



# MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, [www.miamibeachfl.gov](http://www.miamibeachfl.gov)

## COMMITTEE MEMORANDUM

TO: Finance and Citywide Projects Committee Members  
FROM: *Alfredo J. Hernandez*  
Jorge M. Gonzalez, City Manager  
DATE: March 24, 2011  
SUBJECT: **DISCUSSION REGARDING A LEASE AGREEMENT WITH GIGI'S RESTAURANT FOR USE OF APPROXIMATELY 7,000 SQUARE FEET OF RETAIL SPACE IN THE CITY-OWNED PROPERTY LOCATED AT 1661 PENNSYLVANIA AVENUE.**

### BACKGROUND

As you are aware, the recently completed Pennsylvania Avenue Garage located at 1661 Pennsylvania Avenue (the Garage) was built with approximately 7,000 square feet of ground floor retail space. The City's Asset Management Division has been working with the Koniver Stern Group, the City's contracted real estate broker, to market this space as available for lease. This space is a total shell, with no interior built out or utilities (e.g. no HVAC). The space is available in its entirety, or can be broken up into smaller spaces. As part of their marketing efforts, Koniver Stern researched the closest comparable rents.

As you are aware, pursuant to City Code, lease terms beyond ten years require a referendum. As a result, the maximum lease term for the space without a referendum is nine years, 364 days. In addition, it is not the City's intention to provide or fund any of the necessary improvements for prospective tenants, which will include, among other things, installation of HVAC; bathrooms, lighting, drywall, flooring, etc. Further, the space was not built with any venting system or grease trap to support a restaurant tenant; this improvement would have to be made at the expense of any prospective restaurant tenant. In discussing potential prospects for this space with our professional broker, he has advised us that the short term may present an issue for certain tenants, as the necessary built out for certain uses (such as a restaurant) can be extensive, but they would have a short period to amortize the capital investment. By comparison, private landlords can often offer terms far exceeding ten years to accommodate sizeable tenant investment in the space.

### ANALYSIS

On February 14, 2011, Koniver Stern provided the City with a proposed Letter of Intent (LOI) from Mr. Amir Ben Zion, to lease the full 7,000 square feet of available retail space at the Garage. The prospective tenant is planning to open a second version of its highly acclaimed Gigi's Restaurant currently operating in Miami's Wynwood district. As indicated in the concept proposal attached hereto as "Exhibit A", Mr. Ben Zion has an extensive background in the restaurant industry and has created many landmark culinary and hospitality landmarks in Miami and Miami Beach including, but not limited to, The Townhouse Hotel and Bond Street Japanese Restaurant on 20<sup>th</sup> Street; Miss Yip Chinese Café on Lincoln Road; and Sra. Martinez in the Design District. The preliminary concept plan which generally encompasses the entire retail space of the Garage, provides for an eclectic mix of uses, which will include Gigi's noodles, buns and BBQ; Gigi's burgers and beers; Gigi's coffee and bakery; and the Gigi mini bar.

Based on preliminary estimates, the prospective tenant's cost to build out the shell space is anticipated to be approximately \$2.5 million, which will include the installation of a grease trap, additional sub-

grade plumbing and kitchen exhaust venting, none of which were provided in the building. Typically, a build-out of this nature would command a term in excess of ten years in order to amortize the capital investment in the project. However, due to the City's charter governing the leases of City-owned properties, the prospective tenant has agreed to the maximum allowable term under the charter of nine (9) years and three hundred and sixty four (364) days. The prospective tenant is nonetheless committing to a minimum capital investment of \$1.5 million as a condition of a lease.

