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UTILITY BOARD OF THE CITY OF KEY WEST

VIA ELECTRONIC MAIL

January 4, 2024

Al Childress
City of Key West
1300 White Street
Key West, FL 33040

RE: Keys Energy Services' Lease Renewal Offer for Park & Ride Land Lease

Dear Al,

We continue to share the desire to renew the stated lease and look forward to reaching agreement on a renewal.

As you noted in your correspondence dated December 29, 2023, KEYS owns and has historically used the space as employee parking. The agreement between the City and KEYS in 1993 was for public benefit made possible by grant funding the City would not have received without the land owned by KEYS and its resulting lease.

The Park & Ride structure has greatly benefited the City, its residents, KEYS' employees, and the development of the Key West Bight. Our employees and local residents have benefited from the covered parking provided by the Park & Ride since its construction. Additionally, as stated in your letter, several large developments at the Key West Bight would not have been possible were it not for the parking afforded by the Park & Ride to allow them to be in compliance with local zoning regulations. I think we can both agree everyone is in a far better position today than in 1993 and an agreement is essential to the City to ensure these arrangements keep Key West Bight businesses in compliance.

We remain committed community partners with the City and appreciate all of the accommodations both sides have made for each other over the years. KEYS was pleased to contribute approximately \$240,000 to the City for its solar installation at City Hall and approximately \$455,000 to the energy efficient lighting system at the Key West High School sports complex on Kennedy Drive. Both contributions continue to benefit the City and residents of all ages. With the consent of the voters of the City, we were also happy to turn over the historic Key West Diesel property adjacent to the Truman Waterfront at no cost to further the City's development efforts in the area. KEYS offers its facilities at no cost at various locations for security cameras along Duval Street and at the Port as well as for hosting a dedicated fiber line at the Bight. We appreciated the City's willingness to accommodate our request for additional parking spaces for KEYS' employees as a result of renovations to our Service Building and the development of the

Railway Condominiums workforce housing. These construction projects resulted in fewer parking spaces for our employees as a result of complying with local codes and also assisting with local workforce housing. The parking for our first responders during named storm events helps to protect KEYS assets from flooding and ensure a swift restoration for the City and all who call it home.

All this is to say KEYS and the City have a long and mutually beneficial relationship. Revenues from the Park & Ride should benefit the City's taxpayers as well as KEYS' ratepayers. We recognize and appreciate that the Park & Ride provides an important revenue stream supporting the City's transit system, and we hope you recognize and appreciate that KEYS is a capital intense utility and revenue from the Park & Ride will fund reliability projects. KEYS is beholden not only to customers, but also to bondholders to maximize its assets to maintain and improve the electric infrastructure to ensure reliability for our customers.

KEYS has reviewed the City's latest offer provided on December 29, 2023.

Unfortunately, KEYS cannot accept the City's "best and final" offer as presented. Attached you will find a table showing KEYS' November 29, 2023, offer and the City's December 29, 2023, offer. The final column offers a compromise that is KEYS' best and final offer. Most significantly, KEYS has agreed to a 20-year term and added a mutually agreed upon 10-year extension, accepts a \$10 payment for the first year of rent, delays full annual payment at a rate of \$250,000 until January 1, 2025, and expects the City to bear the full cost insurance as well as the demolition. In the 1993 lease, the City agreed to demolish the garage and return the property to KEYS in its original condition, and this remains a firm, non-negotiable expectation of the Utility Board.

The next regularly scheduled Utility Board meeting is on January 17, 2024. We expect a response to our best and final offer by January 16, 2024.

Sincerely,



Lynne Tejeda
General Manager and CEO
Lynne.Tejeda@KeysEnergy.com
305-295-1020

cc:

City of Key West Mayor and Commissioners (7)
Utility Board Members (5)
R. Ramsingh, City of Key West Attorney
T. Stoughton, City of Key West Assistant Attorney
C. Bervaldi, City of Key West Finance Director
N. Eden, Utility Board Attorney
N. Batty, KEYS Director of Legal & Regulatory Services
J. Perloff, KEYS Director of Finance & CFO

Proposed Park & Ride Terms Sheet

	KEYS 11/29	City 12/29	Compromise
Term	30 years	20 years	20 years with one 10 year mutually agreed upon extension
Commencement	January 1, 2024	January 12, 2024 with no payment until October 1, 2024	February 1, 2024
Rent	Year 1 \$75,000 Year 2 \$150,000 Year 3 \$250,000 Year 4 \$320,000	\$200,000	February 1 2024 - \$10 February 1, 2025 - \$250,000
Rent Adjustment	Annual CPI	CPI-U and Reopener for emergencies	Annual increases of 3% commencing February 1, 2026
Surrender	City return bare land	50/50 demolition	Same terms as 1993 agreement
Ongoing Maintenance	City 100%	City 100%	City 100%
Deferred Maintenance	City 100%	City 100%	City 100%
Capital Improvements	Non permeable barrier due to bus idling		Non permeable barrier due to bus idling
Insurance	City 100%	50/50 split	City 100% or KEYS waives insurance requirements
Parking Spaces	64 spaces	62 spaces	Entire KEYS area (currently configured to 52 spaces) and 12 ramp spaces
Hurricane Parking	Use of 2nd floor (128 spaces)	28 spaces like the addendum	Use 2/3 rd of 2 nd floor (85 spaces)
Control of Storage area	KEYS		KEYS