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VIA E-MAIL

July 1, 2022

Kyle Benda, Esquire
Assistant County Attorney
Hernando County Attorney's Office
20 North Main Street
Brooksville, FL 34601

Re: Hernando County, Hernando Beach Marine Group, Inc.
43540 Calienta Drive, Hernando Beach, FL 34607

Dear Mr. Benda:

This confirms that representatives of the Hernando Beach Marine Group, Inc, and the undersigned will meet with you and other Hernando County representatives this Thursday, July 7th, at 9:30 a.m. Please confirm the location of the meeting.

In preparing for the meeting, we have reviewed the lease documents and other pertinent information. That review has revealed some very interesting and pertinent matters for our joint consideration.

As a beginning point, it may be beneficial to agree on what documents are in place as they may relate to the subject property. The initial lease of the property appears to date back to July 27, 1977. That document was amended on November 1, 1979. On March 1, 1982, a "Lease" was entered into regarding the property that expressly states that it supersedes all prior agreements entered into between the parties pertaining to the subject property. We consider the March 1, 1982 lease to be the "Base Lease."

The Base Lease was amended on November 1, 1999, and again on October 21, 2008. The October, 2008, amendment permits the tenant to sublet a portion of the leased premises for use as a cell tower and provides for the payment of one-half of the revenue

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generated from the cell tower subleases to be paid to the Lessor, the "Hernando County Water and Sewer District."

It is our understanding that the terms of the Base Lease, as amended by the November, 1999, and October 2008 amendments (collectively, the Amended Base Lease"), were essentially followed by both of the parties until sometime in early 2017. At that time, which predates both your and my involvement in this matter, representatives of Hernando County and Hernando Beach Marine Group, Inc. ("HBMG"), apparently negotiated substantial changes to the terms of the lease.

Through a series of negotiations and drafts between 2017 and late 2021, a lease document was generated reflecting the changes in the lease terms. However, there seems to be agreement that the last draft of the proposed lease, dated November 18, 2021 (the "Proposed Lease"), was never signed, although the respective performance of the parties from 2017 through March, 2022, reflects adherence to the terms of the Proposed Lease.

Your letter dated March 17, 2022, declaring a default by HBMG under the Amended Base Lease, indicates a return to performance in adherence to the letter of the Amended Base Lease, notwithstanding the mutual adherence by both the County and HBMG of the Proposed Lease terms. For purpose of this correspondence only – and expressly reserving HBMG's rights to assert that the course of conduct over the last five, plus, years, is now controlling – we will assume that the terms of the Amended Base Lease have applied throughout the period since the October, 2008, Amendment was agreed to.

Under the terms of the Amended Base Lease, HBMG was required to pay taxes on the subject property. However, at that time and continuing through the date of this correspondence, the property has been titled solely in the name of Hernando County and its governmental predecessors in interest. Aside from the cell tower, the property has been continuously used solely for governmental and non-profit purposes and was treated as being tax-exempt through 2016. Accordingly, it is our belief that from the inception of the Base Lease through 2016, **there were no taxes assessed against the property.**

Our research reflects that in 2016, a copy of the November 1, 1999, Lease Amendment was recorded in the public records of Hernando County. The Hernando County Property Appraiser's website reflects that the Property Appraiser has treated that recording as a triggering event to reflect "ownership" of the subject property in "Hernando Beach Marine Support Group, Inc.," now known as Hernando Beach Marine Group, Inc. With that recording, the Property Appraiser has treated the subject property as entirely non-governmental and has erroneously appraised the entire property (land, buildings, area development improvements and equipment) as though it was **not** owned by the

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County or any other governmental entity. The resulting tax bills from 2017 through 2021 have reflected the non-exempt status of the property as determined by the Property Appraiser.

(Please note that a review of the Property Appraiser's website indicates that the current total assessed value of the subject property is \$329,423. Of that, it reflects that the value of "**Government Buildings**" is \$201,859 and the "Equipment Structures" are worth \$20,490. The land is valued at \$50,000. "Extra features" (primarily area development improvements) are valued at \$57,074. That would suggest that if any value is to be assessed to HBMG for tax purposes, it should be limited to the cell tower equipment, which is only 6.22% of the total assessed value (\$20,490. of the total assessed value of \$329,423.)

When the discussions between the representatives of the County and HBMG were held (beginning in 2017), there was an apparent recognition of the substantial burden imposed upon HBMG by the assessment of taxes as though the property was privately owned for commercial purposes. In addition, it was then determined that HBMG should be responsible for more than the basic liability insurance required under the Amended Base Lease. Accordingly, at the County's insistence HBMG has undertaken the payment of significantly higher insurance premiums covering the building and related improvements since 2017, while the Amended Base Lease requires only the general liability coverage.