However, the prospective tenant has requested consideration of a six (6) month due diligence period to precede the actual lease commencement date, in order to allow them to reserve leasing rights while advancing design and plans development and consulting with the City's Planning and Building Departments in order to ascertain the feasibility of obtaining a full building permit prior to the lease commencement. The prospective tenant is willing to invest the considerable sums and time necessary to develop full plans without the full benefit and security of an executed lease, while posting a \$25,000 fee with the City, which will be refundable in the event that the prospective tenant is unable to obtain a full building permit within six months in spite of reasonable and verifiable efforts to do so. During the six month due diligence period, the City retains the right to continue to market the property and accept back-up offers to lease the site. Pursuant to direction from the City Attorney's Office, the Administration has negotiated two separate instruments for consideration and approval by the Finance and Citywide Projects Committee (the Committee).

#### **Pre-Lease Due Diligence Period**

The first item for the Committee's consideration today is a "Pre-Lease Due Diligence Period," outlined in the March 22, 2011 Letter of Intent which is attached hereto as "Exhibit B." This document reserves the retail space for a maximum of a six (6) month period which will commence immediately upon approval of the proposed lease by the City Commission. The Pre-Lease Due Diligence Period will terminate with commencement of the Lease, which is either six months after the anticipated Commission approval date (April 13 City Commission), or whenever the tenant obtains a full building permit for the proposed improvements to the space. The prospective tenant will provide a \$25,000 due diligence fee, the terms and conditions for refund of which are further explained in the attached.

#### **Proposed Lease**

The second item for the Committee's consideration involves the actual terms of the proposed lease which will mirror the basic terms in the LOI attached, and will be fully developed and presented for final approval to the full City Commission at its April 13, 2011, meeting. In recognition of the sizeable capital investment by the prospective tenant, as you will note, we are recommending the maximum lease term of nine years, 364 days. The proposed lease term includes a base rent (adjusted by CPI after three years), as well as a percentage of gross, with rent commencement the earlier of six months or ninety days from the sooner of either TCO or the opening of the business. A full year rent payment under these terms represents approximately \$525,000 in rental income to the City (pending verification of actual square footage and exclusive of any percentage of gross collected and CAM to be charged).

#### **CONCLUSION**

While there are few market comparables for retail spaces on 17<sup>th</sup> Street in the immediate vicinity, the proposed base rent of \$75 per square foot is above the \$60 per square foot asking rent for the comparable retail space at 1677-1681 Lenox Avenue. Furthermore, and as noted above, the Administration has required that, in addition to the base rent, the prospective tenant will pay to the City a percentage of gross revenues, equivalent to two (2%) percent of revenues in excess of \$8 million, and three (3%) percent of revenues in excess of \$9 million. Gross revenues will not include tips or taxes. In addition to base and percentage rent, the prospective tenant will pay its prorated share of

Common Area Maintenance (CAM) costs, including any real estate taxes assessed in the future. The first year's CAM costs are projected at \$10.00 per square foot or \$70,000 annually.

The prospective tenant's proposed use is desirable for the available retail space in the City-owned Garage, providing an attractive variety of uses under the auspices, development and management of an experienced tenant. The Administration recommends approval of the subject Pre-Lease Due Diligence Period, and a lease agreement with Gigi's Restaurant with the basic terms outlined in the attached LOI, which will be fully developed and presented for final approval to the full City Commission at its April 13, 2011, meeting.

JMG/HMF/AP/KOB

Attachments

# KONIVER STERN GROUP

RETAIL REAL ESTATE & BROKERAGE

March 22, 2011

Amir Ben-Zion  
Pennsylvania Avenue LLC, DBA Gigi  
5700 Collins Ave. PH A  
Miami Beach, FL 33140

Re: Pennsylvania Avenue Garage Retail  
1661 Pennsylvania Avenue  
Miami Beach, FL 33139 (the Property)

Dear Amir:

On behalf of the City of Miami Beach (City), owner of the above referenced Property, I am pleased to present the following basic terms and conditions under which the City would enter into a lease agreement with you at the above referenced Property.

