

MIAMI BEACH

COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission

FROM: Eric Carpenter, City Manager

DATE: June 25, 2025 2:05 p.m. Public Hearing

TITLE: A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, FOLLOWING A DULY ADVERTISED PUBLIC HEARING, ACCEPTING THE RECOMMENDATION OF THE FINANCE AND ECONOMIC RESILIENCY COMMITTEE (FERC), AND APPROVING, IN SUBSTANTIAL FORM, A NEW LEASE AGREEMENT BETWEEN THE CITY ("LANDLORD") AND SOBE TOSCANA, LLC ("TENANT"), FOR USE OF APPROXIMATELY 2,216 SQUARE FEET OF OUTDOOR CAFÉ SPACE LOCATED AT 22 WASHINGTON AVENUE, FOR A TERM OF NINE (9) YEARS AND 364 DAYS, COMMENCING ON JUNE 1, 2027, UPON EXPIRATION OF THE CURRENT LEASE AGREEMENT, AND EXPIRING ON MAY 30, 2037; AND FURTHER WAIVING, BY 5/7TH VOTE, THE FORMAL COMPETITIVE BIDDING REQUIREMENT IN SECTION 82-39(A) OF THE CITY CODE, FINDING SUCH WAIVER TO BE IN THE BEST INTEREST OF THE CITY; AND FURTHER AUTHORIZING THE CITY MANAGER TO FINALIZE AND EXECUTE THE LEASE AGREEMENT.

RECOMMENDATION

The Administration recommends adopting the resolution.

BACKGROUND/HISTORY

The City of Miami Beach owns an outdoor space located at 22 Washington Avenue, which has been leased to Sobe Toscana, LLC since 2017 for use as an outdoor café supporting its adjacent restaurant at 816 Commerce Street. The leased space, totaling approximately 2,216 square feet, serves as an extension of the restaurant's operations.

The original lease for the outdoor café was executed in 2017 for a five (5) year term with an option to renew for an additional four (4) years and nine (9) months. In December 2021, the City and Tenant executed Amendment No. 1, which clarified operational responsibilities and extended the lease term through May 31, 2027, effectively exercising the renewal option.

In support of the restaurant's kitchen infrastructure, the City also entered into a subterranean Easement Agreement on August 10, 2022, permitting installation and continued use of a 500-gallon grease trap system beneath a portion of the outdoor café space. The Easement remains in effect for the useful life of the facility and is subject to conditions protecting the City's long-term interest in the property.

The lease for the indoor restaurant space, as extended through the exercise of both renewal options and subsequent amendments, is set to expire in 2041, with approximately 16 years remaining on its term.

In view of this extended indoor lease term, Sobe Toscana has formally requested a new lease for the outdoor café space to commence on June 1, 2027, so that both leases will be aligned. The proposed new lease, with a term of nine (9) years and 364 days, is intended to support the tenant's operational continuity and long-term presence at this high-visibility location in the South

of Fifth neighborhood.

Below is a summary of the proposed new Agreement's basic terms and conditions:

Lessor: City of Miami Beach

Tenant: Sobe Toscana, LLC

Premises: 2,216 square feet of outdoor café space at 22 Washington Avenue, adjacent to the tenant's restaurant at 816 Commerce Street.

Use: Ancillary outdoor café to restaurant at 816 Commerce Street; limited to 93 seats, pending approval by the fire marshal and/or other City authorities

Proposed Term: Nine (9) years and 364 days

Rent Commencement Date: June 1, 2027

Rent: \$5,672.96 per month plus Sales Tax, payable on the 1st of each month

Rent Escalation: 3% annual increase

Easement Fee: \$1,523.29 Annually

Easement Escalation: 3% annual increase

Security Deposit: \$12,470.55 (currently held by the City)

Guaranty: \$43,118.04 (last six months of rent)

Termination for Convenience (City): 60 days' notice; not permitted within first 3 years

Utilities: Tenant's responsibility

Hours of Operation: Only when the indoor restaurant is open

The Base Rental Rate and Easement Fees schedule is illustrated in the following chart:

