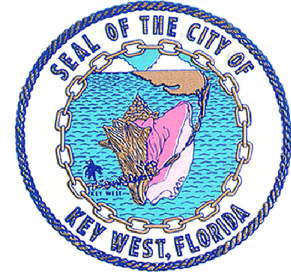


EXECUTIVE SUMMARY



TO: City Commission

CC: Patti McLauchlin
Todd Stoughton
Nathalia Mellies

FR: Michael Henriquez Jr, Senior Property Manager

DT: November 16, 2021

RE: 701 Palm Ave Lease Assignment

ACTION STATEMENT

This is a request to approve a lease assignment from A-1 Boat Services, LLC, also known as Spencer's Boatyard (Assignor) to SBY Key West, LLC (Assignee) for the property located 701 Palm Avenue.

BACKGROUND

The City entered into a lease agreement dated _____ per Resolution _____, and subsequent renewal dated November 15, 2016, pursuant to Resolution 16-343 for the upland area located at 701 Palm Avenue.

The current tenant provides boat maintenance and repair services to the 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 tenant has entered into an agreement to sell the business and desires to assign the lease. The terms of the lease will not be changed and are as follows:

Demised Premises: 701 Palm Avenue

Term: Ten Years, Effective May 1, 2017

Base Rent: \$67,523.28 as of May 1, 2021

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.

The lease may be assigned with the consent of the Landlord pursuant to Section 10, excerpted here for your reference, as follows:

10. ASSIGNMENT AND HYPOTHECATION - This Lease is not transferable or assignable and may not be hypothecated nor sublet without the prior written consent of the LANDLORD which may be withheld and shall be at the sole discretion of the LANDLORD.

Any assignment or sub-letting, even with LANDLORD'S consent shall not relieve TENANT from liability for payment of Rent or from the obligation to keep and be bound by the agreements of this Lease. The acceptance of Rent from any other person shall not be deemed to be a waiver of any of the agreements of this Lease or to be consent to the assignment for the benefit of creditors or by operation of law and shall not be effective to transfer any rights to any assignee without prior consent of LANDLORD. In the event TENANT wishes to assign this Lease and LANDLORD consents to such assignment, LANDLORD may charge a reasonable fee, not to exceed **\$500.00** to help offset any costs LANDLORD may have in preparing such assignment, or in examining the information, financial statements, operating history, references, etc., necessary to effectuate same. Any assignment, transfer, hypothecation, mortgage, or subletting without LANDLORD'S written consent shall give LANDLORD the right to terminate this Lease and to re-enter and repossess the Demised Premises and the LANDLORD'S right to damages shall survive.

If the TENANT is a corporation, then a sale or transfer of a controlling interest in the corporation by sale of stock or otherwise shall constitute an assignment for purposes of this provision.

FINANCIAL: The rental rates will continue according to the terms of the lease. The Assignee will post a letter of credit equal to six month's rent and will also provide a personal guaranty. In addition, pursuant to current management standards, a \$500.00 transfer fee will be charged to offset the Landlord's costs associated with the preparation of the assignment necessary to effectuate same.

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. The lease assignment requested meets the requirements of the lease terms and conditions.

ATTACHMENTS:

Rent Payment History

Current Lease

Tenant request for Assignment

Assignment of Lease and Consent of Lessor

Assignee Corporate Documents

Assignees Personal Guaranty