Property Name: Pennsylvania Avenue Garage

Tenant: Gigi Restaurant

Use: Premises shall be used primarily for the operation of a restaurant similar in menu/service to Gigi Restaurant as well as a bakery, small bar/ café, and boutique book & gift shop

Premises: Approx 7,000 sq ft of ground floor retail space

Dry Storage: Tenant has identified an additional small room underneath the ramp as possible space for dry storage. Tenant, at Tenant's sole cost and expense, is willing to install door access and pour flooring in order to make said space useable provided that space not be included in the Premises above for the purposes of rent calculation. However, Tenant agrees to be responsible for payment of any additional real estate and insurance charges on that additional square footage, and will build out that space, plus the remaining space of the accessory storage space (to be identified) at Tenant's sole cost. The Tenant shall utilize approximately 1300 SF, and the balance shall be used by the City.

**Outdoor Seating(Sidewalk Café):** Subject to City approval and (if approved) Tenant's compliance with all applicable government requirements including, without limitations, the City's Sidewalk Café Ordinance as same may be amended from time to time, Tenant requests the use of the space outside of the Premises for use as outdoor dining. Tenant acknowledges that any such outdoor seating shall be approved by City via the City's Sidewalk Café Permit procedures, and shall not be as a matter of right under the Lease. Further, any such Sidewalk Café Permit will be issued as a revocable license consistent with other sidewalk café permits in the City and that there will be the standard fees and costs associated with that permit (in addition to the rent described in this letter of intent).

**Flood Panels:** Tenant will acknowledge in the lease that, after confirmation that they are properly inventoried, that in the event a condition arises that requires the installation of the flood panels, that Tenant assumes the responsibility to install them. Once the condition passes, Tenant will remove the panels and cause for them to be properly stored. Conditions requiring the installation of the panels will be defined in the Lease.

**Tenant Investment:** As an inducement to have City enter into the Lease, Tenant represents that it will spend no less than \$1,500,000 on fixed, non-removable improvements to the space. These include, but are not limited to: grease trap: HVAC units and distribution: plumbing installed and distributed for kitchen and bathrooms: completed bathrooms to Code for not less than 200 patrons: and electrical system installed with distribution.

**Term:** Nine (9) years and 364 days.

**Initial Base Rent:** Year 1: \$75.00 psf.

**Increases:** Three (3%) percent commencing with the third (3<sup>rd</sup>) rent paying year of the Lease.

**Additional Rent:** Tenant shall pay its proportionate share of CAM, Real Estate Taxes and Insurance, which is projected to be \$10.00 psf for year 1 of the Lease.

**Percentage Rent:** Tenant shall pay an additional rent of two percent (2%) of gross sales in excess of \$8,000,000. Should sales exceed \$9,000,000, the percentage rent shall increase to three (3%) percent above \$9,000,000. Such percentage rent shall be paid in addition to the base rent for each year of the initial term. Tenant shall report sales annually on the anniversary date of it's opening for business.

**Lease Commencement:** October 13, 2011

**Rent Commencement:** The earlier of: (i) 180 days from Lease Commencement or; (ii) 90 days from the sooner of TCO or Tenant's opening for business.

Condition of Delivery As-is  
Of Premises:

Prepaid Rent: One month of Base Rent (\$43,750), due upon Lease execution

Minimum Security Deposit: Three (3) months Base Rent (\$131,250), due upon Lease execution

Pre-Lease Due Diligence Period: It is the intent of Landlord and Tenant for Tenant to be granted a Pre-Lease Due Diligence Period based upon the following:

- Tenant shall commit to and retain an architect to design and draw plans necessary for the operation of a Gigi Restaurant in the Premises
- During the Pre-Lease Due Diligence Period, Tenant shall apply to be in a position based upon solely remitting the fee to obtain a full building permit for the construction of a Gigi Restaurant in the Premises.
- Tender a \$25,000 fee which can only be refunded if, after diligent efforts, the Tenant is unable to acquire a full building permit by the Lease Commencement Date.
- This Pre-Lease Due Diligence Period will terminate with Lease Commencement, at which time Tenant must elect to proceed if it has not obtained its' full building permit or else terminate the Lease.
- Time is of the essence and it shall be a requirement of the Tenant to notify the City if for any reason it deems that it cannot construct its proposed facility.