Square Feet:		2,216				
Base Rent:		\$30.72 PSF				
Annual Increase:		3%				
Year	Period	Monthly Base Rent	Annual Base Rent	Annual Easement Fees	Total	
1	06/01/27 - 05/31/28	\$ 5,672.96	\$ 68,075.52	\$ 1,523.29	\$ 69,598.81	
2	06/01/28 - 05/31/29	\$ 5,843.15	\$ 70,117.79	\$ 1,568.98	\$ 71,686.77	
3	06/01/29 - 05/31/30	\$ 6,018.44	\$ 72,221.32	\$ 1,616.05	\$ 73,837.37	
4	06/01/30 - 05/31/31	\$ 6,199.00	\$ 74,387.96	\$ 1,664.54	\$ 76,052.49	
5	06/01/31 - 05/31/32	\$ 6,384.97	\$ 76,619.60	\$ 1,714.47	\$ 78,334.07	
6	06/01/32 - 05/31/33	\$ 6,576.52	\$ 78,918.19	\$ 1,765.91	\$ 80,684.09	
7	06/01/33 - 05/31/34	\$ 6,773.81	\$ 81,285.73	\$ 1,818.88	\$ 83,104.61	
8	06/01/34 - 05/31/35	\$ 6,977.03	\$ 83,724.30	\$ 1,873.45	\$ 85,597.75	
9	06/01/35 - 05/31/36	\$ 7,186.34	\$ 86,236.03	\$ 1,929.65	\$ 88,165.69	
			\$ 691,586.43	\$ 15,475.23	\$ 707,061.66	

ANALYSIS

The proposed long-term Lease ensures uninterrupted use of a publicly owned space that has been successfully integrated into the streetscape and business operations of a longstanding local restaurant. Sobe Toscana has demonstrated consistent performance and compliance with its Lease obligations and has contributed to the economic vibrancy and pedestrian activity of the South of Fifth neighborhood.

Aligning the outdoor café lease term with the approximately 16 years remaining on the tenant's indoor lease allows for cohesive operations and supports the potential for additional investment in the property. Long-term lease alignment also reduces administrative burdens for the City and ensures predictable occupancy and use of City-owned property.

The proposed Lease is expected to generate approximately \$707,061.66 in rental income over the full nine (9) years and 364 days term, providing consistent and growing revenue for the City. This long-term commitment secures not only financial stability but also supports broader goals of neighborhood vitality, small business retention, and activation of high-profile public assets.

Finance and Economic Resiliency Committee

On June 4, 2025, the Finance and Economic Resiliency Committee (the "Committee") discussed the proposed Lease Agreement. The Committee recommended in favor of executing a new Lease with Sobe Toscana, LLC.

FISCAL IMPACT STATEMENT

The Lease is projected to yield approximately \$707,061.66 in total rental income to the City over the course of the nine (9) years and 364 days term. In addition to rent, the Tenant is responsible for all utility costs, operations, and maintenance of the outdoor café space, ensuring that the City incurs no out-of-pocket expenses related to the premises.

This revenue-positive agreement reduces the risk of vacancy, preserves the vitality of the site, and strengthens the City's fiscal posture by generating stable, long-term income from an active, publicly owned asset. The structure of the Lease also supports strategic property management by aligning Lease terms with the adjacent indoor restaurant operation and reducing administrative turnover.

Does this Ordinance require a Business Impact Estimate?

(FOR ORDINANCES ONLY)

If applicable, the Business Impact Estimate (BIE) was published on:

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

FINANCIAL INFORMATION

n/a

CONCLUSION

The City Manager recommends that the Mayor and City Commission approve, in substantial form, a new Lease Agreement with Sobe Toscana, LLC, for a term of nine (9) years and 364 days for the continued operation of the outdoor café at 22 Washington Avenue; and further recommends waiving, by a 5/7ths vote, the formal competitive bidding requirements of Section 82-39(a) of the City Code, finding such waiver to be in the City's best interest.

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

2:05 p.m. PH, New Lease Agmt w/ Sobe Toscana, LLC, 22 Washington Ave. FF 5/7

Previous Action (For City Clerk Use Only)