



City of Coral Gables
CITY COMMISSION MEETING
March 8, 2022

ITEM TITLE:

ORDINANCE ON FIRST READING. AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF CORAL GABLES, FLORIDA, AUTHORIZING EXECUTION OF THE SECOND AMENDMENT (“SECOND AMENDMENT”) TO AMENDED AND RESTATED LEASE (“LEASE”) BETWEEN THE BILTMORE HOTEL LIMITED PARTNERSHIP, A FLORIDA LIMITED PARTNERSHIP (“DEVELOPER”) AND THE CITY OF CORAL GABLES, A FLORIDA MUNICIPAL CORPORATION (“CITY”) EXECUTED FEBRUARY 10, 1986 AND AMENDED AND RESTATED JULY 29, 1999 (“ORIGINAL LEASE”) AND AMENDED ON JANUARY 2, 2001 (THE “FIRST AMENDMENT”) AMENDING SECTION 15 OF THE LEASE BY REVISING THE PROPERTY INSURANCE REQUIREMENTS AND INCLUDING A SOVEREIGN IMMUNITY PROVISION

DEPARTMENT HEAD RECOMMENDATION:

Approval.

BRIEF HISTORY:

The lease of the redeveloped Biltmore Hotel was originally executed on February 10, 1986, between the City of Coral Gables (the “City”) and the Biltmore Hotel Limited Partnership (the “Developer”). On July 29, 1999, an Amended and Restated Lease was executed combining into one agreement between the City and the Developer the terms and conditions pertaining to the Biltmore Hotel Lease Agreement and the Management Agreement for Operation of the Biltmore Hotel Country Club Property (the “Original Lease”). On January 2, 2001, the City and Developer entered into a first amendment to the Original Lease for the purpose of adjusting the Fixed Rent Amortization Schedule (“First Amendment”) (the Original Lease and the First Amendment being collectively referred to as the “Lease”).

The Lease requires that the Developer secure and maintain, among other insurance requirements, property insurance coverage for all perils equal to the full actual replacement cost of buildings, contents, improvement and betterments (\$215,105,000). The market for property insurance, particularly windstorm insurance, in South Florida is extremely difficult, and there are definite limitations on the amount of windstorm insurance that can be purchased by any single buyer. This is particularly true in Miami-Dade County and Broward County, where the property insurance market is deemed to be one of the most difficult in the country. By way of example, below is a list of the property insurance limits purchased in 2021 by some of the largest entities in Miami-Dade and Broward County.

(*Miami Beach also has a supplemental parametric coverage with a \$20 million limit (premium approximately \$1,100,000). This policy is triggered/activated if there is a hurricane that hits within a designated 10-mile circle (the policy pays a percentage of the limit based on the hurricane’s category: Cat 1-2 – 0%, Cat 3-25%, Cat 4-60% & Cat 5-100%) or if there are wind speeds outside the designated 10-mile circle, the policy pays a percentage of the limit based on the wind speed of the hurricane: 96MPH – 1%, 97 MPH 1.5%...108MPH 40%...127MPH 80%... 129MPH 100%.).

When determining an adequate windstorm limit to purchase for properties that are in areas with difficult markets for such coverage, it is often valuable to review any catastrophe modeling which has been performed by insurers and wholesalers in the placement of the property insurance. In this case, the Developer's insurance broker provided us with a February 26, 2021, hurricane/named storm catastrophe performed on the Developer's account (the properties included in the Developer's account include the Biltmore, the Sheraton-Sand Key Hotel in Clearwater and a condominium at the David William Hotel). Based on the catastrophe modeling, there is a 0.4% annual chance of one hurricane (named storm) event causing \$17,582,922, or more in loss net of the deductible structure and within the coverage layers being analyzed. This corresponds to a 250-year return period. A 250-year storm is the storm that would generate the highest magnitude loss over a period of 250 years at the subject location or across a subject portfolio of properties. The 250-year storm is a commonly used and accepted benchmark for risk management-related decision making.

