

ECONOMIC DEVELOPMENT CONVEYANCE  
APPLICATION

Truman Waterfront/Trumbo Road  
NAS Key West, FL

OCTOBER 7, 2002

Naval Properties Local Redevelopment Authority  
City of Key West

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## **1. Executive Summary**

*This section includes a brief overview of the background factors leading up to this request, along with summary data on the financial and economic impacts of the conveyance. Additional detailed information, as required under the BRAC regulations, is included in the following sections.*

The choice of conveyance mechanism reflects the goals and objectives described in the 1997 Key West Base Reuse Plan and subsequent planning documents, which include:

- enhancing the economic health and long-term viability of the City's tourism-dependent business base;
- developing and protecting a vibrant multi-use port facility;
- creating and retaining high-quality employment opportunities for Key West citizens, and in particular for residents of Bahama Village, the City's historic African-American neighborhood located adjacent to the site;
- preserving and enhancing the economic foundation of Bahama Village;
- providing needed affordable commercial sites for resident entrepreneurs and existing businesses in order to allow them to compete for a share of Key West's increasingly competitive retail/service trade; and
- expanding economic opportunities and training for Key West's homeless and needy residents to help break the cycle of poverty.

This transfer also reflects the continued uncertainty regarding the Navy's disposition of the property, which had prevented previous conveyance attempts and redevelopment efforts from being completed. The EDC is the only immediately-available transfer mechanism that can assure rapid revitalization of the Truman Waterfront area while concurrently permitting the Navy to move forward with its potentially critical mission to retain and improve the Mole Pier and other retained assets.

This EDC application is the culmination of a long series of attempts to fully integrate the Navy's excess properties in Key West that were identified in the 1995 BRAC process, into the unique social and economic fabric of the City. It is submitted in response to renewed discussions between the Navy and the City relative to the transfer of approximately 32 acres of property including the East Quay and the deferred transfer of the Outer Mole Pier, the South Quay and

approximately 16.1 acres of shore-side support land and facilities. All of the City's planning efforts over the past 7 years, including the amendment to the City's Comprehensive Plan and Land Development Regulations (LDR's) through the Chapter 288 process, were based on the original supposition that all of the BRAC property would be available for redevelopment. The City has reevaluated the economic potential of the property identified for transfer in light of a substantial reduction in revenue from port-related activities on and around the Mole Pier.

The Outer Mole Pier, originally included in the Navy's excess property inventory, is tentatively scheduled to be retained by the government while it analyzes various operational alternatives. The Navy intends to allow the City of Key West to continue using the Outer Mole Pier for use by transient cruise ships (as has been occurring over the past few years). The City has collected both a per-passenger disembarkation fee and a per-ship usage fee from the cruise ship lines, which have gone to the City's general fund. In turn, the City has paid a per-ship fee to the Navy for use of the pier.

This application is being submitted based on recent discussions between the Navy and the City regarding limitations on certain uses resulting from stipulated security setbacks and operational requirements. These limitations may impact the potential revenues and/or costs that are forecast in the City's plans. A Memorandum of Understanding has been developed that records the intentions and understandings between the Government and the City with regard to ownership, management and use of portions of the Truman Annex Harbor property.

The continued use of the Mole Pier by the Navy is currently the subject of a study through the NEPA process to determine the impacts on the environment. The outcome of that study may influence the Navy's decision to retain ownership of the Mole Pier (and adjacent upland support areas). In the event that the Navy does not retain ownership and includes the Pier as excess property, the City intends to acquire the facility and continue operation of the Pier, subject to allowances for Navy use.

In order to facilitate the redevelopment process, the City has utilized the federally-approved Base Reuse Concept Plan and locally adopted land use regulations (LDR) as the basis for estimating the economic development potential for the remaining property. The City's LDR's clearly define the uses, densities and intensities that will be allowed on the property, subject to

the City's site plan approval process and other related permits and restrictions. Acquisition of the property through the EDC will permit the City to immediately begin installing infrastructure and making other needed investments to the entire property to ensure rapid and orderly reuse to begin. The City Concept Plan includes the potential development of the following densities and intensities anywhere within the site area (shown on page 13):

- 85,000 sf office
- 142,000 sf retail
- 510,000 sf recreation
- 28,000 sf industrial
- 84 residential units
- 158,000 sf maritime services/administration
- 25,000 sf parking
- 120-slip marina

The Truman Waterfront will play an important role in the future of Key West, a community that is essentially fully built-out and which lacks significant public waterfront access and open space. The redevelopment of the site will enhance the viability of the adjacent Bahama Village neighborhood, both from a quality of life perspective (the residents will no longer be cut off from the waterfront) as well as from a commercial perspective through the creation of up to 339,000 square feet of mixed-use space. The development of various marine-related activities within the EDC area, along with the creation of open space and supporting recreation facilities, will provide for a significant enhancement of the adjacent neighborhoods and benefit the continued use of the Mole Pier as a Navy port and as a cruise ship berth. The Truman Waterfront's role as a major new "gateway" to the City requires a balance of effective public and private development activity, while maintaining a secure but pleasant environment for the abutting Navy assets.

The redevelopment of the remaining Truman Waterfront property will require substantial public investment including demolition of existing buildings, complete replacement of all utilities including sewer, stormwater, potable water, electrical and telecommunications systems, and installation of new streets and public facilities. Key existing Navy facilities and services that currently exist within the EDC area must be maintained or replaced, along with continuous Navy vehicular and pedestrian access. Total cost for the redevelopment is estimated at over \$22.1 million, including \$17.6 million for infrastructure and initial conveyance costs.

Over the anticipated 20+ year redevelopment time frame, revenues from the leasing of land for mixed use development and from the operation of marinas for large yachts and for the City's

fleet of commercial vessels, are expected to total approximately \$26 million. In order to realize this potential, however, the City will need to invest over \$8 million in the first ten years before revenues are sufficient to cover anticipated outflows.

When fully redeveloped over the next two decades, this project is expected to create up to 430 direct jobs on the EDC property. *More importantly, the major economic development benefit of the EDC includes the enhancement of the cruise ship operations at the Outer Mole Pier through provision of areas for cruise ship passengers and crew to recreate and shop, and opportunities for local minority entrepreneurs, craftsmen and artisans to take advantage of Key West's economic and market potential.* In addition, by finally linking this portion of Key West's historic waterfront with the rest of the downtown through a continuation of the harborfront boardwalk, the property enhances the potential for small-scale retail and commercial businesses in Bahama Village while also enhancing the overall attractiveness of the City as a major North American destination resort.

## **2. Introduction**

The City of Key West, acting through its Naval Properties Local Redevelopment Authority (LRA), formally requests the transfer of approximately 32 acres of property located at Naval Air Station Key West by means of a no-cost *economic development conveyance (EDC)*. The purpose of this transfer is to allow the City to immediately begin long-delayed plans to redevelop the remaining Truman Waterfront property as a mixed-use commercial area that will serve the needs of the neighborhood as well as the larger needs of the City's tourism-based economy. This EDC also includes a small (0.58 acre) street right-of-way located adjacent to Key West Bight which will permit the City to extend its harborfront boardwalk and allow continued access to the remaining Navy/Coast Guard piers at Truman Annex.

### **2.1. Existing Conditions**

The Truman Waterfront was built by the government in the 1940's as a naval base and port. Buildings and utilities were constructed based on then-current standards and the needs imposed by a war-time economy. While many of the original buildings have been removed from the site, much of the infrastructure (roads and utility systems) is still in place. The following sections describe the general existing conditions of the EDC property as well as the remaining

Navy property. Since the infrastructure is interconnected, the condition and potential reuse of the entire Truman Waterfront infrastructure must be evaluated prior to making decisions on the EDC alone.

### 2.1.1. Buildings

The EDC area contains eight major building structures, each of which is described in more detail below<sup>1</sup>:

#### 2.1.1.1. Building 1287 (former Mess Hall)

This one-story CBS facility contains approximately 17,500 square feet of useable space. It consists of a single former dining room, approximate dimensions 60' by 100', a smaller side room (22 X 76) and a large institutional kitchen with related work and storage areas. The facility appears to be in fair to good condition, with most of the original interior improvements in place. Although no detailed structural inspection was performed, the building's major components, particularly the roof, appear to be in good condition. The building includes extensive plumbing improvements typical of a large kitchen, with many built-in pieces of equipment. Large walk-in refrigerated rooms are also part of the kitchen.

Because of the building's condition, the Reuse Plan focused on its reuse as a community conference/convention center and food service training facility. Other uses proposed included utilization of the kitchen for food preparation for various social agencies. The LRA has received interest in using the building as the focal point for a professionally operated hospitality institute to provide a wide range of skills training in the area of commercial food preparation, service and management. In doing so, it will operate as a conference center serving the needs of the community as well as the smaller hotels and guest houses that do not have space to host larger events. In addition, a full-time or seasonal public restaurant operation may be incorporated into the program.

Major renovation costs will include improvements to the exterior of the building including access (new entrance, ADA ramps, façade work, etc.) along with nominal interior improvements

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<sup>1</sup> Descriptions of some buildings were taken from *An Architectural Inventory, Naval Air Station Key West, Key West, Florida*, U.S. Army Corps of Engineers, Environmental Resources Planning Section, Planning and Environmental Division, 1995.

(painting and wall coverings, some interior partitions). Much of the existing kitchen equipment, which has been requested via personal property conveyance along with the building, will be reused, saving substantial new investment. Some new furniture, fixtures and equipment (FF&E) will be required for the new operation. The building is beginning to suffer from non-use and needs immediate attention in order to stabilize it and retain its value for any reuse.

2.1.1.2. Building 223

This structure is a "2 1/2 story wood frame barn-like building reportedly used by the Navy for a variety of uses including mechanical shops, repair bays and storage. The open, stepped-truss post and beam design permits a clear-span interior height estimated at 24-30' in the middle of the building with two levels of bays on either side. The floor plate is approximately 64' x 112' for a first floor area of approximately 7,200 square feet. There is a paved concrete floor, which appears to be reinforced in certain sections. The exterior is covered in what appears to be fiberboard panels in poor condition, with numerous areas showing holes or other deterioration. The wood frame was reportedly damaged during Hurricane Jorge.

Based on its general condition and location (directly in line with the proposed extension of Petronia St.), the initial recommendation is for demolition of the structure, with the potential for salvaging some or all of the wooden interior framework for use in constructing new structures within the EDC area (such as the envisioned Village Marketplace). Estimated demolition cost, based on locally observed practices, is \$131,000 before salvage for the building and the concrete slabs under and around the structure.

2.1.1.3. Building 1276

This former base service station is concrete block and stucco structure, approximately 2,700 square feet, consisting of service bays and small office areas. According to the Navy, the petroleum tanks associated with the building were properly remediated and the area certified for reuse. The structure lies directly in line with the extension of Petronia Street. No viable reuse has been identified for the building and demolition is recommended. Estimated demolition and disposal cost, based on recent projects in Key West, is \$51,000 for the structure and the concrete slabs under and around the building.

2.1.1.4. Building 102

This is a 10,420 sq. ft. operation support facility built in 1942, and was used to store and overhaul torpedoes. The building is rectangular in form and is constructed of concrete block sitting on a concrete slab. The structural framing is composed of concrete girders, beams, and columns. A thin stucco covers the exterior walls. The concrete supports are spalling exposing decaying rebar. The structure is in poor condition and will require demolition.

2.1.1.5. Building 103

Building 103 is 14,199 sq. ft., built in 1941, and is the former central power plant. The building is rectangular in form and is constructed of concrete block sitting on a concrete slab. The floor was constructed to support heavy loads and ranges in thickness of reinforced concrete from five to eight feet. The structural framing is composed of concrete girders, beams, and columns. A thin stucco covers the exterior walls. Some of the concrete supports are spalling exposing decaying rebar.

