourth year, increase point one (.1) years – I guess it would be years through fifteen, and then two percent (2%) thereafter, correct?

Mr. Abramson: Right.

Vice Mayor Kerdyk: As far as the percentage rent goes your projections – on conservative rent data, how did your projections...how did you...what kind of data did you...?

Mr. Abramson: We felt that they were in a reasonable range.

Vice Mayor Kerdyk: Reasonable range.

Mr. Abramson: Yes.

Vice Mayor Kerdyk: Did you secure that data or did they provide that data to you? How did you do that?

Mr. Abramson: Well there were projections provided by Palace; they were reviewed operationally by Patty and Bob who are senior housing specialists; and we looked to them for their guidance; and we looked at a number of different scenarios in terms of what kind

of a premium could be garnered in Coral Gables; and I think we ended up using the numbers that were the conservative committal end of that range.

Vice Mayor Kerdyk: Alright. And then you looked at – you figured out what those would be and then you added what we were going to get from taxes real estate – projected taxes.

Mr. Abramson: That's right. And the real estate tax projections, we took a conservative approach there that we based it not on a capitalized value of the project, what somebody would purchase it for, but as you know there's often a gap between the aspiration for a true market valuation on the part of Dade County property appraisers and all other jurisdictions and what they really are. So we looked at after conversations with the County on that – we looked at the cost of constructing the project, from a construction cost standpoint and a market land valuation, and then took the conservative adjustment against that; and we simply applied that and increased it at two percent (2%) a year going out into the future. So its well below what market value should be.

Ms. Swanson Rivenback: Excuse me Commissioner – Vice Mayor, one addition; in addition to guarantee base fronts we also subtracted out what the loss revenue would be for parking, so you had a real net revenue.

Vice Mayor Kerdyk: I recognize that.

Commissioner Cabrera: Your questions that you've asked obviously because of the professional experience you bring to the table, but you seem to be comfortable with it.

Vice Mayor Kerdyk: That's why I wanted to find out what he was basing his projected rent on, because so much of our income is derived from projections; and if he feels they are somewhat conservative, I feel a lot more pleased with that situation, if he feels we went out on a limb and really – which I didn't expect you to say, but if you were to say that I'd be a little bit more hesitant about proceeding forward with this financial model.

Mr. Abramson: I think I can – maybe I shouldn't speak for Patty and Bob, but correct me if I'm wrong, we felt that there was, you know, not a huge standard deviation around the operating numbers. I mean, significant, you know, to Coral Gables garner a two percent (2%), or five percent (5%), or maybe some greater premium over let's say what Palace is seeing in Kendall.

Ms. Swanson Rivenback: I have personally had discussions with the property owner and he – this current property owner is in favor of having that easement continue, but I'll ask the City Attorney and our Special Counsel to research that with us.

Mayor Slesnick: It seems like having the easement benefits his shop as well as anybody else, and makes it more valuable since the parking is behind the Mile or lots of the parking.

Vice Mayor Kerdyk: The problem is he is paying real estate taxes on that.

Mayor Slesnick: I'm saying, but that's exactly the point, and that is there maybe ways for us to work out, you know.....

Ms. Swanson Rivenback: And that maybe a formula that we use in other areas where we want to encourage walk-throughs; I understand what you are saying.

Vice Mayor Kerdyk: I think that's something we need to look at – where we are going. Thank you.

Ms. Swanson Rivenback: Are there other questions?

Commissioner Withers: I have a question. At one of the previous meetings we talked about the use of the residents using their own independent contractors; is there anything in here that covers that?

Ms. Swanson Rivenback: Yes sir, Patty? Can you come answer that...the residents of operating standards. They are allowed to bring third party into the property if they wish to, and we covered that.

Commissioner Withers: I'm more concerned about two issues; number one, the insurance requirement for an independent contractor, either hired privately by an individual or the insurance requirement of an independent contractor hired by the management company.

Ms. Greenberg: Commissioner, Patty Greenberg again; in six and three point one seven I believe this is Exhibit "E" of the lease, there is a discussion.....

Commissioner Withers: You have a page number on this?

Ms. Greenberg: Its page six of Exhibit "E", in that section all independent contractors brought in by the residents are required to provide their license, evidence of insurability, background checks.....

Commissioner Withers: I'm sorry....who is responsible for getting that information?

Ms. Greenberg: Excuse me?

