




Florida's Dynamic
Waterfront Community

MEMORANDUM

TO: Honorable Chair and Members, CRA Board of Commissioners
City of Riviera Beach, Florida

FROM:  Tony T. Brown, Executive Director, Riviera Beach CRA

DATE: July 6, 2016

CC: Michael Haygood, CRA General Counsel

SUBJECT: Agenda Item: The Agency is requesting the Board's approval to execute a Riviera Beach Marina Event Center Café space lease with Rafiki Tiki, LLC.

Request for Board Action

The Agency is requesting the Board of Commissioners approval to execute a lease with our proposed Café tenant, Rafiki Tiki, LLC for a term of 120 months (10 years) with one (1) five (5) year option to renew at then market rates. The proposed lease provides base rents of \$25.00 per square foot for inside conditioned space and a share (6%) of the sales revenues (percentage rent) over a fixed breakpoint of \$875,000 in gross sales volume. At a minimum, the Agency will earn \$254,220.41 in base rents during the initial term of the lease. If the Café generated an average of \$1,500,000 in annual gross sales, then total rents earned by the Agency will be \$629,220. Proposed tenant has agreed to the terms and conditions which we have negotiated in the attached lease and which said tenant has signed (Exhibit A). The commencement of the lease is subject to Board approval and allows an abatement period (a period of free rents) for 13 months. The Agency had sought out qualified operators with the purpose of executing a lease to demise the 1,047 sq. ft. interior Café space and 1,591 sq. ft. of Café patio space as shown on provided drawing (Exhibit B). A summary of the marketing efforts are highlighted on page two.

Café Space Marketing Plan

The Agency engaged CBRE for the purpose of marketing and soliciting for both the two story restaurant space and smaller Café space for the sole purpose of realizing a lease agreement with a qualified operator. Please see the picture below that illustrates the first floor location of the Café space within the Event Center building.

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2012 Whole City Bronze Award
Bursary Award Recipient

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CBRE was responsible for completing due diligence on the Marina Property and the market; preparing the marketing materials (color brochure, demographics, aerial view with surrounding retailers identified, current traffic counts); controlling the dissemination of Property information; maintaining communications and submitting progress reports to Owner; assisting Owner in acquiring financial information on each Tenant; and making recommendations on the viability of the Prospective Tenant. The Agency and CBRE worked closely during the marketing and solicitation process.

Highlights of the CBRE Marketing Plan included the following:

- Conducted an in-depth market analysis, providing the Owner with current asking base rents and CAM charges for competitive properties, as well as terms and conditions of recent deals where possible.
- Installed leasing signs on the project according to local codes.
- Developed a marketing brochure for the Properties with site plan, aerial view of the properties with major streets identified, major tenants identified in the surrounding area, demographic highlights and traffic counts, as well as other pertinent market information. The brochure was digitized and sent out to prospects as well as being advertised on the City's own Channel 18 network.
- Prepared target marketing lists by category and began contacting specific tenants by telephone or e-mail, and followed up with personal meetings as appropriate.
- Sent property marketing piece every 30 days to CBRE's combined tenant database of over 545 tenants and their brokerage database of 625 brokers.

- Listed property on LoopNet, which includes 2.5 million users nationally, Costar with 800,000 users in South Florida, and CBRE's website.
- Networked with brokers, owners and business owners of nearby and local Riviera Beach properties to identify trends, opportunities for relocations, and stayed current on the condition of the market.

Solicitation Result Metrics

The marketing efforts resulted in composing a prospect list of over 86 food establishment operators. Our outreach efforts to these 86 food establishment operators also resulted in discussions with eight (8) local Riviera Beach based businesses or approximately ten percent (10%) of the total prospect list. The total list of prospects ranged from national large scale brands with thousands of establishments down to local and unique one off operators that had single locations.

