

VERNON MYERS
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS
COMMISSIONER

PHIL LEARY
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER



MICHAEL J. CZYMBOR
CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

GARY S. GETCHELL
CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT.

DONALD E. HOLMES
CITY ATTORNEY

Regular meeting 2nd and 4th Thursdays each month at 6:00 p.m.

MINUTES
CITY OF PALATKA CALLED MEETING
May 13, 2013 – 5:30 p.m.

Proceedings of a special called meeting of the City Commission of the City of Palatka, Florida, held on the 13th day of May, 2013.

PRESENT:

Mayor	Vernon Myers
Commissioner	Mary Lawson Brown
Commissioner	Allegra Kitchens
Commissioner	Phil Leary
Commissioner	James Norwood, Jr.

Also Present: City Manager Michael J. Czymbor; City Attorney Donald E. Holmes; City Clerk Betsy Jordan Driggers; Finance Director Matt Reynolds; Police Chief Gary Getchell; Fire Chief Mike Lambert; Planning Director Thad Crowe; Main Street Manager Charles Rudd

INVOCATION – Commissioner Norwood

PLEDGE OF ALLEGIANCE – Mayor Myers

Mayor Myers called the meeting to order at 5:30 p.m. and read the following call, dated May 9, 2013:

TO COMMISSIONERS: MARY LAWSON BROWN, ALLEGRA KITCHENS, PHIL LEARY AND JAMES NORWOOD, JR.:

You are hereby notified that a special called meeting of the Palatka City Commission is called to be held on Monday, May 13, 2013 at the regular meeting place of the Palatka City Commission, Palatka City Hall, 201 N. 2nd Street, Palatka, Florida, to commence at 5:30 p.m.

The purpose of the meeting is to consider a resolution authorizing the execution of a Non-Binding Letter of Intent to SHP Hospitality, LLC, a respondent to the RFP for Development Proposals, for the sale of 1.69 acres of city-owned property located in Area 3 on Block #2, or more commonly known the former Frank George High Rise Apartments location, on which a hotel is proposed.

Is! Vernon Myers
Vernon Myers, MAYOR

The following Commissioners acknowledged receipt of a copy of the revised foregoing notice of a special called meeting, first issued on the 9th day of May, on the 10th day of May, 2013

/s/ Mary Lawson Brown

COMMISSIONER

/s/ Phil Leary

COMMISSIONER

/s/ James Norwood, Jr.

COMMISSIONER

/s/ Allegra Kitchens

COMMISSIONER

Mr. Czymbor said the City has learned certain lessons from the past four RFPs it has issued for redevelopment of this property, and tried to develop a creative, flexible approach in order to entice submittals to help redevelop three areas of property bordering the Riverfront Park. Today he proposes execution of a Non-Binding Letter of Intent on 100 Memorial Parkway on behalf of SHP Hospitality, LLC, Responder, for the property formerly known as the Frank George Apartments.

Jonathan Griffith, Project Manager, presented a power point on Mr. Patel's proposal, the negotiations that have taken place, and Staff's recommendations for tonight's meeting. Mr. Griffith said SHP Hospitality proposes a purchase price of \$175,000 and intends to construct a Hampton Inn on this property, consisting of four stories and 70 rooms. This will create 15 new employees. They will submit financials upon approval of a Hampton Inn franchise and have requested a five-year tax abatement. The City cannot offer a tax abatement without a referendum, but they do have redevelopment funds available that can be used to pay down taxes based upon performance review.

Mr. Griffith showed photos of a Hampton Inn in Ohio, which he stated has a very historic feel; he noted Mr. Patel agreeable to this façade treatment. They don't want to recreate historic elements, but honor them. They use brick that is period-correct, and vertical and horizontal elements that break up the building and has a historic look and feel; this is shown in the cornice that surrounds the building. The City has retained a 20-ft. buffer strip for the First Presbyterian Church and the City would transfer that property to the church. They propose to modify the existing SJRWMD permit to eliminate or decrease on-site storm water treatment; they are agreeable to the request. Mr. Patel is agreeable to 0.2 acres of commercial development on St. Johns Avenue, but they need to find 85 parking spaces on-site, so the commercial space along St. Johns Avenue may be decreased. They arrived at a final purchase price of \$169,000, which comes out to \$100,000 per acre. They looked at the market value the property appraiser has on it which is around \$228,000, and had a commercial appraisal done, which came out to \$550,000 to \$690,000. They looked at preliminary revenues including water & sewer impact fees and five years of tax revenues; the full 95% of all taxable value will go into the CRA; so the money they could have put into economic development grants, they propose taking it off the purchase price up front. This will give him the incentive of \$289,000 which will come off the purchase price. Therefore, the up-front incentive is a reduced purchase price.

Mr. Czymbor said the initial proposal proposed a rebate of all building & impact fees and a rebate of five years' taxes.

