



Carter N. McDowell
Tel 305.350.2355
Fax 305.351.2239
cmcdowell@bilzin.com

March 9, 2025

Thomas Mooney
Planning Director
City of Miami Beach
1700 Convention Center Drive
Miami Beach, FL 33139

Re: Letter of Intent for Design Review Board Application for Addition to Single-Family Residence Located at 5980 North Bay Road, Miami Beach, FL

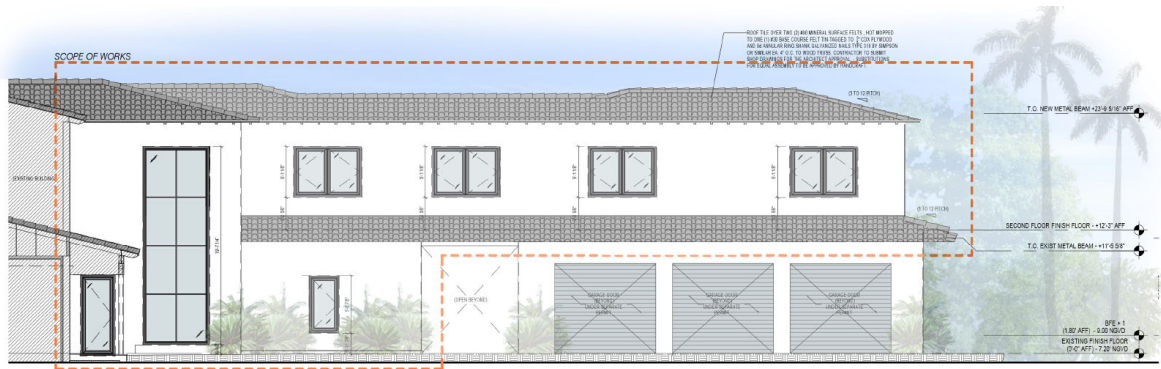
Dear Mr. Mooney:

This firm represents Marco V. Masotti as Trustee (the “Applicant”) of the North Bay Road-H Trust and North Bay Road-W Trust, under which the property located at 5980 North Bay Road, Miami Beach, FL (the “Property”) is held. Please accept this correspondence as the Applicant’s letter of intent in connection with the attached plans and application seeking review and approval by the City of Miami Beach (the “City”) Design Review Board (“DRB”) of the proposed variances presented in the attached application package.

The Property is currently improved with an 11,657 square foot (“SF”) single family home with a 960 SF detached garage. The existing Mediterranean Revival-style single-family residence was originally constructed in 1940, designed by Weed & Reeder. In 1950, a renovation and addition, designed by Russel Pancoast, was permitted and built. Most recently, the home underwent a renovation in 2015, which included an addition to the second floor, while maintaining the original Mediterranean Revival architectural style. Unlike many properties along North Bay Road, the Applicant is proposing to retain the existing house and construct an addition on the Property, which will add 783 SF to the ground floor and 2,175 SF to the second floor (“Project”)¹.

¹ The cost estimate for the Project is approximately \$1.16 million, including fees and insurance. See **Exhibit “A”**. The permit under which the Project would be permitted as a revision currently has an approved scope of work to the existing structure in the amount of \$2.3 million. As such, the total costs of improvements to the structure under the permit after the Project is approximately \$3.46 million. Based upon the June 20, 2022 appraisal of the existing structure issued to the then-Building Official, Ms. Ana Salgueiro, prior to the issuance of the initial building permit, the existing structure has a value of \$10,017,600. See **Exhibit “B”**.

The second floor addition will create connectivity between the single family home and the detached garage structure as is demonstrated in the proposed elevation excerpt below:



The design and architecture of the Project flows seamlessly from that of the existing structure and ultimately creates an elegant, upgrade to the existing home. Further, as detailed in the zoning data and diagrams provided, the Project was intentionally designed to conform to intent of the RS-2 District regulations. However, due to the exceptionally large size of the lot, 42,720 SF (0.98 acres), the requirement that the side yard open space for two-story side elevations be at least one percent (1%) of the lot area imposes a hardship on the Property.

In order to develop the Project as designed, the Applicant respectfully requests the following variance from the City of Miami Beach Resiliency Code (the “Code”):

Variance Request:

- 1. Required Side Yard Open Space for Two-Story Elevations:** Pursuant to Subsection 7.2.2.3(b)(2) of the Code, “Two Story Houses Standards,” in relevant part:

“[t]wo-story side elevations located parallel to a side property line shall not exceed 50 percent (50%) of the lot depth, or 60 feet, whichever is less, without incorporating additional open space, in excess of the minimum required side yard, directly adjacent to the required side yard. The additional open space shall be regular in shape, open to the sky from grade, and at least 8 feet in depth, measured perpendicular from the minimum required side setback line. The square footage of the additional open space shall not be less than one percent (1%) of the lot area.”

The Applicant is requesting a variance from the above referenced requirement for the two-story northern side elevation that is being introduced as part of the proposed addition. The proposed northern side elevation measures approximately 111 feet in length. The facade includes a proposed side yard open space that is open to the sky from grade. However, due to the Property’s exceptionally large lot area, the provided side yard open space, at approximately 136 SF, does not

meet the 1% of the lot area requirement. Pursuant to the Code, with a lot area of 42,720 SF, the Project would need to introduce a 427.2 SF required side yard open space, which if designed at the 8 feet depth requirement, would require an exceptionally large, 53 foot-wide break in the structure.

Nonetheless, the proposed northern façade maintains fluid architectural expression, with several offset vertical planes on both the first and second floor. The second floor addition maintains a deeper side setback from the northern property line than the retained first floor. As designed, although noncompliant with the 1% requirement, the Project strives to conform to the intent of the Code of articulating and breaking up the two-story massing.



Design Review Criteria – Sec. 2.5.3.1

Pursuant to Sec. 2.5.3.1 of the Code, design review encompasses the examination of architectural drawings for consistency with the criteria stated below:

- a) The existing and proposed conditions of the lot, including but not necessarily limited to topography, vegetation, trees, drainage, and waterways.

The lot is flat, well maintained, and improved by the proposed work. Minimal disturbance to existing vegetation and natural features is planned, new vegetation is proposed, with appropriate drainage systems incorporated to ensure compliance with relevant regulations.

- b) The location of all existing and proposed buildings, drives, parking spaces, walkways, means of ingress and egress, drainage facilities, utility services, landscaping structures, signs, and lighting and screening devices;

The design preserves the existing home and the Project is designed and landscaped to minimize impact on neighboring properties. Parking, walkways, and utilities are integrated to enhance functionality while preserving the property's overall aesthetic.