As a result of the increased costs beginning in 2017 to HBMG of the taxes and enhanced insurance coverages, we are told that the County agreed to terminate the need for payment of one-half of the cell tower revenues to the County as an offset to the increased costs to HBMG. Whether that accommodation is ultimately determined to be legally binding on the parties, the reality is that both Hernando County and HBMG have consistently abided by that understanding since 2017.

If we are to return to the terms of the Amended Base Lease, as suggested by your March 17, 2022, correspondence claiming a breach by HBMG relating to the property taxes and revenue sharing from the cell towers, HBMG must be reimbursed for the sums it has paid for increased property taxes and insurance premiums since 2017.

As reflected in the attached accounting, HBMG has paid the increase in property taxes since 2017 for a total paid of \$21,692.73. In addition, the insurance premiums paid for the enhanced coverages **not** required by the Amended Base Lease but insisted upon by Hernando County, total \$43,640.69. **The total of the over-payments made by HBMG through June, 2022, comes out to \$65,333.42.** We have not yet calculated the interest owed by the County on the overpayments and reserve the right to add that to our claim should we be unable to achieve a resolution of this dispute.

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Your default letter demands payment of \$33,750.00 in allegedly due and owing revenue sharing from the cell tower and another \$14,532.77 in interest on that amount, for a total of \$48,282.77. (Payment of the 2021 property taxes has been made by HBMG, so that is a non-issue at this point.) Taking the parties' respective interest claims out of the equation, when viewed in light of the total overpayments made by HBMG, if we are all going to abide by the terms of the Amended Base Lease, it appears as though the County owes HBMG \$31,583.42, plus interest.

As I am sure you understand, we are just starting to dig into the documents, records of discussions held between our respective clients and other evidence. Further review may require an adjustment of the foregoing amounts, but the equities remain the same – our clients must both either perform according to the terms of the Amended Base Lease or according to the terms of their 2017 accord, as evidenced by their mutual performance since 2017. Either way, the County's claim of breach by HBMG is without merit.

The circumstances that now exist between our respective clients beg for a resolution that recognizes the terms of the existing agreement, as potentially modified the parties' mutual performance under the 2017 accord and their respective equities. In addition, we trust that Hernando County will consider the significant service to the residents of Hernando County by HBMG and the Coast Guard Auxiliary which it houses in the subject property.

We look forward to meeting with you on Thursday.

Sincerely,



Ronald W. Sikes

RWS:lls

cc: Hernando Beach Marine Group, Inc.

**Hernando Beach
Marine Group 2017-2022**

| | Taxes Paid | Insurance Paid |
|------|-------------------|-----------------------|
| 2017 | \$3,940.36 | \$5,820.28 |
| 2018 | \$4,173.05 | \$6,314.10 |
| 2019 | \$4,316.49 | \$7,326.33 |
| 2020 | \$4,380.01 | \$10,458.21 |
| 2021 | \$4,882.82 | \$10,989.42 |
| 2022 | \$0.00 | \$2,732.35 |

Totals

\$21,692.73 \$43,640.69

Marine Group 2017

| | Taxes Paid | Insurance Paid | Insurance Name |
|-----------|------------|----------------|--------------------|
| January | \$0.00 | \$0.00 | |
| February | \$0.00 | \$242.48 | Foremost Insurance |
| March | \$0.00 | \$242.48 | Foremost Insurance |
| April | \$0.00 | \$242.48 | Foremost Insurance |
| May | \$0.00 | \$0.00 | |
| June | \$0.00 | \$242.48 | Foremost Insurance |
| June | \$0.00 | \$3,132.00 | Weston Insurance |
| July | \$0.00 | \$491.96 | Foremost Insurance |
| August | \$0.00 | \$249.48 | Foremost Insurance |
| September | \$0.00 | \$242.48 | Foremost Insurance |
| October | \$0.00 | \$242.48 | Foremost Insurance |
| November | \$0.00 | \$242.48 | Foremost Insurance |
| December | \$3,940.36 | \$249.48 | Foremost Insurance |
| Totals | \$3,940.36 | \$5,820.28 | |

Marine Group 2018

| | Taxes Paid | Insurance Paid | Insurance Name |
|-----------|------------|----------------|--------------------|
| January | \$0.00 | \$256.40 | Foremost Insurance |
| February | \$0.00 | \$256.40 | Foremost Insurance |
| March | \$0.00 | \$256.33 | Foremost Insurance |
| April | \$0.00 | \$256.33 | Foremost Insurance |
| May | \$0.00 | \$256.33 | Foremost Insurance |
| May | \$0.00 | \$256.33 | Foremost Insurance |
| June | \$0.00 | \$3,224.00 | Weston Insurance |
| July | \$0.00 | \$0.00 | |
| August | \$0.00 | \$526.66 | Foremost Insurance |
| September | \$0.00 | \$256.33 | Foremost Insurance |
| October | \$0.00 | \$256.33 | Foremost Insurance |
| November | \$0.00 | \$256.33 | Foremost Insurance |
| December | \$0.00 | \$256.33 | Foremost Insurance |
| Totals | \$4,173.05 | \$6,314.10 | |

