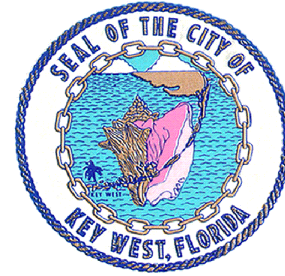


EXECUTIVE SUMMARY



TO: Key West Bight Board

FR: Doug Bradshaw
Marilyn Wilbarger, RPA, CCIM, Senior Property Manager

DT: February 21, 2018

RE: Tax, Insurance, and Common Area Maintenance Expense Reconciliation

ACTION:

This is a request to approve the Key West Bight Operating Expense Reconciliation for 2016/2017.

HISTORY:

The actual expenses for 16/17 are \$4.80 per square foot. The estimated payments collected from the tenants of \$4.28 per square foot for 4 months and \$4.85 for 8 months have created a balance of \$35,294.30 due from the tenants for this period.

Property Taxes

The property taxes are \$199,180 and reflect an allocation to the Upland and Ferry Terminal of 39.91% compared to the 2016 allocation of \$208,352 or 38.35% which is based upon a proration of the overall revenues.

Insurance

The allocation is based upon property value and is 15.85% of the total City premium for the applicable coverages. The total of \$231,081 is down slightly from \$238,261.13 last year and includes an allocation for estimated actuarial ultimate losses for Fund 405 Property and Liability and 50% of insurance administration.

Promotional Expenses

Pursuant to the Bight Board's prior directive no promotional expenses have been allocated to the tenants for this period although the CRA has incurred \$194,400.

Maintenance and Operations

The actual expense of \$414,461 is allocated at 50% to the upland tenants per Maximus however, it is capped at a 5% annual increase over the prior year and combined with the administrative overhead below.

Administrative Overhead

The administrative overhead allocation is determined by the City and based upon the indirect cost allocation study. The allocation is based upon a percentage of revenue that is 39.91% for the upland tenants which equals \$343,692, then further allocated at 50% of

that cost or \$171,846. The cost is combined with maintenance and operations and together they are limited to a 5% annual increase over the previous year therefore the reimbursable expense for both maintenance and administration is \$191,772

Surveyed Square Feet and Billable Square Feet

The breakdown of the total net usable square footage is also included and is based upon surveys in addition to the Maximus report recommendations to arrive at a total net usable area of 104,618 square feet. The breakdown of the billable square footage is also shown and is based upon the occupied area per the leases. The total billable area is 90,665 square feet.

The difference between the net usable square feet and the billable square feet is the vacant space, non-leasable space, restrooms, and Ferry Terminal passenger waiting areas as the operating costs of these areas are paid by the CRA.

Allocation Methodology

The expense reconciliations were performed in accordance with the approved Maximus study, which was undertaken in 2004. The purpose of the Maximus study was to establish the methodology for calculating the allocation of expenses between the marina and upland properties, and between vacant, leased and non-leasable areas.

RECOMMENDATION

Staff recommends approval of the reconciliation as presented, billing the outstanding balance to the tenants on the next rent statement, and leaving the estimated payments for the remaining FY 17 at \$4.85 per square foot.

ATTACHMENTS

Attached is information detailing the operating expenses for the Key West Bight, Fund 405 for FY 2016/2017 which includes a prior year summary as well.