2.1.1.6. Building 104

Building 104 is a 6,825 sq. ft. operation support facility built in 1941 and was used to service and store submarine batteries. The building is rectangular in form and is constructed of concrete block sitting on a concrete slab. The structural framing is composed of concrete girders, beams, and columns. A thin stucco covers the exterior walls. The concrete supports are spalling exposing decaying rebar. The structure is in poor condition and will require demolition.

2.1.1.7. Building 84

Building 84 is a 1,860 sq. ft. warehouse and storage facility built in 1941. The building is single story, frame construction with asbestos shingle siding, and rectangular in form. It is built on a concrete slab foundation. The roof is a gable design with a ridge vent and tin shingles.

2.1.1.8. Building 189

This 1,596 sq. ft. warehouse and storage facility was built in 1941. The building is single story, constructed from concrete block faced with thin stucco, and is rectangular in form. It is built on a concrete slab foundation. The roof is a gabled and covered with composite shingles.

#### 2.1.1.9. Other Structures/Improvements

The EDC property includes several concrete pads, roadways and sidewalks, as well as underground utilities that will need to be removed prior to redevelopment. The cost associated with these actions is included in the land development/site preparation costs in the financial plan. The exception is the foundation/pad for Building 103, due to its size and depth (5-8') it is not economically feasible to remove it, therefore it will remain in place and be included in any future redevelopment.

#### 2.1.2. Utilities

The EDC parcels are currently served by Navy-owned utility systems through a variety of means and sources. The following paragraphs describe the utility development program for the entire Truman Waterfront area. A report by Weiler Engineering, Inc. which includes descriptions of the existing conditions and proposed improvements, is available under separate cover from the LRA. Based on their initial review and analysis of the Navy infrastructure at Truman Waterfront, it is the intention of the City and other utility providers that all systems must ultimately be replaced and existing utilities maintained only for short-term, interim requirements.

##### 2.1.2.1. Potable Water

Potable water is currently provided from the Navy's elevated water tower located west of the Mess Hall, which is fed from an 8 inch supply line that runs from the Navy's pump and cistern in Truman Annex. The Navy purchases water directly from the Florida Keys Aqueduct Authority (FKAA), the water supply and distribution utility for the entire Keys. It is the Navy's stated intention to retain ownership of this line (through easements) as well as the water tower (through a no-cost lease) until such time that the Navy can replace the tower on their retained property, when the tower will be transferred to the City. The water is then distributed throughout the Truman Waterfront area and the retained Navy property. While some of the water lines have been replaced over the years by the Navy, their overall condition has not been ascertained. The FKAA has indicated that it will not accept any Navy lines and will require that any new service be constructed new to their standards. New service for the EDC parcels will be installed by the City through a series of looped systems connected to FKAA's main feed located at Southard Street. Both potable water and fire protection will be provided from this service. Additional fire protection wells may be required at some point to meet future needs.

#### 2.1.2.2. Electric

Electrical service in Key West is provided by the Utility Board of Key West, formerly known as City Electric Service and now called Keys Energy Services. The Navy property at Truman Waterfront is served by a 13.8KV overhead line that feeds into a transformer yard located on base property just off of Angela Street. From here, various above and below ground feeds service the Navy communication towers, Mess Hall, Mole Pier and the group of buildings along the East Quay wall. A line also runs southward into the Navy retained property. The State park is fed from the southern end of the Navy property. Although the electrical system was maintained and replaced over the years by the Navy, it does not meet CES' standards and will be replaced.

#### 2.1.2.3. Telecommunications

The existing property is served by various Navy proprietary communications systems. Civilian use will require all new infrastructure to be installed by/for third party suppliers. Certain government property, including lines serving the east Quay area and the towers will be retained through easements. Some relocation or replacement of Navy facilities to facilitate redevelopment may be required and will be dealt with on an individual basis.

#### 2.1.2.4. Sanitary Sewer

The Truman Waterfront area is served by a variety of gravity lines that feed into the City's major interceptor sewer along Emma Street. Many of the lines have been capped and/or filled as buildings were shut down or demolished. There is reportedly also heavy inflow and infiltration in the existing system. A relatively new pump station and force main carries sewage from the Mole Pier to the city system, which may be retained depending on its condition. New infrastructure will be laid to follow street right-of-ways so as to minimize the need for easements and possible development limitations.

#### 2.1.2.5. Stormwater

Numerous stormwater drains are located throughout the Truman Waterfront which collect and carry runoff into the harbor, with some treatment (primarily retention basins) done in certain locations. Current environmental and land use regulations will require any future development to install much more extensive stormwater treatment facilities including retention facilities as well as subsurface injection wells. This will likely require a complete replacement of the existing

infrastructure. A portion of the retained Navy property south of the former Mess Hall is believed to drain into catch basins along the Navy's "new" perimeter road and carried via pipes that may go under the Mess Hall building. This will require a joint storm-water management plan between the Navy and the City or the reconstruction of the system to separate the drainage between the properties.

### 2.1.3. Environmental Conditions

Since establishment of the base closure process for Key West, the Navy has been testing, evaluating and cleaning sites throughout the identified Base Realignment and Closure (BRAC) properties that were found to have contamination in soil or groundwater above levels identified as safe for no further action. When the Key West Base Reuse Plan was adopted in 1997, the particular land uses specified for different parcels were then used to identify levels of remediation necessary to assure protection of public health and safety.

The *Decision Document for Ten Base Realignment and Closure (BRAC) Sites*, dated May 2000, presents the selected remediation remedies for all BRAC sites at the Naval Air Station in Key West. These remedies address any remaining contamination left in place, controls that are required to prevent/minimize exposure, and monitoring that will be performed to identify and prevent potential further adverse impacts to human health and the environment. These controls were further elaborated in the *Findings of Suitability to Lease (FOSL)* for the Truman Annex Parcels, and the *Finding of Suitability to Transfer* the Piers and the previously identified EDC parcels.

The Navy has completed all required actions to clean up residual contamination. Land Use Controls (LUC's) will be placed on a few remaining parcels and a groundwater extraction restriction will apply to subsequent transfers. None of these actions are believed to substantially impact the redevelopment potential of the EDC property.

## **3. BRAC History**

The City of Key West, acting through its Navy Properties Local Redevelopment Authority (LRA), previously submitted a series of conveyance requests for Truman Waterfront property. These conveyances were in addition to direct requests from a federal agency (NOAA) and the State of Florida (Fort Zachary Taylor) for direct transfers of specific portions of the site. The NOAA

parcel, which includes approximately 2.8 acres with improvements along the South Quay, has been transferred. The State's transfer request has been reduced to a small, environmentally critical shoreline strip. The City's property requests, based on the original BRAC configuration, included two public benefit conveyances (PBC), one for the port facilities (July 1999) through the Maritime Administration, and a parks and recreation request sponsored by the Department of the Interior (May 1999). An EDC for the remaining commercial-use parcels and for a right-of-way on Trumbo Road was submitted in August 2000. The park PBC was amended in October 1999 when the Navy decided not to release the historic Seminole Battery parcel at the south end of the site, and again in 2001 to incorporate the affordable housing parcel included in the EDC area. All three prior conveyance requests are currently on hold. A graphic indicating the location of these conveyance parcels is included at the end of this summary.

The recent change in Navy policy regarding the disposition of the Truman Waterfront properties has dramatically changed the basis on which these previous conveyance requests were formulated. With the large reduction in the extent of port-related facilities now being made available, use of a MARAD-sponsored PBC is no longer practical. The remaining waterfront property and limited marine-related activity must be developed under existing land development regulations to maximize revenue to support the overall redevelopment effort.

Similarly, the areas designated in the Land Development Regulations for public parks and recreational uses may need to be re-configured to best support the overall redevelopment plan. Including these parcels through a PBC limits the City's flexibility to carry out the mandates of the Comprehensive Plan.

By including all of the remaining property in the EDC, the City can immediately begin redevelopment, thereby quickly moving towards the point where new jobs can be created and the Truman Waterfront can once again be put to productive use.

#### **4. Property Requested**

Included in this EDC Application is a total of approximately 32.4 acres of land with improvements located in the southeastern corner of the Truman Waterfront excess property. In addition, a 0.58 acre parcel of land serving as the road right-of-way for the extension of Trumbo Road adjacent to the Key West Bight, is requested for transfer to the City of Key West/Naval Properties Local Redevelopment Authority via the EDC mechanism. These properties are described in more detail in the following sections. See EDC map on the following page.

##### **4.1. Truman Waterfront**

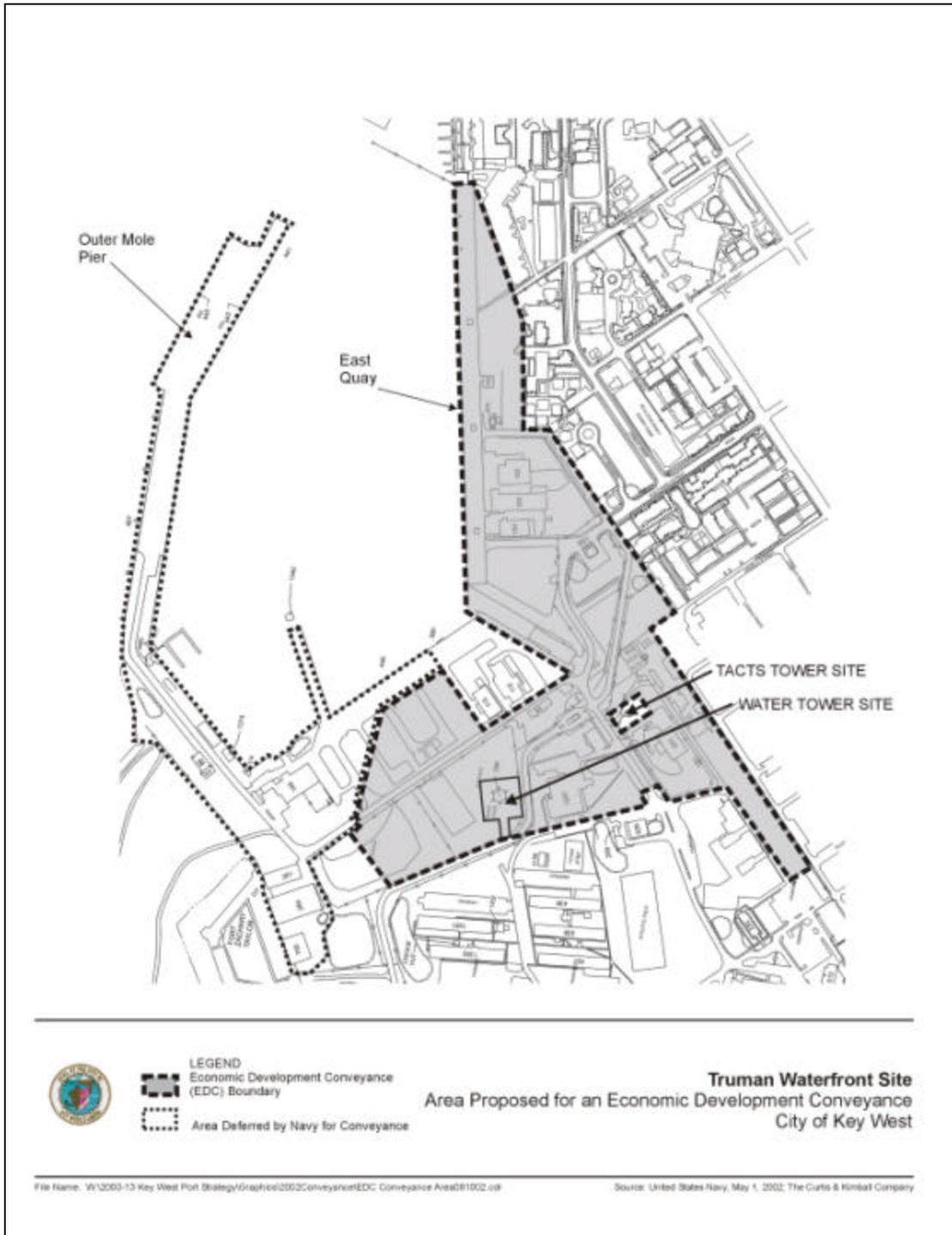
The EDC includes all of the remaining Truman Waterfront property not being retained by the Navy, as shown on the following graphic.

