

RESOLUTION NO. 92-400

A RESOLUTION ACCEPTING THE RECOMMENDATIONS OF THE TRUST FOR PUBLIC LAND FINANCIAL ADVISORY COMMITTEE; ADOPTING SPECIFIC RECOMMENDATIONS; GIVING DIRECTION TO STAFF; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Commission of the City of Key West has received the recommendation of the Financial Advisory Committee regarding the acquisition financing of the Singleton Properties at Key West Bight; and

WHEREAS, the City Commission of the City of Key West specifically adopts the following recommendations made by the Committee:

1. Commitment to Private Management
2. No City Involvement in Setting Rents
3. No Use or Pledge of Property Taxes
4. Oversight by an Independent Board

WHEREAS, the City Commission of the City of Key West desires to pursue financing acquisition using the means recommended by the Financial Advisory committee;

NOW, THEREFORE, BE IT RESOLVED by the City Commission of the City of Key West, Florida as follows:

Section 1. That the recommendation of the Trust for Public Land Financial Advisory Committee as made in the attached report are hereby adopted by the City of Key West with specific recognition of the following:

1. Commitment to Private Management
2. No City Involvement in Setting Rents
3. No Use or Pledge of Property Taxes
4. Oversight by an Independent Board

This is not to preclude other viable alternatives that the Trust for Public Land or its' Advisory committee may recommend in the future.

Section 2. That the city will not grant any rent subsidies beyond those listed in the Advisory Board's presentation.

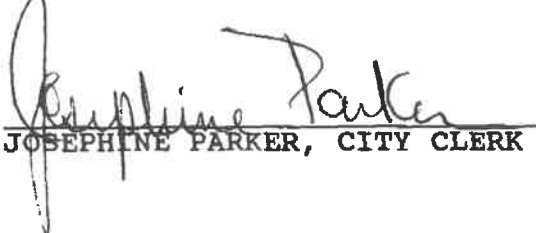
Section 3. City Staff and consultants are hereby directed to pursue financing of the acquisition of the Singleton property utilizing the recommendations as adopted.

Section 4. This Resolution shall go into effect immediately upon its passage and adoption and authentication by the signatures of the presiding officer and the Clerk of the Commission.

Passed and adopted by the City Commission at a meeting held this 22nd day of Sept., 1992.


DENNIS J. WARDLOW, MAYOR

ATTEST:


JOSEPHINE PARKER, CITY CLERK

THE TRUST FOR PUBLIC LAND

KEY WEST ADVISORY COUNCIL

RECOMMENDATIONS TO THE KEY WEST CITY COMMISSION

AUGUST 11, 1992

Over the past six months, a group of Key West leaders has studied the public acquisition of the Singleton property surrounding the Key West Bight. The goals of the Advisory Council were to preserve the historic waterfront and minimize new development while not causing an adverse impact on ad valorem taxes. In addition, the Advisory Council sought ways to increase revenues for the City to help reduce the tax burden in future years.

The Advisory Council has concluded that the preservation of public access to the historic waterfront is of critical importance to the City of Key West, and that the creation of a harborwalk and maritime heritage district would be a major attraction to draw tourists to Key West. In fact, additional tourist traffic to the Key West Bight will be necessary to ensure its financial viability. This document outlines the Advisory Council's recommendations to the City regarding the acquisition and preservation of the Key West Bight.

MARITIME HERITAGE DISTRICT

Preserve public access to the waterfront.

Retain the historic character of a working waterfront.

Create a harborwalk with a series of historic markers describing the importance of the harbor in the history of Key West.

Preserve a place for schooners and other tall ships at the end of Greene Street. Preserve a place for traditional working boats (shrimp, sponge, lobster) as floating museums along the Turtle Kraals pier. Provide interpretative signage and tours for visitors. Offer discounted rents to no more than seven heritage boats and tall ships combined.

Create a series of cobblestone public plazas at each streetend along the harborwalk. Install benches, historic lighting, and palm trees. Integrate these improvements with design elements in the surrounding area.

Add the Key West Maritime Heritage District to the City's existing network of historic walking tours.

Make landscape and aesthetic improvements along Greene Street to encourage pedestrian traffic from the Custom House and Duval Street. Remove the sewer pump station at the end of Greene Street. Replace it with a tall mast which will serve as a memorial to all those in Key West history who earned their livelihoods from the sea.

REDEVELOPMENT DISTRICT

Coordinate the Singleton property with the planning for the redevelopment district. Complete the redevelopment plan as soon as possible, paying special attention to the transition between Old Town and the harbor. Planning should integrate the maritime heritage district into plans for Duval, Front, Greene Streets and Mallory Square. Create a system of stylized directional signs throughout downtown and Old Town.

The vacant tracts on the Singleton property may be available for future use by the Community Redevelopment Agency. If the economics of the project require the sale of surplus property, the Advisory Council would recommend the sale of the Crab Shack and the non-waterfront portion of Tract A at the corner of Greene and Elizabeth Streets, subject to design controls and deed restrictions.

Any future construction on the Singleton property should be in compliance with the historic design restrictions of the redevelopment district and should retain the character of the working waterfront.

The City should vigorously negotiate with the Florida Department of Community Affairs to retain the planned uses proposed in the City's comprehensive plan. Any reduction in the comprehensive plan recommendation would result in a devaluation of the City's investment in the property.

