

City of Coral Gables City Commission Meeting
Agenda Item F-4
January 25, 2022
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Vince Lago

Vice Mayor Michael Mena

Commissioner Rhonda Anderson

Commissioner Jorge Fors

Commissioner Kirk Menendez

City Staff

City Manager, Peter Iglesias

City Attorney, Miriam Ramos

City Clerk, Billy Urquia

Asset Manager, Zeida Sardinias

Public Speaker(s)

David Martinez

Agenda Item F-4 [10:38 a.m.]

An Ordinance of the City Commission authorizing the City to enter into a Lease with SRA Coral Gables Restaurant, LLC, a Delaware limited liability company, dba SRA. Martinez with regard to the City-owned property 2325 Galiano Street, Coral Gables, FL 33134 for a period of fifteen (15) years and with two (2) additional, five-year renewal options, at the City's discretion; providing for a repealer provision, severability clause, and providing for an effective date.

Mayor Lago: Moving on to F-4; time certain, 10:30.

City Attorney Ramos: F-4 is an ordinance of the City Commission authorizing the City to enter into a Lease with SRA Coral Gables Restaurant, LLC, a Delaware limited liability company, also known as or doing business as SRA. Martinez with regard to the City-owned property at 2325 Galiano Street, Coral Gables, FL 33134 for the period of 15 years and with two additional, five-year renewal options, at the City's discretion; providing for a repealer provision, severability clause, and providing for an effective date. This is a public hearing item. It is by ordinance because that is required due to the length of the lease in the Division 12 of the Procurement Code. In addition, this is a four-fifths vote.

Mayor Lago: Zeida, first off, good morning. Thank you for being here.

Asset Manager Sardinas: Good morning, Mayor.

Mayor Lago: I just want to be very brief. I want to thank you and your team, the Economic Development, for, you know, catching a big fish and bringing a big fish home. This is a big deal for our community, not only for the City of Coral Gables, for South Florida. So, the Manager's team and the Economic Development team have done a great job. And this is just going to continue to elevate, you know, the type of restaurants and the food that we're offering here in the City. So thank you.

Asset Manager Sardinas: Thank you. Good morning, Mayor and Commissioners. Mayor, I was going to wait to the end to thank the team, but since you brought it up, I just wanted to say I'm incredibly blessed to have the job I have and to be able to work with all of you, with the leadership of our Manager, our department, my director, Julian Perez, the great help that I get from our Assistant Director Belkys, and Francesca Valdes, who's had a lot to do with this item. And again, with the City Attorney's office, which I could not work without, and our exterior counsel, Vivian de las Cuevas, who helped us with the lease. So, absolutely. Just to go a little -- Can you bring up the PowerPoint? Okay, so in May of 2020, the City ended its lease with the previous tenant for the City-owned property at 2325 Galiano. Since then, the Economic Development Department

has been marketing the premises in search of an experienced restaurateur with a chef-driven restaurant entertainment concept. The ideal tenant also needed to have had a leading role in the design and execution of restaurant buildout projects of similar size and/or complexity given that the former restaurant entertainment space needs a full renovation buildout. Between May of 2020 and August of 2021, the Department showed the premises to over 25 interested parties and reviewed three proposals. And the City Manager selected SRA Coral Gables Restaurant LLC that's going to do business as SRA. Martinez as the proposed tenant for the premises. I'm not going to repeat a lot of what the Mayor has already told us. We all know the caliber of the chef that we have and of the concept. So, the proposed tenant, SRA. Martinez, is going to operate a signature dining entertainment experience that they're going to create exclusively for downtown Coral Gables. It comes from renowned James Beard Award 2008 Best Chef in the South winner Michelle Bernstein and her husband/business partner, David Martinez. I did -- wanted to mention, we've mentioned all of the extensive experience from Azul that started back in 2001. They are operating Café La Trova today, also Sweet Liberty, and La Cañita on Bayside. But I did want to highlight we've only had -- we have very talented chefs in Coral Gables. We've had a lot of finalists and honorable mentions. We've only had four James Beard award winners in South Florida, two of them where in the 1990s. The other two, one is Michelle Bernstein, the other one is Michael Schwartz. We have the only female chef also to win the James Beard Award, so it's a great thing. We also -- so I want to just take you through the concept really quick. So, the SRA. Martinez restaurant concept is going to be a bright and lively design aesthetic that's going to create indoor and outdoor seating that will pay great attention to detail, featuring textures, patterns, colors, strategic ambient lighting. The length of the room is going to be outfitting with sliding glass doors for an indoor-outdoor feel throughout the day. An extended cocktail bar will bring the entire room together as the restaurant transitions from a fast paced business lunch setting during the day to a bustling happy hour after working hours. In the evening, SRA. Martinez will transform into a more intimate dinner experience that it will incorporate exclusive upscale live entertainment for all ages. The restaurant is going to offer an eclectic menu of old-world favorites, as well as innovative contemporary dishes, all infused with Chef Bernstein's eye for great product and her signature flavors. It will also provide vibrant cocktails and innovative mixology, as well as an

