



City of Coral Gables
CITY COMMISSION MEETING
February 15, 2022

ITEM TITLE:

Ordinance on Second Reading. An Ordinance of the City Commission of the City of Coral Gables, Florida, 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.

DEPARTMENT HEAD RECOMMENDATION:

Approval

BRIEF HISTORY:

In May of 2020, the City of Coral Gables (the “Landlord”) ended its Lease with the previous tenant for the City-owned property at 2325 Galiano Street, Coral Gables, FL 33134 (the “Premises”). Since then, the Economic Development Department (the “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/execution of restaurant build-out project(s) of similar size and/or complexity given that the Premises needed a full renovation/build-out. Between May 2020 and August 2021, the Department showed the Premises to over twenty-five (25) interested parties and reviewed three (3) proposals with the City Manager who selected SRA Coral Gables Restaurant, LLC dba SRA. Martinez (the “Tenant”) as the proposed Tenant for the Premises.

Experience/Brand/Design/Build-Out:

The proposed Tenant for the Premises will operate under the name of SRA. Martinez. It will be a signature dining/entertainment experience created exclusively for downtown Coral Gables by renowned James Beard Foundation 2008 Best Chef in The South Winner Michelle Bernstein and her husband/business-partner David Martinez. Chef Bernstein is one of only four chefs in South Florida who have won the prestigious James Beard Award and is also the only female chef in South Florida to have received this national honor. The proposed Tenant has had a leading role in the design/execution of restaurant build-out project(s) of similar size and/or complexity and in their day-to-day operations as follows:

- Since 2001, Chef Bernstein and David Martinez have been involved in the design, build-out, opening, and day-to-day operations of prominent restaurants in South Florida including Azul at the Mandarin Oriental Hotel, Michy’s, Crum on Parchment, Sra. Martinez, and Seagrape at the former Thompson Hotel in Miami Beach.

- Chef Bernstein and Mr. Martinez currently own and operate Michelle Bernstein Catering, the acclaimed Cafe La Trova restaurant/bar on Calle Ocho, the internationally recognized Miami Beach cocktail bar, Sweet Liberty, and the recently-opened La Cañita at the Bayside Marketplace.
- Chef Bernstein currently hosts two television shows: Check, Please! on South Florida (PBS) and the Emmy-award winning SoFlo Taste on Channel 10. Chef Bernstein also regularly appears as a guest judge on nationally televised culinary competition programs, such as Bravo TV's Top Chef and the Food Network's Chopped. She also making appearances on ABC's Good Morning America cooking segments.
- Chef Bernstein has also partnered with American Express to create the menu for the Centurion Lounge at Miami International Airport, and is a Lexus Culinary Master, which is a select group of the country's most talented chefs, restaurateurs, and sommeliers.

Concept:

The proposed SRA. Martinez restaurant/entertainment concept will be as follows:

- The restaurant will entail a bright and lively design aesthetic, as well as indoor and outdoor seating that will pay great attention to detail with textures, patterns, colors, and strategic ambient lighting.
- The length of the room will be outfitted 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 itself into a more intimate dinner experience that will incorporate exclusive, upscale live entertainment for all ages.
- The restaurant will 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.

Proposed Lease Terms:

Premises: 4,111 gross sq. ft. Space is being leased in its "as is" condition.

Tenant Improvements: Tenant will complete renovations required to create a restaurant with a minimum value of no less than \$1,300,000.00 in improvements, no later than twenty-four (24) months from the Effective Date of the Lease. Any additional funds required to complete the Tenant Improvements will be the Tenant's responsibility.

Term: Fifteen (15) years from the Effective Date of the Lease with two (2) additional, five-year renewal options, at the City's discretion.

Base Rent and Escalations: Monthly rent at \$31.00 per sq. ft. during the third year of the Lease Term, \$34.00 per sq. ft. during the fourth year of the Lease Term, increasing at the rate of three percent (3%) per annum thereafter.

Lease Year	Rent Per Square Foot	Annual Base Rent*
3	\$31.00	\$127,441.00
4	\$34.00	\$139,774.00
5	\$35.02	\$143,967.22
6	\$36.07	\$148,283.77
7	\$37.15	\$152,723.65
8	\$38.27	\$157,327.97
9	\$39.42	\$162,055.62
10	\$40.60	\$166,906.60
11	\$41.82	\$171,922.02
12	\$43.07	\$177,060.77
13	\$44.36	\$182,363.96
14	\$45.69	\$187,831.59
15	\$47.06	\$193,463.66

*The annual Base Rent Calculations above do not match those on the Lease. The calculations will be corrected on the Lease between first and second reading.

Additional Rent: Commencing on the nineteenth (19) month from the Lease Effective Date, the Tenant will pay Landlord no more than \$9.00 per sq. ft. to cover Tenant's proportionate share of real property taxes, insurance, common area maintenance and operating costs for the Premises. Annual increases to Additional Rent shall not increase more than 5% per year during the term of the Lease.

Renewal Period Rent Increases: The Tenant will have two (2) additional, five-year renewal options, at the City's discretion. Both the first and second renewal periods shall be subject to an adjustment of no more than eight percent (8%) over the Base Rent plus annual adjustments of three percent (3%).

Rent Commencement: The Tenant will not pay Base Rent for the initial twenty-four (24) months of the Lease Term while the Tenant performs the \$1,300,000.00 in Tenant Improvements to the Premises.

Security Deposit: Three (3) months at \$31.00 per sq. ft. (\$31,860.25).

The Department believes that the proposed tenant has the required restaurant design, build-out, and operations experience required for the total renovation/build-out 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 (EDB) on January 5, 2022, the Property Advisory Board (PAB) on January 12, 2022; and the Budget/Audit Advisory Board (BAB) on January 24, 2022. The EDB and PAB unanimously recommended for the City Commission's approval. The BAB did not recommend the Lease in its present form. The BAB recommended that the initial Lease Term be only for ten (10) years with three (3) five-year renewals.

The Operating Agreements for SRA. Coral Gables, LLC and other corporate entities have been requested from Tenant. Once the operating agreements are received, the City Manager will review for approval. Once approved, the City Manager will execute the Lease.

Pursuant to Section 2-1097 of the Division 12- Purchase, Sale, and Lease of Public Property of the City Code, the item's approval requires a four-fifths vote because the term of the Lease exceeds ten (10) years. Pursuant to Section 2-1089, the City Commission has the authority to waive any condition imposed by the provisions of Division 12 of the Code that may not have been technically followed upon a four-fifths vote where it finds such a waiver to be necessary in order to proceed with a purchase, sale, or lease which is in the best interest of the City.

ADVISORY BOARD/COMMITTEE RECOMMENDATION(S):

Date.	Board/Committee	Comments
01/05/22	Economic Development Board	Recommended unanimously
01/12/22	Property Advisory Board	Recommended unanimously
01/24/22	Budget Advisory Board	The Board did not recommend approval of the Lease in its present form. The Board recommended that the initial Lease Term be only for ten (10) years with three (3) five-year renewals.

FINANCIAL INFORMATION: (If Applicable)

No.	Amount	Source of Funds
460-362-174		Lease Revenue

ATTACHMENT(S):

- 1. Draft Ordinance**
- 2. Draft Lease Agreement**
- 3. Economic Development Board Minutes 01.05.22**
- 4. Property Advisory Board Minutes 01.12.22**
- 5. Budget Advisory Board Minutes 01.24.22**