



MEMORANDUM

Date: May 8, 2024

To: Key West Bight Management District Board

From: Gary Moreira
Senior Property Manager

CC: Steve McAlearney, Todd Stoughton, Albert Childress

Subject: **Revised Fourth Amendment to Lease for Waterfront Brewery replacing LIBOR as the basis for determining the prime lending rate.**

Introduction

This is a request to approve a staff revised lease amendment replacing the LIBOR Index referenced in lessee's loan amortization provision under the lease.

Background

Upon execution of the Waterfront Brewery lease in January of 2012, Resolution 13-012, the CRA agreed to fund initial building improvements in an amount not to exceed \$2,000,000.00. Lessee agreed to reimburse the CRA monthly over the term of the lease, plus interest, calculated at the prime rate as determined by the London Interbank Offered Rate, (LIBOR), and adjusted annually. In June of 2023 the Federal Reserve through their previously established Alternative Reference Rates Committee, (ARRC) held that all remaining USD LIBOR rates will be discontinued. The ARRC had previously selected the Secured Overnight Financing Rate, (SOFR), as the recommended alternative to USD LIBOR which is the basis for this request.

At its meeting of April 10, 2024 the Key West Bight Management District Board recommended the CRA execute the First Amendment to Lease replacing LIBOR with SOFR. (Resolution KWBB 24-10). During the pre CRA staff review of the previously approved First Amendment to Lease, Finance and Legal suggested that the "spread" determined by the AARC during the SOFR decision also be articulated in the amendment. The AARC approved "spread" was to compensate for historically lower rates with SOFR than LIBOR. 0.71513%, (the "spread"), has now been added to the Lease Amendment language clarifying the method to be used for annual lease required adjustments.

Procurement

Establishing a new basis for calculating the Prime Lending Rate will preserve the intent of the loan amortization provision, providing for uninterrupted annual adjustment of the amortization rate as required under the lease agreement, based on current prime rates.

Recommendation

Staff concurs with the findings of the ARRC and recommends this lease be amended to replace LIBOR with SOFR as the means of determining the Prime Rate for each annual adjustment.

Attachments:
Lease