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VIA E-MAIL

Mayor and Commission of the City of Miami Beach
1700 Convention Center Drive
Miami Beach, Florida 33139

Re: **Item C4 L of the Agenda for the October 26, 2022, City Commission Meeting
– “Referral to the Finance and Economic Resiliency Committee to Discuss the
Upcoming Expiration of the Nikki Beach Lease”**

Dear Mayor and Commissioners:

We represent Nikki Beach and its owners, Jack and Lucia Penrod. We noticed that item C4 L on tomorrow’s City Commission agenda is entitled “Referral to the Finance and Economic Resiliency Committee to Discuss the Upcoming Expiration of the Nikki Beach Lease.” While our lease with the City does not expire until November 6, 2025 – which is more than three (3) years from now – we are happy to discuss the future of the site with the City. Our clients are definitely planning to seek a renewal of their lease with the City, but the concept for the space will be refreshed and more consistent with the current demographic of the area.

The Penrod’s have been the ground lessee of the City property at 1st Street and Ocean Drive since November 7, 1985. When the lease term started, the South of Fifth area was deserted, crime-ridden and economically depressed. Representatives of the City literally sought out Jack Penrod at his Fort Lauderdale location and asked him to please open a venue on the City’s property. Even though it was a huge economic risk given the conditions of the area at the time, after considerable deliberation, Jack agreed to spend millions of dollars to lease the property at 1st and Ocean Drive and build a new structure and venue on the site. The new establishment, named “Penrod’s on the Beach” opened in December 8, 1988, and was a huge catalyst in the economic development of the South of Fifth area. The Penrod’s singlehandedly attracted thousands of patrons to the South of Fifth area, which was desperately in need of economic investment and attention.

Although the Penrod’s venue was the right establishment at the right time in 1988, the demographics of the South of Fifth area have changed over time. Similarly, the Penrods’ business model has also changed over time. In 1997, after the passing of Jack’s daughter, Nikki, the establishment was renamed “Nikki Beach” and a worldwide luxury brand was born. Today, there are Nikki Beach day clubs, restaurants and hotels all over the world, including St. Tropez, St. Barts, Montenegro, Cannes and many other jet-set locations. The company has more than 1,000 employees around the world, along with 12 beach clubs and 5 hotels and resorts.

Our clients have always focused on developing venues that reflect and embrace their surroundings. Therefore, even though our lease expiration is more than three (3) years away, we have already started meeting with key stakeholders in the South of Fifth neighborhood as we develop an updated concept for the site that reflects the area demographic. Compared to 1988 when we opened this establishment at 1st Street and Ocean Drive, the area has become much more upscale and much more resident-oriented over the years. Although the following concepts are still preliminary as we continue to perform due diligence, the following are some elements being considered for the new lease period.


- In response to the desires of our neighbors, we are exploring the conversion of a portion of our site to a members-only beach club catering to Miami Beach residents and especially to South of Fifth residents;
- Strong emphasis to be placed on an upscale culinary experience;
- Art and fashion shows;
- No late-night hours;
- Music at ambient levels;
- We will partner with the City and its emerging Art Deco Cultural District to bring cultural events to our site. For example, using the Penrod's connections to the Cannes Film Festival in the south of France, launch a satellite Cannes Film Fest in South Beach (similar to Art Basel (Switzerland) and its satellite Art Basel Miami Beach); and
- Assist with funding for possible new Miami Beach Police sub-station in South of Fifth area.

In addition to the above concepts, we fully expect that the City will order appraisals in connection with our lease renewal in order to get an up-to-date assessment of market rent.

We look forward to discussing these items with you and continuing our long-standing partnership with the City of Miami Beach. Thank you.

Sincerely,

Shutts & Bowen LLP



Alexander I. Tachmes

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