



City of Hallandale Beach City Commission Agenda Cover Memo

Hallandale Beach
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Meeting Date:	June 20, 2018		Item Type: <i>(Enter X in box)</i>	Resolution	Ordinance	Other	
					X		
Fiscal Impact: <i>(Enter X in box)</i>	Yes	No	Ordinance Reading: <i>(Enter X in box)</i>	1st Reading		2nd Reading	
	X					X	
			Public Hearing: <i>(Enter X in box)</i>	Yes	No	Yes	No
				x			
Funding Source:	Sale of Property		Advertising Requirement: <i>(Enter X in box)</i>	Yes		No	
						x	
Account Balance:			Quasi-Judicial: <i>(Enter X in box)</i>	Yes		No	
						x	
Project Number :			RFP/RFQ/Bid Number:	RFP # FY 2017-2018-002 COMMERCIAL REAL ESTATE BROKERAGE SERVICES			
Contract/P.O. Required: <i>(Enter X in box)</i>	Yes	No	Strategic Plan Priority Area: <i>(Enter X in box)</i>				
	X						
			Quality <input checked="" type="checkbox"/>				
			Vibrant Appeal <input type="checkbox"/>				
Sponsor Name:	Roger M. Carlton, City Manager		Department:	Office of the City Manager			

Short Title:

AN ORDINANCE OF THE MAYOR AND CITY COMMISSION OF THE CITY OF HALLANDALE BEACH, FLORIDA, AUTHORIZING THE SALE OF A CITY OWNED PROPERTY AT 310 ANSIN BOULEVARD, FOLIO NUMBER #5142-28-66-0010 TO SCOTT DAIAGI OR ASSIGNS FOR THREE MILLION ONE HUNDRED THOUSAND DOLLARS (\$3,100,000) CONVEYED IN SUBSTANTIALLY THE SAME FORM AS ATTACHED EXHIBIT "1A"; PROVIDING THAT SHOULD CONVEYANCE TO SCOTT DAIAGI OR ASSIGNS NOT COME TO FRUITION, THE CITY MANAGER IS AUTHORIZED TO CONVEY TO SECOND

RANKED BUYER BECHA 2, LLC OR ASSIGNS FOR THREE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$3,500,000) CONVEYED IN SUBSTANTIALLY THE SAME FORM AS ATTACHED EXHIBIT "1B"; AND PROVIDING FOR AN EFFECTIVE DATE.

Staff Summary:

Background:

On August 30, 2017, the City Commission was presented Summer Study 17-009 - Selling the Ansin Blvd. Vehicle Storage Facility (Exhibit 2). Staff recommended that the City take the necessary steps to sell the Ansin Blvd. property by retaining a commercial real estate broker who specializes in the sale of industrial properties. A motion was approved by a 3-0 (Cooper, London, Lazarow) vote to move forward with the recommendations.

Declaration of Surplus and Award of RFP

On February 21, 2018, pursuant to Code Sec. 20-18, the City Commission declared the Ansin Blvd. parcel as surplus and authorized it to be disposed of by a commercial real estate firm procured through a Request for Proposals (RFP) via Resolution No. 2018-014 (Exhibit 3).

Also on February 21, 2018, the City Commission awarded RFP # FY 2017-2018-002 Commercial Real Estate Brokerage Services to the highest ranked proposer, CBRE, Inc., via Resolution No. 2018-015 (Exhibit 4).

Authority was given to the City Manager to negotiate a listing agreement with CBRE, Inc. (Exhibit 5) and to incentivize CBRE to aggressively sell the property by offering a commission which increased if a certain threshold sales price was reached. Under the listing agreement, CBRE will receive their proposed 4% commission. CBRE shall be compensated a bonus at closing of an additional .5% of the total sale price for each of the following bonus requirements met: (i) If closing takes place \$250,000 above a floor price of \$2,150,000 totaling \$2,400,000 (ii) if closing takes place another \$250,000 above a price of \$2,400,000 totaling \$2,650,000 (iii) and if in contract and closed prior to September 30, 2018. However, both parties agreed to a maximum total commission not to exceed 5%.

It is important to remember that the FY 17/18 General Fund Budget is built on generating at least \$2,058,340 from the sale of the Ansin Blvd. property, and that to balance the General Fund without this revenue would have required an additional .3808 mills of ad valorem tax or substantial reduction in services or a combination of both. In order for this to be possible, the sale must close on or prior to September 30, 2018.

