

CBRE Public Institutions & Education Solutions presents

# **CITY OF MIAMI BEACH FIXED FEE PROPOSAL**

For Real Estate Services - Byron Carlyle Theatre P3

Prepared for  
CITY OF MIAMI BEACH, FL

October 2020

**CBRE**

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October 5, 2020

Mr. Eric Carpenter  
 Mr. Justin Karr  
 City of Miami Beach  
 1755 Meridian Avenue, 5<sup>th</sup> Floor  
 Miami Beach, FL 33139

**Re: Byron Carlyle Fee Proposal**

Dear Eric and Justin:

As you are aware, CBRE was engaged to review and opine on the development proposals received for redevelopment of the Byron Carlyle site. CBRE's initial fee proposal was a market based development advisory commission schedule utilized with other public sector clients in South Florida and nationally.

At the request of the City, CBRE provided a fee proposal to the City that reflects one half (50%) of what we normally charge for similar projects to reflect the fact that the City (not CBRE) issued the RFP and identified the two developer candidates being considered. Mathematically, that resulted in a fee of 1% of the total development budget estimated to be approximately \$38 million or \$380,000 to be paid to CBRE. Further, we proposed that the developer (not the City) pay these costs as part of the overall development budget. Again, it is within market for the Developer to pay the fee as a "professional fees" soft cost included in the development budget.

We also informally advanced an alternate fee proposal that stipulated a fee of \$100,000 plus 10% of whatever economic benefit we could negotiate for the City. Having said that, the developer's proposal has changed significantly in the last 2 weeks and we believe this methodology is no longer relevant.

Given concern expressed in the September 29<sup>th</sup> City Commission meeting, CBRE proposes a fixed fee of \$175,000 whether the transaction closes or not. CBRE will agree to again cut in half our compensation to represent the City in this transaction. This eliminates our risk and reflects our interest in being the City's trusted real estate advisory now and in the future.

We believe this arrangement would allow us to continue to serve the City and solely represent your best interest given the ongoing changes in the developer's proposal.

It is important for us to point out the developer has changed their proposal significantly from what was originally proposed, to what was revised in August 2020 and again just in the last two weeks:

- Income per square foot per unit has been reduced from \$3.99 per square foot per month to \$2.72 which represents a 32% decrease.
- The proposed number of units has increased from 120 to 145 which represents an 18% increase.
- The developer has outlined a plan to take over programming of the Cultural Center for which the proforma shows \$630,000 income to the benefit of developer's net operating income.

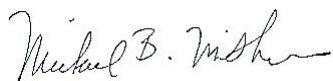
The above factors increase the size of the Developer's project. The Developer's proforma, however, counterintuitively results in lower profits to Developer which they are using to justify their request to increase project size and capture of income from the Cultural Center. CBRE is not convinced that this is necessary or justified.

Should we continue to represent the City for this assignment, outlined below are the services CBRE will continue to provide:

- Suitability of the development proposal as it relates to the original RFP requirements (e.g. the Cultural Center being operated by the City)
- Developer's financial capacity of the developer to perform,
- Development schedule and other risk issues for the City
- Other services to be provided in collaboration with the City:
  - Complete financial analysis including Developer Return on Investment
  - Ongoing meetings with Developer and City Staff
  - Comparison matrix of changing Developer responses for negotiations and decision making
  - Present findings and recommendations as required, to the City Staff and elected officials
- Once negotiations have concluded, CBRE will support City legal counsel regarding negotiated business terms through contract execution including:
  - lease, purchase or development agreements;
  - operating agreements,
  - concession and operating agreements (Cultural Center),
  - parking agreements, and cross easements as or if necessary.

Thank you for your confidence in CBRE. We hope that this proposal will meet your expectations and that we can continue as the City's trusted real estate advisor.

Sincerely,



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