Construction Escrow: Construction funds to be deposited into the tenant's attorney's escrow account to guarantee the diligent and timely prosecution of construction. The amount to be based upon General Contractor's final contract. At its discretion, the City may also require Tenant, as a condition of the Lease, to execute a Construction Completion Guaranty.

Contingency: The terms of this proposal are valid upon approval of Miami Beach Finance Committee and City Commission approval.

Broker: Koniver Stern Group and City Realty group International (Jon Jacobs, Realtor)

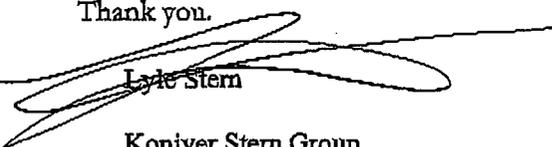
Good Faith Negotiations: This agreement represents some of our undertakings regarding a possible future lease and is not intended to create a legally binding obligation on either party. Such an obligation will be created only when both parties execute a formal lease, covering all of the rights and obligations of the parties, which is then delivered by and between us. If a formal lease is not signed neither party will be liable to the other under this document or as a result of any preliminary negotiation provided, however, that in the event of Tenant's non-compliance with the conditions of the Pre-Lease Due Diligence Period, City shall be entitled to retain Tenant's \$25,000 deposit.

We look forward to having your client as a Tenant in the center and to providing any additional information you may need. Thank you in advance for your consideration.

The foregoing proposal is predicated upon receipt of acceptable personal and corporate financial and business background information. Please sign on the following page, if your client is in agreement with the terms stated herein, provide the required financial information and I will forward a Lease for review upon final approval.

If you should have any questions, please do not hesitate to contact me at 305-532-6100.

Thank you.



Lyle Stern

Koniver Stern Group

AGREED AND ACCEPTED:

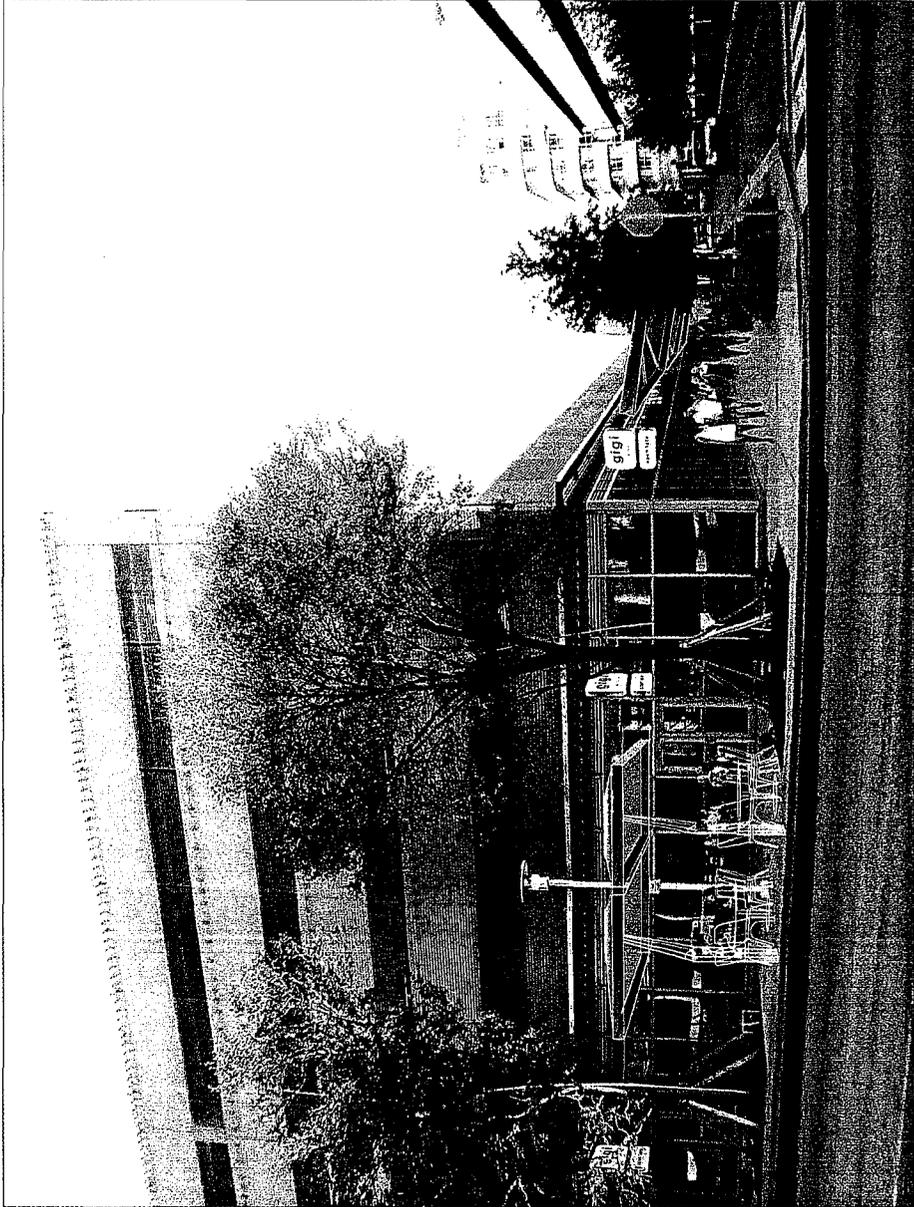
By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

