



THE CITY OF KEY WEST

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TO: Jim Scholl, City Manager

FROM: Doug Bradshaw, Director Port and Marine Services

CC: Greg Veliz, Asst. City Manager
Shawn Smith, City Attorney

DATE: October 5, 2017

SUBJECT: Rent Relief: Commercial Tenants of the Carolina Street Corridor and Bahama Village Community Redevelopment Agency (CRA) affected by Hurricane Irma

ACTION STATEMENT

Analyzing the rent relief needs of the CRA's commercial tenants affected by Hurricane Irma.

HISTORY

Hurricane Irma hit the Florida Keys on September 10, 2017 causing significant damage to Key West as well as the rest of the Keys. The impact on businesses in Key West started well before the storm as visitors were forced to evacuate several days prior to the storms landfall. Most businesses were fully closed at least two weeks and will requiring many more weeks or months to become fully operational. The City of Key West and CRA is landlord to over 160 commercial marina and upland tenants almost all relying on tourism as their main source of revenue.

The financial strain on the CRA's tenants because of the storm will be significant with many just struggling to stay open and pay employees. While some tenants are financially more secure than others and will be able to absorb the financial impact some will not without some form of rent relief from the CRA. However management also realizes that payment of these rents helps supports the City's overall budget so any decision must be a balance between the CRA's tenant's needs and the needs of its residents.

Management has looked at several options but feel that a two month rent deferment (October and November) with up to a 2-year payback period is a fair compromise. For every \$5,000 of yearly rent, a tenant that takes the full 24-months to pay the deferment back, it would add an additional \$35 per month to their rent.

In order to qualify for the full deferment the tenant must meet the following criteria:

- Must be current with existing rent payment
- Must show that tenant's Business Interruption insurance or other form of assistance is not covering expenses or loss of revenue.

In addition to the above criteria the following will apply:

- Rent deferment will be for the months of October and November only

Key to the Caribbean – Average yearly temperature 77° F.

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- Tenants with less than 24 months remaining on their lease will only be allowed to defer rent up to number of months remaining on lease
- Tenants in the process of renewing their lease will be allowed up to 24 months for pay back of the deferment. However, if lease is not renewed all rent will be immediately due.
- Beginning with December's rent, tenant will be required to pay normal monthly rent plus deferred rent. If rent is late, the penalty will be applied to full amount due.

FINANCIAL STATEMENT:

On average between the City's general fund, Key West Bight, and City Marina at Garrison Bight leases, the City and CRA receives approximately \$140,000 in revenue per week or \$600,000 per month.

RECOMMENDATION

Management recommends that staff work with each of the CRA's tenants individually to determine the payback period (up to 24-months) of the 2-month deferment and that the City Manager is given authority to approve lease addendums with each tenant.