

**SPECIAL CALL CITY COUNCIL/WORKSHOP MINUTES  
THURSDAY, SEPTEMBER 14, 2023 9:30 A.M.  
CITY HALL, COUNCIL CHAMBERS, VERO BEACH, FLORIDA**

**PRESENT:** John Cotugno, Mayor; Linda Moore, Vice Mayor; Tracey Zudans, Councilmember; John Carroll, Councilmember; and Rey Neville, Councilmember **Also Present:** Monte Falls, City Manager; John Turner, City Attorney and Tammy Bursick, City Clerk

**1. CALL TO ORDER**

**A) Pledge of Allegiance**

Mayor Cotugno led the Council and the audience in the Pledge of Allegiance to the flag.

**B) Roll Call**

The City Clerk performed the roll call.

**2. ITEMS FOR DISCUSSION**

**A) Vero Beach Retail Market Analysis**

Mr. Jason Jeffries, Planning Director, explained that there were two (2) projects going on for the downtown area. The first is a detailed marketing analysis prepared by Mr. Bob Gibbs, which they will be discussing today. The other will be from Stantec Consulting and that will be presented to the City Council at either a workshop or one of their City Council meetings in October. The Gibbs Planning Group was contacted to provide a retail market analysis for three (3) areas of the City, which are the Downtown Business District, Ocean Drive/Cardinal Drive Business District and the Three Corners Project. Mr. Gibbs will present his findings with an emphasis today on the downtown retail analysis and recommendations on urban retail best practices.

Mayor Cotugno asked with the information provided by both firms would they be coming up with a swot analysis.

Mr. Jeffries said that he would not call it a swot analysis, but setting the framework in terms of the area that they need to focus on.

Mr. Bob Gibbs commented that he was engaged to do this market analysis as an independent third party. He said that Vero Beach is a destination for people living in Southeast, Florida because it is a nice place for people to come and visit. He shifted his analysis that he first did in the spring after attending a conference where it is apparent that there will be around 100 elevated shopping stores opening especially for women. These stores are needed after Covid because people are ready to get out and go shopping and buy clothes so they can look nice. He said these stores will probably go on resort areas and will start opening within the next two (2) or three (3) years. These stores are not focusing in going in malls anymore. He went through his Power Point Presentation (attached to the original minutes). Questions and answers took place during the presentation.

Mr. Falls asked Mr. Gibbs with economics the way it is what would be his recommendation for downtown. He asked either having wider sidewalks or adding more parking.

Mr. Gibbs suggested wider sidewalks that includes shade.

Mr. Gibbs continued his Power Point presentation by going over the Ocean Drive/Cardinal Drive Business District (whole central beach area).

Mr. Carroll understood that there were three (3) areas where Mr. Gibbs provided a market analysis. He asked if these three (3) areas could trade off on each other.

Mr. Gibbs said there is really six (6) areas when you include the Outlet Mall, Indian River County Mall and the Corridor around Route 60. He said all of them compliment each other. He said there are people going to the Outlet Mall that would love to stay in the community longer and go to downtown and shop and then go to Ocean Drive if there were places there to go to. He said a lot of the people they spoke to want more to do in this area.

Vice Mayor Moore had some concerns about four (4) businesses leaving the downtown area. She questioned how they get more people to come to downtown and the ones that are there now to stay. Should they have wider sidewalks and do more marketing.

Mr. Gibbs said some of the things are the physical environment, more marketing might help, and they need to look at leasing and management.

Mr. Neville brought up the old Florida Theater and wondered what would happen if it was to be restored and used again.

Mr. Gibbs felt there was a need for that. It would bring people downtown and they would visit restaurants and go to the art galleries.

Mr. Neville went over some of the things that used to be in their downtown area many years ago. He said one of the reasons these establishments are no longer there is because there is a throughway that goes through downtown.

Mrs. Zudans brought up that a lot of people she talks to don't want to see another Delray Beach where there is a lot of congestion. She asked how they find a balance with bringing in stores and still keeping the charming character of why people want to come to Vero Beach.