- c) The dimensions of all buildings, structures, setbacks, parking spaces, floor area ratio, height, lot coverage and any other information that may be reasonably necessary to determine compliance with the requirements of the underlying zoning district, and any applicable overlays, for a particular application or project;

The submitted plans comply with this criteria.

- d) The color, design, selection of landscape materials and architectural elements of exterior building surfaces and primary public interior areas for developments requiring a building permit in areas of the city identified in section 2.5.3.2;

The color, design, and selection of landscape materials can be found at sheet L-2 and the architectural elements of exterior building surfaces can be found are detailed sheets A1.6-A1.7.

- e) The proposed site plan, and the location, appearance and design of new and existing buildings and structures are in conformity with the standards of this article and other applicable ordinances, architectural and design guidelines as adopted and amended periodically by the design review board and historic preservation board and all pertinent master plans;

The proposal meets the applicable architectural, and design guidelines, ensuring the project aligns with the intent of the city regulations and maintains the character of the neighborhood.

- f) The proposed structure, or additions or modifications to an existing structure, indicates a sensitivity to and is compatible with the environment and adjacent structures, and enhances the appearance of the surrounding properties;

The Project is compatible with the surrounding environment, maintaining a harmonious relationship with neighboring properties. The addition enhances the property's visual appeal while respecting its context.

- g) The design and layout of the proposed site plan, as well as all new and existing buildings shall be reviewed so as to provide an efficient arrangement of land uses. Particular attention

shall be given to safety, crime prevention and fire protection, relationship to the surrounding neighborhood, impact on contiguous and adjacent buildings and lands, pedestrian sight lines and view corridors;

The Project maintains the existing single-family home and residential land use.

- h) Pedestrian and vehicular traffic movement within and adjacent to the site shall be reviewed to ensure that clearly defined, segregated pedestrian access to the site and all buildings is provided for and that all parking spaces are usable and are safety and conveniently arranged; pedestrian furniture and bike racks shall be considered. Access to the site from adjacent roads shall be designed so as to interfere as little as possible with traffic flow on these roads and to permit vehicles a rapid and safe ingress and egress to the site;

Not applicable

- i) Lighting shall be reviewed to ensure safe movement of persons and vehicles and reflection on public property for security purposes and to minimize glare and reflection on adjacent properties. Lighting shall be reviewed to assure that it enhances the appearance of structures at night;

Considerate lighting fixtures shall ensure safety and security, with minimal glare and reflection on neighboring properties. Lighting will be designed to enhance the architectural and landscape features of the Property, creating a welcoming atmosphere at night.

- j) Landscape and paving materials shall be reviewed to ensure an adequate relationship with and enhancement of the overall site plan design;

Selected landscape flora and paving materials complement the site's overall design, creating harmony between the natural and built environments, creating an elegant subtropical space. They enhance both functionality and aesthetic value.

- k) Buffering materials shall be reviewed to ensure that headlights of vehicles, noise, and light from structures are adequately shielded from public view, adjacent properties and pedestrian areas;

Buffering elements, such as landscaping and screens, will shield adjacent properties from headlights, noise, and light, ensuring privacy and minimizing impact on public spaces. Plentiful landscaping is proposed throughout the site.

- l) The proposed structure has an orientation and massing which is sensitive to and compatible with the building site and surrounding area and which creates or maintains important view corridor(s);

The design respects the existing built environment and available view corridors and is sensitive to the surrounding massing, ensuring the structure integrates well with its environment and maintains a balanced visual presence.

- m) The building has, where feasible, space in that part of the ground floor fronting a street or streets which is to be occupied for residential or commercial uses; likewise, the upper floors of the pedestal portion of the proposed building fronting a street, or streets shall have residential or commercial spaces, shall have the appearance of being a residential or commercial space or shall have an architectural treatment which shall buffer the appearance of the parking structure from the surrounding area and is integrated with the overall appearance of the project.

Not applicable.

- n) The building shall have an appropriate and fully integrated rooftop architectural treatment which substantially screens all mechanical equipment, stairs and elevator towers;

The Property's rooftop has no proposed mechanical equipment, stairs, or elevator towers.

- o) An addition on a building site shall be designed, sited and massed in a manner which is sensitive to and compatible with the existing improvement(s).

The addition is designed to complement the existing structure in both scale and architectural style, ensuring a seamless transition and maintaining the integrity of the original home.

- p) All portions of a project fronting a street or sidewalk shall incorporate an architecturally appropriate amount of transparency at the first level in order to achieve pedestrian compatibility and adequate visual interest.

Not applicable.

- q) The location, design, screening and buffering of all required service bays, delivery bays, trash and refuse receptacles, as well as trash rooms shall be arranged so as to have a minimal impact on adjacent properties.'

Not applicable.

- r) In addition to the foregoing criteria, section 104-6 (t) the General Ordinances shall apply to the design review board's review of any proposal to place, construct, modify or maintain a wireless communications facility or other over the air radio transmission or radio reception facility in the public rights-of-way.

No wireless communications facility or over the air radio transmissions or radio reception facilities are proposed.

- s) The structure and site comply with the sea level rise and resiliency review criteria in chapter 7, article I, as applicable.

See the Applicant's response to the sea level rise and resiliency criteria below.

Variance Review Criteria – Sec. 2.8.3

Pursuant to Sec. 2.8.3 of the Code, in order to authorize the requested variances, the Design Review Board shall review the following criteria:

- 1) Special conditions and circumstances exist which are peculiar to the land, structure, or building involved and which are not applicable to other lands, structures, or buildings in the same zoning district;

This Property is unique compared to the typical RS-2 lot in Miami Beach. While the minimum lot size in the RS-2 District requires a minimum Lot Area of 18,000 SF, the Property more than doubles this standard at nearly 43,000 SF. The application of generic RS-2 regulations applicable to other areas of the City creates hardships and conditions unique to this Property and effectively deprives this Property of the same rights enjoyed by other properties.

- 2) The special conditions and circumstances do not result from the action of the applicant;

None of the special conditions or circumstances are the result of the action of the Applicant, the Property is truly unique. Further, the Applicant purchased the Property with the existing single-family home on the Property which original construction dates back to the 1940s. The Applicant seeks to improve the Property in a manner that allows the preservation of the existing home.