# gigi

noodles • bbq • beer





Amir Ben-Zion  
B.1962.

1984 founded First Corporate Sedans Inc., owned and managed by The Ben-Zion Group. annual sales 32M.

1996 founded Pret A Manger LLC: Sandbox, in NYC, the 9 sandwich cafes were sold to a partnership including Macdonalds and Pret London in early 2001.

1999 Managing Partner/Investor of TownHouse Hotel, Miami Beach; The Ben-Zion Group operates the property since 99.

2000 co-founded BondSt Sushi Lounge @ TownHouse, a top rated Zagat sushi restaurant; Ben-Zion Group operates the restaurant since 2000.

2003 co-founded and operated Miss Yip Chinese Cafe, Miami Beach. Business was sold in 2008 .

2008 designed and co-founded Sra.Martinez Tapas in the Design District, with chef Michelle Bernstein; The Ben-Zion Group is a Co-Manager.

2009 designed and founded Bardot Miami, in Wynwood, known for its live music and Art Collection; The Ben-Zion Group manager.

2010 designed and founded gigi, Noodles BBQ & Beer in Wynwood, serving over 3000 people per week; The Ben-Zion Group manager.

# gigi

noodles • bbq • beer

Gigi is a culinary hub dedicated to community and urbanism. It offers cutting-edge, high-performance, affordable "comfort" food. Gigi is an industry innovator.

The gigi paradigm—stark, interactive, whimsical, gastronomically addictive— treats dining like Frank Gehry's building treats concert-going. Gigi presents cooking like a live symphony. New World Center is a program-driven, inviting building that calls people to come in and experience the music. Gehry described his idea as "the building putting on a performance", which is exactly the gigi concept: the kitchen puts on a performance, almost a striptease. In gigi, the glass walls are the proscenium, the open kitchens are central focal points and stages for chefs (or musician-chefs), and the people walking or driving by are the audience. People are part of the spectacle and that inspires them to participate. On a small scale, the exhibitionistic, rough and tumble, democratic openness of Gigi echoes the Gehry design. Gigi will enhance the people/building interaction.

