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: September 14, 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 UNIQUE BRAZILIAN JEWELRY (TENANT), FOR THE USE OF APPROXIMATELY 721 SQUARE FEET OF GROUND FLOOR RETAIL SPACE AT THE ANCHOR SHOPS AND GARAGE, LOCATED AT 100 16 STREET, SUITE NO. 5, MIAMI BEACH, FLORIDA (PREMISES), FOR A PERIOD OF NINE (9) YEARS AND THREE HUNDRED AND SIXTY- FOUR (364) DAYS; AND FURTHER AUTHORIZING THE EXECUTIVE DIRECTOR AND SECRETARY TO EXECUTE THE LEASE AGREEMENT.**

BACKGROUND

The City, on behalf of The Miami Beach Redevelopment Agency (Landlord or RDA) began marketing the vacant spaces within the Anchor Garage, located on 16th Street and Collins Avenue 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 a 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-Four (364) 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 the earlier of: 1) one hundred and twenty (120) days from the Commencement Date; or 2) the date any portion of the Premises opens for business.

Minimum Base Rent: $55.00 per rentable square foot, plus applicable sales Tax.

Rent Abatement: During the first two (2) months of the lease term (Abatement Period) Tenant will not be required to pay 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, including Operating Expenses and Sales Tax during this abatement period.

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

Operating Expenses: Tenant shall pay its pro rata share of Real Property Taxes, Property Insurance and Common Area Maintenance ("Operating Expenses") 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 Minimum Base Rent, Operating Expenses, plus Sales Tax 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 within the Premises.
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 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. 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,
payable to the Broker in two payments, fifty percent (50%) upon lease execution and fifty percent (50%) upon occupancy of the premises by Tenant. Lease commissions is illustrated in the following chart:

Commission Calculation		
Aggregate Base Rent	Rate	Commission
$454,600.13	6.00%	**$27,276.01**

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 total paid in FY 2023 in two installments of $13,638.00 each

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 $454,600.00 over the term of the lease, (Exhibit D). 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.

Finance and Economic Resiliency Committee (FERC) Recommendation

This item was discussed at the July 29, 2022 Finance and Economic Resiliency Committee (FERC) meeting. The Committee recommended in favor of approving a new lease with Unique Brazilian Jewelry containing the terms and conditions outlined above.

Fiscal Impact

The proposed lease represents a fiscal impact of $27,276.01, to be paid in two installments of $13,638 each in FY 2023.

Funding for this necessary service fee has been appropriated in the following account:
465-1995-00031

CONCLUSION

The Executive Director 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 Unique Brazilian Jewelry to bring a high-end fashion jewelry store to Anchor Garage.

Exhibits:

Resolution
A - CBRE – Letter of Intent (LOI)
B - Store Design Concept
C - CBRE Market Study
D - Lease Agreement in Substantial Form