

EXECUTIVE SUMMARY

TO: City Commission

FR: Jim Scholl
Marilyn Wilbarger, RPA, CCIM, Property Manager

DT: January 26, 2017

RE: Key West Art Center Lease Renewal



ACTION:

This is a request to approve a lease renewal for the Key West Art Center located at 301 Front Street. This is a nonprofit public charity and the lease is proposed at an under market rate therefore it will require a super majority of supporting votes for approval.

BACKGROUND:

The Key West Art Center has occupied this space since 1960. The purpose of the Key West Art Center is the same now as it was then; a community art center with a mission to promote the appreciation of visual art and to support and showcase the work of local artists. The Art Center offers monthly art lectures and demonstrations, classes and workshops. They also award an annual arts scholarship to a Monroe County high school senior. In addition, the Art Center also sponsors and produces two major shows with exceptional work attracting large crowds – The Old Island Days Art Show, and Craft Show.

The Art Center is a 501 C (3) public charity and therefore the rent is proposed at \$1.00 per year, consistent with the other city non-profit leases. However, they are slightly different as they also have a retail sales component and therefore will pay percentage rent of 6% of their retail sales which is consistent with other city retail leases. The basic terms are as follows:

Demised premises:	1885 square feet at 301 Front Street
Term:	10 years, effective March 1, 2017
Rent:	\$1.00 per year plus 6% of gross retail sales
Utilities:	Tenant pays utilities
Repairs and Maintenance:	The Tenant will repair and maintain the structure and will complete the repairs identified in the building inspection report per the agreed upon schedule

FINANCIAL: The most recent lease requires a fixed payment of \$250 monthly plus 50% of the net profit and there never is a net profit. Therefore, this lease proposes

restructuring the lease to provide for the established percentage of the retail sales to be paid as rent. When applying this methodology to the last two years' sales it showed a slight increase one year and a slight decrease in the other year.

CONCLUSION: The Key West Art Center was the first art gallery in Key West and the structure was used in the 1930's as a part of the WPA art program. The organization has maintained this historic building since 1960 and continues to do so today. Restructuring the rent to a percentage of retail sales will enable the Art Center to continue the wonderful work that they do without a standing monthly obligation that has no correlation to their enterprise. They will shift their focus to the repairs and maintenance of the building and have agreed to complete the major tasks with the first thirty-six months of the lease. The hard work and dedication of this volunteer board and all of the members will ensure that Key West will continue to enjoy local art in this historic building for the next decade.

ATTACHMENTS:

Draft Lease

Tenant Request and Correspondence