RESOLUTION NO. 25-191

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF KEY WEST, FLORIDA APPROVING A FIVE-YEAR LEASE RENEWAL BETWEEN THE CITY OF KEY WEST, FLORIDA AND SBY KEY WEST, LLC DBA SPENCER'S BOAT YARD FOR THE SUBMERGED LANDS LOCATED AT 701 PALM AVENUE, KEY WEST, FLORIDA; AUTHORIZING THE MAYOR TO EXECUTE THE LEASE AGREEMENT AND ANY NECESSARY RELATED DOCUMENTS UPON CONSENT OF THE CITY ATTORNEY; PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City of Key West entered into a submerged lands lease with A-1 Boat Services, Inc. on September 1, 2019, via Resolution 19-311, for the property adjacent to 701 Palm Avenue, Key West, which was set to expire on August 31, 2024; and

WHEREAS, on November 17, 2021, the City of Key West approved an assignment of the lease to SBY Key West, LLC who is also the Assignee of the adjacent Upland Riparian Lease with the City. The five-year lease was to expire on August 31, 2024; and

WHEREAS, via Resolution 24-171 the leasehold was extended for an additional twelve (12) month term which will expire on August 31, 2025, and Lessee is requesting an extension of the term for an additional five (5) years effective September 1, 2025; and

WHEREAS, a recent market rate study concluded that the City is charging rates in the "upper range" compared to other leases, and these rates are considered in line with current market pricing and demand; and

WHEREAS, all submerged land lease payments for the Eisenhower area are deposited into City Marina account 413-0000-362.29-00 and used toward operations at City Marina; and

WHEREAS, the City staff recommends approval of the renewal and execution of the Submerged Lands Lease;

. NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF KEY WEST, FLORIDA, AS FOLLOWS:

Section 1: The City Commission hereby approves the renewal of the submerged lands lease with SBY Key West, LLC for the property located at 701 Palm Avenue, Key West, for a term commencing on September 1, 2025, and ending on August 31, 2030.

Section 2: That the Mayor is hereby authorized to execute any necessary documents on behalf of the City of Key West.

Section 3: This Resolution shall go into effect immediately upon its passage and adoption and authentication by the signature of the Presiding Officer and the Clerk of the Commission.

Passed and adopted by the City Commission at a meeting held this 6th day of August, 2025.

Authenticated by the Presiding Officer and Clerk of the Commission on the 6th day of August, 2025.

Filed with the Clerk on August 6, 2025.

Mayor Danise Henriquez	Yes
Vice Mayor Lissette Carey	Yes
Commissioner Aaron Castillo	Yes
Commissioner Monica Haskell	Yes
Commissioner Mary Lou Hoover	Absent
Commissioner Sam Kaufman	Yes
Commissioner Donald "Donnie" Lee	Yes

DANISE HENRIQUEZ, MAYOR

ATTEST:

KERI O'BRIEN, CITY CLERK

39 25-4166

MEMORANDUM

Date:	August 6, 2025
To:	Honorable Mayor and Commissioners
Via:	Brian L. Barroso City Manager
From:	Gary Moreira Senior Property Manager
Subject:	**Lease Renewal for Submerged Lands Lease - SBY Key West, LLC, DBA Spencer's Boat Yard, 701 Palm Avenue in Garrison Bight**

Introduction

This is a request to approve a five-year lease renewal with SBY Key West, LLC, for the submerged lands lease at 701 Palm Avenue, Key West.

Background

On September 1, 2019, the City of Key West entered into the submerged lands lease with A-1 Boat Services, Inc., via Resolution 19-311 for the submerged property adjacent to 701 Palm Avenue. On November 17, 2021 the City of Key West approved an assignment of the lease to SBY Key West, LLC. SBY Key West, LLC is also the Assignee of the adjacent Upland Riparian Lease with the City. The five-year lease was to expire on August 31, 2024. Via resolution 24-171 the leasehold was extended for an additional twelve (12) month term which will expire on August 31, 2025. Lessee is requesting an extension of the term for an additional five-years effective September 1, 2025.

