



# 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: *[Signature]*  
for Jorge M. Gonzalez, City Manager

DATE: January 19, 2012

SUBJECT: **DISCUSSION PERTAINING TO A RETAIL LEASE AGREEMENT BETWEEN THE CITY AND SOUTH FLORIDA SALON GROUP, INC., FOR USE OF APPROXIMATELY 1,327 SQUARE FEET OF CITY-OWNED PROPERTY LOCATED AT 1701 MERIDIAN AVENUE, UNIT 1 (A/K/A 765 17<sup>TH</sup> STREET)**

### BACKGROUND

On October 17, 2001, the City Commission passed Resolution No. 2001-24661 authorizing the purchase of the building at 1701 Meridian Avenue (a.k.a. 777 Building) in order to address the City's ongoing need for administrative office space expansion. At the time, the preservation of a retail environment on the ground floor of the property was considered and it was determined that retention of the retail space was conducive to maintaining and enhancing the pedestrian character of the linkage between Lincoln Road Mall and the Civic/Convention Center area.

At the October 21, 2008 meeting of the Finance & Citywide Projects Committee (F&CPC), and subsequently at their meeting of March 10, 2009, and following a comprehensive review of the City's office space use, the Committee agreed with City staff's recommendation that usage of the ground floor of 1701 Meridian Avenue Building remain a primary use for commercial retail space. Additionally, the Committee recommended that any commercial leases (including renewals and/or extensions) for use of space at the Building be handled as it is in the private sector and not through a competitive bid process.

### ANALYSIS

On November 16, 2011, Koniver Stern Group, the City's contracted real estate broker, presented the City with a Letter of Intent (LOI) on behalf of the South Florida Salon Group, Inc., (SFSG) for use of approximately 1,327 square feet of City-owned space located at 1701 Meridian Avenue, Unit 1. This unit was formerly occupied by Leonardo's Hair Salon (until August, 2010), and is currently vacant and available. The New York-based investment group which is behind SFSG is proposing to introduce a relatively new and exciting concept taking hold in many retail markets throughout California, New York, Arizona, Texas, Atlanta and Miami in the form of a blow-dry hair salon. As the name implies, the facility would offer an attractively affordable fixed-price menu of blow-dry hair styling options, as well as manicuring services. A concept rendering of the proposed space as well as background information concerning the prospective tenant is included as Exhibit A to this memorandum.

In addition to SFSG, the City received inquiries about the availability of the space from the current adjacent tenant, operating as a Massage Envy. This existing tenant wished to expand their current space, as well as introduce certain services currently not included in their franchise agreement, which formed the basis of the lease for their current space. Further, the initial terms proposed were deemed not favorable to the City, while this prospective tenant submitted terms more favorable for the City's consideration. While the adjacent tenant has remained interested in the vacant retail space, and has since offered comparable terms, the City's broker advised staff that securing a

diverse tenant mix would protect the City further, as compared to leasing out this space to the adjacent tenant and having one tenant control two of four retail spaces.

**PROPOSED LEASE TERMS**

SFSG is offering to pay \$46.00 per square foot for the space. Based on current market conditions, the proposed rent is comparable and competitive. The prospective tenant is also planning significant renovations to upgrade the current condition of the space. SFSG is currently in the process of obtaining bids for architectural services, and is planning on investing \$138,000 in the design and build-out of the space. As a result, the prospective tenant has requested a ninety (90) day tenant improvement rent credit. In light of the value of the investment, the rent commencement date has been recommended at ninety (90) days following the Lease Commencement Date. The following are the proposed terms:

Commencement Date: The Date the Lease is fully executed by Landlord and Tenant

Initial Lease Term: Three (3) years.

Renewal Options: One (1) option for and an additional three (3) years, subject to Landlord's sole and absolute discretion.

Base Rent: \$46.00/sq.ft; \$5,086 per month; \$61,042 per year; plus applicable Florida State Sales Tax.

Annual Rent Increase: Three (3%) percent annually

Rent Commencement Date: Ninety (90) days from Commencement Date

Pre-Paid Rent: One (1) month's rent, due upon lease execution

Minimum Security Deposit: Three (3) months' rent, due upon lease execution

Guaranty: The Lease shall be personally guaranteed by South Florida Salon Group, Inc.

Condition for Delivery: As-Is

Termination Provision: If for any reason Tenant plans to vacate the space prior to the expiration of the Lease Term, Tenant shall provide ninety (90) days written notice. In such event, the Landlord shall be entitled to six (6) months' rent, to be remitted upon execution of the Lease, either in the form of a letter of credit or placement in an escrow account.

**RECOMMENDATION**

Since the proposed lease terms are well within range of comparable spaces in the area and the proposed use of the space is consistent with prior uses on the ground floor of the building and the surrounding commercial area, the Administration recommends approval of the Lease terms as proposed.

JMG/HMF/AP/KOB

Attachments

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**KONIVER**  
**STERN GROUP**  
RETAIL REAL ESTATE & BROKERAGE

January 11, 2012

Via email: [Olari@famatm.com](mailto:Olari@famatm.com)

**Re: City of Miami Beach Retail – 17<sup>th</sup> St Unit 1**

Dear Eric:

On behalf of the owners of the above referenced development, I am pleased to present the following basic terms and conditions under which the owners would enter into a lease agreement with your client at the above referenced development.

