



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: September 30, 2022

SUBJECT: **A DISCUSSION OF A PROPOSED LEASE AGREEMENT BETWEEN THE MIAMI BEACH REDEVELOPMENT AGENCY, A PUBLIC BODY CORPORATE AND POLITIC (RDA), (LANDLORD) AND SPORTS ACTION (TENANT), FOR APPROXIMATELY 2,884 SQUARE FEET OF GROUND FLOOR RETAIL SPACE AT THE ANCHOR SHOPS AND GARAGE, LOCATED AT 100 16 STREET, SUITES NOS. 1-4, MIAMI BEACH, FLORIDA (PREMISES), FOR A TERM OF FIVE (5) YEARS AND AN ADDITIONAL FOUR (4) YEAR AND 364 DAYS RENEWAL OPTION, AT THE EXECUTIVE DIRECTOR'S DISCRETION.**

BACKGROUND

The Miami Beach Redevelopment Agency (Landlord or RDA) and Mr. R Sports, Inc. (Tenant) were parties to a lease agreement for 100 16th Street, Suites 1-4 (the Premises), dated October 2, 2012. The lease term was for a period of three (3) years, with two (2) options for three (3) years and 364 days, set to expire on October 31, 2022. On February 2, 2022, the Lease was amended due to declining sales and pursuant to Amendment No. 1 to the Lease Agreement, the Tenant also executed a Conditional Termination Agreement. Consequently, in March 2022, the City on behalf of the RDA, began marketing the space.

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. Sports Action, Inc. is a highly specialized and popular sports retailer in South Florida, which was founded in 1989. They currently own and operate three (3) other Sports Action stores, located in Brickell City Centre, Aventura Mall and Dolphin Mall. This local, regional tenant will bring the strength of buying power within the sports apparel industry and provide top brands with the latest styles to the Miami

Beach customer. The Company desires to open another store in Miami Beach at Anchor Shops and Garage.

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: Sports Action d/b/a TBD.

Premises: +/- 2,884 square foot Premises located at 100 16 Street, Suites Nos. 1-4, Miami Beach, FL 33139

Term: Five (5) years

Renewal Options: One Four (4) year Three-Hundred Sixty-Four (364) days, at then market rent, at the Executive Director's Discretion

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 the earlier of ninety (90) days from Tender Date; or 2) the date any portion of the Premises opens for business.

Base Rental Rate: \$50.00 per rentable square foot, plus applicable sales tax

Rent Abatement: N/A

Annual Rent Increases: The base rental rate shall be increased by three percent (3%) annually. Commencing on the 6th year, the rent shall be at market rate.

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 <u>\$15,381.12</u> which shall be due upon lease execution.
Percentage Rent:	Six (6%) percent over the natural breakpoint, which is \$2,403,333.33 for year one.
Security Deposit:	The amount of <u>\$30,762.24</u> (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 all utilities within the premises including (electricity, trash removal, and water and sewer expenses)
Signage:	Per Shopping Center's sign criteria and approval of all necessary Governmental agencies. 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 an athleisure wear and athletic shoe 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 Tenant shall represent themselves 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.

According to a market study conducted in July 2022, (Exhibit C), the current lease rate for comparable spaces range between \$45.00 to \$55.00 per square foot (PSF) on a triple net (NNN) basis.

As contained in said Letter of Intent, the Base Rental Rate is \$50.00 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 guaranteed Base Rent and Operating Expenses due over the initial term are illustrated in the following chart:

Rent and OEX Schedule									
Square Feet:	2884								
Rent PSF:	\$ 50.00								
Increase:	3%								
CAM:	\$ 14.00								
		PSF	Annual	Monthly	PSF	Est. Annual	Est. Monthly	Monthly	Annual
	Year	Base Rent	Base Rent	Base Rent	Operating Expenses	Operating Expenses	Operating Expenses	Base Rent and Op. Exp.	Base Rent and Op. Exp.
	1	\$ 50.00	\$ 144,200.00	\$ 12,016.67	\$ 14.00	\$ 40,376.00	\$ 3,364.67	\$ 15,381.33	\$ 184,576.00
	2	\$ 51.50	\$ 148,526.00	\$ 12,377.17	\$ 14.00	\$ 41,587.28	\$ 3,465.61	\$ 15,842.77	\$ 190,113.28
	3	\$ 53.05	\$ 152,981.78	\$ 12,748.48	\$ 14.00	\$ 42,834.90	\$ 3,569.57	\$ 16,318.06	\$ 195,816.68
	4	\$ 54.64	\$ 157,571.23	\$ 13,130.94	\$ 14.00	\$ 44,119.95	\$ 3,676.66	\$ 16,807.60	\$ 201,691.18
	5	\$ 56.28	\$ 162,298.37	\$ 13,524.86	\$ 14.00	\$ 45,443.54	\$ 3,786.96	\$ 17,311.83	\$ 207,741.91
	6	\$ 57.96	\$ 167,167.32	\$ 13,930.61	\$ 14.00	\$ 46,806.85	\$ 3,900.57	\$ 17,831.18	\$ 213,974.17
	7	\$ 59.70	\$ 172,182.34	\$ 14,348.53	\$ 14.00	\$ 48,211.06	\$ 4,017.59	\$ 18,366.12	\$ 220,393.40
	8	\$ 61.49	\$ 177,347.81	\$ 14,778.98	\$ 14.00	\$ 49,657.39	\$ 4,138.12	\$ 18,917.10	\$ 227,005.20
	9	\$ 63.33	\$ 182,668.25	\$ 15,222.35	\$ 14.00	\$ 51,147.11	\$ 4,262.26	\$ 19,484.61	\$ 233,815.35
	10	\$ 65.23	\$ 188,148.29	\$ 15,679.02	\$ 14.00	\$ 52,681.52	\$ 4,390.13	\$ 20,069.15	\$ 240,829.82
			\$ 1,653,091.40			\$ 462,865.59			\$ 2,115,956.99

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		
Aggregate Base Rent	Rate	Commission
\$ 765,577.38	4%	\$ 30,623.10

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 representing themselves in this transaction. Accordingly, CBRE shall be paid a Leasing Brokerage Commission in accordance with the above terms and as detailed below:

Initial Term: 5 Years (\$765,577.38 x 4% = \$30,623.10) to be disbursed in FY 2023

ANALYSIS

The proposed lease provides for a base rental rate of \$50.00 per square foot, plus estimated operating expenses of \$14.00 per square foot. The base rent will be increased by three percent (3%) annually. Commencing on year 6, on the first renewal term, the base rent shall be increased to the current market rent. The proposed rent structure over the nine year, three hundred- and sixty-four-day term will bring the City an estimated \$2,115,956.99 over the life of the lease. The rent commencement will be effective the earlier of ninety (90) days from Tender Date; or 2) the date any portion of the Premises opens for business.

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 Sports Action, Inc. to bring an athelisure and athletic shoe 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 accepts the premises in “as-is” condition. The Tenant will complete a full remodel of the space at their sole cost and expense to bring the current conditions to mirror their store prototype at other shopping centers.

Exhibits:

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