- 3) Granting the variance requested will not confer on the applicant any special privilege that is denied by these land development regulations to other lands, buildings, or structures in the same zoning district;

Granting the requested variance will not confer any special privilege denied to others.

- 4) Literal interpretation of the provisions of these land development regulations would deprive the applicant of rights commonly enjoyed by other properties in the same zoning district under the terms of these land development regulations and would work unnecessary and undue hardship on the applicant;

As described under 1) above, the application of the land development regulations to this Property, without the relief requested, would impose unnecessary and undue hardships on

the Applicant by imposing requirements far out of scale with requirements applicable to other properties and deprive it of the rights commonly enjoyed by others. In fact the literal interpretation as applied to this Property would require a break in the façade for an area nearing 430 SF. Although the 1% requirement is not being met, the design incorporates many additional articulations in the proposed addition which further break up the façade as is shown in the variance context renderings included in the plans.

- 5) The variance granted is the minimum variance that will make possible the reasonable use of the land, building or structure;

The Applicant has sought the minimum variances necessary for the project and meets most of the extraordinary requirements imposed on this exceptional property.

- 6) The granting of the variance will be in harmony with the general intent and purpose of these land development regulations and that such variance will not be injurious to the area involved or otherwise detrimental to the public welfare;

The Project is compatible with the scale of the development in the neighborhood and particularly those parcels along the Bay. It is also designed to meet current required side yard setbacks and is heavily landscaped including the lining of the new addition with large, 18 to 26 foot Montgomery Palms. As noted in 1) above, the granting of the requested variances will clearly be in harmony with the general intent and purposes of the land development regulations.

- 7) The granting of this request is consistent with the comprehensive plan and does not reduce the levels of service as set forth in the plan; and

The granting of the requested variances is consistent with the comprehensive plan as it will allow for the preservation of the existing single-family home on a property with a residential land use designation. The Project will not reduce applicable levels of service.

- 8) The granting of the variance will result in a structure and site that complies with the sea level rise and resiliency review criteria in chapter 133, article II, as applicable.

See the Applicant's response to the sea level rise and resiliency criteria below.

Sea Level Rise and Resiliency Review Criteria – Sec. 7.1.2.4

Finally, pursuant to Section 7.1.2.4, the Design Review Board is required to consider how the Project addresses the City's Sea Level Rise and Resiliency Review Criteria. Each of these criteria are addressed in turn below:

- 1) A recycling or salvage plan for partial or total demolition shall be provided.

No demolition is proposed. Should a recycling or salvage plan be necessary considering the scope of this work, the Applicant will provide it to the City prior to any demolition.

- 2) Windows that are proposed to be replaced shall be hurricane proof impact windows.

All windows within the proposed home will be hurricane proof impact resistant windows.

- 3) Where feasible and appropriate, passive cooling systems, such as operable windows, shall be provided.

Where appropriate, operable windows will be incorporated into the project design to allow for a passive cooling system.

- 4) Resilient landscaping (salt tolerant, highly water-absorbent, native, or Florida-friendly plants) shall be provided, in accordance with Chapter 4 of the Code.

Landscaping shall comply with all code requirements.

- 5) The project applicant shall consider the adopted sea level rise projections in the Southeast Florida Regional Climate Action Plan, as may be revised from time-to-time by the Southeast Florida Regional Climate Change Compact. The applicant shall also specifically study the land elevation of the subject property and the elevation of surrounding properties.

The Project preserves the existing 1940s home and is designed in a manner compliant with FEMA regulations for additions to existing structures.

- 6) The ground floor, driveways, and garage ramping for new construction shall be adaptable to the raising of public rights-of-way and adjacent land, and shall provide sufficient height and space to ensure that the entry ways and exits can be modified to accommodate a higher street height of up to three additional feet in height.

The Project preserves the existing 1940s home and is designed in a manner compliant with FEMA regulations for additions to existing structures.

- 7) As applicable to all new construction, all critical mechanical and electrical systems shall be located above base flood elevation. All redevelopment projects shall, whenever practicable and economically reasonable, include the relocation of all critical mechanical and electrical systems to a location above base flood elevation.

All critical mechanical and electrical systems incorporated within the scope of the Project will be located above base flood elevation.

- 8) Existing buildings shall, wherever reasonably feasible and economically appropriate, be elevated up to base flood elevation, plus City of Miami Beach Freeboard.

It is not reasonably feasible or economically appropriate to adjust the fixed floor elevation of the existing 11,000 SF single family home.

- 9) When habitable space is located below the base flood elevation plus City of Miami Beach Freeboard, wet or dry flood proofing systems will be provided in accordance with Chapter 54 of the City's General Ordinances.

The first floor addition is below design flood elevation. Plans will comply with wet/dry flood proofing systems requirements as applicable.

- 10) As applicable to all new construction, stormwater retention systems shall be provided.

If applicable, stormwater retention systems will be provided per civil engineer design at time of permitting.

- 11) Cool pavement materials or porous pavement materials shall be utilized.

Cool pavement or porous pavement materials will be utilized where most effective.

- 12) The design of each project shall minimize the potential for heat island effects on-site.

The architect and landscape architect are utilizing materials that minimize the heat island effect.

The Project is consistent with the scale and character of the surrounding residential neighborhood and will allow the preservation and enhancement of the existing single-family home on the Property. The Applicant respectfully submits the proposed Project for review and approval by the Design Review Board.

Sincerely,

Carter N. McDowell

Carter N. McDowell

CNM/NN/CAM



2251. Blount Road Pompano Beach FL 33069

EXHIBIT "A"