<b>Shopping Center Name:</b>	<b>City of Miami Beach Retail</b>
<b>Tenant:</b>	<b>South Florida Salon Group</b>
<b>Use:</b>	Premises shall be used for the operation of a Blow dry Salon.
<b>Premises:</b>	Approx 1,300 sq ft.
<b>Term:</b>	(3) years with a 3 year optional renewal at current rate
<b>Rent:</b>	Year 1: \$46.00 psf.
<b>Increases:</b>	Three percent (3%) every year
<b>Lease Commencement:</b>	The date Lease is fully executed by Landlord and Tenant.
<b>Rent Commencement:</b>	90 days from the date Landlord delivers
<b>Condition of Delivery:</b>	As-is
<b>Prepaid Rent:</b>	One months rent, due upon lease execution
<b>Minimum Security Deposit:</b>	Three months rent, due upon lease execution
<b>Kick Out:</b>	<b>If tenant plans to vacate the space prior to the expiration of their lease term, tenant must give 90 days written notice. If tenant exercises kick out, the city will be entitled to 6 months rent – to be either put in escrow or Letter of Credit which will be due at lease execution.</b>
<b>Guaranty:</b>	The lease shall be personally guaranteed by the principal(s) and their respective spouse(s), of the business/corporation.
<b>Contingency:</b>	The terms of this proposal are valid upon approval of Tenant's Lease Application and up to ten (10) days from the date of Proposal.

1665 Washington Avenue, Penthouse  
Miami Beach, Florida 33139  
T (305) 532-6100 F (305) 532-6101

[www.koniversterngroup.com](http://www.koniversterngroup.com)

**Broker:**

Koniver Stern Group

**Good Faith Negotiations:**

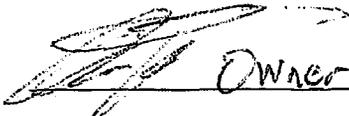
This agreement represents some of our undertakings about a possible future lease and is not intended to create a legally binding obligation on either party. Such an obligation will be created only when both parties execute a formal lease, covering all of the rights and obligations of the parties, which 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.

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 305-523-9883. Thanks again.

