

SUMMARY MINUTES

REGULAR COMMUNITY REDEVELOPMENT AGENCY ADVISORY COMMITTEE MEETING

Monday, July 13th, 2009

A regular meeting of the Chairman and Members of the Community Redevelopment Agency Advisory Committee (CRAAC) was held at the North Miami CRA Office Conference Room at 6:17 pm.

(Phonetic spelling of each speaker's name may be used throughout the minutes unless correct spelling is known.)

I. Call to Order

ROLL CALL	Absent/ Present	Absences 2008-09*
Clint Bower	P	0
Blanca Cobo	P	0 (+1 E)
Michael McDearmaid	P	0
Roseline Philippe	P	0
Clark Reynolds	E	1 (+2 E)
David Rosemond	A	2
Duke Sorey	A	2 (+1 E)
Armando Vidal	E	0 (+1 E)
Mark Wolin	P	1 (+1 E)
* Absences from special or rescheduled meetings are not counted		

II. Approval of Agenda

The agenda was unanimously approved

III. Approval of Minutes

Ms. Philippe commented that she did not remember seconding the motion to deny supporting a proposed subcontract agreement between First Southwest Company and Akilah Capital Group and asked that the CRA double check the record for accuracy.

The minutes were then unanimously approved.

IV. Items for Review and/or Action

Item 1 - Status update regarding the Pioneer Gardens affordable housing development relative to site/environmental remediation

The CRA Executive Director gave an update on the environmental remediation at the Pioneer Gardens site, there were some adjustments to the total cost of the environmental remediation at the site based on DERM's request for dieldrin leachability testing and quarterly ground water monitoring. The CRA Executive Director then invited Joe Guarino of Urban Residential Development Group and Janet Peterson of REP Associates to give a more detailed account and to describe a flow chart that was handed out during the meeting to illustrate some alternative soil monitoring strategies.

Mr. Bower asked if the clean-up has to be done regardless of whether or not housing is built on the site. The CRA Executive Director replied yes because the CRA is under enforcement from DERM.

Moved by Mr. Bower, seconded by Ms. Cobo

To support a recommendation that the CRA Board approve the increased costs of the environmental remediation on the Pioneer Gardens site.

Approved 4-1, with Mr. Wolin against

Item 2 - Status update regarding the proposed scope of rehabilitation for the Bel House Apartments East Building

The CRA Executive Director gave a status update on the Bel House Apartments project and invited Mr. Dellagloria, the attorney for the owners of the building to give an update on the preparation for the interior demolition. The total rehabilitation cost for the east building is estimated at \$3.1 million. The CRA has identified \$1.1 million in the current year budget for this renovation project, the CRA is hoping that the \$2 million gap will be made up with a rehabilitation loan to be taken out by the owners of the building but paid by the CRA. The CRA and the owners of the building will need to agree on the terms of the loan.

Mr. Wolin asked if it is feasible that the owners will be able to secure the necessary financing and if not, does the CRA have a plan b for financing the project.

In terms of a plan b, the CRA Executive Director replied that the CRA has explored all of the possible options for alternative funding strategies for this project, including trying to acquire financing in the name of the CRA, and to look for additional funds that could be redirected to this project from the CRA's annual budget, in the end the CRA determined that these strategies were not feasible.

Mr. Wolin asked if the owners fail to acquire the necessary financing would that constitute a default of the agreement on their part and also if there are any provisions for termination in the agreement.

The CRA Attorney replied that the lease provides that if the owner refuses or fails to procure the financing then the CRA has the right to terminate the lease. The CRA had a number of elective terminations up front, such as a due diligence period that has now expired, also if the city does not approve the permits or the board does not approve the plan, then the CRA can terminate the agreement. With regards to a default on the part of the owner, the CRA is entitled to all its legal remedies.

Public comment:

Carol Keyes of 12550 Palm Road summarized some real estate analysis that she had performed on the Bel House Projects. Firstly she noted that the estimated rehabilitation cost had jumped from \$850,000 in October of 2008 to the current estimate of \$3.1 million. Since the project was first proposed the real estate market has changed dramatically. Many investors are now upside down on their properties. The current rehabilitation cost of \$3.1 million works out at \$68,000 per unit. Based on analysis of current real estate trends, Ms. Keyes estimated that the units when rehabilitated would have a market value of \$30,000-\$40,000.

Furthermore, there is still debt owed on the property in the amount of approximately \$2.7 million, considerably more than the actual value of the property. Assuming a very generous appreciation of 50% over the coming 3 year period, the purchase price of the property for the CRA may well be \$0 (based on a \$3 million appraised value minus the \$3 million spent by the CRA on rehabilitation, which per the agreement, will be subtracted from the purchase price). Ms Keyes predicted that the owners may be unwilling to sell the property at this point when faced with a purchase price of nothing and still holding millions of dollars in debt on the property. If the CRA then sues the owners for specific performance, the CRA would probably get the property, but subject to the \$2.7 million debt. This would mean that the CRA would have forked out a total of \$5.7 million on the project, or \$89,000 per unit. Ms. Keyes then framed this estimate in the current real estate market conditions. Small condo properties that were selling at \$200,000 when the Bel House Apartments project was first conceived are now selling at between \$45,000-\$80,000. Furthermore, the units of the Bel House Apartments are non-conforming to the city's land use regulations, averaging just 550 square feet. So why should the CRA spend \$89,000 on them when the CRA Redevelopment Plan discourages the perpetuation of non-conforming uses?