5980NBR - 2nd floor above garage

Control Budget

Client	August	Address	5980 North Bay Road	Exhibit A	Date	3/5/2025	Allowance	
Notes		Notes						
Labor and materials for required selective demo . New structure for new new guest rooms, stairs to new guest rooms, framing, electrical, HVAC and finishes as required (interior and exterior) . Includes drawings and calculations, new windows and doors.								
01-100	Permits and permit processing	Permits by owner, Plans runner						\$ 4,500.00
02-100	Architectural, Engineering and Design	Construction, permit drawings and calculations						\$ 25,000.00
03-100	General conditions	Contract management, field supervision, general materials, trash removal, general labor						\$ 125,250.00
04-100	Demolition	Selective interior and structural demolition as required						\$ 27,500.00
05-100	Structure	New shell for new 2nd floor above garage. Roof trusses						\$ 248,000.00
06-100	Roofing	New roof tile to match existing, repairs as needed.						\$ 55,000.00
07-100	Stucco	On all exterior walls to match existing						\$ 45,250.00
08-100	Exterior doors and windows	As required to match existing.						\$ 55,500.00
09-100	Framing and drywall	As required for new walls and ceilings.						\$ 55,500.00
10-100	Plumbing	New water and drain lines, rough and fixtures allowance						\$ 54,700.00
11-100	Mechanical	New equipment, ductwork, grills and exhaust fans as needed.						\$ 25,750.00
12-100	Electrical	Labor and materials to run new circuits as needed for lighting, power and AV.						\$ 74,450.00
13-100	Control systems, communication, Audio Video	Wiring only, AV by owner						\$ 6,050.00
14-100	Insulation	As required on exterior walls and ceilings.						\$ 3,500.00
15-100	Interior doors	Allowance for interior doors and hardware						\$ 38,250.00
16-100	Interior woodwork	Allowance for vanities, cabinets and closets						\$ 55,750.00
17-100	Exterior woodwork							\$ -
18-100	Floors	Stairs, hall, bedrooms. Patch black tile in laundry						\$ 48,450.00
19-100	Stone and slab work (other than floors)	Vanity counters, kitchenette counters						\$ 18,200.00
20-100	Painting	Paint all areas						\$ 55,450.00
21-100	Specialty wall and ceiling finishes							\$ -
22-100	Window and door treatments	By owner						\$ -
23-100	Glass	Allowance for mirrors and shower enclosures						\$ 10,750.00
24-100	Appliances	Allowance						\$ 7,500.00
25-100	Elevator							\$ -
26-100	Metals							\$ -
27-100	Fire place							\$ -
28-100	Driveways, Hardscapes and Courts							\$ -
29-100	Landscape							\$ -
30-100	Pools, Fountains and ponds							\$ -
31-100	Dock and seawalls							\$ -
Sub total							\$ 1,040,300.00	
10% Construction Fee							\$ 104,030.00	
Sub total							\$ 1,144,330.00	
1% GL insurance							\$ 22,886.60	
Total projected preliminary budget							\$ 1,167,216.60	

EXHIBIT "B"

Dr. DANIEL L. PILATO, Ph.D.

State Certified General Real Estate Appraiser #RZ 473

Licensed Real Estate Broker

6824 NW 107 Place, Doral, Florida 33178

Drdanpilato@bellsouth.net

(305) 342-1390

June 20, 2022

Mr. Jerry Rowland and Mr. David Rojas
Handcraft Corp.
1498 NW 3 St
Deerfield Beach, FL 33442

Ms. Ana Salgueiro
City of Miami Beach
Building Department
1700 Convention Center Drive, 2nd FL
Miami Beach, Florida 33139

RE: Estimated Actual Cash Value report for the existing property located at 5980 Bay Drive, Miami Beach, Florida.

Dear Mr. Rowland, Mr. Rojas and Ms. Salgueiro:

As requested, I have searched for information to provide you with an estimate of the Actual Cash Value for the existing house improvements located at 5980 Bay Drive, Miami Beach, Florida. This report is intended to estimate the Actual Cash Value as of June 20, 2022.

This report is also intended as a limited valuation of this property. The only intended purpose is to provide the Actual Cash Value of the existing single family house improvements for an assumed renovation of this existing structure. For this report and its intended use and users, only the Cost Approach was considered and used. Neither the Sales Comparison Approach nor the Income Capitalization Approach were used or considered.

The scope of this report includes a search for the definition of the term ‘Actual Cash Value’, a search for the methods to calculate the ‘Actual Cash Value’ and a search for the necessary data to use in the calculation of the ‘Actual Cash Value’.

The intended users (as listed on page 1), use, and function of this report is to provide an estimate of the Actual Cash Value of the existing structures and improvements for an assumed remodeling of the existing structures, and - **For FEMA Purposes** - “to support a building permit application at the City of Miami Beach – subject to significant improvement/significant damage determination under NFIP regulations”. The Appraiser was informed that this report would be presented to the City of Miami Beach as part of a proposed renovation of the structure.

In conducting this report, the Appraiser has assumed that the existing subject property and structures have all of the required municipal approvals, certificates of use and occupancy as a single-family house and was in conformance with all of the required City of Miami Beach municipal standards. NO investigation was conducted to determine if any of those requirements currently and/or previously existed.

It is also important to recognize that in estimating the Actual Cash Value for the existing structures and improvements, the Appraiser must consider the current Miami-Dade County and City of Miami Beach building codes in the calculations. These current codes add a significant cost to the proposed reconstruction of the existing structures - including the quality and quantity of the materials that were used in the structure and the workmanship that was required to complete the construction and interior build-out of the structures, as compared to the codes that were in place at the time the existing structures were original built.

An aerial inspection of the subject property was conducted. No inspection reports were provided regarding the amenities and condition of the property and structures. Also, NO other data or reports (e.g., structural, environmental, etc.) were provided regarding the condition of the property.

A copy of a survey WAS provided. Additionally, the appraiser was able to access the structural records from the MiamiDade.gov Property Appraiser data. The data included a sketch of the subject buildings. Also, the appraiser found a previous Multiple Listing Service listing for the subject property (A10738929). This listing data included interior and exterior photos. It also showed that the property sold on 6/4/2021 for \$22,000,000.

The county data shows that the original subject building was constructed in 1940 but was totally rebuilt in 2015. The property has a 2-story house. The building is listed as having a total of six bedrooms and nine bathrooms and one half-bathroom. The county data shows that the building has an adjusted square footage of 12,776 square feet, a 'living area' of 11,690 square feet, and an 'actual area' of 15,040 square feet. It also shows that the property sold on 6/1/2021 for \$21,000,000 as a 'partial interest' sale (however a review of the deed indicates that there was a 100% interest in the property transferred for \$22,000,000).

Based on the Miami-Dade.gov sketch and the survey provided, the house has 11,690 square feet of living area, the garage has 856 square feet, and the front entry porch and roofed patio areas have a total of 2,178 square feet. The Multiple Listing Service (MLS) data shows the house has a total of six bedrooms, nine full bathrooms and two half bathrooms. It should be noted that the MLS narrative information shows that based on the architect/engineer calculations, the house has 12,000 square feet of living area (which will be used in this report).

The MiamiDade.gov data also shows that the property has a (Single-Family) 'Estates' zoning and a 'Residential Single-Family 1 Unit' Use. Therefore, the current use of the property as a single-family house is considered to be a legal and conforming use. Also, the county data shows a lot size of 43,615 square feet.

