

STAFF REPORT SPECIAL MEETING

AGENDA DATE: May 10, 2023

DEPARTMENT: City Attorney

TITLE:

Consideration and decision regarding the revised Fourth Amendment to Retail Lease with RTT-Benny's on the Beach, Inc., the current tenant/assignee

SUMMARY:

The City Commission will consider the Fourth Amendment to the lease which extends the lease at the Lake Worth Municipal Ocean Pier through January 11, 2033, and provides for increases in rent during the extension.

BACKGROUND AND JUSTIFICATION:

On February 11, 2013, the City entered into a Lease agreement with RTT - Benny's on the Beach, Inc., for the lease of certain space located at the Lake Worth Municipal Ocean Pier for use as a restaurant and a bait shop. The lease allowed for ten (10) years with the option of renewing initially for an additional eight years. After the initial renewal the lease allows for one additional renewal for twenty-three (23) months.

On August 5, 2015, the City and Tenant entered into the First Amendment of the Lease to address the use of additional outdoor patio area.

On May 19, 2020, the City and Tenant entered into the Second Amendment to the Lease to revise certain terms and conditions as a result of the COVID-19 pandemic.

On February 21, 2023, the City Commission approved a 90-day extension to the Third Amendment at the new lease terms (2% increase in rent) to allow for further negotiations of the proposed lease. The current lease expires on May 12, 2023.

On April 18, 2023, the City Commission considered the Fourth Amendment to the lease with Benny's on the Beach, but it was not approved.

Following the April 18, 2023 City Commission meeting, staff continued negotiation discussions with the goal of aligning the Benny's lease rent with the other beach complex restaurant rent structures as close as possible. As a result, the Fourth Amendment will extend RTT – Benny's on the Beach, Inc. lease at the Lake Worth Municipal Pier for the full nine (9) years and eleven (11) months authorized under the lease (i.e., eight (8) year "Initial Extension" option and 23 months "Second Extension" option). The amendment provides for an increase in rent as follows:

For year 1, the Tenant shall pay Rent (including the Patio Area Rent) in the amount of Twenty Thousand Nine Hundred Ten Dollars and 00/100 (\$20,910.00) per month from February 11, 2023 through May 11, 2023. For the remainder of year 1, from May 12, 2023 through February 10, 2024, the Tenant shall pay \$44.00 per square foot for the Premises, as defined in the Lease, and \$15.30 per square foot for the Patio Area Rent, as defined in the First Amendment to the Lease.

For year 2, from February 11, 2024 through February 10, 2025, the Tenant shall pay \$47.00 per square foot for the Premises and \$15.84 per square foot for the Patio Area Rent.

For year 3, from February 11, 2025 through February 10, 2026, the Tenant shall pay \$50.35 per square foot for the Premises and \$16.39 per square foot for the Patio Area Rent.

For years 4-9, plus 11 months of the Extension, the Rent for the Premises and the Patio Area shall increase by 3.5% per year beginning on February 11th of each year.

The Rent and the Patio Area Rent for the Extension are set forth in detail in **Exhibit A** which is attached. A rent proposal comparison chart is also attached.

MOTION:

Motion to approve/disapprove the Fourth Amendment to the lease with RTT - Benny's on the Beach, Inc.

ATTACHMENT(S):

Revised Fourth Amendment to Retail Lease
Exhibit A (Rent)
Fiscal Impact Analysis – N/A