

City of Coral Gables City Commission Meeting

Agenda Item F-2

August 26, 2008

City Commission Chambers

405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Donald D. Slesnick, II

Vice Mayor William H. Kerdyk, Jr.

Commissioner Maria Anderson

Commissioner Rafael “Ralph” Cabrera, Jr.

Commissioner Wayne “Chip” Withers

City Staff

City Manager, David Brown

City Attorney, Elizabeth Hernandez

City Clerk, Walter J. Foeman

City Clerk Staff, Billy Urquia

Historic Preservation Director, Kara Kautz

F-2 [Start: 11:48:32 a.m.]

Discussion regarding ad valorem tax exemption for historically designated commercial properties – Vice Mayor William H. Kerdyk, Jr.

Mayor Slesnick: F-2, Mr. Kerdyk.

Vice Mayor Kerdyk: Thank you Mayor, can I have Kara come up here, please, where’s Kara? Couple years ago each one of us, I think, pretty much expressed their concern about the northeast quadrant and how these buildings in the northeast quadrant were being demoed, and being replaced by larger condominium buildings. Now subsequent to that of course the building craze has slowed down substantially based on economics, but that was a concern of the City Commission, and we put into the Zoning Code an ordinance where we wanted to allow tax exemptions for these commercially designated properties in the City of Coral Gables. Now, this tax exemption is different than the tax exemption that we usually allow the historically designated properties in the City of Coral Gables; the tax exemption that we usually allow the City is for any new additions to the property...

Ms. Kautz: Improvements.

Vice Mayor Kerdyk: Right – improvements to the property. This portion of the ordinance has to do with the building in general, and Kara why don’t you go ahead and give an update to the Commission of exactly what our ordinance has done, and then also I’d like Liz, who has been very substantial and making sure that we have the opportunity of providing commercial buildings in the City of Coral Gables fill in any empty blanks as far as this goes, alright. Kara, why don’t you go ahead and lead us off and talk a little bit about this provision.

Ms. Kautz: Sure. This exemption actually was modeled after one that's currently in place in Broward County, and what it does, it provides a fifty percent, an exemption of fifty percent of the assessed value of the property, which is there is some criteria that are based on a Florida Statute, and those criteria have to be met in order for this exemption to take place. The criteria that are used are that its a commercial or not-for-profit building, or use; it's listed on either on the national register or local register; individually or in a district; that it is regularly opened to the public or the public may visit to observe the historically significant aspects to the building; and this actually was an issue that came up, and I'll get to that in a second; and that the historic property, the character of the property is maintained and in good repair for the duration of the exemption. Originally Vice Mayor Kerdyk said this was originally intended to keep the small hardened buildings that exist in the North Ponce area to keep them economically viable. People are coming to us with four and six buildings and saying that the cost of land is too much, they can't get the high enough rents to cover the cost of the land and the building, so therefore, you know, it's a hardship and we have to demolish. So now actually this gives us something to offer as an incentive for designation and to maintain these properties and to keep them. So we think it's really fantastic. Although it was conceived for that area, it's not geographically bound to any portion of the City. So a commercial property, not an apartment building, any other commercial property in any other part of the area could also apply for this exemption, which is great as well. To date this exemption only applies to taxes levied by the City, they don't apply to County taxes. It was interesting because we had argued that the phrase regularly opened to the public became a point of concern for the County in that we designate exteriors of buildings, not interiors generally unless they are requested. So what happened was we said that if someone were able to access a property and view the exterior of the building then that should directly qualify as being open to the public to access the historic aspects of the building; and the County had some concerns with our interpretation of the language; but just recently the Assistant City Attorney requested an opinion from the State Attorney General who ruled in our favor, who ruled that our opinion – their opinion of our interpretation was correct. So, therefore the County said, go ahead, we let you apply the exemption to your City taxes, which is very, very good. So we are still working to get the County to get them on Board to levy their taxes as well, but we will need a proposer resolution – ordinance passed by the County to get that going. The process for applying for abatement will be finalized shortly with the Property Appraiser's Office; we hope to have it completed for the next tax cycle of March 1st, which is the deadline for application. It will be applied for like, almost like any other exemption where they apply with the County, and then we verify; we make sure that they are maintaining their property. We are going to request there is a maintenance plan in place, and that's it.

Vice Mayor Kerdyk: Let me just add a little bit and then I want Liz to opine on it. The fact is that we have met with Commissioner Gimenez and Commissioner Sosa on it trying to push it with the County; why this is so significant is that somebody can have this building, whomever it may be, a commercial building, and designate in the City, take off fifty percent of the City taxes, and then if the County goes ahead and does what we think they are going to do, take off fifty percent of the County taxes, so essentially sixty-five percent of the tax bill, fifty percent of that will be alleviated. That is a substantial amount of money to ensure historically designated properties stay like they are. Now, we are looking at two points: one is it can help us a little bit on affordable housing front, and the other of course the historical significance. Now, there is an issue as far as maintenance programs that we need to address at some point, Liz, and maybe you may want to

talk about that, and you might want to talk a little bit more about the process of how this was ruled on by the State Attorney's Office and stuff like that, because this is significant legislation for the City.