Buildings in the EDC area include three former warehouses/repair shops on the East Quay (#102, #103, #104), the former Mess Hall (#1287), a former shop (#223), and the former gas station (#1276). Other minor structures include two small warehouses (#84 & #189). All buildings will need to be demolished with the exception of the Mess Hall, which is being evaluated for renovation as a culinary training facility and community meeting hall. The 5 to 8 foot thick reinforced concrete slab and footings under Building #103 will be left in place due to the large expense of removing it. Most existing infrastructure will also need to be removed and replaced. Environmental land use controls (LUC) included in the Navy's Findings of Suitability to Transfer (FOST) will limit redevelopment on some parcels, thereby requiring flexible planning to accommodate the permitted uses. The parcel containing the TACTS tower is not included in the EDC property. The existing water tower is included, but is expected to be transferred at later date, once environmental clean-up is completed.

##### **4.1.1. Intended Uses**

The properties acquired by the Key West LRA through the EDC mechanism will be used to support and promote economic development within the City. Based on the extensive community planning undertaken over the past 6 years (as represented in the Base Reuse Plan, the Chapter 288 Plan and the City's adopted land development regulations), the EDC property will serve as a "gateway" and an extension of the commercial and residential urban fabric found in the adjacent historic Bahama Village neighborhood. It will also create a critically needed

linkage along the waterfront between the tourism center of the City's downtown area and the major disembarkation point for visitors arriving by cruise ship.



The property will be redeveloped into the mix of uses specified in the land development regulations, including neighborhood commercial/retail with affiliated residential units, a commercially-focused marina, a mega-yacht marina, marine-related light industrial, potential ferry services, supporting office and commercial uses along with the required open-space and recreation uses such as the extension of the Harborwalk along the East Quay wall. Residential uses within the EDC area will occur only as an accessory use within mixed use (i.e. office and retail) development; in conformance with environmental land use controls; and, in areas outside of security setback areas required by the U.S. Navy. Within the open space parcels, limited mobile commercial activities serving the cruise ship visitors to Key West, may also be allowed. A table indicating the maximum development potential based on the Chapter 288 plan is included at the end of this summary.

#### 4.1.2. Legal Description

Legal descriptions for the EDC property at the Truman Waterfront, based on the on-going survey effort, will be included in the MOA and deed.

### **4.2. *Trumbo Road***

The property requested at Trumbo Road consists of a 0.58 acre parcel that serves as the right-of-way for access from the City's street grid at Grinnell and Caroline Streets to the Navy-retained Coast Guard Station property (Pier D-1 at NAS Key West/Truman Annex). The parcel is rectangular in shape, approximately 45.6 feet wide and 553 feet long. The property abuts property currently owned by Keys Energy Services and the Monroe County School Board on the east and fronts on the Key West Bight waterfront to the west. The parcel is generally paved, and includes a small boat dock and concrete landing approximately in the center of the waterfront. There appears to be some sloughing of the upland portion of the parcel into the harbor along its northern extreme.

#### 4.2.1. Intended Uses

This property is included in the EDC so that the City of Key West can add Trumbo Road to its existing municipal street grid. In addition, conveyance will permit the City to complete its highly-successful *Historic Seaport Boardwalk* that surrounds the Key West Bight and which continues through Mallory Square and will eventually extend all the way to the Truman Waterfront and the Mole Pier.



The property will continue to be owned and used by the City as a public way, with U.S. government access to the Coast Guard station guaranteed through easement or other legal mechanism. The City will also replace the sewer line located in the right-of-way that serves the Coast Guard area. Acquisition of the property will allow for improved public access to limited waterfront boat docking and landing. Limited additional dockage may be developed by the City in the future based on future demand within the Key West Bight. Current preliminary planning by the City is for the waterfront along Trumbo Road to be developed as a 'dinghy dock' to provide improved access to boats utilizing the public mooring fields just offshore of the Bight. This would include transient docking for small craft, public bathrooms, telephones and other facilities. The use of the waterside of the Trumbo Road property is limited due to the need to observe a 300' stand-off (safe zone) from the Coast Guard pier (Pier D1).

#### 4.2.2. Legal Description

The legal description for the EDC parcel at Trumbo Road is included on the survey map which will be included in the MOA and deed, a reproduction of which is shown above.

## **5. Community Reuse Planning Process**

### **5.1. Background**

The following section provides a brief history of the reuse planning process leading up to this application, and provides the context in which the EDC is submitted.

On September 27, 1995, certain land parcels and facilities attached to Naval Air Station Key West were declared excess by the Department of the Navy pursuant to the 1995 BRAC action. These properties included approximately 50 acres located at the Truman Waterfront in downtown Key West along with several other parcels scattered throughout the City. In response to this action, the City of Key West established the Naval Properties Local Redevelopment Authority (LRA) for the purpose of planning, acquiring and redeveloping these surplus properties.

The LRA initiated a comprehensive community-focused reuse planning effort under the Base Closure and Community Redevelopment Assistance Act of 1994. This planning process culminated in the submission and subsequent adoption by the LRA/City Commission of the Key

West Base Reuse Plan. The Reuse Plan, developed by the consulting firm of Bermello-Ajamil and Partners, Inc. (BAP), considered the Notices of Interest submitted by various public agencies, homeless provider groups and other interested individuals and included substantial public participation facilitated by the Florida Conflict Resolution Consortium. The Plan, which attempted to balance the economic and social needs of the citizens of Key West, called for redevelopment of the excess properties for affordable housing, parks and recreation uses, historical and ecological preservation as well as for community and economic development. In August 1998, the City's Reuse Plan was approved by HUD and the Navy.

Concurrent with the reuse planning efforts, the City conducted an update of its Bahama Village Redevelopment Plan for the adjacent historic black neighborhood area directly impacted by the realignment action, which was adopted in September 1998. A Base Reuse Mitigation Proposal for Bahama Village, which was adopted by the City Commission in November 1999, provided for implementation of the Plan.

In March 1998, the City Commission hired BAP to provide planning services to incorporate the adopted Base Reuse Plan into the City's comprehensive plan and land development regulations, as provided for in Chapter 288, Florida Statutes. This mechanism is necessary to receive State approval through the Florida Department of Community Affairs (DCA) for the reuse plan and subsequent rezoning of the properties.

As a result of this public comprehensive planning process, the City of Key West developed and submitted applications for public benefit conveyances of affordable housing at the Poinciana Housing complex, the Peary Court Cemetery and three other sites for environmental preservation. The former Navy commissary was transferred by public benefit conveyance to Monroe County in November 1998. A 2.94 acre parcel adjacent to the Harbor was transferred by the Navy directly to the National Oceanic and Atmospheric Administration in October 1999 under the BRAC Fed-to-Fed agency conveyance mechanism. The City and the Navy also agreed to a Joint Use Agreement for Truman Harbor which permits the Navy to berth up to six ships along the Mole Pier and the quays after the property has transferred for visiting naval vessels. This agreement specifies the services that the City will provide to the Navy in the event of such a use.

In January 1999, the LRA/City Commission submitted an application for the public benefit conveyance of the historic Seminole Battery through the U.S. Department of the Interior, which was approved in February 1999. The Navy subsequently withdrew most of the Battery property from the BRAC process for security reasons, leaving the City with a strip of land along Fort Street to be redeveloped as a parking lot to support the other park initiatives. In May 1999, the LRA/City Commission submitted an application through the Department of the Interior for the public benefit conveyance of the proposed Harborwalk Park and Interior Parklands at Truman Waterfront, which was approved by the agency in July 1999. In August 1999, the LRA/City Commission submitted an application through the Department of Transportation, Maritime Administration for a public benefit conveyance of all port facilities at Truman Waterfront.

The Chapter 288 Plan was adopted by the City in September 1999. This public process modified the land uses called for in the Base Reuse Plan by restricting the port use to a single cruise ship berth and reducing the amount of mixed-use development within the Truman Waterfront area due to local and state concerns regarding traffic and parking issues as well as the need for additional open space in the City. Once redeveloped, the Truman Waterfront would serve a variety of economic and social roles. In addition to the cruise ship berth on the Outer Mole, the harbor would provide berthing for mega-yachts (private vessels over 60 feet) which currently have very limited facilities in Key West, a professional marina for water-dependent users such as harbor pilots, tugs, salvage vessels and charter boats, an additional public marina focused on transient (short-term stay) recreational vessels and a ferry terminal. These compatible uses are detailed in the public benefit conveyance applications as well as in the Base Reuse Plan and the Chapter 288 Plan.

The Chapter 288 Plan was challenged by the Truman Annex Property Owners Association (TAMPOA), Protect Key West, Inc. (a/k/a Last Stand) and others in October and November 1999. These claims were settled through agreements between the City, DCA and the challengers which dealt with access to the site and the number of cruise ships which could utilize the Mole Pier facilities. In addition, the City agreed to undertake a comprehensive Quality of Life study in order to quantify to the extent possible the parameters that define the City. As a world-famous tourism and recreation destination, Key West is facing unique social and economic challenges, including one of the highest costs of housing in the country. The

Amended Plan, which recognized these agreements, was adopted by the City Commission in July.

***The reuse of the properties requested in the EDC follows the Land Development Regulations laid out in the community-generated Final Base Reuse Plan and the subsequent amendments made during the Chapter 288 planning process.***

## **5.2. Zoning**

The Chapter 288 planning process established land development regulations for the excess Navy properties in Key West that have been approved by the State of Florida, Department of Community Affairs as amendments to the City's Comprehensive Plan. The land use classifications reflect the intent of the reuse Plan to create a mixed-use development at the Truman Waterfront at a scale compatible with the adjacent Bahama Village neighborhood. The zoning/land use classifications are described further in the following table and shown relative to the EDC area in the figure on the following page. The City's land development regulations (which were developed prior to the Navy's BRAC property revisions for the entire Truman Waterfront area) are shown for the remaining property to be transferred to the City.