The CRA Executive Director replied that in March of 2007, the Bel House buildings appraised at \$3.25 million, which works out as \$50,000 per unit, not \$30-\$40,000 per unit. The \$3.1 million project cost includes both hard and soft

costs, the hard costs only total \$2.3 million, which brings the rehabilitation costs down to \$51,000 per unit, not \$68,000 per unit.

Maureen B. Harwitz of 2390 Bay View Lane suggested that a needs analysis should be done to determine whether there is still a demand for affordable housing in the current real estate market. Ms. Harwitz also felt that the units at the Bel House Apartments were too small and stated that HUD is not providing housing of that size anywhere in the country.

The CRA Executive Director replied that not everyone can afford to buy a home and that many of those renting apartments are still struggling to pay their rent in the current market. The CRA Executive Director said that it would be a 'major leap' to say that there is not a need for permanent affordable rental housing that is decent, safe and sanitary.

Mr. Bower asked that an agenda item on the rules of decorum could be included in next month's CRA advisory committee meeting. The CRA advisory Committee Chair requested that a copy of the City's resolution on the rules of decorum be provided as part of the next CRA advisory committee meeting package.

Item 3 - Discussion of FY 2009-2010 Budget Outlook and Funding Priorities

The CRA Executive Director explained that the City of North Miami is considering exercising its option to have the CRA reimburse the City's proportion of the TIF revenue on the west side of Biscayne Blvd back to the City's general revenue. This would have the effect of decreasing the CRA's annual net TIF revenue from \$6.2 million in the current year to approximately \$2.2 million. With that context, the CRA Executive Director asked the advisory committee to start to think about reconsidering the CRA's budget priorities going forward.

Item 4 - Contract award recommendation regarding responses to CRA RFP #2009-01 for Independent Auditing Services

The CRA Executive Director presented the contract award recommendation regarding responses to an RFP for Independent Auditing Services.

Mr. Wolin suggested that an audit of the CRA's internal controls be provided as part of these auditing services. Mr. Wolin moved a motion to this effect but nobody seconded the motion.

Mr. Roderick Harvey of Harvey, Covington & Thomas, LLC, the firm that placed first in the ranking in the RFP evaluation process, addressed the committee. He explained that a review of the internal controls is included in the scope of work, but they do not issue an opinion of those internal controls. He was not sure if a CPA firm can issue an opinion of the internal controls.

Moved by Ms. Philippe, seconded by Mr. Bower

To support the recommendation regarding responses to CRA RFP #2009-01 for Independent Auditing Services

Approved 4-1, with Mr. Wolin against

Item 5 - Discussion of terms and conditions for the CRA's potential purchase of the property located at 680 NE 127th Street

The CRA Executive Director described the CRA's interest in the purchase of the property at 680 NE 127 Street and how it fits in with an overall land assembly strategy in that block.

The CRA Advisory Committee Chair asked if the purchase price is final. The CRA Attorney replied only if the appraisal comes back at that price or more. If the appraisal comes back at less, then the CRA has the option to either renegotiate the purchase price or terminate the contract and retrieve any monies advanced to the owner.

Mr. Bower asked if the appraisal will be of just the land and building value or include the commercial use of the property. The CRA Executive Director replied that the property is vacant so there is no current commercial use of the property.

Moved by Mr. Bower, seconded by Ms. Cobo

To recommend that the CRA Board approve the contract for the purchase of the property at 680 NE 127th Street

Approved 5-0

Item 6 - Discussion of a letter from Lexus of North Miami regarding a request for a possible economic incentive payment

The CRA Executive Director introduced agenda item 6 which was a discussion of a letter from Lexus of North Miami regarding a request for a possible economic incentive payment. Then Steven Wernick from the law firm of Bilz Sumberg, representing Lexus of North Miami, highlighted the letter. Lexus of North Miami has recently opened for business and is projecting at least 120 new jobs at the facility. Lexus of North Miami is suggesting that the economic incentive could take the form of a \$50,000 direct incentive that would contribute to the off-site public infrastructure costs that Lexus of North Miami has paid out in excess of \$460,000, and a 50% tax abatement over a 10 year period. This would involve the CRA returning 50% of the property tax TIF revenue back to Lexus of North Miami for each of the ten years, thus encouraging Lexus of North Miami to make continuous improvements to the site and facility and increasing it's taxable value.

Mr. Wolin felt that the new dealership was a great asset to the city but questioned whether it was in the CRA's best interest to divert funds from away from worthy

causes such as the rehabilitation of blighted housing to give to a Lexus dealership. Ms. Philippe agreed.

Mr. Wolin also asked why Lexus of North Miami had not requested an economic incentive from the CRA prior to actually selecting North Miami as a location to open their business.

In response, Alan Jockers, legal counsel of Lexus of North Miami pointed out that the CRA Redevelopment Plan contains a diverse set of goals, and one such goal is to encourage the diversification of commercial and light industrial land uses to provide for a more constant level of employment. The decision to move to North Miami was not based on economic incentives, but nevertheless in today's harsh economic times it is difficult for any new business to remain open.

Councilman Blynn suggested that Lexus of North Miami could tie in some commitment to hire residents of North Miami as part of their proposal. Councilman Blynn also argued that this economic incentive agreement could serve as an example to encourage other businesses to move to North Miami.

V. Old Business

No discussion

VI. New Business

No discussion

VII. Adjournment

The meeting was adjourned at 8:28 pm

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