~~The Community Redevelopment Agency should be reconstituted to include non-political members from business, finance, real estate, law, historic preservation, and maritime heritage. City staff should research the appointment process of redevelopment agencies in other cities and make recommendations to the City Commission.~~

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[Signature]*

MARINA EXPANSION

In order to minimize the development required to support the acquisition, the Advisory Council recommends that the City generate additional revenue through the expansion and renovation of the marina. The Advisory Council commissioned a marina architect to redesign the marina to increase the marina from 111 to 197 slips. The financial projections make the very conservative assumption

that the marina would be expanded in five phases. (Phase I: 36 slips, Phase II: 43 slips, Phase III: 68 slips, and Phase IV: 50 slips, and Phase V: 50 slips. See the attached marina plan prepared by The Brandy Group Inc.) The financial projections assume that the marina would be reduced in size by 6 slips, especially in the area adjacent to the A & B Lobster Marina. The financial projections also assume that there is no change in the current tax policy related to public marinas.

The City may realize greater revenues and reduce project costs by constructing the marina fast. This alternative should be explored in detail by the City, with special attention to projected vacancy rates and the reduction in construction costs.

The Brandy Group plan is conceptual design only - the final marina plan should be reviewed by Key West marina experts prior to construction.

The City should pursue the acquisition of the Chevron property on Caroline Street in order to complete the harborwalk and secure the bay bottom rights for future marina expansion. The financial projections do not include revenues or costs related to the Chevron property.

Maintain public access and keep the traditional wood decking on the piers around the Turtle Kraals, but install high-quality floating docks for pleasure craft and charter boats in the balance of the marina.

Install both gas and diesel fuel pumps and sewage pump out facilities. Provide all utilities and amenities expected in a first-class marina.

Since approval typically takes 12 months, city staff should begin the permitting process for the marina expansion immediately.

PROPERTY MANAGEMENT

Enter into a master management agreement with a qualified independent entity to manage the harborwalk, marina and upland properties. The property manager may subcontract portions of the management to other management groups.

The property manager should have the sole responsibility to set rents and negotiate leases for the shops, restaurants, and marina. The property manager shall charge market rents, and the city shall not subsidize any business.

The private manager should receive compensation based on a percentage of the net operating income, providing an incentive to control costs and maximize revenues to the City.

City staff should issue a request for proposal for the private

management of the property, and then negotiate with the best qualified candidates.

Provide existing tenants the first opportunity to negotiate long-term leases. As much as possible, retain the existing business uses.

The private manager, and not the City, should be responsible for the maintenance and security of the harborwalk, plazas, landscaping and marina.

Retain the character of the working waterfront in any exterior changes to the buildings.

Manage vacant land along Caroline and Greene Streets as paid public parking until the Community Redevelopment Agency identifies a use consistent with the historic guidelines of the Redevelopment District.

Route pedestrian traffic from the proposed parking deck on Caroline Street along the harborwalk to Duval Street.

FINANCE

The Advisory Council has analyzed and adjusted the financial projections for the property prepared for the Trust for Public Land by the Goodkin Research Corporation and the Brandy Group, Inc. These revised projections indicate that the property will pay for the amortized debt service and generate approximately \$5.5 million for the City during the term of financing.

These projections do not include the value of the revenues which the City will receive from the property after the repayment of the loan, and the projections do not include revenues which the City could receive from the sale of surplus property.

Although difficult to quantify financially, the City also will receive a substantial public benefit from the creation of the harborwalk, the maritime heritage district, and the public ownership of its historic waterfront.

During the first several years, the project shows negative cash flows, which is not unusual for a multi-year construction project. The Advisory Council recommends that the financing be structured to pay interest only during the first five years, and to capitalize the projected interest deficit.

This capitalized interest adds significantly to the project costs, however, leaving little financial cushion. The project is not without risk, but, if the City manages the property as recommended, the property will pay for itself and generate revenues for the City. The City can strengthen the project revenues and reduce its risk by choosing one or more of the following options:

Use infrastructure funds to pay for the harborwalk, public restrooms, and marina construction.

Sell \$3 million of surplus property for limited development with design controls.

Complete the construction of the marina in one or two phases rather than five.

Work with the city lobbyist and legislative delegation to pursue state and federal grant funding for the improvements of the property.

After analyzing a number of financing mechanisms, the Advisory Council recommends the following:

Do not issue general obligation bonds and do not pledge ad valorem tax revenues.

Given the alternatives, the most attractive financing structure appears to be a lease-purchase arrangement which has been proposed by the City's bond counsel and Barnett Bank Securities. Under this financing arrangement, the City would make lease payments to the Community Redevelopment Agency (CRA) and would own the property after 25 years. The CRA can issue the tax-exempt bonds but they must be backed by the lease payments from the City with collateral from some regular revenues. The amount and duration of this collateral should be negotiated to minimize risk to the City.

The City should structure the financing to qualify for ratable bonds, which are 2-3 percentage points cheaper than and unrated issue.

Interest rates are currently at a ten-year low. The City should work quickly to close the financing prior to the Presidential elections in November when the interest rates may increase. (If interest rates increase one percent, the City would pay approximately \$190,000 in additional debt service each year, or an additional \$4,750,000 during the term of the financing.)

The Advisory Council recommends that the Commission direct City staff to issue a request for proposal to qualified financial firms to serve as underwriter for these bonds.