Historically the submerged lands lease rates at Garrison Bight have been set using rates the City is charged as Lessee for submerged land leases it has with the State as Lessor. A recent market rate study concluded that the City is charging rates in the "upper range" when compared to other leases "rates are considered in line with current market pricing and demand"

All submerged land lease payments for the Roosevelt/Eisenhower areas are deposited into City Marina account 413-0000-362.29-00 and used toward operations at City Marina.

Procurement

Demised Premises:	A Parcel of submerged land in section 33, Township 67 South Range 25 East, in Monroe County, containing approximately 25,021 square feet, more particularly described, and shown on Exhibit A attached.
Term:	September 1, 2025 through August 31, 2030.
Rent:	\$21,267.85/year or \$0.85/s.f. paid in monthly installments of \$1,772.32.
Percentage Rent:	6% on wet slip rental income in excess of annual base rental amount.
Increases:	Increased annually by the Consumer Price Index.

Recommendation

Staff recommends approval of the renewal and execution of the First Amendment to Lease.

Exhibits:
First Amendment to Lease
Submerged Lands Lease
Exhibit A

FIRST AMENDMENT TO LEASE AGREEMENT

This First Amendment to Lease Agreement is entered into this 4th day of August, 2025, by and between the City of Key West, a municipal corporation, hereinafter ("LESSOR") and SBY Key West, LLC, whose riparian upland interest is located at 701 Palm Avenue, Key West, Florida 33040, (hereinafter "TENANT").

WITNESSETH

WHEREAS, LANDLORD and TENANT entered into a Submerged Lands Lease Agreement on the 1st day of September 2024, for the property located and described as follows:

> A Parcel of submerged land in section 33, Township 67 South Range 25 East, in Monroe County, containing approximately 25,021 square feet, more particularly described and shown on Exhibit A attached.

WHEREAS, the LANDLORD and TENANT now desire to amend their Submerged Lands Lease Agreement which is attached hereto,

NOW, THEREFORE, in mutual consideration of the benefits conferred upon the parties by the terms of this Amendment, LANDLORD and TENANT agree as follows:

1. Lease Term: The lease expiration date shall be August 31, 2030.

2. Lease Fees: The annual fee during this lease shall be adjusted annually on the anniversary date of the lease by the increase in Consumer Price Index for all Urban Consumers as published by the United States Department of Labor. In no event shall the minimum base rent be decreased. In the event the index used for the annual adjustment of rent is discontinued, LANDLORD, may utilize another index as recommended by the Department Labor, or if no index is recommended, then as chosen by LANDLORD, in LANDLORD'S sole and absolute discretion. The Lessor will notify the Lessee in writing of the amount and the due date of each subsequent annual lease payment during the remaining term of this lease.

3. Except as modified herein, the Lease Agreement as amended shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have made this First Amendment to Lease Agreement on the date first written above.

ATTEST:

Keri O'Brien, City Clerk

SEAL OF THE CITY OF KEY WEST FLORIDA

City of Key West
A Municipal Corporation

By: ______________________
Danise Henriquez, Mayor

SBY Key West, LLC

____
Witness

By: ______________________
Felix Wiggins, Manager

FIRST AMENDMENT TO LEASE AGREEMENT

This First Amendment to Lease Agreement is entered into this 14th day of August, 2025, by and between the City of Key West, a municipal corporation, hereinafter ("LESSOR") and SBY Key West, LLC, whose riparian upland interest is located at 701 Palm Avenue, Key West, Florida 33040, (hereinafter "TENANT").

WITNESSETH

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IN WITNESS WHEREOF, the parties have made this First Amendment to Lease Agreement on the date first written above.

