



MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMISSION MEMORANDUM

TO: Mayor David Dermer and Members of the City Commission

FROM: City Manager Jorge M. Gonzalez

DATE: April 11, 2007

SUBJECT: **REPORT OF THE FINANCE AND CITYWIDE PROJECTS COMMITTEE (COMMITTEE) MEETING OF MARCH 8, 2007.**

NEW BUSINESS

1. Discussion regarding the Miami Beach Community Development Corporation's (MBCDC's) proposed purchase of the following three properties located within the City Center RDA: 1940 Park Avenue; 1965-1975 Washington Avenue; and 2001 Washington Avenue, for the purchase price of \$13,700,000; to consider appropriating the balance of funding required from City Center RDA funds for the proposed purchase and to consider the proposed terms and conditions of a proposed mortgage agreement between the RDA and MBCDC.

ACTION

The Committee moved to provide the necessary funding to allow MBCDC to purchase the Barclay Hotel, The Allen, and the London House, and further recommended appropriating the necessary funding for the balance of the acquisition costs, plus estimated closing costs, in a not to exceed amount of \$13,400,000, and recommended appropriating an additional \$250,000 towards offsetting carrying costs for the first year after closing or until the MBCDC is able to secure additional funding.

City Manger Jorge M. Gonzalez reported that following the discussion at the October 25, 2006, Finance and Citywide Projects Committee meeting, regarding the use of City Center/Historic Convention Village (City Center) RDA funding to assist in the acquisition and rehabilitation of buildings within the City Center RDA for affordable housing, the Miami Beach Community Development Corporation, (MBCDC) has contracted to purchase three apartment buildings located in the City Center RDA and has requested funding assistance from the RDA. The three buildings are the Barclay Hotel, located at 1940 Park Avenue; The Allen, located at 2001 Washington Avenue; and the London House, located at 1965-1975 Washington Avenue. The contract purchase price for all three properties is \$13,700,000. The Manager advised that due diligence had been performed and the updated appraised market value of all three is \$13,900,000.00.

Mr. Roberto Datorre with the MBCDC advised the properties were in fairly good condition and would not require much structural work. He did note some additional plumbing and electrical work would be necessary. He went on to advise that income generated from the properties would not allow for a reserve to be set aside, so any current improvements made to the properties would need to have a prolonged existence.

He also went on to state there is a strong demand for two and three bedrooms in Miami Beach. According to a survey conducted by the MBCDC, only eleven percent of their affordable housing stock is comprised of two or three bedroom units. Mr. Datorre advised that there are currently 161 one – bedroom units than can be reconfigured into 86 two or three bedrooms with the current purchase of the new buildings. He advised the reconfiguration, would allow for decreased income from the properties but would increase the amount of people being served by affordable family housing.

The Manager added that The Allan house is currently vacant. The Barclay and the London House are close to full occupancy. He noted that the logistics and scheduling sequencing would need to be worked out to accommodate those buildings with occupied units.

Assistant City Manager, Hilda Fernandez, noted that the total rehabilitation cost for the project would be \$12.3 Million. She also advised that the operating proforma for the project dictates the carrying of some debt.

Mr. Karl Kennedy with the MBCDC explained that more grants would be needed to fund the project due to less income being received from the service loan. He stated that it would take a greater length of time to acquire such grants and the project would operate at a loss until those funds were received. Mr. Kennedy went on to advise that grants for the project are very competitive. The factors for which the grants are rated include the cost per unit, the size of the units, and the number of larger units available. He stated there is no guarantee as to which grants would be received, but the higher the scores, the higher the potential for more funds to be awarded.

The Manager also advised the possible future acquisition of the Riviera Apartment Building. He noted the property has a state covenant stipulating that the property must remain as affordable housing for a certain period of time. He went on to advise that the Allen Building sits on a block that is currently trying to be consolidated by another developer. He expressed the possibility of selling the Allen Building and using the proceeds to purchase the Riviera. Mrs. Fernandez advised that the title for each of the three RDA properties shall be held separately in an effort to facilitate the possible future sale of the Allen Building. She also noted there is a thirty year reversion of title to the City and at no time can the MBCDC sell the properties.

Commissioner Bower thanked Mr. Datorre and the MBCDC for the excellent job they are doing within the City.

The floor was then opened for public comment:

Ms. Nancy Liebman expressed that on behalf of the Mayor's Blue Ribbon Committee, she fully supported the project for creating affordable housing. Mr. Arthur Marcus also voiced his support of the project.

On another matter, Commissioner Libbin noted that at the last Commission Meeting, he requested that Legal and the City Managers Office look at the Sun Post article regarding the complaint from one of MBCDC's clients. The City Manager advised that City staff and the Legal Department have investigated the matter and concluded that the allegations regarding MBCDC brought forward were false. Mrs. Fernandez also noted that the City's Housing program has been reviewed by both the United States Department of Housing and Urban Development (HUD) and First Housing who both determined the City's program is being run within the current guidelines for both authorities.