exclusive wine list to pair with Chef Bernstein's acclaimed cuisine. That will also be followed -- in addition to the cuisine, to feature live music performances with music ranging from different styles and sounds from Latin America. It will include an organic Cuban Spanish experience with warm and great service. So, let's talk about the proposed lease terms. So, the premises is 4,111 square feet. The tenant will complete renovations required to create a restaurant with a minimum value of no less than \$1.3 million in improvements no later than 24 months from the effective date of the lease. Any additional funds required to complete the tenant improvements will be at tenant's responsibility. The term is 15 years from the effective date of the lease with two additional five-year renewals at the City's discretion. Base rent will start at \$31 a square foot during the third year of the lease term, and it will go up to 34 in the fourth year, increasing at a rate of 3 percent per annum thereafter. Commencing on the 19th month of rent from the lease effective date, the tenant will pay the landlord no more than \$9 a square foot to cover their proportionate share of real property taxes, insurance, common area maintenance, and operating costs from the premises. Annual increases to additional rent shall not exceed more than 5 percent per year. The renewal period also will have the ability to go up at 8 percent, no more than 8 percent, when they come up -- again, they're at the City's discretion -- over base rent and annual adjustments of 3 percent. Rent commencement. The tenant will not pay any base rent for the initial 24 months of the lease term while they perform the \$1.3 million in tenant improvements. The security deposit will be for three months, which is \$31,860.25. The Economic Development Department believes that the proposed tenant has the required restaurant design build-out and operations experience required for the total renovation buildout and successful operation of the premises. The Department also believes that, if approved by the City Commission, the SRA. Martinez branded chef-driven dining entertainment concept will contribute to the vibrancy and resiliency of the downtown as the City continues to work towards making Coral Gables one of South Florida's premier dining destinations. The proposed lease terms were presented to the Economic Development Board, the Property Advisory Board, and the Budget and Audit Board. Both the Economic Development Board and the Property Advisory Board unanimously recommended the lease for the City Commission approval. The Budget and Audit Board yesterday did not recommend the lease in its present form. The Board recommended that the initial lease term be only for 10 years with three five-year renewals.

Pursuant to Section 2-1007 of the Procurement Code, the item's approval requires four-fifths vote, as the attorney -- City Attorney has told us because the term exceeds 10 years. Pursuant to the Code also, you have the authority to waive any condition imposed by the provisions of Division 12 that may not have been technically followed upon a four-fifths vote when you find such waiver to be necessary to -- in order to proceed with the purchase sale and lease, which is in the best interest of the City. The business partners are here to answer any questions you may have also so...

Mayor Lago: Well, I have no questions. My only -- in regards to the business partners, we've heard from Ms. Bernstein. With all due respect to Mr. Martinez, if he'd like to come up, please we'll welcome you to come up and speak. You said one thing that kind of -- it didn't concern me, but I wanted to clarify the issue of the Budget Board's comments...

Asset Manager Sardinas: Yes.

Mayor Lago: In regards to the board. What is your impression? What do you recommend?

Asset Manager Sardinas: Well, our recommendation and our negotiation, which the Manager and I extensively discussed, is that the lease will be for -- starting 15 years. The size of the investment that we're receiving for the premises is considerable. It is the largest that we've had in a space that size in City history. So, we -- you know, it's important to note that and it takes time.

Mayor Lago: No, I know it does.

Asset Manager Sardinas: In restaurant to recoup...

Mayor Lago: Yeah, it takes time...

Asset Manager Sardinas: That level of investment.

Mayor Lago: Takes time to ramp up. My only concern -- and I don't want to take away from the brand. This has nothing to do with the individuals that we have the pleasure of having here with us today. The City was in a very similar situation in regards to a lease agreement that we agreed with on Miracle Mile. I don't want to name the individual. They no longer have that lease with the City. My understanding was that they had about \$200,000 of unpaid rent, correct?

City Manager Iglesias: 178,000.

Mayor Lago: 178,000. I want to put it on the record. My biggest issue is I want to make sure that we're never caught in that situation again where someone doesn't pay rent for years, and it's very tough to swallow. And I know that this was actually happening before COVID started, so this is not a COVID-related failure. This was an issue of some personal finances that that entity dealt with due to prior expansion that was not fruitful. So, I want to be very, very careful and make sure that all these leases have some sort of termination clause that address, you know, if there's unpaid rent for a certain amount of time. So, I want to clarify on the record that it's here.

City Manager Iglesias: Yes, Mayor.

Mayor Lago: I know it does have a clause.

City Manager Iglesias: And those are things that...

Mayor Lago: I just don't know what it is.

City Manager Iglesias: We're very aware of that. We want to make sure that our current -- all our leases now are not like that. And we...

Mayor Lago: But you know that lease was for years without paying rent, and it became a major issue.

City Manager Iglesias: And those kind of things are things that we do not longer do. Our Asset Manager and Economic Development work very closely with our Legal Department to make sure that that does not happen again. We are -- we look at leases now from a private sector perspective. They have to be good for both sides and they have to be adequate. Here there's a \$1.3 million injection into this space. It's a space that really has not been developed like we felt that it should, and now we finally have a tenant that I think can develop this space to its ultimate potential.

