

MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

OFFICE OF THE CITY MANAGER

225-2018


LETTER TO COMMISSION

TO: Mayor Dan Gelber and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: April 25, 2018

SUBJECT: **LISTING BROKER FOR PENNSYLVANIA GARAGE RETAIL SPACE**



The purpose of this Letter to Commission (LTC) is to update the Mayor and City Commission regarding the leasing efforts for the retail space located on the ground floor of the Pennsylvania Garage located at 1661 Pennsylvania Avenue.

BACKGROUND

The Pennsylvania Garage building consists of 572 municipal parking spaces and approximately 7,700 square feet of ground floor retail space. In September 2011, the City executed a new lease agreement for the retail space with Penn 17, LLC ("Penn 17") for a period of ten (10) years. The City was represented by Koniver Stern Group who was paid a leasing commission of approximately \$303,000 in conjunction with this transaction. Penn 17 failed to make the required payments and the City terminated the lease in March 2015. Penn 17 vacated the space in July 2015.

Since that time, the City has utilized the vacant space for various purposes such as EnerGov training, temporary offices for Code Compliance and Housing & Community Services and as a temporary location for the Miami Beach Chamber of Commerce Visitor's Welcome Center.

Since Penn 17 had defaulted early in its tenancy, and did not fulfill its obligation to pay the required rent to the City over the entire ten (10) year term of the lease, Koniver Stern agreed to re-lease the space at no charge to the City. In this regard, Koniver Stern began marketing the space in March 2017. Over the past thirteen (13) months, Koniver Stern has received very little interest in the space and has not provided any serious leasing prospects for the City's consideration.

At this time, I am considering listing the space with CBRE, Inc, with whom the City recently executed a Professional Services Agreement ("PSA") for Real Estate Brokerage Services. CBRE is a full service real estate company with international reach. Even though the City will be obligated to pay a leasing commission to CBRE, estimated between \$98,000 and \$147,000 (based on the terms of the PSA), I feel this is necessary to try to identify a tenant(s) for the space and begin collecting rent as soon as possible as the monthly rental revenue is estimated at approximately \$40,000 - \$45,000.

JLM/KGB/ES/MMM