



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

COMMISSION MEMORANDUM

TO: Honorable Mayor Dan Gelber and Members of the City Commission

FROM: Alina T. Hudak, City Manager

DATE: October 13, 2021

SUBJECT: **A RESOLUTION OF THE CHAIRPERSON AND MEMBERS OF THE MIAMI BEACH REDEVELOPMENT AGENCY, A PUBLIC BODY CORPORATE AND POLITIC (RDA), APPROVING AND AUTHORIZING THE EXECUTIVE DIRECTOR AND SECRETARY TO EXECUTE AMENDMENT NO. 1 TO THE LEASE DATED DECEMBER 28, 2015, BETWEEN THE RDA (LANDLORD) AND CUBICHE 105, LLC (TENANT), FOR USE OF SUITES 1-3 OF THE ANCHOR SHOPS, LOCATED AT 1555 WASHINGTON AVENUE; SAID AMENDMENT MODIFYING THE FINANCIAL TERMS OF THE LEASE, FOR THE PERIOD COMMENCING ON JANUARY 1, 2021 AND ENDING ON MARCH 30, 2022, IN ORDER TO ADDRESS THE IMPACT THAT THE COVID-19 PANDEMIC HAS HAD UPON TENANT'S OPERATIONS.**

BACKGROUND

The Miami Beach Redevelopment Agency (RDA), (Landlord) and CUBICHE 105, LLC (Tenant) are parties to a lease agreement dated December 28, 2015 pursuant to Resolution No. 614-2015, for the retail spaces at the Anchor Shops, located at 1555 Washington Avenue, Suites Nos. 1-3, Miami Beach, Florida (Premises). The initial lease term is for nine (9) years and 364 days with two (2) renewal options of five (5) years each. The Tenant is a newly formed joint venture, comprised of the principles of two local restaurants, CVICHE 105 and Yuca, which offer Latin cuisine in a fine dining setting. The Tenant provides a positive impact overall on the Anchor Shops and Garage property, located on 16th Street between Collins and Washington Avenue area. The Tenant has historically had a successful track record with restaurants and possesses a high likelihood of being successful at the Premises.

Upon execution of the Lease, the Tenant began a renovation of the \$3 million project on the Premises that exceeded the expected completion date and which significantly delayed opening. Although the Premises remained closed and under construction for over two years, the Tenant met the monthly rental obligations. Consequently, the construction delays did not allow Cubiche 105 to open for operations until February 28, 2020. They were open and operating for two weeks, when shortly thereafter, in March 2020, the COVID-19 pandemic forced the Tenant to shut down operations. The restaurant remained closed until March 1, 2021.

The Tenant qualified for additional rent abatement for FY 2021 for the period of October through December 2020, pursuant to Resolution No. 2021-31702. However, despite efforts to re-open and remain operational, the Tenant suffered significant loss in revenue and has not been able to meet full rental obligations. During these first months of operations, the Tenant had been

impacted by limited operating hours due to COVID-19 restrictions and spring break. In addition, as with many restaurants in Miami Beach, the Tenant incurred unexpected payroll expenses as it faced challenges to retain cooks and servers due to employment shortages and higher labor costs than usual (up to double in some cases). Lastly, this Tenant was the only restaurant that was not able to secure additional café seating due to the added bike lane on Washington Avenue. Since then, they applied for and were granted the opportunity to operate a parklet extending outdoor dining to their restaurant as of August 2021. These factors all contributed to the Tenant exhausting their reserves and resources to sustain the monthly rent of over \$42,000 per month.