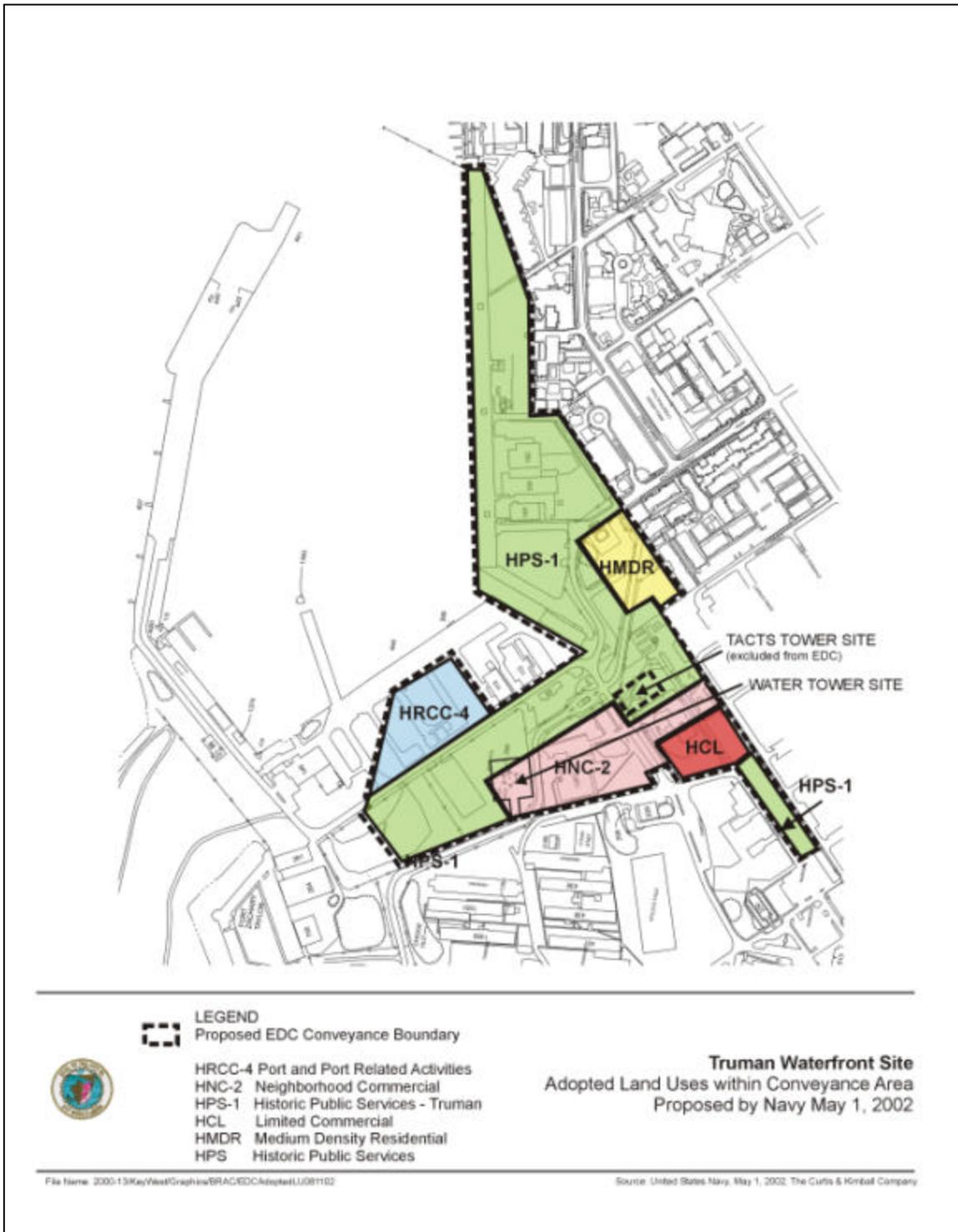
MAXIMUM DEVELOPMENT POTENTIAL - TRUMAN WATERFRONT, KEY WEST, FL								
Comprehensive Plan/LDR Classification	Gross Area*		Maximum Density	FAR	Building Coverage	Development Scenario		
	Square feet	Acres				Maximum**	Build-out***	Use
HNC-2	263,546	6.05	16 DU/Ac	1	40%	55	38	residential units
						65,887	46,121	SF office
						131,773	92,241	SF retail
HCL	77,685	1.78	16 DU/Ac	0.8	40%	13	9	residential units
						15,537	10,876	SF office
						31,074	21,752	SF retail
HMDR	89,058	2.04	16 DU/Ac	1	40%	53,435	37,404	SF recreation
						35,623	24,936	SF parking lot
HPS-1	899,546	20.65	N/A	0.25	30%	674,660	472,262	SF open recreation/harborwalk
						224,887	157,421	SF maritime services/admin
						150 slips	150	marina
HRCC-4	159,458	3.66	16 DU/Ac	1	50%	39,865	27,905	SF industrial
						39,865	27,905	SF office
						53	37	residential units
						39,865	27,905	SF retail
<b>Totals</b>	<b>1,489,293</b>	<b>34.19</b>				<b>121</b>	<b>84</b>	<b>residential units</b>
							<b>84,902</b>	<b>SF residential</b>
						<b>121,288</b>	<b>84,902</b>	<b>SF office</b>
						<b>202,712</b>	<b>141,898</b>	<b>SF retail</b>
						<b>728,094</b>	<b>509,666</b>	<b>SF recreation</b>
						<b>39,865</b>	<b>27,905</b>	<b>SF industrial</b>
						<b>224,887</b>	<b>157,421</b>	<b>SF maritime services/admin</b>
						<b>35,623</b>	<b>24,936</b>	<b>SF parking lot</b>

Note: This Maximum Development Potential Table is based on the land use classifications as approved by the City Commission in the Chapter 288 Plan, as they fall within the adjusted conveyance area defined by the Navy on May 1, 2002.

\* Subject to site specific survey

\*\*For impact analysis purposes the Maximum Development Scenario represents the level of development that may be difficult to attain without conditional use approvals. Further, this scenario makes no adjustments for non-buildable areas such as road right-of-ways, easements, etc. For the purposes of calculations, residential units are estimated to be 1200 sf in size, except in HRCC-4, where units are 750 sf in size

\*\*\* Estimated maximum development scenario accounting for approximately 30% reduction in squarefootage due to streets, utilities, parking, etc.



## **6. LRA Organization & Capability**

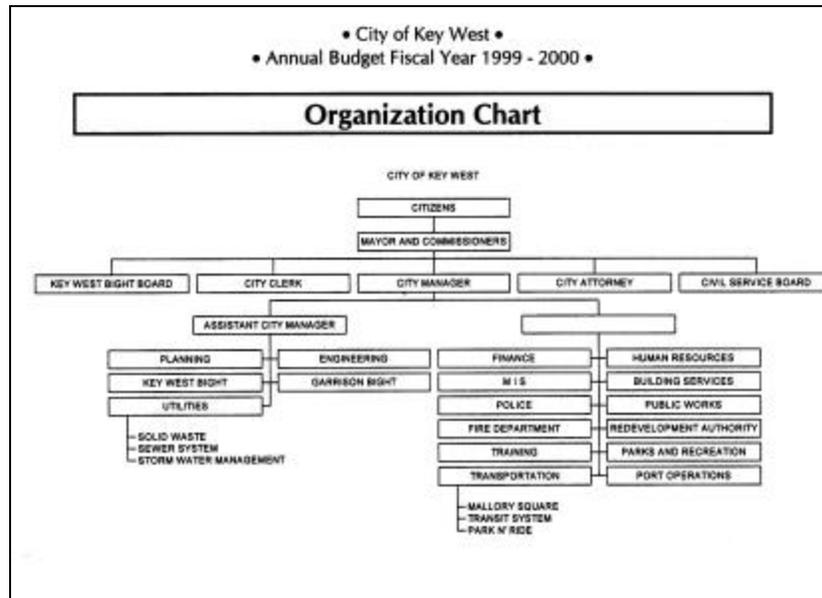
### **6.1. *Local Redevelopment Authority***

The City of Key West serves as the official LRA for the excess Navy properties in Key West. The City has a long history of developing, owning and/or managing complex mixed-use real estate projects including the Key West Bight. The LRA is operated as a separate City department with a professional staff consisting of an executive director, coordinator and administrative assistant. It is a separate municipal entity under Florida Statutes with the City Commission serving as the LRA legislative body. The LRA has been funded from the City's General Fund along with federal planning grants from the Department of Defense, Office of Economic Adjustment and the Department of Housing and Urban Development. Once the Navy excess properties are conveyed, the LRA will assume the role of coordinating agency, directing other City departments, Federal and State agencies and private investors/developers in the redevelopment and construction process.

### **6.2. *City of Key West – Financial Status***

#### **6.2.1. Overview**

The City of Key West consists of a roughly 2 mile wide by 4 mile long island with a year-round resident population of approximately 27,000. The City also serves as the seat of Monroe County, which incorporates all of the Florida Keys and parts of the Everglades. Total County population is approximately 84,000. As a major national and international tourist resort destination, the Key West serves as host to over 1.8 million visitors annually, including over 600,000 cruise ship passengers. The City, which operates under a City Manager/City Commission form of government, provides a wide range of municipal services under its Charter including public safety, public works (roads and infrastructure), planning, zoning, transportation, recreation, port operations, etc. Figure 4 below includes an organization chart for the City. Utilities are provided to Key West residents either by the City (sewer, stormwater) or through regulated companies. The City of Key West Utility Board (a/k/a Keys Energy Services), a related but financially separate entity, provides residential and commercial electric service while the Florida Keys Aqueduct Authority provides potable water to the City. The City also operates the financially separate Key West Housing Authority to provide housing opportunities for lower income residents.

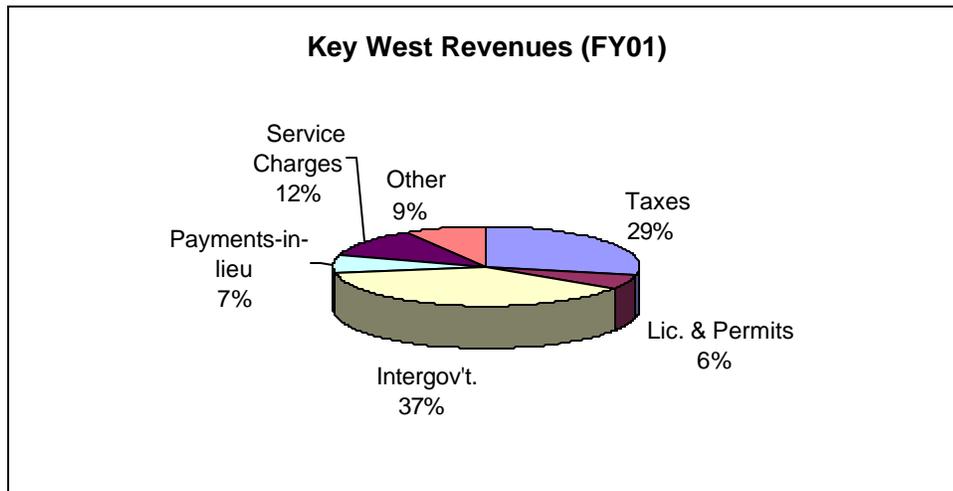


Financially, the City operates through a combination of the General Fund and various Special Revenue, Enterprise, Capital Project, Internal Service and Trust funds. Total fund revenues (excluding enterprise funds) were \$39.0 million for the Fiscal Year ending September 30, 2001 with expenditures of \$34.2 million. As of September 30, 2001, total outstanding long-term debt was \$53.2 million, with more than 70% of that related to sewer construction projects and 25% for harbor improvements made in recent years. Only 3% of the City's outstanding debt was considered general obligation debt with the remainder classified as revenue-based obligations.

The City is well managed and has received numerous citations for its financial reporting. The following paragraphs summarize the key elements of the City's financial position.

