



Executive Summary

Colliers International was authorized by the City of Fort Lauderdale City Commission to actively market Riverwalk Center and solicit proposals from qualified developers for the revitalization of the existing parking garage. We began our marketing efforts in June 2020 and our marketing strategy and directive was to secure a long-term master developer lessor for the entire structure of the City-owned parking garage located at 155 SE 2nd Street, Riverwalk Center. The Proposals' objective was to:

- Redevelop and activate the first floor of the garage with commercial/retail space
- Update the parking efficiencies of the garage, increasing revenue and maximizing the use of the building
- Update the façade and streetscape of the structure creating a world-class destination in the heart of Fort Lauderdale
- Provide Affordable Housing – if possible
- Activate the rooftop – if feasible

The property was aggressively marketed nationally, regionally & locally through Real Capital Markets, CoStar, LoopNet, Colliers.com, CREXi, e-blasts to Colliers proprietary client lists, personal outreach, and building signage. As a result, the opportunity was widely exposed to principals and brokers nationally and internationally. Thousands viewed the emails, and well over 100 prospects received the offering memorandum, and approximately 70 downloaded preliminary due diligence materials that were made available the online Virtual Deal Room. We had in-depth conversations and tours with dozens of groups both locally and nationally including some of the most well-known retail and mixed/use developers in the world including the three Subject Bidders.

The offering was not without challenge and there were several reasons that some of the other groups did not bid, including, but not limited to:

- Recent impacts and uncertainty of the COVID-19 pandemic;
- Unprecedented challenges facing the capital markets during COVID-19 making financing a retail project difficult;
- Preference to purchase the fee simple interest or engage in a ground lease of at least 99 years;
- Concern that the current structure does not support additional stories (for workforce/affordable housing);
- Challenge of activating the ground floor for commercial/retail use amid a challenging and changing retail environment with lack of frontage to a main road;
- Capital-intensive nature of the project, including the structure's need of approximately \$8.5M in renovations and/or repairs, and the fact that the selected bidder would be responsible for these capital improvements, as well as any other capital to be invested to upgrade the existing infrastructure, install new technology to operate the garage more efficiently and any new construction to activate the ground floor and rooftop.

Bids were due to the City on September 17, 2020. Three bids were received. The bids were from BH3 Management, Skyland Development Group LLC (Skyland) and Stiles. Only two of the bids, BH3 Management and Stiles, met the minimum requirements as outlined in the Submittal Procedures per the City's Resolution, which required a certified check in the amount equal to 10% of the first years proposed lease payment. Therefore, Skyland's proposal did not meet the minimum requirements. We did however analyze Skyland's proposal in our review as shown on the Spreadsheet (Riverwalk Center Proposal Comparison), and we found the two qualifying proposals had put forth more due diligence into taking on a project of this nature and had more consistent and accurate proformas.

Colliers conducted one-hour virtual presentations with both Stiles and BH3 on September 29, 2020. City staff representatives were invited to witness the presentation but were not involved or engaged with the proposers. Each group had a 15-minute presentation of their vision for the project and that was followed by an extensive and detail-oriented question and answer session. The summary of the qualified bids and the subsequent presentations follow:

BH3 Management's Vision

BH3 Management would partner with PPK Parking in an effort to maximize the garage's parking revenue through the implementation of state-of-the-art technology. BH3 Management proposes to create an attractive public space with beverage outlets, movie screenings and other public venues on the garage's rooftop. Additionally, the prospect would make necessary appealing façade upgrades to the Riverwalk Parking Garage. Other than minor upgrading of the existing retail, BH3 has no plans for activating the ground floor for several reasons including the challenging retail environment (both pre- and post-pandemic), lack of visibility/frontage to any main streets and, lack of natural light on the ground floor due to new and existing development in the immediate vicinity. BH3 Management has no plans to incorporate affordable/workforce housing, however, in the event the property is razed and redeveloped as a new project, BH3 will commit to include 20% of the units to be dedicated to workforce and affordable housing units with priority given to City employees, civil servants, and first responders.

Company Overview	BH3 is a full-service real estate investment and development firm with offices in both Aventura, FL and New York City that was founded by Gregory Freedman and Daniel Lebensohn in October 2009. The Company is moving its South Florida headquarters and team of 19 professionals from Aventura to Fort Lauderdale in December 2020 to be closer to its core investments, including but not limited to Icon Las Olas, FAT City, and 801-819 Progresso Drive. BH3'S core focus has been acquiring and developing, and/or repositioning hospitality, and office. Directly through its developments and investments, the Company has invested in excess of \$1.5 Billion since inception. These investments and developments have created more than 1,000 permanent and part-time jobs in the communities we served, while also helping to jumpstart or further the redevelopment of those neighborhoods.
Construction Cost	Approximately \$13.6 Million
Lease Term & Renewals	50 Years
Due Diligence Period	75 Day inspection period after being selected and an additional 365 days "approval period" to obtain permits, licenses, her government approvals, with three 30-day extensions.
Absorption of Structural Remediation Cost	Yes
Rent Structure	Rent shall be fixed at \$500,000 for 50 Years BH3 Management also proposes a 15% fee sharing model of all revenues produced by the garage over \$3,333,333 Gross Revenue
Total Lease Value	\$7,500,000 Ground Rent (for 15 years)/\$25,000,000 Ground Rent (for 50 years) \$27,125 of Additional Rent After Passing Gross Revenue Threshold (for 15 years)/\$10,696,187 (for 50 years) \$7,527,125 Total Anticipated Income (for 15 years)/\$35,696,187 Total Anticipated Income (for 50 years)
Timeline	The estimated timeline of implementing all of the upgrades is within 9-12 months of lease commencement and permit approval.
Project Capitalization	The project will be funded through internal funds
Other	City to pay or waive all impact fees related to "Tenant's Work". Tenant shall have a Right of First Offer should City elect to sell the Leased Property. Tenant not responsible for non-ad valorem property taxes.

