

MIAMI BEACH

COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission
 FROM: Alina T. Hudak, City Manager
 DATE: November 16, 2022

SUBJECT: A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, ACCEPTING THE RECOMMENDATION OF THE CITY MANAGER TO REJECT THE SOLE PROPOSAL RECEIVED PURSUANT TO REQUEST FOR PROPOSALS (RFP) NO. 2022-047-WG FOR PARKING GARAGE ADVERTISING SERVICES.

RECOMMENDATION

It is recommended that the Mayor and City Commission accept the City Manager's recommendation to reject the sole proposal received pursuant to Request for Proposals (RFP) 2022-047-WG for parking garage advertising services.

This solicitation is under the cone of silence.

BACKGROUND/HISTORY

On April 6, 2022, pursuant to the reasons articulated in the attached commission memorandum (Attachment A), the City Manager recommended that the sole bid received from Alchemy Miami Beach LLC (Alchemy), in response to the RFP, be rejected. However, the City Commission deferred action on the City Manager's recommendation and directed the Administration to attempt to negotiate mutually acceptable financial terms with Alchemy.

ANALYSIS

As directed by the City Commission, representatives from Alchemy and the Administration held several discussions in an attempt to negotiate mutually acceptable financial terms for the services. The discussions, including representatives from the Procurement, Marketing and Communications, and Planning Departments, along with the City Attorney's Office, were primarily focused on new signage options (not included in Alchemy's original proposal to the RFP) for increasing revenue presented by Alchemy and the legality of some of the options presented. On August 16, 2022, Alchemy submitted a final proposal with two options for consideration, noted below as Best and Final Offer Options I and II.

The following is a summary of the Administration's position on Options I and II, presented by Alchemy on August 16, 2022.

1. **Alchemy's revenue proposals continue to be insufficient, given the significant amount of advertising proposed to be installed.** The table below highlights the options in the original proposal (Plan A and B) compared to the options in the revised proposal (Option I and II) submitted pursuant to the negotiations.

	Prior Agreement (Expired Feb 2021)	Original RFP Response		Best & Final Proposal	
		Plan A (See Attachment C)	Plan B (See Attachment C)	Option I (See Attachment D)	Option II (See Attachment E)
Advertising Mediums Installed or Proposed	· Static signage installed.	· Static and digital signage proposed.	· Static and an increase in digital signage proposed.	· Static and digital signage proposed. · Adhesive vinyl for glass fronts proposed.	· Static signage proposed.
Minimum Annual Guarantee	\$250,000	\$36,000	\$54,000	\$100,000	\$36,000
% Gross Revenue	NA	15%	15%	20%	25%

- Option I under the best and final proposal is particularly concerning as it introduces a significant number of storefront signage which, aside from not being aesthetically desirable, were not contemplated in the original scope of the RFP.
- Alchemy has proposed a number of other financial benefits (see Attachments E and F for details) not included in this chart for the sake of clarity and because the actual value of those benefits cannot be determined with accuracy, particularly the City's yield from the Alchemy's gross revenue received.

2. Portions of Alchemy's proposal may require code amendments. The Code allows the City to install, or contract to install (pursuant to a contract entered into by the City and a selected vendor), advertising signs within the City's municipal parking garage facilities. According to Section 82-71 of the City Code, such advertising signs shall only be placed within the property line of the municipal parking garage facilities and may be visible from the public right-of-way. Notwithstanding the preceding, however:

(a) No advertising sign shall be placed on a municipal parking garage facility facade, except at a garage entrance or exit, and

(b) No advertising sign above the first floor shall be placed in any location where such sign may be visible from the right-of-way.

The Planning Department believes that some of the signage, particularly the exterior façade signage in some areas, may require changes to the City's current Code Section 82-71.