City of Key West
A Municipal Corporation

ATTEST:

____
Keri O'Brien, City Clerk

By: _____________________________
Danise Henriquez, Mayor

SBY Key West, LLC

____
Witness

By: _____________________________
Felix Wiggins, Manager

9. Submerged Land Leases

The City Marina maintains submerged land leases with several tenants with riparian upland rights around the City Marina. Commercial and residential properties on the perimeter of the bight and frontage on North Roosevelt Boulevard, Eisenhower Drive, and Palm Avenue have leases for the submerged lands adjacent to their parcels. The uses are typically for wet slip dockage in conjunction exclusively with the upland use of the tenant. Most of the lease's include requirement for pump out service, restrict and omit fueling facilities, and restrict liveaboard uses. The terms and conditions of the lease are typical for the market area and include provision for compliance with local, State and Federal Laws governing the agreement, the vessel and the site.

The research conducted included some canvassing of local marinas, resorts and facilities adjacent to unowned bay bottom and research of state agencies governing similar leases and submerged land uses. The geographical area initially searched was limited to the Key West and Stock Island areas, in accordance with the agreed scope of work, however it was necessary to expand the search criteria in order to obtain sufficient data for analysis. Items of comparison sought `included lease terms, responsibilities of the parties, usage requirements and limitations, amenities provided, as available from the submerged land leases collected and reviewed.

The following summarizes the existing City's leases considered.

Paradise Harbor Condominium
Upland Address: 719 Eisenhower Drive
Area Leased: 11,529 square feet (sf)
Current Annual Lease Fee Rate: $0.85 per sf plus applicable tax
Current Monthly Lease Fee: $877.89
Lease Term: Ends 8/31/2025

Garrison Bight Investors LLC
Upland Address: 1601-1605 Eisenhower Drive
Area Leased: 7,813 square feet (sf)
Current Annual Lease Fee Rate: $0.85 per sf plus applicable tax
Current Monthly Lease Fee: $594.93
Lease Term: Ends 8/31/2025

SBY Key West LLC
Upland Address: 701 Palm Avenue
Area Leased: 25,021 square feet (sf)
Current Annual Lease Fee Rate: $0.85 per sf plus applicable tax
Current Monthly Lease Fee: $1,905.25
Lease Term: Ends 8/31/2025

Garrison Bight Marina Inc
Upland Address: 711-717 Eisenhower Drive
Area Leased: 15,740 square feet (sf)
Current Annual Lease Fee Rate: $0.85 per sf plus applicable tax
Current Monthly Lease Fee: $1,198.54
Lease Term: Ends 8/31/2024 (no extension provided)

Garrison Bight SMI LLC
Upland Address: Angelfish Pier, Palm Avenue
Area Leased: 19,874 square feet (sf)
Current Annual Lease Fee Rate: $0.85 per sf plus applicable tax
Current Monthly Lease Fee: $1,513.32
Lease Term: Ends 11/30/2028

Harborside Hotel and Marina Inc.
Upland Address: 903 Eisenhower Drive
Area Leased: 18,486 square feet (sf)
Current Annual Lease Fee Rate: $0.85 per sf plus applicable tax
Current Monthly Lease Fee: $1,407.63
Lease Term: Ends 8/31/2025

Harbor Lodge Condominium Owners Association
Upland Address: 833 Eisenhower Drive
Area Leased: 13,709 square feet (sf)
Current Annual Lease Fee Rate: $0.85 per sf plus applicable tax
Current Monthly Lease Fee: $1,043.88
Lease Term: Ends 8/31/2025

Key West Community Sailing Center Inc.
Upland Address: 705 Palm Avenue
Area Leased: 33,018 square feet (sf)
Current Annual Lease Fee Rate: $1.00 Per year
Current Monthly Lease Fee: $0.083
Lease Term: Ends 8/31/2025

Old Town Trolley of Washington DC
Upland Address: 801 Eisenhower Drive
Area Leased: 12,974 square feet (sf)
Current Annual Lease Fee Rate: $0.75 per sf plus applicable tax
Current Monthly Lease Fee: $810.88
Lease Term: Ends 12/31/2025

