

City of Coral Gables City Commission Meeting
Agenda Item E-3
May 24, 2016
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Jim Cason
Commissioner Pat Keon
Commissioner Vince Lago
Vice Mayor Frank Quesada
Commissioner Jeannett Slesnick

City Staff

City Manager, Cathy Swanson-Rivenbark
City Attorney, Craig E. Leen
City Clerk, Walter J. Foeman
Deputy City Clerk, Billy Urquia
Economic Development Assistant Director, Leonard Roberts

Public Speaker(s)

Agenda Item E-3 [0:00:00 a.m.]

An Ordinance of the City Commission of the City of Coral Gables, Florida, authorizing the City to enter into a lease with Starbucks Corporation with regard to City owned property at 292 Miracle Mile, Coral Gables, Florida for a period of ten (10) years, with four (4) consecutive five-year renewable options; providing for a repealer provision, severability clause, and providing for an effective date.

Mayor Cason: Alright, let's do E-3 then. This is an ordinance on first reading.

City Manager Swanson-Rivenbark: And Mr. Mayor, just as clarification before the City Attorney reads it. This is an ordinance not because it exceeds -- the initial term exceeds ten years, but we treated it as an ordinance because the collective consecutive years are in excess of the ten.

City Attorney Leen: Yeah, so Mr. Mayor, Item E-3 is an ordinance of the City Commission of the City of Coral Gables, Florida, authorizing the City to enter into a lease with Starbucks Corporation with regard to City owned property at 292 Miracle Mile, Coral Gables, Florida for a period of ten years, with four consecutive five-year renewable options; providing for a repealer provision, severability clause, and providing for an effective date. This is a public hearing item. It's an ordinance because there's a ten-year term with consecutive five-year renewable options. Under the Procurement Code regarding City land, a property that's for over ten years a term needs to be approved by ordinance, unless there is an emergency or an appropriate resolution waiving the Procurement Code. Here the City Manager has asked that this be put on because it could tie up the property for up to 30 years, and she believed that it would be better to be done by ordinance.

Commissioner Slesnick: So moved.

Mayor Cason: Do we have any speaker cards?

City Clerk Foeman: No, Mr. Mayor.

Commissioner Lago: No, but I have a...

Mayor Cason: Do you want to speak a little about this? The...

(COMMENTS MADE OFF THE RECORD)

Mayor Cason: Yeah, why don't you talk about the economics of this.

Commissioner Lago: Leonard, if I may. I just want to make my colleagues aware of one item that I spoke to the City Manager about and also the City Attorney yesterday, prior to today's meeting. I'm a little bit -- I have a concern in regards to a different Starbucks. I imagine that all of you have probably enjoyed the Starbucks on US 1 and have been involved in the massive traffic that has occurred as a result of the gridlock due to the design, the actual design for the surface parking lot along with the drive-through window, which, you know, I think I've mentioned it probably to staff for like almost two years now. And they've been dealing with it to try to remediate the issue without, you know, overburdening Starbucks. It's an issue of design, which was inappropriately done years ago. They depend on us as a result of the adjacent parking lot that I guess we have some sort of lease agreement with them?

Economic Development Assistant Director Roberts: Sure. I can touch a little bit on that.

Commissioner Lago: Yeah, and the reason why I bring that up -- I know that one thing has nothing to do with the other, they're two separate leases. I just want to make sure that we deal with this issue. And I mentioned it to the Assistant City Manager, Mr. Iglesias, who just got on board. We need to have a sit-down discussion with Starbucks and really make them understand that if they don't take care of this issue, I'm not in favor of renewing that lease on US 1. Because at some point, due to the nature of the design that they have on the drop-off and pickup for the drive-through window, you have some cars that back up on US 1 and stack on US 1, 15, 20 deep. And anybody in that area, it's just an accident waiting to happen. I don't know -- I haven't spoken to staff, to the Police Chief if there has been accidents, but I imagine that, you know, there probably has been some related accidents from the stacking that occurs as a result of that.

Mayor Cason: On this particular renewal of a lease, any -- on the economics of it...

Economic Development Assistant Director Roberts: Sure. Would you like me to touch base on -
- first of all, Leonard Roberts, Economic Development Assistant Director.

Commissioner Lago: If you don't mind, I would like that, if you don't mind, Mayor. Just to be brief, just one second.

Mayor Cason: But is this -- remind everybody this is a totally separate issue, nothing to do with this.

Economic Development Assistant Director Roberts: Absolutely. So, in reference to the Starbucks location, the way that deal works is that the building is actually owned by a third party. The City of Coral Gables actually owns the parking lot. We have a long-term lease. That lease is set to expire in 2031. Starbucks has approached the City to renegotiate the terms of that lease because they're renegotiating the terms of their lease with the building. The City has no intention of doing any -- my recommendation is that we don't do any kind of deal until we finalize the restructuring of the parking lot. With that said, Public Works has proactively taken on doing studies for that parking lot. They've done six assessments using an outside parking consultant to kind of try to figure out what would be the best solution. Unfortunately, based upon all the different solutions that were presented, none of them really worked to prevent that backing up. So, Starbucks has a copy of those six different scenarios, and so they're using that as an opportunity to come up with another solution. What I recommended to them in the interim is during those peak times is to hire an off-duty police officer, which we obviously can't force them to do, just in the interim until they have a final solution in place. So, they are looking at that as an opportunity. But again, you know, we can't force them to do it.