The prospect list was narrowed down to five (5) candidates for the Café that were met with one-on-one to gauge the seriousness of their interest, qualifications, best fit, and offered concept. All five were sent non-binding letters of intent that contained the initial terms that the Agency was seeking. The five prospects responded in the following manner:

- Prospect A withdrew from consideration.
- Prospect B (Local Riviera Beach based business) signed the LOI and presented a proposal, but later withdrew from consideration.
- Prospect C did not sign our letter of intent, but instead sent their own letter of intent with terms that were considered onerous to the Agency.
- Prospect D (Local Riviera Beach based business) was unresponsive to our overtures.
- Prospect E (Local Riviera Beach based business) signed the LOI and presented a proposal for consideration (Rafiki Tiki, LLC) and engaged in lease discussions.

Rafiki Tiki, LLC Profile

1.0 Executive Summary

Rafiki Tiki will be a café serving breakfast and lunch that will be located at the newly constructed Riviera Beach Marina Event Center.

The outlook for the future of the City of Riviera Beach is promising. The redevelopment project seeks to create a bustling boardwalk filled with shops, cafes, bars and restaurants all located along the waterfront. In addition to the Boardwalk construction, plans are underway to widen and deepen the inlet so as to allow larger boats and yachts to pull right up to the Boardwalk's docks. Further, the cruise and shipping industry in the City continues to expand which, in turn, creates jobs and improves support of local businesses. The combination of these elements will provide the City with a year-round economy. Rafiki Tiki will feature comfortable furnishings and decor with cool tropical tones. It will be the perfect place to stop in for a bite to eat or for a drink with friends.

The menu will be inspired by different Mediterranean and South Floridian specialties and appeal to a diverse clientele. Guests can enjoy a wide array of international and vegetarian plates. Of course, for those with a more sensitive palate, the menu will offer a selection of hamburgers, chicken fingers and hot dogs. A kids menu will offer a selection of kid-friendly, smaller-portioned choices at reduced prices. All menu prices will be competitive with other waterfront cafes in the Palm Beach County area with a special sensitivity for the specific spending power of the local community.

The cafe will be open seven days a week during breakfast, lunch and early evening hours and will provide a relaxed, vacation-like atmosphere with cool colors, fresh flowers, live music and interesting tropical drinks. The service will be relaxed, very friendly and correct. They will train, motivate and encourage their employees in the best possible manner so as to maintain the friendliest, most efficient staff possible. Their Executive Chef and Restaurant Managers have nearly 40 years of combined experience in food, restaurant, catering, and management know how to put a winning team together.

Catering will be a major part of the business. Demetri Salloum has been catering events around the City and County for the last two decades and has every intention of continuing his personal community interaction through Rafiki Tiki's catering services. The catering menu will feature a wide array of international dishes to choose from with the service providing everything from food, dinnerware and linens.

1.1 Company Ownership

Rafiki Tiki is a new Florida for-profit limited liability company made up of a single member; Demetri M. Salloum, and organized for this venture.

1.2 Product and Service Description

Firstly, it will be Marina Village's initial restaurant. This gives Rafiki Tiki the distinct honor of setting the standard in what the community should expect from a restaurant permitted to operate at Marina Village. Mr. Salloum has spent two decades building a reputation for superior customer service and is well known as a local businessman with a stellar reputation.

Secondly, it will offer wonderfully creative Mediterranean and American dishes and specialty drinks. Portions will be generously sized with an attractive, colorful presentation. The wine list will be modest in size and primarily focused on wines from California, France, New Zealand and Argentina. Approximately 75% will be exclusively available by the glass and the remaining labels will be available by the bottle. They will also feature a moderate international beer selection on tap and in bottles. Lessee will also be accorded and exclusivity for catered events. Tenant shall have the exclusive right to cater breakfast meals and beverages for all meetings held in the Event Center before 11:00 am. The Landlord, in its sole discretion, can waive Tenant's exclusive right to cater such meetings if (i) the costs for the breakfast meals and beverages does not exceed \$10.00 a person or a total of \$75.00

and (ii) the Tenant's charge to cater the meeting exceeds two written quotes from preapproved caterers of the Event Center by 15%.