Gigi will offer an exploration of interactive, exposed kitchens connected by a maze of art: gigi noodles, buns & BBQ (similar to the gigi on N Miami Av) will lead to gigi burgers & beer, gigi coffee & bakery, and the gigi minibar. The gigi village will create a bustling, hip agora environment. It will be wi-fi friendly and equipped with a top-of-the-line sound system whose speakers can feed the live performances in NWC. Gigi will offer takeout to people who set up folding chairs in the park. It will make Pennsylvania and 17th Sts an extension of Lincoln Rd, a bridge to the convention center, city hall and performance centers. The gigi demographic of twenties to fifties sophisticated urban professionals will grow to include families and tourists spilling forth from the mall and the beach.

The existing gigi at 3470 N Miami Av has been open since August 26 and has become an extraordinary success with no PR and no advertising. In five months it has become a four million dollar business with a seating capacity of only 98. The lines outside the gigi door are legendary. Newsweek, Southern Living, and Food and Wine have named gigi one of the top ten new restaurants to open in the U.S. this year.

Gigi is the brainchild of Amir ben Zion who has created many successful culinary and hospitality landmarks in Miami Beach and Miami: the Townhouse Hotel and Bond St Japanese restaurant, which celebrated 10 years of profitable operation this year, were designed with respect to the original art deco structure and have remained strong crowd favorites; Miss Yip Chinese Cafe, which revived and glamorized Chinese food in Miami Beach; Sra Martinez in the Design District, where celebrity chef Michelle Bernstein, currently a judge on IronChef, is reinventing Barcelona-style tapas; Bardot, a livingroom-nightclub-artgallery which has reinvented the live music venue in Miami; and, finally, gigi, where chef Jeff McGinnis, of Top-Chef and Ritz Carlton fame, is performing culinary art.

# gigi

noodles • bbq • beer

## champagne

piper heidsieck brut champagne (750ml)	48
piper heidsieck brut champagne split (187ml)	16

## white

pinot gris, acrobat, oregon	6/22
chardonnay, j lohr riverstone, ca	7/24
riesling, next, wa	5/18
sauvignon blanc, terrapura, chile	7/24
blend, naked earth, france	6/22

## red

cabernet, castle rock, napa	8/22
merlot, firestone, ca	5/18
malbec, elsa, argentina	7/24
syrah, liberty school, ca	5/20
pinot noir, joseph drouin la foret, france	6/22
zinfandel, four vines, ca	6/22

## beer

pabst blue (tall boy)	3
singha	4
asahi	5
shiner	5
magic hat #9	5
sierra nevada pale ale	5
kirin light	5
hoegaarden	5
kirin ichiban (22oz)	8

## draft

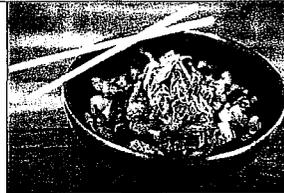
sapporo	3
stella artois	3

## sake

okuden "kantsukuri" comfortingly familiar, surpassingly smooth	5
dewazakura "oka" delightful, flowery, hint of pear & melon	6
nigori "ginjo" kamoizumi lively, voluptuous	7/32 (500ml)
banraku "junmai" special reserve (medium size bottle)	20 (300ml)
yamahai "daiginjo" imprint of honey & herbs (medium size bottle)	21 (300ml)

## beverages

flat and sparkling water	1pp
coke / diet coke / sprite	2
gigi spritzer (bottle)	2
gigi iced tea (home made unsweetened)	2
hot teapot	2
espresso / dbl	2/3



## basics

braised short rib meat loaf - smokey plantain, soy molasses	10
1 lb of southern boy bbq ribs - pickled chilies, cilantro	16
blt - pork belly, pickles	9

## buns

roasted pork - peanuts	7
tandoori chicken - cucumber, mint	7
shitake mushroom - sticky icky sauce, sesame	7
beef brisket - chef jorge's famous soft laco	