Commissioner Withers: Who is responsible for providing that information?

Ms. Greenberg: The operator is responsible – the acceptable operator – the Palace Group is required for any third party health care provider that comes into the property even if they are privately brought in by the resident to obtain that information and keep it on file to assure that the person is appropriately licensed, criminal background check has occurred, as well as there is evidence of insurability.

Commissioner Withers: OK – so if I'm a resident there and I want to bring in an independent nursing group, then the Palace reviews that person prior to the acceptance of that individual, and then you have to... what are there... do they have the right to deny that person?- I guess is there – are we holding that individual provider to the same

accountable insurance standards that we are holding the Palace to – the five hundred thousand dollar liability; the five hundred thousand dollar workman's comp; the two million dollar aggregate on – what I don't want to have happen is the Palace to set higher insurance requirements to keep independent contractors out of the building.

Ms. Greenberg: Oh, I wouldn't expect that to happen.

Commissioner Withers: I wouldn't either, that's why I'm bringing it up.

Ms. Greenberg: Actually I don't believe we set a specific insurability standard for the individual.

Commissioner Withers: I think we might want to address that.

Ms. Swanson Rivenback: Would you want – can someone from the Palace answer that question? When a third party comes – today at your facilities what are the review procedures that allow a third party.....

Commissioner Withers: I don't need – I'm fine, you don't need to address that, it was just something for next time. I think we should make sure that whatever standards we put in place or they put in place for their third party contractors are basically the same standards that we have in place for them.

Ms. Swanson Rivenback: We'll get that...

Mayor Slesnick: Well, Chip there is an issue with that though, for instance if there are people in the facility that want to use a nurse from a nursing registry, they are independent contractors, they wouldn't be required to have worker's compensation.

Commissioner Withers: So how do you deal with that?

Mayor Slesnick: Well, I'm saying, you are going to deny them the ability to have less expensive help that they wish to have if you require that, and I think that needs to be looked at, while you look at this and report back to Commissioner Withers.

Commissioner Withers: That's the general issue; that's a very good point; I never even thought of that, but you are right, if they are independent nurses they won't have it.

Mayor Slesnick: They may, but many of them don't carry worker's compensation, it's not required and the State does not require that.

Ms. Greenberg: We'll take care of that before Second Reading.

Ms. Swanson Rivenback: We do have a procedure where we check their licensing though. If they come in as an official nurse then they need to have the credentials to....

Ms. Greenberg: And pass a criminal background check.

Commissioner Withers: I would really encourage that process to be in the tenant.....

Mayor Slesnick: According to your thing...

Ms. Greenberg: Tenant documents.

Mayor Slesnick:....you've required them to have fair housing, harassment act, criminal background checks.

Ms. Swanson Rivenback: Those are the requirements of the Palace, not the third party.

Mayor Slesnick: But what Chip is asking and you referred him to Exhibit "E", and I'm reading Exhibit "E", does that also – in other words, do they make sure that independent persons coming in....

Ms. Swanson Rivenback: The background checks, yes.

Mayor Slesnick:... actually what they should do, I think Chip, what they should do is they should make sure the persons coming in meet the Florida Statutes; there are Florida Statutes which cover the requirements for home health care, and there are Florida Statutes which require nurse registries and so forth, and that they need to meet the Florida Statutes.

Commissioner Withers: OK.

Ms. Swanson Rivenback: And we will clarify that exhibit before Second Reading.

Commissioner Withers: That's fine.

Ms. Swanson Rivenback: Patty's expertise.

Commissioner Withers: And as far as the annual review adequacy of insurance, it just kind of leaves it, I don't want to say it's vague, but it says the City at its own liking. What are we going to do every year, look at it, and adjust insurance levels to industry standards, how does that whole process – I'm talking the liquor liability to the whole.....

Ms. Swanson Rivenback: That's related to the general insurance provisions not with the third party providers.

Commissioner Withers: I'm sorry – I'm back to the....

Ms. Swanson Rivenback: Michael Sparber and Tony Abella felt that it was important that the City have a right to look at since it is such a long term lease; what's happening with the industry, and do those adjustments need to be made to keep it up to standard? We can have Michael or Tony here at Second Reading, or we can drop a memo to the Manager to

circulate to you all, but they just wanted to make sure that it stayed up to date in terms of insurance standards nationwide.

