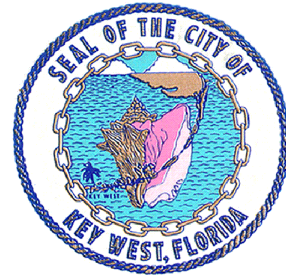


# Executive Summary



**TO:** City Commission

**CC:** Jim Scholl

**FR:** Marilyn Wilbarger, RPA, CCIM

**DT:** March 21, 2015

**RE:** El Meson de Pepe Lease Renewal

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## **ACTION STATEMENT:**

This is a request to approve a lease renewal for Casa Cayo Hueso, LLC DBA El Meson de Pepe at 410 Wall Street.

## **BACKGROUND:**

The current 10 year lease per City Resolution 05-340 will expire September 30, 2015. The City entered into lease negotiations pursuant to the January 4, 2015 public notice therefore and the proposed terms of the renewal are as follows:

**Permitted Use:** The Tenant shall be entitled to use the Premises as a Cuban/Conch Historium attraction, a non-franchised restaurant containing 200 licensed seats primarily serving food related to the theme of the Historium/Attraction, a cigar store, a gift shop, and no other purpose.

**Demised Premises:** 10,663 square feet that is comprised of:

Building	6698
Covered Patio Dining	1568
Open Air Cistern Dining	1237
Open Air Bar	340
Storage/ Cooler	820

**Term:** Ten years effective October 1, 2015

**Rate:** Blended rate of \$34.00 for 10,663 sf comprised of:

\$39.00 per square foot for the building  
\$29.00 per square foot for covered patio dining  
\$26.00 for the open air dining/bar areas  
\$17.00 per square foot for the storage area

**Increases:** Annual CPI increases in base rent

**Percentage Rent:** 6% over a breakpoint in sales which is \$6,042,366.67 in year one of the renewal

**Security:** Security for the payment of rent will be equal to one month's current 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 \$362,542.00 in year one of the lease and will be increased annually based upon the Consumer Price Index. The tenant pays for property tax and insurance and is subject to percentage rent if the breakpoint is achieved.

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

	<b>Current Lease</b>	<b>Proposed Lease</b>
Square Feet	10,663	10,663
Annual Rent/ Per Sq.Ft.	\$361,732.71/ 33.92	\$362,542/\$34.00
% Rent	6%	6%
Property Tax	Tenant pays	Tenant pays
Insurance	Tenant pays	Tenant pays

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

El Meson de Pepe                      \$34.00 (Proposed)  
Southernmost Beach Café        \$36.46

Base rents in the Historic Seaport are:

Half Shell                                \$29.19  
Turtle Kraals                            \$25.18  
Conch Republic Seafood            \$24.54  
Waterfront Brewery                    \$21.00

**CONCLUSION:**

The proposed terms of the lease renewal represents the current 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 6% which is consistent with the other city leases. 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. The Tenant is current with the rent and has an excellent payment history.

**ATTACHMENTS:**

Lease  
Public Notice