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December 6, 2006

DEC 15

Consultant Report

RIVIERA BEACH COMMUNITY
REDEVELOPMENT AGENCY

Beginning with this report, Consultant will not only lay out activities, meetings and accomplishments but the subtleties nuances and insights in negotiations with OMRD and the City, and why the City Council/CRA Board must act now or postpone the opportunity to improve the life of its City/citizens and show everyone that it can finally get things done.

Ocean Mall has been an active project with different developers for the past three (3) years. Through the urging of the Council, I was asked to "move them up" in the negotiation cycle and met with Vice President Joey Eichner and Attorney Ethel Isaacs on July 19, 2006, and began the negotiations. At that meeting both the unit condo fee (\$20,000 dollars and \$10,000 dollars) had been agreed to along with the rent structure for the retail mall lease. Frankly, I might have approached these areas differently, but it was clear from OMRD and our team that these two areas were non-negotiable. After conferring with our team/consultants and reviewing confidential pro forma from OMRD I concluded that the Ocean Mall project was not a particularly attractive "Return on Investment" for the developer.

Over the years I had significant experience and success finding opportunity for my side by analyzing both sides of the deal. Namely, why was the project important for OMRD or the City of Riviera Beach? Also a big issue was the existing Brock lease, which has stymied development efforts for years (more later on this).

What we concluded was that the principal driver for OMRD was enhancing the existing investment of the "2700" project (next door), to do this the mall lease had to be bought out at a cost of \$9.5 Million *dollars*, this is called "gni-It-WU", which means it has no value to the project economics. OMRD would have to build the condo/hotel to justify and recoup the cost of the Brock lease expenditure of \$9.5 Million.

The City/CRA has several key objectives:

- Build a 1st class mall and remove the blight.
- Make Riviera Beach a destination City.
- Demonstrate that Riviera Beach Council can work together.
- Deliver real benefits to all citizens.
- Create an attractive economic engine for growth.

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After careful consideration I presented to our team Bill Wilkins, City Manager and Floyd Johnson, CRA/ Director strategy to accomplish the following:

- To negotiate for an agreement for an option to purchase the mall at 30 years, to prevent having another Brock lease. ACCOMPLISHED.
- To participate in back-end profits of the Hotel over and above the one time payments -2¹/₂%, back-end profits, are equal to Marriott which is a significant deal for the City, and one I am proud that we were able to negotiate. ACCOMPLISHED.
- Created a Community Benefits Program for the City to address any number of community base issues and opportunities that it so desires by having a \$1,700,000 Million fund dedicated to community projects and direct over \$40,000,000 Million to African Americans/local contractors for work on OMRD projects. None of these aforementioned items were asked for or contemplated by your negotiation team prior to my arrival. ACCOMPLISHED.

One of the biggest issues before this Board is its ability to focus on the important things before it (Ocean Mall) and stop being distracted by consultant contract, CRA Director's contract or any other whim or personality driven issue.

Case in point, through my leadership, our team delivered to the council on August 23, 2006, essentially the deal points wherein you voted four to one in favor. In the succeeding nearly four months the DDA, two (2) Ground Leases and Community Benefits Project were negotiated and presented to the Board for review and feedback. Your feedback was clear and unambiguous on what each of you wanted.

We reassembled our team of lawyers on both sides and principles and through countless meetings we resolved each and every one of your issues/requests and gave you feedback one on one to ensure your concurrence and understanding. I have noted, for your review, over one hundred (100) changes to the DDA/ Ground Lease to get where we are now.

Without being a part of the negotiations, it's difficult to understand the complexity and subtlety necessary to bring two opposing legal teams together to write the DDA/Ground Leases/Community Benefits Program. My job is to ensure that we not only work well together, but that we set timelines and stay focus on accomplishing our objectives, stay on point and compromise when necessary. We have done that.

It appears that everyone underestimated the ability of the SICA group to gain enough signatures throwing the entire redevelopment of Riviera Beach in jeopardy requiring a big modification to the DDA/Ground Leases.

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We successfully reacted to the news of the referendum signatures and negotiated a modification to the term of leases from 99 to 50 years and a reduction in the number of units/hotel and height, which has reduced revenues to the City and OMRD and frankly, made the project marginal from OMRD standpoint.

From the City of Riviera Beach standpoint whether it is a 50 or 99 year lease, it ensures that four (4) objectives I spoke to earlier - principally there will finally be development on the Ocean Mall.

The vote has been postponed several times putting the entire redevelopment in jeopardy as it relates to height and terms. With a favorable vote and no further delays from the December 13, 2006, scheduled meeting, we believe the necessary site plans can be developed and approved prior to the referendum vote in March, ensuring a successful development.