



THE CITY OF KEY WEST

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TO: Greg Veliz, City Manager

FROM: Doug Bradshaw, Director Port and Marine Services

CC: Patti McLauchlin, Asst. City Manager
Shawn Smith, City Attorney
Mark Finigan, Finance Director

DATE: April 24, 2020

SUBJECT: Rent Relief: Commercial Tenants affected by the Coronavirus Pandemic that have Leases with the Carolina Street Corridor and Bahama Village Community Redevelopment Agency (CRA)

ACTION STATEMENT

Providing rent relief to commercial tenants affected by the Coronavirus Pandemic that have leases with the CRA.

HISTORY

The Coronavirus Pandemic has severely impacted the financials of all businesses within the City of Key West. Most businesses are fully closed and currently do not know when they will be allowed to reopen. 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.

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. The CRA fully expects tenants that have the financial capacity to remain current on their rent.

Management has looked at several options but feel that a two month rent deferment (April and May) with up to a 2-year payback period is a fair initial compromise. The CRA understands that a significant number of tenants have already paid April rent. For these tenants a one-month deferment for May would be available.

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

- Must be current with existing rent payment (through March)
- Must show proof of application for any applicable governmental relief program
- Must prove 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:

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

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- Rent deferment will be for the months of April and May only
- 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 January 2021's rent, tenant will be required to pay normal monthly rent plus at minimum of 1/24th deferred rent. Tenant may elect to prepay in whole or in part deferred rent. If rent is late, the penalty will be applied to full amount due or not paid.

FINANCIAL STATEMENT:

On average between the City's general fund, Key West Bight, and City Marina at Garrison Bight leases, the City receives approximately \$640,000 in revenue 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.