Mr. Griffith said this project will help all redevelopment efforts on City property as well as private redevelopment of the rest of Downtown. This will compliment the wetlands education center, support eco-tourism, and is a highly visible architecturally compatible building. They took the median estimated property value based upon the high end of the commercial market analysis, lessed out the estimated revenues, and it came to \$97,714/acre, or \$171,000. That is less than the purchase price they negotiated. The actual purchase price is \$169,000 for the acreage.

Mr. Czymbor noted Mr. Spalding, who did the commercial market analysis, was present. Mr. Czymbor said Mr. Spalding stated there were no recent sales or comparable sales he could use, but this was the market price in his estimation. Discussion ensued on the purchase price estimation. Mr. Griffith said this is an incentivized purchase price to bring in redevelopment which is a common "best practice." The City will require a review of his business plan and financial feasibility, full disclosure of all partners, and will need surveys to split this off into two parcels. Staff recommends approval of this Letter of Intent with revised wording under the heading "additional conditions." The City Attorney has distributed that wording.

Thad Crowe, Planning Director, was present for questions. Commissioner Leary questioned if the construction of the hotel is consistent with the construction of the environmental center. From a Planning standpoint, the Memorial Bridge is more modern architecture and the flow of that design into Downtown is important. Mr. Holmes said it's important to understand that the visions that are on display are just that. They have not been contractually agreed upon. If the LOI is approved and Hilton grants approval of a franchise, when they negotiate a contract there will be room to negotiate this issue or any other "nuts and bolts" issued to be vetted. One of his concerns is that there has been a lot of discussion and tentative oral agreements, but none of those are binding. The City has room now to request or demand terms and conditions that will be important to the City. He mentioned some of those in the additional wording in the Resolution and attachment. This includes terms and conditions regarding size and construction of any buildings on site, amenities, and restrictions on the principal uses on the site, whether near or long term. He wanted that clearly spelled out now. These are non-standard terms of a sales contract and he wanted that made clear. Mr. Holmes read from the Letter of Intent. He stated this wording is not pessimistic, but making sure the City does not get caught in a trap. If the proposer spends money getting this approved, the City will not feel trapped into his vision or whatever he proposes. Commissioner Leary said they need to be consistent in design. Mayor Myers said this letter will enable him to go to Hilton and make application for this Hampton Inn, and then Hilton will approve him to go ahead, or not. Mr. Patel will have substantial money invested in this.

Commissioner Kitchens asked why Mr. Patel is not here to answer questions. She noted the mailing address on his letter does not match the mailing address listed with Florida Department of Corporations. He did not answer all the questions in the RFP. They rejected prior RFP responder submissions as the respondents did not answer similar questions. She understands he did not answer questions on financial information because he needs the LOI to get permission and financing. He did not answer other questions. He stated he didn't have financing, but when he gets it he will submit it. They cannot accept anything that wasn't presented by the deadline on the RFP. Assuming he gets the financing, and then he submits references and a business plan, that is what the RFP required, and once the deadline comes and goes, they can't consider anything after that date. She is not sure what the man's actual name is. She asked who the other partner is, stating that is not listed. In his letter he specifically states "we have financing in place with two or three banks once they secure permission from Hilton." He states there are two other hotels in foreclosure in Palatka and Hilton doesn't want to be associated with that. She does not know which hotels those are. She has other questions. Commissioner Kitchens noted that Mr. Czymbor said Mr. Patel has agreed not to ask for the tax abatement when she spoke to him last Thursday; the newspaper said he was going to ask for tax abatement, and the presentation said he was seeking tax abatement. She does not believe the tax assessor's assessment is out of line. The letter of intent is needed so he can get financing from the Hilton Corporation, and that's all good, but she has more questions about this.

Mr. Holmes said the Commission is not considering this as a "compliant" response to the RFP. The resolution has been changed from the version that was distributed on Friday. The Third "Whereas" paragraph states that the RFP does not meet the minimum requirements of the RFP, but states Staff has negotiated with the respondent on certain points. The response was clearly not

responsive. He's not considering this to be a compliant proposal. When you send out bid specs and you say something is mandatory, the proposer has to submit those. If there had been other proposals for this parcel, he would advise the commission to only consider compliant proposals, but this was the only proposal. This proposal is not a "winning" proposal, but the RFP says they have the right to reject all bids and engage in negotiations, and that is what Staff has done. Had there been another proposer and staff had rejected that proposer, he'd have a problem with that, but there wasn't another proposer. Staff undertook detailed negotiations. Now they have a letter of Intent with which to move forward with negotiations with Hilton. The Commission is not being asked to find that he is a winning bidder.

Mr. Czymbor said he concurred with Commissioner Kitchens and in a perfect world they would be looking for something that complied with certain requirements. He did not meet the proposal requirements, but one thing they did learn is they tried that approach five separate times where they had firm requirements and high expectations, and were unmovable. They have to work as a partner. They won't get a blank check for redevelopment of this property. They will have to work to get the best proposal. There are some things that could have been done differently, but this allows him to proceed and for the City to continue the vetting procedure. Mr. Patel could not be here today but he's agreed to the Non-Binding letter of intent which was presented and proposed by Mr. Holmes.