Mayor Lago: By the way, it's a...

City Manager Iglesias: So we...

Mayor Lago: Wonderful location.

City Manager Iglesias: We are -- so we -- I recommend that we go with this.

Mayor Lago: Mr. Martinez, welcome.

David Martinez: Thank you, Mr. Mayor. Good morning, Commissioners, Mr. Mayor, Zeida, everyone. I'll be quite frank, we're not from Coral Gables. My wife is born and raised in Miami Shores, so she is a Miami girl. I've been here for 22 years. I'm a second generation American. My first apartment that I did rent was here in Coral Gables, back when we opened the (INAUDIBLE), so I've always been in love with the City. And we're very happy to be back, hopefully, and what seems to be for us probably the most exciting project we've ever been a part of. Certainly been in negotiations for months, if not going into our second year with Zeida. I'm sure she at times wanted to expedite the process, but we did start the negotiations, obviously, in the middle of a pandemic, and so it took a little bit more negotiating, if you will. But we're excited

to be at the point that we are. To the point -- I won't -- you know, the concept is going to be a version of a concept we've done in the past but bringing it up to 2022. I think dining has changed quite a bit in our time. People want to be a lot more interactive. We offer different layers. This particular location, one of the things that attracted us to it was the fact that it was a music venue already, and that was one of our important components to our concept. We have the dining, we have the beverage component, we have a live music component as well that I believe is going to be embraced by the City of Coral Gables. It's very Latin-driven. However, it will not only be Latin. There will be some jazz and Italian and such. We want to -- we don't want to build a restaurant. We want to build an institution here in Coral Gables, something -- a place where people can come and gather for a power lunch over business, but also bring the family on the weekends, and possibly a date night at night, listening to music. So, it's going to be kind of a changing, evolving concept throughout the day. In order to do so, obviously, we have to make a sizeable investment in this particular location. Normally, we like to take restaurants that are a little bit more built out, known in our business as second generation, so that you, you know, don't have to put as much money upfront. Unfortunately, our business is a business of pennies. It's not like other businesses where you can recoup your investment in a short amount of time. Our investment sometimes takes years to recoup, which is why we -- it's very important for us to have a long lease with the City. And so that was one of the factors in negotiating and nothing, I just wanted to address everyone and thank you for your time and tell you how excited we are to partake in this project. I would like to say what a pleasure it has been to deal with Zeida throughout this process. And if this is what -- if this sets the tone for what it's going to be like to do business in Coral Gables, we are very excited.

Mayor Lago: So thank you, and we welcome you to the City. Your food and beverage speaks for itself. And I'm actually very happy to hear about the jazz because we've had multiple conversations with a lot of the residents and business owners that they want to see the jazz component be brought back to the City, and I think that's a good opportunity to really live up to a lot of things that we're looking for here in the City.

Asset Manager Sardinas: So with that, Mayor, the Department recommends approval.

Mayor Lago: I'll entertain a motion.

Commissioner Anderson: I'll move it.

Commissioner Menendez: Second.

Vice Mayor Mena: I just -- just quickly to address, you know, my reaction initially was 15 years is, you know, a pretty significant amount of time. But again, when you factor the investment that's being made on the improvements and also the escalators that are in the agreement so that the rent goes up over time at a -- I think for a few years and then a 3 percent per annum after that, you know, that gives me the peace of mind that -- well, and the other thing -- and this was a question I had at my pre-agenda meeting. You know, the document has restrictions so if -- this is who we'll be dealing with, this group on this venue. They can't subcontract it.

Mayor Lago: Yep.

Vice Mayor Mena: They can't -- it can't be somebody else that comes in and takes over. It would have to then come back through the City, which I think is important because, you know, we have a lot of faith in obviously your experience and your other concepts that you've had success with. So, between all those things, I'm comfortable with the length of time, and you know, I'm looking forward to it. I think it's going to be a tremendous success. I think this -- I think, frankly, that this entire street is really -- between what's going to happen here, what already happened on Giralda, what's coming with La Palma, what's coming as you go down towards Miracle Mile with the two locations there, I think this corridor is really set to really take off in a positive way and really be an area that's very popular and that our residents can enjoy and that already has the infrastructure of parking with our garage right next door. And so, I think this is exciting and I'm looking forward to what you guys do with it.

Mr. Martinez: Thank you.

City Attorney Ramos: Mr. Clerk, before we vote, this is a public hearing item. Is there anybody that wishes to speak?

City Clerk Urquia: No, ma'am.

Mayor Lago: You have a first and a second.

Commissioner Fors: Yes.

Vice Mayor Mena: Yes.

Commissioner Menendez: Yes.

Commissioner Anderson: Yes.

Mayor Lago: Yes.

(Vote: 5-0)

Mayor Lago: Congratulations and good luck.

Mr. Martinez: Thank you.

Asset Manager Sardinias: Thank you.

Mr. Martinez: Thank you, Mayor.

Mayor Lago: Thank you.

Mr. Martinez: Thank you, Commissioners.

Vice Mayor Mena: Good job, Zeida. Thank you.

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