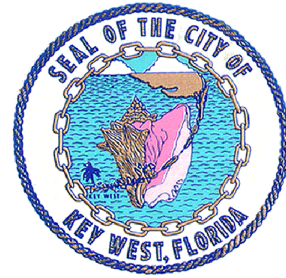


Executive Summary



TO: Caroline Street Corridor
Community Redevelopment Agency

CC: Bogdan Vitas

FR: Marilyn Wilbarger, RPA, CCIM

DT: September 20, 2012

RE: Waterfront Brewery Lease for 201 William Street

ACTION STATEMENT

This is a request to approve a new lease with Waterfront Brewery, LLC for the vacant space at 201 William Street pursuant to the public notice therefore.

BACKGROUND:

Public notice was first published on January 20, 2011 in accordance with Florida Statute Sec. 163.380 and was subsequently published for the next three weeks. The space was advertised again on March 13, 20, 27th, 2011.

A letter of interest was submitted by the Waterfront Brewery LLC which proposed a Micro-Brewery, Dining & Pub with a retail component as well. The Bight Board elected to accept the proposal and all of the necessary approvals from the Development Review Committee, HARC, the Planning Board and CRA Major Development Plan have now been obtained. The draft lease is presented for approval based upon the following terms:

Use: Operation of a working light industrial beer plant, restaurant with alcohol sales, retail area for logo apparel, gifts, beer souvenirs, private functions, live entertainment, rooftop deck consumption area in compliance with City Resolution 12-228

Demised Premises: 18,942 Square Feet comprised of:

Upstairs Unit A	2,273
Ground Level Unit D	991
Ground Level Unit F	11,178
Rooftop Deck	4,500

Term: PROVIDED THAT THE MINIMUM INVESTMENT THRESHOLD OF \$250,000 IN THE REAL PROPERTY is met before the commencement date, subject to the provisions contained in Section 15 below, the term of this Lease shall be for twenty (20) years. In the event that the investment threshold is not met before the commencement date the term of the lease shall be

ten years.

Commencement: The term shall commence upon the earlier of completion of construction and receipt of a certificate of occupancy or at the end of the construction period which shall be 90 days from approval of the CRA for construction drawings and permitting plus 180 additional days after issuance of the building permit to facilitate construction of the Tenant's improvements.

Rent: The base rent for year one shall be calculated at an annualized rate of Twenty One Dollars (\$21.00) per Net Usable Square Foot. Every year thereafter throughout the term of the lease the minimum base rent shall be adjusted annually on the anniversary date of the lease by the increase in Consumer Price Index for all Urban Consumers as published by the United States Department of Labor. In no event shall the minimum base rent be decreased.

Percentage Rent: 6% over the break point

Building Improvements: Tenant will make all improvements necessary to complete the construction of the premises pursuant to the approved major development plan, and all interior improvements necessary to facilitate the operation of Tenant's business. The Tenant specifically agrees to provide historic panels incorporated into the building entries depicting the maritime history of the Key West Bight.

The Landlord will agree to provide basic building repairs, subject to confirmation of Tenant's receipt of no less than three competitive bids, the Landlord will reimburse Tenant for all costs and expenses to complete the following basic building work per current building codes for commercial buildings:

- a. Floor leveling and drainage
- b. Functional fire suppression system
- c. Electrical system
- d. Loading dock per development plan design
- e. Overhead loading dock door

Security: Security for the payment of rent will be in the form of personal guarantees from all members of Waterfront Brewery, LLC 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 \$397,782 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 \$67,602 based on current estimates.

The previous tenant, United Natural Foods paid a lease termination fee in July of 2010 in the amount of \$900,000. Applying the payment:

Amortization of base rent through September of 2012	(\$481,127)
Structural repairs to date @ 90% completion:	(\$191,218)

Balance remaining **\$226,655**

The balance remaining will be utilized to fund the base building repair costs therefore reducing City's exposure for expenses related to the demised area and this lease.

RECOMMENDATION: This lease was approved by the Key West Bight Management District Board in a unanimous vote on September 12, 2012, upon the City's satisfactory review and acceptance of the Waterfront Brewery, LLC financial information.