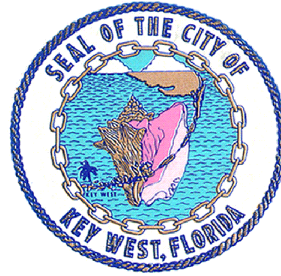


Executive Summary



TO: City Commission

CC: Bogdan Vitas

FR: Marilyn Wilbarger, RPA, CCIM

DT: August 16, 2013

RE: Lease Assignment for SMB, LLC DBA Southernmost Beach Cafe

ACTION STATEMENT

The city has received a request from the tenant SMB Restaurant, LLC to consider a lease assignment from SMB Restaurant, LLC to Sunset City, LLC, whose sole member is LaSalle Hotel Operating Partnership, LP which is a wholly owned subsidiary of LaSalle Hotel Properties which is a publicly traded Maryland Real Estate Investment Trust. The Assignee will also be authorized to sublease to Sunset City Lessee LLC, another wholly owned subsidiary.

HISTORY

The CRA entered into a ten year lease for the restaurant building located on South Beach that will expire on April 30, 2019. The current tenant, SMB Restaurant, LLC has entered into a purchase agreement with the Assignee and is requesting a simple assignment meaning that no terms or conditions of the lease change for the remainder of the lease term.

The leases provide for the assignment as described in Section 10 excerpted here, as follows:

“10. ASSIGNMENT AND HYPOTHECATION - This Lease is not transferable or LANDLORD which may be withheld and shall be at the sole discretion of the LANDLORD.

Any assignment or sub-letting, even with LANDLORD’S consent shall not relieve TENANT from liability for payment of Rent or from the obligation to keep and be bound by the agreements of this Lease. The acceptance of Rent from any other person shall not be deemed to be a waiver of any of the agreements of this Lease or to be consent to the assignment for the benefit of creditors or by operation of law and shall not be effective to transfer any rights to any assignee without prior consent of LANDLORD. In the event TENANT wishes to assign this Lease and LANDLORD consents to such assignment, LANDLORD may charge a reasonable fee, not to exceed **\$500.00** to help offset any costs LANDLORD may have in preparing such assignment, or in examining the information, financial statements, operating history, references, etc., necessary to effectuate same. Any assignment, transfer, hypothecation, mortgage, or subletting without LANDLORD’S written consent shall give LANDLORD the right to terminate this Lease and to re-enter and repossess the Demised Premises and the LANDLORD’S right to damages shall survive.

If the TENANT is a corporation, then a sale or transfer of a controlling interest in the corporation by sale of stock or otherwise shall constitute an assignment for purposes of this provision.”

The proposed Assignee's parent organization is excerpted here from the most recent SEC Form 10-Q filing, Section 1.

"Organization

LaSalle Hotel Properties (the "Company"), a Maryland real estate investment trust organized on January 15, 1998, primarily buys, owns, redevelops and leases upscale and luxury full-service hotels located in convention, resort and major urban business markets. The Company is a self-administered and self-managed real estate investment trust ("REIT") as defined in the Internal Revenue Code of 1986, as amended (the "Code"). As a REIT, the Company is generally not subject to federal corporate income tax on that portion of its net income that is currently distributed to its shareholders. The income of LaSalle Hotel Lessee, Inc. (together with its wholly owned subsidiaries, "LHL"), the Company's wholly owned taxable REIT subsidiary ("TRS"), is subject to taxation at normal corporate rates.

As of June 30, 2013, the Company owned interests in 40 hotels with over 10,600 guest rooms located in nine states and the District of Columbia. Each hotel is leased to LHL (see Note 8) under a participating lease that provides for rental payments equal to the greater of (i) a base rent or (ii) a participating rent based on hotel revenues. The LHL leases expire between December 2013 and December 2015. Lease revenue from LHL is eliminated in consolidation. A third-party non-affiliated hotel operator manages each hotel pursuant to a hotel management agreement.

Substantially all of the Company's assets are held directly or indirectly by, and all of its operations are conducted through, LaSalle Hotel Operating Partnership, LP (the "Operating Partnership"). The Company is the sole general partner of the Operating Partnership. The Company owned, through a combination of direct and indirect interests, 99.7% of the common units of the Operating Partnership at June 30, 2013. The remaining 0.3% is held by limited partners who held 296,300 common units of the Operating Partnership at June 30, 2013. See Note 6 for additional disclosures on common operating partnership units."

The complete 10-Q filing is attached for reference.

FINANCIAL STATEMENT:

The current tenant has met all of the financial obligations of the lease and the rent will continue pursuant to the existing lease. The financial safeguards in the lease, namely the required letter of credit in the amount of \$150,000 will provide additional security to ensure that rent will be paid for an adequate period of time to regain possession in the event of a default. Additionally LaSalle Hotel Operating Partnership LP will guaranty the complete performance of all of the covenants and obligations of the Assignee.

CONCLUSION:

The requested action is permitted under the terms of the lease, at the sole discretion of the Landlord, and the current tenant is not relieved from liability if the assignee defaults in its obligations under the terms of the lease therefore the financial risk to the City is minimized. The business is highly successful in a very desirable location that would attract substantial interest should there ever be an opportunity to offer it for lease.

ATTACHMENTS:

Lease: City resolution 09-110

Lease Assignment and Consent of Lessor

2nd Quarter 2013 United States Securities and Exchange Commission Form 10-Q Quarterly Report

Corporate formation filings Sunset City, LLC

Corporate formation filings Sunset City Lessee, LLC