

LARGO HIRES BROKER TO HELP SELL CITY HALL SITE

FIRM WILL 'MAKE MILLIONS' ON TOP OF RETAINER, COMMISSIONER SAYS

BY: **Carlos Moncada**

LARGO—With a new municipal building set to open later this year, city leaders have approved spending up to \$279,000 in taxpayer money for hiring a real estate broker to help them sell the current city hall site — despite questions about whether the company can deliver.

The city commission on July 15 approved a contract with CBRE Group, Inc. to provide advisory and brokerage services for the sale and redevelopment of the 14-acre city-owned tract, once municipal operations are moved from there to downtown.

The site, at 201 Highland Ave., houses not only city hall but also the police department and its emergency operations center. The property's sale was approved by voters in a referendum last November. City officials hope to attract a phased mixed-use project, which may or may not include the police station.

CBRE will be paid a monthly retainer of \$13,000 for up to 18 months, with a maximum of \$234,000.

If the city later decides it wants CBRE to provide relocation services for the police department, the retainer would increase to \$15,500 a month, with a cap of \$279,000.

But whether CBRE can find a qualified developer within the next 18 months who is willing to take on a 14-acre project that City Manager John Curp predicts is "over a decade away" remains to be seen.

The new City Hall will occupy the \$85 million Horizon West Bay mixed-use project in downtown Largo. Rendering from City of Largo.



"If they don't get the job done in 18 months, we're out \$234,000," said Commissioner Mike DiBrizzi, who sharply questioned the city's fee structure.

He said CBRE would "make millions" in commission fees from selling the city's real estate to a developer.

"They stand to make millions on this deal," DiBrizzi said. "Easily a couple million dollars, maybe even more, in commissions."

Those developer-paid commissions would enable CBRE to refund the city 50 percent of the retainer, as provided in the contract, said Assistant City Manager Meridy Semones.

Semones said the contract was based on similar development agreements the company entered into with other communities, rather than performance-based, although the scope of services is broken out into specific tasks with deadlines.

Commissioner John Lauser offered a what-if scenario:

"What happens at the end of 18 months?" he asked. "We've been paying them \$13,000 a month and we don't have anything. There's no developers. There's no plans. We're just out \$234,000. Are there provisions?"

Assistant City Attorney Sarah Johnston said the contract with CBRE has provisions throughout, including one allowing the city to terminate the agreement on 30-day notice "if we're not happy with the progression."

If no developer is secured after 18



Largo officials hope to sell the 14-acre City Hall property to a developer for a mixed-use project. Photo from City of Largo.

months, the commission would have to decide whether to keep paying CBRE to continue the work or find someone else.

"I don't know if they're going to be able to find a developer in 18 months," said DiBrizzi, who also called CBRE a "great" choice. "I hope they do, but they may not be able to. This could turn into three, four, \$500,000, depending on how long it takes to find a developer for a project that big."

However, Curp said he was confident that CBRE has too much at stake to not see the deal through.

"At the end of the day, they're Realtors," the city manager said. "And they work on commissions. And the commission incentives in the contract are significant. They, like any other Realtor, would not want to lose that listing."

"I'm confident that if we don't have a development at the end of 18 months, they will continue to fall back into their role as a commercial Realtor and be incentivized by the brokerage fees that would come from delivering the project."

CBRE, based in Dallas, describes itself on its website as a global leader in commercial real estate services and investments.

It was the most qualified of two firms that responded to a Request for Qualifications (RFQ) the city issued last spring, Semones said.

An RFQ seeks to prequalify potential vendors based on their qualifications, experience, and ability to perform specific types of work.

"They had the best experience on similar types of projects," Semones said, including public-private partnerships and property relocation services.

Commissioner Donna Holck made the motion to approve the contract, saying it was something that needed to be done, whether it's with CBRE or some other company.

"If this company has a good reputation and has the ability to achieve what we're looking for, I'm willing to give them the contract," she said.

The pact was approved 4-2, with DiBrizzi and Vice Mayor Curtis Holmes voting no. Mayor Woody Brown was absent.

The new city hall will occupy Horizon West Bay, an \$85-million mixed-use project on West Bay Drive in downtown Largo. The project also will include retail and public spaces and a parking garage.

The current city hall building opened after Largo bought the land for \$4.6 million in 1996. It has numerous issues including upcoming costly repairs, vulnerability to hurricane damage and space limitations, officials said.