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Mr. Bernie Murphy
City Manager
Flagler Beach, Fla.

City Commissioners
Flagler Beach, Fla.

RE: Lease Of Pier Restaurant

Please accept this as a general proposal of certain terms, conditions and requirements relative to my request to assume the existing lease of the Pier Restaurant and to negotiate a new longer term lease. The intentions and spirit of this request is to build a business that is compatible with the character of Flagler Beach and the other businesses that exist in the City. This will take willing "partners" as landlord and tenant to invest the time and resources necessary to best utilize this unique property. As the proposed tenant I am proposing and request the following:

Take over existing lease and assume the various terms and conditions of the lease through the balance of the time left on the lease.

Enter into a new lease - initial term of 10 years with an option of 3 renewal periods of 5 years each.

1st year lease amount of \$35,000. Subsequent years to increase at an agreed upon rate based on a reasonable consumer index that would be typical to standard commercial leases.

Additional rent. An additional annual rental rate based upon the gross sales of the business. The payment of the additional rent would be based on a gross sales multiplier of 1% on sales over \$1.2 million in sales during Year 1 & 2 of the new lease. During Year 3 & 4 of the new lease the percentage would adjust to 2% of gross sales over \$1.2 million. Beginning in Year 5 of the new lease the percentage would adjust to 2% of gross sales over \$1.5 million and remain there for the duration of the lease.

Tenant will invest \$400,000 - \$500,000 into the purchase of furniture, fixtures, equipment, plans, permits, materials, services and products to set up and renovate the business.

Landlord to allow tenant to remodel the interior shell and any exterior elements to develop the proper look, feel and atmosphere so long as it is generally in keeping with the character and nature of the building.

Landlord will deliver a tenantable building that is up to code for tenants intended use. In the event there are necessary alterations needed to bring the building to code, the landlord will effect the repairs in a timely manner, and may allow tenant to oversee by mutual consent.

Landlord and tenant will proceed to develop an expansion plan for outside seating, either as attached decking to the existing building and pier or as a second level open air deck above the existing building. Once a plan is developed the landlord will proceed to permit the additions with the proper authorities as soon as possible. Landlord will, upon receipt of permits, proceed to construct the additional space at their expense, unless otherwise agreed, mutually, by the parties. Tenant may assist in the permitting process and may oversee the construction as mutually agreed. Additional rent to be determined based upon a reasonable return on capital investment.

Landlord to give tenant use and control of certain Flagler Pier common areas for the purpose of operating compatible ancillary uses to the existing business that will enhance the downtown and pier facility. Parties to create a list of approved uses. The intent is to create a central hub that will better utilize the property for the enjoyment of both residents and tourists.

Landlord and tenant will, at an appropriate future date, work to create a mutually beneficial arrangement that may allow the city to generate more net profits by incorporating the bait, tackle and toll taking operation at the Pier.

Thank you in advance for your consideration and look forward to working with all of you to bring this new venture to life for the city, the residents and visitors as well as myself. We hope to employ more people than the current operation and believe these will be local residents. Obviously, there will be numerous other points to address by way of creating a fair and reasonable lease document, but I believe the above can give a enough information for the balance of the process to proceed. Please feel free to contact me with any questions you have prior to the Commission Meeting.

Best regards,

Raymond Barshay