**AGREED AND ACCEPTED:**

**By:**

 OWNER

**Its:**

DWNEF LUD

**Date:**

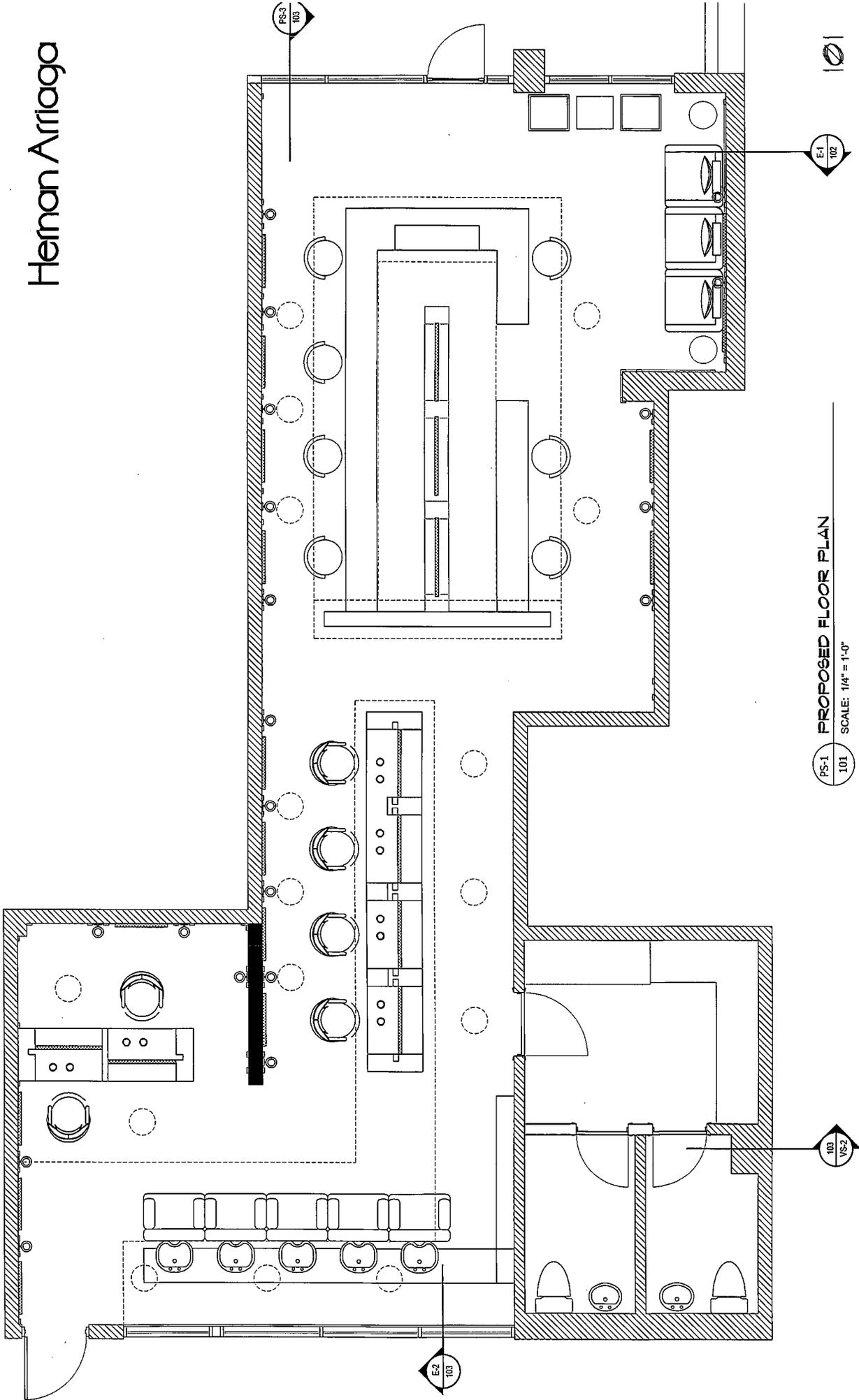
1/11/12

Sincerely,

Koniver Stern Group

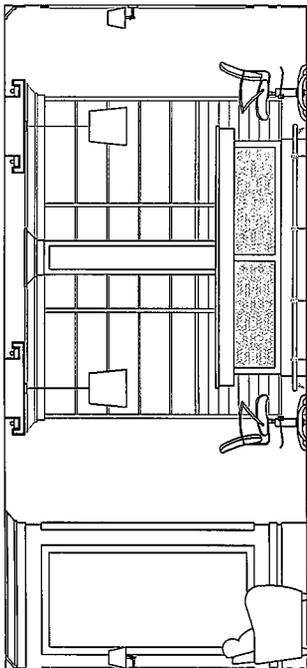
*Sara Wolfe*

# Hernan Arriaga

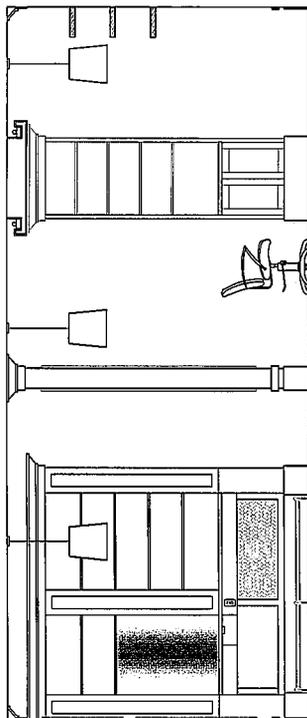


PS-1 101  
**PROPOSED FLOOR PLAN**  
SCALE: 1/4" = 1'-0"

# Hernan Arriaga

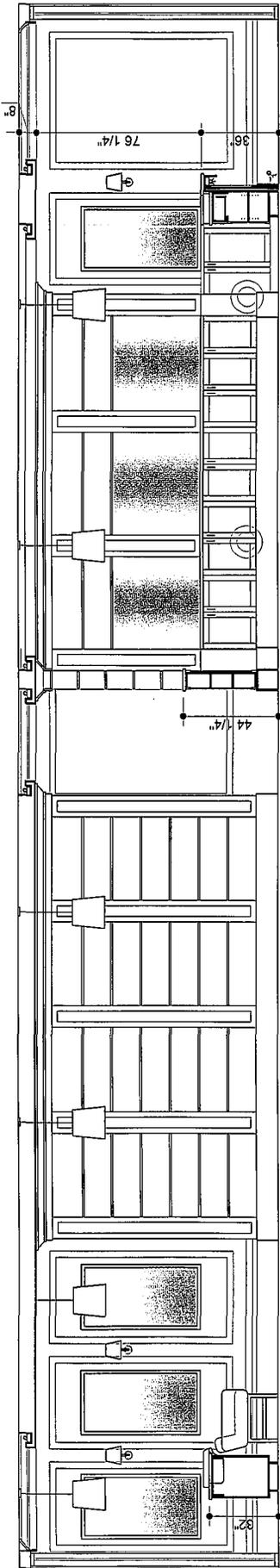


E-1 NORTH ELEVATION  
SCALE: 1/4" = 1'-0"

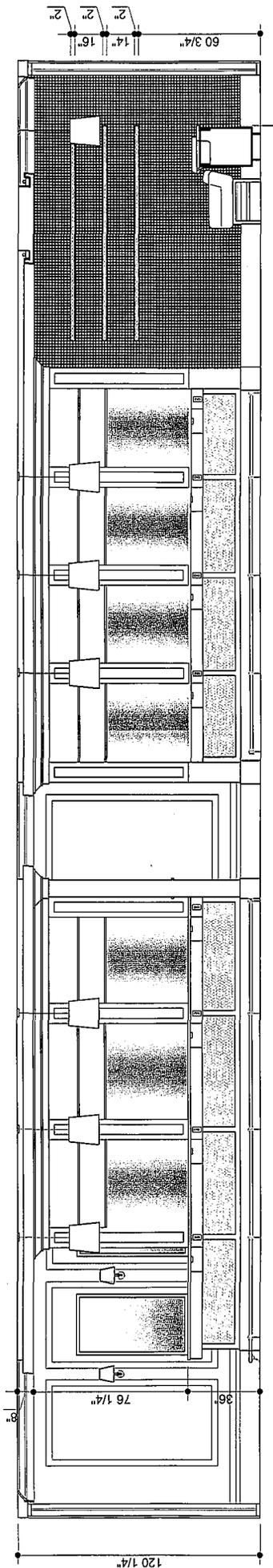


E-2 SOUTH ELEVATION  
SCALE: 1/4" = 1'-0"

# Hernan Arriaga



E-3 WEST ELEVATION  
SCALE: 1/4" = 1'-0"



E-4 EAST ELEVATION  
SCALE: 1/4" = 1'-0"



FHL DESIGN | ARRIAGA LLC  
INTERIOR DESIGN & DECOR

January 10, 2012

Client: Omid Lari---Salon

Location: 765 17th Street Miami Beach, FL 33139

The following estimates are for the design and construction based on the Architectural drawings provided.

1. Designer:  
20% of all construction/design costs.
2. Drawings/Shop Drawings by contracted Architect:  
\$6,000
3. Permit Fees:  
-Master Permit includes all works to be addressed: \$2,000
4. Contractual agreement for all carpentry, millwork, flooring, paint and all other works as specified on drawings.  
-Carpentry/flooring: \$15,000  
-Millwork/workstations: \$15,000  
-Paint: \$6,500  
-Marble Countertops: \$10,000
5. Contractual agreement to do all electrical works as specified on drawings.  
-Electrical and Lighting: \$10,000
6. Contractual agreement to do all plumbing as specified on drawings.  
-Bathrooms and working stations: \$10,000

Total contractual budget agreement:

