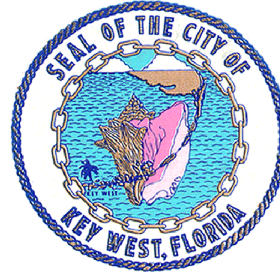


EXECUTIVE SUMMARY



TO: Jim Scholl
City Commission

CC: George Wallace

FR: Marilyn Wilbarger, RPA, CCIM

DT: August 14, 2018

RE: Lease Renewal for Sunset City LLC, DBA Southernmost Beach Café at
1405 Duval Street

ACTION: This is a request to approve a lease renewal between the City of Key West and Sunset City LLC DBA Southernmost Beach Café at 1405 Duval Street.

BACKGROUND: The lease for Southernmost Beach Café will expire in May of 2019 and pursuant to City Ordinance public notice for the commencement of lease negotiations with the current tenant was published on the 4th of May 2018. Sunset City LLC is the sublessee whose sole member is LaSalle Hotel Operating Partnership, LP, which is a wholly owned subsidiary of LaSalle Hotel Properties, a publicly traded Maryland Real Estate Investment Trust.

There is no change in use anticipated in the lease renewal and the tenant will continue to operate a casual open-air beach restaurant with alcoholic beverages which is the permitted use in the current ten-year lease. The renewal includes an expanded consumption area that will add 45 licensed seats in the area shown on Exhibit A of the lease

Demised Premises: 4981 square foot building with new outdoor consumption area

Use: Operation a casual open-air beach restaurant with alcoholic beverages and rental of beach chairs and non-motorized watersports equipment. The tenant will clean and maintain the beach and public restrooms daily.

It is the intent of the parties that the beach and restrooms shall remain open to the public for public purposes during hours established for public beaches in Key West and subject to all rules established for public beaches in Key West with any exceptions provided for by specific ordinance.

Term: Ten years effective May 1, 2019 for the current demised premises with the expanded consumption area commencing upon completion of the Duval Street Pocket Park.

Rent: \$29,166.67 per month as the minimum base rent per month during the first year of the lease

Increases: CPI annual increases in the base rent

Percentage Rent: 6.5% of sales in excess of the Percentage Rent Base amount per Exhibit B

Improvements: The tenant accepts the demised premises and new consumption area in an “as is” condition and any improvements will be subject to the landlord’s approval and at the sole cost and expense of the tenant.

FINANCIAL: The tenant is in good financial standing and has an excellent payment and leasing history with the City. Tenant shall maintain an irrevocable letter of credit in the amount of \$150,000 throughout the term of this lease as security for the payment of rent and any other amounts due to the City.

CONCLUSION:

Staff recommends approval of the proposed lease renewal.

ATTACHMENTS:

Lease

Public Notice

Corporate Documentation