## raw

florida strawberries and citrus - fresh herb	4
local seasonal fruits - jackfruit, pomegranate, carambola	3
fl. snapper - celery, sweet potato, big corn	8
tuna - avocado, cucumber, citrus	8
local greens - miso honey	7
homestead avocado and tomato - citrus, hearts of palm, crunchy rice	9

## snack

grilled butternut - yogurt, spicy vinegar	5
crispy chicken skin - asian romesco	3
grilled bok choy - pineapple, teriyaki	5
shitake mushroom - sticky soy	5
brussel sprouts and cauliflower - bacon, soy	7
tempura fried eggplant - spicy aioli	6

## noodle bowl

caribbean shrimp pad thai - bean sprouts, omelet, peanuts	15
pork ramen - organic poached egg, scallion	14
steak chow fun - mushroom, eggplant	16

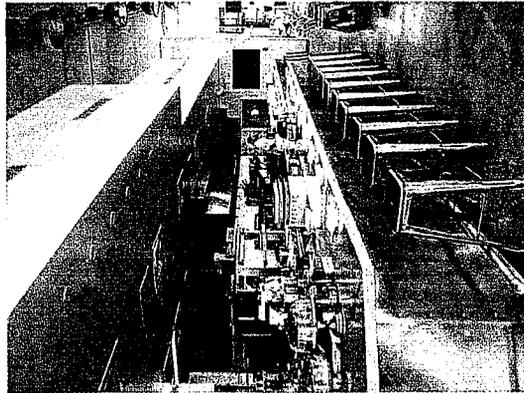
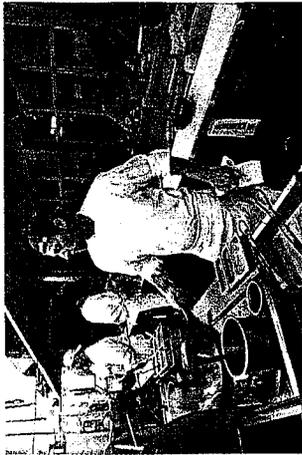
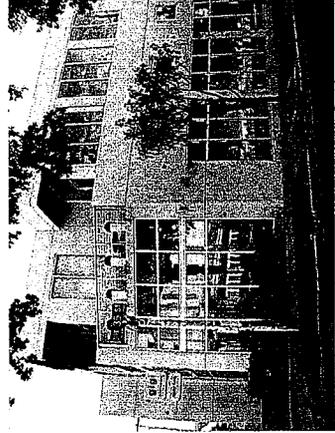
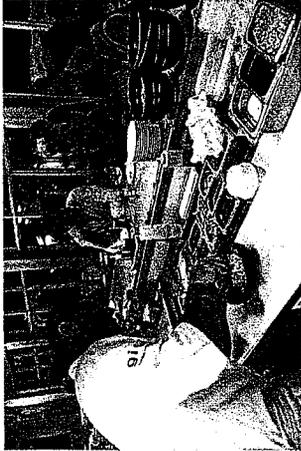
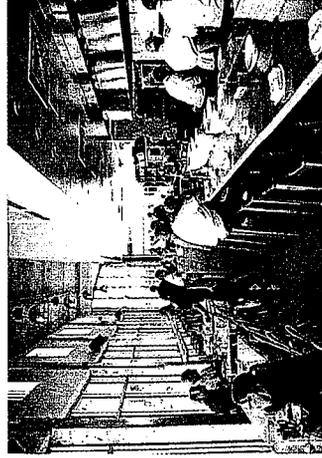
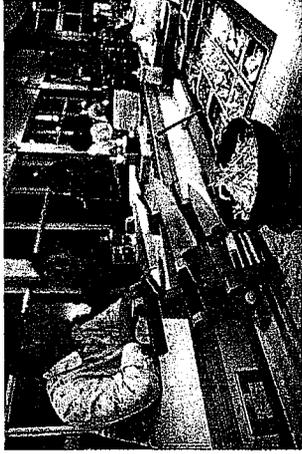
## rice bowl

atlantic seafood bowl - red coconut curry, basil, tomato, jasmine rice	16
florida fish - fermented black bean, jasmine rice	15
slow braised curry duck leg - coconut risotto	12

