



COUNCIL MEMORANDUM

Council Meeting Date: October 13, 2016

LEGISLATIVE ACTION ITEM

SPONSOR: Ashton J. Hayward, III, Mayor *Wfer*

SUBJECT: Offshore Inland Marine Request for Partial Rent Deferral on May 30, 2014 Lease Agreement

RECOMMENDATION:

That City Council authorize the Mayor to provide Offshore Inland Marine (OIM) a partial deferral of rent on Warehouse #9 and the Ground Lease Premises, both the subject of a Lease Agreement between OIM and the City dated May 30, 2014. Further that City Council authorize the Mayor to take all actions necessary related to this matter.

AGENDA:

☒ Regular

☐ Consent

Hearing Required: ☐ Public

☐ Quasi-Judicial

☒ No Hearing Required

SUMMARY:

On June 28, 2016, Offshore Inland Marine (OIM) submitted a written request to defer 50% of the monthly rent due pursuant to the May 30, 2014 Lease Agreement between the parties, which includes the lease premises of Warehouse #9 and up to 3½ acres of Ground Lease Premises.

In an attempt to accommodate OIM's request, City Council is requested to authorize the Mayor to provide OIM a partial deferral of rent, but in accordance with the terms and contingencies outlined as follows:

- Deferral of 50% of all rent on Warehouse #9 and the adjoining Ground Lease Premises retroactive to July 1, 2016 and continuing through November 30, 2016.
- Deferral to be reassessed by the Mayor in November 2016 for possible extension through March 31, 2017.
- OIM's full monthly lease rate for Warehouse #9 and the adjacent Ground Lease Premises to resume December 1, 2016 unless extension of the deferral is granted, in which case full rent would resume April 1, 2017.
- Deferred rent amounts to be repaid in 36 equal monthly installments commencing on December 1, 2016 unless extension of the deferral is granted, in which circumstance, commencement would begin April 1, 2017, in addition to resumption of full rent payments.
- If at any time OIM occupies any portion of either Warehouse #9 or the Ground Lease Premises, full rent would resume on that square footage portion of the premises being used, pursuant to the rent provisions per square foot of the May 30, 2014 Lease Agreement, effective upon resumption of the occupancy.

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- If a new revenue stream via tenancy or sub-tenancy for either the Warehouse #9 or the Ground Lease Premises is secured prior to the expiration of the rent deferral period, repayment of the deferred rent amounts pursuant to the repayment schedule above will commence within 60 days of the execution of such lease or sub-lease, and full rent per the May 30, 2014 Lease Agreement will resume immediately with no further deferrals.

PRIOR ACTION:

March 13, 2014 – City Council approved and authorized the Mayor to negotiate and execute a lease agreement for Warehouse #9 and approximately three and one-half (3½) acres of immediately adjacent undeveloped land with OIM.

May 12, 2016 – City Council approved and authorized the Mayor to take all necessary actions to provide OIM with a twelve (12) month extension to complete construction and obtain a certificate of occupancy for the Tenant's Structure located on the Ground Lease Premises of the May 30, 2014 Lease Agreement, contingent upon the Tenant's Structure being storm hardened and enclosed prior to July 31, 2016.

FUNDING:

Budget:	\$179,384.76	FY 2016 Budgeted
	179,384.76	FY 2017 Budgeted
	179,384.76	FY 2018 Projected
	179,384.76	FY 2019 Projected
	<u>179,384.76</u>	FY 2020 Projected
	<u>\$896,923.80</u>	Total budgeted revenue (maximum deferral & repayment period)
Actual:	\$156,961.67	FY 2016 (3 month deferral)
	145,750.12	FY 2017 (6 month deferral, 6 month full & 6 month repayment)
	201,807.86	FY 2018 (12 month full & 12 month repayment)
	201,807.86	FY 2019 (12 month full & 12 month repayment)
	<u>190,596.31</u>	FY 2020 (12 month full & 6 month repayment)
	<u>\$896,923.82</u>	Total actual revenue (maximum deferral & repayment period)

FINANCIAL IMPACT:

Approval of the proposed rent deferral will have minimal impact on the Port's budget inasmuch as Staff continually modifies expenditure patterns based on actual rather than budgeted revenues.

CITY ATTORNEY REVIEW:

☒ Yes - Date of Review
9/21/2016

☐ No - N/A