



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 7, 2016

TO: Mayor and Councilmembers

FROM: Business Services Division, Waterfront Department

SUBJECT: Introduction Of Ordinance For The Assignment Of Lease Agreement No. 24,741 – Shoreline Beach Café

RECOMMENDATION:

That City Council introduce and subsequently adopt, by reading of title only, An Ordinance of the City of Santa Barbara Approving a Consent to Assignment of Lease Agreement No. 24,741 From Steve Marsh, Kevin Boss, and Beachrok, Inc, a California Corporation, Doing Business as Shoreline Beach Café, to Beachrok, Inc.

DISCUSSION:

Shoreline Beach Café (SBC) has operated at 801 Shoreline Drive since 1997. Prior to that, it was known as the Leadbetter Beach Grill. The average base rent is currently \$14,342.06 per month, allocated seasonally. The most recent lease includes a percentage rent of 10% of gross sales up to \$1,250,000 and 11.4% on any sales above that amount and was approved by City Council in April 2014. The Lease has an initial term of ten years, with two five-year options. Eight years remain on the initial term.

Late last month, Mr. Marsh informed the Department that he was pursuing sole ownership of SBC. Over the past few weeks, Mr. Marsh has been successful in reaching agreement with the other owner and both have requested approval of the lease assignment. If approved by City Council, Mr. Marsh would be the sole owner, as Beachrok, Inc.

The lease with SBC is a ground lease, meaning SBC is responsible for all maintenance, repair and replacement of the building on the property. Shoreline Beach Café has significantly improved the lease space area by installing a well-designed shade canopy for patrons, new artistic deck railings, an improved deck heating system, a completely renovated outdoor deck, and most recently replaced the entire sewer line. As a result, annual rent payments to the City have increased by 92% over the past 10 years.

The current owners are considered tenants in good standing for the purpose of assigning the lease since they have no default notices on file and are prompt with rent payments.

In accordance with the Department's lease assignment procedure, no changes to the business terms of the lease will occur as part of this lease assignment.

The Harbor Commission approved the proposed lease assignment at their meeting on May 19, 2016.

PREPARED BY: Brian Bosse, Waterfront Business Manager

SUBMITTED BY: Scott Riedman, Waterfront Director

APPROVED BY: City Administrator's Office