



# MIAMI BEACH

RECEIVED

2008 DEC -3 PM 3: 05

CITY CLERK'S OFFICE

OFFICE OF THE CITY MANAGER

NO. LTC # 310-2008

## LETTER TO COMMISSION

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: December 2, 2008

SUBJECT: **Property Appraisals and Pro Forma for the Purdy Avenue Garage Site**

The purpose of this LTC is to provide the Mayor and City Commission with the attached appraisal report and pro formas regarding the site for the proposed Purdy Avenue Garage. On November 18, 2008, the Finance and Citywide Projects Committee considered the proposed transaction between the City and the Scott Robins Companies (SRC) for the development of a parking garage in the Sunset Harbor neighborhood. At the meeting, a motion made by Commissioner Weithorn was adopted to present the proposed project to the Commission, as it is currently contemplated in the draft agreement and subject to final negotiations. The Agreement will be presented for consideration at the December 10, 2008 City Commission meeting.

Additionally, at the request of the Finance and Citywide Projects Committee, the Administration solicited an appraisal from J.B. Alhale & Associates, to determine the market value of the project site and its various parts, as well as prepared the attached pro formas for the proposed garage.

The appraiser made a physical inspection of the subject sites, reviewed the site surveys dated July 26, 2008, and the building plans dated August 1, 2008 and prepared by Arquitectonica. He also analyzed market data and parking revenue statistics for the City's South Beach garages. The estimate of market value of Fee Simple Interest in the project site is **\$13,050,000**, and the estimate of the market value of the air-rights is **\$6,045,000**.

<u>Summary of Market Value Estimates</u>	Fee Simple	Air Rights
Project Site	\$13,050,000	\$6,045,000
Non-Tremont Parcels	\$5,925,000	\$2,745,000
Tremont Site without the Out-Parcel	\$6,800,000	\$3,150,000
Tremont Site	\$8,100,000	
Tremont Out-Parcel	\$930,000	

### Fee Simple Interest

Project Site – The market value of fee simple interest in the project site (excluding the Tremont Out-Parcel), is \$13,050,000. This market value was determined via the sales comparison approach, in which 9 recent property sales, and 6 properties currently listed for sale, were analyzed. The Sales Comparison Approach is based on a comparison between recently sold comparable sites and the subject site, utilizing the price per square foot of buildable area method of comparison. Based on the appraiser's analysis, \$200 per square foot of buildable area is a reasonable value estimate for the 43,500 square foot site:

$$43,500 \text{ SF} \times 1.5 \text{ FAR} = 65,250 \text{ SF Buildable Area} \times \$200/\text{SF} = \$13,050,000$$

The Administration also requested that the appraiser provide the market value of fee simple interest in the Tremont Parcel in its entirety (\$8,100,000), and also of the Tremont Out-Parcel (\$930,000) and the balance of the site (\$6,800,000).

Tremont Site - Based on the appraiser's analysis, \$200 per square foot of buildable area is a reasonable value estimate

$$27,000 \text{ SF} \times 1.5 \text{ FAR} = 40,500 \text{ SF Buildable Area} \times \$200/\text{SF} = \$8,100,000$$

Tremont Out Parcel – Based on the appraiser's analysis, \$165 per square foot of buildable area is a reasonable value estimate, due to the inferior physical development potential of the 3,750 square foot site as a stand-alone site.

$$3,750 \text{ SF} \times 1.5 \text{ FAR} = 5,625 \text{ SF Buildable Area} \times \$165/\text{SF} = \$928,125$$

Balance of Tremont Site – Based on the appraiser's analysis, \$190-200 per square foot of buildable area is a reasonable value range for this parcel.

$$23,250 \text{ SF} \times 1.5 \text{ FAR} = 34,875 \text{ SF Buildable Area} \times \$190/\text{SF} = \$6,626,250$$

$$23,250 \text{ SF} \times 1.5 \text{ FAR} = 34,875 \text{ SF Buildable Area} \times \$200/\text{SF} = \$6,975,000$$

The difference between the sum of the Tremont Out Parcel and the balance of the Tremont site (\$7,730,000) and the market value of the entire site (\$8.1 million) is \$370,000, which represents a premium for the land assemblage, as well as a discount due to the market value of the Out-Parcel as a stand-alone site.