\$74,500 - includes all construction layout/design as per drawings

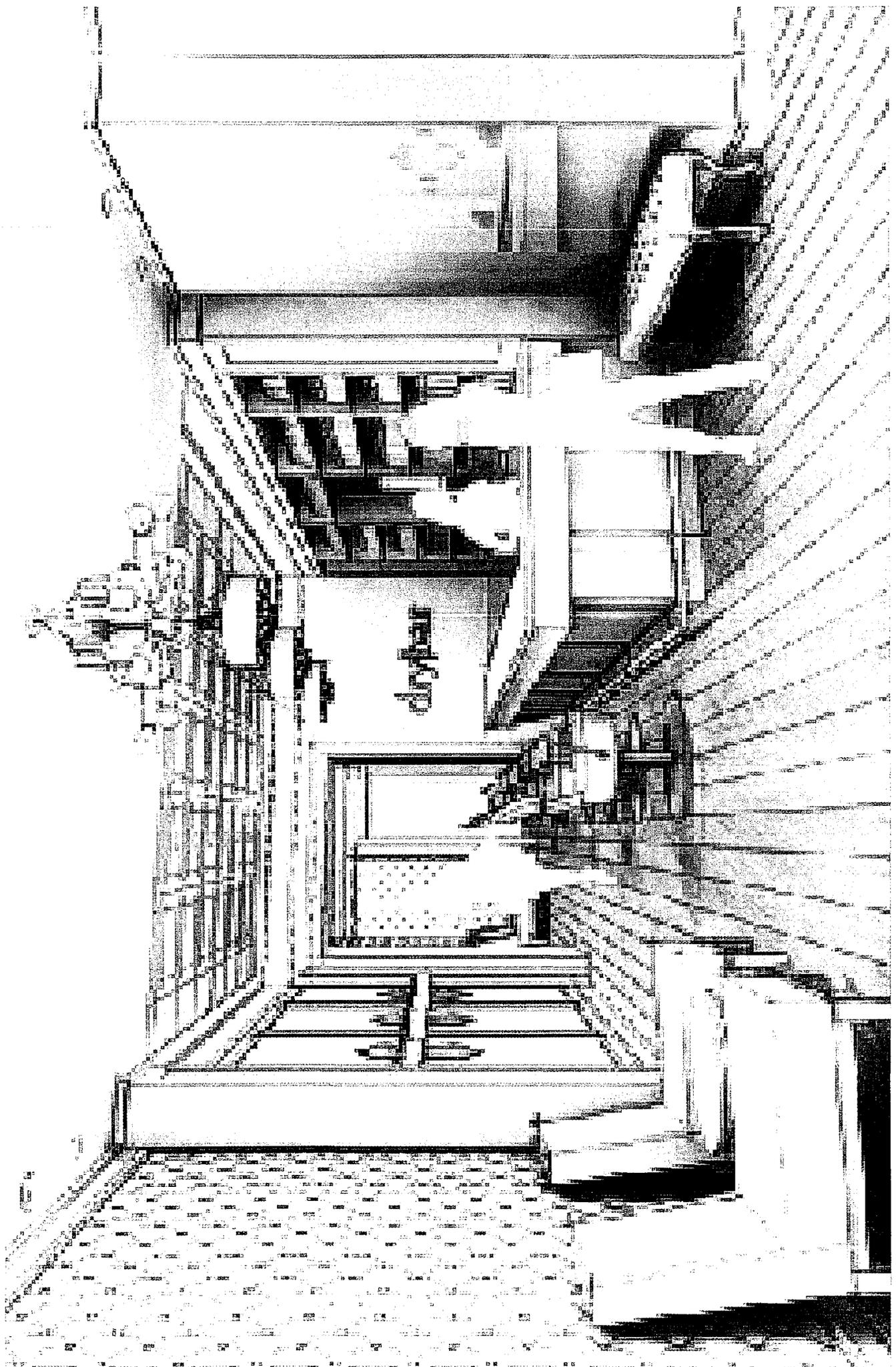
\$40,000-allocated for furnishings

