



THE CITY OF KEY WEST

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MEMO

TO: Key West Bight Board

FROM: Doug Bradshaw, Port and Marine Services Director

DATE: October 1, 2014

SUBJECT: Tenants Request for Rent Abatements or Lost Revenue Reimbursement

ISSUE

As an enterprise fund for the City of Key West, the Key West Historic Seaport relies on the success of the tenants. The Historic Seaport has been extremely successful as can be seen in the healthy reserves as well as the numerous capital projects planned that will improve the quality of the Historic Seaport. Management and Staff should be extremely sensitive to anything that may hamper that success of either the Historic Seaport or the tenant.

The Historic Seaport has and will continue to see construction projects that disrupt tenants normal day-to-day operations of their business. The construction may involve a Historic Seaport project or may involve a project on a neighboring property. The disruptions may last a week or could last up to two years or more. The tenant may see loss of revenues over the construction period because of fewer customers or may find they have to perform additional duties because of the construction. The duties may include extra cleaning due to dust, alterations to customer operations which may require additional staff, or additional labor to assist in the City's construction projects. All of the disruptions affect the "bottom line" of the Historic Seaport and the tenant.

In the past, the Key West Bight Board has issued rent abatement to a tenant for construction that shut the business down and reduced rent for a tenant based partially on disruption caused by construction. However most of the current leases contain the following language:

In the event that LANDLORD shall deem it necessary or be required by any governmental authority to repair, alter, remove, reconstruct or improve any part of the Demised Premises or of the property (unless the same result from TENANT'S act, neglect, default or mode of operation, in which event LANDLORD shall make all such repairs, alterations or improvements at TENANT'S sole cost and expense), then the same shall be made by LANDLORD with reasonable dispatch, and should the making of such repairs, alterations and improvements cause any interference with TENANT'S use of the Demised Premises, such

interference shall not relieve TENANT from the performance of its obligations hereunder nor shall such interference be deemed an actual or constructive eviction or partial eviction or result in abatement of rental.

Previously when this issue was discussed with management and legal it was determined the best way to handle tenants request for rent abatement or lost revenue reimbursement was on a case-by-case basis with the tenant appearing in front of the Bight Board to state their case. Staff feels that more and more tenants may submit request as the on-going or planned construction projects affect their business and that additional discussion on the topic is warranted. Topics of discussion could include:

- Types of request allowed
- Thresholds that must be met for a request to be heard by Bight Board
- Guidelines for submittal of a request
- Required data that would need to be submitted