Non-Tremont Parcels – Based on the appraiser's analysis, \$190-200 per square foot of buildable area is a reasonable value range for this parcel.

$$20,250 \text{ SF} \times 1.5 \text{ FAR} = 30,375 \text{ SF Buildable Area} \times \$190/\text{SF} = \$5,771,250$$

$$20,250 \text{ SF} \times 1.5 \text{ FAR} = 30,375 \text{ SF Buildable Area} \times \$200/\text{SF} = \$6,075,000$$

The difference between the sum of the market value of the Non-Tremont Parcels plus the Tremont Site w/o the Out-Parcel (\$5,925,000 + \$6,800,000 = \$12,725,000) and the market value of the entire project site (\$13,050,000) is \$325,000, and represents a premium for the land assemblage.

### Air Rights

The Administration also requested that the appraiser provide a value of the Air Rights related to the project site.

After arriving at estimates of the market value of the Fee Simple Interest in the site, an Income Capitalization approach was utilized to determine the value of the Air Rights. As part of the Air Rights Valuation, the appraiser analyzed the parking revenue and operating expenses for the municipal parking garages located in South Beach, as well as the Parking Department's proforma for the Purdy Avenue Garage in order to project the revenue and operating expenses for the proposed garage. For Year 1, parking revenue per space was estimated to be \$2,000, with an operating expense of \$1,250 per space. The parking revenue/space was projected to increase at an annual rate of 12.5%, while the operating expenses were projected to increase at an annual rate of 3%.

The appraiser utilized Discount Rates that ranged from 8.5% to 9.5%, along with a terminal capitalization rate of 6.25% applied to Year Six net operating income to estimate the Prospective Market Value of the Fee Simple Interest in the subject parking garage upon

completion of construction. According to the appraisal, the selected discount rate range reflects current investors' yield requirements from similar type properties. Based on this analysis, the estimated Prospective Market Value, utilizing the Discounted Cash Flow Method was as follows:

Market Value with a Discount Rate of 9.0%	\$12,085,000
Less the estimated construction cost as per Marshall & Swift Cost Guide	- \$6,040,000
Equals the Residual Value attributable to the Land/Air Rights	= \$6,045,000

The estimated Air-Rights value of \$6,045,000 represents 46.32% of the estimated fee simple value of \$13,050,000. According to the appraisal, "while the ground floor area with 31,850 SF of retail space utilizes only one of the five floors, the ground floor is the most valuable component of the 'development envelope' as retail rental rates are reported to be \$25 per square foot on a triple net basis for a 'vanilla box' finish to be built-out by the tenant, while parking spaces (approximately 330 SF of garage area per parking space) are projected to generate an estimated \$2,155/year or \$6-7/SF of net operating income at future stabilized operations."

**Garage Operations / Pro Formas**

The Administration has prepared two pro-formas for the initial five years of operation, which are attached. Both proformas take into account the initial start-up costs that will occur in the first year. Additionally, the proformas assume that the retail component of the facility will reach 90% occupancy at the end of year 1, with 100% occupancy during years 2-5. Finally, both proformas assume 2% growth in annual revenues for years 3, 4 and 5.

The first proforma accounts for the spaces in the garage that will be utilized for City operations, and therefore, will not generate revenue. During the first five years, the proforma indicates that the facility will operate at a loss, although the amount of the loss diminishes each year:


	Year 1	Year 2	Year 3	Year 4	Year 5
Profit/Loss	-\$415,072	-\$109,284	-\$102,665	-\$96,269	-\$89,799

Since the City's use of 120 spaces in the garage is a unique circumstance that supports additional benefits related to this project, the Administration prepared a second proforma to analyze the viability of this project as if it were a normal parking garage with ground floor retail. In this scenario, the "city spaces" were not accounted for, and therefore were included as revenue-generating spaces. Under this scenario, following the first year which includes start-up costs, the garage would generate revenue:

	Year 1	Year 2	Year 3	Year 4	Year 5
Profit/Loss	-\$142,650	\$253,946	\$267,830	\$281,490	\$295,370

**Conclusion**

The agreement between the City and SRC will be considered by the City Commission as part of the December 10, 2008 City Commission meeting agenda. In the meantime, please do not hesitate to contact me with any questions or comments regarding the appraisal.

