

CITY OF CORAL GABLES
Property Advisory Board Meeting Minutes
Wednesday, June 14, 2017, 8:30 a.m.
2121 Ponce de Leon Blvd., Suite 720, Coral Gables, Florida 33134

PAB MEMBERS	J	F	M	A	M	J	J	A	S	O	N	D	APPOINTING ENTITY
	'17	'17	'17	'17	'17	'17	'17	'17	'17	'16	'16	'16	
Alberto Manrara	-	-	-	-	-	P	X			-	-	-	Mayor Raúl J. Valdés-Fauli
Jonathan Leyva	-	-	-	-	-	P	X			-	-	-	Commissioner Michael Mena
Luba DeWitt	E	P	E	E	P	P	X			P	X	P	Commissioner Patricia Keon
Valerie Quemada Vice Chair	P	P	E	P	E	E	X			P	X	P	Commissioner Vince Lago
Tony Gonzalez	E	P	P	P	P	P	X			P	X	P	Commissioner Frank Quesada
Ed Mazzei	-	-	-	-	-	P	X			-	-	-	City Manager
Andrea Molina	P	P	P	Ph	P	Ph	X			P	X	P	City Commission

A = Absent E = Excused Absence P = Present X = No Meeting Ph = Present by Phone - =Former Board Member

STAFF AND GUESTS:

Javier Betancourt, Director, Economic Development Department
Leonard Roberts, Assistant Director, Economic Development Department
Francesca Valdes, Business Development Specialist, Economic Development Department
Mariana Price, Administrative Assistant, Economic Development Department
Matthias Kammerer, General Manager, Biltmore Hotel

Meeting Motion Summary:

A motion to approve the minutes of the May 25, 2017 meeting passed unanimously.

A motion to defer the appointment of a new chair of the board passed unanimously.

A motion to defer action until the board is given a presentation by the Art Cinema regarding expansion into the Patio 'n Things space at the expiration of their lease.

A motion to have the City address the possibility of making sure traffic during the construction period is expedited by providing some form of traffic alleviation passed unanimously.

Mr. Betancourt brought the meeting to order at 8:33 a.m.

1. Review of the May meeting minutes (Action)

Mrs. DeWitt made a motion to approve the minutes of the May 25, 2017 Board meeting. Mr. Manrara seconded the motion, which passed unanimously.

2. Appointment of new chair of the board (Action)

Mr. Betancourt explained to the board that a new chair of the board needed to be voted on after new appointees by the newly-elected Commission replaced a few of the board members (the former chair included) appointed by the previous Commission. Mr. Alberto Manrara expressed his concern that he and the other two new board members were not well-informed enough and therefore not yet prepared to consciously vote for a new chair. Mr. Manrara made a motion to defer action until the next board meeting until the new board members could become acquainted with past minutes and understand the role of the board a little more, and for appointment of a temporary chair for purposes of the meeting.

Mr. Manrara made a motion to defer action to elect a new chair and to temporarily appoint Tony Gonzalez as the chairman for the day's board meeting, seconded by Mr. Jonathan Leyva, and which passed unanimously.