Chef Jeff McInnis

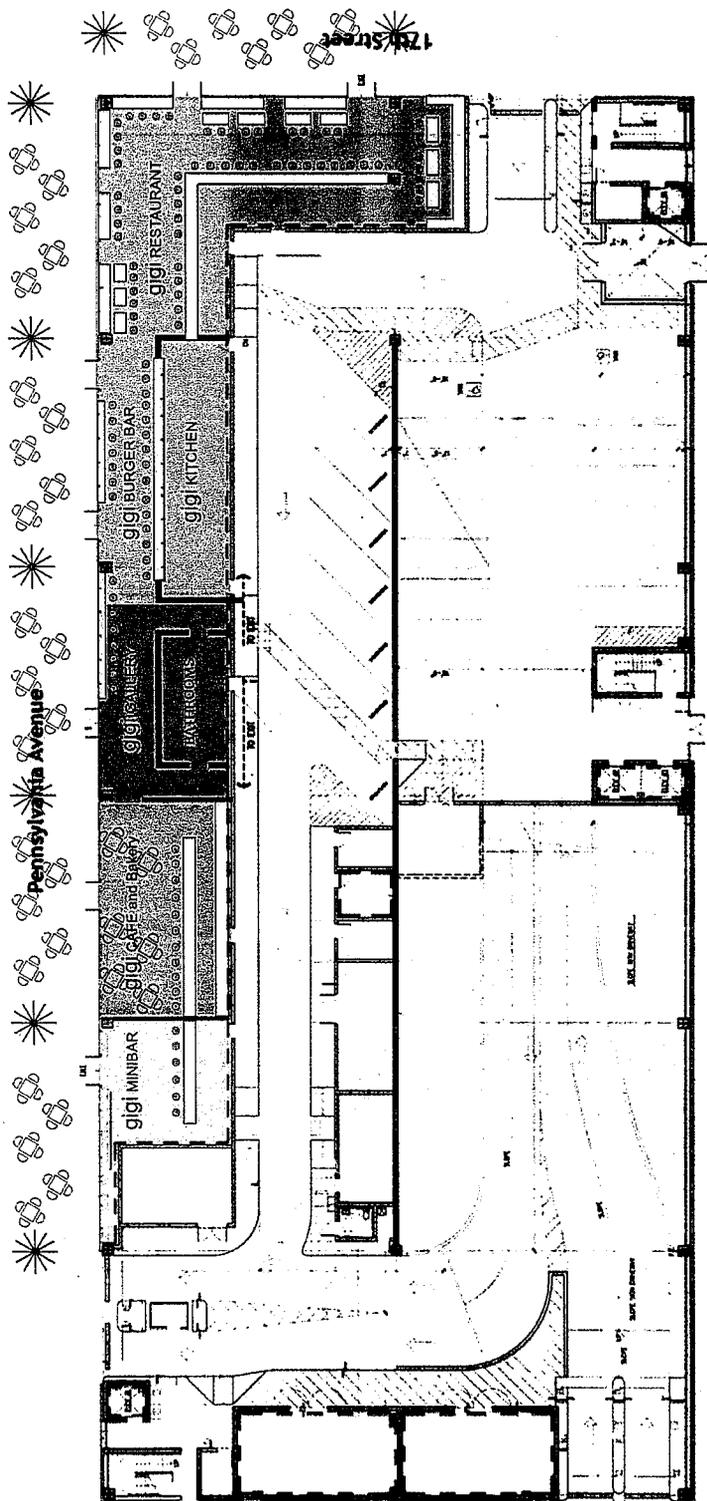
# gigi

noodles • bbq • beer



# gigi

noodles • bbq • beer



## FLOORPLAN