JMG/TK/kc 

CITY OF MIAMI BEACH  
 PARKING DEPARTMENT  
 SUNSET HARBOR GARAGE - 5 YEAR  
 458 Spaces

REVENUE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
TRANSIENT - 180 x Avg Ticket Price @ \$3.00 - Mon-Fri	\$ 105,300	\$ 140,400	\$ 143,208	\$ 146,016	\$ 148,880
TRANSIENT - 150 x 2 days x \$15.00-Sat & Sun (Conventions/Events)	175,500	234,000	238,680	243,360	248,134
ACCESS CARDS					
MONTHLY- 100 x \$74.90 x 12 months (BUSINESS/RESIDENTIAL)	67,410	89,880	91,678	93,475	95,309
PARKING DEPT / PROPERTY MANAGEMENT 240 VEHICLES NEST	-	-	-	-	-
VALET 50 SPACES \$14.00 DAY FRI SAT SUN 6P - 6A	81,900	109,200	111,384	113,568	115,796
TOTAL ACCESS CARDS -100	(28,138)	(37,517)	(38,268)	(39,018)	(39,783)
SALES TAX					
<b>TOTAL NET REVENUE</b>	<b>\$ 401,972</b>	<b>\$ 535,963</b>	<b>\$ 546,682</b>	<b>\$ 557,401</b>	<b>\$ 568,335</b>

EXPENSES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>TOTAL PROFESSIONAL SERVICE</b>	<b>\$ 378,144</b>	<b>\$ 378,144</b>	<b>\$ 378,144</b>	<b>\$ 378,144</b>	<b>\$ 378,144</b>
SUPERVISOR / ATTENDANT-168 hrs x 52 wks @ \$17 per hr	297,024	297,024	297,024	297,024	297,024
SECURITY-12 hrs per day x 7 days x 52 wks(7p-7a) @ \$15 per hr	65,520	65,520	65,520	65,520	65,520
LANDSCAPING/LOT CLEANING - \$300 x 52	15,600	15,600	15,600	15,600	15,600
UTILITIES/ELECTRICITY	40,000	41,200	42,436	43,709	45,020
TELEPHONE + DSL	4,500	4,635	4,774	4,917	5,065
WATER	2,000	2,060	2,122	2,185	2,251
SEWER	4,000	4,120	4,244	4,371	4,502
SANITATION	3,500	3,605	3,713	3,825	3,939
PRINTING/TICKETS ETC.	5,000	5,150	5,305	5,464	5,628
<b>TOTAL MAINTENANCE CONTRACTS</b>	<b>\$ 133,800</b>	<b>\$ 143,400</b>	<b>\$ 143,880</b>	<b>\$ 144,384</b>	<b>\$ 144,913</b>
JANITORIAL - \$9,000 per Month	108,000	108,000	108,000	108,000	108,000
ELEVATOR - \$1,000 per Month(Second Year)	12,000	12,000	12,000	12,000	12,000
EXTERMINATING SERVICE - \$250 per Month	3,000	3,000	3,000	3,000	3,000
FIRE EXTINGUISHERS - \$150 per Month	1,800	1,800	1,800	1,800	1,800
FIRE ALARM MONITORING - \$250 per Month	3,000	3,000	3,000	3,000	3,000
EMERGENCY GENERATOR - ( Property Mgmt)	-	-	-	-	-
COURIER SERVICE - \$500 per Month (Brinks/Loomis)	6,000	6,000	6,000	6,000	6,000
REVENUE CONTROL EQUIPMENT -\$800 per Month(second year)	-	9,600	10,080	10,584	11,113
ADVERTISING/MARKETING	4,600	4,738	4,880	5,027	5,177
STORM WATER	3,000	3,090	3,183	3,278	3,377
OFFICE SUPPLIES	19,000	19,570	20,157	20,762	21,385
<b>TOTAL REPAIRS &amp; MAINTENANCE</b>	<b>\$ 19,000</b>	<b>\$ 19,570</b>	<b>\$ 20,157</b>	<b>\$ 20,762</b>	<b>\$ 21,385</b>
R & M SUPPLIES	3,000	3,090	3,183	3,278	3,377
PRESSURE CLEANING	8,000	8,240	8,487	8,742	9,004
REVENUE CONTROL R & M not covered under warranty	3,000	3,090	3,183	3,278	3,377
ELEVATOR REPAIRS ( not covered under contract)	5,000	5,150	5,305	5,464	5,628
<b>OTHER OPERATING EXPENSES</b>	<b>1,500</b>	<b>1,545</b>	<b>1,500</b>	<b>1,545</b>	<b>1,591</b>
PROPERTY MGMT	30,000	30,900	31,827	32,782	33,765
FLEET MGMT - \$250 Per Month	3,000	3,090	3,183	3,278	3,377
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 632,044</b>	<b>\$ 645,247</b>	<b>\$ 649,347</b>	<b>\$ 653,670</b>	<b>\$ 658,134</b>
<b>PROFIT/(LOSS) - FIRST YEAR</b>	<b>\$ (230,072)</b>	<b>\$ (109,284)</b>	<b>\$ (102,665)</b>	<b>\$ (96,269)</b>	<b>\$ (89,799)</b>
REVENUE CONTROL EQUIPMENT PURCHASE	\$ 185,000	\$ -	\$ -	\$ -	\$ -
<b>PROFIT</b>	<b>\$ (415,072)</b>	<b>\$ (109,284)</b>	<b>\$ (102,665)</b>	<b>\$ (96,269)</b>	<b>\$ (89,799)</b>

