



THE CITY OF KEY WEST

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EXECUTIVE SUMMARY

TO: Patti McLaughlin, City Manager

CC: Todd Stoughton, Assistant City Manger
George Wallace, Assistant City Attorney

FROM: Doug Bradshaw, Port and Marine Services Director

DATE: May 18, 2021

SUBJECT: Resolution approving the modification to the Public Benefit Lease Agreement Between the United States of America and the City of Key West for use of the US Navy Outer Mole Pier

ACTION STATEMENT:

This Resolution approves the modification of the Public Benefit Lease Agreement Between the United States of America and the City of Key West for use of the US Navy Outer Mole Pier.

BACKGROUND:

In January 2014 the City entered into a lease with the United States of America (Navy) that allowed for the docking of cruise ships at the Navy's Outer Mole pier. The rent terms of that lease were as follows:

- \$3.75 per passenger for the first 200,000 passenger, \$3.50 per passenger thereafter, but in no case less than fair market value of \$225,000 per year.

The World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic on March 11, 2020. The Director of the Center for Disease Control and Prevention (CDC) issued a No Sail Order for cruise ships, effective March 14, 2020. Because of the no sail order the rent reverted to the minimum amount of \$225,000 with the City collecting no revenues. On December 14, 2020 the City submitted a letter to the Navy requesting a twenty-four month abatement of any rental payments which may have occurred after the March 2020 pandemic closure as well as any future minimum payments required under the lease.

On May 7, 2021 the Navy sent the City a modification to the lease which changed the rent as follows:

- Removed the requirement of minimum rent of \$225,000,
- Still require the \$3.75 per passenger for the first 200,000 passenger, \$3.50 per

Key to the Caribbean – Average yearly temperature 77° F.

RESOLUTION SUMMARY

passenger thereafter,

- Added a payment of \$714.28 per day for use of the Premises for annual powerboat races,
- Agreed that no rent shall be due for the period of 19 May 2020 through the effective date of the Modification
- Removed the allowed use of the pier for sailboat races

FINANCIAL IMPACT:

By the Navy modifying the rental terms and not requiring the City to pay a minimum yearly fee the City has saved approximately \$225,000 for the period of May 2020 to May 2021.

RECOMMENDATION:

Staff recommends that the City accept the lease modification.