3. Biltmore Hotel Renovations (Discussion) – *Matthias Kammerer, General Manager*

Mr. Matthias Kammerer presented to the board all of the recent initiatives the Biltmore has taken to improve and upgrade the hotel. The chiller and A/C system, including a cooling tower, chillers, and pumps, were recently replaced at a cost of \$1.4 million. The boilers and hot water circulation system were recently replaced, at a cost of \$125,000. Mr. Kammerer explained that City personnel were actually there today doing inspections on this work. They are currently seeking out the ten-year re-certification for the Country Club building. They are currently investing \$125,000 and is projected to have finished in December of this year. They are putting the final touches on what needs to be done based on the same ten-year re-certification for the Biltmore Hotel itself, which is projected to cost \$200,000 and is expected to be completed by some time in 2018. They are in the process of upgrading the upper main lobby, which includes new furniture and carpets. The lobby redesign will cost about \$500,000. Two years ago they began to address the windows of the building. A lot of challenges are associated with the windows because it involves a number of delicate issues, including the hotel's historic designation guidelines, which it must upkeep, and hurricane code requirements. The hotel has approximately 800 windows throughout the property. They ultimately hired an architect who has experience in this field and they started to design their own windows, which turned into a two-year trial and error process. The design now meets all the requirements of historic designation and the hurricane code requirements. They have presented a test meeting with the County to meet all of the hurricane code pressure, they presented to the historic review board, Dona Spain, and at this point they are waiting for the final approval from the County to go ahead and actually start replacing the window. Mr. Manrara asked Mr. Kammerer if the lease between the City and the Hotel requires the City to assist with maintenance and upkeep, to which Mr. Kammerer explained that it did not. Mr. Manrara then asked if there were specific requirements such as required replacements of a given object every five years, to which Mr. Kammerer answered that the hotel makes replacements and repairs on an as-needed basis. Mr. Roberts added the hotel is required to be managed as a luxury first-class hotel. Mr. Mazzei asked Mr. Kammerer if the hotel has noticed a significant amount of savings in utilities after replacing the A/C system. Mr. Kammerer admitted that they had not yet specifically tracked those savings, but agreed and said they would examine those numbers. Mr. Kammerer explained that they could not

upgrade more than three rooms at any one time without causing disruption to the hotel's business. They are committed to build two mock-up rooms to showcase the hotel's offerings. The Biltmore Hotel will also soon be replacing its three elevators, which is projected to cost \$1.7 million. Once they begin, it will take at least a year, because it will take about four months per cab because the hotel needs to allow operations to continue as usual. The Biltmore Hotel has also recently re-curbed the walkways, repaved its parking lot with a new coat and striping, and installed LED lighting throughout the parking lot.

Mr. Mazzei asked Mr. Kammerer what the occupancy rate has been over the last six months, to which he replied 70%. He explained this was historically low, citing numerous reasons including:

- The two largest foreign markets in south Florida have experienced a drop (arrivals decreased by 5%), and Brazil, which has a tremendous impact on the economy, and their arrivals in 2016 dropped by 26%.
- The Miami Beach Convention Center has been completely out of commission for the past six to eight months.
- The strong dollar doesn't necessarily help.
- An ever-increasing inventory of short-term rental units in Miami (i.e., Air BnB and many other platforms), and,
- additional inventory period, added in 2016 1,800 regular hotel rooms in this market, and
- Zika virus was also an issue. All hotels experienced cancellations as a result of that. Biltmore Hotel lost \$1.5 million directly due to Zika. Wedding business is particularly sensitive.

Greater Miami experienced occupancy of 75% went down by 3% from 2015, average rate also went down by 3% for the County, and RevPAR (revenue per available room, an industry measurement) also went down by almost 6% for all properties. The Biltmore Hotel mirrored that trend a little bit, they lost 6% occupancy, and RevPAR dropped by 1%, but their ADR, or average daily rate, grew by 8%. They earned 1% more in revenue in 2016 than in 2015.

Mr. Betancourt asked Mr. Kammerer if the Biltmore Hotel was doing more in terms of marketing and advertising. Mr. Kammerer said the hotel has not necessarily done more, so much as they have adapted, in areas such as online and digital marketing. Strong efforts made in retargeting, and essentially there's a digital way that if one clicks once on their website or newsletter, they are now able to follow you. For example, if a potential client goes to their website, and then goes to cnn.com, they will appear in the margin banner advertisements.

The Biltmore Hotel is affiliated with "Leading Hotels of the World." There are seven of them in this market, and must distinguish themselves within that. They work closely with the GMCVB and host a lot of their fam trips into the City, but they also bring in their own fam (familiarization) tours. They also bring in foreign press trips (e.g., France, U.K., Germany, Austria, Switzerland, Italy, etc.) to generate publicity and press about the hotel and Coral Gables. Mr. Betancourt asked about the convention and conference side of the hotel's business. Mr. Kammerer admitted that leads are down. They are 50% group and 50% transient. They have

80,000 square feet of convention space. He explained that the lack of business at the Miami Beach Convention Center has affected other hotels in the market, as they thrive off of the “compression” caused by the influx of convention and conference audiences.

Mr. Manrara asked Mr. Kammerer if the City has a role in making sure that its property is being maintained and that some of these are capital improvements. The City has operational standards they have to fulfill, and the lease has a mechanism whereby if revenues are above a certain percentage, the hotel uses those funds towards capital improvements.

