



MEMORANDUM

Date: July 13, 2023

To: Honorable Mayor and City Commission

Via: Albert P. Childress
City Manager 

From: Gary Moreira
Senior Property Manager

Subject: **Key West Express Use Agreement and Upland Lease Extension**

Introduction

This is a request to approve an extension of the Key West Express Use Agreement for dockage and Upland Lease agreement for the Key West Express Ticket Counter space in the Key West Bight Ferry Terminal. This action was postponed at the previous CRA meeting of June 8, 2023 until the July 13 meeting for further discussion.

Background

In 2015, the Community Redevelopment Agency, (CRA), and Key West Express entered into an agreement to extend the terms of both their Dockage and Lease Agreements until February 28, 2025. Both original agreements had 10-year terms. The City recently received a request from Key West Express to extend both agreements for an additional 10 years effective March 1, 2025 as they will be investing \$5 million for cleaner burning, EPA Tier 3 emission standard compliant engines in their Big Cat ferry. Barring any weather-related interruptions to service this year, projected income from Upland operations, Dockage, Embarkation, and fuel override fees are projected to be over \$500,000 in 2023, an increase of approximately 10% over F/Y 2022, and total income to the city estimated at \$7.5M from 2024 until the expiration of these agreements.

Procurement

Use Agreement

The proposed terms of the Use Agreement Extension are as follows:

Use:

No changes in the current use provision.

Term:	Extend for a ten-year period commencing March 1, 2025.
Dockage Rate:	3% increase over the amount being paid at the end of the present term. Thereafter the rate will be adjusted annually according to the Consumer Price Index.
Embarkation Fees:	3% increase over the amount being paid at the end of the present term.
Port Security/ Facility Charges:	No Changes – Actual costs will continue to be reimbursed at 100% between KW Express and Yankee Freedom.
Storage:	Annual CPI increases over the extended term.
Fuel Services:	Tenant agrees to purchase fuel from the CRA at the greater of \$0.25 per gallon or 9% over the delivered cost.
Pump Out:	In the interest of the environment and sustainable business practices, pump out during every port of call shall be provided by Landlord.

Upland Lease Agreement

The ticket counter lease agreement enables Key West Express to expedite the boarding process in a professional and organized manner. The renewal is proposed on the following terms:

Demised Premises:	As per Exhibit A, 172 net usable square feet of ticket counter space.
Use:	No change of use which is passenger ticketing and check in for Key West Express passengers and no other purpose.
Term:	Extend for a ten-year period commencing March 1, 2025
Rent:	CPI increase at outset of new term.
Increases:	Annual CPI increases in base rent per the current lease.
Additional Rent:	Tenant shall pay its pro-rata share of CAM, Taxes, and insurance.
Percentage Rent:	Not applicable.
Utilities:	Tenant shall pay for all utility usage.
Improvements:	None.

Recommendation

Additional information gathered following CRA meeting of June 8: Staff has spoken with personnel here at the time of the original negotiations with Key West Express and during their previous lease extension. Staff were told other operators spoke of interest in operating from Key West at the outset of negotiations for the Ferry Terminal however none had anything other than passing interest. Port staff recalled passing interest included operators contemplating Miami/Fort Lauderdale service. During the Obama administration when travel to Cuba was opened, there was some interest, however service to Cuba was deemed tenuous at best during any given administration. Over the past three or so years Staff has not

been made of aware in any other interest in operating out of the Ferry Terminal. Today travel to Cuba is again restricted and Staff does not feel entertaining service to Cuba at the expense of our proven operator, Key West Express, is recommended.

June 8, 2023 text from Staff's last recommendation: This 10-year extension is permitted in CRA areas pursuant to Sec. 2-941(a). The continued commitment to operate the Key West Express is vital to the present and future economy of the Historic Seaport as the Express has proven itself an anchor tenant of the Bight. Passenger counts averaged 500 visitors per day during the past 12 months, even during the fall-off from Hurricane Ian. Projected income from Upland operations, Dockage, Embarkation, and fuel override fees are projected to be over \$500,000 in 2023 with total income to the city estimated at \$7.5M from 2024 until the expiration of these agreements. Staff recommends execution of the extension agreements for Key West Express.

Exhibits:

Lease Extension Agreement

Upland Lease