A primary consideration in the estimation of the Actual Cash Value of the property is that the site has a direct rear water frontage and dockage on Biscayne Bay. As a result, the house MAY require additional structural foundation support as compared to a non-waterfront house – which results in higher construction costs.

The first consideration in estimating the 'Actual Cash Value' of the subject structures is to find the definition of the term 'Actual Cash Value'. The appraiser contacted the Appraisal Institute in search of a definition. "The Appraisal Institute is a global professional association of real estate appraisers, with over 17,000 professionals in almost 50 countries throughout the world."

"The Appraisal Institute is the leading publisher of valuation literature. In addition to a series of general reference books, every year the Appraisal Institute adds to its extensive list of publications, covering contemporary practice issues, advances in methodology and technology, and the valuation of a wide range of special purpose properties". One of the books that is published by the Appraisal Institute is 'The Dictionary of Real Estate Appraisal'. The most recent publication of this book is their sixth edition – which has over 5,000 definitions.

This appraiser called and was directly informed by the Appraisal Institute that the term 'Actual Cash Value' does **NOT** exist in their dictionary, nor does it exist in the real estate appraisal industry. As a result, this appraiser can NOT provide a report based only on the term 'Actual Cash Value'.

This appraiser then conducted a general search for the term 'Actual Cash Value'. The appraiser spent numerous hours over many months researching the term. Publications from real estate professionals, insurance professionals, and attorneys were reviewed. The appraiser also reviewed the conclusions from different judges and courts (local, appellate, and state supreme) from different states regarding the meaning of, and, how to calculate, the 'Actual Cash Value' of a property.

Based on these publications, the appraiser has learned that while the term 'Actual Cash Value' does **NOT** exist in the real estate appraisal industry, it **DOES** exist in the insurance industry. The appraiser also learned that there is **NO** fixed and/or final definition of the term 'Actual Cash Value'. Rather, different states, different legislatures within those states, different courts within those states, and even different judges from those different courts have different opinions of the definitions, as well as how to calculate the 'Actual Cash Value'. Additionally, different professions have different definitions and methods to calculate the 'Actual Cash Value' of a property.

As a result, for this report, the appraiser has used the definition of the term 'Actual Cash Value' as follows: 'the replacement cost new less depreciation'. In the appraisal industry, the replacement cost new less depreciation is known as the "Depreciated Replacement Cost".

Therefore, in this report, the terms 'Depreciated Replacement Cost' and 'Actual Cash Value' are used interchangeably.

In the real estate **appraisal** industry, there are two recognized methods for estimating the Depreciated Replacement Cost/Actual Cash Value. One method is to estimate the market value of the entire property by comparable sales, then subtract the estimated value of the site, and subtract the estimated depreciated value of the site improvements (e.g., driveway, fencing, landscaping, etc.) to arrive at the Depreciated Replacement Cost/Actual Cash Value of the improvements (i.e., structures).

The second method is to estimate the replacement cost of the structures as new, and then subtract the estimated depreciation of those structures (based on their actual or effective age, and/or condition that includes the amount of remodeling/updating/renovation, etc.). This method is typically called the Cost Approach. BOTH methods are considered reliable in estimating the Depreciated Replacement Cost/Actual Cash Value.

For this report, and to arrive at a Depreciated Replacement Cost/Actual Cash Value of the subject structure(s), the appraiser will only use methods #2.

Depreciated Replacement Cost/Actual Cash Value – Method #2

To estimate the Depreciated Replacement Cost/Actual Cash Value of the subject structures from this method, the Appraiser has found data from Marshall and Swift, Craftsman Book Company, and Cumming Construction Corp.

Additionally, the appraiser reviewed numerous articles in local and national publications. These publications include: The Real Deal, South Florida Business Journal, Miami Herald, Sun Sentinel, Wall Street Journal, New York Times, The Washington Post, Florida Trend, National Association of Realtors, Florida Association of Realtors, South Florida Agent Magazine, CNN Business, Apple News, USA Today, CRE Sources, Christie's, Miami Today, etc.

Both the local and national articles as well as the local architects and contractors have said that the Coronavirus has had major negative effects on the supply chain for suppliers, supplies, materials, and a shortage of labor by over 500,000 workers. All of these problems have resulted in LARGE cost increases in ALL aspects and in all areas of residential and commercial construction. **Additionally, a recent article in Miami Today indicated that construction costs in 2022 have increased by approximately 50% as compared to 2021.**

The contractors said that they would **NOT** engage in **ANY** construction project **UNLESS** a **MINIMUM** 10% cost over-run factor was included in their contracts due to the current market conditions.

ALL these factors have necessarily been reflected in the Depreciated Replacement Cost/Actual Cash Value calculations on the following page.

Building square footage:	12,000
Total cost per Square Foot:	<u>\$ 695</u>
	\$ 8,340,000
Attached porch and patio areas:	2,178
Total cost per Square Foot:	<u>\$ 295</u>
	\$ 642,510
Garage:	856
Total cost per Square Foot:	<u>\$ 495</u>
	\$ 423,720
Sub Total:	\$ 9,406,230
Less Total Depreciation at 3.5%:	(\$ 329,218)*
Plus 10% factor for cost over-runs:	\$ 940,623
Estimated Depreciated Replacement Cost/ Actual Cash Value using method 2:	\$10,017,635

Notes:

* Depreciation based on an effective age of 3 years and a total economic life of 85 years $3/85 = 3.5\%$).

Estimated Depreciated Replacement Cost/Actual Cash Value of the subject structure using method 2 is:

\$10,017,600 (rounded)

Reconciliation of the estimated Depreciated Replacement Cost/Actual Cash Value methods:

The first method with comparable sales was NOT requested or included in this report. In the second method, the appraiser estimated a Depreciated Replacement Cost/Actual Cash Value using a Cost Approach at \$10,017,600.

Given the current local market conditions with a very high annual appreciation rate, either method was considered to be a reliable method of estimating the Depreciated Replacement Cost/Actual Cash Value of the subject structures.

Therefore, the final estimated Depreciated Replacement Cost/Actual Cash Value for the subject property is estimated to be:

\$10,017,600

As noted, this report is NOT intended as an estimate of the current total market value - as defined under Fannie Mae and USPAP guidelines, of the ENTIRE subject property (i.e., LAND, STRUCTURES, and IMPROVEMENTS). For this report – and for FEMA purposes, the Appraiser HAS estimated a Depreciated Replacement Cost/Actual Cash Value of only the subject structures in their current use and layout and with all the custom materials that were used and currently exist in the structures. This report and the calculations are based on the information from Miamidade.gov, the City of Miami Beach, and all other sources that provided information to this Appraiser.