Commissioner Withers: Why that's important to me is this is kind of a new frontier for us; we are actually putting residents into something we developed, unlike a community hall or a movie theater, and I just want to make sure that we are not asleep at the switch. I think we should review it annually as opposed to just....minimum annually and then at our own discretion.

Mr. Abramson: We'll write that in.

Ms. Swanson Rivenback: We understand and as they were reviewing it those were the same concerns they wanted to make sure were addressed in the insurance provision, so we'll see if at redrafting a clarification needs to be made.

Commissioner Withers: Thank you, that's all I have Cathy.

Mayor Slesnick: And questions.

Commissioner Cabrera: Yes. Madam Director...

Ms. Swanson Rivenback: Yes sir.

Commissioner Cabrera: Three issues that I wish to bring up to your attention; the first has to do with public parking; the second one has to do with priorities given to Coral Gables residents; and the third has to do with the regulatory process that is yet before us; but I want to give you at least some forewarning that it will be something that is of a concern to me. Let me begin with parking – with regards to the parking accessibility what assurances are we creating to continue to make sure that the public at large understands that this will continue to be a public parking facility?

Ms. Swanson Rivenback: May I ask Kevin Kinney to come; he drafted these parking standards with that in mind.

Commissioner Cabrera: Mr. Manager that's alright with you.

City Manager Brown: Absolutely.

Ms. Swanson Rivenback: We gave him the heads up to be ready to answer any parking operation standard questions.

Mr. Kinney: Bottom line to anybody from outside, its going to look just as our facilities, in fact the sign that's out in front of the entrance of the garage is going to be one of our signs.

Commissioner Cabrera: Great.

Mr. Kinney: They are going to charge the same rates we charge; and we have the right to walk in anytime and audit the operations.

Commissioner Cabrera: So in essence the public will consider that a public parking facility by not only signage, but intent, and every aspect of the operations of it.

Mr. Kinney: And hopefully, operationally they will meet our standards of operations.

Commissioner Cabrera: It will be seamless, it will be seamless; that's really what I'm looking for some assurances that this will continue to look, and feel like a public parking facility that will give access to anyone wishing to park in it. It would be ashamed if somehow somehow, I mean, not to take away from the developers because they are doing a really great job, but to give the sense that this is somehow only used for the people – the Palace people. It's really critical that it continue to give that public perception as a parking facility.

Mr. Kinney: That was our goal as soon as we started to write the standards.

Commissioner Cabrera: That makes me feel....

Ms. Swanson Rivenback: It's also why the reporting is to the Parking Department and not to our office so the accountability as it relates to parking rests with making sure they are happy.

Commissioner Cabrera: Thank you sir.

Mayor Slesnick: I think also, Ralph, if I'm not mistaken on that issue, Kevin, there will be the ability in conjunction with your figures or your projections of doing certain number of, or percentage of permits.

Mr. Kinney: That's correct; its three hundred and thirty seven (337) public spaces, but we get to determine how many of them are short term parking and permit parking.

Commissioner Cabrera: Good. Very good. Let's talk a little bit about the priority. I know you briefly when you brought up one of the Boards as this Commission wishing that this project certainly get the residents – Coral Gables resident's priority in terms of their interest in moving into the project. I don't want you to spend a whole lot of time on this, but if you could at least in three hundred words or less give us an outline of how you are dealing with it.

Ms. Swanson Rivenback: The definitions state that its themselves, mother, father, father, sibling, child, count as Gables residents. They have to have lived in Coral Gables for one year before they apply in order to get that priority; they will move ahead of anyone else on the waiting list if they need them. It is Gables residents getting the priority.

Commissioner Cabrera: What happens in a situation where there is a Gables resident whose been on the list for "X" number of months and /or years, they are then given the

opportunity because there is a unit that becomes available for whatever reason they are financially unable to make the investment and/or – now there is a whole myriad of reasons why they may not be able to exercise the option; what happens in that case?- do they go to the back of the list which then includes non Gables priority residents?

Ms. Swanson Rivenback: So they want to come in, they want to stay on the list, but they are not ready to do it.

Commissioner Cabrera: They are not ready to do it, right.

Ms. Swanson Rivenback: I know what our intent is; I know that we are not addressing that in the provisions, so we will meet with the Palace people to see – we don't want them back at the end of the line; they still met all the tests, the only thing that was off was timing, so we would have to figure out how to address that, but we need to address that.