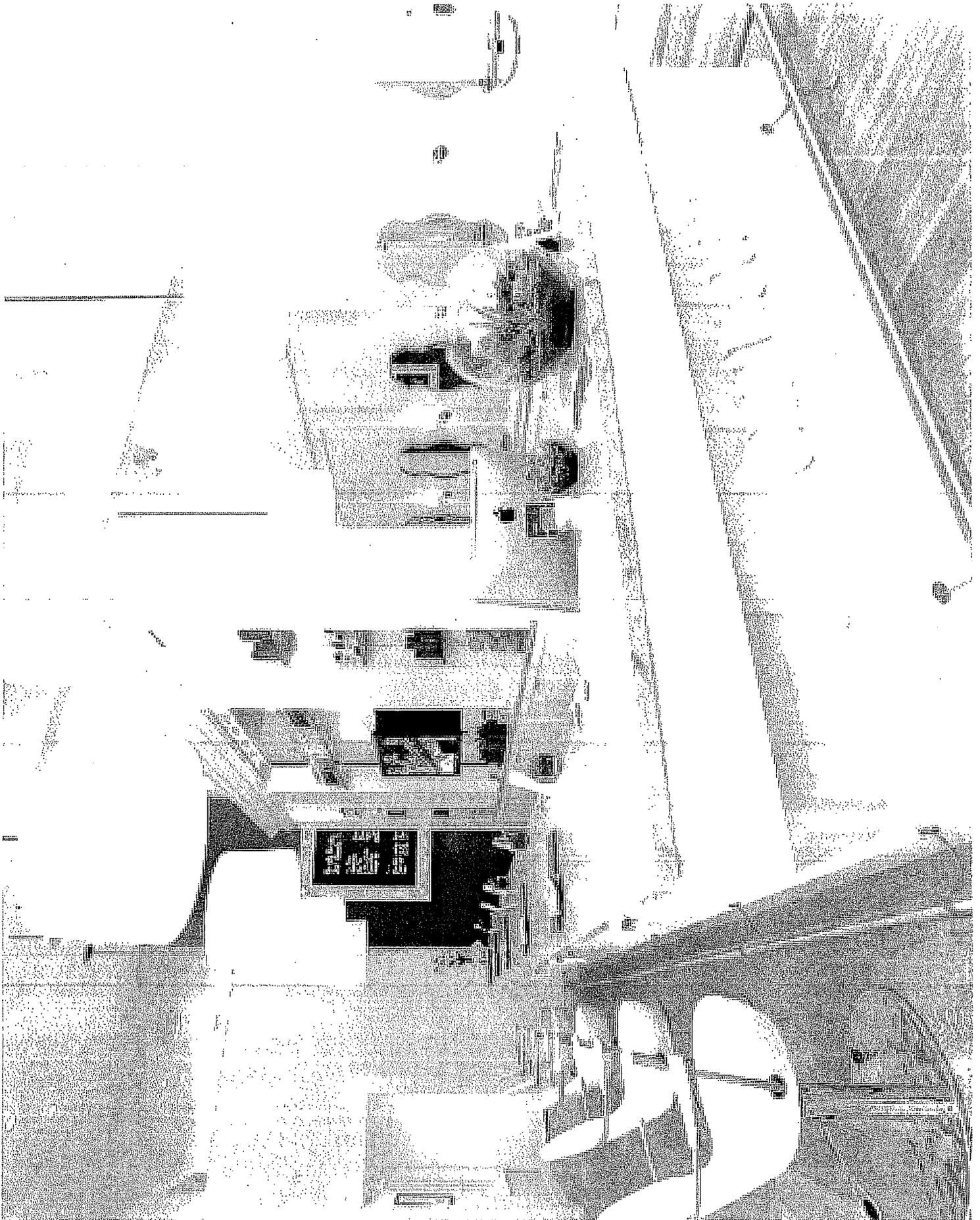
\$22,900-20% designer fee

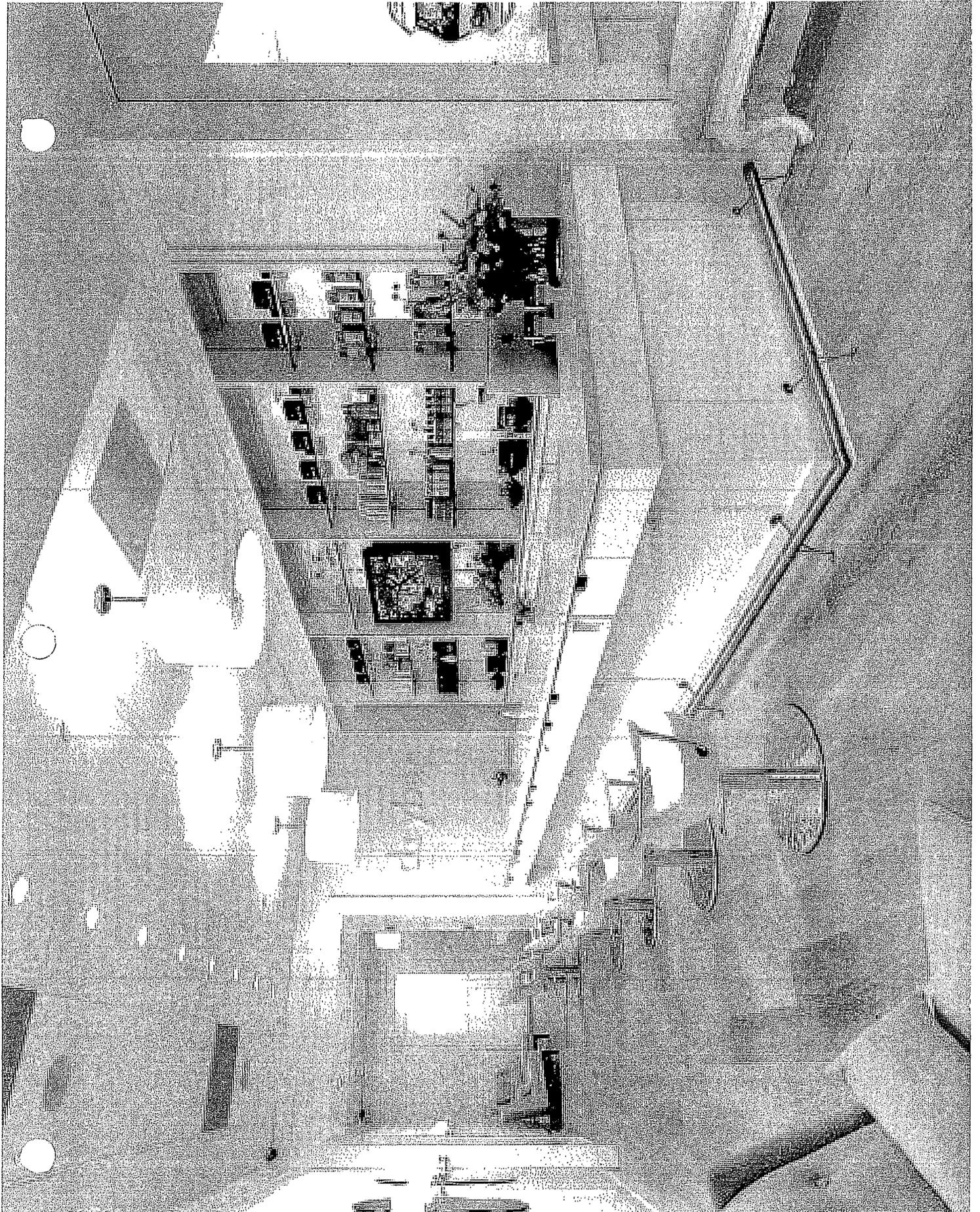
