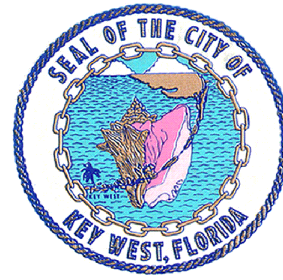


EXECUTIVE SUMMARY



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

CC: Mark Finigan
Doug Bradshaw

FR: Marilyn Wilbarger, RPA, CCIM, Senior Property Manager

DT: February 3, 2020

RE: Tax, Insurance, and Common Area Maintenance Expense Reconciliation

ACTION:

This is a request to approve the Historic Seaport Operating Expense Reconciliation for 2018/2019. Allocations are made in accordance with the 2004 Maximus Cost Allocation Study.

HISTORY:

The actual allocable expenses for 18/19 are \$4.17 per square foot. The estimated payments collected from the tenants of \$4.85 per square foot have created a credit of \$61,675.46 owed to the tenants for this period. The credit is substantially due to a decrease in insurance expense in 2017/18 and no new increases in 2019.

Property Taxes

The property taxes are \$215,670.03 and reflect an allocation to the Upland and Ferry Terminal of 37.86% compared to the 2018 allocation of \$201,948.37 or 37.19% which is based upon a proration of the overall marina and upland revenues.

Insurance

The allocation is based upon property value and is 9.49% of the total City premium for the applicable coverages. The total of \$165,733 is up slightly from \$165,022 in 2018 and down substantially from \$231,081 in 2017. The insurance expense includes an allocation for estimated actuarial ultimate losses for Fund 405 Property and Liability, and 50% of insurance administration.

Promotional Expenses

The Maximus Study applied a 50% allocation as the tenants share however pursuant to the Bight Board's prior directive no promotional expenses have been allocated to the tenants for this period although the CRA has incurred \$237,398.41.

Maintenance and Operations

The actual expense of \$636,209.61 is allocated at 50% to the upland tenants per Maximus however, only \$211,428.81 is included as it is capped at a 5% annual increase over the prior year and combined with the administrative overhead below.

Administrative Overhead

The administrative overhead is determined by the City and based upon the indirect cost allocation study. The operating expense allocation is based upon a percentage of revenue that is 37.86% for the upland tenants which equals \$210,997.72, then further reduced and allocated at 50% of that cost or \$105,498.86. The cost is combined with maintenance and operations and together they are limited to a 5% annual increase over the previous year therefore the reimbursable expense for both maintenance and administration for this period is \$211,428.81. The total actual cost of Maintenance and Administration for this period is \$1,193,566 before the Maximus allocations are applied.

Surveyed Square Feet and Billable Square Feet

The breakdown of the total net usable and billable square footage is also included and is based upon surveys to arrive at a total net usable area of 110,079 square feet. The usable square footage has increased due to the Conch Republic Seafood Company re-measurement for the lease renewal as well as the addition of the storage building and Reef Relief space which were previously in that lease. The breakdown of the billable square footage is also shown and is based upon the occupied areas per the leases in addition to the Maximus report recommendations of calculating outdoor areas at 50% of the square footage. The total billable area is 91,364 square feet.

The difference between the net usable square feet and the billable square feet is the outdoor areas, vacant space, non-leasable space, city offices, restrooms, and Ferry Terminal passenger waiting areas, and the Greene Street storage spaces as the operating costs of these areas are paid by the CRA.

Allocation Methodology

The expense reconciliations were performed in accordance with the approved Maximus study, which was undertaken in 2004. The purpose of the Maximus study was to establish the methodology for calculating the allocation of expenses between the marina and upland properties, and between vacant, leased and non-leasable areas.

RECOMMENDATION

Staff recommends approval of the reconciliation as presented, issuing account credits of approximately \$0.68 cents per net usable square foot to the tenants on the next rent statement, and leaving the estimated payments for the remaining FY 20 at \$4.85 per square foot to consider any fluctuation in actual expenses for the current year.

The Maximus study was performed in 2004 and staff recommends that the CRA undertake a new cost allocation study to bring the methodology up to date and further re-capture the actual triple net charges applicable to upland leasehold tenants.

ATTACHMENTS

Attached is information detailing the operating expenses for the Historic Seaport, Fund 405 for FY 2018/2019 which includes a prior year summary for comparison purposes.