



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

COMMITTEE MEMORANDUM

TO: Honorable Chair and Members of the Finance and Economic Resiliency Committee

FROM: Alina T. Hudak, City Manager

DATE: July 29, 2022

SUBJECT: **A DISCUSSION OF A PROPOSED LEASE AGREEMENT BETWEEN THE MIAMI BEACH REDEVELOPMENT AGENCY, A PUBLIC BODY CORPORATE AND POLITIC (RDA), (LANDLORD) AND UNIQUE BRAZILIAN JEWELRY (TENANT), FOR APPROXIMATELY 721 SQUARE FEET OF GROUND FLOOR RETAIL SPACE AT THE ANCHOR SHOPS AND GARAGE, LOCATED AT 100 16 STREET, SUITES NO. 5, MIAMI BEACH, FLORIDA (PREMISES), FOR A PERIOD OF NINE (9) YEARS AND THREE-HUNDRED AND SIXTY-TWO (362) DAYS.**

BACKGROUND

The Miami Beach Redevelopment Agency (Landlord or RDA) and Cruise & Tours Center, LLC d/b/a Admiral Cruise & Transportation (Tenant) were parties to a lease agreement for 100 16th Street, Suite 5 (the Premises), dated December 5, 2019. The lease term was for a period of five (5) years and set to expire on December 4, 2024 (the Agreement). However, due to the COVID 19 pandemic the Tenant requested an early termination of the Agreement. Consequently, on April 26, 2021, the Landlord and Tenant executed a termination of the Agreement. Since that time, the Premises has remained vacant.

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. CBRE contacted City staff to express interest in leasing the space on behalf of Unique Brazilian Jewelry.

According to market study conducted in July 2022, (Exhibit C), the current lease rate for comparable space ranges between \$45.00 to \$55.00 per square foot (PSF) 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 at the Anchor Shops property for the local market, as well as 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/or a Tenant with a promising and unique concept that will enhance the property and be attractive to the customer base and; 3) a lease agreement which

includes terms and conditions providing the greatest financial return to the City. **Unique Brazilian Jewelry is a company specializing in high-end fashion jewelry with stores in Tallahassee and Orlando. The Company desires to open another store in Miami Beach at the Anchor Shops.**

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

Landlord: Miami Beach Redevelopment Agency (RDA)

Tenant: Entity name: TBD DBA: **Unique Brazilian Jewelry**

Premises: +/- 721 square foot Premises located at 100 16 Street, Suite 5, Miami Beach, FL 33139

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

Renewal Options: None

Lease Commencement: The Lease Commencement and Tender 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 twenty (120) days from Tender Date; or 2) the date any portion of the Premises opens for business.

Base Rental Rate: \$55.00 per rentable square foot, plus applicable sales tax

Rent Abatement: During the first two (2) months of the lease (Abatement Period) Tenant shall be permitted to pay none of the monthly Minimum Base Rent in the amount of \$3,304.58 that otherwise would be due. Tenant shall be required to pay all Additional Rent and Sales Tax during this abatement period.

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 Landlord's Parcel (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 \$4,415.22 which shall be due upon lease execution.

Security Deposit: The amount of \$8,291.50 (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.

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 fashion jewelry store so long as Tenant obtains all the necessary licenses and approvals from the governing municipalities.

Agency Disclosure: Danny Diaz with CBRE, INC. represents the Landlord and Julian Cano / Avenue Real Estate Partners, LLC shall represent the Tenant in this transaction. Landlord shall pay a commission to CBRE, INC., 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 \$55.00 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:	721						
Base Rent:	\$55						
Annual Increases:	3%						
				PSF	Monthly	Annual	Total
	PSF	Monthly	Annual	Operating	Operating	Operating	Base Rent
Year	Base Rent	Base Rent	Base Rent	Expenses	Expenses	Expenses	& OEX
1	\$55.00	\$3,304.58	\$39,655.00	\$14.00	\$841.17	\$10,094.00	\$49,749.00
2	\$56.65	\$3,403.72	\$40,844.65	\$14.00	\$841.17	\$10,094.00	\$50,938.65
3	\$58.35	\$3,505.83	\$42,069.99	\$14.00	\$841.17	\$10,094.00	\$52,163.99
4	\$60.10	\$3,611.01	\$43,332.09	\$14.00	\$841.17	\$10,094.00	\$53,426.09
5	\$61.90	\$3,719.34	\$44,632.05	\$14.00	\$841.17	\$10,094.00	\$54,726.05
6	\$63.76	\$3,830.92	\$45,971.01	\$14.00	\$841.17	\$10,094.00	\$56,065.01
7	\$65.67	\$3,945.85	\$47,350.14	\$14.00	\$841.17	\$10,094.00	\$57,444.14
8	\$67.64	\$4,064.22	\$48,770.65	\$14.00	\$841.17	\$10,094.00	\$58,864.65
9	\$69.67	\$4,186.15	\$50,233.77	\$14.00	\$841.17	\$10,094.00	\$60,327.77
10	\$71.76	\$4,311.73	\$51,740.78	\$14.00	\$841.17	\$10,094.00	\$61,834.78
			\$454,600			\$100,940	\$555,540

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 illustrated in the following chart:

Commission Calculation		
Aggregate Base Rent	Rate	Commission
\$454,600.13	4.00%	\$18,184.01

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 Avenue Real Estate Partners, LLC, 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:

\$454,600.13 (Term) x 6% = \$27,276.01 (\$13,638.00 total paid in FY 2022 and \$13,638.00 total paid in FY 2023)

ANALYSIS

The proposed lease provides for a base rental rate of \$55.00 per square foot, plus estimated operating expenses of \$14.00 per square foot or \$39,655.00 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 \$450,000.00 over the term of the lease. The rent commencement will be effective 120 days after Landlord delivers the Premises to the Tenant to allow Tenant time to secure permits and build-out their space.

CONCLUSION

The Administration recommends the Finance and Economic Resiliency Committee approve in favor of presenting this item before City Commission for a new lease agreement with unique Brazilian Jewelry to bring a high-end jewelry store to Anchor Garage. In accordance with the above essential terms and conditions of the proposed Lease Agreement, the Lease would provide 1) competitive rental rate and favorable lease terms and; 2) Tenant's acceptance of the premises in "as-is" condition are comparable to current market trends.

Exhibits:

- A - CBRE – Letter of Intent (LOI)
- B - Store Design
- C - CBRE Market Study