

CITY OF CORAL GABLES
Economic Development Board
EXCERPT Meeting Minutes
Wednesday, August 2, 2017, 8:00 a.m.
2121 Ponce de Leon Blvd., Suite 720, Coral Gables, Florida 33134

EDB MEMBERS	J	F	M	A	M	J	J	A	S	O	N	D	COMMISSIONERS
	'17	'17	'17	'17	'17	'17	'17	'17	'17	'16	'16	'16	
Carolina Rendeiro	-	-	-	-	-	X	P	P		-	-	-	Mayor Raúl Valdés-Fauli
Olga Ramudo, Chair	P	P	E	P	P	X	P	P		P	P	E	Commissioner Michael Mena
Stuart McGregor	P	P	P	P	P	X	E	E		P	E	E	Vice Mayor Pat Keon
June Morris	P	P	P	P	P	X	P	P		P	P	P	Commissioner Vince Lago
Elizabeth Patino	-	-	-	-	-	X	E	P		-	-	-	Commissioner Frank Quesada

A = Absent E = Excused Absence P = Present X = No Meeting Ph = Present by Phone - =Former Board Member
*July's meeting took place on June 27th.

STAFF AND GUESTS:

Leonard Roberts, Assistant Director, Economic Development Department
Belkys Perez, Marketing & Events Specialist, Economic Development Department
Francesca Valdes, Business Development Marketing Specialist, Economic Development Dept.
Mariana Price, Administrative Assistant, Economic Development Department

Meeting Motion Summary:

A motion to recommend that the City move forward to negotiate and finalize the sale of the Doctors' Hospital Lot "as is" for \$3 million passed unanimously.

Mrs. Morris brought the meeting to order at 8:05 a.m.

1. Doctors Hospital Parking Lot (Action)

Mr. Roberts reviewed the proposed deal terms of the Doctors' Hospital Lease, explaining that the City has leased lot 24 to Doctors' Hospital since December 30, 1987. The proposed deal terms basically outlined that selling the property outright would be more profitable for the city than if it were to continue leasing the property to Doctors' Hospital for the next 30 years, under the proposed terms. If the property sells, Doctors' Hospital would be beholden to a restrictive covenant which outlines the owner must have consent of nearby neighbors if they intend to build or change its use. Two appraisers were hired to appraise the property, with Gallaher Birch appraising the property at \$2.35 million and Waronker & Rosen at \$2.2 million. If used as a valet lot, Waronker & Rosen increased the appraised value to \$3.6 million. Doctors' Hospital submitted a Letter of Intent to purchase the site for \$3 million, with a \$200,000 down payment.

The Proposed Deal Terms are as follows:

On December 30th, 1987, the entered into a lease with Doctor’s Hospital (the “Hospital”) related to the City-owned parking lot 24 (the “Lot”) located on the northwest corner of University Drive and Pisano Ave, across from Doctor’s Hospital. The Hospital uses the Lot to provide free valet service for patients and visitors. In 1992 the lease was assigned to HealthSouth. The Hospital was later purchased by South Miami Hospital and the lease was assigned in 2003. South Miami Hospital was part of the Baptist Heath so in 2006 the Hospital was then reassigned to what is now Doctor’s Hospital (part of the Baptist Hospital). The initial term of the lease is set to expire on December 31, 2017; on May 9th, 2017, the Hospital executed their automatic renewal right for an additional 30 years.

The proposed terms are as follows:

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

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

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

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

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

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

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

Olga Ramudo read aloud the three questions and suggested answers to the board as presented in the deal terms, as follows below:

Questions for the Economic Development Board, and suggested answers:

1. Is the proposed use in keeping with the city goals and objectives?

The use as a result of the sale will be consistent with its current use; hence, keeping in line with the city's goals and objectives.

2. What is the economic impact to the city including, i.e. is the proposed use in keeping with a public purpose and community needs, such as expanding the city's revenue base, reducing city costs, creating jobs, creating a significant revenue stream, and improving the community's overall quality of life?

The sale at \$3,000,000 to the Hospital would generate a higher rate of return than if sold based on its current zoning or if the City continued leasing to the Hospital. The Hospital struggles with providing sufficient parking. So conveying title could allow the Hospital to maximize its parking without any lease restrictions.

3. Are there alternatives available for the proposed disposition, including assembly of adjacent properties and can the project be accomplished under a private ownership assembly?

The potential disposition to another third party would limit the use to multifamily duplex, the value as such would be diminished due to the development constraints and the potential profitability to a developer. The most likely user would be parking for the Hospital. Due to the remaining 30 term, the most suitable purchaser would be Doctor's Hospital.

Mrs. Patino suggested that stronger language be included on the answer to the first question, to state that Doctors' Hospital has already renewed their lease, so a contractual relationship has already been enacted for the next 30 years. Mrs. Ramudo stated she does not agree with the "120 days due diligence from effective date of Purchase and a Sales Agreement," and suggested it should be a shorter timeframe. Via e-mail, Stuart McGregor stated his support of the proposed deal terms, citing issue only with the letter of intent stating their "ability to build garage."

June Morris made a motion to recommend that the City move forward to negotiate and finalize the sale of the Doctors' Hospital Lot "as is" for \$3 million, Carolina Rendeiro seconded the motion, which passed unanimously.

The meeting was adjourned at 9:00 a.m.
Respectfully submitted,

Mariana Price, Administrative Assistant - Economic Development Department