### 6.2.2. Financial Performance

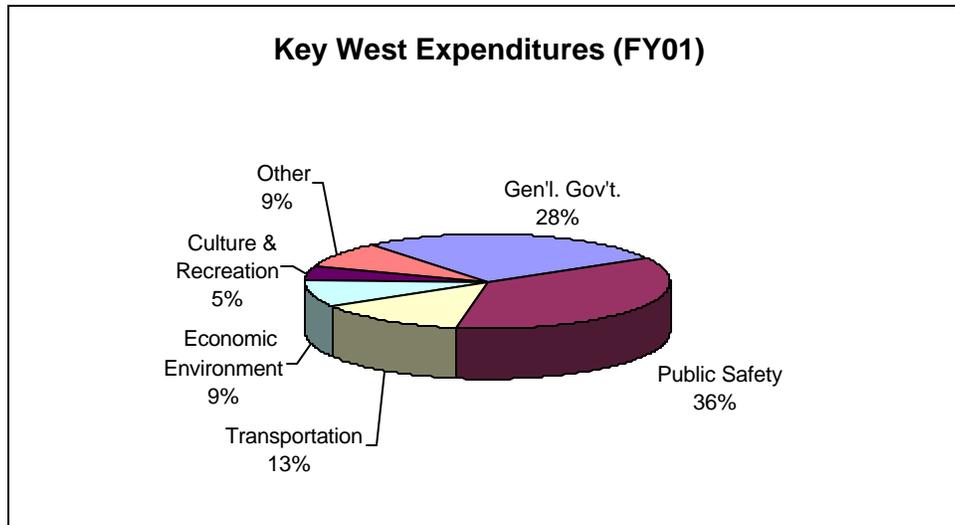
The City of Key West receives revenue from a variety of taxes and from the sale of services. Property taxes and payments-in-lieu account for more than 1/3 of this total, as shown in Figure 5. These estimates exclude the City's enterprise funds, which include sewer, water, stormwater, transit, Poinciana Housing, Garrison Bight and Key West Bight.



Property taxes are raised on a total assessed value base of nearly \$2.4 billion. The total property tax rate of 13.9006 mills (2002) included 3.4096 mills for the City of Key West with the remainder going to the County, the School district and other overlay districts. The City's share of the tax rate has remained stable over the past few years. Of the top ten taxpayers in Key West, which account for over 10% of the total assessed tax base, eight are Resort Hotels with a total value of over \$216 million (9%). Service charges, among the fastest growing revenue sources for the City, include cruise ship and parking revenues. Intergovernmental revenues include grants and State revenue sharing. *Cruiseship revenues in 2000 accounted for approximately 14% of the City's General Fund revenues, or over \$3.7 million per year while parking revenues accounted for 5.7%, or over \$1.4 million. These tourism-based revenues are vital to the economic health of the City.*

As shown in Figure 6, the City's FY01 expenditures were focused on public safety (fire & police) and on general government. Many other government services are provided through enterprise funds or special revenue funds.

The City's financial stability is particularly notable given the impact of Hurricane Georges which hit the Keys in September 1998. The City suffered millions of dollars in damage to personal property as well as to infrastructure systems. The City was able to tap its own reserves to immediately begin the repair work, much of which was eventually reimbursed by federal and state emergency funds.



The City is completing a massive sewer replacement program mandated by State and Federal environmental agencies. The work includes the replacement of 46 miles of mains, 27 miles of laterals and 2.5 miles of force mains. The project has been funded entirely out of the Sewer enterprise fund and will not impact the general fund balance. The project does, however, potentially limit the city's short-term capacity to fund new sewer system development at Truman Waterfront from this source.

Relative to the City's redevelopment of the Truman Waterfront, it should be noted that in 1993 the City began the redevelopment of the Key West Bight, an 8.8 acre blighted waterfront area adjacent to the prosperous Mallory Square/Duval Street urban entertainment zone. Using revenue bonding based on rents from land and building leases, a ~~lot~~ sales tax as well as marina revenues, the City invested over \$9 million to acquire and improve this district. The project included the development of 24 commercial structures totaling 78,000 square feet of office, restaurant and retail space, a 120 slip marina, parking and extension of the popular Harborwalk boardwalk along the edge of the water. The City refinanced the original bonds in 1997 and continues to repay the obligations using revenues from the project. The City currently manages the Key West Bight, serving as landlord and marina manager.

***As a result of its success in redeveloping Key West Bight and other major projects, the City has the management and operational capability to take on the redevelopment of the Truman Waterfront.***

### **6.3. Legal Authority of the LRA**

The City of Key West is the approved Local Redevelopment Authority for the transfer of excess federal properties under BRAC. The City Commission serves as the legislative body for the “Naval Properties Local Redevelopment Authority of the City of Key West”. A resolution of the City Commission establishing the LRA and authorizing it to plan for and accept Navy property, dated September 19, 1995, is available from the LRA.

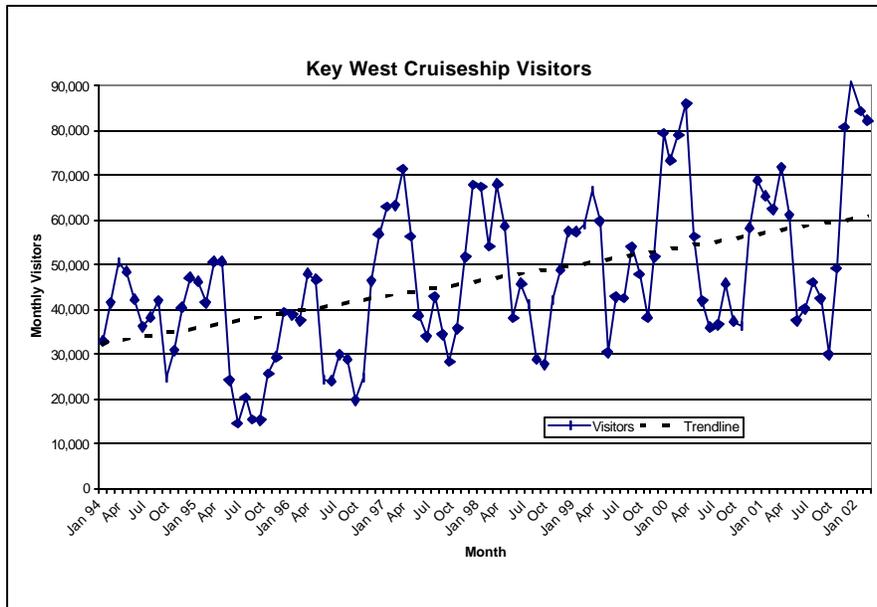
## **7. Economic Impacts**

The following sections summarize current economic and social conditions in the City of Key West and the impacts that have occurred as a result of the Navy’s realignment of strategic assets in the region. The analysis includes a discussion of the Key West economy and its primary drivers – the historic military presence and tourism – with specific emphasis on employment and housing. More detailed accounts of the City’s history and economy can be found in the Final Base Reuse and Chapter 288 plans. In particular, refer to Appendix 2 of the Base Reuse Plan - Economic and Market Analysis of Selected Options and Uses.

### **7.1. Tourism**

The Key West Chamber of Commerce reports that during 1999, 1.8 million visitors came to Key West to enjoy its unparalleled scenic beauty, sub-tropical climate, widespread water-related activities and the island’s unique ambiance. These visitors came by car, plane, boat and cruise ship. In fact, Key West has become one of the world’s leading ports-of-call for the cruising industry, with an average of over 50 port calls per month during the winter and over 675,000 passengers in 2001.

The graphic below illustrates the growth in the number of visitors arriving by cruise ship in Key West. The majority of ships utilize the Mole Pier at Truman Waterfront, with others using the City’s pier at Mallory Square or the privately-owned Hilton Pier (Pier B). Cruise ships have increased in frequency and size, as Key West has become a major day-stop for 3-4 day Caribbean cruise itineraries. A cruise ship typically is in port for 4-6 hours, with passengers transported by “Conch Trains” into the downtown (Duval Street and Mallory Square) to shop, sightsee or partake of the City’s many other activities such as snorkeling, sailing or fishing. According to a recent study by NOAA and the Nature Conservancy, the average cruise ship passenger in 1997/1998 spent approximately \$98 per visit, resulting in \$51.4 million direct



impact on the City's economy, supporting 336 jobs<sup>2</sup>. The City receives a \$7 per person disembarkation fee along with ship charges for use of the pier and any utilities. It is interesting to note that the terrorist attacks of September 11<sup>th</sup> have not had an adverse effect on the City's cruise ship business. In fact, the City saw a record number of cruise ship passengers during every month from October through February, the most recent month for which data was available.

Overnight visitors fill Key West's 173 hotels, motels and guesthouses (providing a total of over 4,800 rooms) to near capacity for nine months out of the year. Similarly, the City's 265 licensed restaurants (with a total of approximately 17,000 seats), provide visitors with a wide range of dining options. Figure X illustrates the growth in overnight accommodations in Key West, as well as the strong seasonal patterns that occur.

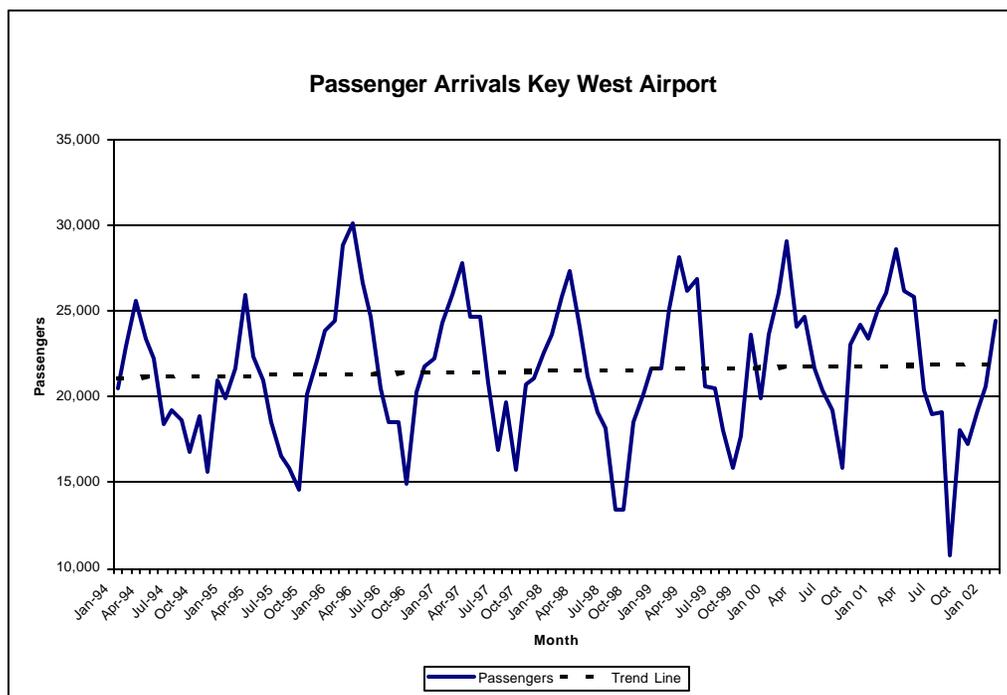
It is important to point out that Key West's tourism-based business base is made up almost exclusively of small businesses. In fact, of the hundreds of hotels and guest houses in the City, only 18 have more than 100 rooms. Most accommodations consist of small properties with 4 to 40 units. In addition, the City includes a large number of individually owned condominiums and apartments that are rented to visitors on a short-term or seasonal basis.

<sup>2</sup> Economic Contribution of Recreating Visitors to the Florida Keys/Key West: Updates for 1996/1997 and 1997/1998. V. Leeworthy & P. Vanasse; June 1999.