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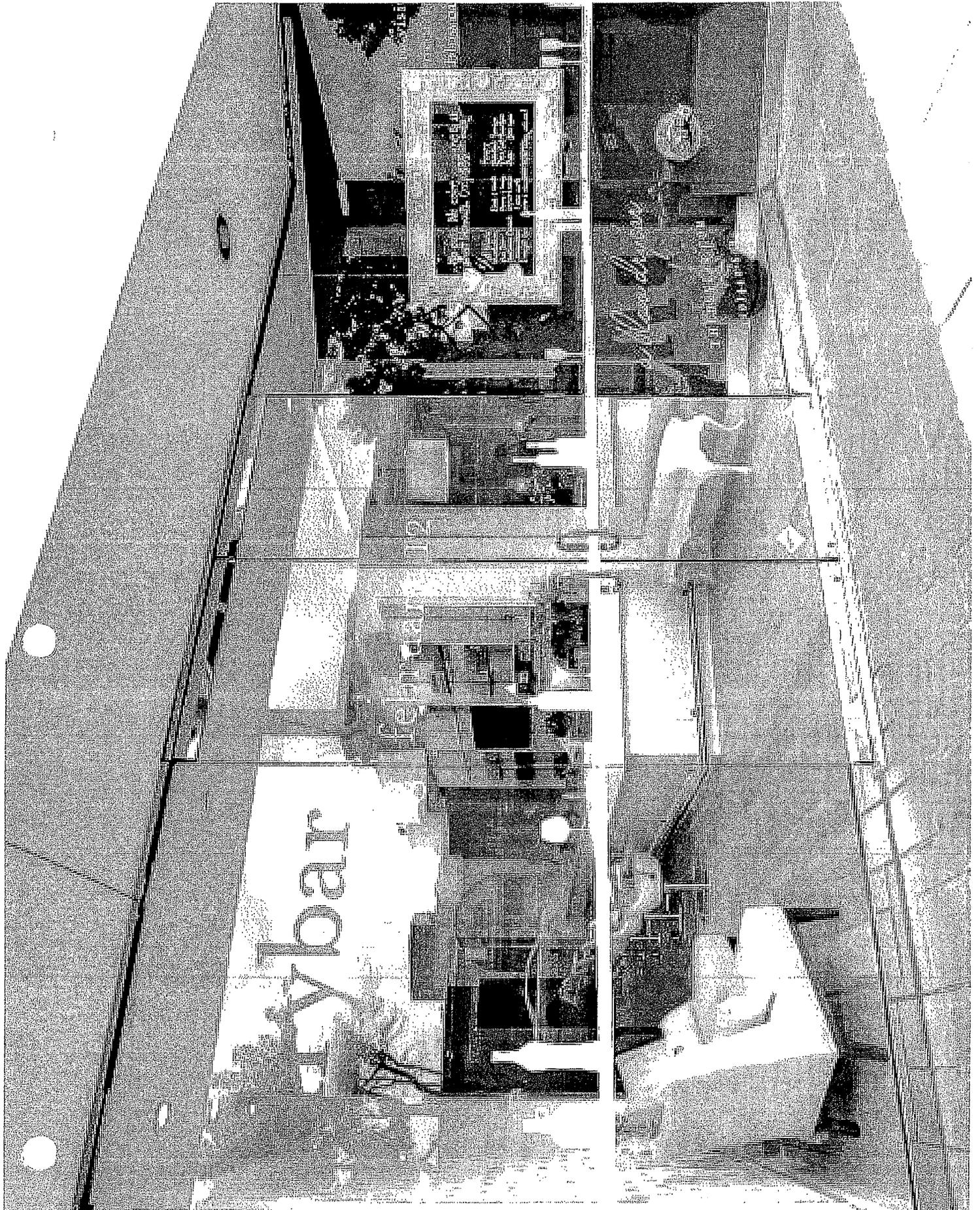
**\$137,400 TOTAL ESTIMATED COST\***