Commissioner Cabrera: Yes – that's something between now and First Reading if that could be done. I just want to be able to protect people because this is such an important decision that they have to make, and it's financially driven, it's emotionally driven, it's a quality of life issue, I don't want to hurt them. And the last issue which again is regulatory, and we won't be discussing that you've already counseled us on the regulatory aspects of this project, but one of the things as you move forward on the regulatory side that we really need to pay close attention to is the traffic flow of this project; the ingress and egress of this project; and I have some ideas and I have received some very, very – what I consider to be excellent feedback regarding some potential concerns that might arise from the project based upon how its completed that could have adverse affects to the traffic flow of the area. I don't know if that is something that will be coming to us shortly, but I want you to know its on my radar screen and what I plan to do is meet with the Manager's office; and if he invites you as well as anyone else – Public Works and address some of the traffic flow issues that has been presented to me. In fact I understand because I grew up in this area, I could see where we would have some problems potentially with some of the lanes going in one direction versus another, and just the whole ingress and egress aspect of the project.

Ms. Swanson Rivenback: The Palace has retained David Plummer...

Commissioner Cabrera: Great.

Ms. Swanson Rivenback: And Tim Plummer has already been in conversation with Alberto Delgado; they do have to present all of the traffic study tests, everything that is a part of that regulatory, and we added something else, we told them at the request of Commissioner Anderson that we also want them to study – really study the two-way of Andalusia if that is an appropriate change. At this point what we have been told is that it's not so much what's happening on the Gables side, but what's happening on the Miami side as to whether or not that two-way could be accomplished, but it is a part of their scope of work program.

Commissioner Cabrera: Is that because there is a concern with the ability to connect between the Gables side and the Miami side?

Ms. Swanson Rivenback: The alignment is not.....

Commissioner Cabrera: The alignment is not there, maybe volume is not there – and I appreciate the fact that we are going to be looking at that end of things, but the concerns that I have affect the immediate area, which probably will include leaving the Gables into Miami, but I too won't then be about to – Mr. Manager can we then set something up and include Mr. Delgado, Ms. Rivenback.

City Manager Brown: Yes sir.

Ms. Swanson Rivenback: And when the Manager is ready we'll call the Palace and the Palace will pick who they have – do they want their architect, do they want their traffic consultant.

Commissioner Cabrera: This is not – I'm not throwing this out to slow your process down, I just want to make it the very best project we can make it, so don't look at it as me throwing an obstacle your way, that's not the goal here.

Ms. Swanson Rivenback: No, and we understand that – the opening day is December 2010; and everyone is moving as appropriately, but as expeditiously as possible, that will not delay it; it just gets folded into the review. You all – we all have too many residents calling us saying when can they move in?- so we really are trying to dot all of the "I's" and cross all of the "T's", but keep it in the forward so as it approaches regulatory, the traffic is right at the top of the list. One thing that was done quickly wasand this was through the Evaluation Committee and Dr. Schiff, they flipped where the entrance was and where the exit was of the garage; so we get them off the street faster and we get them out of it closer to Douglas Road. So they already began looking at how can they fine-tune that because we don't want a traffic issue, but they do have Tim Plummer up.

Commissioner Cabrera: Last comment that actually is one that you sort of talked about, how people are excited over this project given the fact that we are moving forward, and they are watching this on TV; and I don't know about the rest of my colleagues, but I've received some letters and some e-mails, and some phone calls from some residents that have watched this, and are all excited about it; and they want to make sure that they are going to be on that list because they are obviously very interested. What I've done in the past is I have referred them to your office; and so I am taking the liberties of letting those that are watching and those that are here that are interested in the project, that if they want to learn more about it to contact the Development Office here in the City of Coral Gables, and you'll be able to give them as much information as we have available today.

Ms. Swanson Rivenback: And we welcome them; your residents are very excited about this project, and we don't want to pretend like we are too busy for that. We are happy to do that; they can also, if they wish, directly converse with the Palace, Adam Rosenblum,

305-270-7000, and there is a list; they actually took—did you really take a deposit?- oh, you can't take a deposit but they wanted, a resident wanted to put a deposit down.

Commissioner Cabrera: Good.

Ms. Swanson Rivenback: That is happening, and if you or anyone calls us we will take that information down and we will make the call, or we have conferenced them together because we don't want them to think we are handing them off, but the Palace is ready – the Palace has received a tremendous response already.

