

RESOLUTION 19-40 - LEASE AGREEMENT BETWEEN THE DELAWARE RIVER AND BAY AUTHORITY AND OMG ON THE ROCKS DINING, LLC T/A GRAIN CRAFT BAR + KITCHEN ON THE ROCKS, A WHOLLY OWNED SUBSIDIARY OF OMG DINING LLC.

WHEREAS, The Delaware River and Bay Authority (the “Authority”), is the operator of the Cape-May Lewes Ferry (“CMLF”) which includes the terminal building located in Lewes, Delaware (the “Lewes Terminal Building”); and

WHEREAS, OMG Dining LLC, a Delaware limited liability company, owned by P. Lee Mikles and Jim O’Donoghue, through its subsidiary OMG On the Rocks, LLC T/A Grain Craft Bar + Kitchen On the Rocks (“Grain”), desires to lease approximately 10,480 rentable square feet of space in the Lewes Terminal Building and 6,705 rentable square feet of contiguous patio space (the “Leased Premises”); and

WHEREAS, the Leased Premises is being leased in its “as-is” condition and Grain commits to undertake at least One Million Dollars (\$1,000,000) of capital improvements in the first two lease years; and

WHEREAS, the initial term of the lease is ten (10) years with both parties having the option to mutually agree to extend the lease for two additional periods of five (5) years each; and

WHEREAS, Grain has agreed to pay the Authority One Hundred and Sixty-Nine Thousand dollars (\$169,000) annual base rent during the first year of the lease; and

WHEREAS, annual base rent shall increase at a rate of two and one half percent (2.5%) per year for lease years two through ten; and

WHEREAS, Grain has agreed to pay the Authority percentage rent at a rate of twelve and one half percent (12.5%) of gross revenues (excluding alcoholic beverages) above One Million Dollars (\$1,000,000) and fifteen percent (15%) of gross revenues (excluding alcoholic beverages) above One Million Five Hundred Thousand Dollars (\$1,500,000) up to a limit of ten percent (10%) of total gross revenues; and

WHEREAS, rent shall be adjusted at the beginning of each renewal term to the fair market value; and

WHEREAS, OMG Dining LLC, a Delaware limited liability company, the parent company of OMG On the Rocks LLC, and G. Lee Mikles and Jim O’Donoghue agree to guarantee the obligations under the lease.

NOW, THEREFORE, BE IT RESOLVED, that the Executive Director is hereby authorized to finalize the terms and conditions of the Lease Agreement with Grain and,

with the advice and consent of counsel, to have such Lease Agreement executed by the Chairperson, Vice Chairperson, and the Executive Director.

Resolution 19-40 Executive Summary

Resolution: Authorizing the Execution of a Lease Agreement between the Delaware River and Bay Authority and OMG On the Rocks, LLC T/A Grain Craft Bar + Kitchen On the Rocks, a wholly owned subsidiary of OMG Dining LLC.

Committee: Budget & Finance

Committee/Board Date: October 15, 2019

Purpose of Resolution: To authorize a lease agreement with a wholly owned subsidiary of OMG Dining LLC, a Delaware limited liability company, which is owned by Lee Mikles and Jim O'Donoghue, to operate a restaurant in the Lewes Terminal Building of the Cape-May Lewes ferry.

Background for Resolution: The Authority circulated a Request for Proposals to lease the restaurant space in the Lewes Terminal Building in Lewes, Delaware and received and evaluated proposals submitted by the following firms:

Airport Retail Development, LLC.
Big Fish Restaurant Group.
Grain Craft Bar & Kitchen.
La Vida Hospitality Group.
Starboard Restaurant Group.

The Authority carefully reviewed the proposal submission of each firm, interviewed all five, and utilized evaluation criteria to establish a ranked list, with Grain Craft Bar & Kitchen unanimously being ranked highest. The Authority conducted an analysis of the market to analyze the scope of proposal, and negotiated with said firm to provide compensation to the Authority in the form of base rent plus a share of revenues, at a rate determined to be fair and reasonable.