Stiles' Vision

Stiles proposes partnering with SP+ in an effort to maximize the garage's parking revenue through the implementation of state-of-the-art technology, aggressive marketing and increasing the garage's parking rates to market levels. Furthermore, Stiles will investigate the viability of adding approximately 60,000 SF of retail development (i.e. need further study of physical constraints and rents that can be supported) on the first floor and the activation of the 14,000 SF Helicopter Pad as a social/event area – the current first floor retail stores will be upgraded along the entire garage's upgrades. Specifically, they have budgeted approximately \$500,000 to upgrade the existing retail by creating a glass enclosed air-conditioned area, installing new store fronts and awnings, etc. to create a safer and more appealing environment. Stiles also pledges to beautify the existing structure with façade upgrades and if possible, will incorporate a nearby new workforce/affordable housing project, for which the garage would serve as an integral component in terms of parking.

Company Overview	Stiles is a full-service commercial real estate firm with 69 years of experience in commercial real estate development, construction, tenant project management, brokerage, property management, architecture, asset management, acquisitions and financing. Established in 1951, Stiles is recognized for developing and constructing more than 48 million square feet of award-winning office, industrial, retail, and mixed-use properties as well as luxury residential communities throughout the Southeast. Municipalities and governmental organizations throughout South Florida have utilized Stiles' expertise for more than 30 years. From facilities including public garages to office and industrial space, our team has provided superior development, construction and management services to a diverse array of organizations. Stiles is responsible for developing and constructing more than 4.5 million square feet of space in Downtown Fort Lauderdale and currently manages nearly 1 million square feet of garages directly on Las Olas Blvd. In total, Stiles manages roughly 3.5 million square feet of garage space in South Florida and Orlando.
Construction Cost	Approximately \$16.5 Million
Lease Term & Renewals	15 years initial term and four 10-year renewal options
Due Diligence Period	105 Days after being selected
Absorption of Structural Remediation Cost	Yes
Rent Structure	Years 1-3: \$750,000 Years 4-5: \$1,000,000 Years 6-10: \$1,050,000 Years 11-15: \$1,102,500 Any option period will incur a 10% rent increase. Stiles also proposes a 20% fee sharing model of all revenues produced by the garage over \$3,500,000 Gross Revenue
Total Lease Value	\$15,012,500 Ground Rent \$1,886,210 of Additional Rent After Passing Gross Revenue Threshold \$16,898,710 Total Anticipated 15-Year Income
Timeline	Lease execution and Take over operations in June 2021, implement technology and beautify the project by September 2022 and finish repairs by March 2023
Project Capitalization	Project will be funded with internal funds along with their existing financial partners that have worked with them on other downtown Ft. Lauderdale projects. Will also consider using a modest amount of debt (i.e. 50% or less)

RECOMMENDATION

We reviewed the proposals from both a qualitative and quantitative perspective. Both Stiles and BH3 are South Florida-based developers with substantial local development experience and appear to be highly qualified and well capitalized. In addition, both are driven by their commitment to the City of Fort Lauderdale and desire to be good community partners, but their submissions pose great differences in theme, vision and overall profitability.

After reviewing the proposals, and the results from our virtual interviews with both groups, our recommendation is to proceed with lease negotiations with Stiles. Their in-depth and detailed proposal shows their commitment to the project, closely aligns with the City's vision (which has been developed from community input, design charrettes, public hearings, etc.), provides the most community benefit while limiting the City's operating risk and improving the City's fiscal position (i.e. while both proposals include some form of revenue sharing, the minimum annual rent proposed by Stiles is substantially greater than that proposed by BH3).

It is our opinion that Stiles is the best option for the City and has shown the most interest since starting the marketing process on the Riverwalk Center Parking Garage. Stiles has done comprehensive research and possesses an unparalleled connection/involvement within the City of Fort Lauderdale. Stiles has been located and operating within Fort Lauderdale for 70 years with a proven track record exceeding 4.5M square feet. Most notably, Stiles has a vested interest in creating a visually appealing representation of the Riverwalk Center Parking Garage in order to enhance the neighborhood and create additional nearby amenities for their new development next door ("The Main"). With respect to workforce/affordable housing, the Stiles proposal seems to offer a creative opportunity to bring affordable/workforce housing to the urban core by looking outside the "four corners" of the existing structure (i.e. due to the apparent design and structural limitations of the existing parking facility). Specifically, their plan is to acquire and develop an adjacent (or nearby) site for affordable/workforce housing, which is only economically feasible by sharing parking with Riverwalk Center, and are "in talks with" the owners of several potential sites.

From the City's perspective, the proposal offers to maximize the City's revenue from the garage, while remediating any structural deficiencies identified thus far and throughout the future, upgrading the façade significantly, activating the first floor and roof top, and positioning the garage as an integral part of a new workforce/affordable housing development. All while increasing the City's tax base and taking over the management of the retail tenants at the property. And while they are proposing a 15 year term, with four (4) 10-year renewal options, as opposed to a 50 or 55 year term, the City's risk is mitigated in the event they don't renew the lease since it will then takeover a significantly improved asset that has been transformed into an appealing and upgraded looking structure in Fort Lauderdale's downtown area with zero City funds being utilized.