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REQUEST FOR ACTION

Contract Renewal with Dialect Real Estate Advisors to Retain Services as a Real Estate Advisor and Master Broker

MEETING DATE:
August 17, 2026

ORIGINATING DEPT:
City Administration

AGENDA SECTION:
Consent Agenda

PRESENTER:
Ryan Yetzer

Action Requested:

Approving a three-year Contract Renewal with Dialect Real Estate Advisors to retain services as a real estate advisor and master broker.

Report Narrative:

In 2024, the City began working with Dialect Real Estate Advisors for on-call commercial real estate advisory and brokerage services supporting property acquisitions, dispositions, leasing, redevelopment, and strategic management of City real estate assets.

As the City's real estate needs have expanded, Dialect has evolved into a shared citywide resource supporting Economic Development, Community Development, Rochester Public Utilities, Public Works, Facilities, Parks, the City Attorney's Office, and other departments. While City staff continue to lead and manage real estate activities, Dialect provides specialized expertise and additional capacity for complex acquisitions and dispositions, negotiations, brokerage, lease administration, portfolio management, and redevelopment initiatives. This model allows the City to leverage specialized commercial real estate expertise and additional capacity without expanding permanent staffing or procuring separate brokerage services for individual projects.

Dialect operates under a fixed fee agreement with brokerage commissions earned through City transactions rebated back to the City. Unlike a traditional brokerage relationship, recommendations are not influenced by commissions or transaction volume, supporting objective advice aligned with the City's long-term interests.

Performance Since Initial Engagement

Since beginning work with the City in 2024, Dialect has generated approximately $3.0 million in documented financial value. This includes brokerage commission rebates, negotiated purchase price reductions, identified future transaction savings, and centralized real estate asset management.
Based on documented financial outcomes, the City has realized an estimated 15-to-1 return on investment. This estimate reflects only direct financial benefits and does not include avoided consultant procurements, increased organizational capacity, improved negotiations, reduced organizational risk, or operational efficiencies.

Performance Measure

Brokerage Fees Refunded: $435,000
Negotiated Purchase Price Reductions: $2.35 Million

Additional Identified Future Savings: $190,000
City Assets Under Active Tracking: 68
Major Active Projects Supported: 10+
Total Financial Value Created: $3.0 Million

In addition to generating measurable financial value, Dialect has established centralized management of 68 City owned assets, including vacant land, leased facilities, government buildings, parkland, parking facilities, and the downtown skyway system. Centralized tracking of lease abstracts, renewal dates, insurance requirements, brokerage assignments, operating expense reconciliations, and other contractual obligations has improved stewardship of public assets while reducing organizational risk.

Projects Delivered
The following projects demonstrate the range of work completed or substantially completed under the agreement:

- Sports and Recreation Complex. Supported acquisition strategy and negotiations for property assembly.
- Fire Station 6. Assisted with acquisition strategy and negotiations that enabled the City to acquire a larger site at a lower cost per square foot than purchasing only the land required for the station. The acquisition also created future opportunities to market excess property while generating approximately $95,000 in brokerage commission rebates.
- Leitzen land purchase for the the Willow Creek Trail/RPU utility corridor.
- Heartland Gun Club Acquisition. Coordinated acquisition strategy and transaction management, resulting in approximately $102,000 in brokerage commission rebates.
- BioBusiness Center. Completed lease abstracting, developed leasing and asset management strategies, and identified lease administration discrepancies that resulted in recovery of previously unbilled lease payments.
- Skyway System. Organized and abstracted existing agreements, creating centralized tracking of ownership, insurance requirements, maintenance obligations, and renewal dates.
- City Real Estate Portfolio. Developed and implemented a centralized tracking system for City owned real estate assets and contractual obligations.
- City Owned Property Dispositions. Prepared broker opinions of value, developed listing strategies, and provided listing brokerage services to maximize property value.

Ongoing & Future Work
Rochester's continued investment in public infrastructure, utilities, redevelopment, transportation, flood mitigation, recreation, and other community facilities continues to generate real estate needs across City operations. These initiatives require specialized commercial real estate expertise to support acquisitions, dispositions, leasing, asset management, and complex negotiations while supplementing existing staff resources and supporting timely project delivery.

Future work is expected to include acquisitions for utility and treatment facilities, transportation improvements, stormwater management, flood mitigation, trail connections, redevelopment initiatives, and other public services, as well as ongoing management and disposition of City owned property associated with completed projects and changing operational needs.