Mr. Mazzei asked what the industry standard was for modernizing rooms. Mr. Kammerer replied that it is approximately every seven to ten years, depending upon the traffic.

Mr. Roberts explained there are two leases between the City and the Biltmore—one for the hotel and one for the golf course. Mr. Kammerer elaborated that the Biltmore Hotel employed a director of golf operations four years ago, brought in a professional, replaced the entire golf cart fleet, and collaborated with the University of Miami, and the golf course is the home of the woman’s golf team. Two bridges are getting replaced. The number of rounds has steadily grown, and they are just about 49,000. He explained they couldn’t do much more in terms of growth without impacting the course negatively. They worked hard on getting the Junior Orange Bowl for their national tournament.

4. Cinema expansion into Patio & Things space (Action)

Mr. Betancourt told the board of the Coral Gables Art Cinema’s interest of expanding into the adjacent City-owned space which is currently being leased to Patio & Things. Mr. Roberts explained that Patio & Things’ lease ends in 2020, which is when the Cinema would like to begin using that space to add another theatre room. The Art Cinema lease ends in 2025. Patio & Things pays the City \$9,500/month, and the Art Cinema pays \$1,600/month (subsidized lease because it’s a not-for-profit entity with a notable economic development impact). The Cinema has asked for approval by the City now so they can begin fundraising if they are able to expand. The Cinema has given the City a letter of intent expressing their general interest in expanding, using the existing lease, and adding an option for extending the lease. Mr. Betancourt explained that from an economic development standpoint, the Coral Gables Art Cinema is a great destination and they attract people to downtown, however, from an asset management perspective, the City would be losing money because of the difference in how much each tenant pays. Patio & things has been a great tenant, always paid on time, but they do not necessarily drive people to the downtown area as the cinema does.

Mr. Mazzei and Mr. Manrara both expressed their love of the Art Cinema. Mr. Mazzei requested more information on the cinema, such as what their overall attendance of the theatre is to determine whether or not an expansion makes sense. He also expressed concern for the occupancy in the parking garage, and whether there would be adequate parking for an expansion. Mr. Betancourt said he would talk to the parking director to get that information.

Mr. Mazzei inquired how much business they have lost after the opening of the Landmark

Theatre in Merrick Park, to which Mr. Betancourt responded that an agreement was worked out between the two entities and that there has not been any resulting loss of business, per se, for the Art Cinema. Mr. Manrara suggested that the Art Cinema work with the Actors' Playhouse to show movies on their second floor, to which Mr. Roberts responded that the Playhouse is constantly using their spaces for showings, including movies, smaller plays, and rehearsal space.

Mr. Leyva stated concern over losing revenue from Patio & Things, and asked if the deals could be negotiated in parallel. Mr. Roberts responded that it is not in the City's interest to leverage the two deals against each other since the benefits of each lease consideration is measured in different ways.

It was decided to continue the discussion to the next meeting in order to gather additional information and hear directly from Art Cinema Director Steve Krams.

5. Other City Business

Mr. Betancourt briefly updated the new board members on the downtown retail strategy. Francesca Valdes, the Business Development Specialist, passed out the retail strategy report and reviewed its findings. She also informed the board of Espresso Cubano, a coffee shop with origins in New York, coming to Giralda Avenue this year.

Mr. Betancourt explained that the City has a Retail Steering Committee which oversees the implementation of the retail strategy, which is composed of three members each from the City, Chamber of Commerce, and Business Improvement District.

Mr. Betancourt announced to the board the new service provided by Freebee throughout the downtown area in Coral Gables. Freebee is a free transportation service by electric cars which patrons can hail via the Freebee app. The program has thus far been very well received.

The streetscape construction on Miracle Mile is expected to be completed by the end of the 2017 calendar year, while the construction on Giralda Avenue should be completed by mid-August.

Mr. Manrara made a motion to encourage the City address the traffic problems caused by the streetscape construction, by way of having police directing the flow of traffic, which was seconded by Mr. Mazzei and which passed unanimously.

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The meeting was adjourned at 10:35 a.m.

Respectfully submitted,

Mariana Price, Administrative Assistant - Economic Development Department