

Proposed Real Property Lease between the City of Pensacola (Port of Pensacola) and Warehouse 4, LLC

Prepared by Propeller Club of Pensacola

Strong Ports build strong cities. Trade, logistics, and distribution industries have an average wage nearly 30% higher than average of all industries in the state of Florida. Every 1 port job creates or supports about 2.3 jobs off port. Every \$1 in state funds invested in seaport infrastructure results in a \$7 economic benefit to the community. Companies that export grow 15% higher wages compared to companies that do not export. Maritime transport is essential to the world’s economy as over 90% of the world’s trade is carried by sea and it is, by far, the most cost-effective way to move in mass goods and raw materials around the world.

Propeller Club of Pensacola supports the concept of public multi-use facilities in the downtown area that benefits the economic growth in the community in non-industrial arenas, and NOT at the Port of Pensacola industrial site.

Though at first blush, the proposed lease agreement to convert Warehouse 4 to a public multi-use complex at the Port of Pensacola for pickleball, tennis, concerts, food trucks, retail, conventions, and events appears appealing. The proposed lease does not appear to be an arm’s length agreement and contains several deficiencies for the deciding entities to consider:

- Loss of Revenue:

Year	Actual Lease Revenue	Proposed Lease Revenue	Annual Difference
2020	216,000	26,000	(190,000)
2021	234,000	26,000	(208,000)
2022	61,000	26,000	(35,000)

- The annual revenue proposed for the lease of 43,000 square feet is about the same as a 1BR/1bath condo in the area. The re-purpose of an industrial site far exceeds the stated intended recreational facility use for pickleball. The public deserves to know and understand the scope of work for retail, conventions, concerts, food trucks and other non-defined “complimentary tenants “ so as the public’s rights are not eroded.
- Section 4.01 and 17.02 express the intent to sublease the property to establish food/beverage/retail/entertainment vendors and Section 4.04 reserves those revenue streams for the Warehouse 4 LLC and partners alone. The City stands to lose substantial future revenues under the terms of this lease agreement
- The CPI adjustment is nominal and the Adjusted Base Rent rate at year 16 and every 7 years thereafter is capped at 7.5%. This amounts to less than \$2,000 at 2023 rates.
- Other industrial options at the Port have been dismissed in the past because of “noise” implications to local residents, yet the council has not been informed of recent pickle ball court closings due to noise complaints.

- The proposed Tenant would be granted Submerged Land Lease Rights (Article 5.02) – for inside and outside pickle ball courts?
- Submerged land lease rights (Section 5.02) and right of first refusal do not match the intent of the Warehouse 4 pickleball court lease. This clause appears to usurp or impede the authority of the Port and City to develop the waterway abutting this property and/or provides the Warehouse 4 LLC with inordinate power over future development of public lands.
- The proposed Lease agreement does not provide any Phase I or II environmental testing or documentation prior to execution of the Lease or the investment by the Tenant. (Article 14.02)
- The proposed Lease provides Exclusive Use of Leased Premises without the proposed property being published for a formal Request for Proposal (RFP) to other entities. (Article 1.01)
- Specific costs to the City of Pensacola for parking management and perimeter fencing relocation have not been vetted or disclosed.
- “Early Termination” of the Lease is addressed, but not defined. Is this assumed to be Mutual Agreement?
- The proposed Lease agreement is based upon First Right of Negotiation and does not provide the City of Pensacola with current market value or allows for competitive bidding from other providers, including potential industrial tenants. (Article 3.05 A)
- After 3 years, the City would return the \$26,000 security deposit – why? (Article 6.0). There is no penalty to the Tenant for Default (no Claw Back provisions). In the event of Default, the Tenant is responsible for the current month’s rent, not the rent for the active term of the Lease. The proposed Lease provides the Tenant to assign to an unaffiliated entity. (Article 17.01) The proposed Lease does not address any impact to the rail system at the Port or existing contracts with rail carriers.

Summary & Recommendations:

The Propeller Club of Pensacola recommends that if the multi-use complex is a formable idea that should be pursued for economic development, that alternate sites near the downtown area be considered, such as Maritime Park or the property across the street from Maritime Park (previously proposed location for sport complex to house a potential D League basketball team based from New Orleans). Parking provisions incorporated into the proposed Lease can be accommodated with existing public assets. Availability of accommodations within walking distance to downtown food, entertainment, hotel, cultural and government access are still achieved.

The Propeller Club of Pensacola supports a strong viable port in a structured industrial area capable of providing port and rail service to the community. The Propeller Club of Pensacola supports the concept of public multi-use facilities in non-industrial arenas, and NOT at the Port of Pensacola industrial site.

Inquiries to this Executive Review can be submitted to:

Mr. Buddy McCormick - President - Pensacola Propeller Club - 850.554.9113 - buddymac41@yahoo.com