

# MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, [www.miamibeachfl.gov](http://www.miamibeachfl.gov)

## COMMISSION MEMORANDUM

TO: Honorable Mayor Steven Meiner and Members of the City Commission

FROM: Eric T. Carpenter, City Manager



DATE: February 3, 2025

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, APPROVING THE LEASE PURCHASE AGREEMENT DATED JANUARY 13, 2025, BETWEEN THE CITY (PURCHASER) AND LIPT COLLINS AVENUE, LLC, A DELAWARE LIMITED LIABILITY CORPORATION (TENANT OR SELLER), FOR THE PURCHASE OF TENANT'S LEASEHOLD INTEREST IN THAT CERTAIN GROUND LEASE, DATED AS OF DECEMBER 1, 1999, BETWEEN THE CITY, AS OWNER/LANDLORD, AND TENANT, INCLUDING TENANT'S TITLE AND INTEREST IN THE IMPROVEMENTS ON THE LAND LOCATED AT 1027-1041 COLLINS AVENUE (LAND), CONSISTING OF A PARKING GARAGE CONTAINING 278 PARKING SPACES, PLUS 61 TANDEM SPACES WHICH COULD BE USED TO OPERATE VALET PARKING SERVICES, AND APPROXIMATELY 3,350 SQUARE FEET OF GROUND FLOOR RETAIL SPACE (COLLECTIVELY, THE PROJECT), IN THE AMOUNT OF \$15,000,000 PLUS CLOSING COSTS; AND AUTHORIZING THE CITY TO CONVERT THE PROJECT INTO A CONDOMINIUM FORM OF OWNERSHIP IN ORDER TO SECURE THE MUNICIPAL TAX EXEMPTION FOR THE GARAGE UNIT; AND FURTHER AUTHORIZING THE CITY MANAGER AND CITY CLERK TO EXECUTE ANY AND ALL DOCUMENTS AND AGREEMENTS IN CONNECTION WITH THE PURCHASE OF THE PROJECT AND THE CONDOMINIUMIZATION PROCESS.**

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### **BACKGROUND**

On January 5, 1998, the City issued RFP No. 20-97/98, seeking proposals for the development of Public-Private Parking facilities (the "RFP"). On April 6, 1998, proposals from five (5) different development teams were submitted and evaluated by an Evaluation Committee, and on July 15, 1998, the City Commission authorized negotiations with four (4) of the proposed development projects.

As a result of said negotiations, on October 20, 1999, the Mayor and City Commission adopted Resolution No. 99-23372, approving an Agreement of Lease (the "Lease" or "Ground Lease"), a copy of which is attached hereto as **Exhibit 1** and Development Agreement between the City (also "Owner") and Pelican Development LLC ("Pelican Development") for Pelican Development to develop a parking garage ("Garage"), with ground floor retail space ("Retail Space"), not to exceed 5,000 square feet (the "Project") on the City-owned land located at 1027 Collins Avenue,

Miami Beach, Florida and 1041 Collins Avenue, Miami Beach, Florida (the "Land"). The Lease was executed on December 1, 1999 ("Commencement Date"), for an initial forty (40) year term, commencing on the Commencement Date and expiring on the last day of the month in which the 40<sup>th</sup> anniversary of the Possession Date (January 10, 2000) shall occur, which ends on January 31, 2040 ("Fixed Expiration Date"), with one additional ten (10) year option, ending on January 31, 2050 (the "Term").

The Project received its Certificate of Occupancy on October 31, 2002, for the Garage, having 278 total parking spaces, and the Retail Space, having approximately 3,350 square feet. Pursuant to the Lease, Tenant is required to provide parking spaces for members of the general public at garage parking rates established by Tenant, which rates cannot be higher than the highest rate paid by any subtenant of the Project. On or about January 17, 2001, Pelican Development entered a sublease with E. Levy Corporation, Inc., for use of the entire Retail Space ("Retail Tenant").

On or about June 1, 2004, the Project was sold and transferred from Pelican Development to Ocean Blvd II, LLC, an Indiana limited liability company.

On or about May 27, 2010, the Project was sold and transferred from Ocean Blvd II, LLC to Pelican Investment Holdings, LLC, a Florida limited liability company.

On or about December 18, 2013, the Project was again sold and transferred from Pelican Investment Holdings, LLC to LIPT Collins Avenue, LLC, a Delaware limited liability company, the current tenant ("Tenant") for the total sum of \$22,500,000 in cash.