Only a Depreciated Replacement Cost/Actual Cash Value calculation based on the Cost Approach was used. For this report, neither a Sales Comparison Approach nor an Income Capitalization Approach were requested, considered, or used.

It MUST be recognized that any negative environmental conditions that may exist in the subject structures or site, or in the immediate neighborhood of the subject property that would require remedial environmental work would result in a significant increase in the cost calculations as those additional environmental remedial costs would NEED to be included in the calculations. They may also affect the marketability and value in excess of the time and costs to complete the work.

Also, the calculation of the Depreciated Replacement Cost/Actual Cash Value ASSUMES that the property has and would be approved for all the required municipal permits, approvals and certificates of construction, occupancy, and use in compliance with all the applicable municipal requirements. As noted earlier, NO investigation was conducted to determine if any of those requirements exist.

It must be noted that the federal departments of the EPA and HUD have issued joint regulations regarding the disclosure of information on lead-based paint and lead based paint hazards of pre-1978 housing. These regulations became effective in September 1996. The subject buildings HAVE a "residential housing" use and were rebuilt AFTER 1978 when lead based paint and other now known potential environmental contaminating products were NO LONGER commonly used. However, without extensive testing, it is impossible to determine if there is any lead-based paint (or the amount) or if other known contaminating products existed and/or exist in the structures.

The final consideration is that due to Covid-19, an on-site physical inspection of the subject property was not conducted. As a result, the appraiser can not attest to the physical condition of the subject property (refer to the attached certification and limiting conditions).

Daniel Pilato

Dr. Daniel L. Pilato, Ph.D., GAA
State Certified General Appraiser #RZ473

CERTIFICATION AND LIMITING CONDITIONS

CERTIFICATION: The Appraiser certifies that:

- 1) The Appraiser has no present or contemplated future interest in the subject property.
- 2) Neither the employment to make this report nor the compensation for it is contingent upon a minimum value or a specific value.
- 3) The Appraiser has no personal interest or bias with respect to the subject matter of the report or any participants to the ownership, occupancy, use, sale, or purchase of the subject property.
- 4) The Depreciated Replacement Cost/Actual Cash Value as determined in this report is not based in whole or part upon the race, color, creed or national origin of the current owners, prospective owners or occupants of the subject property or properties in the vicinity of the subject property. Socio-economic conditions observed in the subject's neighborhood will be noted as they affect the value and marketability of the subject property.
- 5) To the best of the Appraiser's knowledge and belief, all statements and information in this report are true and correct. The Appraiser has not knowingly withheld any significant information.
- 6) Any statistical information used in this report is obtained from MiamiDade.gov and from a variety of other published materials. This information may require adjustment based upon the reporting methods used by these agencies or sources.
- 7) All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions and conclusions contained in the report).
- 8) The Appraiser has made a diligent effort to conduct this report in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Conduct of the appraisal organizations with which the Appraiser is affiliated, and also with those of the State of Florida Real Estate Commission, and with the Uniform Standards of Professional Appraisal Practice (USPAP). Any deviation or omission from these standards is unintentional.

9) All conclusions and opinions concerning the real estate that are set forth in the report were prepared by the Appraiser who has signed the report. No change of any item in the report shall be made by anyone other than the Appraiser. The Appraiser will have no responsibility for any unauthorized changes.

CONTINGENT AND LIMITING CONDITIONS:

The Certifications of the Appraiser are subject to the following conditions and to such other specific and limiting conditions set forth by the Appraiser in the report.

1) The Appraiser assumes no responsibility for matters of a legal nature affecting the subject property, nor the title thereto. The Appraiser does not render an opinion of the title - which is assumed to be good and marketable. **The subject property is valued as though under responsible and competent ownership.**

2) The subject property is an existing single-family house located in a single-family subdivision. The total square footage that is used in this valuation of the subject property (and any comparable sales if used) is based on data provided to the appraiser as well as data from the county property appraiser data.

3) **The Appraiser is not required to give testimony or appear in court because of having conducted the report with reference to the subject property UNLESS prior arrangements and FEES have been agreed to and accepted by the Appraiser.**

4) The subject property consists of a single-family house. It is located on a site with a Single-Family zoning. The current use appears to be a legal and conforming use.

5) The Appraiser assumes that there are no hidden or unapparent conditions of the subject property, surface, subsurface, or structures which would render the subject property more or less valuable or affect its marketability. The Appraiser assumes no responsibility for such conditions, or for engineering inspections or reports which may be required to discover such factors. Any conditions for which engineering reports MAY show to exist will be reflected in the report provided such conditions and documentation are provided to and acknowledged as being received by the Appraiser.

6) Information, estimates, and opinions furnished to the Appraiser, and contained in this report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for the accuracy of such items furnished to the Appraiser is assumed by the Appraiser.

7) The disclosure of the contents of this report is governed by the bylaws and regulations of the professional appraisal organizations with which the Appraiser is affiliated, and the State of Florida laws, rules, and regulations.

8) Neither all nor any part of the contents of this report or a copy thereof (including the conclusions as to the value, the identity of the Appraiser, professional designations, firm with which the Appraiser may be connected), shall be used for ANY purposes by anyone except the client(s) specified in the report, NOR shall the report or ANY of its contents be conveyed by anyone to the public in any manner without the express written consent of the Appraiser.

9) In arriving at the current Depreciated Replacement Cost/Actual Cash Value of the subject property, the Appraiser ASSUMES that the OWNER(S) of the subject property have or will obtain all of the required municipal permits, approvals and certificates of occupancy for the use of the subject property. The Appraiser has NOT contacted any municipality to determine if any municipal requirements have been granted.

10) The Appraiser will attempt to verify the pertinent amenities of any comparable properties – if used in this report. However, the Appraiser will not trespass on private property as this is both illegal and dangerous.

11) The Appraiser is not licensed in any of the trades which may be required for the planning, platting, construction, repair, remodeling, renovation, or rehabilitation of the subject property. Therefore, the Appraiser does not warrant the condition of any existing or proposed structures, any systems in the structures, or the site on which the structures are (will be) built. The Appraiser urges inspection reports be obtained from licensed professionals as a precautionary measure, and to help protect the health, safety, and security of the owner, occupants, visitors, tradesmen, (etc.) of the subject property.

