

# MIAMI BEACH

## COMMITTEE MEMORANDUM

TO: Finance and Economic Resiliency Committee Members

FROM: Eric Carpenter, Executive Director

DATE: January 24, 2025

TITLE: **DISCUSS A PROPOSED LEASE AGREEMENT BETWEEN THE MIAMI BEACH REDEVELOPMENT AGENCY, A PUBLIC BODY CORPORATE AND POLITIC (RDA), (LANDLORD) AND VIDA BROS, LLC, D/B/A SHAVING DISTRICT (TENANT), FOR APPROXIMATELY 1,590 SQUARE FEET OF GROUND FLOOR RETAIL SPACE AT THE ANCHOR SHOPS AND GARAGE, LOCATED AT 100 16 ST. SUITES NOS 1-2, MIAMI BEACH, FLORIDA (PREMISES), FOR A TERM OF FIVE (5) YEARS AND ONE OPTION OF FOUR (4) YEARS AND THREE HUNDRED AND SIXTY-FOUR (364) DAYS, AT THE EXECUTIVE DIRECTOR'S DISCRETION.**

### **RECOMMENDATION**

The Administration recommends the Finance and Economic Resiliency Committee accept the terms and transmit to the Miami Beach Redevelopment Agency with a favorable recommendation for a new lease agreement with VIDA BROS, LLC to bring a high-end barber shop to Anchor Shops and Garage.

### **BACKGROUND/HISTORY**

The Miami Beach Redevelopment Agency ("RDA" or the "Landlord") is the owner of approximately 1,590 square feet of ground floor retail space, located at 100 16th Street, Suites Nos. 1-2, Miami Beach, Florida, 33139 (the "Premises"). Following the lease expiration of Mr. R Sports (former tenant) in 2023, the Premises has remained vacant. The City, on behalf of the RDA, has actively marketed the space for lease through various brokerage firms and through the direct efforts of the Asset Management Division.

In September 2024, VIDA BROS, LLC ("Tenant"), represented exclusively by Wilshire Advisory Group, expressed formal interest in leasing the space. VIDA BROS, LLC specializes in high-end barber services and retail products related to grooming and hair care. The Tenant proposes the Premises use for a high-end barber shop and related retail operations, a concept aligned with the City's goal of attracting unique and upscale tenants to enhance the property's value and appeal (**Exhibit A**).

On October 3, 2024, Wilshire Advisory Group submitted a Letter of Intent ("LOI") on behalf of VIDA BROS, LLC. The LOI was further negotiated by the Administration and the final form is attached hereto as **Exhibit B**. The LOI outlines key terms, including a five-year lease term with an annual base rent of \$55.00 per rentable square foot (triple net), annual rent increases of 3%, and additional provisions addressing delivery conditions, Tenant improvement work, and operational responsibilities. The proposal also emphasizes the Tenant's requirement for exclusive use and compatibility with

comparable properties in the area. These terms form the foundation for drafting a formal lease agreement.

After negotiations, the prospective Tenant executed the Letter of Intent (LOI), containing the basic terms and conditions outlined below:

**Landlord:** Miami Beach Redevelopment Agency (RDA)

**Tenant:** VIDA BROS, LLC

**Premises:** +/- 1,590 square foot Premises located at 100 16 Street, Suites No.s 1- 2, Miami Beach, FL 33139

**Term:** Five (5) years

**Renewal Options:** Four (4) years and 364 days renewal option at Landlord's discretion. The Base Rent shall be the greater of market rents or three percent (3%) higher than what Tenant paid in the last month of the prior lease term. Annual escalations shall continue at three percent (3%) thereafter.

