



THE CITY OF KEY WEST

1300 WHITE STREET
KEY WEST, FLORIDA 33040

VIA ELECTRONIC MAIL

December 29, 2023

Lynne Tejeda
General Manager & CEO
Keys Energy Services
1001 James Street
Key West, FL 33040
(305) 295-1040

RE: City of Key West's Lease Renewal Offer for Park & Ride Land Lease

Dear Lynn,

The City is in receipt of your correspondence dated December 13, 2023. I want to thank you and Nick for taking the time to meet with our Commissioners and the Mayor over the last couple of weeks. I think that it has gone a long way to help our elected officials understand the complexities of this effort to renew the land lease, as well as the position of Keys on the issue.

From the city's perspective, we share the desire of Keys to renew a lease for the 26,520 square feet of unimproved land that comprises just over half the footprint for the garage. We understand and agree that this is not a typical fee structure or relationship. From a historical perspective, City Electric used that space as uncovered, ground level parking for their employees. When the city wanted to build a park and ride facility, it was for a public benefit using public grant funding. Part of the original lease called for 50 covered spaces to be set aside for Keys employees so that there was no net loss to Keys employees with the construction of the garage. In fact, the city believes that your employees are in a far better position now than in 1990- having covered parking. Over the years, the city has been very accommodating to every request from Keys that I am aware of. We believe that the reason for the city's accommodations over the years is the close relationship that we have always shared regarding easements, pocket parks, waiving thousands of dollars in permit fees for riser modifications and a host of other deals that have benefitted both agencies including the acquisition of the diesel plant, with the significant work that it requires. In 2011, the city entered into a no cost parking agreement with Keys to provide an additional 21 parking spaces on the upper deck for Keys owned vehicles during named storm events. Additionally, the city agreed to allocate 7 upper deck parking spaces at no cost for personally owned vehicles of Keys'

employees who are working during named storm events. In December 2016, Keys completed extensive renovations of your administrative building across the street from the garage on James Street. To accommodate your design that left Keys short on 12 parking spaces, the city agreed to grant an additional 12 elevated and shaded parking spaces to Keys at no cost. Keys also requested permission to install 5 or 6 security cameras, an exhaust fan, and a fiber connection regarding those spaces reserved for Keys. In exchange, Keys was to pay the city \$192.00 annually for electricity. The city agreed, despite not having received the annual payment. Furthermore, the city allows people who hold an Employee Assistance Parking Permit and other parking programs geared towards old town residents to utilize the garage in order to help alleviate the parking challenges in Old Town Key West. Additionally, the city entered into parking agreements with neighboring Conch Harbor, Inc. in 1998 for 120 spaces in order to help facilitate the development of that privately owned parcel from a dirt lot into the large commercial operation that it is today. The city has also entered into a parking agreement with Harborside, LLC (The Marker Resort) for 14 parking spaces at the parking garage to accommodate employee parking that was required of their development agreement. That brings the total “incumbered spaces” at this 311-space parking garage to 224 spaces.

I mention all of these factors to highlight the fact that this has always been a *community* venture and not a typical commercially oriented business geared towards maximum revenue generation. As a municipality, we are charged with providing our residents and visitors with the highest level of services. I believe that as a utility, you have the same mission. I also mention these examples to stress the point that every one of these agreements either directly benefitted Keys by providing free covered parking for your employees and storm protection for your assets, or indirectly benefitted Keys by allowing for development of extensive commercial enterprises where there had previously been a dirt lot in the case of Conch Harbor and a trailer park in the case of The Marker Resort. Both of those developments have been a considerably larger rate payer for Keys compared to their pre-development iterations.

Regarding renewal, I understand and appreciate that it is not the desire of Keys to look at a revenue sharing model. From your last correspondence, you are looking at this as a land lease. We look at it as a land lease of an unimproved parcel in HRCC-2 since that is what Keys has historically contributed in order to construct the garage. We temper our valuation with the fact that Keys is in a better position today than what you were in 1993 by having covered and elevated parking in a structure, compared to uncovered surface parking that it was historically. The city built the structure and maintained it for 30 years using city and grant funds as well as used city staff to operate and enforce its operations and rules. This improvement likely would not have been possible but for the city’s status as the municipal provider of public transportation from a grant eligibility perspective. The city allows for parking of workers under the Employee Lot Permit Program at \$25.00 per month in order to help residents who work downtown. Many of those permit holders live in the lower keys and are also ratepayers for Keys. We also allow for Keys rate-paying residents with the proper credentials to park in the garage for 4 hours a day free of charge to promote area Keys rate-paying businesses.

We researched some other car storage/parking lot leases in the City of Key West. The highest one that we found involving government was what Monroe County receives for renting out the parking lot where the Teen Center used to be. That lot is rented to store rental cars at 3491 and 3495 South

Roosevelt Boulevard. The higher rate that the County receives from the 2 parcels is \$3.37 a square foot per year under their original contract. If we apply that rate to the Keys lot at 26,520 square feet, it amounts to \$89,372.40 annually. If we add half of the gross rental income from the commercial space at the garage in 2023, that is an additional \$19,826.34 bringing the total comparable for a land lease to \$109,198.74. We understand and appreciate that the parcel in question is in the historic district, albeit somewhat limited to uses in HRCC-2. Please also keep in mind that although the garage does realize a net revenue annually, that income does not simply sit in an account waiting to be spent All of those funds are used to fund very important city programs. For the city to cut into those net revenues to pay Keys for the garage into the future will require the city to cut funding to those programs and services or to increase revenue in other areas including the possibility of increased taxes. Therefore, the city is making the following “best and final” offer to Keys to enter into a new lease for the Keys parcel in order to continue this valued public service for our residents and community:

- 20-year term beginning January 12, 2024;
- Zero dollars from January 12, 2024 to October 1, 2024. This is to provide the city an opportunity to program the expenditure for years 2-20;
- \$200,000.00 annually for years 2-20, adjusted on the beginning of every fiscal year using CPI-U starting with FY 25-26;
- Optional reopener provisions in the event of a State of Florida, Monroe County or Federal declaration of a disaster or emergency such as a hurricane or pandemic that materially affects the City of Key West;
- Inclusion of all of the previous agreements with Keys that were and were not formally adopted by the City Commission for up to 90 spaces (50 originally, 21+7 in 2011 and 12 in 2016) and electricity use;
- City to pay for all maintenance. Current forested repairs amount to approximately 2 million dollars;
- City and Keys to share in all insurance costs of the garage;
- City and Keys to share equally in all demolition costs at the expiration of the lease.

If there is an agreement in principle by Keys, I can have the proposed lease in its formal form to the City Commission for approval at its January 11th meeting.

Sincerely,

Albert P. Childress, MPA, MBA
City Manager
City of Key West

C/C:

For the City of Key West:

The Mayor and City Commissioners for the City of Key West

Ronald Ramsingh, City Attorney

Todd Stoughton, Assistant City Manager

Christina Bervaldi, Finance Director for the City of Key West

For Keys Energy:

The Utility Board Members

Nick Batty, Director of Legal and Regulatory Services

Nathan Eden, Utility Board Attorney