



June 27, 2022

Ms. Susan Grant, CPA  
Director of Finance  
City of Ft. Lauderdale  
100 N. Andrews Avenue  
Fort Lauderdale, FL 33301



---

3501 Quadrangle Blvd.  
Suite 270  
Orlando, FL 32817  
407.723.5900

---

200 S. Orange Ave  
Suite 760  
Orlando, FL 32801  
407.648.2208

---

[pfm.com](http://pfm.com)

Dear Ms. Grant:

The City of Fort Lauderdale, Florida ("City") received an unsolicited proposal from Las Olas Parking Solutions, LLC (the "Proposer") regarding the redevelopment of a city-owned surface area parking lot at SE 8<sup>th</sup> Avenue and SE 2<sup>nd</sup> Court. The Proposer provided a detailed redevelopment analysis which included a mixed-use facility incorporating the following uses:

- 300+/- parking spaces, open to the public with parking rates set by the City Commission
- 6,700+/- square feet Fire Rescue / EMS Substation
- 19,000+/- square feet of Neighborhood/Community serving retail space

In addition to those elements, the project also includes new streetscaping along SE 8<sup>th</sup> and 9<sup>th</sup> Avenues as well as along SE 2<sup>nd</sup> Court, undergrounding of utilities and integrated screening of the City lift station at SE 8<sup>th</sup> Avenue and SE 2<sup>nd</sup> Court (and relocation of old station).

Per the City's request, PFM has been asked to provide an independent analysis of the unsolicited proposal with respect to its financial and market assumptions. Below is a summary of PFM's findings.

### **1.0 Initial Thoughts Regarding the Unsolicited Proposal**

The proposed mix of uses is consistent with the overall market and this proposal's goal is to generate a highest and best use of the existing property footprint. The proposal intends on increasing the numbers of parking spaces at the site (currently 106 surface lot spaces to 300 spaces in structured parking) and creating an opportunity for current and/or additional retailers to capitalize on the Las Olas location without having to pay the premium Las Olas Boulevard commercial lease rates.

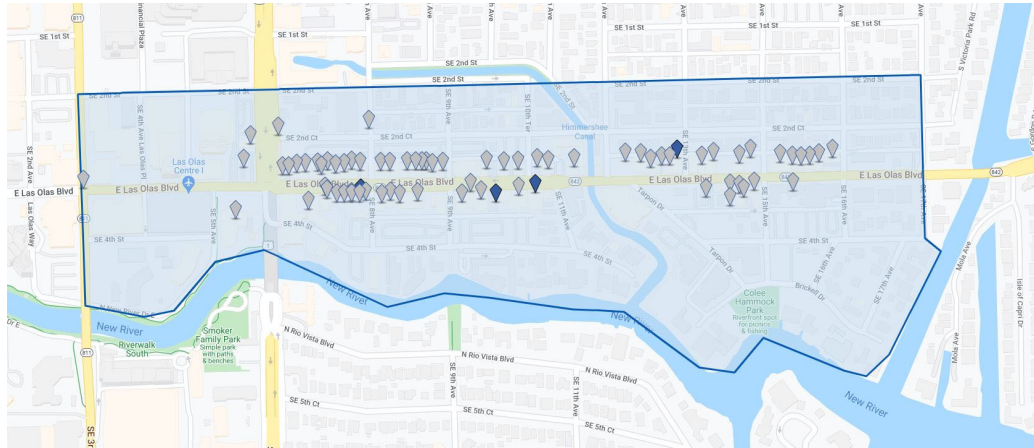
### **2.0 Retail Lease Rate and Vacancy Analysis**

PFM conducted a commercial retail lease rate analysis which looked at city-wide NNN lease rates as well as Las Olas Boulevard NNN lease rates. The Las Olas Boulevard properties all had frontage along Las Olas Boulevard. Per its analysis, PFM observed that there are only a few commercial-retail properties located north or south of Las Olas Boulevard without direct frontage.



Map 1 shows the location of retail properties between SE 3<sup>rd</sup> Avenue and SE 17<sup>th</sup> Avenue. Table 1 summarizes the annual retail activity since 2008Q4.