**Lease Commencement:** The Lease Commencement shall be upon mutual execution of a lease.

**Rent Commencement:** The Rent Commencement Date will be the earlier of: 1) the day Tenant opens for business with all required permits issued by local authorities; or 2) three hundred and sixty-five (365) days after the delivery date – Subject to Landlord's delays

**Base Rental Rate:** \$55.00 per rentable square foot, Triple net (NNN) plus applicable sales tax

**Rent Abatement:** During the first four (4) months after the first to occur 1) Tenant open for business with all required permits issued by local authorities; or 2) Three hundred and sixty-five (365) days after the delivery date – Subject to Landlord's delays, Tenant's Base Rent shall be abated ("Abatement Period"). Tenant shall be required to pay all Operating Expenses (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 is \$14.00 per square foot.
- Prepaid Rent:** Tenant shall be required to pay the first month's gross rent in the amount of \$ 7,287.50, which shall be due upon lease execution.
- Security Deposit:** The amount of \$ 14,575.00 (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 (other than those items detailed under Landlord Work, below). Landlord shall reimburse Tenant up to One Hundred Thousand Dollars (\$100,000.00) for the cost associated with demising the space, adjusting all Fire Life Safety System, HVAC duct work and electrical systems related to the demising wall. Tenant reimbursement schedule will be further detailed in the lease. Tenant shall perform all other necessary construction work at its sole cost and expense.
- Landlord's Work:** The Landlord, at its sole expense, shall deliver the Premises in a substantially completed condition and in full compliance with all applicable laws and regulations. The scope of **Landlord's Work** includes the following:
1. All mechanical systems, including HVAC, plumbing, electrical, water, sewage, fire alarm, and sprinklers, delivered in new or like-new condition and fully operational;
  2. The roof delivered free of damage or leaks;
  3. Utility meters installed within the Premises;
  4. HVAC unit (Two, 2.5 Ton Units) installed with all components in good working condition;
  5. Standard water and sanitary/sewage connections stubbed to the Premises;
  6. The units are equipped with a 60A 277/480V 3 Phase

Main located at the building electrical room, from which conduits travel underground to each retail space, where it gets stepped down through a 30KVA transformer. At that stage, there is a 120/208V 3 Phase 100A-42 space panel board, and

7. All common areas and exterior areas of the Building and Premises delivered in compliance with all applicable federal, state, and local laws and regulations.

**Tenant's Work:**

The Tenant shall build out the Premises in accordance with its specific requirements ("Tenant's Work"). The Tenant shall have full control over the Tenant Improvement construction process, while the Landlord shall provide consent to any proposed Tenant Improvement work, which consent shall not be unreasonably conditioned or withheld.

**Landlord Responsibilities:** The Landlord shall maintain the Building and Premises in good condition, ensuring all components remain in proper working order. The Landlord's responsibilities include, but are not limited to, the following:

1. The structural components of the building, including structural, party, and load-bearing walls, the roof, roof membrane, foundation, and columns, with the building delivered watertight and free from seepage;

2. Maintenance, repair, or replacement of all common areas of the building; and

3. Maintenance, repair, or replacement of all fire alarms and sprinkler systems, where applicable.

The Tenant shall have no responsibility or liability for the costs of any structural or capital repairs to the Premises or Building. Furthermore, the Landlord shall remain responsible for any latent defects, which shall not be charged to the Tenant as part of the Building's Operating Expenses.

**Signage:**

Tenant shall have the ability to install exterior signage (as approved by the City of Miami Beach) above its space, subject to the approval of Landlord in its proprietary and regulatory capacities.

**Assign or Sublease:**

**Related Entities or Affiliates:** The Tenant may assign or sublease the Premises to a related entity or affiliate, subject to further details to be addressed in the Lease and always requiring the Landlord's prior written consent.

**Unrelated Entities:** Assignment or sublease to unrelated entities shall also require the Landlord's prior written consent.

**Use:** Tenant should use the Lease Premises for high-end Barber Shop, and retail items related to hair care and/or grooming or as otherwise detailed and approved in writing by the Landlord.

**Agency Disclosure:** Luis Aguirre with Wilshire Advisory Group shall represent the Tenant in this transaction. Landlord shall pay a commission to Wilshire Advisory Group, in accordance with the Broker 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 2024. The schedule of Base Rent and Operating Expenses due over the initial term are illustrated in the following chart:

