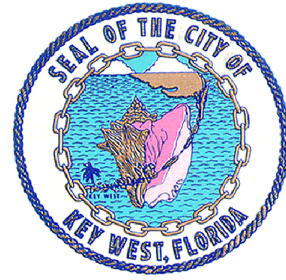


Executive Summary



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

**CC: Jim Scholl
Doug Bradshaw**

FR: Marilyn Wilbarger, RPA, CCIM

DT: April 6, 2018

**RE: Florida Straits Conch Company DBA Conch Republic Seafood Company
Lease Renewal**

ACTION STATEMENT:

This is a request to approve a lease renewal for Florida Straits Conch Company DBA Conch Republic Seafood Company the property located at 631 Greene Street in the Historic Seaport.

BACKGROUND:

The current 20-year lease per City Resolution 97-156 has expired. The city entered into lease negotiations pursuant to the public notice therefore in October 2016, as attached. The renewal was delayed to a complete review a proposed parking garage at this location. The decision was made to move forward with an expanded and redesigned surface lot and the lease renewal proceeded. The proposed terms of the renewal before you are as follows:

Permitted Use: Operation of a restaurant with alcohol sales containing 232 licensed seats, live entertainment, wholesale and retail fish market, retail area for logo apparel, gifts, souvenirs. Additionally, the Tenant may facilitate the operation, repair, maintenance, and storage of the lobster traps and ancillary equipment of the commercial lobster trapping enterprise Fryde Conch, LLC and accept deliveries of fish and seafood at the docks.

Demised Premises: Whenever leases have expired the city has undertaken new surveys to ensure that the demised premises are measured in accordance with industry standards as follows:

16,289 NET USABLE SQUARE FEET comprised of:

Restaurant and Bar	10,840
Outdoor Dining	1,304
Office	2,591
Fish House	971
Outdoor Storage/Utilities	583

The Tenant will relinquish portions of the previously leased areas described as the storage building areas, retail space, outside walkways and parking areas and the Landlord will replace the storage building area with a new building to house the working waterfront tenant storage areas, offices, other water dependent or water related activities, and public restrooms. The retail space in the booth located in the Greene Street Plaza will also be relinquished.

The Tenant also agrees that the Fish House may be re-located, without any operational disruption, into a comparable area in the new building so long as the substituted usable area meets or exceeds the current net usable area of the Fish House operation within the Demised Premises and so long as the visibility, access and function of the Fish House are not negatively impacted.

**Square Footage for
Common Area**

Charges: 15,345 square feet which reflects a 50% reduction for outdoor space

Term: Ten years effective May 1, 2018

Rate: \$35.00 per net usable square foot

The City must charge a market rent for all leases on city owned property. Any under market rent must show a public benefit and be approved by a super majority of the City Commission, which does not apply in this case. The current restaurant rents on City owned property have been considered in an effort to establish a market rate.

The current base rent rate per square foot for other Historic Seaport restaurant/bar tenants are as follows:

	Square Feet	Rate per foot
Schooner Wharf	8,872	\$34.78
Waterfront Brewery*	18,942	\$32.21
Turtle Kraals	12,387	\$30.66
Half Shell Raw Bar	9,715	\$30.16

*includes additional rent for improvements of \$9.00 psf

Other City restaurant leases:

El Meson de Pepe	10,669	\$34.54
Southernmost Beach Café	4,981	\$44.49

As all of the leases expire the rates have been adjusted to the current market. Florida Straits Conch Company's rent is currently \$25.00 per square foot, a below market rate, that will be increased upon renewal.

Increases: Annual CPI increases in base rent

Percentage Rent: 6% of tenant's gross sales in excess of the percentage rent base amount which is determined by dividing the annual rent by 6%. In

year one of this renewal the percentage rent base amount will be \$9,501,916.67.

Use of the adjacent public parking lot:

The Tenant may use the area 5 times per year for events that require a special event permit per city ordinance.

Tenant Repairs:

The Tenant will be responsible for all non-structural maintenance and repairs throughout the term of the renewed lease to all areas that constitute the demised premises. In addition, the Tenant will complete all non-structural repairs and maintenance required pursuant to the existing lease as identified in the Building Inspection Report attached to the lease as Exhibit "E". The tenant will not be required to make any repairs to the relinquished storage building.

Landlord Repairs:

The Landlord will be responsible for the repair and replacement of the structure of the building and to make all structural repairs identified in the building inspection report.

Security:

The Landlord will retain the current security deposit being held in the amount of \$36,126.27. Additionally, pursuant to Sec. 2-871 of the Key West Code of Ordinances 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.

Dockage:

The Tenant will have the right to lease the docks identified as H-1 (141.5'x2) and the North side of H-2 (100') for a total of 383 linear feet of dock pursuant to the terms of the Historic Seaport Monthly Dockage Agreement, as amended from time to time, a copy of which is incorporated as Exhibit "F". The Tenant shall receive any discounts offered by the Landlord for fuel and/or dockage to historic vessels (or reproductions thereof) and up to 100 feet of dockage will be at no charge for commercial fishing vessels selling their catch to the

FINANCIAL IMPACT:

The base rent proposed is \$570,115.00 in year one of the lease and will be increased annually based upon the Consumer Price index. Reimbursement of operating expenses in year one of the lease will be approximately \$4.85 per square foot based on current estimates. Percentage rent will increase from 5% to 6%. For comparison purposes, the current lease and proposed lease basic economic terms are detailed here, as follows:

	Current Lease	Proposed Lease
Square Feet	14,919	16,289
Base Rent	\$379,507	\$570,115
% Rent	5%	6%
CAM Square Feet	14,919	15,345
CAM Reimbursement	\$72,357	\$74,423

CONCLUSION:

This lease is one of the last remaining twenty-year-old leases in the Historic Seaport that will reflect a significant increase in rent to bring the rate up to market consistent with other City restaurant leases and to reflect the actual square footage occupied by the tenant pursuant to a new survey. The proposed terms of the lease renewal represent a comparable rate for the property and the base rent will increase annually based upon the Consumers Price Index which will maintain the rental revenue stream adjusted for inflation. The percentage rent will be increased from 5% to 6% which is also consistent with the other leases. The use will remain unchanged which supports the working waterfront history of the seaport.

The Tenant is in agreement with the proposed lease terms and the City will receive the information required by ordinance including the background check, organizational documents and financial disclosure. The Tenant is current with the rent and has an excellent payment history.

Conch Republic Seafood Company is more than just a restaurant. They are committed to maintaining the working waterfront at the Historic Seaport through operation of a fish house, facilitation of the commercial lobster enterprise and support of commercial fishing

by taking delivery of fresh fish at the docks. The proposed lease renewal will ensure that these operations continue and that the patrons will enjoy fresh fish and seafood well into the future. Staff recommends approval of the lease, as proposed.

ATTACHMENTS:

Lease

Exhibits A-F

Public Notice Lease Renewal