It is the SOLE responsibility of the client(s) of this report to see that all property inspection reports are obtained, and that copies of those reports are provided to and acknowledged as having been received by the Appraiser to allow the Appraiser to consider any affect which the conditions listed in those reports may have on the

value of the subject property. If repairs are found to be necessary, the estimated value is contingent upon those repairs being made.

12) In estimating the value(s) of the subject property, the Appraiser assumes that all the existing improvements on and to the subject building have been built according to the applicable Federal, State and municipal rules and regulations (including the Americans with Disabilities Act (ADA)). If not, the final estimated value(s) is contingent upon all necessary approvals being granted. The Appraiser has **NOT** contacted any governmental department to verify the existence of any permits, certificates of occupancy or use.

13) The purpose of this report is to estimate the current Depreciated Replacement Cost/Actual Cash Value of the subject property. This is considered to be a "Complete" report and presented in a "Summary" format. The Appraiser considers this report to include the information necessary to estimate a Depreciated Replacement Cost/Actual Cash Value but does not include all information that was accumulated.

14) The Client/reader of this report is STRONGLY cautioned to be aware and understand that the current estimate of the Depreciated Replacement Cost/Actual Cash Value of the subject property is based upon a specific date. Further, property values continue to show volatility over time, and are subject to change based upon a variety of factors including but not limited to the following: the age, condition, quality of maintenance, of the subject property and the neighborhood; local, state, regional, national, and international economic and political conditions; changes in local, state or federal laws, rules or regulations, etc.; unusual or devastating weather occurrences. Due to these factors, the value estimated for the subject property as of the effective date of the report could be very different from a value estimated one or more years in the future or past.

15) The client/reader is also cautioned to reflect and consider that the estimated value of the subject property may continue to be influenced by the effects of Hurricane Andrew which struck Miami-Dade County on August 24, 1992, as well as the hurricanes that hit Miami-Dade County since 1992.

16) The client is cautioned to recognize that any negative physical or environmental conditions that are found to exist in or on the subject property, or in the immediate neighborhood of the subject that would require repairs and/or remedial environmental work, could have a negative effect on the marketability and the value of the subject property in excess of the time and costs to complete that work.

17) The federal departments of the EPA and HUD have issued joint regulations regarding the disclosure of information on lead-based paint and lead-based paint hazards of pre-1978 housing. These regulations became effective September 6, 1996. The subject property **DOES** have a "residential housing" use BUT was rebuilt AFTER 1978. As a result, lead based paint should NOT exist.

18) The Appraiser was NOT provided with any legal documentation regarding the subject property. Therefore, the Appraiser specifically cautions the client to recognize that conditions may exist within these documents that MAY affect the marketability and/or value of the subject property. The Appraiser strongly advises the client to have all these documents reviewed by an attorney as a precautionary measure. Further, if conditions are found within these documents that could affect the marketability, value, use, access (etc.) of the property, the Appraiser MUST be notified of the conditions and what affect if any these conditions may have on the valuation of the property.

19) The Appraiser diligently strives to provide the client with a thorough report within the typical bounds of the Certification and the Contingent and Limiting Conditions. However, it must be recognized that typographical and/or statistical errors may occur.

20) The Appraiser specifically informs the client that the information gathered to conduct this report may be used in other reports.

21) This report MAY contain Hypothetical Conditions and/or Extraordinary Assumptions.

22) Since March 2020, Miami-Dade County, the State of Florida, and the entire United States have been severely affected by the Corona Virus (Covid-19). As a result, a physical on-site inspection of the subject property was not conducted. Rather, for the safety of the appraiser and the residents of the subject property, only aerial and street photos from Google Earth and other sources were used.

Daniel Pilato

Dr. Daniel L. Pilato, Ph.D., GAA
State Certified General Appraiser #RZ473









A Closer Look at 2022 Construction Cost Changes



By Gordian

The construction industry has never seen anything like the past two years. Material price hikes. Supply chain bottlenecks. Skilled labor shortages. Budgets have gone through the roof. Projects have been halted by material scarcities. And market uncertainty has reduced the shelf life for bids and estimates from weeks to days. It's in this context of frenzied market movements and a foggy future that our [2022 RSMeans data launched](#).

For over eight decades, [RSMeans data](#) has stood as the gold standard in construction estimating, and we took extra steps to reinforce that status this year. By collecting 20% more data points on material costs and placing added emphasis on frequently used and highly volatile materials, we hope to combat the ongoing challenges construction professionals are facing. The result of this additional research is an enhanced localization model that will provide a reliable foundation for estimates and budgets amid the lasting effects of the pandemic. So after a collective 30,000 hours of research and validation by our team of data engineers, let's take a look at some of the cost changes in the [2022 RSMeans dataset](#).

2022 Construction Cost Changes

When looking at year-over-year costs, **93% of the construction materials, equipment and labor rates in the RSMeans database changed in cost.** While that rate of change is high, given the state of the market over the past year, most construction professionals will be unsurprised to see such a large percentage; The ripple effects of the pandemic have been felt in virtually every corner of the construction industry. With over 85,000 line items in our database, that means that **roughly 79,000 of them have fluctuated from January 2021 to January 2022.** Those fluctuations are not limited to a specific direction: many costs have increased, though some may have decreased.

When looking specifically at price increases across our three main categories of line items, we see that the labor market has outpaced the material and equipment markets. **98% of labor costs increased over the last year.** This rate of change is not markedly higher than years past, as wages almost always increase year over year for every trade or skill. But keep in mind that this number only represents the fact that wages are increasing. It doesn't speak to the levels at which they are increasing, which can be found by consulting specific line items in the database.



Of all **material costs, equipment rates** and **labor wage rates** experienced over the last year, 93% increased.

In a strange instance of parity, **71% of both construction material costs and equipment rates increased.** Both of these areas are being affected by supply chain bottlenecks, transportation issues, component shortages and rising fuel costs, all of which have been well documented in publications and news cycles.

Indeed, provided the amount of airtime those issues have garnered since 2020, there may be professionals who expected greater rates of increase. But some parts of the market have begun to fall back to earth, particularly when dealing with construction materials. Here are some specific examples of material cost changes:



Off the bat, it's good to see lumber prices coming down. Remember that this is not a comparison of current costs to pre-pandemic costs – most lumber products are still running higher than they did before the pandemic began. But, when comparing those line items to their January 2021 levels, they are trending in the right direction.

The opposite is true for several other near-universal materials. Copper, concrete and steel all continue to rise, as do components containing those materials, like pipes, windows and doors. Products produced from petroleum, too, have seen notable cost increases.