City Attorney Hernandez: Right. This has really the affect of accomplishing three goals: one goal as you know is the issue of affordable housing that the City has been looking at together with the South Florida Regional Planning Council, the County, and the State. We have a significant number of properties throughout the North Ponce area, as well as the rest of the City that are older more historic buildings, and obviously the population that many of them serve are middle income. They cannot afford to move into the higher costing building, so it helps us address the issue of affordable housing; it also helps these property owners because we had seen, and what was happening was that buildings were being bought out, developers were accumulating property, and demolishing the more beautiful historic buildings in order to build higher larger buildings and in fact pushing out some of the character of the neighborhoods that we have in the North Ponce area. In an effort to preserve it, we provided enabling language in the Zoning Code at the direction of the City Commission; we met with the officials from Broward County; they had indicated that their view as previously said, was that if a building – the historic features of the building can be viewed from the exterior for the requisite period of time during a given week, and it was open and viewable to the public, then it would be designated historic and qualify. The County took an opposing view which was, you needed to provide access, public access, to the interior of the building. They did indicate that if we were able to obtain an interpretation from the Attorney General, which was consistent with our interpretation, which is that as long as the historic exterior features of the building were on view to the general public it should qualify for some tax relief provided that the property owners are complying with the requirements of the City, that they would honor that interpretation that's why we requested that interpretation from the Attorney General's Office. The next step in the proceedings obviously is to meet with the Property Appraiser to go over what we believe to be is the program that the City Commission would like to adopt, and obviously our desire is to follow the procedure that was instituted in the TDR program, which is to give relief but also to provide an incentive for the property owners to continue to maintain and upkeep the building, and as a result we are going to be drafting a maintenance plan and package a manual that we will be bringing back to the City Commission for consideration, because we just don't want this to be additional profits or profits to a property owner. And that's really where we are at right now; we just want to be sure that the Commission wishes us to continue in this direction and to provide us with additional direction so that we can bring back a final package to you.

Commissioner Anderson: Refresh my memory. The maintenance would include some type of monitoring that this is taking place, that the actual owner is putting those monies back to upkeep.

City Attorney Hernandez: Right.

Ms. Kautz: That they haven't done anything outside that would jeopardize the historic integrity of the building, to make sure that they are doing what they are supposed to be doing essentially.

Commissioner Anderson: Fair enough.

Ms. Kautz: And what's interesting to note that I forgot to mention this before, unlike the abatements that we offer for improvements that runs for a ten year period; there is no end date on this; someone can keep applying for this as long as they keep meeting the criteria.

City Attorney Hernandez: And maintaining the building in good condition.

Commissioner Withers: So a twenty million dollar building could be fifty percent of their tax bill could be wiped off?

Ms. Kautz: If it's a twenty million dollar historic building...

Commissioner Withers: No, I'm just saying, there's really no size to the building, I mean...

Ms. Kautz: No, as long as they meet the criteria that are outlined it is designatable, that's important; if we feel that it meets the criteria to be designated, you know.

Commissioner Withers: That's a commercial income stream that's just more money going into the owner's pocket.

Ms. Kautz: In theory; in theory the money should be reapplied back to the building...

Commissioner Withers: Come on...we had this issue when we talked about Anastasia when they redid the buildings there, those yellow buildings, I think, Gay...

City Manager Brown: Kay...[inaudible]...

Vice Mayor Kerdyk: That was before our time.

Commissioner Withers: And the issue was, and the issue was that this was a commercial enterprise, there was a revenue and income stream to an owner...

City Attorney Hernandez: Right, but the contrary view is that because of the inordinate amount of development that was occurring in the North Ponce District, the value of the property was being assessed much higher than the income stream that was coming in; we were seeing a lot of buildings that were being sold and torn down, and there was a desire by the Commission to slow that trend, and not to have the high height, however, its up to the Commission...

Commissioner Withers: Listen, I don't have a problem with preserving historic buildings, I mean, my record is pretty...says that. Now you are entering into the realm of commercial real estate where people are getting returns from their investment; it's not like a private home where its now you've crossed that line in my mind of, I don't know; I think the ramifications of this down for future Commissions and the future tax base of Coral Gables is twenty five years from now when forty percent of the buildings in Coral Gables are historic, where is the tax base?

