This report has been prepared with input from the City’s financial advisor Dunlap & Associates, real estate consultant Colliers International Florida, LLC, and through analysis and observation by City Finance Department staff.

BACKGROUND
The City Commission of the City of Dania Beach authorized the City Administration to solicit proposals from qualified real estate developers/investors with restaurant operation experience to enter into a Developer agreement for the redevelopment of the former Dania Beach Grill site at 65 North Beach Road, Dania Beach.

A workgroup of City department directors, assistant directors, and other key personnel, including the financial advisor and real estate consultant, elected to issue a request for Letters of Interest (RLOI) from qualified firms with the requisite ability and experience. The RLOI was marketed by the City’s Procurement division and Colliers through various channels and responses were due on July 13, 2021.

The City received seven qualified proposals. A staff committee was convened to evaluate the proposals and hear presentations from all seven firms on August 17, 2021. Ultimately, the committee ranked the proposals and provided the rankings to the City Manager for presentation to the City Commission. The top three ranked firms are as follows, in order of ranking:

1) **LM Restaurants** – Proposes to bring the spirit and soul of Lucky Fish (one of their brands located in Pompano Beach) to Dania Beach while honoring the 75-year rich history and hospitality of Dania Beach Grill.

2) **PDKN Holdings** – Proposes to revitalize this Dania Beach icon long operated as The Dania Beach Grill into the landmark Dania Beach has envisioned it to become, by enhancing (Currently Owners/Operators of Bokamper’s Sports Bar and Grill).

3) **Caddy’s Restaurant Group** – Proposes to build new Caddy’s Restaurant on the existing grill site.
On September 13, 2021, the City Manager presented the rankings to the City Commission for discussion and possible action. The City Commission elected to hear presentations from the top three ranked proposers, and said presentations were conducted on September 21, 2021. The City Manager will bring forward a final report on October 26, 2021, in anticipation that the elected officials will select a firm with which the City will enter into a Developer Agreement.

The Finance Department, financial advisor, and real estate consultant met with each of the top three proposers on September 29, 2021 to discuss their financial proposals and the various terms of the proposed concepts.

OVERVIEW OF PROPOSALS

**PDKN Holdings**

Founded in 2008, PDKN is the Developer/Owner/Operator of several successful restaurants, including four “Bokampers” in Broward County and Naples, and “Bo’s Beach House” and “The Balcony Las Olas” in Fort Lauderdale. PDKN has proposed “Bo’s Dania Beach Grill”, a concept incorporating both open-air and air-conditioned seating, with views of the ocean from virtually every seat in the restaurant.

![Bo's Beach Grill Concept (PDKN)](image)

PDKN chose to incorporate beach architecture with a tiki-style design in a beach friendly and casual environment. Their $4.5 million construction proposal aims to renovate the existing Dania Beach Grill structure and construct an expanded outdoor tiki area, to be completed approximately twelve months from issuance of permits.

**LM Restaurants**

LM Restaurants is a full-service restaurant developer and operator with more than 38 establishments and 13 brands across the Southeast US and has been in the hospitality business for 43 years. Their local concepts include several “Carolina Ale House” locations, “Oceanic” and “Lucky Fish” in Pompano Beach, and “2 Georges at the Cove” in Deerfield Beach. They also have a significant presence in North Carolina. LM has proposed “Lucky Fish, Dania Beach”, with a main building to be constructed within the existing Dania Beach Grill footprint, along with a separate outdoor tiki building that incorporates a covered band stage and event lawn to the north.
LM’s concept incorporates Old Florida/Key West style architecture combined with the outdoor tiki bar ambiance. The total cost of construction is estimated at up to $5 million and projected to open doors within 15 months of execution of a Developer Agreement.

**Caddy’s Restaurant Group**
Caddy’s was founded over 15 years ago and opened its first beachfront concept in 2008. Caddy’s currently operates six Caddy’s restaurants across Florida in the cities of Treasure Island, Madeira Beach, Bradenton, St. Pete Beach, Indian Shores, and Gulfport. Their proposal for Dania Beach will mimic the décor of their Madeira Beach location, with a two-story structure using murals that capture the history and essences of Dania Beach, and design incorporating a similar look and feel of their other properties.

