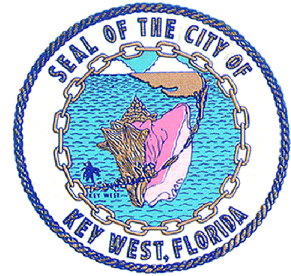


EXECUTIVE SUMMARY



**TO: Key West Bight Management District Board
Community Redevelopment Agency**

**CC: Jim Scholl
Doug Bradshaw**

FR: Marilyn D. Wilbarger, RPA, CCIM

DT: March 15, 2017

RE: Key West Seaport, LLC d/b/a Schooner Wharf Bar Lease Renewal

ACTION:

This is a request to approve a lease renewal for Key West Seaport, LLC d/b/a Schooner Wharf Bar located at 202R William Street, Key West, FL.

HISTORY:

The lease term expired September 30, 2016. The Tenant requested a lease renewal prior to the expiration and therefore on August 3, 2016 the City published notice of commencement of lease renewal negotiations. As with each existing lease renewal, the City engages a qualified third party to perform a property inspection to ascertain the current state of maintenance and repairs. Additionally, whenever there have been any physical changes to the demised premises a new survey is also undertaken. The city has completed the inspection and survey and a lease renewal is presented for your consideration, based upon the following terms:

Tenant: Key West Seaport, LLC which was converted from Key West Seaport, Inc. with no sale or change in controlling interest

Demised Premises: 9,917 net usable square feet as shown on the new survey attached and incorporated as Exhibit "A". This reflects an increase of 1045 square feet due to the addition of the new office space.

Use: The Tenant shall have the right to operate a retail bar and restaurant containing 205 licensed seats with live entertainment, and retail merchandise sales. The Tenant may elect to sell excursion/tour tickets within the demised premises for activities offered by other tenants located within the Historic Seaport Marina.

Use of Right of Way: The premises at 202 William St. is bordered by a waterfront walkway (*known as the Harborwalk*) on the North and by Lazy Way on the South. TENANT agrees not to use these rights of way for commercial purposes, including, without limitation, solicitation and display, except as may be expressly permitted by

LANDLORD for special events. Additionally, no special event may be held on Lazy Way without approval by the City of Key West in conformity with its Special Events authorization procedure.

The annual special events known as Minimal Regatta (Memorial Day weekend), Open Air Art and Music Fair (first weekend in March) and Battle of the Bars (a charity event, held on a weekend in August) are deemed to have continuing approval unless and until such approval is expressly revoked by the City; *provided, however, that if alcoholic beverages are intended to be served on a public right of way during any of these three special events, then the TENANT must obtain City of Key West approval pursuant to section 18-88 of the Code of Ordinances.*

Term:	Ten years effective October 1, 2016
Rent:	The renewal base rent reflects a 1.6% CPI increase and will be \$28,180.81 monthly in the first year, which is \$34.10 per square foot, effective October 1, 2016.
Increases:	Annual base rent increases based upon the Consumer Price Index (CPI).
Percentage Rent:	6% of the sales in excess of the percentage rent base amount
Additional Rent:	Tenant shall pay its pro-rata share of Common Area Maintenance, Property Taxes, and Insurance. Square footage for expense reimbursement purposes is calculated pursuant to the Maximus Report which allocates outdoor space at 50% therefor the square footage for expense reimbursement is 6,719.
Utilities:	The Tenant shall pay for all utility usage.
Alterations:	The Landlord will add an additional unisex restroom that is compliant with the Americans with Disabilities Act along with complaint signage, ingress and egress to the consumption area and restroom in an amount not to exceed \$100,000.00 as determined by final competitive bidding for the entire cost of the design, engineering, permitting and construction and utility connections.

The TENANT agrees to reimburse LANDLORD the full amount amortized over the term of the lease plus interest calculated at a rate determined by the One Year London Inter Bank Offered Rate (LIBOR) plus 100 basis points (1%) which will be adjusted annually at the beginning of each lease year. In the event the TENANT elects to repay the outstanding balance of the building improvements stated above at any time during the lease term, TENANT shall not incur a prepayment penalty.

Additionally, the Tenant will make all repairs identified in the building Inspection report that is incorporated into the lease as Exhibit "F" at tenant's sole cost and expense within 365 days of the commencement of the lease.

Dockage: Pursuant to the submerged land lease only 10% of the slips in the Historic Seaport can be leased on a long-term basis, which is defined as more than one year. Therefore, the slips on the floating docks behind the premises will be rented to Key West Seaport Inc. under the terms of the city standard monthly dockage agreement. The Western Union slip is not included however the city will ensure that a historic vessel occupies this slip.

FINANCIAL:

The base rent is proposed to continue at the current rent which represents a market rate, with annual CPI increases in addition to 6% of sales that exceed the percentage base amount. The percentage rent base amount is calculated by dividing the annual rent by 6%.

Further review is required pursuant to Sec. 2-871 of the Key West Code of Ordinances which states that the award of a lease of city-owned property with annual rentals that will exceed \$100,000.00 and all extensions or renewals thereof will require a background check of persons awarded a lease. If any such person is found by the police department to have been convicted of a felony within the past five years or found to have been convicted of a public entity crime and is then listed on the convicted vendor list, as established in F.S. § 287.133, the proposed lease or sublease, concession or franchise agreement or any extension or renewal thereof with such person shall not be executed by the city or, if it has been executed, it shall be subject to revocation and be voidable by the city commission after notice and hearing.

Also, every person applying for a lease, a lease renewal or a sublease of city-owned property or a concession or franchise agreement shall submit to the city, together with the application, a sworn disclosure statement that contains the following financial information for the immediately prior two calendar years: a statement attesting to the applicant's net worth, assets and liabilities, annual gross income, and primary source of such income. In addition to such disclosures, any business entity shall submit a copy of its organizational documents, together with a list of all current principals.

The city shall consider financial information for each applicant as a factor in making its award determination. The respective lease, sublease, concession or franchise agreement of any person who intentionally or knowingly supplies false or misleading information or who omits material information on the disclosure form under this section shall be subject to revocation and shall be voidable by the city commission after notice and a hearing.

CONCLUSION:

The proposed terms of the lease renewal represent a market rate for the property and the rent will increase annually based upon the Consumers Price Index which will maintain the base rental rate as adjusted for inflation. The percentage rent will be 6% which is

consistent with the other leases. The use will remain unchanged and supports the maritime history of the seaport. The Tenant will make repairs in addition to other deferred maintenance as outlined in the building inspection report at their cost. The City will provide funding for the ADA restroom and the Tenant will be fully responsible for repayment of the cost, plus interest, amortized over the lease term. The City has received the information requested including the background check, sworn disclosure, and organizational documents. The Tenant is current with the rent and has an excellent payment history.

This lease renewal represents Paul and Evalena Worthington's renewed commitment to the continued growth and prosperity of the Historic Seaport and the iconic Schooner Wharf Bar. In addition, many local charities will continue to benefit from their annual fund raising events as they continue to give back to the community year after year. Staff recommends approval of the lease as proposed.

ATTACHMENTS:

Lease

Rent History

Public Notice

Organizational Documents