Mr. Gibbs commented that they could have a fashion district and things that cater to young families instead of bars and nightclubs. They could have parking spaces that are metered, which traffic changes 10 times a day. However, they would need to be the old fashioned meters that take coins, as well as credit cards. If they don't want to pay for parking then they need to have clean safe parking nearby. He said there is market potential here if you want to change.

Mr. Neville asked Mr. Gibbs if he met with the Indian River Chamber of Commerce. Mr. Gibbs said that he met with the Vero Beach Chamber of Commerce who were very helpful. Mr. Neville wondered if the Indian River Chamber of Commerce had a lot of the data that Mr. Gibbs presented in his report. Mr. Gibbs felt that the analysis was helpful for new businesses. Mr. Neville referred to the demographics in the

Power Point presentation and said that he has never heard about that before. Mr. Gibbs went over some of the data that is provided. He said they took maps and calibrated them for each district.

Mrs. Barbara Ruddy was hoping that Mr. Gibbs would have mentioned having a boutique hotel in Vero Beach.

Mrs. Bethany Fortunato wondered how Mr. Gibbs gathered all of the data from using people's cell phones when a lot of the cell phone numbers still reflect where the person came from and that was not Vero Beach.

Mr. Gibbs explained how people are followed when they are walking around and driving around. He noted there is a strong demand for a boutique hotel downtown. A lot of people prefer to stay downtown then over on the barrier island. He said that boutique hotels attract people and businesses.

Mr. Barry Shapiro commented that he keeps hearing that they don't want to be another Ft. Lauderdale. He said that will never happen because of the building height restriction put into their Charter. He said when you drive around you do see more people are coming and the government has to work with businesses to make sure what happens is the way everyone wants to see it. They need to look towards the future and the future is their young people. He talks to a lot of young people and some are leaving because they don't think there is enough to do here. They want some place to gather.

Mr. Matt Haynes, Executive Director of MainStreet, commented that he didn't hear Miracle Mile addressed in this conversation. He said that Miracle Mile is important when talking about downtown.

Mr. Gibbs stated that he looked at Miracle Mile and factored it in. He said that Miracle Mile brings people here and it is a plus.

Mr. Joe Cataldo asked if the percentage of sales mentioned by Mr. Gibbs includes the pass thru charges that have to be paid. Mr. Gibbs said yes that it is the gross amount.

Mr. Carroll has found that retailers want to have other likeminded stores in the area they are in.

Mr. Gibbs agreed. He said that construction costs are so high that retailers have to be able to triple their sales on what their lease is, which he thinks is possible in this area.

Mr. Jason Ground asked Mr. Gibbs if his proposal took in Route 60 and how the businesses to the South do not get much traffic on 14<sup>th</sup> Avenue because of the split (Twin Pairs). Also with getting new businesses downtown what does the revenue look like for the City.

Mr. Gibbs said the upside to having the split on 14<sup>th</sup> Avenue is the nice area that there is to walk to. He is aware of the discussions taking place concerning Route 60 and he does not know how to monetize that. He said there are ways to improve the areas West of 14<sup>th</sup> Avenue. He said it is good to have out of the way places for people to go to when they are looking for a quiet area.

Mr. Neville mentioned the joint meeting that the Council will be having with the County Commission. He felt they should talk about the parking garage across from the Courthouse. The public doesn't realize that they are able to park there, however he realizes it is not lit very well.

Mr. Jeffries said once they have met with Stantec then staff will come back to Council with specific recommendations.

Mr. Jeffries mentioned the Ordinances that would be heard as public hearings at their September 26<sup>th</sup> meeting. He told Council if they had any changes that they would like to see made to the Ordinances to get with him before the meeting so he could incorporate those changes.

Council took a six-minute break and the meeting reconvened at 11:05 a.m.

