

MIAMIBEACH

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REDEVELOPMENT AGENCY MEMORANDUM

TO: Chairperson and Members of the Miami Beach Redevelopment Agency

FROM: Alina T. Hudak, City Manager

DATE: July 20, 2022

SUBJECT: **A RESOLUTION OF THE CHAIRPERSON AND MEMBERS OF THE MIAMI BEACH REDEVELOPMENT AGENCY (RDA), ACCEPTING THE RECOMMENDATION OF THE CITY'S FINANCE AND CITYWIDE PROJECTS COMMITTEE, AND APPROVING, IN SUBSTANTIAL FORM, A LEASE AGREEMENT BETWEEN THE RDA (LANDLORD) AND OPEN VISION ONE, LLC (TENANT), FOR USE OF APPROXIMATELY 4,236 SQUARE FEET OF GROUND FLOOR RETAIL SPACE AT THE ANCHOR SHOPS AND GARAGE, AS A FINE DINING RESTAURANT, LOCATED AT 1560 COLLINS AVE, SUITE NOS. 3-4 (PREMISES), FOR A TERM OF NINE (9) YEARS AND THREE-HUNDRED AND SIXTY-TWO (362) DAYS; AND FURTHER AUTHORIZING THE EXECUTIVE DIRECTOR AND SECRETARY TO EXECUTE THE FINAL LEASE AGREEMENT.**

BACKGROUND

The Miami Beach Redevelopment Agency (the "RDA") and Cadiac, Inc. ("Former Tenant") were parties to a retail lease dated June 11, 1998, for 4,236 square feet of retail space, located at 1560 Collins Avenue, Suites 3-4, Miami Beach, Florida 33139 (the "Premises"). The lease was most recently renewed on October 1, 2019 and extended through September 29, 2023. Cadiac, Inc. breached its lease by failing to remit rent payments and was served with a Notice of Termination of Tenancy wherein the RDA requested payment of rent or termination of the tenancy as of July 31, 2021.

The City, on behalf of the RDA, began marketing the space for lease in August 2021 through the services of City-approved brokerage firm, CBRE. In order to obtain current and accurate market rental data, the City relied upon a recently procured certified appraisal by Cushman & Wakefield, which provided a Market Rent Analysis, dated November 2, 2020 which is attached hereto as Exhibit A (Market Rent Analysis). As contained in the Analysis, the current market rent for comparable space is \$75.00 per square foot, on a triple net (**NNN**) basis.

The Administration identified the following three (3) primary leasing objectives in procuring a new Tenant for the Premises: 1) a Tenant which would provide a positive impact on the Anchor Shops property for the local market, as well the variety of upscale hotels along Collins Avenue (i.e. Lowe's, etc.); 2) a Tenant with a successful track record and a high likelihood of being successful at the Premises and; 3) a lease agreement which includes terms and conditions providing the greatest financial return to the **City**.

After negotiations, the prospective Tenant executed a Letter of Intent (LOI), attached hereto as **Exhibit B**, containing the basic terms and conditions outlined below.

Landlord: Miami Beach Redevelopment Agency (RDA)

Tenant: Entity name: Open Vision One LLC, a Florida limited liability company

Premises: +/- 4,236 square foot Premises located at 1560 Collins Ave, Suites 3 - 4, Miami Beach, FL 33139

In the event, the Tenant desires to use the outdoor exterior area adjacent to a portion of the Interior Premises, Tenant shall be required to execute a Concession Agreement and the square footage allowable shall be subject to approval by the Executive Director, as well as all other required governmental approvals. The additional square footage shall be subject to the current base rent rate, operating expenses and applicable sales tax for the year implemented.

Term: Nine (9) years and Three-Hundred Sixty-Two (362) days

Renewal Options: None

Lease Commencement: The Lease Commencement Date will be date Landlord delivers the Premises to Tenant.

Rent Commencement: The Rent Commencement Date will be: 1) the earlier of one hundred and eighty (180) days from Lease Commencement Date; or 2) the date any portion of the Premises opens for business.