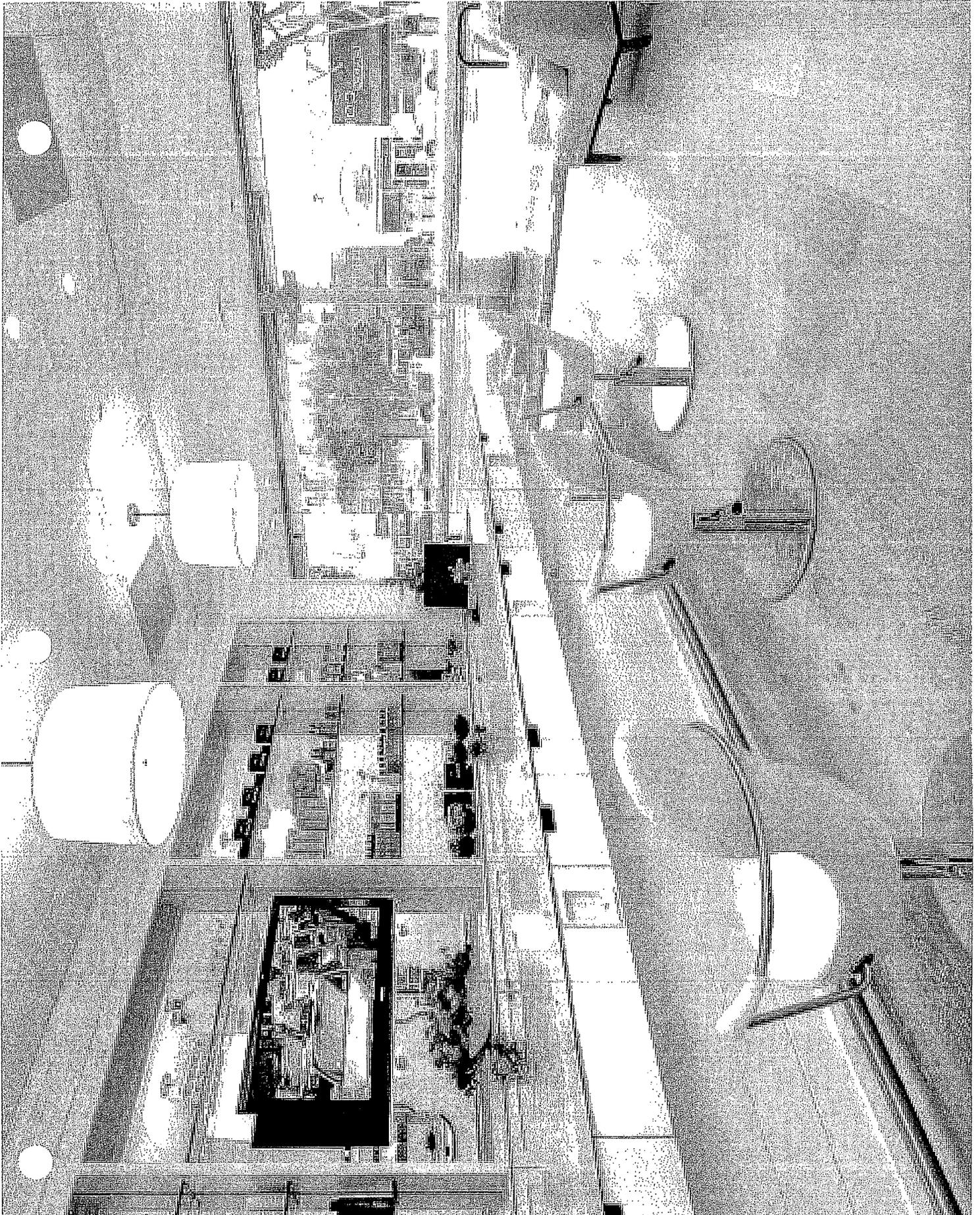
*\*All figures are estimates of projected costs to reflect budget and visionary standpoint. Final figures and detailed estimates to be presented with final contractual agreement.*