## **B) Insurance Coverage for City Tenants**

Mr. Falls brought up the high cost to renew insurance and that the City requires all of their tenants to be insured. He asked Council and the tenants present for today's meeting if they could do some brainstorming to come up with some solutions to this problem. Many of the tenants have tried to get additional coverage with a surplus carrier, but the insurance company is not always a part of the Florida insurance pool. He expressed that the insurance company has to be licensed in the State of Florida.

Mr. Turner suggested hearing from the tenants and get their point of view on the problems that they have been faced with. He said that staff has some ideas that they would like to discuss with Council.

Mr. Falls explained that they lease properties at the Airport and the tenant builds the structure in the way that suits them and the lease is reviewed every 10 years for renewal. Then after 30 years, the structure reverts back to the City. He wants to make sure that the City is not liable for the structure.

Mr. Carroll was looking at the list of tenants at the Airport provided in their backup material. He asked who compiles this list and is it current.

Mr. Todd Scher, Airport Director, stated that this list is compiled by Ms. Lisa Ross who works for him and the list was current as of August 22, 2023.

Mr. Mike Malone, Tenant at the Airport, said that two (2) years ago his property insurance was \$22,000. Then last year it went up to \$33,000. This year it has gone up to \$130,000 and they have declined to have wind storm coverage. Also, the insurance company will not insure their roof. They have had roofing companies come out and inspect the roof and tell them that there are no problems with the roof and they do not need a new one. He would like to put between \$50,000 and \$75,000 into an escrow account and have it in that account as part of being self-insured. He asked the City if they would provide something to him in writing saying that he was not in violation of his lease because of the insurance situation.

Mr. Ray Hooker, Airport Tenant, commented that he has been in his building for over two (2) years and they first paid \$12,000 for insurance and now are paying \$25,000 a year and are being told that it probably will double that price next year. He said that this was not part of his business model. He said maybe putting the insurance under the City's policy would help. He commented that insurance companies do not like to insure metal buildings and a lot of insurance carriers don't like doing business in this area.

Mr. Falls expressed that the City is aware of what is going on and they have talked about some ideas. He said if they enter into being self-insured and there is a catastrophic storm and there is only one carrier for the whole Airport they might pick up and leave. The City needs some reinsurance that if the building is damaged beyond repair that they won't be getting that building in that kind of shape back to them. He

said that they were all just looking at different ideas that they could present to Council to help with this problem.

Mr. Neville felt that they might want to have an engineering analysis done on all of the buildings as far as wind rating goes. They could have an escrow fund set up from their tenants and create their own insurance, but first they need to know how well they are rated. If they are looking at self-insurance then they could have a pool where everyone contributes to and they can use that money to pay for the damaged buildings.

Mr. Carroll commented on the challenges they face when going self-insured. He said regardless of their rating they are still City buildings and passing the burden to their tenants is not fair. However, pooling into a fund would be fair.

Mr. Falls commented that some of the buildings at the Airport are old and some of them are new so the replacement costs would be different. Some of the buildings have been constructed by the tenants and their lease dictates that they must provide insurance.

Vice Mayor Moore commented that it would be difficult to determine how much each tenant would be required to contribute to this fund (pool).

Mrs. Zudans felt they were going down a slippery slope by having tenants put money into a fund. She said there are different square footages for the buildings and a lot of things that would have to be considered. She likes the idea of self-insurance. However, she doesn't want the City to be in the insurance business.

Mr. Falls made it clear that the City's insurer was not happy to have to insure other buildings.

Mr. Carroll commented that they would need to make sure that the age of the buildings is well documented and if it predates 2004 the building could not withstand the hurricanes and wind storms that they are having today. He said that an engineer would not certify these buildings without doing a structural evaluation first and that would be very expensive, as well as a monumental effort.

Mrs. Zudans brought up the Power Squadron and how the City is not holding their tenants accountable to maintaining their buildings. She said the Power Squadron was unable to obtain insurance because they needed a new roof and did not have the money to replace the roof at the time. She said that is how they found out about the Power Squadron building.

Mr. Neville felt that the Airport was a different situation because there is a person on staff who monitors these buildings. He knows by advocating being self-insured then the burden falls on the City.

