THE CITY OF MADEIRA BEACH, FLORIDA
PUBLIC NOTICE
BOARD OF COMMISSIONERS SPECIAL WORKSHOP MEETING

The Board of Commissioners of the City of Madeira Beach, Florida will meet at City Hall, located at 300 Municipal Drive, Madeira Beach, Florida to discuss the agenda items of City Business listed at the time indicated below.

5:00 P.M. **TUESDAY, JUNE 10, 2014** **AUDITORIUM**

CALL TO ORDER – The meeting was called to order at 5:00 p.m.
ROLL CALL

MEMBERS PRESENT: Travis Palladeno, Mayor
Nancy Hodges, Vice-Mayor (V-M)
Terry Lister, Commissioner District 1
Pat Shontz, Commissioner District 4

MEMBERS ABSENT: Elaine Poe, Commissioner District 3

STAFF PRESENT: Shane Crawford, City Manager (CM)
Thomas Trask, City Attorney (CA)
Aimee Servedio, City Clerk (CC)
Dave Marsicano, Central Services Director (CSD)
Vince Tenaglia, Finance Director (FD)

1. **TOPICS:**

A. **DISCUSSION ON POSSIBLE PURCHASE OF DON'S DOCK**
City Manager, Shane B. Crawford, Finance Director, Vincent Tenaglia

CM: The rumor on the street is that property was sold – this is not the case. The existing tenant is probably trying to get financing for this property. The condition report is not very favorable, but we knew that going into this. Staff and CM went through an exercise of whether or not to recommend purchase. CSD said that the City wants transient docks at John's Pass. We want 20-25 slips. The beauty of this is that the City is buying real estate and can make an investment. If it doesn't work out, the property can be sold. Because of these reasons, the investment nature of the purchase and the addition of City transient docking at John's Pass, staff still recommend purchase.

The next step would be to use the condition report as leverage to lower the price – since the listed price is too high considering the state of the property. There is a little negotiation that needs to be done on the price. The owners are more flexible on the price given the City closes the deal sooner rather than later (say the next 90 days). This would be an advantage from the FD standpoint because we can borrow money pretty cheaply right now.

CA suggested that the City buy the property and continue renting to the current tenant for a better deal contingent on the agreement that he will vacate the building come May 30, or upon whichever date is agreed. There are many moving pieces to this project. The CM does not get the feeling that the owners are playing the tenant against the City. He then turned the floor over to the CSD to discuss the condition report itself and the potential the building. He also advised the Board to not only consider the return on money generated, but the fact that transient docking at John's Pass can be obtained through this purchase.

CSD: Thinks it's important to get transient docks in that area and this would be the best way to do it. There are great opportunities – this will get the City the transient numbers that are wanted and needed. The property would be staffed similarly to the marina. It's a unique opportunity, especially with the property next door also be owned by the City. The dock house itself should be condemned and would need to be rebuilt. There is a substantial amount to do, but not enough to warrant passing on this deal.

Commissioner Shontz: Thought that the condition of the property would be a lot worse than the report showed it to be.

Commissioner Lister: He rebuilt the dock after Hurricane Elena in 1985 – the pilings have been there since then. In order to put pilings on the inside of this, they'll have to go through the boardwalk. He thinks this will be an issue. He suggests maybe relocating the docks to a different area on the property.

CM: The only reason the staff is concerned is because of FEMA regulation. The rustic atmosphere of John's Pass is part of its charm.

Commissioner Shontz: Didn't they put gas tanks down there?

CSD: Yes, they did. The fuel is good to go. Fuel and transient space only is what is important here.

CA: You are basically taking over as landlord and must fulfill the lease with the current tenant which ends on June 14, 2014. You also are obligated to sell the property to the tenant if he comes up with the money to purchase in that time, as it is his right to do so under terms of the agreement.

Mayor Palladeno: Would the price be the same even if the City made improvements and fixed up the property?

CM: Nothing would be done until the current lease is up in June 2015. The issue here is that the existing owners are accusing the existing tenant of breaking the terms of the lease because he was late on paying his taxes. He suggests that they should solidify that and make sure that he's not going to buy the property – the City does not want to end up taking over as landlord to lose the property to the tenant in a year or so. This is where the suggestion by the CA to have an agreement with the tenant that for a better rent rate, upon completion of the lease, he vacates the building. Right now he's being charged $7500 a month, if we reduce that to $5000-$6000, that's a few months of rent with the assurance we will have the property and the tenant will have time to relocate.