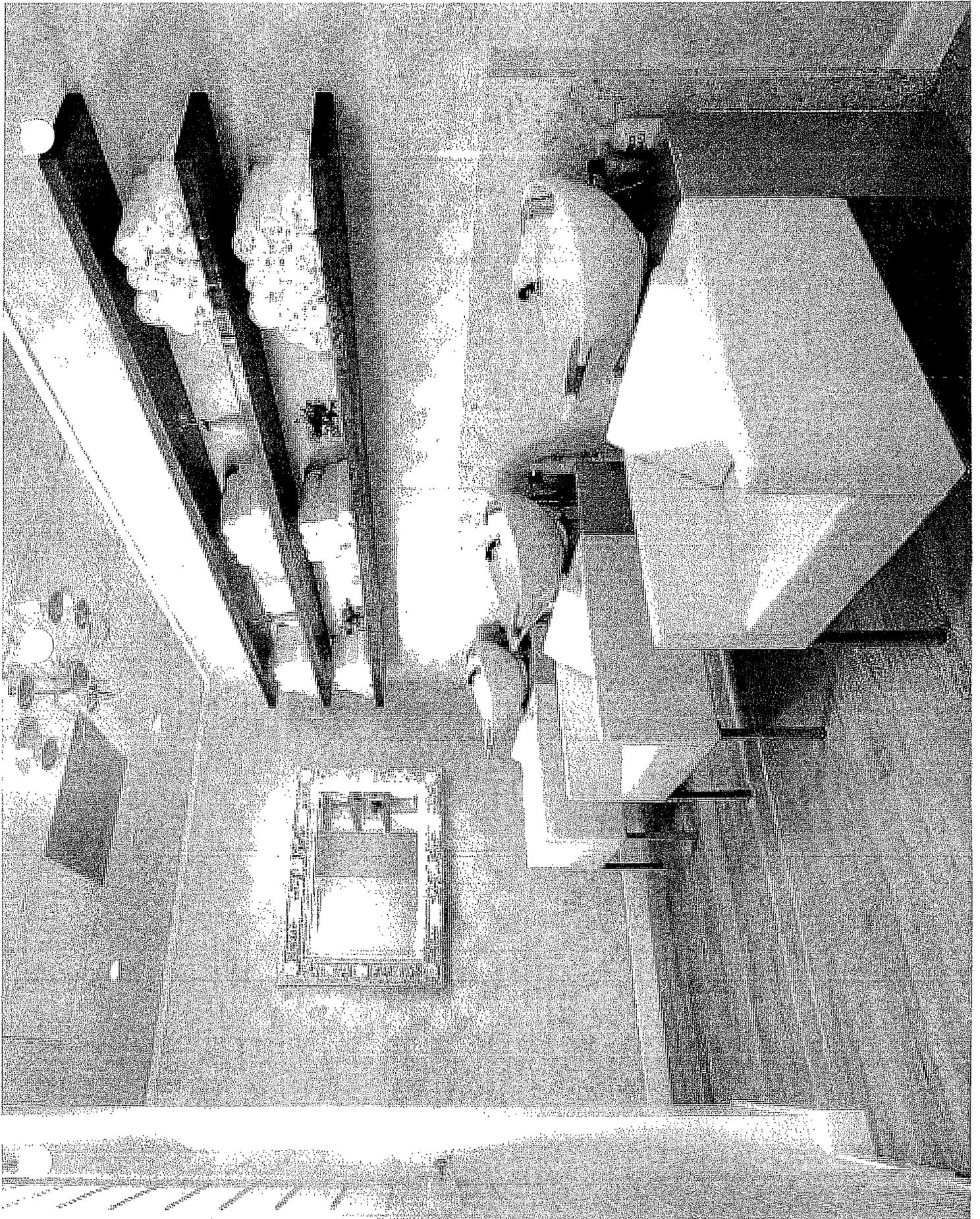


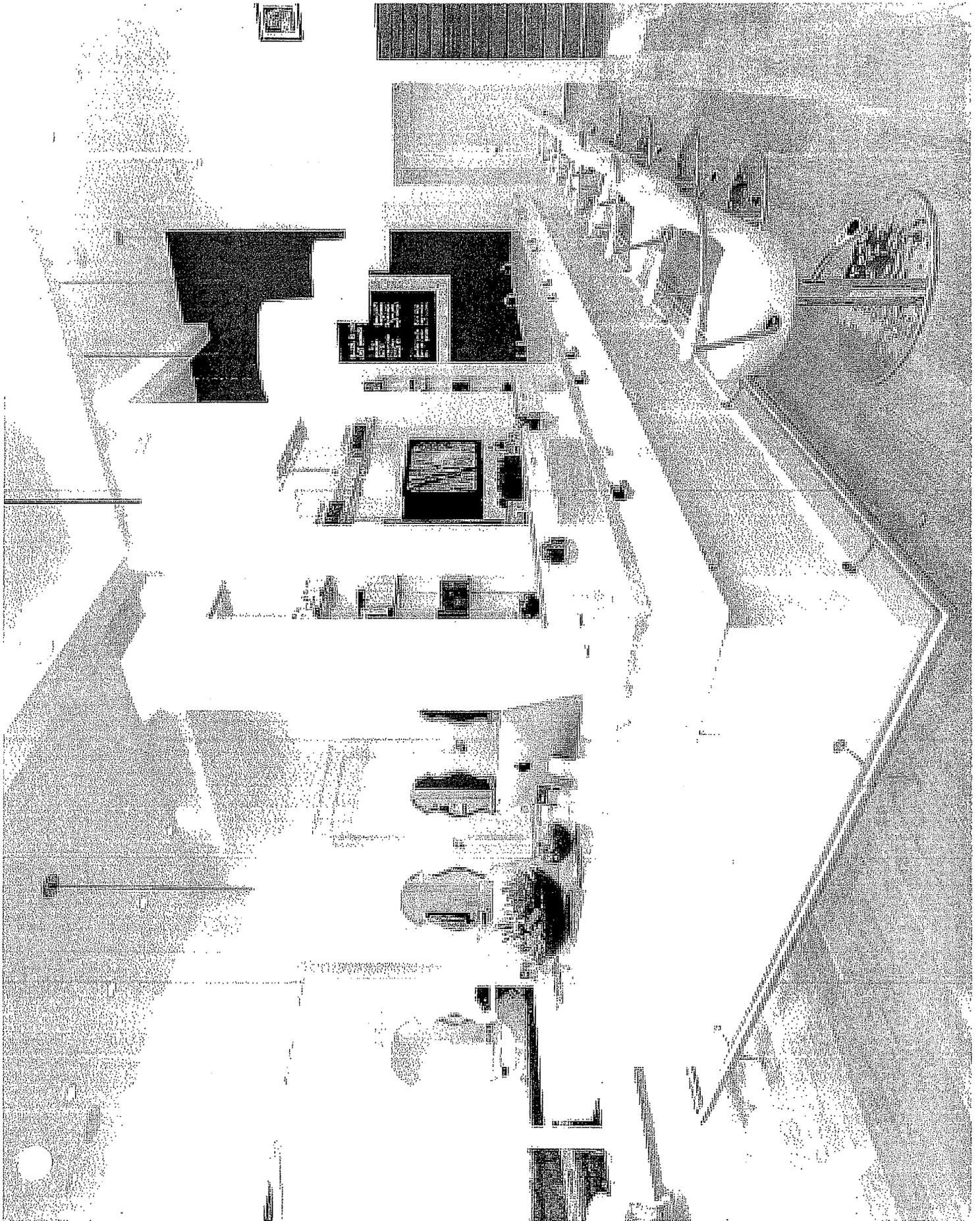














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### *Investor Bio*

1. Abe Ayesh, Abe is 41 years old who is a lawyer by trade. Partners in Fam Capital group, Atm Wireless, ATM World and owns Ayesh World Consulting. These companies have a combined value of well over 50m and continue to grow. Abe is also partners in many bodegas in New York and is partners in several different real estate development projects in Queens and Brooklyn.

2. Mike Rahbah, Mike is 40 years old who is also Partners in Fam Capital group, Atm Wireless, ATM World. Mike is involved with many of the same real estate development projects and bodegas with Abe

3. Fred Wich, Fred is 52 years old and an ex Goldman Sachs banker who is also Partners in Fam Capital group, Atm Wireless, ATM World. Fred worked as a banker for Goldman Sachs for 11 years before he went off to start the ATM companies with Abe Ayesh and Mike Rahbah.

Fam Capital Group  
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Long Island City, NY 11106  
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4. Omid Lari, A 30 year old entrepreneur from Los Angeles who has started and sold 2 companies by the age of 30. Omid Studied Business administration at Santa Monica College and moved to Miami to bring the "Blow out" concept to South Florida

As you can see, These partners are heavily invested in projects with one another and continue to diversify. They will be investing a total of 150 Thousand dollars for the salon at 765 17th Street and making Omid Lari a managing partner with Sweat Equity. Abe will be overseeing all construction costs, operational costs, monthly P&L, business development and financing and Omid will be day to day Managing Partner which will oversee every and all day to day salon issues, open and close every day, scheduling, hiring/firing of employees, bookkeeping, and all other day to day duties. The name of the corporation is South Florida Salon Group and the actual name of the salon is yet to be determined.

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### Rejected Filing

SOUTH FLORIDA SALON GROUP, INC.

### Filing Information

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Filed Date	12/28/2011
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Time Period	days
Penalty Fee	0.00

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