Thirdly, their innovative and thoughtful design will provide every guest, regardless of seating position, the best in waterfront dining. Furthermore, those sweltering South Florida afternoons will no longer deter people from eating outside on the water as the outdoor patio cooling system installed by Gorillas in the Mist will gently and continuously mist the guests with cool, refreshing water. Gorillas in the Mist will also install a mechanism throughout the restaurant patio that is designed to ward off mosquitoes and other bugs. The café will also have a walk-up window for Marina Village visitors to purchase drinks and sandwiches to enjoy along their walk.

Fourthly, the café will maintain a style of service that will make everyone feel welcome and special. The founder, Demetri Salloum, has spent over two decades establishing long-lasting personal relationships with the people and businesses in the Riviera Beach community. Rafiki Tiki will expand and strengthen those relationships by placing Mr. Salloum in the position to personally welcome his guests. The business has agreed to participate in a workforce development program to be initiated by the Agency before the business has opened.

Proposed Terms and Conditions

- Permitted use of the demised premises for the Tenant will be for the operations of a fast dine restaurant serving roasted coffees, juices, Panini sandwiches, soups, tapas, salads, breakfast items, desserts, local craft beers and wines. Use clause to be further defined in the lease.
- Term - 120 months or 10 years from rent commencement.
- Option - So long as Tenant is not in default on rental obligations at the time of option renewal, then Tenant shall have One (1), Five (5) year option at then market rents.
- Base Rent - \$25.00 per square foot for the inside conditioned space (1,047 sq. ft.) only. Base rent to increase three percent (3%) annually over the previous year's Base Rent.
- Percentage Rent = Six percent (6.0%) of Tenant's gross sales over a fixed breakpoint of \$875,000.00.
- Agency will deliver space in a raw state (block walls and dirt floor, however windows and doors are installed). Tenant responsible for complete buildout of space.
- The Agency is contributing \$40.00 per square foot for Tenant Improvement Allowance (T.I.) for a total contribution of \$41,880.00 that will be used towards buildout of the space. Improvements to remain the property of the Agency if Tenant leaves.

Fiscal Impact (Cash Flow to Agency)

- Base Rent = \$25.00 psf, \$26,175 per year or \$2,181.25 per month
- Percentage Rent = Six percent (6.0%) of Tenant's gross sales over a fixed breakpoint of \$875,000.00

Example: Tenant has gross sales of \$1,000,000 including any catering revenue
 $\$1,000,000 - \$875,000 = \$125,000$ over the fixed breakpoint
 $\$125,000 \times 6\% = \$7,500$ in additional rent per year.

- Common Area Maintenance (CAM) = \$13.85 psf, calculated only on the indoor conditioned space; for a total of \$14,497.16 per year or \$1,208.09 per month
- Gross payment owed including 6% sales tax = \$45,699.13 per year or \$3,808.26 per month

CBRE Real Estate Transaction Commission

- Contracted commissions shall be payable to CBRE upon execution of a lease by Owner and a Tenant, in accordance with the following rates and terms (Exhibit C):
- Commissions shall be payable 50% upon execution of a lease by Owner and a Tenant and the remaining 50% upon the earlier of a) Tenant opening for business, or b) Tenant commencing the payment of rents, in accordance with the following rates for the initial term of the lease:
- Six (6) % of the total base rental up to the first lease term (a minimum of 5 years or 60 months, but not in excess of 120 months), in which rent is to be paid, plus expansions of existing Tenant shall be as listed above.
- The Commission Agreement described herein reflects a customary commercial real estate brokerage agreement.
- Total commission owed to CBRE based on the terms and conditions within the Rafiki Tiki Café lease agreement shall be \$17,106.42. The initial 50% of \$8,553.21 is payable when the board executes the lease agreement and the second 50% of \$8,553.21 is payable five (5) months after that.

Recommendation

CBRE has recommended (Exhibit C) Rafiki Tiki, LLC as a viable tenant for the Riviera Beach Marina Event Center Café space. Agency Staff seeks approval to execute the attached lease (Exhibit A) with Rafiki Tiki, LLC for the heretofore described Café space, with the Agency. If the Board approves the terms and conditions, we would expect the Café to open in the fall of 2016.

Exhibit B for Rafiki Tiki Café Lease