Ms. Kautz: Can I give you an example of where this may apply and the way it was intended? There was an appeal from the Board of Architects that came before you all, a property on

Almeria; six or four unit apartment building that she wanted to put impact windows in, and the Board of Architects said no, these aren't the appropriate kind of windows, you can put shutters, you can do something else. She was complaining that by doing that, by requiring her to put this architecturally specific type of window in, that you are costing her too much money. In this case if you could offer her an incentive and say, if you designate historic we will cut your taxes and you could put that money back into your property to put the appropriate windows in, to make the Board of Architects compliant.

Commissioner Withers: Well, why don't we just give residential homeowners fifty percent off?- what's the difference?

Ms. Kautz: It's...

Commissioner Withers: What's the difference? We are chopping away at our tax base you guys.

Commissioner Anderson: I have a concern about the percentage. I'd like a report to come back and let us know. Fifty percent is that correct?- of the taxes we pay and then forever, if they...

Vice Mayor Kerdyk: It's reviewable on a yearly basis; it's reviewable on a yearly basis.

Commissioner Anderson: It concerns me, if there is some type of middle ground to reach.

Mayor Slesnick: Fifty percent is a required number, or up to fifty percent?

Ms. Kautz: The statute says up to fifty percent of the assessed value; our Zoning Code says fifty percent.

Commissioner Anderson: To me that's a pretty high number.

Mayor Slesnick: So that's debatable in other words, we can go less than fifty.

Ms. Kautz: Yes.

Mayor Slesnick: One other thing to respond to Chip's point, that I take is a good point, and that is future Commissions, and what we saddle them with as far as they stock of commercial property's age, as we as a Commission, because right now what we are trying to do is save a specific stock of buildings can set a date of qualification that historic buildings built prior to "X" date, that would answer one of Chip's questions.

Commissioner Withers: It's fifty years, I think, is that what...? No, no, I'm just saying.

Mayor Slesnick: It's a sliding scale.

Ms. Kautz: It's a general benchmark for designations.

Commissioner Withers: It's a general benchmark of fifty years.

Vice Mayor Kerdyk: That's when they can be considered.

Mayor Slesnick: So what I'm saying, Chip, you are absolutely right, so right now 1960's buildings are actually now becoming ready to be considered as possible historic, and you know what there are some that we may decide are historic and would want to preserve, but for this particular function we are really looking at an older stock of buildings, so we may say pre 1935.

Vice Mayor Kerdyk: Let me say, because I deal with this everyday Chip; there are very few...the way I saw was like the 1920's, 1930's motif; there are very few buildings in the City of Coral Gables in the commercial realm that meet those 1920-1930 motifs, and you're right; maybe we need to clarify and say anything from a certain era make sense, but what we are trying to do is preserve the historic realm in the City of Coral Gables, and not have it damaged by all the development that has been done in the City, and to be perfectly frank with you, again, like I mentioned when I started this off, right now is probably, and you're right, right now is not a big deal because there is not that much commercial development going on, but its going to come again, and there is going to be another issue that happens in the foreseeable future and then again we are going to be dealing with this issue. We're talking about fifty percent of – what do we have?- twenty-five percent of the overall tax bill, so we are talking about twelve point two five (12.25%), and if the County gets to do it that would be their portion of thirty-five percent or forty percent. I want to make it a better provision for the City, if we want to tweak it any way, that's fine, I think we'd be foolish not to proceed on and see where we go from here, because there is not that many buildings that fit that timeline.

Commissioner Cabrera: I think the perfect example was the one you gave about the lady who wanted to do the shutters and not the windows, I remember that at the Biltmore Hotel and then she had a subsequent article in the paper about the whole thing, what ended up happening with that?

Ms. Kautz: I don't think anything, I don't think...

Commissioner Cabrera: That's ashame that she wasn't able to protect her tenants.

Commissioner Anderson: I'd like more information, I mean, generally conceptually supportive, but I need more information as far as ramifications on the issue of the taxes and affecting future budgets for future Commissions, and what is truly the housing stock that we are talking about, Vice Mayor Kerdyk talks about twelve and a half percent over the housing; I'd like more information on that in order to make an informed decision, because right now as its presented I couldn't support it.

Vice Mayor Kerdyk: Do we need a motion on something like this?

City Attorney Hernandez: Basically all it is, is direction to the Manager's office and my office as to what you want in terms of information, in terms of plans to bring back for a final program that the Commission can consider for adoption.

Vice Mayor Kerdyk: I think you need to bring back a final program.

Mayor Slesnick: I think that's the kind of direction the Commission needs to give, unless I hear objection we'll direct the Manager's office to bring back to us in conjunction with working with Vice Mayor Kerdyk an ordinance for us to consider with a full set of details and report, and we'll take it from there.

Ms. Kautz: Thank you.

Mayor Slesnick: Thank you Kara. Thank you Bill.

Vice Mayor Kerdyk: Thank you.

[End: 12:06:36 p.m.]