Base Rental Rate: \$75.00 per rentable square foot, plus applicable sales tax

Annual Rent Increases: The base rental rate shall be increased by three percent (3%) annually.

Lease Basis: Tenant shall pay its pro rata share of Real Property Taxes, Property Insurance and Common Area Maintenance for the Project. Tenant's pro rata share shall be determined based upon the ratio of Tenant's floor area to the total floor area of all the retail space in the project (to be further clarified in the Lease). Current estimate for NNN Costs are \$14.00 per square foot.

Prepaid Rent: Tenant shall be required to pay the first month's gross rent in the amount of \$33,459.11 which shall be due upon lease execution.

Percentage Rent: Six percent (6%) over the Natural Breakpoint of \$5,295,000 for year one and resets again each subsequent Lease Year, based upon the Base Rent for each subsequent Lease Year. Natural Breakpoint means the Annual Base Rent for the Lease Year divided by six percent (6%).

Security Deposit: The amount of \$66,918.22 (subject to Landlord's review of Tenant's financials and credit report) shall be due upon execution of the Lease documents, in addition to first month's rent.

Guarantor: Full personal guaranty shall be required by all owners and spouses.

Financial Statements: This proposal is subject to Landlord's review and approval of Tenant's financial statements.

Utilities: Tenant shall be responsible for the cost of its utilities (electricity, trash removal, and water and sewer expenses)

Construction Allowance: Tenant shall accept the premises in "**AS-IS**" condition and shall perform any necessary work at its sole cost and expense, including the installation of DERM-approved grease traps.

Signage: Tenant shall have the ability to install exterior signage above its space, subject to the approval of Landlord in its proprietary and regulatory capacities.

Use: Tenant shall use the Leased Premises solely for the purpose of a high-end, fine dining restaurant and for no other use or purpose. Tenant shall be allowed to sell liquor for on-premises consumption so long as Tenant obtains all the necessary licenses and approvals from the governing municipalities. The permitted uses, as primary businesses, at the Premises shall not include a cocktail lounge or a theme that is primarily Cuban or Latin Food.

Agency Disclosure: Danny Diaz with CBRE, INC. represents the Landlord and Michael Litsky / Ombretta Mancini with Keyes Commercial shall represent the Tenant in this transaction. Landlord shall pay a commission to CBRE in accordance with the Listing Agreement.

Conditions: The terms and conditions of the letter of intent are subject to approval by the Miami Beach Redevelopment Agency. The Letter of Intent is non-binding upon either party, and may be modified or withdrawn by the Landlord, without notice, at any time. Only a fully executed and delivered Lease Agreement, which shall be negotiated in good faith by both parties, shall serve as a binding agreement in this regard.

As contained in said Letter of Intent, the Base Rental Rate is \$75.00 per square foot, with three percent (3%) annual increases. The Operating Expenses for the Anchor Shops

building are estimated at \$14.00 per square foot for 2022. The schedule of Base Rent and Operating Expenses due over the initial term are illustrated in the following chart:

Square Feet:	4,236								
Rent PSF:	\$75.00								
Increases:	3%								
CAM:	\$14.00								
		PSF	Annual	Monthly	PSF	Est. Annual	Est. Monthly	Monthly Base	Annual Base Rent&
		Base Rent	Base Rent	Base Rent	Operating	Operating	Operating	QR,ExB.	QR,ExB.
					Expenses	Expenses	Expenses		
Year									
1		\$75.00	\$317,700.00	\$26,475.00	\$14.00	\$59,304.00	\$4,942.00	\$31,417.00	\$377,004.00
2		\$77.25	\$327,231.00	\$27,269.25	\$14.42	\$61,083.12	\$5,090.26	\$32,359.51	\$388,314.12
3		\$79.57	\$337,047.93	\$28,087.33	\$14.85	\$62,915.61	\$5,242.97	\$33,330.30	\$399,963.54
4		\$81.95	\$347,159.37	\$28,929.95	\$15.30	\$64,803.08	\$5,400.26	\$34,330.20	\$411,962.45
5		\$84.41	\$357,574.15	\$29,797.85	\$15.76	\$66,747.17	\$5,562.26	\$35,360.11	\$424,321.32
6		\$86.95	\$368,301.37	\$30,691.78	\$16.23	\$68,749.59	\$5,729.13	\$36,420.91	\$437,050.96
7		\$89.55	\$379,350.41	\$31,612.53	\$16.72	\$70,812.08	\$5,901.01	\$37,513.54	\$450,162.49
8		\$92.24	\$390,730.93	\$32,560.91	\$17.22	\$72,936.44	\$6,078.04	\$38,638.95	\$463,667.37
9		\$95.01	\$402,452.85	\$33,537.74	\$17.73	\$75,124.53	\$6,260.38	\$39,798.12	\$477,577.39
10		\$97.86	\$411,119.37	\$34,259.95	\$18.27	\$77,378.27	\$6,448.19	\$40,708.14	\$488,497.64
		TOTAL	\$3,638,667.39			\$679,853.90			\$4,318,521.29