Marine Group 2019

| | Taxes Paid | Insurance Paid | Insurance Name |
|-----------|------------|----------------|--------------------|
| January | \$0.00 | \$264.88 | Hartford Insurance |
| February | \$0.00 | \$256.65 | Hartford Insurance |
| March | \$0.00 | \$256.65 | Hartford Insurance |
| April | \$0.00 | \$256.65 | Hartford Insurance |
| May | \$0.00 | \$256.65 | Hartford Insurance |
| May | \$0.00 | \$256.65 | Hartford Insurance |
| June | \$0.00 | \$3,264.00 | Weston Insurance |
| July | \$0.00 | \$256.65 | Hartford Insurance |
| August | \$0.00 | \$25.00 | Weston Insurance |
| August | \$0.00 | \$400.00 | Weston Insurance |
| September | \$0.00 | \$523.30 | Hartford Insurance |
| October | \$0.00 | \$799.95 | Hartford Insurance |
| November | \$0.00 | \$256.65 | Hartford Insurance |
| December | \$0.00 | \$509.30 | Hartford Insurance |
| | \$4,316.49 | \$0.00 | |
| Totals | \$4,316.49 | \$7,326.33 | |

Marine Group 2020

| | Taxes Paid | Insurance Paid | Insurance Name |
|---------------|-------------------|--------------------|---------------------------------|
| January | \$0.00 | \$280.18 | Hartford Insurance |
| February | \$0.00 | \$271.73 | Hartford Insurance |
| March | \$0.00 | \$271.73 | Hartford Insurance |
| April | \$0.00 | \$271.73 | Hartford Insurance |
| May | \$0.00 | \$271.73 | Hartford Insurance |
| May | \$0.00 | \$3,354.00 | Weston Insurance |
| June | \$0.00 | \$271.73 | Hartford Insurance |
| July | \$0.00 | \$271.73 | Hartford Insurance |
| August | \$0.00 | \$3,825.00 | FLOOD Auto Club South Insurance |
| August | \$0.00 | \$271.73 | Hartford Insurance |
| September | \$0.00 | \$281.73 | Hartford Insurance |
| October | \$0.00 | \$271.73 | Hartford Insurance |
| November | \$0.00 | \$271.73 | Hartford Insurance |
| December | \$4,380.01 | \$271.73 | Hartford Insurance |
| Totals | \$4,380.01 | \$10,458.21 | |

Marine Group 2021

| | Taxes Paid | Insurance Paid | Insurance Name |
|-----------|------------|----------------|---------------------------------|
| January | \$0.00 | \$297.63 | Hartford Insurance |
| February | \$0.00 | \$288.89 | Hartford Insurance |
| March | \$0.00 | \$288.89 | Hartford Insurance |
| April | \$0.00 | \$288.89 | Hartford Insurance |
| May | \$0.00 | \$288.89 | Hartford Insurance |
| May | \$0.00 | \$3,421.00 | Weston Insurance |
| June | \$0.00 | \$288.89 | Hartford Insurance |
| July | \$0.00 | \$288.89 | Hartford Insurance |
| July | \$0.00 | \$4,093.00 | FLOOD Auto Club South Insurance |
| August | \$0.00 | \$288.89 | Hartford Insurance |
| September | \$0.00 | \$288.89 | Hartford Insurance |
| October | \$0.00 | \$288.89 | Hartford Insurance |
| November | \$0.00 | \$288.89 | Hartford Insurance |
| December | \$4,882.82 | \$288.89 | Hartford Insurance |
| Totals | \$4,882.82 | \$10,989.42 | |

Marine Group 2022

| | Taxes Paid | Insurance Paid | Insurance Name |
|---------------|---------------|-------------------|--------------------|
| January | \$0.00 | \$0.00 | |
| February | \$0.00 | \$661.67 | Hartford Insurance |
| March | \$0.00 | \$326.12 | Hartford Insurance |
| April | \$0.00 | \$326.12 | Hartford Insurance |
| May | \$0.00 | \$326.12 | Hartford Insurance |
| June | \$0.00 | \$326.12 | Hartford Insurance |
| June | \$0.00 | \$326.12 | Hartford Insurance |
| July | \$0.00 | \$766.20 | Weston Insurance |
| August | | | |
| September | | | |
| October | | | |
| November | | | |
| December | | | |
| Totals | \$0.00 | \$2,732.35 | |