CA: Once we buy the property and the seller is gone, how are we going to prove that possible breech of the lease? If they continue to receive rent payments or allowed taxes to be paid and they would wave that breech. We don't want to go to litigation on this, we want a clear cut deal so it should be determined and solidified before purchase the property.

CM: We need to make sure that everything is settled and that the tenant agrees not to attempt to purchase the property before we make the final deal.

Commissioner Shontz: Why can't we just buy out the lease?

CM: In his current lease, he has the first right of refusal but the current owners also claim he's breeched the lease. According to the CA, because they never complained and have continued to allow the tenant to remain and pay, they have waived that late payment of taxes. He thinks it would be best to work with the tenant through a gentlemanly agreement. At the end of the day, he's been trying to get financing forever so it isn't likely he'll come up with it now.

From a financial standpoint, the FD and CM predicted a price tag of between $1.4 and 1.5 million. With the results of the condition report, they now think the owners will be more flexible. The owner told the CM and CA that if they City moves to purchase faster, they will be much more lenient with the price. The CM suggests that, with the CSD, they get an appraisal of all the docks and every part of the property. A special meeting will probably be called to discuss what the final offer and deal should be after the total appraisal. The City is still looking at a cost estimate of $1.2 to 1.3 million. Money will have to be invested to fix up the property as well.

Commissioner Shontz: The value is in the site. It's all about location, location, location.

CM: Exactly, and the other main value is the transient docks.

Commissioner Lister: Thinks that the main killer of this plan is the current tenant's right of refusal. If we can't get him to agree that upon the end of the lease, he doesn't give the property up, we should drop this deal. The CM and Commissioner Shontz agree that if the tenant does not agree, the purchase should not proceed. He thinks Don's Dock is perfect for Madeira Beach and wants to buy it, as long as that agreement with the tenant is made.

Commissioner Shontz: She believes that the purchase would really be a great thing for the community and the City should work its hardest to get it.

CM: Agrees and thinks that we must maintain taking the high road with the current tenant. He has not been difficult at all to work with up until now and hopes to maintain that cooperative relationship. There is also value to the right of refusal. If the tenant takes this proposed deal to pay rent at a lower price contingent that he leaves the property when the lease is fulfilled, the money generated from that can offset some of the price. There has been a level of leniency ever since the City showed interest in this property. The tenant is not getting any other leniency that any other businesses aren't – there is no special treatment or retaliation in regards to this property. The two owners absolutely want out.

Mayor Palladeno: The City Marina has been losing out on traffic from the south end. There needs to be transient docks at John's Pass. People always complain that there is no parking down there.

CSD: There is nothing out there that we can't work with now. The City will have to invest to improve the docks. It's a great location, will open up more business, and will attract a lot more people to John's Pass.

CM: You are looking at a $1.75 million investment total. There are many options to purchase the property. The Board can pay in full cash, which is not advisory, or money can be put down towards it. The CM's budget has already adjusted for debt services so that is not an issue. Even with the condition report reducing the value, the difference is not being saved – it is being reinvested in the project. This was offset by $300,000 that was intended for purchase of transient docking.

Commissioner Lister: The City should jump on this pretty quick because rates are good right now.

CM: The interest rate will be great. The owners are going to want to close within 60-90 days – that will make them more flexible and special meetings will have to be scheduled to accommodate that. Commissioner Lister and Mayor Palladeno agree that this would be a great asset to the City.

Mayor Palladeno: To the FD, if we rolled right into this, would it be part of the Marina Fund or its own Enterprise Fund?

FD: It would be its own enterprise fund separate from the Marina. There would be certain things very similar such as operating expenditures.

Commissioner Lister: Thinks that's a good approach to help with transparency.

CM: It will eventually be one department with two separate entities but accounted for separately. That way, it will be more accountable and the Board can determine if it was a good investment and working well for the City.

Commissioner Lister: Wants everyone to remember that the goal of the City isn't to make money – it's to provide citizens with good service and be helpful to the community. The CM agrees.

CM: You are not approving the final purchase of the dock tonight. We just need a general motion and consensus to continue to move forward.

A motion was made to continue to move forward on purchasing Don's Dock by Commissioner Lister and seconded by Commissioner Shontz.

Commissioner Lister.....YES
Commissioner Poe.....Absent
Commissioner Shontz.....YES
Vice-Mayor Hodges.....YES
Mayor Palladeno.....YES

CM: Made it clear that Commissioner Poe was excused from the meetings tonight due to her husband going under major surgery today.

2. **ADJOURNMENT** – The meeting was adjourned at 5:32 p.m.

Date Approved: 7/8/14

Travis Palladeno, Mayor

Aimee Servedio, City Clerk