



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 CHAIRPERSON AND MEMBERS OF THE MIAMI BEACH REDEVELOPMENT AGENCY (RDA), APPROVING AND AUTHORIZING THE EXECUTIVE DIRECTOR AND SECRETARY TO EXECUTE AMENDMENT NO. 1 TO THE LEASE, DATED OCTOBER 2, 2012, BETWEEN THE RDA (LANDLORD) AND MR. R SPORTS, INC. (TENANT) FOR USE OF APPROXIMATELY 2,884 SQUARE FEET OF RETAIL SPACE AT THE ANCHOR SHOPS, LOCATED AT 100 16TH STREET, SUITES 1-4; SAID AMENDMENT REDUCING THE MINIMUM RENT PAYMENT FOR THE FINAL LEASE YEAR, TO ADDRESS THE IMPACT OF THE COVID-19 PANDEMIC UPON TENANT'S OPERATIONS; AND FURTHER APPROVING AND AUTHORIZING THE EXECUTIVE DIRECTOR AND SECRETARY TO EXECUTE A CONDITIONAL LEASE TERMINATION AGREEMENT.**

BACKGROUND

The Miami Beach Redevelopment Agency (RDA) (Landlord) and Mr. R Sports, Inc. (Tenant) are parties to a Lease Agreement, pursuant to Resolution No. 584-2012 dated October 2, 2012, (Agreement) for approximately 2,884 square feet of retail space located on the ground floor of the Anchor Shops Garage at 100-16 Street, Units 1-4, Miami Beach, FL. The Agreement's initial term was for three (3) years commencing on October 1, 2012 and ending on September 30, 2015 with two (2) options of three (3) years and 364 days. On October 1, 2015 the first renewal option was exercised commencing on October 1, 2015 and ending on September 30, 2018. On April 30, 2018, the second renewal option was exercised commencing on October 2, 2018 and ending on October 31, 2022, the current term ("Final Lease Year").

The Tenant has been in distress for over two years due to loss of brand name merchandise, increased internet sales competition and oversaturation of sports stores in the immediate market area. Due to the COVID-19 pandemic, the Tenant suffered further significant loss of revenue due to store closures to comply with City and County curfews; and mainly the loss of tourism, which is the store's main customer base. Since reopening the store in June 2020, the Tenant has not reached a sustained level in sales and is not able to meet current rent obligations. The Tenant has expressed a desire to continue operating the store until the lease expires on October 31, 2022 but has requested amending the rent obligations to a percentage of gross sales retroactive to October 2020.

ANALYSIS

Since October 1, 2020, the Tenant has not been able to meet the rent obligations under the current Agreement and has only made partial payments. The Administration has reviewed the Tenant's sales and has determined the sales to rent ratio is below an average threshold to sustain the current rents. Therefore, the Administration is proposing to enter into a Conditional Termination Agreement with the Tenant. The Conditional Termination Agreement will allow for the Landlord to market the space while the Tenant continues to occupy and operate under an amended lease. Once a replacement Tenant has been vetted and secured, the Landlord would have the right to terminate the existing lease by providing the current Tenant with a 60-day termination notice. The Conditional Termination Agreement would be in the best interest of both the Tenant and Landlord. The Tenant will continue to operate, and the Landlord will continue to generate some level of revenue while having the legal right to actively market the space to a prospective tenant who can meet current market rent.

Below is the proposed rent structure for the Conditional Termination Agreement, which illustrates the net impact from current lease obligated rents to the proposed percentage of sales at seven percent (7%) ("Partial Rent Abatement Period"). Please note, the sales from September 2021 through January 2022 are projected sales (these will vary). In addition, Tenant will also continue to pay Common Area Maintenance (CAM) expenses in accordance with the Lease. The Tenant's current monthly base rent and CAM are \$9,162.97/month and \$1,917.86/month, respectively. Although there would be some revenues collected over this period, there will be an -\$83,817.21 (negative) impact to the RDA projected revenues for the 2021 fiscal year. However, if the Landlord does not provide this financial assistance, it will drive the Tenant to go dark and the negative financial impact would be almost twice the amount (-\$167,634.41).

			Proposed		
Month	Monthly Sales	Current Rent	7% of Sales	CAM	Net Reduction
Oct-20	\$ 26,589.00	\$ 9,162.97	\$ 1,861.23	\$ 1,917.86	\$ 5,383.88
Nov-20	\$ 16,140.00	\$ 9,162.97	\$ 1,129.80	\$ 1,917.86	\$ 6,115.31
Dec-20	\$ 23,134.00	\$ 9,162.97	\$ 1,619.38	\$ 1,917.86	\$ 5,625.73
Jan-21	\$ 29,071.00	\$ 9,162.97	\$ 2,034.97	\$ 1,917.86	\$ 5,210.14
Feb-21	\$ 25,564.00	\$ 9,162.97	\$ 1,789.48	\$ 1,917.86	\$ 5,455.63
Mar-21	\$ 41,664.00	\$ 9,162.97	\$ 2,916.48	\$ 1,917.86	\$ 4,328.63
Apr-21	\$ 41,750.00	\$ 9,162.97	\$ 2,922.50	\$ 1,917.86	\$ 4,322.61
May-21	\$ 32,810.52	\$ 9,162.97	\$ 2,296.74	\$ 1,917.86	\$ 4,948.37
Jun-21	\$ 28,755.34	\$ 9,162.97	\$ 2,012.87	\$ 1,917.86	\$ 5,232.24
Jul-21	\$ 27,402.09	\$ 9,162.97	\$ 1,918.15	\$ 1,917.86	\$ 5,326.96
Aug-21	\$ 27,607.36	\$ 9,162.97	\$ 1,932.52	\$ 1,917.86	\$ 5,312.59
Sep-21	\$ 30,000.00	\$ 9,162.97	\$ 2,100.00	\$ 1,917.86	\$ 5,145.11
Oct-21	\$ 30,000.00	\$ 9,437.86	\$ 2,100.00	\$ 1,917.86	\$ 5,420.00
Nov-21	\$ 30,000.00	\$ 9,347.86	\$ 2,100.00	\$ 1,917.86	\$ 5,330.00
Dec-21	\$ 30,000.00	\$ 9,347.86	\$ 2,100.00	\$ 1,917.86	\$ 5,330.00
Jan-22	\$ 30,000.00	\$ 9,347.86	\$ 2,100.00	\$ 1,917.86	\$ 5,330.00
		\$147,437.08	\$ 32,934.11	\$ 30,685.76	\$ (83,817.21)
* Shaded Area = Projected Sales					

FINANCE AND ECONOMIC RESILIENCY COMMITTEE

At the September 24, 2021, Finance and Economic Resiliency Committee (FERC) meeting, the Administration presented the foregoing modifications to the Lease and the inclusion of a Conditional Termination Agreement. The Committee discussed the terms and recommended in favor of approving an Amendment to the Lease.

CONCLUSION

Based upon the foregoing, the Executive Director hereby recommends that the Chairperson and Members of the Miami Beach Redevelopment Agency (RDA) approve and authorize the Chairperson and Secretary to execute Amendment No. 1 to the Lease between the RDA (Landlord) and Mr. R Sports, Inc. (Tenant) replacing the Minimum Rent for the Final Lease Year; and further, execute a Conditional Termination Agreement with the Tenant.

Exhibits:

Exhibit A	Amendment No. 1
Exhibit B	Conditional Termination Agreement
Resolution	