

APPRAISAL REPORT:  
RENTAL VALUES  
SIDEWALK DINING AREAS  
SANTA BARBARA, CALIFORNIA

Date of Value:  
April 13, 2006

Prepared For:  
City of Santa Barbara  
Public Works Department  
P.O. Box 1990  
Santa Barbara, CA 93102-1990

Date of Report:  
April 13, 2006

Attention:  
John Ewasiuk  
Principal Civil Engineer

# SCHOTT & COMPANY

REAL ESTATE APPRAISAL & CONSULTING

April 13, 2006

John Ewasiuk  
Principal Civil Engineer  
City of Santa Barbara  
Public Works Department  
PO Box 1990  
Santa Barbara, CA 93102-1990

Reference: Real Estate Consulting Services  
Rental Values  
Sidewalk Dining Areas  
Santa Barbara, California

Dear Mr. Ewasiuk:

As requested, I have proceeded with the work necessary to provide my opinion of the market rental value of city owned sidewalk dining areas as of April 13, 2006.

The findings of my investigations are summarized on the following pages. Please refer to the Addenda of this letter for more specific property identification, definitions, assumptions, limiting conditions, and certification.

This is a Complete Appraisal, Restricted Report. It is intended to comply with the reporting requirements set forth under Standards Rule 2-2(c) of the Uniform Standards of Professional Appraisal Practice. As such, this letter presents only statements regarding the data, reasoning, and analyses that were used in the appraisal process to develop an opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in my files. The depth of discussion contained within this report is specific to the needs of the client and may be misleading to a disinterested third party. My work has included consideration of the appraisal problem, a survey of market data, and valuation analyses.

## ***Introduction***

The subject properties consist of city owned sidewalk areas located adjacent to restaurants in various locations within the City of Santa Barbara, California. The city currently has a population of approximately 90,000. Real estate values have been increasing substantially during the past seven years.

Because rental values vary according to location, at the request of the client, I have segregated my analysis among four areas: Downtown Core-State Street, Outer Downtown Core-State Street, Downtown Core – Side Streets/Cabrillo Boulevard, and Milpas Street. Specifically, Downtown Core State Street refers to the 500, 600,

700, 800, and 900 blocks of State Street. The Outer Downtown Core State Street area refers to the 100, 200, 300, 400, 1000, 1100, 1200, and 1300 blocks of State Street. Downtown Core Side Streets and Cabrillo Boulevard are areas in the downtown core not on State Street as well as along Cabrillo Boulevard.

The Outdoor Dining Program allows restaurateurs the opportunity to enter into an agreement with the City to use a portion of the public right of way for outdoor dining purposes. Along with specific design guidelines, no food or beverages may be served on the sidewalk between the hours of 11:30 p.m. and 6:00 a.m. Further, for those tenants on State Street, all outdoor dining tables, chairs, barricades, etc. must be removed for the Solstice Parade and for the entire Fiesta Weekend (8:00 a.m. Friday to 6:00 a.m. Sunday). Of course, weather is another potential factor that limits the use of the sidewalk areas for outdoor dining. Alternatively, the outdoor dining can be a great draw for a restaurant as pedestrians passing by are able to see and smell the food of a restaurant.

### *Valuation*

The valuation of the subject properties involved the survey of restaurant leases and discussions with real property leasing agents. Based on this research, ranges of rental rates for restaurants in the individual study areas are set out below.

Downtown Core – State Street: This area focuses around Paseo Nuevo and has the highest amount of foot traffic. As a result, restaurant rents in this area are among the highest in the city. Restaurant rental rates in this area range from \$3.00 to \$5.50 per square foot, per month, on a triple net basis. Within this wider range, the most typical range would be between \$4.00 to \$4.50 per square foot, triple net.

Outer Downtown Core – State Street: This area is further from the core and rents are generally lower as is the level of foot traffic. Generally, restaurant rents in this area range from \$2.00 to \$4.00 per square foot, triple net.

Downtown Core – Side Streets/Cabrillo Blvd.: These areas command lower rents still as they have lower rates of foot traffic and are more peripheral. In these areas restaurant rents typically fall within the range of \$1.50 to \$2.50 per square foot, triple net.

Milpas Street: Milpas Street serves as a secondary commercial corridor with restaurants serving the local population rather than tourists (for the most part). Rental rates are typically lower in this area than they are near the downtown core. Restaurant rents in this area are in the range of \$1.00 to \$2.00 per square foot, triple net.

### *Conclusions of Value*

The rental value of sidewalk dining areas can be estimated based on a percentage of what nearby restaurant buildings are leasing for. The appropriate percentage is impacted by a number of factors. As discussed above, certain restrictions encumber

the sidewalk dining areas (limited hours of operation and removal for parades). Further, cold or wet weather limit or preclude the use of the sidewalk areas from a practical perspective.

Alternatively, the sidewalk allows for an expansion of a restaurant's seating area. Equally or more importantly, it is an opportunity to essentially advertise through increased exposure.

Considering the limitations of the space combined with the opportunities it creates, a figure of 50% of interior restaurant rent is judged to be reasonable and appropriate for the subject dining areas.

In relation to rental values for the various areas of the city discussed above, I have selected figures from the midpoints of the ranges of rental values for use in the final conclusion of value. Value conclusions have been calculated as follows:

RENTAL VALUE CONCLUSIONS				
Area	Rental Range	Midpoint of Range	%	Rental Value Conclusion/ Sq. Ft.
Core-State Street	\$4.00-\$4.50	\$4.25	50%	\$2.13/Sq. Ft.
Outer Core-State St.	\$2.00-\$4.00	\$3.00	50%	\$1.50/Sq. Ft.
Core-Side St/Cabrillo	\$1.50-\$2.50	\$2.00	50%	\$1.00/Sq. Ft.
Milpas Street	\$1.00-\$2.00	\$1.50	50%	\$0.75/Sq. Ft.

The above indications of rental value are on a triple net basis whereby the tenant is required to maintain the area, provide liability insurance, and pay possessory interest taxes.

I hope the information contained within this complete appraisal, restricted report is suitable for your current needs: Should you have any questions or require further detail, please feel free to contact me.

Sincerely,



Stephen G. Schott, MAI  
CA #AG024150