	Coral Gables	Fort Lauderdale (Excludes Utilities)	Hialeah (Excludes Department of Water & Sewer)	Miami (Excludes Utilities)	Miami Beach	Miami-Dade County	Miami-Dade County Schools
TIV (Total Insured Value)	\$281,443,433	\$261,374,713	\$276,176,965	\$557,740,475	\$1,301,843,956	\$13,702,678,549	\$10,849,994,049
Highest Valued Buildings	<ul style="list-style-type: none"> • \$52,014,000 (Public Safety Building) • \$23,459,000 (Garage 2) • \$16,679,000 (Garage 6) 	<ul style="list-style-type: none"> • \$38,734,200 (Garage) • \$22,600,000 (Garage) • \$21,607,000 (Garage) 	<ul style="list-style-type: none"> • \$24,031,242 (Police Station) • \$21,520,694 (Fire Station) • \$20,057,588 (City Hall) 	<ul style="list-style-type: none"> • \$55,068,780 (MRC) • \$47,667,000 (JLK Parking Deck) • \$33,341,760 (Police College) 	<ul style="list-style-type: none"> • \$690,000,000 (Convent Center) • \$76,460,000 (Jackie Gleason Theater) • \$47,033,000 (Garage) 	<ul style="list-style-type: none"> • \$1,502,526,096 (Airport) • \$1,110,530,060 (Airport) • \$716,167,537 (Airport) 	<ul style="list-style-type: none"> • \$150,413,848 (Lindsey Hopkins Technical) • \$119,091,230 (Braddock HS) • \$113,237,640 (Coral Park HS)
Named -	\$50,000,000	\$50,000,000	\$25,000,000	\$25,000,000	\$30,000,000*	\$150,000,000	\$200,000,000

Windstorm Limit							
Named - Windstorm Deductible	\$5% (\$250,000 min. / \$7,500,000 max)	\$5,000,000	\$5% (\$250,000 min. / \$7,500,000 max)	5% (\$250,000 min. / \$10,000,000 max per occurrence)	6.5% of TIV with a \$1,000,000 minimum	\$200,000,000	\$100,000,000
AOP Limit	\$280,943,433	\$50,000,000	\$25,000,000	\$100,000,000	\$150,000,000	\$345,000,000	\$200,000,000
AOP Deductible	\$50,000	\$50,000	\$750,000	\$50,000	\$500,000	\$5,000,000	\$1,000,000

Considering all of the above, the Second Amendment (“Second Amendment”) to Amended and Restated Lease Between the Biltmore Hotel Limited Partnership, a Florida Limited Partnership (“Developer”) and the City of Coral Gables, a Florida Municipal Corporation (“City”) Executed February 10, 1986 and Amended and Restated July 29, 1999 (the “Original Lease”) and Amended on January 2, 2001 amends the Lease to require the Developer to maintain property insurance coverage for the lesser of either (1) the full actual replacement cost of the buildings and structures, including improvement and betterments or (2) \$100,000,000. In addition, the Second Amendment requires the Developer to obtain a Priority of Payments endorsement on the property insurance policy(ies) stating that to the extent that any loss exceeds the Policy’s applicable limits or sub-limits, any amounts paid under the Policy shall first apply to the necessary repair, restoration and replacement of property owned by the City.

The Second Amendment also updates other insurance requirements in Section 15 of the Lease and adds a sovereign immunity provision.

ATTACHMENT(S):

1. Draft Ordinance
2. Second Amendment (“Second Amendment”) to Amended and Restated Lease (“Lease”) Between the Biltmore Hotel Limited Partnership, a Florida Limited Partnership (“Developer”) and the City of Coral Gables, a Florida Municipal Corporation (“City”) Executed February 10, 1986, and Amended and Restated July 29, 1999 (the “Original Lease”) and Amended on January 2, 2001 (the “First Amendment”).
3. February 26, 2021, Catastrophe Risk Summary