

**Lease Revenues**

In preparation for the construction project, staff has also been working with the major tenants on negotiations of new leases to occupy the expanded and remodeled Chandlery Building. It will be necessary to have the building vacated prior to the start of construction. West Marine and Chandlery Yacht Sales have agreed to move from the building temporarily and reoccupy the leased premises upon building completion. These tenants currently have lease agreements continuing through September 2006. The following chart outlines the square footages to be occupied by all building tenants and the expected lease rental rates along with total revenues to be generated from this commercial building.

**Approximate Base Rent Range After Renovation**

Tenant	Address	Square Feet	Low End	High End	Current Base Rent
			\$1.60	\$2.10	\$0.97
Chandlery	132-B	734	\$1,174.40	\$1,541.40	\$766.00
West Marine	132-C	2955	\$4,728.00	\$6,205.50	\$4,287.00
Vacant	132-D	1289	\$2,062.40	\$2,706.90	-0-
Monthly Total		4978	\$7,964.80	\$10,453.80	\$5,053.00
<b>Annual base rent</b>			<b>\$95,577.60</b>	<b>\$125,445.60</b>	<b>\$60,636.00</b>

The figures shown above represent base rent only. During the last five years, total rent revenue (base + percentage), for the Chandlery Building has averaged \$73,000, ranging from \$91,000 in 2001 to \$61,000 in 2002.

Although the leases have yet to be finalized and executed, sufficient progress has been made with each tenant to anticipate the Department would receive at least the minimum lease rental rate in the rental rate ranges noted above. West Marine has opted not to expand into the new 1,289 square foot ground floor space. Staff is confident that the ground floor square footage not occupied by West Marine will be leased, if not during the construction period, at least by the time the building is completed. The new space will be leased either through a public Request for Proposals (RFP) process or offered to one of the Department's existing tenants.

Based on these tentative lease negotiations, it is anticipated that annual base rent revenues from the Chandlery Building can be increased by \$30,000 – \$40,000 over the \$60,000 currently received once the building is expanded and remodeled. Obviously, the rental revenue generated from this building is a significant source of funds for the Waterfront Department. It should also be noted that the Chandlery Building is a 40-year-old commercial structure, which is in need of repairs. It has been estimated that approximately \$250,000 - \$750,000 in maintenance upgrades will be necessary over the next several years even if this remodel project does not proceed forward.