<b>Square Feet:</b>	1,590						
<b>Base Rent:</b>	\$55						
<b>Annual Increase:</b>	3%						
	<b>PSF</b>	<b>Monthly</b>	<b>Annual</b>	<b>PSF</b>	<b>Monthly</b>	<b>Annual</b>	<b>Total</b>
<b>Year</b>	<b>Base Rent</b>	<b>Base Rent</b>	<b>Base Rent</b>	<b>Operating Expenses</b>	<b>Operating Expenses</b>	<b>Operating Expenses</b>	<b>Base Rent &amp; Opex</b>
1	\$ 55.00	\$ 7,287.50	\$ 87,450.00	\$ 14.00	\$1,855.00	\$ 22,260.00	\$ 109,710.00
2	\$ 56.65	\$ 7,506.13	\$ 90,073.50	\$ 14.70	\$1,947.75	\$ 23,373.00	\$ 113,446.50
3	\$ 58.35	\$ 7,731.31	\$ 92,775.71	\$ 15.44	\$2,045.14	\$ 24,541.65	\$ 117,317.36
4	\$ 60.10	\$ 7,963.25	\$ 95,558.98	\$ 16.21	\$2,147.39	\$ 25,768.73	\$ 121,327.71
5	\$ 61.90	\$ 8,202.15	\$ 98,425.75	\$ 17.02	\$2,254.76	\$ 27,057.17	\$ 125,482.91
			<u>\$ 464,283.93</u>			<u>\$123,000.55</u>	<u>\$ 587,284.48</u>

The Leasing Brokerage Commission shall be in accordance with the City-approved Brokerage Agreement: 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 as illustrated in the following chart:

Commission Calculation		
<u>Aggregate Base Rent</u>	<u>Rate</u>	<u>Commission</u>
\$ 464,283.93	3%	\$ 13,928.52

**\$ 464,283.93(Term) x 3% = \$13,928.52 (\$6,964.26 to be paid at Lease Execution and \$ 6,964.26 to be paid at Opening)**

### **ANALYSIS**

The proposed lease includes a base rental rate of \$55.00 per square foot, totaling approximately \$87,450.00 annually, with an annual increase of 3%. In addition, the estimated Operating Expenses are \$14.00 per square foot, or approximately \$22,260.00 annually, capped at a maximum of 5% increase per year for controllable expenses.

Over the five-year initial term, the proposed rent structure is expected to generate an estimated \$464,283.93 for the City. Rent commencement will occur on the earlier of 365 days after landlord delivers the Premises to the Tenant or the Tenant opens for business (followed by a four (4) month Abatement Period), allowing sufficient time for securing permits and completing the build-out of the space.

### **FISCAL IMPACT STATEMENT**

Click or tap here to enter text.

### **Does this Ordinance require a Business Impact Estimate?** (FOR ORDINANCES ONLY)

The Business Impact Estimate (BIE) was published on .

See BIE at: <https://www.miamibeachfl.gov/city-hall/city-clerk/meeting-notice/>

### **FINANCIAL INFORMATION**

Tenant shall accept the premises in “**AS-IS**” condition. However, in lieu of Landlord conducting the constructing the demising wall and separating HVAC Ducts, sprinkler lines, etc., the Landlord shall reimburse Tenant up to One Hundred Thousand Dollars (\$100,000.00) for the cost associated with demising the space, adjusting all Fire Life Safety System, HVAC duct work and electrical systems related to the demising wall.

This work shall take place in conjunction with Tenant’s full buildout and renovation of the space. The reimbursement schedule will be further detailed in the lease, which will impact the 2026 budget year. Tenant shall perform all other necessary construction work at its sole cost and expense.

## **CONCLUSION**

The Administration recommends the Finance and Economic Resiliency Committee accept the terms and transmit to the Miami Beach Redevelopment Agency with a favorable recommendation for a new lease agreement with VIDA BROS, LLC to bring a high-end barber shop to Anchor Shops and 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, which are comparable to current market trends.

This high-end barber shop, offering premium grooming services and upscale retail products, is expected to enhance the property's appeal and attract a sophisticated customer base.

## **Applicable Area**

South Beach

**Is this a "Residents Right to Know" item, pursuant to City Code Section 2-17?**

No

**Is this item related to a G.O. Bond Project?**

No

**Was this Agenda Item initially requested by a lobbyist which, as defined in Code Sec. 2-481, includes a principal engaged in lobbying?** No

If so, specify the name of lobbyist(s) and principal(s):

## **Department**

Facilities and Fleet Management

## **Sponsor(s)**

## **Co-sponsor(s)**

## **Condensed Title**

New Lease Agreement with Barber Shop (The Shaving District) at Anchor Shops and Garage (RDA).