



City of Coral Gables
CITY COMMISSION MEETING
August 29, 2017

ITEM TITLE:

A Resolution approving general terms and authorizing the City Manager and City Attorney to negotiate a Sales and Purchase Agreement with Doctors' Hospital, Inc., a Florida not-for-profit corporation, for the sale of Municipal Parking Lot 24 located on the northwest corner of University Drive and Pisano Ave, Coral Gables, FL 33146 having a Miami-Dade County parcel identification number of 03-4119-006-0200, and waiving provisions of the Procurement Code in accordance with Sections 2-2011 and 2-583 thereof. *(This resolution requires a 4/5 vote because of the waiver; Sales Agreement will come back to City Commission for authorization to execute)*

DEPARTMENT HEAD RECOMMENDATION:

Approval

BRIEF HISTORY:

Per Resolution 26281, dated November 10th, 1987, the City Commission authorized a lease agreement, as amended by an Amendment to a Memorandum to Lease dated January 31, 1992, then amended by a First Amendment to lease dated August 20, 2002, then assigned by an Assignment and Assumption of Lease dated July 20, 2005, and re-assigned by an Assignment and Assumption of Lease Agreement dated July 1, 2006, with Doctors' Hospital (the "Hospital") for municipal surface parking Lot 24 (the "Lot") located on the northwest corner of University Drive and Pisano Ave, across from Doctor's Hospital (collectively, the "Lease"). The initial term of the lease is set to expire on December 30, 2017; on May 9th, 2017, the Hospital executed their automatic renewal right for an additional 30 years. The Hospital is currently owned by Baptist Health South Florida, Inc ("Baptist") and the Lot is used to provide free valet service for patients and visitors.

The Hospital submitted a Letter of Intent (LOI) to purchase the Lot on June 26, 2017. The offer is to purchase at \$3,000,000 (See **Exhibit A**) and to continue to operate the Lot for parking. On February 10, 1994, The Hospital executed a Declaration of Restrictive Covenant in favor of certain neighboring property owners limiting the Hospital's use to a parking lot or its current future land use, multifamily duplex. As part of the LOI, the Hospital would like the right to build a parking structure in the future and understand it would need to seek approval by the certain neighboring property owners who executed the Restrictive Covenant.

In accordance with Section 2-2014 of the Procurement Code, two recent real estate appraisals were conducted with regard to the parcel. The appraisals were done by Gallaher & Birch, Inc. and Waronker & Rosen, Inc.; both appraisers are MAI certified. 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 an income valuation of \$3,600,000.

	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%

As noted above, there can be challenges to developing a duplex structure, so consideration as parking due to the Hospital's parking demand would be a higher utility than a duplex. The Hospital has been the tenant at the lot for 30 years and is well suited to being the buyer. They currently lease the lot for \$91,606 annually which is scheduled to increase by 25% to \$114,507.50 (increase based on parking meter rate increases).

The City performed net present valuations (NPV) on the Lot based on the lease term and projected the following:

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

Based on the existing lease payments to the City, a sale at \$3 million would result in a capitalization rate of 3.1% which is higher than demands for parking use or multifamily duplex. Accordingly, City Staff is recommending a sale at \$3,000,000 to the Hospital.

Summary of Proposed LOI terms provided by The Hospital:

- 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.

The proposed LOI was presented to the Economic Development Board (EDB) on August 2, 2017, who voted to unanimously to approve purchase price and to further negotiate the remaining terms. The terms were presented to the Property Advisory Board (PAB) on August 9, 2017, who recommended the sales price and the proceeds be used by the City to purchase more developable land and pursue options for the Lot to be taxed. The Budget/Audit Advisory Board (BAB) is scheduled for September 6, 2017, whose vote will be presented once the final purchase and sales agreement is finalized.

Staff recommends acceptance of the proposed sales price, but believes the remaining terms should be further negotiated. The Hospital will continue to operate the lot for benefit of its patrons.

Staff is requesting authorization from the City Commission to allow the City Manager and City Attorney to further negotiate and come back to Commission with a recommended purchase and sales agreement for final approval. In addition, the City Commission is being asked to waive requirements of the Procurement Code pursuant to Sections 2-2011 and 2-583 of the City Code, which requires a 4/5 supermajority vote. Such waiver is permitted to serve the public interest and the best interests of the City.

LEGISLATIVE ACTION:

Date.	Resolution/Ordinance No.	Comments
11/10/1987	Resolution 26281	Lease Approval
11/18/2003	Resolution 2003-206	Assignment Approval
8/22/2006	Resolution 2006-152	Assignment Approval

ADVISORY BOARD/COMMITTEE RECOMMENDATION(S):

Date.	Board/Committee	Comments
8/2/17	Economic Advisory Board	Recommended approval
8/9/17	Property Advisory Board	Recommended approval

FINANCIAL INFORMATION: (If Applicable)

No.	Amount	Source of Funds
N/A		

ATTACHMENT(S):

1. Proposed Resolution;
2. Letter of Intent;
3. Excerpt of minutes from Economic Development Board meeting of August 2, 2017;
4. Excerpt of minutes from Property Advisory Board meeting of August 9, 2017;
5. Appraisal by Gallaher & Birch;
6. Appraisal by Waronker & Rosen.