ANALYSIS

The Tenant continues to fully operate. Upon review of the Tenant’s monthly sales as of the reopening in 2021 (February-August 2021 Sales: \$968,222), the Tenant’s Occupancy Cost Ratio (a comparison of a tenant’s annual sales volume to its annual occupancy costs as a percentage, which includes rents and operating expenses), is 30%, the industry average is 10%. Accordingly, the Administration recommends amending the Tenant’s rental terms under the Lease by:

- 1) Completely abating Minimum Rent for the period of January and February 2021 (“Abatement Period”) in the amount of \$74,898.76.
- 2) Abating Minimum Rent for the period of March 2021 to March 30, 2022. (“Partial Rent Abatement Period”), in the amount of \$495,830.45 and replacing it with, Percentage Rent payment equal to 10% of the monthly Gross Sales.

During the Abatement Period and the Partial Rent Abatement Period, Tenant shall continue to pay the monthly Operating Expenses. It is projected that Tenant shall pay approximately \$133,644 in percentage rent for the Abatement periods. This represents a net impact of -\$362,185.60. The rental terms will resume to then current rent obligations as detailed in the schedule below commencing with (April 1, 2022) **year six (6) at \$69.56 per square foot**. This will allow the Tenant the ability to invest in marketing and promoting its restaurant, retain and level-off staffing at an affordable threshold, as well as recover from their \$3 million construction investment and overall COVID-19 impact.

As contained in the Lease, the Rental rate has a three percent (3%) annual increase. The Operating Expenses for the Anchor Shops building are estimated at \$3.00 per square foot. The schedule of Minimum Rent and Operating Expenses due over the initial ten (10) year term are illustrated in the following chart:

		Monthly	Annual	Monthly	Annual	Monthly	Annual	
	<u>Year</u>	<u>Rent</u>	<u>Rent</u>	<u>OPEX</u>	<u>OPEX</u>	<u>Rent & OPEX</u>	<u>Rent & OPEX</u>	<u>PSF</u>
2017	1	\$33,273.33	\$399,280.00	\$5,234.61	\$62,815.30	\$38,507.94	\$462,095.30	\$60.00
2018	2	\$34,271.53	\$411,258.40	\$5,234.61	\$62,815.30	\$39,506.14	\$474,073.70	\$61.80
2019	3	\$35,299.68	\$423,596.15	\$5,234.61	\$62,815.30	\$40,534.29	\$486,411.45	\$63.65
2020	4	\$36,358.67	\$436,304.04	\$5,234.61	\$62,815.30	\$41,593.28	\$499,119.34	\$65.56
2021	5	\$37,449.43	\$449,393.16	\$5,234.61	\$62,815.30	\$42,684.04	\$512,208.46	\$67.53
2022	6	\$38,572.91	\$462,874.95	\$5,234.61	\$62,815.30	\$43,807.52	\$525,690.25	\$69.56
2023	7	\$39,730.10	\$476,761.20	\$5,234.61	\$62,815.30	\$44,964.71	\$539,576.50	\$71.64
2024	8	\$40,922.00	\$491,064.04	\$5,234.61	\$62,815.30	\$46,156.61	\$553,879.34	\$73.79

2025	9	\$42,149.66	\$505,795.96	\$5,234.61	\$62,815.30	\$47,384.27	\$568,611.26	\$76.01
2026	10	\$43,414.15	\$520,969.84	\$5,234.61	\$62,815.30	\$48,648.76	\$583,785.14	\$78.29

FINANCE AND ECONOMIC RESILIENCY COMMITTEE

At the September 24, 2021, Finance and Economic Resiliency Committee (FERC) meeting, the Administration presented the foregoing modifications to the Lease. The Committee discussed the terms and recommended in favor of approving an Amendment to the lease agreement with Cubiche 105 LLC.

CONCLUSION

In consideration of the foregoing, the Executive Director recommends that the Chairperson and Members of the Miami Beach Redevelopment Agency; and approve and authorize the Chairperson and Members of the Miami Beach Redevelopment Agency (RDA) approve in the form attached hereto as Attachment "A", Amendment No. 1 to the lease agreement between the RDA (Landlord) and Cubiche 105, LLC (Tenant); said Amendment modifying the financial terms for the period commencing on January 1, 2021 and ending on March 30, 2022.

Attachments:

"A" – Amendment No. 1