The following projects represent active assignments and anticipated real estate needs identified by City departments:

- Rochester Public Utilities property acquisitions.
- BioBusiness Center lease administration and asset strategy.
- Airport property management and redevelopment analysis.
- Skyway agreement administration and lease management.
- Fire Station excess land marketing.
- RSRC remnant parcel disposition.
- East Circle Drive/Broadway and 18th Avenue NW surplus property marketing.

- Riverfront redevelopment.
- RPU Silver Lake Power Plant Conversion and Redevelopment.
- Sixth Street Corridor initiatives.
- Strategic acquisitions supporting transportation, parks, stormwater, flood mitigation, utility, and other public infrastructure projects.
- Confidential negotiations authorized by City Council.
- Continued refinement of the City's centralized real estate asset management system.

Contract Terms and Strategic Value
The agreement will continue as a fixed monthly retainer totaling $202,859 annually for 2027. Dialect will provide regular project updates, maintain ongoing coordination with City staff, and support reporting to City Council while preserving confidentiality during active negotiations where appropriate.

The documented financial return represents only one measure of the value delivered through this partnership. The agreement also provides specialized commercial real estate expertise and additional organizational capacity through a single citywide resource. This approach improves coordination across departments, eliminates the need for separate brokerage procurements for individual projects, strengthens the City's position during complex negotiations, supports sound due diligence and transaction management, and helps protect the City's financial interests.

Because the agreement may be terminated by either party at any time, the City retains the flexibility to adjust service levels as organizational needs evolve or discontinue the agreement if future real estate activity declines. This flexibility allows the City to scale consultant resources with actual demand, ensuring specialized expertise is available when needed while avoiding the need to expand permanent staffing.

Priorities & Foundational Principles:
Economic Resilience
Fiscal Responsibility and Sustainability

Policy Considerations & DEI Impact:
Renewal of the agreement supports the City's existing approach to centralized commercial real estate services and does not establish new City policy. The agreement provides a consistent citywide resource to support property acquisitions, dispositions, leasing, and redevelopment initiatives across multiple departments.

The services provided under this agreement support implementation of a wide range of City initiatives, including affordable housing, redevelopment, public infrastructure, neighborhood investment, parks, transportation, and utility projects that benefit residents throughout the community.

Prior Legislative Actions & Community Engagement:
August 18,2025 – Contract approval with Dialect Real Estate Advisors to Retain Services as a Real Estate Advisor and Master Broker.

Fiscal & Resource Impact:
The proposed agreement has an annual cost of $202,859 in 2027, increasing by three percent annually to $208,944 in 2028 and $215,213 in 2029. Staff anticipates funding a substantial portion of the agreement through savings and revenues generated by the City's real estate program. The City currently has approximately $150,000 in unallocated retained brokerage fee rebates available, sufficient to fund approximately 75 percent of the 2027 annual contract cost.

Staff has also identified a pipeline of upcoming property acquisitions and dispositions that is anticipated to generate approximately $330,000 in additional retained brokerage fee rebates over the next three years. In addition, approximately $225,000 in consultant and staff costs are expected to be allocated to eligible capital, utility, and redevelopment projects benefiting from these services. Together, these identified projects provide a strong foundation for an ongoing funding source that is expected to support a majority of the agreement costs over the next three years.

This funding strategy allows the City to provide commercial real estate services as a shared citywide resource, with departments contributing through project cost allocations and retained brokerage fee rebates rather than procuring separate brokerage services for individual projects. As future transactions occur, brokerage fee rebates will continue to be returned to the City and applied toward future contract costs, further reducing reliance on Citywide funding sources. Under this funding strategy, the agreement is not anticipated to impact the City's tax levy.

Funding Strategy
Primary Funding Sources:
- Eligible project cost allocations supporting City capital, utility, and redevelopment projects.
- Retained brokerage fee rebates generated through City real estate transactions.

Supplemental Funding Sources:
- Available Conduit Bond Debt Issuance Fees.
- Downtown Abatement Account, if needed.

This approach is intended to make the agreement substantially self-supporting by aligning costs with the projects and transactions benefiting from the services while preserving supplemental funding sources if future revenues are lower than anticipated. Because the agreement may be terminated by either party at any time, the City retains the flexibility to discontinue the service if future real estate activity or organizational needs decline.

Alternative Action(s):
There are no alternative actions at this time.

Prepared By:
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Attachments:
Contract - 2026 Dialect Renewal Enagement Letter