



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: August 24, 2020

SUBJECT: Rent Relief: Commercial Tenants of the Key West Bight affected by the Coronavirus Pandemic

ACTION STATEMENT

Providing rent relief to commercial tenants of the Key West Bight affected by the Coronavirus Pandemic.

HISTORY

The Coronavirus Pandemic has severely impacted the financials of all businesses within the City of Key West. 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 City. 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 City's tenant's needs and the needs of its residents.

On May 5, 2020 by Resolution 20-080 and 20-082 City Commission authorized a rent deferment for up to three months for all commercial tenants of the City.

At the June 16, 2020 City Commission meeting, the Key West Bight Preservation Society (Tenants Association) requested additional rent relief by requesting a rent abatement for up to three months for all commercial tenants of the Key West Bight in good standing, reducing the base dockage rate paid by commercial water-based tenants by 50% through December 31, 2020, and adjusting the monthly rent paid by commercial upland tenants to 6% of sales plus standard common area maintenance and utility charges through December 31, 2020.

Management reviewed the request as well as listened to input from the City Commission during the budget hearings and offers the following compromise:

- Abatement of April rent
- Deferment of May and June rent

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

124 W 306 L 203 K3

- Full payment for July rent (almost 100% of tenants have paid July rent)
- 25% abatement of base rent for upland tenants for August* and September
- 25% abatement of base dockage rent for marine tenants for August and September
- Reevaluate the months of October through December at a later date

*Note: As of August 14, approximately 95% of tenants have paid August rent.

In order to qualify for the full rent relief, the tenant must meet the following criteria:

- Must be current with existing rent payment (through March and have paid July rent)

In addition to the above criteria the following will apply:

- Only base rent and base dockage rates will apply to the abatement and deferment. All other charges will be due and payable including common area maintenance charges, utilities, advertising, capital, etc.
- 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.
- Historic Vessels at the Key West Bight will not be eligible for the reduced rent in August and September as rents are already at a reduced rate.

Commissioners tabled the rent relief item in order to allow time for the Key West Bight Management Board to meet and make a recommendation to the City Commission. The Board met on August 19 and recommended the following rent relief package:

- Abatement of April and May rent
- Deferment of June and July rent
- 50% abatement of base rent for upland tenants for August and September
- 50% abatement of base dockage rent for marine tenants for August and September
- Reevaluate the months of October through December at a later date

FINANCIAL STATEMENT:

The loss of revenue impacts is attached

RECOMMENDATION

Management recommends rent relief to commercial tenants of the Key West Bight affected by the Coronavirus Pandemic.