Current Situation:

On March 21, 2018, the City entered into a listing agreement (Exhibit 5) with CBRE. The property was listed for \$2,625,798. CBRE aggressively advertised the property through its various channels. A deadline for offers was set for May 7, 2018. All written offers received were given an additional opportunity to provide a best and final offer by May 15, 2018. The results are seen below:

CONTRACT #	BUYER NAME	CONTRACT PRICE	DUE DILLIGENCE PERIOD	CLOSING	INITIAL ESCROW DEPOSIT (REFUNDABLE)	2ND ESCROW DEPOSIT AFTER DUE DILLIGENCE (ENTIRE DEPOSIT NON REFUNDABLE)	PROOF OF FUNDS	INTENDED USE	BROKER COMMENTS
1	Scott Daiagi	\$3,100,000	3 Days	Immediate close upon City Commission approval	\$250,000	\$500,000	Yes	Hotel development	Incredible offer with ultra aggressive terms. I rarely see an offer this clean. Buyer is willing to modify contract as City Attorney sees fit and to be flexible with City timeframe.
2	Becha 2, LLC	\$3,500,000	90 Days	120 day to close	\$100,000	\$250,000	Yes	Keep as is / no plans for the site	Buyer did not provide best and final offer and has been out of contact since sending in the offer.
3	Althea Holdings, LLC	\$2,500,000	30 Days	90 days to close	\$250,000	\$0	No	Self-storage	Did not modify terms for best and final round.
4	Laurent Groll	\$2,200,000	75 days	45 days to close	\$50,000	\$50,000	Yes	Keep as is / no plans for the site	Verbally raised offer to \$2.6M with the same terms.
5	Oleg Chernobrodsky	\$2,200,000	30 Days	45 days to close	\$5,000	\$95,000	No	Keep as is / no plans for the site	Did not modify terms for best and final round.

Review and Analysis of Offers:

Lambert Advisory conducted a review of the top two offers (Exhibit 6). In summary, Contract #1, Scott Daiagi, has offered more favorable and aggressive terms in totality. The offer of a 3 day due diligence period with immediate closing mitigates the risk of any price adjustments. The risk in Contract #2, Becha 2, LLC, is greater with a 90 day due diligence period plus up to an additional 30 days until closing. The lengthy due diligence period and closing time also puts the City at risk of not closing within FY 17/18, which would be detrimental to the budget. In addition, upon the end of the 3 day due diligence period, Daiagi will deposit (nonrefundable) a total of \$750,000 in escrow, equal to 24% of the contract value. This reflects Daiagi's commitment to close on the property.

Future Use

Daiagi has also expressed intent to develop a hotel on the property. If the property were to be developed as a hotel, the City would also benefit from the increased tax revenue. An example, as provide by Lambert: the 2.74 acre Ansin Boulevard property is currently assessed at \$1.03

million, the 150+ room Hilton Garden Inn hotel located near the northeast intersection of I-95 and Stirling Road on a similarly sized parcel is assessed at \$17.9 million.

CBRE has also verified and confirmed Daiagi's intent to develop the property as a hotel as part of a portfolio of hotel developments planned across South Florida. Please see Exhibit 7 for a list of properties currently owned by Daiagi purposed for hotel developments.

Staff Recommendation

In conjunction with the analysis provided by Lambert and CBRE, the staff recommends conveyance of the property to Contract #1, Scott Daiagi, as the offer that is in the best interest of the City, both short and long term. We should all thank Tom Camaj, Contracts Coordinator in the Procurement Department for shepherding this complex project from inception to closure. Dr. Jeremy Earle also played a key role in the initial summer study analysis.

Fiscal Impact:

The offer for recommended Contract #1 is \$3.1 Million. Daiagi has agreed to pay all closing costs related to the sale. CBRE shall be paid through the sale the total 5% commission (including incentive), equal to \$155,000. The City shall generate a net revenue of \$2,945,000. This not only balances the FY 17/18 General Fund Budget, but brings in an additional \$886,660, above the amount projected.

Why Action is Necessary:

Pursuant to Section 5.01(4)(f), Charter of City of Hallandale Beach, an ordinance is required to *"Convey or lease or authorize by administrative action the conveyance or lease of any lands of the City."*

Proposed Action:

Staff recommends the City Commission approve the sale of the property located at 310 Ansin Blvd. to Scott Daiagi, which is in the best interest of the City, and authorize the City Manager and City Attorney to take all actions necessary to effectuate the sale of the property.

Attachment(s):

- Exhibit 1 – Ordinance
- Exhibit 1a – Daiagi Offer
- Exhibit 1b – Becha 2 Offer
- Exhibit 2 – Summer Study 17-009 - Selling the Ansin Blvd. Vehicle Storage Facility
- Exhibit 3 - Resolution No. 2018-014
- Exhibit 4 - Resolution No. 2018-015
- Exhibit 5 – Listing Agreement

Exhibit 6 – Lambert Advisory Memorandum
Exhibit 7 - List of Daiagi Properties

Prepared by:



Tom Camaj, Contracts Coordinator

Review by:



Andrea Lues, Procurement Director



Maggie Gouin, Director of Budget & Program Monitoring