The Leasing Brokerage Commission shall be in accordance with the City-approved Brokerage Agreement: four percent (4%) of the Base Rent, payable to the Broker in two payments, fifty percent (50%) upon lease execution and fifty percent (50%) upon occupancy of the premises by Tenant and rent commencement. In the event Tenant is represented by a broker, Consultant shall be paid three percent (3%) of the Base Rent, and Tenant's broker shall be paid three percent (3%) of the Base Rent.

Tenant is represented by Keyes Commercial, which shall be paid their share of the leasing commission, in accordance with a separate commission agreement. The leasing commission shall be equal to three percent (3%) of the aggregate Annual Base Rent over the initial term of the lease. Accordingly, CBRE shall be paid a Leasing Brokerage Commission in accordance with the above terms and as detailed below:

\$1,686,712.45 (Term (5Y)) x 6% = \$101,202.75. (\$50,601.37 total paid in FY 2022 and \$50,601.37 total paid in FY 2023)

ANALYSIS

Under the previous Lease for this space, the Former Tenant was paying a total rent of \$375,952.68 annually (including operating expenses) during the final lease year. The Lease was subject to three percent annual increases during its term. The proposed lease provides for a base rental rate of \$75.00 per square foot, plus estimated operating expenses of \$14.00 per square foot or \$377,004 annually. The base rent will be increased

by three percent (3%) annually. The proposed rent structure over the nine-year term will bring the City an estimated \$4.3M over the term of the lease. It is also crucial to note that Tenant will be making a large investment with a floor-to-ceiling redesign of the Premises (**Exhibit D**) as they convert a formal retail space to a new, fine-dining venue at Tenant's expense. The Rent Commencement Date will be effective the earlier of 1) 180 days from the Lease Commencement Date or 2) the date any portion of the Premises opens for business to allow Tenant time to secure permits and build-out their space. Open Vision One, LLC will be bringing Chef Soumen Banerjee who has most recently been the Director of Culinary Development for Carnival Cruise Lines for over 23 years (**Exhibit C**).

Finance and Economic Resiliency Committee (FERC) Recommendation

This item was discussed at the May 27, 2022 Finance and Economic Resiliency Committee (FERC) meeting. The Committee recommended in favor of approving a new lease with Open Vision One, LLC containing the terms and conditions outlined above.

Fiscal Impact

The proposed lease represents a fiscal impact of \$101,202.75, to be paid in two installments \$50,601.37 total paid in FY 2022 and \$50,601.37 total paid in FY 2023.

Funding for this necessary service fee has been appropriated in the following account:
011-0534-000312

CONCLUSION

The Administration recommends the Chairperson and Members of the Miami Beach Redevelopment Agency accept the recommendation from the Finance and Economic Resiliency Committee, approving a new lease agreement with Open Vision One, LLC to bring a fine dining restaurant to the Anchor Shops and Garage.

Exhibits:

Resolution

- A - Market Rent Analysis – Cushman & Wakefield
- B - CBRE – Letter of Intent (LOI)
- C - Chef Soumen Banerjee
- D - Interior Design Concept
- E - Lease Agreement in Substantial Form