Mr. Falls commented that they may want to consider as a component that a certain amount of money is put into a fund by the tenant in case a catastrophic event occurs and they elect not to repair their building. If the tenant decides to leave the property in a unuseable situation at least there is some money available to help the City with the needed repairs.

Mr. Malone asked if the City has been in contact with other cities to find out how they are handling the situation.

Mr. Falls explained that this is not just City buildings and the Airport experiencing this problem. He said it affects everyone. He has been talking to their legislators in Tallahassee and has been told that it is a statewide industry issue. They have not reached out to other Airports or municipalities on how they are handling this situation, but they certainly could.

Mrs. Gabrielle Manus, Human Resource Director, explained that the Florida League of Cities (FLOC) who they are insured through has told her that this problem exists all over the State of Florida. She said that some municipalities have had a 500% increase on insuring their properties. Thankfully the City of Vero Beach was one of the lower increases. She said FLOC is not in favor of covering these buildings because it will dramatically increase their property insurance. She said that the City has some very large value assets and a lot of old buildings. There is not a problem if each tenant does their own self-insurance, but the City does not want to manage a self-insurance fund. That is one of the reasons that the City has gone into being fully insured.

Mrs. Zudans asked staff to find out what other municipalities are doing and give Council that feedback.

Mr. Falls commented that there are surplus carriers out there that offer coverage, but they do not allow that right now.

Mrs. Manus agreed that they have looked into surplus carriers knowing there is an issue out there. If they went with a surplus carrier they would need to make sure that they have an A-plus rating. She understands that the State is allowing more insurers to start offering policies in order to help with this problem.

Mr. Carroll said that he would be attending a Treasure Coast Regional Planning Council meeting next week and will bring this matter up and will report back to the Council.

Mr. Malone commented that he did get two (2) quotes for insurance coverage but they were not from a surplus carrier.

Mr. Pat Hatch, Airport Tenant, commented that he is a part of an Association at the Airport where they have 25 hangars. Some of the hangars are over 35 years old, but are in good shape because they maintain them. He said it would not seem fair if there was a catastrophic loss and they were responsible to give back to the City a new hangar. He said the lease requires a replacement value. The typical hanger costs \$45,000 to repair and a new hangar would cost around \$180,000. He said if they go to declare value that would help. He did mention that there is a fund where the tenants involved in this Association do contribute money because of situations like the one they are talking about today. He said insurance liability is not the problem, but the replacement value is.

Mr. Falls asked Mr. Hatch if they experienced a complete loss all the way to the slab what would that do to him. Mr. Hatch said that they would be looking at the replacement or agreed value to go back to where they were.

Mr. Carroll added they would also need to meet all the required Codes.

Mrs. Zudans agreed that the dialogue has been very good today and they should meet again after staff has gathered more information.

Mr. Falls agreed. He said that they would talk to other Airports about how they are handling the situation. They will wait to hear back from Mr. Carroll on what discussion took place at the Treasure Coast Regional Planning Council meeting and would be looking for solutions so that we are not left with something not sustainable.

Mr. Neville asked if they could have a professional from the FLOC attend their next meeting. He said there may be constraints on what the City wants to do and that needs to come from the experts.

Mrs. Manus said she would be happy to reach out to FLOC to see if they could help them with their ideas, but made it clear that their job is to insure municipalities and that is their main focus.

Mayor Cotugno said that they would be setting up another workshop to continue this discussion.

Mr. Scher asked for some assistance on what to let their tenants know about obtaining insurance until they have this matter worked out.

Mr. Turner suggested writing the tenants and letting them know that the City is working on a resolution to this matter and they would not be sending out any more insurance demand letters at this time.

Mayor Cotugno asked Mr. Scher to make sure that FAA has no issues with this or something that the City needs to be complying with. Mr. Scher said that he would.

### **3. PUBLIC COMMENT**

This item was heard earlier.

### **4. ADJOURNMENT**

Today's meeting adjourned at 11:48 a.m.

/tb