Pelican Landing, A Private Fishing Condominium Inc
Upland Address: 915 Eisenhower Drive
Area Leased: 18,886 square feet (sf)
Current Annual Lease Fee Rate: $0.85 per sf plus applicable tax
Current Monthly Lease Fee: $1,438.09
Lease Term: Ends 8/31/2025

The City leases are typical for leased submerged land in the market area. The lease provided mirrors the State Department of Environmental Protection, Board of Trustees Land Documents System (BTLDS) lease format, as noted on the website for the public leases in the State. The City leases run for a variety of periods however most are up for renewal in 2025. The City's current rate is $0.75 to $0.85 per square foot for all but one of its current leases. The Sailing Club enjoys a preferential rate due to the nature of its public service business. The lease for the Old Town Trolley is sightly favorable at $0.75 per square foot and expires at the end of December, 2025.

In researching the comparable submerged land leases it was necessary to expand the search area in order to provide additional data and support the opinion of value. There were four leases considered within the City limits. An additional five leases from Stock Island and up to mile marker 28. These leases represent the most current available on the BTLDS website and public records. The following is a summary:

Submerged Land Leases					
Lease Number	Square Foot	Lease Term	Leased Fee Tax Included	Fee per S. F.	Owner / Location
440003375	13504	5/21-6/45	$1924.75	$0.14	Waterfront 6631 LLC 6631 Maloney Avenue, Stock Island
441570565	17206	7/23-7/28	$3684.50	$0.23	Truman Annex, North Basin LLC
440249865	3611	7/23-7/28	$847.93	$0.25	Reach Hotel 1240 Simonton Street, KW
440011755	7887	1/22-1/27	$6511.83	$0.83	Tannex Development 271 Front Street, KW
441736935	1800	5/22-5/32	$3092.99	$1.72	Spottswood, Spottswood, Spottswood New Found Harbor, Ramrod
440030225	4035	8/23-8/28	$864.05	$0.21	Hyatt Residence Club 5051 Overseas Hwy, KW
440004045	23719	4/22-4/32	$3424.37	$0.14	Libben LLP 3558 Meadow Grove Tr Ann Arbor, MI Hurricane Hole Marina
440006695	46566	4/21-4/26	$8679.90	$0.21	Trudo Leschert 1510 Tuttle Ave Sarasota, FL The Galleon Resort
440353455	3622	9/23-9/28	$775.61	$0.21	NHC FL 136 LLC Sunset Harbor Village LLC 27777 Franklin Rd, Ste 300, Southfield MI
440343315	9357	10/23-10/28	$2003.70	$0.21	Spottswood Partners LTD 506 Fleming St, KW Little Palm Island, Ramrod

Analysis:

The comparison included similar annual lease fees for submerged land from shore line properties in Key West, the lower and middle keys. The search area revealed sufficient similar comparables for analysis in the prescribed market area. The City marina location was superior to many of the available leased areas. The Fury lease for example is in the middle of the open bay with no adjacent facilities. The Galleon leased area is proximate and more similar to the subject in location and amenity, however with limited parking in the resort. The Tannex property was most similar in lease rate to the subject's lessee's agreements. Substitution principles apply to the lease rates of comparable sites with equal utility to that of the subject property. The lease terms were similar for the City lease and the submerged land leases from the State. The permitted uses varied slightly with some allowing all uses including fueling docks while others were limited to recreational uses.

The City lease provided included an annual rate of $ 0.75 to $0.85 per square foot. The leased City Marina areas are considered superior to most of the comparables. The comparable data indicated an unadjusted range in annual leases of $0.14 to $1.72 per square foot of leased submerged land. The sight variances in permitted uses did not significantly effect rates and thus adjustments were not considered applicable.

Conclusion:

The City's submerged land lease rate is competitive in the market, though currently in the upper range when compared to leases available. The current rates on the comparable data are for terms that range from five to ten years with most being in the early stage of the terms. As the rate is consistent with the recent renewals and their respective terms, the existing rates are considered in line with current market pricing and demand.