Mayor Myers said they are making more of this than what it is. This is a non-binding letter of intent. This will allow Mr. Patel to determine if Hilton will approve this site and franchise. They owe it to the citizens to see this out. This is the first positive response they've had. You can either take a request and find a way to make it successful, or find a way not to make it successful. He was the only respondent and they have negotiated with him in good faith. Commissioner Brown said no one else is beating down the door on this property. Other towns are doing everything they can to grow the tax base and create jobs. They have more time to check him out and vet this. This is the only proposal they received; they don't need to throw it away. They need an anchor in the downtown. They need a busy place for people to come to.

Commissioner Norwood said they said they wanted a hotel in the area, and an opportunity for retail in the area. He doesn't know what the final version will look like, but this is the first proposal he's seen that looks like what they wanted to see there. He concurs with Commissioner Kitchens that they asked for certain things in the RFP that weren't submitted, but this is a non-binding agreement. There is no other proposer. This is a good opportunity to finally move the redevelopment project forward. They need something to jump start and revitalize the downtown area. The concept is something they've talked about for 10 years. They need to pursue this. This keeps the City protected, as well as the proposer, and mitigates risk. Mr. Holmes said the City has an obligation to vet this individual, but if he has to pay \$150,000 to Hilton to be vetted, and he is vetted through Hilton, that's not a bad recommendation. Hilton will have a stringent vetting process. Mayor Myers said this will be around a \$6 million investment; before Hilton grants a franchise, they will vet the applicant.

Commissioner Leary said he's known and worked with Mr. Crowe for many years and he respects Mr. Griffith's work. The drawings reminded him that the City has committed to change with the downtown redevelopment. He spoke with Sharon Spratt, who is with the DEO, regarding hotel rates; she advised him hotel rates are up over 100% and tourism rates up over 150% in the past year. Palatka needs a quality hotel. This will start the change in the paradigm downtown. You have to have a catalyst for change, and he believes this is it. They would be remiss if they didn't move forward with this.

Commissioner Kitchens said she feels more comfortable with the re-wording of the non-binding letter of intent and resolution.

The Clerk read a resolution entitled A RESOLUTION OF THE CITY OF PALATKA, FLORIDA, AUTHORIZING THE CITY MANAGER TO EXECUTE A NON-BINDING LETTER OF INTENT WITH SHP HOSPITALITY, LLC FOR THE PURCHASE OF 1.69 ACRES OF CITY-OWNED PROPERTY AT 100 MEMORIAL PARKWAY, COMMONLY KNOWN AS THE FORMER FRANK GEORGE HIGH RISE APARTMENTS SITE. Commissioner Brown moved to adopt the Resolution as read. Commissioner Leary seconded the motion.

Mayor Myers opened the floor for public comment.

Sharon Buck, 610 South 14th Street, asked questions regarding the number of proposed rooms and occupancy rates for Palatka. She is in agreement they need a hotel. Mr. Czymbor said it is 70 rooms and four stories; he doesn't know what the vacancy or occupancy rates are in Putnam County, but he assumes Mr. Patel has done his due diligence in research. The President of Hilton visited the site and was very impressed. There will be some conference facilities. That will be part of the negotiation process. Ms. Buck said they need conference facilities and a marketing plan for the hotel.

Ms. Buck asked questions regarding stormwater treatment and the 1st Presbyterian Church buffer location. Mr. Czymbor said the church has asked for the 20' buffer. With parking there will be a 60 to 70 foot buffer between the church and hotel.

Craig Sherrar, 147 Pine Tree Road, E. Palatka, made critical remarks regarding the NOI. He noted the proposer is not investing a significant amount of money compared to the money the City has invested in the property. He objects to this arrangement. The best use of this land is as public park land. He questions the assessment figures.

Chris Simmons, 3325 Park Street, said his wife is the general manager of the Holiday Inn Express. The economy is bad. This will take business away from the existing hotels. They need a stand-alone conference center rather than a conference center in a hotel. If this project fails, there is nothing to fall back on. This takes up the entire block. They should take more time to get this right.

There being no further discussion or comment, a roll-call vote was taken on the motion, which yielded the following results: Commissioners Brown, Leary, Norwood and Mayor Myers, yes; Commissioner Kitchens, No. The resolution was declared adopted by a vote of four in favor, one opposed.

ADJOURN – There being no further business to discuss, the meeting was adjourned at 6:20 p.m. upon a motion by Commissioner Brown.

PERSONS WITH DISABILITIES REQUIRING ACCOMMODATIONS IN ORDER TO PARTICIPATE IN THIS MEETING SHOULD CONTACT THE CITY CLERK'S OFFICE AT 329-0100 AT LEAST 24 HOURS IN ADVANCE TO REQUEST ACCOMMODATIONS.