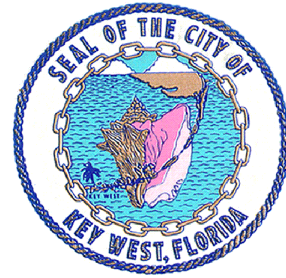


Executive Summary



TO: Key West Bight Management District Board
Caroline Street Community Redevelopment Agency

CC: Jim Scholl

FR: Marilyn Wilbarger, RPA, CCIM

DT: February 19, 2015

RE: Half Shell Raw Bar Lease Renewal

ACTION STATEMENT:

This is a request to approve a lease renewal for Moro Management Inc. DBA the Half Shell Raw Bar located at 231 Margaret Street.

BACKGROUND:

The current 20 year lease per City Resolution 97-344 will expire March 31, 2016. The lease was previously assigned to Smithburg, Inc. per Resolution 03-089 and to the current tenant Moro Management per Resolution 12-345 in 2012. The proposed terms of the renewal are as follows:

Permitted Use: Operation of a restaurant containing 247 licensed seats with alcohol, a retail area for logo apparel, gifts, souvenirs, and fish market sales

Demised Premises: 9715 square feet per a new survey that is comprised of:

Main Building	7827
Covered Outdoor Dining	203
Open Air Dining	1089
Storage	596

Tenant will vacate the fish market space effective with the commencement of the renewal term

Square Footage for Common Area Maintenance

Charges (CAM): 8873 square feet which reflects a 50% reduction for outdoor space

Main Building	7827
Covered Outdoor Dining	203
Open air Dining	545
Storage	298

Term: Ten years effective April 1, 2015

Rate: Blended rate of \$29.19 for 9,715 sf comprised of:

\$31.00 per square foot for the main building
\$26.00 per square foot for covered outdoor dining
\$24.00 for the open air dining area
\$16.00 per square foot for the storage area

Increases: Annual CPI increases in base rent

Percentage Rent: 6% over a breakpoint in sales which is \$4,726,374.50 in year one of the renewal and Tenant's 2014 sales were \$4,640,935

Use of the Margaret Street Plaza: 6 times per year and if the events require a special event permit they will be limited to 5 events per year per city ordinance. The events must not close down the small parking lot in front of the restaurant and all events are subject to the City's approval.

Building Improvements: The Tenant will make all improvements necessary to complete the replacement of the roof as per the scope attached to the lease as Exhibit "E" at Tenant's sole cost and expense.

If requested by the Tenant, Landlord will provide roof replacement funding in an amount not to exceed \$150,000 as determined by final competitive bidding. The final approved amount will be reimbursed by Tenant on a monthly basis over the term of the lease for the full amount plus interest calculated at the prime rate plus 100 basis points (1%) which shall be adjusted annually at the beginning of each lease year. The reimbursement will be considered additional rent and subject to the lease provisions therefore.

The Tenant also agrees to make the repairs identified in the building inspection report which is attached to the lease as Exhibit "F".

Security: Security for the payment of rent and repayment of the amortized funds will be in the form of a personal guaranty from Pasquale W. Croce and an irrevocable letter of credit in the amount equal to six (6) months of rent.

Additionally, pursuant to Sec. 2-871 of the Key West Code of Ordinances the award of a lease of city-owned property with annual rentals that will exceed \$100,000.00 and all extensions or renewals thereof will require a background check of persons awarded a lease. If any such person is found by the police department to have been

convicted of a felony within the past five years or found to have been convicted of a public entity crime and is then listed on the convicted vendor list, as established in F.S. § 287.133, the proposed lease or sublease, concession or franchise agreement or any extension or renewal thereof with such person shall not be executed by the city or, if it has been executed, it shall be subject to revocation and be voidable by the city commission after notice and hearing.

Also, every person applying for a lease, a lease renewal or a sublease of city-owned property or a concession or franchise agreement shall submit to the city, together with the application, a sworn disclosure statement that contains the following financial information for the immediately prior two calendar years: a statement attesting to the applicant's net worth, assets and liabilities, annual gross income, and primary source of such income. In addition to such disclosures, any business entity shall submit a copy of its organizational documents, together with a list of all current principals.

The city shall consider financial information for each applicant as a factor in making its award determination. The respective lease, sublease, concession or franchise agreement of any person who intentionally or knowingly supplies false or misleading information or who omits material information on the disclosure form under this section shall be subject to revocation and shall be voidable by the city commission after notice and a hearing.

FINANCIAL IMPACT:

The base rent proposed is \$283,580.85 in year one of the lease and will be increased annually based upon the Consumer Price index. Reimbursement of operating expenses in year one of the lease will be approximately \$35,935.65 based on current estimates. The Tenant has vacated the fish market located in the Margaret Street Plaza which will become 1,100 square feet of re-captured space that will produce additional rent of approximately \$45,000 annually thereby increasing the income to the CRA as there is no charge for this space in the current lease. If roof replacement funding is requested it will be transferred from the unrestricted reserves of Fund 405.

For comparison purposes, the current lease and proposed lease basic economic terms are detailed here, as follows:

	Current Lease	Proposed Lease
Square Feet	9,212 +1,100 (fish market)	9,715 (re-measured)
Rent	\$285,756	\$283,580
% Rent	5%	6%
CAM Square Feet	9,212	8,873
CAM Reimbursement	\$37,308	\$35,935

For further comparison, the current base rents in City restaurant leases are as follows:

Half Shell	\$29.19 (proposed)
Turtle Kraals	\$25.18
Conch Republic Seafood	\$24.54
Waterfront Brewery	\$21.00
El Meson de Pape	\$32.93
Southernmost Beach Café	\$36.46

CONCLUSION:

The proposed terms of the lease renewal represent a market rate for the property and the rent will increase annually based upon the Consumers Price Index which will maintain the base rental rate as adjusted for inflation. The percentage rent will be increased from 5% to 6% which is consistent with the other leases. The use will remain unchanged which supports the historic maritime flavor of the seaport. The Tenant has made significant improvements in the demised premises and will replace the roof at their cost in addition to other deferred maintenance as outlined in the building inspection report. As the Historic Seaport is within a redevelopment area there have been several leaseholders that have received financial support from the CRA some of which were in the form of rent credits issued in exchange for the improvements to the real property as well as financial funding for structural improvements and this lease is representative of these past practices.

Moro Management is a corporation whose President, Pat Croce owns and operates several restaurants in Key West. The City has received all of the information requested including the background check, sworn disclosure and organizational documents. The information received meets the legal and financial requirements of the Code of Ordinances for lease renewals pursuant to Sec 2-871 and the lease is further securitized with an irrevocable letter of credit and personal guaranty. The Tenant is current with the rent and has an excellent payment history. This lease renewal represents a new commitment to the continued growth and prosperity of the Historic Seaport by Pat Croce, and the CRA'S support of his efforts. It is surely a recipe for success.

ATTACHMENTS:

Lease
Exhibits A-F
Personal Guaranty