Commissioner Lago: This is my last point on this issue and we'll move on. I know the Mayor -- one thing has nothing to do with the other. I think that we have been sufficiently kind to them and flexible. I think now it's time to not be flexible. And I'm sorry. I don't know if my Commission agrees with me, but I advise you to go there at 8 in the morning, 8:30...

Economic Development Assistant Director Roberts: Oh, yes.

Commissioner Lago: You know, and see the gridlock that is occurring there that is resulting in congestion not only for individuals that want to go to Starbucks, but individuals that are just trying to use US 1 to go to their business or drop off their children at school. The gridlock, the congestion goes all the way back to LeJeune. It's a problem.

Commissioner Slesnick: Commissioner Lago, is it only in the morning?

Commissioner Lago: No, it's at all times. So, it's a major, major issue.

Vice Mayor Quesada: (INAUDIBLE) south on US 1.

Commissioner Lago: Yeah, and the Assistant City Manager can give you more explanation in regards to engineering, if you'd like to sit down and discuss it. But I think it's time that we no longer give them options whether they can hire a police officer or not. The main issue here is that there's only one point of ingress and egress here when you're using the drive-through. There are different options. They can go in between the alleyway of Taco Rico and Starbucks, swing back where they currently have their garbage, but that would have them -- that would result in them probably losing a parking space because they'd have to relocate their dumpster. But the idea that they're going to be inflexible in regards to the actual reconfiguration of the parking lot, that's their problem. I know we have a lease with them, but we also have a fiduciary responsibility to the safety of the residents of this community and the residents that are driving through the city. Again, remember, US 1, we have no control over US 1, but we are responsible for making sure that it's as safe as possible. And this is a City-owned property where they're taking advantage of a lease and they're not complying. They're going to come up with a resolution and they haven't come up with a resolution. I think I've been talking about this for

over a year and a half. So, I think it's time that we send the Police Chief over there and we send policing and we make sure that if they're not willing to comply, we just start ticketing people.

Economic Development Assistant Director Roberts: Right.

Commissioner Lago: We start ticketing people because there is going to be an issue. Someone's going to lose their life there. Someone's going to get hit by a car, and then we're going to have a problem and say, hey, why didn't we do anything. This is the City's liability because it's a City-owned lot and it was poorly designed. So, I ask you, please, let's -- and it's not -- this is not -- I'm not directing this towards you. I'm directing this to staff as a whole. Let's address this issue. If they cannot use -- if we limit them from using their drive-through, you'll see how quickly they come up with a plan and reconfigure the parking lot to address the concerns that I have along with this Commission. And trust me, it'll be your concern too when you go in and you see what I'm talking about. When you see the stacking that goes all the way to LeJeune, you're going to say, hey, this is just -- you know, it's hindering us on all different levels.

Economic Development Assistant Director Roberts: Absolutely. So, I'll go into the actual terms of the actual lease agreement. This is a 30-year deal. Starbucks is currently on 200 Miracle Mile. They are looking to relocate to our space -- City space at -- where the current Super Cuts is. They have approached the City to relocate. Their other option is to leave Miracle Mile, so that's one of the reasons why we're actually having a discussion with them. The term is, again, for 30 years. The space there is 2,250 square feet. They plan on putting in about \$800,000 of capital improvements into the space. The initial term would be for ten years with the four five-year options. In the year '21, we intend on it to go to market rate. Each year, it'll increase over time. We -- they are requesting three months of abatement once they open for business and four months to do construction. They obviously want an exclusive use to sell coffee and for us not to replace any existing surrounding tenants at the City-owned properties with another coffee use. The other component of it is that they would like the right to assign the lease to an affiliate entity and for the -- for a non-affiliate entity, the City to allow them to assign it with -- if we choose to.

Now, the deal terms are we've approved -- or recommended most of the deal terms. There's one pending item. And so, you know, that's really the assignment component of it. The big component that we are looking at from an economic development standpoint is that we feel as though we see the activity that Starbucks brings to that Ponce side. We feel that that's West 200, beginning of the 300 block can use an opportunity to gain some more foot traffic for those businesses, and we think this is a great opportunity for that versus Starbucks packing up and leaving the Mile. So, as the City's Assistant Economic Director and City's Asset Manager, I would recommend that we consider this as an opportunity.

Mayor Cason: Are they going to do the street treatment right up to the front door when we redo Miracle Mile?

Economic Development Assistant Director Roberts: They -- yes. They plan on pushing the space back and having outdoor seating. And so, they do want to comply with any requirements of the City.

Commissioner Slesnick: They don't serve coffee or tea at Häagen-Dazs, do they?

Economic Development Assistant Director Roberts: They do.

Commissioner Slesnick: They do?

Economic Development Assistant Director Roberts: But the agreement allows for existing tenants to continue business operations. It's for new businesses that come into play.