CITY OF MIAMI BEACH  
 PARKING DEPARTMENT  
 SUNSET HARBOR GARAGE - 5 YEAR (No City Spaces)  
 458 Spaces

REVENUE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
TRANSIENT - 300 x Avg Ticket Price @ \$3.00 - Mon-Fri	\$ 175,500	\$ 234,000	\$ 238,680	\$ 243,360	\$ 248,134
TRANSIENT - 270 x 2 days x \$15.00-Sat & Sun (Conventions/Events)	315,900	421,200	429,624	438,048	446,640
ACCESS CARDS					
MONTHLY - 220 x \$74.90 x 12 months (BUSINESS/RESIDENTIAL)	148,302	197,736	201,691	205,645	209,679
VALET 50 SPACES \$14.00 DAY FRI SAT SUN 6P - 6A	81,900	109,200	111,384	113,568	115,796
SALES TAX	(47,208)	(62,943)	(64,202)	(65,461)	(66,745)
<b>TOTAL NET REVENUE</b>	<b>\$ 674,394</b>	<b>\$ 899,193</b>	<b>\$ 917,176</b>	<b>\$ 935,160</b>	<b>\$ 953,504</b>

EXPENSES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>TOTAL PROFESSIONAL SERVICE</b>	<b>\$ 378,144</b>	<b>\$ 378,144</b>	<b>\$ 378,144</b>	<b>\$ 378,144</b>	<b>\$ 378,144</b>
SUPERVISOR / ATTENDANT-168 hrs x 52 wks @ \$17 per hr	297,024	297,024	297,024	297,024	297,024
SECURITY-12 hrs per day x 7 days x 52 wks(7p-7a) @ \$15 per hr	65,520	65,520	65,520	65,520	65,520
LANDSCAPING/LOT CLEANING - \$300 x 52	15,600	15,600	15,600	15,600	15,600
UTILITIES/ELECTRICITY	40,000	41,200	42,436	43,709	45,020
TELEPHONE + DSL	4,500	4,635	4,774	4,917	5,065
WATER	2,000	2,060	2,122	2,185	2,251
SEWER	4,000	4,120	4,244	4,371	4,502
SANITATION	3,500	3,605	3,713	3,825	3,939
PRINTING/TICKETS ETC.	5,000	5,150	5,305	5,464	5,628
<b>TOTAL MAINTENANCE CONTRACTS</b>	<b>\$ 133,800</b>	<b>\$ 143,400</b>	<b>\$ 143,880</b>	<b>\$ 144,384</b>	<b>\$ 144,913</b>
JANITORIAL - \$9,000 per Month	108,000	108,000	108,000	108,000	108,000
ELEVATOR - \$1,000 per Month(Second Year)	12,000	12,000	12,000	12,000	12,000
EXTERMINATING SERVICE - \$250 per Month	3,000	3,000	3,000	3,000	3,000
FIRE EXTINGUISHERS - \$150 per Month	1,800	1,800	1,800	1,800	1,800