**Map 1. Las Olas Boulevard Retail Study Area**



Source: CoStar

**Table 1. City and Las Olas Boulevard Inventory, Vacancy and NNN Lease Rate Summary**

Period	City Inventory SF	City Vacant Percent % Total	City NNN Rent Overall	Las Olas Inventory SF	Las Olas Vacant Percent % Total	Las Olas NNN Rent Overall
2008 Q4	19,600,696	4.7%	\$21.09	376,075	1.3%	\$40.56
2009 Q4	19,621,681	5.4%	\$21.93	376,075	1.4%	\$35.00
2010 Q4	19,601,495	5.2%	\$20.96	376,075	1.4%	\$35.00
2011 Q4	19,657,105	6.9%	\$20.62	376,075	2.3%	-
2012 Q4	19,412,462	6.5%	\$19.84	376,075	3.9%	\$26.83
2013 Q4	19,419,855	5.4%	\$19.12	376,075	5.3%	\$28.61
2014 Q4	19,616,861	5.7%	\$22.59	376,075	2.6%	\$41.21
2015 Q4	20,116,776	4.8%	\$21.70	376,075	3.9%	\$51.60
2016 Q4	20,247,207	2.9%	\$25.05	358,574	6.0%	\$64.58
2017 Q4	20,200,062	3.5%	\$26.37	385,645	6.0%	\$54.59
2018 Q4	20,204,401	3.6%	\$28.25	385,645	9.8%	\$64.02
2019 Q4	20,222,767	3.7%	\$30.77	417,645	6.4%	\$61.34
2020 Q4	20,491,636	4.9%	\$27.86	425,145	8.7%	\$43.56
2021 Q4	20,576,037	4.3%	\$29.48	425,145	2.8%	\$57.14
2022 Q2 QTD	20,656,546	4.3%	\$29.75	425,145	4.2%	\$60.00

Source: CoStar

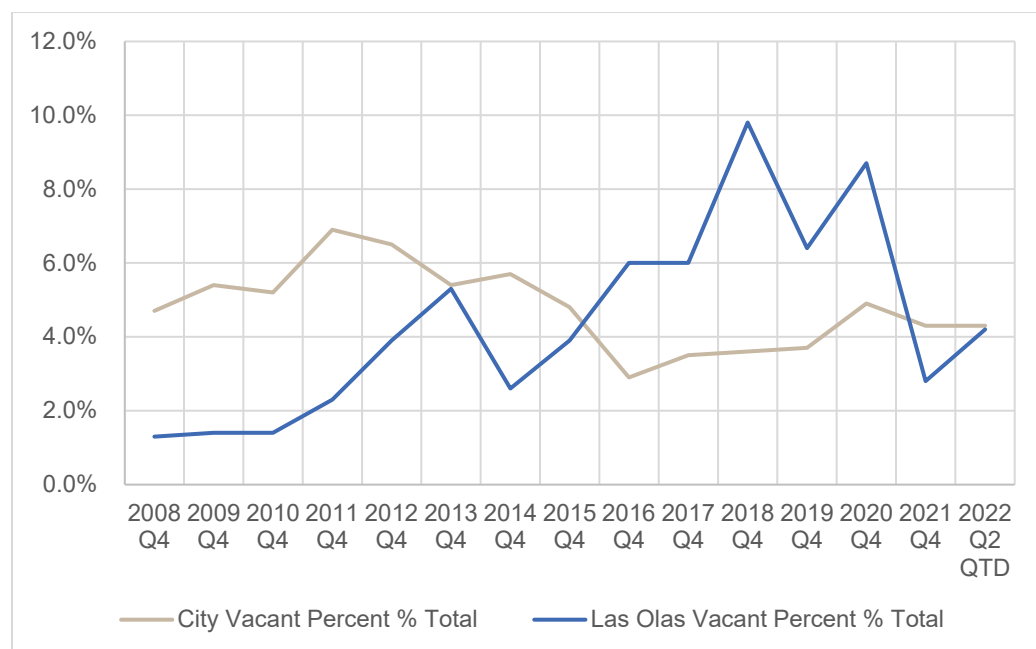


In addition to the data in Table 1, PFM compared the City's overall vacancy and NNN lease rates annually since 2008Q4. As the data show, vacancy rates for commercial retail space within the City overall have ranged from 2.9% to 6.9% with the current vacancy rate estimated at 4.3% in 2022Q2. Las Olas Boulevard retail vacancy rates have ranged from 1.3% to 9.8% with the current vacancy rate estimated at 4.2% in 2022Q2.