[Click here to watch the full 2022 Construction Cost Changes webinar and hear how the prices of specific materials have risen or fallen over the past year, plus gain insight into how the construction industry market might shift in 2022.](#)

Comparing Locations

With so many material prices, equipment costs and labor rates increasing over the past 12 months, the overall cost of construction projects will be higher this year. One poignant way to demonstrate this is by comparing conceptual estimates for the same structure produced with cost data from both 2021 and 2022.

For the exercise, we're utilizing the [Square Foot Estimating](#) tool in [RSMeans Data Online](#) and setting it to estimate the cost of building a 4-7 story apartment building. When using non-localized, national average cost data for 2021, the total estimated cost comes to \$12.1 million. When updating to 2022 data, the cost jumps to \$13.2 million, meaning that **the identical structure would cost a builder over \$1.1 million more on average this year.**

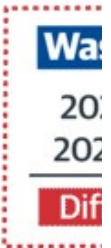


Price Changes of 4-7 Story Apartment Building:

However, construction costs don't increase at identical rates across the nation. So, we chose four geographically distant locations from the 970 local markets contained in the RSMeans database and repeated the same exercise. Predictably, the cost of constructing a 4-7 story apartment building still demonstrated an increase in each location. However, the level of increase in Dallas fell \$100,000 below the national average, while the other three locations all topped the national average, with Minneapolis topping the scale at \$1.4 million.



Price Changes of 4-7 Story Apartment Building:



Keep Up to Date

The construction industry has yet to settle back into predictable and steady cycles. Most sources project that it can take up to two years post-disruption for supply chains to normalize, but new and different disruptions are continuing to occur around the world. All said, it seems we will be living in an unstable market for quite some time. In those conditions, it's imperative to keep your cost estimating data up to date.

That's why Gordian releases quarterly updates to localized RSMeans data. Available in [costbooks](#) and automatically uploaded to [RSMeans Data Online](#), quarterly updates help you ensure your estimates are solid amid a shaky industry.



RSMeans Data Online

America's Most Advanced
Estimating Platform

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About Gordian

Gordian is the leader in facility and construction cost data, software and services for all phases of the building lifecycle. A pioneer of Job Order Contracting, Gordian's solutions also include proprietary RSMeans data construction costs and Facility Intelligence Solutions. From planning to design, to procurement, construction and operations, Gordian's solutions help clients maximize efficiency, optimize cost savings and increase building quality.

2022 Cost Changes Webinar, Part 2

FAQs from the 2022 Construction



By Gordian

Every January, members of our expert data team present updates to the RSMeans dataset to construction industry professionals via our [Construction Cost Changes Webinar](#). And each year, amid the discussion of material cost changes and market analysis, we receive hundreds of written questions from attendees.

While we do our best to answer as many of these questions as possible in the live discussion, there are inevitably too many submissions to address during the live presentation. So we've gather some of the most frequently asked questions for the live session and asked our presenters to answer them here.

We previously published [seven FAQs with answers](#), which you can find here. As for today, here are six more FAQs from the 2022 Construction Cost Changes Webinar:

1. Is the supply chain looking better than last year? Are there any lingering cost impacts from supply chain issues?

Over the past two years, the construction industry has experienced the most widespread supply chain shortages in memorable history. Some of the more impactful challenges presented by the pandemic through that time were material and equipment shortages stemming from issues in manufacturing and distribution. Unfortunately, I have not heard that the supply chain is significantly better this year as compared to the last two, which means we will likely continue to see cost increases from ongoing challenges. I have read that it may take upwards of two years for the supply chain to recover and return to normal operation. Whether that means two years from the peak of the pandemic or two years from its end remains to be seen.

2. How are rising fuel costs impacting the material and equipment prices?

Rising fuel costs show their impact in a variety of ways across construction projects. Where materials are concerned, any petroleum-based materials (like thermoplastics) will see increased prices. Additionally, transportation/delivery surcharges will increase the marginal cost of material usage as fuel costs increase. On the equipment side, increased fuel prices drive up hourly equipment costs through increases to both transportation/delivery charges and operating costs.

[Click here to watch the full 2022 Construction Cost Changes webinar and hear how the prices of specific materials have risen or fallen over the past year, plus gain insight into how the construction industry market might shift in 2022.](#)

3. Some common construction materials are still experiencing price spikes. Can [RSMMeans data](#) help me find comparable alternatives to those materials?

RSMMeans Data Online doesn't automatically find or recommend alternative material choices – finding comparable alternatives is really the role for the architect, engineer, owner and contractor. However, when discussions about alternative materials or value engineering are being held, RSMMeans data products will provide cost information to allow for a better-informed decision.

One particular area of interest for owners or designers may be the use of green construction materials as an alternative to traditional construction materials. In that case, RSMMeans data has a green construction dataset available in both cost books and RSMMeans Data Online. Green materials in RSMMeans Data Online can be identified by a green leaf next to the line item description.

4. I don't see a material that I use often in the RSMMeans database, is there a way to request a new material or create my own line item for it?

If there's a commonly used material that you can't find in RSMMeans data, please contact our Customer Service team with the item information. They'll pass your request along to our data engineers, who will then research the material, labor and equipment costs associated with it. If our data team determines the material is appropriate and applicable to the construction industry at large, it will be added to the RSMMeans database.

In the meantime, our CostWorks CDs and RSMMeans Data Online platform both have a procedure for creating custom line items. By creating a custom item, you can enter the description and price of a particular task or material and have it on hand for any future estimates you create. If you haven't created a custom line item before, our Customer Success team can show you how to perform that procedure.

5. I've heard that some people are adding contingency clauses into their estimates to account for the fluctuating market. Have you seen that, too?

Yes, and this is recommended practice, as contingencies are intended to account for the unknown. This is especially helpful if the design is not complete. In such a case, the unknown is in the project design, and a contingency is an appropriate control. From the owner's standpoint, if the unknown is in the fluctuating market, then a contingency is a safety net.

Looking at it from the contractor's standpoint, however, contingencies can present a risk of losing the work to a lower bidder. Because market fluctuations can go both ways, a contingency could be a detriment to contractors.

6. Is it advisable to add a percentage mark-up to the total estimate cost to try and capture some level of fluctuation of materials between when the estimate is created and when the work actually happens?

Yes. Estimators call this estimating to the mid-point of construction. This is a good practice prior to actual bidding. But once the project has gone out to bid, it is a risk. Increasing the bid cost can often lead to losing the work to a lower bidder.