

MEMORANDUM

TO: Carmen Olazabal, Interim City Manager, City of Coral Gables
Cynthia Birdsill, Acting Assistant City Manager, City of Coral Gables

FROM: Barry Abramson

SUBJECT: Factors For and Against Requiring Some Public Parking on Garage 4 Site
and Allowing Sale as well as Land Lease for Disposition of Garage 4

DATE: May 8, 2014

This memorandum addresses two issues relative to the proposed RFP for Garages 1 and 4:

1. Whether all of the public parking should be located on the Garage 1 site or some of it should be required to be located on the Garage 4 site.
2. Whether to allow the option of a sale of the Garage 4 site or only allow a land lease.

1. Locating All Public Parking on Garage 1 Site vs. Requiring Some on Garage 4 Site

Factors Supporting Locating All Public Parking on Garage 1 Site

- Excluding a public parking component from the Garage 4 site would make it a “clean” 100% private project.
- To the extent the Garage 4 site can be reserved for private use, it maximizes the chance that the combined private development rights from both garage sites can be fully or substantially used on that site. This would avoid the complexity of mixing private use above a sizable public parking garage on the Garage 1 site.
- Users of the private development on the Garage 4 site would not have to traverse public parking to reach their parking, which could, possibly, be a marketing issue for some potential private development such as luxury residential (which might support the highest land value).
- The above factors could enhance the project’s appeal to developers and increase the value the City could realize from disposition (maximizing private funding of public parking).
- Also, the block of Miracle Mile between LeJeune and Salzedo does not have paseos and Garage 1 is relatively proximate to that block.

Factors Supporting Requiring Some Public Parking on Garage 4 Site

- It would continue providing more proximate parking supply to the businesses on the block of Miracle Mile between LeJeune and Salzedo.
- It would spread the traffic and utilization of garage access/egress.

- It would offer greater convenience to public parking patrons by yielding a greater number of lower level public spaces (spread across the two projects instead of one) and reducing both the sizable number of spaces in and number of revolutions required to access the marginal spaces in Garage 1, as well as increasing location options.
- Shifting some of the required public parking program to Garage 4 would defer a portion of the developer's up-front investment in the public parking garage, marginally improving the developer's calculation of risk-reward.

Some considerations that might limit the negative impact on the development opportunity of requiring some parking on the Garage 4 site are:

- Traversing a limited amount of public parking to reach a gated entry to private parking may not constitute a significant detriment to most private uses (and, perhaps, at one level, not to any).
- It is possible there could be a design solution allowing segregation of public parking, especially if it is limited to one level. The City would want to determine if such segregation would be due to additional ramping and the cost premium due to that.
- Depending on the specific use program and design, it is possible that a level of parking may not detract from the possibility of accommodating all of the two sites' combined development rights on the Garage 4 site (or relief from zoning/land use regulations might allow additional floor(s) to compensate for floor(s) lost to public parking).
- The development capacity utilized for the public parking would be lower level space which is less valuable than upper floors, somewhat mitigating the impact of its loss.
- To the extent the public parking is limited, it might not be considered to significantly complicate the private project or render it a mixed public and private use project.

Based on the above, it is possible that requiring a limited amount of public parking, such as one level, on the Garage 4 site might not significantly reduce the appeal and value of the development opportunity. However, unless the City determines an absolute requirement is necessary, it may want to leave its options open in the RFP to allow alternate proposals enabling it to understand the financial implications of such parking alternatives and make its final determination based on that understanding.

2. Whether to Allow Sale as well as Land Lease for Disposition of Garage 4

Factors Supporting Only Allowing Land Lease for Garage 4

The City has a long-standing preference for retaining ownership of land by disposition of sites for development by means of long-term land lease. Reasons for this include:

- The City has a longer time horizon than real estate investors (at least for rental properties).
- A land lease enables the City to exert greater ongoing control.

- While a land lease may limit the market of developers and investors, the City's experience has been that there is a sufficient pool of high quality development partners willing to do land lease deals and the City is able to substantially realize land value in such deals.
- A land lease allows potential for long term revenues and participation in long term upside.

Factors Supporting Allowing Sale as well as Land Lease for Garage 4

- It is possible that the use that could generate the greatest value (providing maximum funding for parking) could be a high-end residential condominium project. A land lease would likely pose a significant impediment to financing and marketing a condo project in this market, making development of such a project problematic; and, even if viable, land pricing could be steeply discounted from what it would be with a land sale.
- A high-end condo project would likely provide substantially higher real estate taxes than a rental project, due to both its higher market value and assessing practices which value condos based on actual market value versus more conservative valuation for rental properties.
- While the City may value long term land lease as a means of maintaining control over eventual reuse, it is hard to imagine that a high quality, high-end residential condominium project would not be well maintained and constitute a valuable asset to the City far into the future.

If the City is willing to consider sale if it proves to offer substantial financial (or other) benefit, the RFP could welcome proposals of either land lease or sale and the City could determine which way to go based on the relative merits of alternate proposals as they can be understood at each stage of the RFP process. The RFP could state a preference for a land lease and the considerations (e.g. financial) which could mitigate against that preference.

ASSUMPTIONS AND LIMITING CONDITIONS

- Information provided by others for use in this analysis is believed to be reliable, but in no sense is guaranteed. All information concerning physical, market or cost data is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and is subject to errors, omissions, changes in price, rental, or other conditions.
- The Consultant assumes no responsibility for legal matters nor for any hidden or unapparent conditions of the property, subsoils, structure or other matters which would materially affect the marketability, developability or value property.
- The analysis assumes a continuation of current economic and real estate market conditions, without any substantial improvement or degradation of such economic or market conditions except as otherwise noted in the report.
- Any forecasts of the effective demand for space are based upon the best available data concerning the market, but are projected under conditions of uncertainty.
- Since any projected mathematical models are based on estimates and assumptions, which are inherently subject to uncertainty and variation depending upon evolving events, The Consultant does not represent them as results that will actually be achieved.
- The report and analyses contained therein should not be regarded as constituting an appraisal or estimate of market value. Any values discussed in this analysis are provided for illustrative purposes.
- The analysis was undertaken to assist the City in evaluating and strategizing the potential transaction discussed in the report. It is not based on any other use, nor should it be applied for any other purpose.
- Possession of this report or any copy or portion thereof does not carry with it the right of publication nor may the same be used for any other purpose by anyone without the previous written consent of The Consultant and, in any event, only in its entirety.
- The Consultant shall not be responsible for any unauthorized excerpting or reference to this report.
- The Consultant shall not be required to give testimony or to attend any governmental hearing regarding the subject matter of this report without agreement as to additional compensation and without sufficient notice to allow adequate preparation.