

Losing bidder for county hotel wants \$1 million reimbursement

By [Alexandra Clough](#)

Palm Beach Post Staff Writer

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A West Palm Beach company that lost a bid to build the Palm Beach County convention center hotel is demanding that the county reimburse it for \$1 million in bidding expenses or risk a lawsuit. FRI Investors says it should get back money it spent on the 2004 bid process because that process was "hopelessly tainted by corruption," according to an Oct. 20 letter sent to the county. During the 2004 go-round, Palm Beach County commissioners selected Ocean Properties of Delray Beach. Subsequently, the public learned that former commissioners Mary McCarty and Warren Newell, who voted for Ocean Properties, had accepted free or discounted hotel rooms at the company's resorts. McCarty now is in federal prison on charges related to the vote. (Newell is in federal prison on unrelated matters.) "Had FRI known going into the ... process that two of the four votes needed in order to be awarded the contract were already criminally committed to Ocean Properties, FRI would never have expended the substantial time and money that it did in preparing its proposal," FRI lawyer Gary Woodfield wrote to the county.

One wonders why FRI waited until now to try to get its money back. FRI's Michael McCloskey said the crimes didn't come to light until last year, but FRI didn't complain about the 2004 expenses then because it was trying to get the hotel job once more. (FRI lost out, again, when the hotel deal was awarded to New York-based The Related Cos. earlier this year.) McCloskey said these bid efforts are costly. "I've got hundreds of hours that add up, plus third-party professionals that we hire. It's a substantial amount of money, and I never would have spent it had we known about McCarty and Newell's criminal actions," McCloskey said. The county said it will not repay the expenses of a "disappointed" bidder. "While we all can regret the admitted collusion by two former commissioners ... we cannot justify expenditure of public funds," Andrew McMahan, a county attorney, wrote to Woodfield this month. Although federal prosecutors in McCarty's case harshly called the award to Ocean Properties "fixed," McMahan defended the commission vote. He said it was "unanimous" and made with the help of an independent consultant. McCloskey wouldn't say whether he planned to file a lawsuit.

Meanwhile, the county still is trying to figure out a way to pay for the hotel's construction. Tourism leaders have said that without a hotel, the convention center can never compete with other tourism hot spots. Efforts to cobble together money for the \$110 million project from a number of different government sources have not panned out. Assistant County Administrator Shannon LaRocque said the county is waiting for Congress to approve two federal programs that will provide needed tax breaks. With the change in congressional leadership, those votes are no sure bet now. "It's anybody's guess what's going to happen," said Lyn Harris, an attorney for Related. Asked whether the hotel still is doable, LaRocque said, "I haven't heard Related say it's not." But she acknowledged that figuring out a way to pay for the hotel's construction "is taking longer than anticipated." Harris agreed, but said Related remains hopeful something can be done, either by assembling government programs or through the banking industry, which is starting to become interested in lending again. "My clients don't want to give up," Harris said.

- If there's one lesson to be learned in this recession, it is this: Be flexible, and try not to have all your eggs in one basket.

Dale Hedrick of Hedrick Brothers Construction in West Palm Beach, knows this lesson well. His company just wrapped up its fiscal year in October, and he has this to say about the results: "We had our best year ever in our 32-year history." What's the secret? "We're very diverse," Hedrick said. He said his company has expertise in a number of areas, including commercial work, historic restorations, country clubs, education, high-end residential homes and green building. "Three years ago, we were doing commercial," Hedrick said. "Now we're doing more residential. We're seeing significant market shifts, but because our employment pool is so diverse, we're able to react to opportunities in different markets."

Longtime commercial broker Rebel Cook of Rebel Cook Real Estate in Jupiter also is adapting to changing markets. She recently expanded her firm's small residential real estate division by bringing aboard several expert residential real estate sales pros. She also is tapping into the booming business in residential leasing of homes. People who lost their homes to foreclosure still need a place to live, and many are scrambling to find homes to rent. One Juno Beach home that was listed for sale or rent was snapped up for rent within 10 minutes of being listed, she said.

It's a similar story at Reichel Realty in Palm Beach Gardens. Commercial sales might be slow and commercial leasing deals might be hard to nail down, but owner Bill Reichel has gone back to his roots as an expert in handling receiverships of troubled properties. Now's he's busy managing numerous properties for banks.

- Memo to the Palm Beach County School District: Corporate America cares about schools!

That's the message from Kelly Smallridge, president of the Business Development Board of Palm Beach County, the county's chief business recruitment arm. Of the corporations coming to Palm Beach County during the past year, a number of them have landed in Boca Raton. It's a familiar trend. During the corporate relocation heyday of the 1990s, Boca Raton was the envy of the rest of the county when it welcomed W.R. Grace and Tyco. Smallridge said a large inventory of Class A office space, combined with excellent public and private schools, are prompting corporate execs to favor the tony city again. "We're working three big deals right now, and they all want Boca Raton," Smallridge said. "They love the family environment and the wide array of public and private schools." In fact, when corporations come scouting for a new location, "the chief executive officer looks at the office space, while the staff looks at schools," Smallridge said.

Alexandra Clough writes about the economy, real estate and the law. Contact her at alexandra_clough@pbpost.com.