With respect to NNN lease rates, NNN lease rates for commercial retail properties throughout the City averaged from \$19.12 per sqft to \$30.77 per sqft with current NNN lease rates estimated at \$29.75 per sqft in 2022Q2. Las Olas Boulevard retail properties represent premium commercial retail NNN lease rates which have ranged from \$26.83 per sqft to \$64.58 per sqft with current NNN lease rates estimated at \$60.00 per sqft in 2022Q2.

Figure 1 and Figure 2 summarize the comparison of the two data sets.

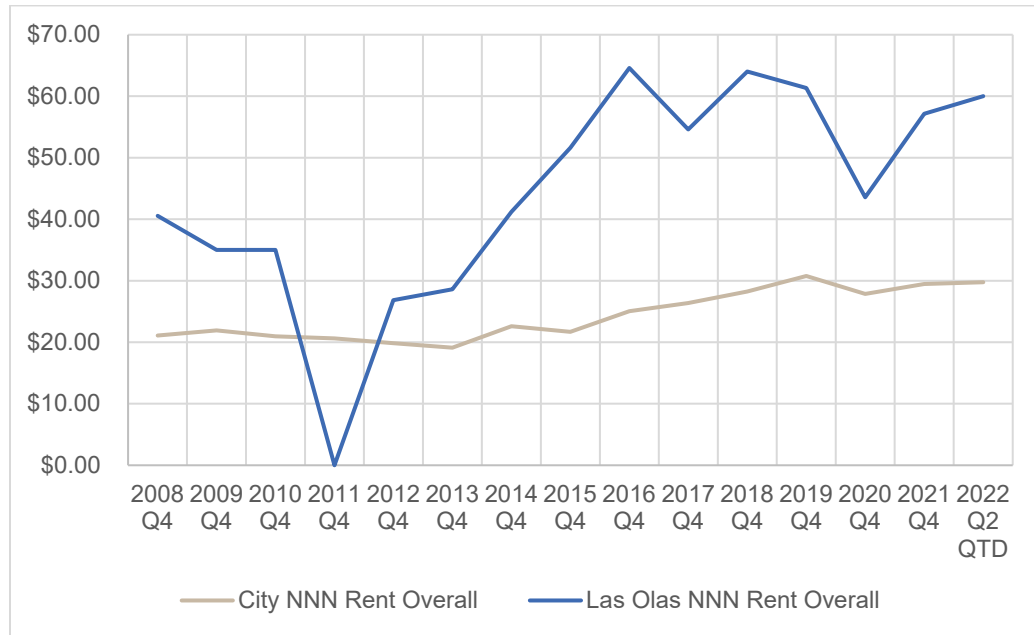
**Figure 1. City and Las Olas Boulevard Vacancy Rate Comparison**



Source: CoStar



**Figure 2. City and Las Olas Boulevard NNN Lease Rate Comparison**



Source: CoStar

The Proposer's financial pro forma model assumed the initial NNN commercial retail lease rate of \$35.00 per sqft. This proposed NNN lease rate represents a nearly 18% increase above city-wide NNN lease rates; but more importantly, it represents a nearly 42% discount to current commercial retail NNN lease rates along Las Olas Boulevard. Table 2 summarizes the comparison.

**Table 2. NNN Lease Rate Comparison – Proposer to Market**

	NNN Lease Rate*	% Difference
City	\$29.75	17.6%
Proposer	\$35.00	
Las Olas	\$60.00	-41.7%

Source: Proposer and CoStar; \*City and Las Olas NNN Lease Rate as of 2022Q2

As noted before, there is limited retail activity without frontage along Las Olas Boulevard which suggests that a discount to current NNN lease rates is necessary to bring retailers to a site without the frontage and visibility offered by Las Olas Boulevard. PFM recognizes that this proposed lease rate is highly competitive within the immediate market and is a reasonable estimate for Year 1 of the financial pro forma.