City Manager Swanson-Rivenbark: It's only related to the properties that you own on Miracle Mile, obviously not any of the other properties. So, you have the Super Cuts. You have -- can you review -- we have Miracle Theater. We have Ortanique. We have...

Economic Development Assistant Director Roberts: Bloom Boutique.

City Manager Swanson-Rivenbark: Bloom Boutique.

Economic Development Assistant Director Roberts: Which is a clothing store.

City Manager Swanson-Rivenbark: And Häagen-Dazs.

Economic Development Assistant Director Roberts: And Häagen-Dazs, yeah.

Mayor Cason: Okay. Do we have any speaker cards?

City Clerk Foeman: No, Mr. Mayor.

Mayor Cason: Then we'll close the public hearing. Any more discussion on this?

Commissioner Lago: Leonard, do you think that -- is it a deal breaker in reference to the assignability of the contract?

Economic Development Assistant Director Roberts: I believe that it's definitely a, you know, strong -- they held strong. They said they have a lot of leases. This is the first time they would do something like that. But I do think there's an opportunity for us to come up with a compromise between both of us.

Commissioner Lago: And you feel comfortable with leaving that provision in the contract?

Mayor Cason: You're saying they're going to keep talking between now and the second...

Commissioner Lago: Okay.

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Mayor Cason: Reading.

Commissioner Lago: No, I just was asking.

Vice Mayor Quesada: What was -- I'm sorry, what was your question?

Commissioner Lago: It was the issue of assignability to the contract.

Vice Mayor Quesada: You have a problem with that?

Commissioner Lago: No, no. I'm just wondering. I just -- going back, I thought why would they -- why would Starbucks require assignability? You know, they want to cover every single base. I mean, they're international.

Vice Mayor Quesada: No, but -- yeah, but that's typical though because I believe the assignability is within its own umbrella, correct?

Economic Development Assistant Director Roberts: With affiliated entities, but Starbucks does own (INAUDIBLE)...

Vice Mayor Quesada: So, a lot of times what happens, for tax restructuring, a company might move an entity from, you know, a New York LLC to a Florida LLC...

Mayor Cason: So, it's not like they're...

Vice Mayor Quesada: Or something like that.

Mayor Cason: Going to put in a video game store there.

Vice Mayor Quesada: So -- no.

Commissioner Lago: I just want to be careful in regards to...

Economic Development Assistant Director Roberts: Yeah.

Commissioner Lago: You know, if that were to become an issue and let's say another property became available on the Mile even though this property is probably one of the best corner locations there are. Who knows what may become available and they decide to jump onto that other property and they decide to abandon this one and assign it to another entity?

Vice Mayor Quesada: No, they're still on the hook for payments.

Commissioner Lago: I know they're still on the hook on the payment, but we don't have control of who goes in there.

Economic Development Assistant Director Roberts: So...

Commissioner Lago: I want to make sure the assignability -- where we have some sort of say in reference...

Vice Mayor Quesada: Yeah, but...

Commissioner Lago: To the company that -- or entity that comes in there.

Vice Mayor Quesada: Yeah, but if it's within the same umbrella, it's got to be the same Starbucks brand.

Economic Development Assistant Director Roberts: It's the same Starbucks brand, but Starbucks owns an entity called Teavana. They own Seattle's Best Coffee. They own a couple restaurants. We do have a section in the lease that has considered prohibited uses...

Mayor Cason: Okay.

Economic Development Assistant Director Roberts: And we list things, such as fast food restaurants, uses that are not in compliance with City Code and several other components that are allowed by City Code, but we don't necessarily want there. So, these are things that are all included. We are looking to do a deal where we can actually terminate the deal if we choose not to go forward with an affiliated entity.

Commissioner Lago: Just wanted to be clear on that issue.

Mayor Cason: Alright.

Commissioner Lago: Thank you.

Mayor Cason: Do we have a motion on E-3?

Commissioner Slesnick: I moved it.

Mayor Cason: Commissioner Slesnick makes the motion.

Commissioner Keon: Second.

Mayor Cason: Commissioner Keon seconds it.

Vice Mayor Quesada: Actually, I'm sorry. Before I vote on this, I just need some clarity on

something. Did we finally decide whether we were going to speak to the Starbucks about the other location on US 1?

Mayor Cason: That's a separate issue.

Commissioner Lago: Well, I mean, I'd like to make a motion.

City Manager Swanson-Rivenbark: If you want to make a motion -- but unrelated to this item, we understand the safety issues associated with it. And now that our new Assistant City Manager for operations and infrastructure is going to get very involved in it, we believe we will come back to you with a solution.

Vice Mayor Quesada: Okay.

City Manager Swanson-Rivenbark: Whether you do a motion or not, we get it.

Commissioner Lago: I don't have an issue -- you know, we don't have to do a motion. It's just we need to put it on the front burner, you know, on this issue.

Mayor Cason: City Clerk.

Commissioner Keon: Yes.

Commissioner Lago: Yes.

Vice Mayor Quesada: Yes.

Commissioner Slesnick: Yes.

Mayor Cason: Yes.

(Vote: 5-0)

Economic Development Assistant Director Roberts: Thank you.

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