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## MEMORANDUM



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Date: June 23, 2020

To: Council President Jewel Cannada-Wynn  
Members of City Council

From: Amy Miller, Port Director

Re: Proposed Streamline Boats lease follow up questions

President Cannada-Wynn and members of Council,

At the May 22 meeting of City Council, Mayor Robinson briefed Council on a proposed lease with Streamline Boats of Northwest Florida for warehouse space at the Port of Pensacola. Numerous questions and requests for additional information were presented then or have since been submitted.

On June 11, Assistant City Attorney Wells, Deputy Port Director Clark Merritt and myself participated in a telephone conference call with Osniel (“Ozzie”) Sanchez of Streamline Boats and Michael Carro, the company’s local representative. Following that conversation, Mr. Wells prepared a written overview to Mayor Robinson that addresses many of the questions/concerns, as follows. All below information contained in quotes is copied directly from Mr. Wells’ report to Mayor Robinson. All other information is from Port staff discussions with the Company and other sources.

**Corporate Management & Structure:** “With respect to the corporate structure and management, Mr. Sanchez states that he owns the business with his partner, Pedro (“Peter”) Garcia. Mr. Garcia operates the S. Florida facility and Mr. Sanchez will relocate to Pensacola and operate the facility here. There is no holding company or other interrelated corporate involvement.” South Palafox Group (represented by James Dillard and Richard Beckish on this deal) is financing Streamline’s growth and expansion and will be repaid via a combination of cash and certificates which. It is staff’s understanding that the partnership agreements between the companies allow South Palafox Group to acquire up to 49% ownership in the company over time. South Palafox Group, Mr. Dillard and Mr. Beckish will not have any day-to-day hands-on or operational responsibilities of the business.

**Investment:** “Mr. Sanchez stated that he is in the process at present of itemizing his anticipated make-ready costs, and that he is planning on having to spend \$1.5 - \$2 million to make the facility operational.” Port staff has previously estimated an investment of \$1.1 million being necessary to prepare the space for occupancy less the cost of boat manufacturing equipment.

**Jobs & Payroll:** “Mr. Sanchez stated that he intends to begin manufacturing with a workforce of 35 employees, and that he and his partner have more than 40 employees in S. Florida and are presently hiring additional workers.” It should be noted that early on in discussions with the Port, Streamline provided the below jobs & payroll information which Mr. Sanchez confirmed as accurate on the call.

Year	2020	2021	2022	2023	2024
Transfer Employees	10	10	10	10	10
Local Hires	45	70	80	90	90
Ave. Annual Salary	45,500	45,500	45,500	45,500	45,500
Est. Annual Payroll	2,502,500	3,640,000	4,095,000	4,550,000	4,550,000

**Financials:** Streamline Boats of Northwest Florida is a new entity and, as such, has no financial history. However, port Staff and Florida West staff have reviewed Streamline Performance Boats’ 2017, 2018 and 2019 financials. Those financial reports are confidential and protected from Public Records disclosure under Florida Statute 315.18. Therefore, detailed and specific information cannot be released, however, “the financial record reflects a successful and growing business, with sales and income increasing year over year since inception in 2017.”

**Anti-Fouling Paints:** A question was asked regarding whether the Company uses environmentally friendly and non-harmful anti-fouling paints. The Company reports that they do not apply anti-fouling paints to the hulls of their boats and that this would be something an individual owner would do after-market.

**Odor Concerns:** Streamline has indicated that they do not do many of the things similar boat builders do that can cause odors. They stated all of their coatings are purchased pre-mixed rather than being mixed on site; they do not add styrene to their bonding agents in order to “stretch” those products; and, they do not heat the hulls to accelerate the drying and curing processing but, instead, allow the hulls to naturally air dry.

Steps taken to research possible odor issue:

- Mayor and Port Director toured a similar boat building operation located in Milton on Wednesday, May 27, at approximately 3:30 p.m. During that visit, there was no discernable odor exterior to the facility.
- Before and after that visit, the Port Director visited the area on 13 separate occasions on various days of the week and at different times of the morning, afternoon & evening and noted no discernable odor on any occasion.
- Port Director contacted the owner of Ates Ranch Wedding Barn, an outdoor event venue and neighbor of the existing boat building facility in Milton, to inquire about any odor issues. The owner stated that they have never had an odor complaint from any of their parties or events. He further stated that he and his wife live on the property and have never experienced any odor issues.
- Pensacola News Journal reporter Jim Little reported in his Sunday, June 15, article, “There were no foul smells coming from the building during the visit the News Journal made last week...”
- A delegation representing the City, including Deputy Port Director Clark Merritt, Deputy City Administrator Kerrith Fiddler, City Councilman Jared Moore, Florida West CEO Scott Luth, and prominent local businessman Bobby Switzer, traveled to Hialeah on Tuesday, June 16. None of the members of the delegation reported any discernable odor exterior to the facility.

**Key Lease Terms:** Following discussion and at the request of Council, several lease terms have been added or strengthened to better protect the City:

- Section 2.01 has been revised to better clarify the terms under which the Company may construct a dockage and ramp area, including additional language requiring the Company to maintain and repair their boat ramp and dock area, if constructed.
- Section 4.01 contains additional language that defines commencement of construction as being 90 calendar days following issuance of a construction permit by the City Building Official.
- Section 4.02 addresses odor. The following language has been presented to the Company for approval: "...the Company shall not allow any discernable noxious odors to emanate beyond the confines of the Port of Pensacola at any time under normal & routine weather conditions for the area. If any such odor does occur and creates a nuisance impact to the surrounding geographic area, as evidenced by documented odor reports or complaints, the City will engage Florida Department of Environmental Protection (FDEP) or a local environmental engineer of its choice, to determine the source of the odor. If such odor is determined to be a result of the Tenant's operations, the City reserves the right to order the cessation of the Company's operations until such time as appropriate ventilation and/or filtration systems can be installed by and at the sole expense of the Company to eliminate such nuisance.
- Section 4.03 has been revised to clarify the tenant's guarantee of exclusivity.
- Section 6 (no changes from original draft) requires the Company to post a Letter of Credit, Quick Pay Bond or other security acceptable to the City for 50% of the annual rent.
- Section 10.01 (no changes from original draft) requires the Company to provide Construction Bond(s) equal to the total cost of construction for any construction, alteration or demolition in excess of \$25,000.
- Section 17.01 (no changes from original draft) contains the terms for an assignment of the lease. Any request to assign is to be submitted to the Port Director at least 30 days in advance. Consent to any assignment may be given or withheld in the City's sole and absolute discretion. The lease is silent as to specifically who is authorized to approve or deny an assignment of the lease. However, since only the Mayor has the authority to contract on behalf of or legally bind the City, the Port Director has no authority to approve or deny a lease assignment. If Council approves the recommendation as presented granting the Mayor the authority to execute and take all actions necessary to administer the lease, any assignment of the lease would have to be approved by the Mayor.
- Section 17.02 (no changes from original draft) contains the terms for a sublease. Any request to sublease is to be submitted to the Port Director at least 60 days in advance. In the case of a sublease, the City may not unreasonably withhold approval. Again, the lease is silent as to specifically who is authorized to approve or deny a sublease. However, since only the Mayor has the authority to contract on behalf of or legally bind the City, the Port Director has no authority to approve or deny a sublease. If Council approves the recommendation as presented granting the Mayor the authority to execute and take all actions necessary to administer the lease, any sublease would have to be approved by the Mayor.

I hope this answers all of Council's questions and concerns. Please let me know if any further information is required.