



**CITY OF FORT LAUDERDALE
City Commission Agenda Memo
REGULAR MEETING**

#17-0867

TO: Honorable Mayor & Members
Fort Lauderdale City Commission

FROM: Lee R. Feldman, ICMA-CM, City Manager

DATE: July 11, 2017

TITLE: Resolution Approving Ground Lease Agreement with Las Olas SMI
(Suntex Marina Investors), LLC

Recommendation

It is recommended that the City Commission adopt a Resolution approving a Ground Lease Agreement with Las Olas SMI, LLC to develop and lease the Las Olas Marina.

Background

On August 23, 2016, the City of Fort Lauderdale received one bid for the Las Olas Marina Lease, Management, and Development RFP #265-11791. Suntex Marina Investors LLC was the sole bidder on the RFP and as part of the bid submittal; Suntex included a Base Proposal, an Alternate A Proposal (Base Proposal plus Restaurant), an Alternate B Proposal (Mega Yacht Proposal), and an Alternate C Proposal (Mega Yacht Proposal plus Restaurant).

On September 19, 2016, the Evaluation Committee convened and received a presentation from Suntex in which they discussed their qualifications as well as the various options offered in their bid submittal. The Evaluation Committee made the recommendation for the City Commission to approve the Alternate C Proposal. On October 4, 2016, the City Commission approved Resolution 16-175 awarding Las Olas Marina Lease, Management, and Development RFP #265-11791 to Suntex Marina Investors LLC. At the October 18, 2016, City Commission Meeting, the City Commission approved the Alternate C Proposal from Suntex's bid package.

On June 20, 2017, the City Commission reviewed a draft lease agreement at the City Commission Meeting and provided comments to incorporate into the final agreement.

Lease Agreement Terms

The Lease Agreement with Las Olas SMI, LLC, a subsidiary comprised of partners Suntex Marinas and Edgewater Resources, LLC, will commence when the possession of the Demised Premises is tendered to the Lessee upon all final approvals are provided by the City Commission, State of Florida, and any other applicable authorities. The lease term will commence on the Commencement Date and continue for fifty (50)

years plus such length of time, not to exceed five (5) years, to complete construction of Lessee improvements for the Demised Premises unless terminated earlier and subject to TIITF's agreement to extend the Submerged Lands Lease. A termination of the Submerged Lands Lease shall be deemed a termination of the lease.

Las Olas SMI, LLC will be given possession of the Demised Premises after the lease is approved by the City Commission, the State of Florida, and certain pre-development approvals are completed by Las Olas SMI, LLC to the satisfaction as determined by the City Manager. Those pre-development approvals are:

- Execution of an Agreement between the City and Las Olas SMI, LLC in which Lessee agrees to assume all liability and obligations under the grants in favor of FIND and Broward County as referenced in the RFP or agree to repay the outstanding amounts under the grants. The Lessor's Authorized Representative is authorized to execute the Assignment and Assumption Agreement without further action by Lessor's City Commission;
- Secure approval from TIITF of a sublease in favor of Lessee pursuant to Section 9 of the Submerged Lands Lease, it being agreed that this Lease shall be deemed a sublease under the Sovereignty Submerged Land Lease;
- Commission and delivery of the ESA to the City;
- Title commitment evidencing holder of fee and leasehold title to that portion of the Existing Parking Lot being leased to Lessee for redevelopment;
- Receipt by the City of a General Release executed by CBRE, Inc. in form and content acceptable to the City and its City Attorney relating to any and all commissions or fees owed to CBRE, Inc. arising from this transaction.

Las Olas SMI, LLC is to contribute no less than \$19,425,063 toward the cost of the initial improvements of the development. The new marina facility will consist of 7,000 linear feet, a newly constructed waterfront support facility - containing a ship store, boat, and boater services - a casual dining restaurant, ancillary retail and hospitality services, and a primary fine dining restaurant (Exhibit 2). As to the conceptual design of the Alternative C Proposal found in Exhibit 2, the developer has met extensively with adjacent condominiums and staff to address any concerns and issues raised to-date. Public outreach, and continued cooperation with staff, will continue the length of the development timeframe.

The structure of the lease rent is broken into two periods: Initial Base Rent Period and Subsequent Base Rent Period. During the Initial Base Rent Period, the City will collect \$550,000 from the period commencing on the Commencement Date and expiring on the date of substantial completion of the initial improvements. The lessee agrees to diligently pursue the substantial completion of the initial improvements on or before the fourth anniversary of the commencement date. Following the initial completion date the

City will collect the base rent amount of \$1,000,000 annually during the Subsequent Base Rent Period. During the Subsequent Base Rent Period, but not before, the Base Annual Rental shall increase ten percent every five (5) years beginning on the first day of the second (2nd) lease year following the commencement of the Subsequent Base Rent Period.

In addition to Base Annual Rental, Lessee shall also pay throughout the Lease Term Percentage Rent determined by multiplying the total Gross Sales (defined below) in or from the demised premises during the particular lease year by the percentage rental rates set forth below:

- (a) Slip rentals and other sales revenue generated on the demised premises including recreational activity sales and boat rental sales which are not revenue described in sub-items (b) and (c) below: 12%
- (b) Ship store operations: 4%
- (c) Restaurants and Ancillary Retail Shops: 15%, but only during the Subsequent Base Rent Period and not before.

The percentage rental shall accrue as of the Commencement Date and shall be paid throughout the Lease Term in monthly arrears on or before the first (1st) day of the second (2nd) calendar month following the month for which percentage rent is calculated in accordance with this Lease. Additionally, on or before the 120th calendar day after the end of the applicable lease year, Lessee shall pay to Lessor, a sum of money equal to the product of the percentage rental factor hereinabove specified, multiplied by the total Gross Sales made in or from the Demised Premises during such preceding lease year as indicated and not previously paid.

Resource Impact

Over the first three years of the lease, the City will lose an average of \$506,000 dollars during the construction period of the Marina. In year four of the lease, the City will gain an approximately \$544,000 which will increase each year over the course of the lease. Since the lease is unlikely to commence this fiscal year due to it requiring approval from the State of Florida, there is no fiscal year impact.

Strategic Connections

This item is a *Press Play Fort Lauderdale Strategic Plan 2018* initiative, included within the Internal Support Cylinder of Excellence, specifically advancing:

- Goal 12: Be a leading government organization, managing resources wisely and sustainably
- Objective 1: Ensure sound fiscal management
- Initiative 1: Achieve a structurally balanced budget through viable revenue sources, smart financial management, comprehensive financial forecasting, and results-oriented and efficient services

This item advances the *Fast Forward Fort Lauderdale 2035 Vision Plan: We are United*.

Attachments

Exhibit 1 – Ground Lease Agreement

Exhibit 2 – Alternative C Proposal

Exhibit 3 – Resolution

Exhibit 4 – Redline Lease Agreement

Prepared by: Ryan Henderson, City Manager's Office

Department Director: Lee R. Feldman, ICMA-CM, City Manager