3. Global Spectrum, LLC d/b/a the Oak View Group has contractual rights to market parking garages. On February 12, 2020, the Mayor and City Commission approved Resolution 2020-31158, awarding a contract to Global Spectrum, LLC d/b/a the Oak View Group (OVG), pursuant to RFQ 2019-122-WG, for sponsorship and naming rights consulting services. Notwithstanding the aforementioned concerns with Alchemy's proposals, it has come to light that, in addition to the naming rights for the exterior of the City's parking garages, the City's existing Agreement with OVG grants OVG the first right to market the naming rights for the interior of City's parking garages upon the expiration of the [2021] agreement between the City and Alchemy (See Attachment B). OVG has expressed an interest in discussing these contractual rights, particularly in combination with other sponsorship programs. Once this solicitation is terminated, the Administration will discuss the specifics of how OVG proposes to couple sponsorships or naming rights with garage signage.

Accordingly, with the agreement between Alchemy and the City now expired, the City Attorney's Office has advised that in order to proceed with a vendor other than OVG, OVG would need to release its contractual rights. For its part, OVG has expressed an interest in exercising its right to the interior of the City's parking garages.

SUPPORTING SURVEY DATA

Not Applicable

FINANCIAL INFORMATION

Not Applicable

Amount(s)/Account(s):

Not Applicable.

CONCLUSION

The April 6, 2022, City Commission memorandum (See Attachment A) stated, as justification for rejecting the sole bid received in response to the RFP, that it was the Administration's opinion that the proposal submitted by Alchemy did not provide equitable remuneration for the significant amount of advertising that the firm has proposed. Notwithstanding, the Administration has complied with the City Commission's directive to negotiate with Alchemy to allow it to propose more favorable revenue terms as it asserted it would do. While the parties negotiated in good faith, the Administration's position continues to be that the revenue proposed by Alchemy pursuant to the latest round of negotiations continues to be woefully inadequate for the significant amount of advertising coverage it has proposed.

For its best and final offer Option I, Alchemy has proposed a minimum guarantee of \$100,000, which is still far below the annual revenue of \$250,000 yielded by the City under the prior agreement. However, in exchange for the low minimum guarantee of \$100,000, Alchemy is proposing to place a significant amount of vinyl storefront advertising at various locations, as highlighted in Option I (Attachment D). There is also a concern that vinyl storefront advertising is outside the scope of the RFP, particularly in locations such as the City Hall Annex along Meridian Avenue (see Attachment D, p. 65).

For Option II, Alchemy has not proposed any increase to the small amount of minimum guarantee it offered in its original proposal. It is important to note that the annual minimum guarantee under the prior agreement was \$250,000, whereas Alchemy is now proposing a minimum annual guarantee of \$36,000, a reduction of \$214,000. Further, while Alchemy has proposed to increase the revenue share (percentage of gross revenue), the Administration cautions that the revenue of private corporations is difficult to quantify, and it is not possible to accurately estimate what that revenue could be. Revenue sharing as a percentage of gross revenue may be acceptable as a supplemental basis of revenue, but it is not recommended as the primary source of revenue for the rights granted.

Finally, despite the Administration's concerns with the low revenue yield coupled with the significant amount of advertising (some of it outside the scope of the RFP), the agreement with OVG precludes the City from moving forward with an award at this time until the Administration better understands the scope of OVG's interest.

Based on the foregoing, I recommend that the sole proposal received pursuant to the RFP be rejected. This will allow the Administration to evaluate current agreements and options for maximizing the City's revenue potential as a result of advertising on public facilities while minimizing aesthetic concerns. Following a review of the issues noted, a subsequent solicitation that resolves the concerns and more narrowly defines the parking garage advertising program can be considered.

Therefore, I recommend that the Mayor and City Commission approve the Resolution accepting the City Manager's recommendation to reject the sole proposal received pursuant to Request for Proposals (RFP) 2022-047-WG for parking garage advertising services.

to reject the sole proposal received pursuant to Request for Proposals (RFP) 2022-047-OVG for parking garage advertising services.

**Is this a "Residents Right
to Know" item, pursuant to
City Code Section 2-14?**

Yes

**Does this item utilize G.O.
Bond Funds?**

No

Legislative Tracking

Marketing and Communications/Procurement

ATTACHMENTS:

Description

- ▢ A-April 6, 2022, Commission Memorandum
- ▢ B-OVG Contract Exhibit B
- ▢ C- Plan A and B, Original Proposal
- ▢ D- Option I Best and Final
- ▢ E- Option II Best and Final
- ▢ Resolution