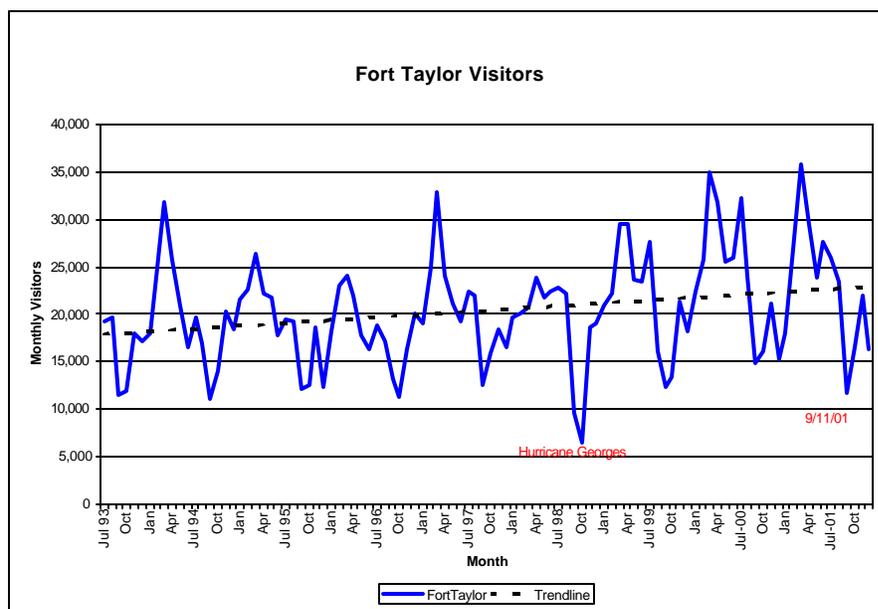
Unlike the City's cruise ship business, the September 11<sup>th</sup> attacks have had a significant impact on the City's hotel businesses. Revenues from the bed tax were off by more than 15% for the period from October through January as compared to the prior year. This equates to a loss of more than \$325,000 in revenue.

With the exception of cruise ship visitation, there are indications that Key West's tourism growth may be leveling off due in part to constraints on access and accommodations. As shown in Figure X below, the number of visitors arriving by plane at Key West International Airport was relatively stable. The inability to utilize larger aircraft due to runway length and noise considerations, limits this means of access. The City was also severely impacted, on the aviation side, by the events of September 11<sup>th</sup>. For the five-month period from October through February, the number of deplaning passengers declined by more than 18% over the prior year, from 121,000 to less than 100,000.

Similarly, increased traffic counts, limited parking and the time it takes to drive to Key West from the mainland (3-4 hours) also impose a limit on the number of visitors by car to the island.



Another indicator of Key West's popularity as a tourism destination and the importance of the Truman Waterfront area is the visitation to the state park facilities at Fort Zachary Taylor (see Figure 11). This historic site is accessible by car, bike or on foot through the Navy's property. The park, which is managed by the Florida Department of Environmental Protection (DEP), provides a modest level of facilities to visitors. A major redevelopment program, with a total cost of nearly \$10 million, was planned for the site prior to the Navy's policy change regarding the disposition of the Truman Waterfront.

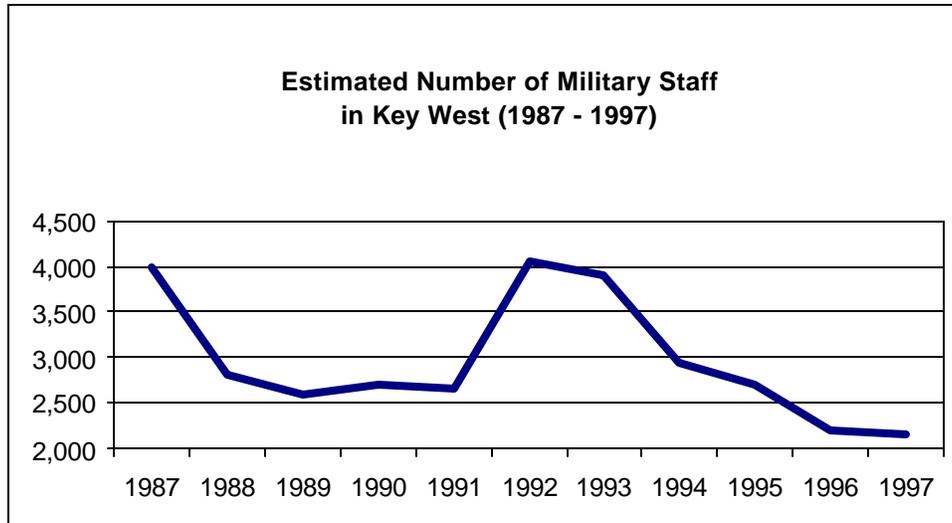


Key West's growing dependency on tourism, along with the decade-long reduction in military activity in the Keys, has resulted in significant social and economic impacts. These include a shortfall in the number of affordable housing units for the labor force that supports the service sector, high rates of employee turnover and lack of career-track opportunities. These issues are discussed in the following paragraphs.

## 7.2. Employment

The BRAC decision to realign NAS Key West and transfer excess property is the latest step in a long series of actions that have reduced the military presence in the Keys from a peak employment level of over 4,000 in the late 1980's and again 1992, to the latest estimate of

approximately 2,110. While this downsizing has not been as abrupt as in other military communities faced with complete closure, the impacts on the community have been significant.



The presence of the Navy has been an important economic foundation for the City of Key West. Not only has the direct local spending generated by Navy personnel, civilian employees, contractors and their dependents benefited the City, but these individuals have played an important part of the island's social fabric for many years, from volunteerism to participation in civic organizations.

The downsizing of the Navy in Key West has resulted in a shift of income levels and job skills from the relatively high-paying military/industrial sector to the low-paying service sector. This has most dramatically impacted the City's minority and lower income groups. Without relevant jobs skills and few re-training opportunities, individuals who no longer held jobs with the Navy, its contractors and suppliers, found themselves competing for entry-level, minimum wage positions in the hospitality industry, now Key West's primary economic sector. As a result, many skilled workers and their families, some with multigenerational ties to the community, were forced to leave the Keys to seek employment elsewhere. This impact was exacerbated by the concurrent rise in housing prices in the Lower Keys, effectively shutting out those without high-paying jobs.

According to data obtained from the Key West Chamber of Commerce, total employment in Monroe County was 36,777 in 1999. Of the total, 12,499, or more than one-third, were in the

services sector, 10,772 (29.3%) are in the retail sector, and 6,050 (16%) are in the government sector (including local, state and federal government). Only 452 jobs, or 1.2% of the total, are classified in the manufacturing sector.

Unemployment in Key West and Monroe County (2.6% in 2001) is relatively low due to the availability of jobs in the service and retail sectors. However, because of the low wages traditionally paid in these industries and the high cost housing, it is not unusual, and in fact is very common, for individuals to hold more than one job.

### **7.3. Housing**

One of the most apparent imbalances in the local economy is the cost and availability of housing. In 1998, the Florida Price Level Index for housing stood at 126.35 for Monroe County (versus the statewide average of 100), ranking it #1 among all Florida counties<sup>3</sup>. The City has held this ranking for nearly 20 years. In fact, Key West's high housing costs have resulted in the City's inclusion among the top ten most expensive markets in the country, including New York City and Silicon Valley.

Key West has a rate of growth ordinance (ROGO)<sup>4</sup> in place that essentially has limited the number of new housing permits to an average of 91 per year over the past decade. Strong demand for housing, both from year-round residents and particularly from high income individuals seeking vacation homes, combined with the limitation on supply, has resulted in a rapid escalation in housing prices throughout the Keys and most noticeably in Key West.

In Key West, the average price paid for a home (single family and/or condominium) through the end of May 2000 was over \$391,000, according to MLS data published by the Key West Association of Realtors. A non-waterfront, three-bedroom single family house averaged \$401,500 while a two-bedroom condominium was \$262,600. Small units were somewhat less expensive, with single family homes with 2 or fewer bedrooms averaging \$285,000 and condominiums with 1 or less bedrooms averaged \$155,000.

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<sup>3</sup> Florida County Perspectives 2001; University of Florida, Bureau of Economics and Business Research.

<sup>4</sup> Building Permit Allocation and Vested Rights Ordinance

According to Census 2000, the City had 11,016 households, an increase of 5.7% over 1990 Census figures. The number of housing units, on the other hand, totaled 13,306 (an increase of 8.9% over 1990), indicating the large number of seasonal and transient units in the City. The popularity of Key West as a seasonal home and rental market has spurred a large increase in the number of housing unit sales to non-residents who occupy them part time or who rent them out to other seasonal visitors, thus removing them from the housing supply available to year-round residents. This trend has also contributed to the sharp increase in housing prices

Similarly, rents in Key West are also extremely high, with the market for rental housing characterized by a scarcity of product. Market rents without utilities range as follows:

<b>Apartment Rents – Key West (2000)</b>	
Apartment Type	Monthly Rent
Efficiencies	\$600-\$800
One bedroom	\$750-\$1,100
Two bedroom	\$1,100 and up
Houses (2-3 bedrooms)	\$1,500 and up
Mobile Homes	\$750 - \$1,000
Source: RKG Associates, Inc. from advertisements and discussions with real estate brokers and landlords.	

Federal housing standards specify that 30% of a household's income for housing and related costs (such as utilities) is the limit that is considered "affordable". According to the latest statistics for Key West (see detailed Claritas data in Appendix D), the City's average household income was \$63,926 in 2001, with the median income at \$47,292. Using the City's median income, an average household could afford a home with an average monthly cost of \$1,182. While some smaller apartments could be rented in this range, an average household could only afford a home in the range of \$150,000 to \$175,000, well below the average sales price of more than \$400,000 for a non-waterfront single family home, and above the \$262,500 average price for a condominium.

#### **7.4. Justification for the EDC**

The redevelopment of the Truman Waterfront and on Trumbo Road is based on the following project goals, taken from the approved Base Reuse Plan and the Chapter 288 documents:

Enhancing the economic health and long-term viability of the City's tourism-dependent business base, by;

- creating and retaining high-quality employment opportunities for Key West citizens, and in particular for residents of Bahama Village, the City's historic African-American neighborhood located adjacent to the site;
- preserving and enhancing the economic foundation of Bahama Village;
- providing needed affordable commercial sites for resident entrepreneurs and existing businesses in order to allow them to compete for a share of Key West's increasingly competitive retail/service trade; and
- expanding economic opportunities and training for Key West's homeless and needy residents to help break the cycle of poverty.

In order to achieve these goals, the economic development conveyance mechanism provides the City with the flexibility and timeliness needed to acquire and redevelop the remaining Truman Waterfront property.

Although the open space and recreation property included in the Truman Waterfront plan could potentially be acquired via a public benefit conveyance, two issues support the EDC approach. First, the Navy's deferred transfer of the Mole Pier significantly alters the City's ability to effectively redevelop the site. The Mole Pier was expected to account for a substantial increase in annual revenues related to cruise ship docking and services, and with the elimination of these revenues from the City's redevelopment plans for the site, it is necessary to maintain a high level of flexibility regarding the remaining revenue-generating activities. In particular, the revenues from the mixed-use landside development and from marina facilities in the Harbor are critical to redeveloping the entire property.

Second, because of the Navy's deferred transfer of the Mole Pier and much of the waterfront, the final configuration of the various allowed uses, including the open space, may change as the City moves forward with its plans. Although the uses permitted in the Comprehensive Plan cannot change without a reopening of the public planning process, adjustments to the physical layout of the site are possible, in order to enhance the overall contribution of the property. If acquired via PBC, future changes to the land use plan would not be possible due to the involvement of the federal sponsoring agency.

Similar issues arise with the remainder of the parcels originally earmarked for acquisition via the port PBC. The area along the South Quay, earmarked in the Reuse Plan for non-cargo marine related activities and a ferry terminal, now no longer has direct access to the harbor. In order to facilitate the redevelopment of this portion of the property and meet the intent of the existing land use regulations, some of these uses may need to be shifted within the confines of the EDC property to better serve the needs of the City and the market. If acquired via a PBC, this siting flexibility will be lost, resulting in the potential for under-utilization and non-optimum development.