Commissioner Cabrera: And if they just want general information from the City of Coral Gables they should call what number?

Ms. Swanson Rivenback: 305-460-5311 or Development@coralgables.com.

Commissioner Cabrera: Thank you.

Mayor Slesnick: Any other questions? We have one speaker, Mr. Rip Holmes.

Mr. Holmes: Good morning again, Rip Holmes, 256 Miracle Mile. This is a four million dollar (\$4,000,000) mistake; and if we don't get a department store at the parking garage across from Publix its going to partially ruin the City of Coral Gables. I want to explain to you why I reached that conclusion. I did a little bit of the number crunching, its preliminary. I'll be happy to work with the people, Barry, I think and the Finance Director on these numbers. If you go, and I invite you to, to any shopping mall in this area and ask them what their rents are, they will tell you that they are approximately two maybe three times greater of what's coming in on Miracle Mile. By the way, let me hasten to say here because the City has to look after its own bottom line; this is going to cost the City over a million dollars (\$1,000,000) a year in loss revenue; over the course of a ninety nine (99) year lease over a hundred million dollars (\$100,000,000). If you analyze the taxes that are paid on Miracle Mile, on Andalusia, on Aragon, the commercial streets that are impacted by including a department store on the ground floor of this development; and you do your analysis on what the incomes would be and the tax revenues generated thereby, for the area properties, you come to the realization; and again I welcome your input, I welcome your criticism, that this would generate about a million dollars extra by including a department store on the ground floor every year for the City of Coral Gables; and by not doing it when we could do it we are loosing the extra million dollars a year; hundred million dollars over the course of the project. Property owners who pay those taxes are paying a portion of their income for that lost million dollars in taxes to the City. That income for property owners that generates that narrow – by the way that's close to four hundred million over the course of this project in all taxes, to the County, to the School Board, and so on, I'm just talking about the City taxes. The loss income to property owners is about ten million a year about a billion dollars over the course of a ninety nine year lease, and I invite your efforts to refute what I'm saying, Mr. Kerdyk....

Mayor Slesnick: Can you close please.

Mr. Holmes: Let me just say a couple more things.

Mayor Slesnick: Close please.

Mr. Holmes: You are asking me to close, so let me finalize this by saying the consequence of Miracle Mile not getting that or those streets not getting that will be they will have to build up; as they build up and we have a concrete canyon on Miracle Mile. We may see people leaving the City just like it happened in North Miami Beach and other areas urbanized – the Police Chief can tell you urbanization usually equals crime and that would be the permanent damage to the City of Coral Gables.

Mayor Slesnick: Thank you. OK, we'll close the public hearing. Can I have a motion?

Vice Mayor Kerdyk: So moved:

Mayor Slesnick: Moved by Mr. Kerdyk.

Commissioner Anderson: Second.

Mayor Slesnick: Seconded by Ms. Anderson. Any further discussion from the Commission?

Mr. Clerk.

Commissioner Anderson: Yes

Commissioner Cabrera: Yes

Vice Mayor Kerdyk: Yes

Commissioner Withers: Yes

Mayor Slesnick: Yes

(Vote: 5-0)

Mayor Slesnick: We will then move to Second Hearing when, David?

City Manager Brown: Its going to be thirty days from today, we'll need to talk about it in discussion but it will be in the meeting in November.

Commissioner Cabrera: Mr. Manager would you.....

City Manager Brown: I think we need those.

Commissioner Cabrera: Yes – I was going to say, Madam Director you want to take these back.

Ms. Swanson Rivenback: We are going to take them back and make the corrections....

Mayor Slesnick: Can I – two things, one is I first wanted to congratulate Ms. Swanson and her whole team whether they are City personnel, outside consultants, and the Palace team whether we have voted yes or no, or indifferently for putting together such an incredibly complete package, and taking care of meeting most of if not all of our questions, so thank you all for doing a good job for the citizens of Coral Gables, appreciate it. I would also just refer Mr. Holmes to the fact that he should look at our overlay district and ask the Planning Department for a copy of that before making specific conclusions about....

Mr. Holmes: [Inaudible – off mike)

Mayor Slesnick: OK, well that's a fair comment about the canonization of Miracle Mile, but we don't seem to give that much credit. Thank you all again.