




MEMORANDUM

Date: December 14, 2023

To: Caroline Street Bahama Village Redevelopment Agency
Mayor and City Commissioners

Via: Albert P. Childress 
City Manager

From: Gary Moreira
Senior Property Manager

Subject: **Lease Amendment - Florida Straits Conch Company re: Commercial
Lobster Trapping Enterprise and Storage Area**

Introduction

At the Key West Bight Management District Board meeting on July 12, 2023, a motion was passed requesting the CRA allow the continued use by tenant of a portion of the city owned Greene Street parking lot for a commercial lobster trapping enterprise at no charge. It is proposed the lease between the CRA and Florida Straits Conch Company, (dba Conch Republic Seafood Company), be amended to permit continued use by sub-tenant Fryde Conch, LLC at no charge until 2028.

Background

Under the tenant's original 20-year lease dated June 1, 1997, tenant's rentable area included the above referenced 3,000 square foot City lot, as well as the existing structures and much of the common areas shown on the attached lease as Exhibit A. At the end of tenant's original lease term in 2017, tenant's base rent for all buildings and the City lot was approximately \$390,000 annually. When tenant's current lease agreement was negotiated, (Resolution 18-158), tenant relinquished a portion of the building and much of the area shown on Exhibit A, and the area was targeted for future City development of parking and retail. During lease negotiations, tenant requested they retain 3,000 square feet of the city lot, at no cost, for repair, maintenance, and storage of lobster traps by a third party, Harvey Watkins and Fryde Conch, LLC. The new lease was executed and commenced on May 1, 2018. In the lease it specifically requires "Harvey Watkins" to operate and/or retain controlling interest in the Fryde Conch, LLC for the continued use. The lease contained a section that indicated that in the event Mr. Watkins was no longer involved in the operation, the tenant's leasehold interest in that portion of the demised premises shall terminate.

Mr. Watkins passed away in 2022 causing the leasehold rights to occupy the area to expire, with the lease providing: *"right to store traps will cease and TENANT'S leasehold interest in that portion of the demised premises shall terminate with no further action by LANDLORD. LANDLORD agrees to continue to provide storage of the lobster traps and ancillary equipment for up to eighteen months to facilitate re-location thereof"*. Pursuant to the CRA's lease agreement with Florida Straits Conch Co., written notice was

provided to tenant on October 11, 2022, terminating tenant's right to continued use of the storage area. During the December 14, 2022, meeting of the Key West Bight Management District Board, the Board heard from several members of the public and the tenant who spoke to the value of maintaining the lobster operation as a part of the character of a working historic seaport. Following public comment, members of the Key West Bight Management District Board recommended staff review and provide a solution for the continued lessee use of the lobster trap area for the balance of their 10-year lease term.

At the July 12, 2023, meeting of the Key West Bight Management District Board, the board recommended the city amend the Conch Republic Seafood lease and allow tenant along with the Fryde Conch, LLC to continue its commercial lobster trapping enterprise, using the city lot for the balance of current lease, at no charge, until the lease expiration date of April 30, 2028.

During the City's recent budget process, identifying new sources of revenue has become a matter of high priority for the City Manager and Staff. Conservatively, Staff feels the property used for the lobster enterprise could generate approximately \$83,700/year in new parking revenue.

If the enterprise is allowed to continue as it operates today, it would be a below market, "no cost" land lease for the balance of the Conch Republic lease term or until April of 2028. Approval of a below market lease rate would be subject to City code 2-941(c) which provides, in pertinent part, "a public benefit must be shown on the record, and the lease must be approved by a supermajority vote of the city commission". Furthermore, City code section 2-871(d) provides, in pertinent part, "Every person applying for a lease, a lease renewal or a sublease of city-owned property or concession or franchise agreement shall submit to the city, together with the application, a sworn disclosure statement, on a form to be provided by the city, that contains the following financial information for the immediately prior two calendar years: a statement attesting to the applicant's net worth, assets and liabilities, annual gross income, and primary source of such income". "The city shall consider financial information for each applicant as a factor in making its award determination".

The following revenue assumptions under Procurement are based on historical data provided by the Parking Department.

Procurement

If the City assumes control of the area, as originally intended and as stipulated under the lease, the City could conservatively expand its existing adjacent parking area with seven spaces and achieve new revenue estimated at \$83,700 annually as soon as the area is cleared.

Should the CRA decide to allow the lobster trapping enterprise to continue, no measurable revenue to the city is anticipated. Parking revenue loss over the 54-month balance of the lease term is estimated to be approximately \$377,000 based on historical parking revenue data.

Recommendation

Under these particular circumstances and upon numerous discussions with the City Attorney's Office with respect to the history of this area, the City Manager's Office is making two recommendations:

- 1) Approve the Resolution accepting the Motion that was passed by the Bight Board on July 12, 2023 by a vote of 7-0 that allows for continued use by the tenant of the 3,000 square feet at no charge for the storage of lobster traps until 2028.
- 2) Reject the Resolution and follow the terms of the lease that the portion of the demised premise would terminate with no further action by the City.