



City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMISSION MEMORANDUM

TO: Honorable Mayor Dan Gelber and Members of the City Commission

FROM: Alina T. Hudak, City Manager

DATE: October 13, 2021

SUBJECT: **A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, APPROVING AND AUTHORIZING THE CITY MANAGER TO EXECUTE AMENDMENT NO. 1 TO THE LEASE AGREEMENT DATED AUGUST 9, 2017 BETWEEN THE CITY (LANDLORD) AND SOBE TOSCANA, LLC, (TENANT) FOR THE USE OF APPROXIMATELY 2,216 SQUARE FEET OF CITY OWNED UNIMPROVED LAND, LOCATED AT 22 WASHINGTON AVENUE, MIAMI BEACH, FLORIDA, CURRENTLY USED AS AN OUTDOOR SEATING AREA FOR ADJACENT EXISTING RESTAURANT LOCATED AT 816 COMMERCE STREET; SAID AMENDMENT APPROVING THE FIRST AND FINAL RENEWAL TERM OF FOUR YEARS AND NINE MONTHS, AT THE CITY'S SOLE DISCRETION AND FURTHER MODIFYING THE TERMINATION FOR CONVENIENCE PROVISION.**

BACKGROUND

The City and Sobe Toscana, LLC (Tenant) are parties to a lease agreement, dated August 9, 2017 (Lease), pursuant to Resolution 2017-29941, involving the use of approximately 2,216 square feet of City owned land, located at 22 Washington Avenue, Miami Beach, Florida (Demised Premises). The Demised Premises is adjacent to an existing restaurant leased by the Tenant with a private landlord, located at 816 Commerce Street (Restaurant), which is currently used as an outdoor seating area for Sobe Toscana, LLC. The term of the Lease is ancillary to the Tenant's use of the Restaurant. The Restaurant accommodates approximately 125 people and the Demised Premises accommodates outdoor seating for an additional 85 people. In 2020, the Tenant amended their lease to incorporate and expand their interior seating to the second floor of the Restaurant, as well as extend their lease through 2040 with the private landlord. The Lease between the Tenant and the City is set to expire July 31, 2022.

ANALYSIS

Sobe Toscana, LLC has expressed their desire to exercise the first renewal option at an earlier date, commencing on August 1, 2022 and ending on May 31, 2027 (Renewal Term). The early Renewal Term would require amending the lease as it exceeds the maximum "Notice to Landlord" of 180 days stipulated in the Lease. In addition, given their expansion of the restaurant operation, the Tenant has expressed concerns regarding the Termination for Convenience clause on the Lease and has requested for the modification of this provision. Upon further review, due to the Demised Premises' limitations on size and location, the termination clause may be amended to include prior approval of the Mayor and City Commission.

Pursuant to the Lease, the Renewal Rent may be based upon a percentage of gross receipts or may continue to be assessed as a fixed annual rent, based upon the fair market rent at the time; and subject to annual escalations by three percent (3%). However, at no time will the Base Rent during the Renewal Term be less than the rent for the previous lease year plus the three percent (3%) escalation. The City conducted an appraisal for the subject site on September 18, 2021 (Exhibit C). The appraisal determined the Market Rent to be at \$26.50 per square foot (PSF).

The proposed Base Rent schedule for the Renewal Term is illustrated in the following chart:

Months of Term	PSF	Monthly Base Rent	Base Rent Priod
August 1, 2022 -July 31, 2023	\$ 26.50	\$ 4,893.67	\$ 58,724.00
August 1, 2023 -July 31, 2024	\$ 27.30	\$ 5,040.48	\$ 60,485.72
August 1, 2024 -July 31, 2025	\$ 28.11	\$ 5,191.69	\$ 62,300.29
August 1, 2025 -July 31, 2026	\$ 28.96	\$ 5,347.44	\$ 64,169.30
August 1, 2026 -May 31, 2027	\$ 29.83	\$ 5,507.86	\$ 66,094.38

The Demised Premises is best suited as a complimentary seating area for the Restaurant at 816 Commerce Street due to its location, limited size and shape. It is unlikely the City would generate any other revenue from the Demised Premises other than its current use as a seating area. Accordingly, the Administration recommends executing a Renewal Term of the lease to extend the term for four (4) years and nine (9) months, commencing on August 1, 2022 and ending on May 31, 2027; and modifying the Termination for Convenience provision.

CONCLUSION

Based upon the foregoing, the Administration recommends that the Mayor and City Commission adopt the Resolution approving and authorizing the Mayor and City Clerk to execute Amendment No. 1 to the Agreement; said Amendment approving the Renewal Term and further modifying the Termination for Convenience clause.

Attachments

Exhibit "A" - Amendment No.1
Exhibit "B" – Site Plan
Exhibit "C" – Appraisal
Resolution