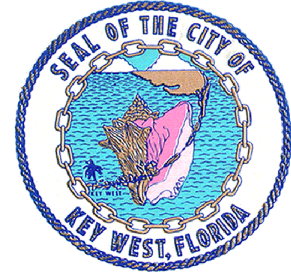


EXECUTIVE SUMMARY



TO: City Commission

CC: Jim Scholl

FR: Marilyn Wilbarger, RPA, CCIM

DT: October 26, 2016

RE: Lease Renewal for A-1 Boat Services, LLC

ACTION STATEMENT

This is a request to approve a lease renewal for A-1 Boat Services, LLC also known as Spencer's Boat Yard at 701 Palm Avenue.

BACKGROUND

The tenant provides boat maintenance and repair services to the general public as well as essential services to important infrastructure support groups such as the Florida Keys Marine Sanctuary and the State of Florida Department of Fish and Wildlife. The tenant also provides maintenance and repairs for Key West tourism based businesses enabling ferrying of hotel guests, water sports activities, fishing and diving, and boat rentals. The basic terms of the lease renewal are as follows:

Demised Premises:	701 Palm Avenue
Term:	Ten Years, Effective May 1, 2017
Base Rent:	\$61,388.76 for year one
Rent Increases:	CPI annually
Additional Rent:	Tenant shall pay real estate taxes, insurance, sales, use or excise taxes
Rent Concession:	Up to 15% of the annual rental for repairs to the existing structures that would increase or preserve the value of the City's property.
Utilities:	Tenant shall pay for all utility usage.

FINANCIAL STATEMENT:

The rental rate proposed represents the 2011 base rent with a 3% increase in 2012 followed by Consumer Price index (CPI) increases thereafter to present. The adjustment to the rate based upon CPI instead of a fixed 5% annual increase is consistent with the adjustment made to other city leases at that time per City Resolution 12-160. The cumulative CPI increases amount to a 7.7% increase over this period while the fixed increases reflected a 25% increase over the same period during a time of little or no inflation.

The Tenant has not requested any retroactive decreases or rent credits for this five year period but has requested that the rate going forward be based upon the rate plus CPI increases as noted above. The net financial affect is a \$3,231.75 decrease in revenue for the period beginning in May of 2017 until the end of the fiscal year.

The CPI is published monthly by the United States Department of Labor and cites the change in the cost of living which is determined by measuring the change in the cost of purchasing goods and services during the month. The CPI acts as a price indexing scale for landlords to measure the gain or loss of the dollar and therefore, by utilizing the index, to adjust rents so that the landlord can be assured that the net rent is not eroding during the term of the lease.

CONCLUSION:

The use remains unchanged and is important to maintain essential waterside services in Key West. This use is also reflective of the City's desire to support traditional maritime services as a vital part of the culture of our community. The rent is at a market rate and the Tenant has a very good rental history as shown on the attached payment history

ATTACHMENTS:

Lease
Tenant request for renewal
Resolution 12-160
Rent payment history