### **3.0 Pro Forma Risk Analysis**

As part of its analysis, PFM has reviewed the information provided in the Las Olas “Heron Garage” unsolicited proposal associated with the redevelopment of the city-owned surface area parking lot at SE 8<sup>th</sup> Avenue and SE 2<sup>nd</sup> Court.

The unsolicited proposal’s financial analysis has three sources of revenue: 1) parking garage revenue, 2) retail lease revenue and 3) citation/parking enforcement revenue. PFM also evaluated the most recent surface lot parking revenue from 2021 and estimates for 2022 along with the expense assumptions in the proposal. PFM reviewed the financial pro forma data provided within the proposal for each element and has summarized its findings and recommendations herein with respect to the analysis during construction and over the first ten years of operation.

#### **3.1 Parking Garage Revenue**

Overall, the following assumptions look reasonable:

1. The inclusion of 28 of the 300 spaces as non-revenue spaces, allocated for ADA, EMS and other uses is reasonable
2. Parking garage revenue assumptions appear reasonable with respect to the average of \$3.00 per hour (established July 1, 2020).
3. Occupancy rate assumptions by the Proposer by day and by the various tiers of hours (e.g., 8am-noon; noon – 4pm, etc....)
4. PFM cannot verify the assumption of 15%-meter overpayment which represents an estimated \$400,808 annually of the estimated \$3,072,858 in total parking garage revenue
5. The resulting gross revenue per parking space annually is estimated at \$10,243 (\$1.17 gross revenue per hour)

To be conservative for City modeling purposes, PFM recommends reducing the gross revenue per parking space by 20%, which results in a gross revenue per parking space annually of \$8,194 (\$0.94 gross revenue per hour). This is the equivalent of removing all the Proposer’s estimated meter overpayment revenue as well as nearly all the parking revenue estimated to be collected from midnight to 8am.

#### **3.2 Retail Lease Revenue**

As described in Section 2.0, PFM is comfortable with the retail NNN lease rate assumption for the property. In addition, the NNN sales tax rate of 6.5% and vacancy rate of 5% are consistent for the market.

#### **3.3 Enforcement Revenue**

According to City staff the enforcement revenue estimates looked high with Year 1 revenues starting at \$614,572 annually. Per a representative of the City, “the agreement will have the City performing enforcement and retaining all of the citation revenues. The citation amount, late fee structure, etc. will remain the same (or similar to the current process). When you switch from a surface lot to a garage structure, the payment compliance tends to increase a little bit and therefore would reduce the



citations issued per space. My thoughts are the citations per space would drop by 15%-25% (but it is circumstantial on the business in the area, the ease of entry/exit, and other user considerations), however the total revenue would increase as the lot is going from 106 spaces to +/- 300 spaces." PFM estimated parking enforcement revenues using the historic and current surface lot data and then estimated enforcement revenue for the 300-space parking garage (272 revenue spaces). Table 3 summarizes those estimates.

**Table 3. Parking Enforcement Revenue Estimate**

Citation Revenue Analysis	
Avg Annual 2015 - 2022 (est.)	\$93,797
Surface Lot Parking Spaces	106
Citation Revenue per Parking Space	\$884.87
Citation % Rev Decrease per Space	0.8
Garage Citation Revenue per Space	\$707.90
Garage Spaces	300
Non-Revenue Space	28
Revenue Spaces	272
Est. Annual Citation Revenue	\$192,549

Source: PFM Group Consulting and City of Fort Lauderdale

Based on our analysis with City input, PFM estimates Year 1 enforcement revenue at \$192,549.

### 3.4 Base Rent and Revenue during Construction

Based on information provided by the City, using the newly adopted 2021 pricing, PFM estimates that the average surface lot revenue in 2021 and 2022 is \$596,431. With respect to modeling, PFM recommends an adjustment to the base rent assumption of \$513,815 via the Proposer given this information. Table 4 summarizes PFM's calculation compared to the Proposer's assumption regarding the City base rent.

