



City of Coral Gables
CITY COMMISSION MEETING
March 22, 2011

ITEM TITLE:

Resolution authorizing entering into two lease amendments with the Palace Management Group, LLC with regard to City owned property at 45 and 50 Andalusia Avenue, Coral Gables, Florida.

DEPARTMENT HEAD RECOMMENDATION:

Approval

BRIEF HISTORY:

On November 13, 2007, following a competitive selection process and a Memorandum of Understanding, the City Commission approved long term leases of 2 existing parking facilities (45 and 50 Andalusia) to the Palace Management Group, LLC (the "Palace") for the development of 243 unit Senior Housing Facility (the "SHF").

The SHF consists of a residential building at 45 Andalusia and a parking garage complex at 50 Andalusia, with 205 spaces serving the residential component of the SHF and 337 spaces of public parking (the "Public Parking Component"). The street level of the parking garage includes a plan for neighborhood retail space.

Commencement of construction was initially scheduled for April 1, 2009. On June 2, 2009, the City Commission, pursuant to Resolution No. 2009-132, granted an extension to the Palace. Thereafter, on April 12, 2010, a further extension to the Leases was granted by the City Manager under authority previously granted by the City Commission pursuant to said Resolution No. 2009-132.

Since the last presentation to the Commission, the Palace has substantially complied with the conditions precedent to possession of the properties including the complete processing of a building permit and obtaining financing commitments/termsheet for the funding of construction. In order to conclude the financing and commence construction, the Palace has requested certain modifications to the Leases which are outlined below:

1. **Development Schedule.** The Leases are proposed to be amended to reflect new development schedule with site development commencing April 1, 2011.
2. **Final Development Criteria for SHF.** The amendments now include confirmation of the final number of units, unit mix, floor area for retail and floor area for the entire building pursuant to final plans, and correction of the legal description of the residential parcel.

3. **Acceptable Operator Standards.** The Palace's principal lender, TD Bank has requested certain changes to the provisions of the Leases dealing with the acceptable operator criteria for the SHF to be used in the event the Bank was to foreclose on the Palace and a new operator was to take over. With the help of our senior housing consultant, NHA Healthcare Associates, we have developed mutually acceptable standards.
4. **Final Development Criteria For the Parking Garage.** The amendments now include confirmation of the final number of parking spaces pursuant to final plans.
5. **Amendment of Certain Notice Periods.** The Leases now include the following revised notice periods.
- a. at least one (1) business day prior written notice of Possession Date, instead of the previous ninety(90) days; and
 - b. at least five (5) business days written notice prior to the beginning of the calendar month in which the Developer shall require delivery of possession of the property at 50 Andalusia by the end of such calendar month, instead of the previous thirty (30) days.
6. **CDD Bond Guaranty.** In consideration for i) an inducement fee of \$225,000 to be paid to the City at the CDD Bond closing, ii) the posting of an 8 year cash escrow representing 3-years worth of debt service (during the initial 5-year loan term the cash escrow to be pledged to the lender and an additional 3-years cash escrow to be pledged to the City) and iii) other protective provisions we have negotiated, the Palace has requested that the City extend the original Limited Guaranty to include interest payments on the CDD Bonds which will finance the Public Parking Component of the Parking Garage. Of course, the revised Guaranty is only applicable in the unlikely event that the i) City were to retake the entire project after a default by the Palace, ii) all reserves for CDD Bonds and the cash escrow having been exhausted and iii) the lender abandons the project. The City's real estate and financial consultants have determined that this amendment will not result in any additional material risk to the City.

The Property Advisory Board reviewed the above proposed amendments at their meeting on March 16, 2011, and unanimously moved to recommend approval.

LEGISLATIVE ACTION:

Date.	Resolution/Ordinance No.	Comments
11/13/2007	Ordinance No. 2007-36	Authorizes execution of the ground lease agreements
6/2/2009	Resolution No. 2009-132	Authorizes execution of a first amendment to the ground lease agreements

8/24/2010	Ordinance No. 2010-17	Authorizes execution of a second amendment to the ground lease agreements
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ADVISORY BOARD/COMMITTEE RECOMMENDATION(S):

Date	Board/Committee	Comments
3/16/2011	Property Advisory Board	Recommends Approval

FINANCIAL INFORMATION: (If Applicable)

No.	Amount	Source of Funds
N/A		

APPROVED BY:

Department Director	City Attorney	City Manager	Finance Director
			

ATTACHMENT(S):

1. Proposed Resolution with Proposed Second Amendments
2. Blackline showing changes to definition of "Acceptable Operator"
3. Blackline showing changes to Exhibit J
4. Memo from Public Financial Management, Inc.
5. Memo from Barry Abramson
6. Memo from Weiss Serota Helfman Pastoriza Cole & Boniske, P.L.
7. Memo from National Healthcare Associates, Inc.
8. Excerpt Minutes from Property Advisory Board meeting of 3/16/2011