FIRE ALARM MONITORING - \$250 per Month	3,000	3,000	3,000	3,000	3,000
EMERGENCY GENERATOR - ( Property Mgmt)					
COURIER SERVICE - \$500 per Month (Brinks/Loomis)	6,000	6,000	6,000	6,000	6,000
REVENUE CONTROL EQUIPMENT -\$800 per Month(second year)		9,600	10,080	10,584	11,113
ADVERTISING/MARKETING					
STORM WATER	4,600	4,736	4,880	5,027	5,177
OFFICE SUPPLIES	3,000	3,090	3,183	3,278	3,377
<b>TOTAL REPAIRS &amp; MAINTENANCE</b>	<b>\$ 19,000</b>	<b>\$ 19,570</b>	<b>\$ 20,157</b>	<b>\$ 20,762</b>	<b>\$ 21,385</b>
R & M SUPPLIES	3,000	3,090	3,183	3,278	3,377
PRESSURE CLEANING	8,000	8,240	8,487	8,742	9,004
REVENUE CONTROL R & M not covered under warranty	3,000	3,090	3,183	3,278	3,377
ELEVATOR REPAIRS ( not covered under contract)	5,000	5,150	5,305	5,464	5,628
<b>OTHER OPERATING EXPENSES</b>	<b>1,500</b>	<b>1,545</b>	<b>1,591</b>	<b>1,645</b>	<b>1,691</b>
PROPERTY MGMT	30,000	30,900	31,827	32,782	33,765
FLEET MGMT - \$250 Per Month	3,000	3,090	3,183	3,278	3,377
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 632,044</b>	<b>\$ 645,247</b>	<b>\$ 649,347</b>	<b>\$ 653,670</b>	<b>\$ 658,134</b>

<b>PROFIT/(LOSS) - FIRST YEAR</b>	<b>\$ 42,350</b>	<b>\$ 253,946</b>	<b>\$ 267,830</b>	<b>\$ 281,490</b>	<b>\$ 295,370</b>
REVENUE CONTROL EQUIPMENT PURCHASE	\$ 185,000	\$ -	\$ -	\$ -	\$ -
<b>PROFIT</b>	<b>\$ (142,650)</b>	<b>\$ 253,946</b>	<b>\$ 267,830</b>	<b>\$ 281,490</b>	<b>\$ 295,370</b>

# CITY CLERK'S OFFICE

**COMPLETE SELF-CONTAINED APPRAISAL REPORT  
OF  
THE "SUNSET HARBOR MIXED-USE RETAIL/PARKING GARAGE" SITE  
LOCATED AT  
PARCEL 1 - 1838 BAY ROAD  
PARCEL 2 - 1835 PURDY AVENUE  
PARCEL 3 - 1840 BAY ROAD  
PARCEL 4 - 1916 BAY ROAD  
PARCEL 5 - 1849 PURDY AVENUE  
MIAMI BEACH, FLORIDA**

**APPRAISAL REPORT IS AVAILABLE IN THE  
CITY CLERK'S OFFICE**

**DATE OF VALUATION:  
NOVEMBER 21, 2008**