**Table 4. City Base Rent Estimate**

City Revenue		Proposer City Revenue	
Current Avg. Revenue (2021-2022)	\$596,631	Current Avg. Revenue (2018-2021)	\$293,609
Escalator to Reflect 2021 Parking Rates	0.00%	Escalator to Reflect 2021 Parking Rates	75.00%
Future Base City Revenue	\$596,631	Future Base City Revenue	\$513,815

Source: PFM Group Consulting LLC and Proposer

When using the updated lot revenue to estimate revenue to the City during the 15-month construction period, PFM estimates \$745,789 in revenue. Table 5 summarizes PFM's calculation compared to the Proposer's assumptions.



**Table 5. Revenue During Construction Comparison**

City Revenue During Construction			Proposer Revenue During Construction		
Current Avg. Revenue (2021-2022)	\$596,631	per year	Current Avg. Revenue (2018-2021)	\$293,609	per year
Avg. Revenue per Month	\$49,719	per month	Avg. Revenue per Month	\$24,467	per month
Construction Duration	15	months	Construction Duration	15	months
City Revenue During Construction	\$745,789		City Revenue During Construction	\$367,011	

Source: PFM Group Consulting LLC and Proposer

### 3.5 Expense Assumptions

PFM is comfortable with the Proposer's expense assumptions as provided. The expense assumptions in the proposal represent 6% of effective gross income, which is gross revenue via garage and retail NNN lease revenue (does not include enforcement revenue) less NNN sales tax and retail vacancy. PFM did not adjust expense assumptions in its revised estimates.

### 3.6 Construction and 10-Yr Pro Forma Summary – Revenue Distribution

PFM summarized its estimates with respect to revenue distribution from construction through Year 10 (Table 6) after making the following adjustments:

- City Base Rent During Construction increased from Proposer's \$367,011 to PFM's \$745,789
- 20% Reduction in Parking Garage Revenue per Space from Proposer's \$10,243 space / year to PFM's \$8,194 space / year
- No adjustment to retail NNN lease revenue
- Enforcement Revenue reduction from Proposer's \$614,572 annually to \$192,549 annually
- Adjustment of annual base rent from Proposer's \$513,815 to PFM's \$596,631

For context, PFM compared this adjusted revenue distribution against the status quo of the existing 106-space surface parking lot revenue forecast assuming a 2.0% CPI increase annually, which also includes current enforcement revenue also increase at 2.0% annually. As the data shows, PFM estimates that the City will realize an additional \$2.6 million from construction through Year 10, which is 27.5% more than the forecasted status quo.



**Table 6. Construction and 10-Year Revenue Distribution Summary**

Revenue Distribution	Const.	1	2	3	4	5	Subtotal
<b>City of Fort Lauderdale</b>							
City Base Rent During Construction	\$745,789						\$745,789
City Base Rent		\$596,631	\$596,631	\$596,631	\$596,631	\$596,631	\$2,983,154
City Revenue Split (50%)		\$194,502	\$222,759	\$251,580	\$280,978	\$310,964	\$1,260,782
<b>Subtotal</b>							
City Enforcement Revenue (Est.) (100%)		\$192,549	\$196,400	\$200,328	\$204,334	\$208,421	\$1,002,032
<b>Total - City Distributions</b>	\$745,789	\$983,682	\$1,015,789	\$1,048,539	\$1,081,943	\$1,116,015	\$5,991,757
<b>Applicant</b>							
Applicant Return on Cost		\$1,839,994	\$1,839,994	\$1,839,994	\$1,839,994	\$1,839,994	\$9,199,970
Applicant Revenue Split (50%)		\$194,502	\$222,759	\$251,580	\$280,978	\$310,964	\$1,260,782
<b>Total - Applicant Distributions</b>		\$2,034,496	\$2,062,753	\$2,091,574	\$2,120,972	\$2,150,958	\$10,460,752
Revenue Distribution		6	7	8	9	10	Subtotal
<b>City of Fort Lauderdale</b>							
City Base Rent During Construction							
City Base Rent		\$596,631	\$596,631	\$596,631	\$596,631	\$596,631	\$2,983,154
City Revenue Split (50%)		\$341,549	\$372,746	\$404,568	\$437,025	\$470,132	\$2,026,020
<b>Subtotal</b>		\$938,180	\$969,377	\$1,001,198	\$1,033,656	\$1,066,763	\$5,009,174
City Enforcement Revenue (Est.) (100%)		\$212,589	\$216,841	\$221,178	\$225,602	\$230,114	\$1,106,324
<b>Total - City Distributions</b>		\$1,150,769	\$1,186,218	\$1,222,376	\$1,259,258	\$1,296,876	\$6,115,498
<b>Applicant</b>							
Applicant Return on Cost		\$1,839,994	\$1,839,994	\$1,839,994	\$1,839,994	\$1,839,994	\$9,199,970
Applicant Revenue Split (50%)		\$341,549	\$372,746	\$404,568	\$437,025	\$470,132	\$2,026,020
<b>Total - Applicant Distributions</b>		\$2,181,543	\$2,212,740	\$2,244,562	\$2,277,019	\$2,310,126	\$11,225,990
<b>Total Proceeds to City</b>							
<b>Total to City (Construction through YR 10)</b>	<b>\$12,107,255</b>						
11-yr Forecast of Existing Surface Lot Operation	\$9,498,763						
Est. Add'l Rev to City (Const thru YR 10)	\$2,608,492						
Est. Add'l Rev % to City (Const. thru YR 10)	27.5%						