## **8. EDC Business Plan**

The redevelopment of the Truman Waterfront by the City of Key West will take several years and require the investment of millions of public and private dollars. A business plan for the project, as called for in the BRAC regulations, has been developed to illustrate both the timing of the needed investments as well as the anticipated returns. The key elements of the plan are described in detail following a summary of the financial plan.

**TRUMAN WATERFRONT (EDC) DEVELOPMENT COSTS**

	Years 1-5	Years 6-10	Years 11-20	TOTAL
<b>INITIAL CONVEYANCE COSTS</b>	\$ 895,740	\$ -	\$ -	\$ 895,740
<b>UTILITIES</b>	\$ 2,114,450	\$ 2,114,450	\$ -	\$ 4,228,900
<b>ROADS/STREETS</b>	\$ 767,460	\$ 255,820		\$ 1,023,280
<b>OPENSOURCE/HARBORWALK</b>	\$ 1,162,500	\$ 1,162,500	\$ 2,325,000	\$ 4,650,000
<b>MARINAS</b>	\$ 4,295,780	\$ 1,600,580		\$ 5,896,360
<b>BUILDING DEMOLITION</b>	\$ 940,600			\$ 940,600
	\$ 10,176,530	\$ 5,133,350	\$ 2,325,000	\$ 17,634,880
<b>PROPERTY MAINTENANCE</b>	\$ -	\$ 1,500,000	\$ 3,000,000	\$ 4,500,000
<b>TOTAL EXPENDITURES</b>	\$ 10,176,530	\$ 6,633,350	\$ 5,325,000	\$ 22,134,880
<b>ANNUAL REVENUES</b>				
<b>Land Lease</b>				
Retail	\$ 79,757	\$ 432,983	\$ 1,967,307	\$ 2,480,046
Office	\$ 24,169	\$ 131,207	\$ 673,668	\$ 829,043
Light Industrial	\$ -	\$ -	\$ 348,814	\$ 348,814
Residential	\$ 10,876	\$ 27,190	\$ 237,755	\$ 275,820
	\$ 114,801	\$ 591,380	\$ 3,227,543	\$ 3,933,724
<b>Marinas</b>				
Mega Yacht Marina (20 slips)	\$ 1,142,500	\$ 2,856,250	\$ 5,712,500	\$ 9,711,250
Commercial Marina (100 slips)	\$ 779,656	\$ 3,898,281	\$ 7,796,563	\$ 12,474,500
(begin in Year 4)	\$ 1,922,156	\$ 6,754,531	\$ 13,509,063	\$ 22,185,750
<b>TOTAL REVENUES</b>	\$ 2,036,957	\$ 7,345,911	\$ 16,736,606	\$ 26,119,474
<b>NET CASH FLOW</b>	\$ (8,139,573)	\$ 712,561	\$ 11,411,606	\$ 3,984,594
cumulative cash flow	\$ (8,139,573)	\$ (7,427,012)	\$ 3,984,594	

**8.1. Financial Plan Summary**

The financial pro-forma that has been developed for the Truman Waterfront redevelopment is summarized in the table above. Over the 20-year forecast period, a total of \$17.6 million will be invested in capital improvements along with \$4.5 million for property maintenance and operations for a total expenditure estimate of \$22.1 million. Total revenues from the leasing of land for the mixed use development and from the rental of marina slips are anticipated to total approximately \$26.1 million. This results in a net positive cash flow of almost \$4 million over the twenty year period. However, cash outlays during the first 10 years will exceed revenues by over \$8 million, requiring substantial investment by the City for the Reuse Plan to succeed. Detailed descriptions of the revenue sources and the various infrastructure and operating costs follow the market analysis.

## **8.2. Market Analysis**

This section provides a brief analysis of the commercial and residential real estate market in the City of Key West in general and for Bahama Village in particular. The results support the economic viability of the proposed mixed-use development on parcels as called for in the Reuse Plan and its supporting documentation.

### **8.2.1. Commercial Lease Rates**

The City of Key West boasts some of the highest retail lease rates in the country, with per square foot rates at prime locations on Duval Street rivaling those found in many big cities at \$60 to over \$100 per square foot (NNN). However, as a resort, Key West is a highly concentrated market exhibiting a very wide range of values based on location and pedestrian traffic. Retail activity is concentrated along Duval Street, with the northerly end (lower Duval) of the street nearest to Mallory Square generating the highest lease rates. The middle of the street, near where Petronia Street intersects, generates lower, but still healthy first floor rates of \$30 to \$75 psf. Off of Duval, obtainable rates are substantially lower in the \$15 to \$25 psf range. Demand is strong, with a mix of national retailers and restaurants competing with locally-owned operations for a finite amount of space.

Occupancy has been very high for the past few years as the number of visitors to Key West has grown. However, the market appears to be stabilizing with a leveling off of lease levels and an increase in vacancy rates on Duval. Local brokers, appraisers and retailers indicate that the Key West Bight area, developed over the past 5 years by the City, has come into its own as a retail and dining destination and increased its share of the market. With indications that total visitation to Key West may be leveling off, no major market shifts are being predicted. In fact, at least one large new retail development planned for the Mallory Square area was scrapped in favor of residential as a result of these trends. No other major additions to the supply of retail space are anticipated.

The Bahama Village area consists of a mix of residential and commercial activities centered on Petronia Street. Lease rates, based on discussions with owners, brokers and appraisers, range from a high of \$25 to \$30 for locations a block off of Duval to a low of \$12 to \$15 for small shops. Vacancy is relatively high due to high turnover. Businesses in Bahama Village are

operated by a mix of locals and non-locals attempting to compete for a share of the immense (\$500+ million in annual sales) Key West market.

Non-retail lease rates for office and service businesses range from the low teens to \$30-\$40 psf depending on location and parking availability. In Old Town, service businesses are usually located above or behind street-front retail shops, or on the first floor of mix-use buildings on the side streets. Due to the high price and lack of availability, retailers often pay top prices for storage space in or near the prime market area. Both retail and service businesses that primarily serve the resident population are generally found in New Town on North Roosevelt or Flagler Avenue. Lease rates in these locations range from \$12 to \$30 psf (NNN).

Expected commercial rent levels at the Bahama Village marketplace portion of the EDC property are expected to average \$20 psf per year, provided that the development is designed appropriately and is actively marketed and managed. The area will support a mix of retail and service users who are focused on the needs of the Bahama Village neighborhood and other residents of Old Town Key West, as well as able to tap into the tourist-related potential generated by cruise ship and park visitors. With Petronia Street opened up allowing easy pedestrian and vehicular movement from Duval Street to the Truman Waterfront, along with the connection to the extended Harborfront boardwalk connecting the area to Mallory Square, the new property and lower Petronia Street should develop as a relatively strong secondary retail location. This will be dependent on the successful redevelopment of the waterfront port and park areas as called for in the Reuse Plan in order to generate the pedestrian traffic needed to support new retail.

#### 8.2.2. Residential Demand

As explained in Section 7.3 above, the limitations on the housing supply in the Keys as a result of the ROGO legislation, coupled with very strong demand for seasonal second homes has resulted in one of the highest priced housing markets in Florida, if not the country. However, as a service-based economy, economic growth is dependent on maintaining a quality labor supply, which is becoming more and more difficult as a result of the housing crisis. The approved Reuse Plan envisioned the redevelopment of the Truman Waterfront to include affordably priced housing using serving the needs of local residents employed in the jobs generated as a result of

the EDC. This housing includes modest apartments located over the retail and office uses within the Village Marketplace area and marine-related support areas designated in the city's land development regulations. In the remaining property that is the subject of this EDC application, a total of 84 units could potentially be developed. The typical unit would range from 750 square feet to 1,200 square feet and contain 1-2 bedrooms. *Because of the limited number of building permits available in the market, the build-out of all 84 units is likely to take 15 to 20 years. In addition, because of the need for affordable housing to support the 430 jobs that will be created on the property, it is also likely that most of the units will carry income and restrictions on occupancy and rent/sale values.* Although the construction of "market value" seasonal residential units would be highly advantageous from a financial perspective, the limits on building permits under ROGO (which strongly favors the creation of affordable units) along with public sentiment as expressed in the approved Reuse Plan, point toward mixed-use housing aimed at the local, service employment market. The demand for such units far exceeds supply in Key West, thus finding tenants is not considered to be an issue.

### 8.2.3. Marina Demand

The demand for marina facilities in Key West has been well documented in previous reports pertaining to the Truman Waterfront property and elsewhere. Nearly all of the existing marinas, both City-owned and private facilities, have multi-year waiting lists for year-round, transient and live-aboard boaters. There is a strong need for more commercial slip space for the City's "working boats" – including fishing charters, tow boats, and service boats. In addition, Key West's reputation as a world-class boating destination attracts many large and very large yachts each year, however, there is limited slip/wharf space to accommodate vessels in excess of 60 feet. A "mega-yacht" marina, capable of serving vessels up to 150 feet, has been determined by Port officials as badly needed in order to continue to attract this important component of the overall tourism-based economy of the City.

### **8.3. Development Costs and Phasing**

Development costs include construction of all new site infrastructure (roads and utilities), demolition of existing structures and construction of the marinas and the open space/harborwalk facilities. Total development costs are estimated at \$17.6 million. Approximately \$15.4 million

is expended in the first 10 years, including nearly \$2 million in the first year to prepare the site for further development while maintaining accessibility for the Navy, NOAA, state park visitors and cruise ships visitors.

Initial costs (Year 1) include labor and materials for security along with planning costs and initial utility and street work. Years 2-5 include the initial construction of the mega-yacht and commercial marinas and the harborwalk, as well as demolition of the existing buildings. At the end of the fifth year, approximately 50% of the utility infrastructure will be completed, along with all of the mega-yacht slips and half (50) of the commercial marina slips. The Village Marketplace commercial area (Petronia Street extension) will also be completed in this phase with approximately 22,000 square feet of retail, 11,000 square feet of office space along with 9 residential units for live-work opportunities.

In the next development phase, Years 6-10, the infrastructure is essentially completed. Another 51,000 square feet of retail and 25,000 square feet of office space will be developed and the commercial marina will be completed, generating annual operating revenues of over \$2 million. The harborfront boardwalk will also be extended from the Hilton Pier to the north, along with a portion of the related recreational facilities.

In the last phase (Years 11-20), the open space/harborwalk is completed and the light industrial uses permitted in the HRCC-4 zone will be developed, along with the remaining retail, office and residential space. This latter development may carry over into later years depending on market conditions. The following sections detail the information on which the various cost items were developed.

Utility	Cost	Comments
Electric	\$678,900	Navy electrical on Navy property, city responsible for remaining property. Cost is for replacement to Keys Energy Services standards.
Sewer	\$900,000	10" Force Main OK, grinder pumps are installed at developments. Navy in charge from Navy property line, no easements. City installs 4200 LF of force main, 26 simplex lift stations, 1 duplex lift station
Storm Sewer	\$1,400,000	City to install 14 injection wells and all associated piping for separate system (\$100,000 each), Navy maintains easement across City property to outfall
Water	\$1,050,000	City to install all new water lines (8,900 feet) for City property, Navy maintains separate water with easements
Communications	\$200,000	City installs their communication needs, Navy maintains current system with easement, may want to install new secure communication line (Communication needs unknown at this time)
<b>Total</b>	<b>\$4,228,900</b>	

### 8.3.1. Infrastructure

#### 8.3.1.1. Utilities

The table above indicates the estimated costs associated with the installation of the major new utility systems at Truman Waterfront. Construction is estimated to spread over the first 10 years of development, as needs occur.