KTKL Settlements: The City and K.T.K.L. Corporation ("KTKL") settled a lawsuit filed by KTKL against the City under Circuit Court Case No. 97-2687 CA-03 ("KTKL Settlement Agreement"). KTKL was the original owner of one of the lots ("KTKL Lot"), which the City purchased to acquire the lands in connection with the development of this Project. Originally, pursuant to the purchase and sale agreement between KTKL and the City, dated as of November 18, 1993, ("KTKL Purchase Agreement"), as part of the consideration for a the sale of the KTKL Lot, KTKL wanted exclusive use of 28 spaces (3 of which were slated to be used to build a dumpster on the ground floor) at the Garage ("KTKL Spaces"), and also had the right to purchase the Garage if the City did not complete the construction of the Garage. The construction did not occur timely and, as a result, the parties entered into a settlement Agreement titled "KTKL Memorandum, approved by Agreed Order of Approval, dated July 27, 1999, under which KTKL relinquished its right to purchase back the KTKL Lot and, instead, leased the KTKL Spaces back to the City, based upon a net revenue formula. Thereafter, KTKL sued to enforce the KTKL Memorandum, citing that the payments they were receiving in connection with the KTKL Spaces were incorrect and thereafter the parties entered into a Settlement Agreement, dated September 15, 2010 ("KTKL Settlement"), a copy of which is attached hereto as **Exhibit 2**. Pursuant to the KTKL Settlement, the City pays KTKL a determined fixed annual payment for the balance of the thirty year period, through 2032, which amount goes up by 3% each year. When Tenant purchased the Project, Tenant paid the City \$250,000 ("Settlement Offer") as consideration for the City agreeing not to use the 28 KTKL Spaces, as Tenant needed the use of those spaces and the City was not using them at the time.

## **ANALYSIS**

Pursuant to Section 10.5 of the Lease ("Required Notices"), a proposed transfer and/or sale of the Project requires written notice to the Owner, with the identity of the transferor, transferee, nature of the transaction, percentage of interest conveyed, and such other information requested

by Owner (the "Notice of Sale"). On November 7, 2024, Tenant provided Owner with a Notice of Sale that Tenant intended to sell 100% of its leasehold interest in the Project (the "Sale"), and upon the request of the City Administration, provided the purchase and sale price as follows:

Owner of Ground Lease:	City of Miami Beach;
Seller:	LIPT Collins Avenue, LLC;
Proposed Purchaser:	MR Pelican Garage, LLC, a Florida limited liability company
Purchase Price:	\$15,000,000

In accordance with Section 36.2 of the Lease ("Owner's Reciprocal Right of First Refusal"), the City has the right to elect, in writing, within 45 days after Owner's receipt of the Offer Notice (i.e. December 23, 2024), whether or not to consummate the Right of First Offer Transaction, at the same price "in cash" and upon such other material terms set forth in the Offer Notice.

On December 11, 2024 the Mayor and City Commission approved Resolution 2024-33447, which authorized (1) the City Manager to disapprove of the proposed sale of the Project; (2) authorized the City Manager to exercise the Right of First Offer, in accordance with Section 36.2 and Exhibit 36.2(a) of the Lease for the purchase of the Project, in the amount of \$15,000,000 plus closing costs; (3) authorized the City to convert the Project into a condominium form of ownership; and further, (4) authorized the City Manager and City Clerk to execute any and all documents and agreements in connection with the purchase of the Project and condominiumization process.

The Project consists of a seven-story parking garage having 278 parking spaces, plus 61 tandem parking spaces for use in connection with the operation of valet services ("Tandem Spaces") and 3,350 square feet of retail space, currently sub-leased to E.D.Y., Inc., a Florida corporation and Hedyc, LLC, a Delaware limited liability company, related entities to the original retail subtenant (collectively, "Retail Subtenant"), a surf and bathing suit apparel retail store. The sublease with the Retail Subtenant pays rent, in the total sum of \$25,000/month and \$300,000/year, plus applicable sales and use tax, which is consistent with the market rent in the area, and the lease expires on August 31, 2027. For the calendar year 2023, the Garage Facility earned a total of \$2,285,214 as evidenced from the 2023 Statement of Operating Revenues and Expenses, attached hereto and made as part hereof as **Exhibit 3**.

City of Miami Beach parking garage rates are set forth in Appendix A of the Miami Beach City Code and are below market for the benefit of its residents, visitors and surrounding businesses. In determining whether to recommend exercising the Owner's Reciprocal Right of First Offer, City staff has reviewed and compared revenue figures from the 7<sup>th</sup> Street City-owned garage ("7<sup>th</sup> Street Garage") to the potential revenue of the subject Project based upon City parking rates, in order to determine the return on investment based upon the purchase price. For Fiscal Year 2024, the 7<sup>th</sup> Street Garage generated approximately \$2,344,000 in gross operating revenues and incurred operating expenses, in the approximate amount of \$2,100,000 (including approximately \$245,000 in repair costs), for a total net profit of approximately \$244,000, based upon 646 parking spaces, for a net revenue of \$380.00 per parking space. Based on Fiscal Year 2024 gross operating revenue per space for the Pelican Garage, the City estimates that it will generate approximately \$105,640 in net revenues from the Garage (278 spaces x \$380 = \$105,640).