The Key West style design provides ample indoor and outdoor dining spaces with ocean views and a relaxed atmosphere. The total cost of construction is estimated at $3 million and project to open to the public one year from permit issuance.
### FINANCIAL TERMS

The following matrix summarizes the financial proposals and other points discussed with each proposer:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>PDKN</th>
<th>LM</th>
<th>Caddy's</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Construction cost and financing</td>
<td>$4.5 million</td>
<td>Up to $5 million</td>
<td>$3 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Self-financed</td>
<td>Self-financed</td>
<td>Bank loan financed</td>
</tr>
<tr>
<td>2</td>
<td>Construction timeframe</td>
<td>12 months from permit issuance</td>
<td>Within 15 months of agreement execution</td>
<td>12 months from permit issuance</td>
</tr>
<tr>
<td>3</td>
<td>Revenue projection</td>
<td>$6 million growing to $9.6 million from years 1-5</td>
<td>$7-9 million during Years 1-5</td>
<td>$3-7 million during years 1-5</td>
</tr>
<tr>
<td>4</td>
<td>Lease term</td>
<td>55 years</td>
<td>75 years</td>
<td>30 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Initial 15-year term with four 10-year renewals</td>
<td>Initial 25-year term with two 25-year renewals</td>
<td>Initial 10-year term with four 5-year renewals</td>
</tr>
<tr>
<td>5</td>
<td>Lease payment / revenue share</td>
<td>Years 1-15: $200,000 or 7% of sales above $6 million; Renewal term - the greater of $200,000 or 7% of sales</td>
<td>The greater of $180,000 or 4% of sales</td>
<td>Years 1-5: $200,000 + 3% annual escalation; Year 6 and thereafter: 7% of sales</td>
</tr>
<tr>
<td>6</td>
<td>Lease payment commencement</td>
<td>Within 6-8 months of permitting regardless of construction progress</td>
<td>Within 6 months of permitting regardless of construction progress</td>
<td>Upon opening of restaurant</td>
</tr>
<tr>
<td>7</td>
<td>Revenue guarantor</td>
<td>Entire corporate holding</td>
<td>This venture only</td>
<td>Entire corporate holding</td>
</tr>
<tr>
<td>8</td>
<td>Operations, maintenance, taxes, and insurance costs paid by lessee?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>9</td>
<td>Willing to lease spaces in future parking garage?</td>
<td>Yes</td>
<td>Depends on terms</td>
<td>Yes</td>
</tr>
<tr>
<td>10</td>
<td>Terms negotiable?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
ANALYSIS
The following is a breakdown and analysis of the financial aspects of their proposals:

- Each of the designs incorporate inside and outside seating with expansive oceanfront views, and their construction timelines are similar and reasonable. Each firm proposes a minimum investment of $3 million.
- Both PDKN and LM have extensive experience in the South Florida market, but Caddy’s does not.
- All proposers have requested automatic lease renewals; however, their lease structures differ widely. Caddy’s offers the shortest term, with an initial 10-year term with 30 years in total. PDKN is seeking an initial 15-year term and 55 years in total. LM has proposed three 25-year terms.
- All proposals provide for the greater of a fixed lease payment or revenue sharing, either immediate or deferred. PDKN provides for the most immediate financial upside since they are now offering the greater of $200,000 or 7% of sales above $6 million for the first term, and they are projecting at least $6 million per year (initial proposal was $200,000 base rent with an annual escalation for the first 15-year lease term, and then 7% of sales). LM is offering the greater of $180,000 or 4% of sales from day one, and Caddy’s is offering $200,000 base rent with an annual escalation for the first five years, and 7% revenue sharing beginning in year 6. Although LM does offer the revenue share immediately, it is 3% lower than the other proposers.
- Given their experience with similar concepts in comparable geographic locations, all of the revenue projections are reasonable and appropriate, given the size and seating capacity.
- PDKN and Caddy’s are offering to guarantee their lease payment by their entire corporate holding, while LM is only guaranteed by this individual venture.
- While LM and PDKN are self-financed, Caddy’s will obtain bank financing for the majority of their construction costs, adding a layer of risk to their proposal.

Conclusion
All three proposers have a track record of financially viable and lasting restaurant concepts for at least 13 years, and each have indicated that they are willing to negotiate financial terms if selected. However, there are differences that should help to guide the selection. Both PDKN and LM have extensive South Florida experience and success, while Caddy’s does not. Furthermore, PDKN and LM are self-financed, while Caddy’s is using bank financing for construction. Therefore, the Finance Department recommends selection of either PDKN Holdings (Bo’s Beach Grill) or LM Restaurants (Lucky Fish) for negotiation of a Developer Agreement for the redevelopment of the Dania Beach Grill. Finally, PDKN’s terms are somewhat more favorable to the City and LM would likely need to renegotiate their terms to remain competitive.