#### 8.3.1.2. Roads & Streets

The need to build new access to and through the site, while maintaining access for the Navy, the Mole Pier, NOAA and the Fort. Approximately three-quarters of the costs will be expended in the first five years.

NEW ROADS	# OF UNITS	UNITS	UNIT COSTS	TOTAL
Parking Lot and entrance road at the Seminole Battery Site	1	Lump Sum	\$346,600.00	\$346,600.00
Additional small parking lot and road at East Quay	1	Lump Sum	\$175,000.00	\$175,000.00
Main Road- Southard St. to Parking Lot, Navy Access Road) (1820' long, 40' wide: 30' road, 10' bike path)	8,090	S.Y.	\$20.00	\$161,800.00
Sidewalk for main road (10' wide)	18,200	S.F.	\$8.00	\$145,600.00
Petronia Street Extension (260' long, 20' wide)	580	S.Y.	\$20.00	\$11,600.00
Sidewalk for Extension (10' wide)	2,600	S.F.	\$8.00	\$20,800.00
Curbs for Roads Main road and Petronia St. Extension	4,160	L.F.	\$27.00	\$112,320.00
Service Road for East Quay (650' long, 10' wide)	725	S.Y.	\$20.00	\$14,500.00
Additional small paved areas(5 areas 20' x 20')	225	S.Y.	\$20.00	\$4,500.00
		<b>Subtotal</b>		<b>\$992,720.00</b>

#### 8.3.1.3. Open Space/Harborwalk

Total costs for development of the open space, recreational facilities and the extension of the waterfront boardwalk along the East Quay is expected to cost \$4,650,000 based on estimates

prepared by the City for landscaping and amenity features totaling \$300,000 per acre and applied to the 15.5 acres of non-developed land within the project area. It is anticipated that some of the funding for these elements will be available from State or Federal grant sources.

#### 8.3.1.4. Demolition

The cost to demolish and remove the seven buildings included on the remaining property (not including the Mess Hall) is estimated at \$940,000 based on local estimating sources. These costs assume no unusual conditions are encountered, that all hazardous materials have been removed and that some of the material can be salvaged. Approximately 28% of the costs are for demolition and removal of the concrete slabs in and around the buildings. These costs do not include slab removal for building #103 due to its 5'-8' thickness. This slab will be left in place and incorporated into the redevelopment plan.

#### 8.3.1.5. Marina Construction

Based on estimates from similar development elsewhere in Key West, the cost to build a 100 slip commercial/professional marina with floating docks and an average slip size of 35' is \$2,695,000. The mega-yacht marina, featuring 20 slips up to 150' long, is estimated to cost \$3,210,000 for a total of \$5,986,000. Marina construction will begin as soon as possible with the 50 of the commercial and the 20 mega-yacht slips constructed in the first 5 years along with the remaining 50 commercial slips built in the second 5-year period. Operating costs, based on the City's current experience with the Key West and Garrison Bight marinas, are estimated at \$600,000 and \$250,000 per year respectively, and are deducted from the estimated annual revenues.

#### 8.3.2. Initial Conveyance Costs

Costs associated with completing the acquisition of the property by the LRA are estimated to total approximately \$895,000 over the first 5 years of development. These are detailed in the following table. These costs included mandated planning studies, maintenance, security and operational costs during the initial redevelopment period.

**INITIAL CONVEYANCE COST**

(Needed to take ownership of property)

<b>Materials</b>	<b>Costs</b>	<b>Comments</b>
6' High Fencing (2200' @ \$18/ft)	\$39,600	Fencing along the East Quay, Building 1287, along ramp, Building 104
Plastic Water filled Barriers (200' @ \$85/ft)	\$17,000	To separate parking lot from East Quay
Safety Equipment for East Quay	\$8,000	Ladders, Throw rings
Temporary Petronia Street Extension	\$7,000	Bike and Pedestrian only
Securing of Buildings	\$10,000	Locks, chains, plywood
Securing grounds	\$6,500	Fill holes, fix manholes, etc
Signage	\$5,000	For entry points, hours, warnings, etc
	<b>SUBTOTAL</b>	
	<u><b>\$93,100</b></u>	
<b>Labor</b>		
Security	\$122,640	24 hour security - per year
Grounds Maintenance	\$65,000	Recreation - Labor 2 Maintenance Workers -per year
	<b>SUBTOTAL</b>	
	<u><b>\$187,640</b></u>	
<b>Other</b>		
Utilities	\$100,000	Electricity, water, trash removal per year
Security	\$53,000	Equipment & vehicle
Grounds Maintenance	\$35,000	Recreation - Equipment, Truck and tractor
	<b>SUBTOTAL</b>	
	<u><b>\$188,000</b></u>	
<b>Planning</b>		
Quality of Life Study	\$125,000	Not needed if extension is given for existing grant, \$125,000 in existing budget
Structural Evaluation of Buildings	\$25,000	Evaluation of Buildings 1287, 102, 103, 104, 189, 84
Consulting Services (Curtis & Kimball)	\$35,000	General Consulting
Transportation Studies	\$40,000	As required by transfer
Marine Feasibility/Finance Study	\$50,000	Market, environmental and engineering feasibility
Master Planner	\$75,000	Development of the Master plan for the Truman Waterfront
Berthing Assessment for Outer Mole	\$20,000	To determine needs of the cruise ship industry
Utility Analysis	\$20,000	Electrical analysis of existing buildings, additional utility studies
Additional Consulting Services	\$25,000	Any additional consulting not covered in budget including Engineering Services
Surveying	\$12,000	For laying out of individual parcels
	<b>SUBTOTAL</b>	
	<u><b>\$427,000</b></u>	
	<b>TOTAL</b>	
	<b>\$895,740</b>	

**8.4. Property Maintenance**

An estimated \$300,000 per year is included as an offset to the revenue stream to cover costs of security and maintenance for the Truman Waterfront EDC area after the initial five year period which is covered above.

**8.5. Revenues**

Revenues from the redevelopment of the Truman Waterfront come from two primary sources – the leased land value from the commercial and residential development, and the net revenues from the operation of the marinas. Minor revenues may be generated from parking meters and from concession leases within the open space/harborwalk area. In addition, property tax revenues will be generated by the private development on the site, which may also be applied to

offset development costs through the use of a tax increment district. However, such funds would not be immediately available.

The revenue from the development of the retail, office, industrial and residential property is based on the estimated capitalized rental value less the cost to construct these facilities. As detailed in the market analysis section of the EDC application, the types of commercial uses envisioned in the Reuse Plan include small, family-based entrepreneurial ventures similar to what currently exists in Bahama Village. This includes retail shops for craftspeople and artisans, affordable live-work opportunities and small office spaces for service-oriented organizations. The light industrial uses are focused on marine-related activities that rely on the location near the harbor. Estimated market rents for built space range from \$12 to \$20 per square foot per year (triple net), which when capitalized (accounting for reasonable vacancy and overhead costs) result in values ranging from \$90 to \$120 per square foot. Subtracting estimated construction costs (excluding land value) leaves the net residual land value, which ranges \$5 to \$25 per square foot, depending on use (in other words, this is what a developer would be willing to pay for the right to develop these uses in this location, according to the City's existing land development regulations). This land value is then translated into annual land lease revenues per square foot of developed (built) space. Lease revenues over the development period totals approximately \$3.9 million.

Marina revenues are based on estimates from the City's operation of the Key West Bight and other marinas in the City. Net revenue per slip, after accounting for direct operating expenses, are approximately \$28,500 per year for the mega-yacht facilities and \$7,800 per year for the commercial marina. Once completed, these 20 and 100 slip facilities generate nearly \$1.4 million in annual revenues, resulting in a total 20-year contribution of over \$22 million.

#### **8.6. Net Cash Flow**

The forecast of revenues and expenses for the redevelopment, shown in the summary table above, indicates that the project will require subsidization over the first 5-10 years. Net cash flows are negative in the first five years, reaching "breakeven" sometime in the second five year period as the remaining marina slips are brought on-line. This negative balance of over \$8 million indicates the additional investment that must be made in the project. At the end of the 10<sup>th</sup> year, a negative cumulative cash flow balance of over \$7.4 million remains, however,

annual cash flows are positive. By the end of 20 years the development shows positive annual cash flows resulting in a total positive “return” of just under \$4 million. However, this return does not include financing costs necessary to carry out the development. The relatively small return reinforces the need for public investment and leadership by the City in order to successfully redevelop the excess property according to the approved Reuse Plan.

### **8.7. Funding Sources**

The City of Key West intends to begin the redevelopment of the Truman Waterfront upon transfer of the property, utilizing existing and contemplated funding from its general fund, local utility agencies, grants and from borrowed funds, if necessary. As previously shown in the application, the City has the financial and management capability to undertake a project of this magnitude. It is anticipated that grant funding, along with general fund contributions, will fund much of the open space/harborwalk costs while revenue bonds will be used for the marinas and the mixed-use development. Private development sources will be utilized to the extent possible as well. Utility construction may be funded in part by the various providers, with repayment from anticipated rate-based (regulated) revenues.

The City of Key West has established and utilized several *tax increment districts* through a Community Redevelopment Authority (CRA) in order to assist in the financing of public infrastructure for important projects. As part of the Bahama Village Redevelopment Plan, a CRA was established most of the neighborhood, with revenues generated from increased tax values earmarked for community improvements, including the enhancement of Petronia Street. It was envisioned at the time that the CRA district could be enlarged to include the Truman Waterfront area. A tax increment district for the EDC area would permit a portion of the municipal tax assessment to be ‘captured’ and redirected to localized needs. Based on a preliminary estimate of taxable value for the EDC parcels once completely built out, it is estimated that a total of about \$150,000 per year could be realized. This, in turn, could support revenue bonding of approximately \$2 million that could be applied toward development costs. However, during the first ten years of development, TIF-based funding will be limited.

### 9. Investment Tracking Mechanism (7 Year Reinvestment)

The LRA will establish an investment tracking procedure that will permit the analysis of all revenues and expenditures relating to the Truman Waterfront redevelopment. The City Finance Office anticipates the creation of one or more enterprise funds for the project, which will allow for the tracking of funds flows and for equitable allocation of joint costs such as the installation of utilities. All EDC-related costs will be identified in a separate enterprise account and budget changes subject to comment by the Navy through the use of a recoupment clause in the transfer documentation.

#### Recommended Recoupment Clause

*All proceeds collected or received by the City from the sale or lease of any portion or all of the Property during the first seven (7) years after the date of the transfer of the Property to the City shall be used to support the economic development or redevelopment of, or related to, the Property (as defined in the Act, as amended by the National Defense Authorization Act for Fiscal Year 2000). An annual financial statement certified by an independent Certified Public Accountant shall be submitted to the Government which describes the use of all sale and/or lease proceeds from the Property collected or received by the City. If after review of the annual financial statement it is determined that such proceeds were not used to support economic development or redevelopment of, or related to, the Property, the City shall repay to the Government 100% of proceeds that are not appropriately so used or reinvested.*

### 10. Job Generation

The successful redevelopment of the Truman Waterfront is anticipated to create numerous employment opportunities for Key West citizens. The following table estimates the number of jobs by land use classification. A substantial number of these jobs are expected to be filled by individuals living in the residential units included in the mixed-use components.

<b>Employment Generation</b>	<b>S/F</b>	<b>Direct Jobs</b>
Retail (50% FTE)	141,898	142
Office	84,902	243
Light Industrial	27,905	37
Residential	84,226	-
Mega Yacht Marina (slips)	20	3
100-Slip Commercial Marina (slips)	100	5
		430