Source: PFM Group Consulting





### 3.7 Additional Project Benefits / Considerations

As shown, this project will include additional parking spaces. Based on a review of the market, PFM is confident that the additional spaces do not represent an over saturation of parking which would limit the revenue potential of the facility. An additional project benefit to the City is the construction of the Fire Rescue / EMS Substation by the Proposer rather than the City, which has an estimated construction cost of over \$2 million. An additional project benefit is the fixed base rent payment which reduces the City's exposure to cyclical downturns. Lastly, the redevelopment reduces the City's expenses regarding operation and maintenance costs of maintaining the surface lot.

### 4.0 Summary of Findings and Recommendation

PFM compared the status quo of the existing surface lot operation to the parking garage proposal with PFM's adjustments and the Proposer's original unsolicited proposal assumptions. Table 7 summarizes the findings.

**Table 7. Summary Comparison**

	Status Quo*	PFM	Proposer
Surface Lot or Project Revenue**	\$8,191,123	\$9,998,899	\$12,575,727
Enforcement Revenue	\$1,307,640	\$2,108,355	\$6,729,387
<b>Total - Construction thru Year 10</b>	<b>\$9,498,763</b>	<b>\$12,107,255</b>	<b>\$19,305,113</b>
Difference from Status Quo		<b>\$2,608,492</b>	<b>\$9,806,350</b>
% Difference from Status Quo		27.5%	103.2%

Source: PFM Group Consulting LLC, City of Fort Lauderdale and the Proposer

\*includes 11 years of revenue to account for the construction period

\*\*Project Revenue is revenue to city via base rent and 50% revenue split

As the data show, compared to the Proposer's original unsolicited proposal there is a large discrepancy in estimated enforcement revenue. Based on discussions with the City, PFM's estimate of enforcement revenue is likely to be more consistent with current actuals and appropriately sized to the 300-space parking garage. With respect to the comparison of PFM's modeling and the Proposer's analysis; the difference in revenue via operation of the garage and retail space is a function of more conservative estimates regarding parking garage revenue, which represents upside to the City.

PFM recommends that the City strongly consider the unsolicited proposal. Items that warrant further consideration include the following:

1. Adjustment and re-negotiation to the base rent based on current revenue projections for the surface lot.
2. Given the current performance of the surface lot, PFM recommends the City re-negotiate the funds to be realized during the construction period.
3. Construction projects can be subject to delays for many reasons. In the event that occurs, PFM recommends including non-performance language such that the City is properly compensated for any delays in construction.



We look forward to working with the City regarding further evaluation of this opportunity.

Sincerely,

Kevin Plenzler  
Senior Managing Consultant  
PFM Group Consulting LLC