FISCAL YEAR 2024				
7TH Street Garage				
REVENUE	TOTAL PARKING SPACES	NET REVENUE PER SPACE	TOTAL EXPENSES	NET PROFIT
\$2,344,000.00	646	\$380.00	\$2,100,000.00	\$244,000.00

**2023 Calendar Year Comparison:**

During calendar year 2023, the City received rent, in the annual amount of \$111,848.76, plus percentage rent equal to 2.5% of the Project revenue (based upon gross revenues for the year from the Project), in the total amount of \$60,259.07, for a total net revenue of \$172,107.83. Additionally, during calendar year 2023, the City paid the annual KTKL Settlement amount of \$136,133.08, which means that the City netted \$35,974.75 of revenue for the Project for calendar year 2023.

For comparison purposes, assuming the City owned/operated the Project in 2023, the City would have received \$300,000.00 from the Retail Subtenant plus approximately \$106,000 net operating revenues from the operation of the Garage, for a total annual net revenue of approximately \$406,000.00, less the total amount of the annual KTKL Settlement payment of \$136,133.08, netting the City approximately \$268,866.92 for calendar year 2023. The Purchase Price of \$15,000,000.00 equates to approximately \$53,956.84/parking space, using the 278 parking space count which is in line with the City's CIP Department's construction cost estimate of approximately \$48,500.58/parking space. However, these costs do not include the cost of purchasing the land for the development, which is substantially more than the construction costs for the improvements as demonstrated in the chart below.

	Year	# of spaces	Office/Retail SF	Cost	Cost/Space	Cost Adjusted for Inflation	Cost/space adjusted for inflation
CITY OWNED							
Collins Park Parking Garage	2020	516	16,000	\$20,021,038	\$38,800	\$25,026,297.50	\$48,500.58

Considering the cost to purchase land in the area, if such land were even available, and the cost of construction for a new parking garage along with the potential loss of 646 parking spaces from the 7<sup>th</sup> Street Garage, projected to occur in 2026, the purchase of this Project at \$15,000,000 would be a positive offset for City parking spaces in the immediate area.

The City would need to pay the KTKL Settlement amount through 2032 regardless of whether the City opts to purchase the Project; however, the term of the Lease, assuming that Tenant exercises the ten-year option, would expire on January 30, 2050. Although the City will receive the Project at no cost at the end of the Lease Term, the City has a present need for these parking spaces and the purchase price is less than the purchase price when the Tenant purchased the Project in 2013/2014.

Considering the potential loss of 646 parking spaces from the 7<sup>th</sup> Street Garage, projected to occur in 2026; the fact that the City will be gaining a projected yearly revenue in the amount of \$268,866,92, instead of \$35,974.75 following payment of the KTKL Settlement payments; the purchase price of \$15,000,000.00 equates to the approximate cost to construct a new similar parking garage structure; and the purchase would address the City's immediate need for parking at the standard City rates near the Project location, the City Administration recommends purchasing the Project at this time at the proposed purchase price plus any closing costs associated with the purchase transaction.

On December 26, 2024, the Administration obtained the services of CBRE to estimate the market value of the referenced Project. The results of the appraisal valued the Project at \$15,000,000 (**Exhibit 4**). The appraisal is set to estimate the As Is market value of the Property. Data on the Property is collected from various sources including but not limited to, the Property owner, the county property appraiser's office, surveys, and building plans. The land size is based on surveys, public records and/or recorded plats. A search is then performed for comparable properties through various sites and sources. All information is analyzed in processing the appraisal report as support for the estimated value of the Property. The Administration believes it is a favorable investment for the City of Miami Beach. Based on the location and area of this site, it would be a missed opportunity for the City to not secure ownership of this property and recommends moving forward with the purchase price of \$15,000,000.

### **FISCAL IMPACT STATEMENT**

The City would have the funds to purchase the project, in the amount of \$15,000,000.00, plus closing costs, in the approximate amount of \$450,000.00 (3% of sales price), and the cost to secure a survey and recording fees for the condominiumization process, estimated not to exceed \$1,000.00. Funding for this purchase would come from approximately \$14,500,000 from the Parking Impact Fee - South Beach fund (Fund 155-SB) with the balance from the Parking Operations Fund (Fund 480).

### **CONCLUSION**

The Administration therefore recommends: (1) approving the Purchase and Sale Agreement (**Exhibit 5**), for the purchase of the Project, in the amount of \$15,000,000.00 plus closing costs; (2) authorizing the City Manager to convert the Project into a condominium form of ownership; and (3) authorizing the City Manager and City Clerk to execute any and all documents and agreements in connection with the purchase of the Project and condominiumization process.

### **ATTACHMENTS:**

- Exhibit 1: Lease
- Exhibit 2: KTKL Resolution and Settlement
- Exhibit 3: 2023 Statement of Operating Revenues and Expenses
- Exhibit 4: CBRE Appraisal
- Exhibit 5: Lease Purchase Agreement