



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: September 14, 2010

TO: Mayor and Councilmembers

FROM: Business Division, Waterfront Department

SUBJECT: Introduction Of Ordinance For A 25-Year Lease With Brophy & Sons, Inc., Doing Business As Brophy Brothers Restaurant And Clam Bar

RECOMMENDATION:

That Council introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving a 25-Year Lease with Brophy & Sons Inc., Effective October 21, 2010, Encompassing a Portion of 119 Harbor Way and 117 Harbor Way.

DISCUSSION:

Brophy & Sons, Inc., (Brophy's) leases approximately 2,200 square feet of second floor space at 119 Harbor Way for their restaurant facility, 380 square feet of space on the first floor of the 119 building for the clam bar, and 994 square feet of space in the adjacent Old Coast Guard Building at 117 Harbor Way for storage and refrigeration. The current lease commenced on October 1, 1991, and expired on February 1, 2010.

The rent is \$32,695 per month or 10% of gross sales, whichever is greater. The current lease has an escalation clause that increases the percentage rent to 11% of gross sales after the business surpasses \$2.5 million in gross sales in a calendar year. Brophy's typically breaks into the 11% category in July of each year. Other restaurants that have a percentage rent escalation clause include Harbor Restaurant, Chuck's Waterfront Grill, Santa Barbara Shellfish Company and Breakwater Restaurant.

Brophy's current lease also has a "Reimbursement for Improvements" provision. The Reimbursement for Improvements provision allows eligible tenants to apply for an offset to their percentage rent for certain infrastructure improvements that are approved in advance by the Department (the tenant is still responsible for paying its full base rent obligation).

Tenants that have the Reimbursement for Improvements clause in their lease include Chuck's Waterfront Grill, Char West, Harbor Restaurant, Minnow Café, Shoreline Beach Café, Santa Barbara Shellfish Company, Sea Landing and Santa Barbara Sailing Center. The clause is intended to encourage tenants to invest in the infrastructure of the property, which benefits the tenant and the City, since the property improvements ultimately revert to City ownership at lease expiration. For example, Brophy's and the

Harbor Restaurant completed major kitchen and plumbing upgrades to their leased properties under the rent credit incentive program. Shoreline Beach Café added its awning and forced-air heating to its outdoor patio and received rent credits under the program. The tenants' sales and percentage rent payments increased following the improvements.

The principal changes to the lease involve the following:

- Updated Reimbursement for Improvements provision; and
- Seasonal allocation of base rent, allowing for a lower base rent in winter months to be made up with a higher base rent in summer months (consistent with most Waterfront restaurant tenants).

The basic terms of the proposed lease are as follows:

- **Base Rent:** \$32,695 average per month (no change), but allocated seasonally
- **Percentage Rent:** 10% of gross sales, escalating to 11% at \$3 million (was 11% at \$2.5 million)
- **Cost of Living Adjustment:** Annually, based on changes in the Consumer Price Index
- **Term:** Five years with 4 five-year options for a total of 25 years
- **Personal guarantee:** Since the lease is with a corporation, Susan Bennett signed the City's standard personal guarantee.

All other business terms of the lease remain unchanged. Brophy Brothers Restaurant and Clam Bar remains the Waterfront Department's second largest rent generating tenant and produces approximately 12% of the Department's annual property management revenue.

The Harbor Commission recommended approval of the lease at the August 19, 2010, meeting.

ATTACHMENT: Site Plans

PREPARED BY: Scott Riedman, Waterfront Business Manager

SUBMITTED BY: John N. Bridley, Waterfront Director

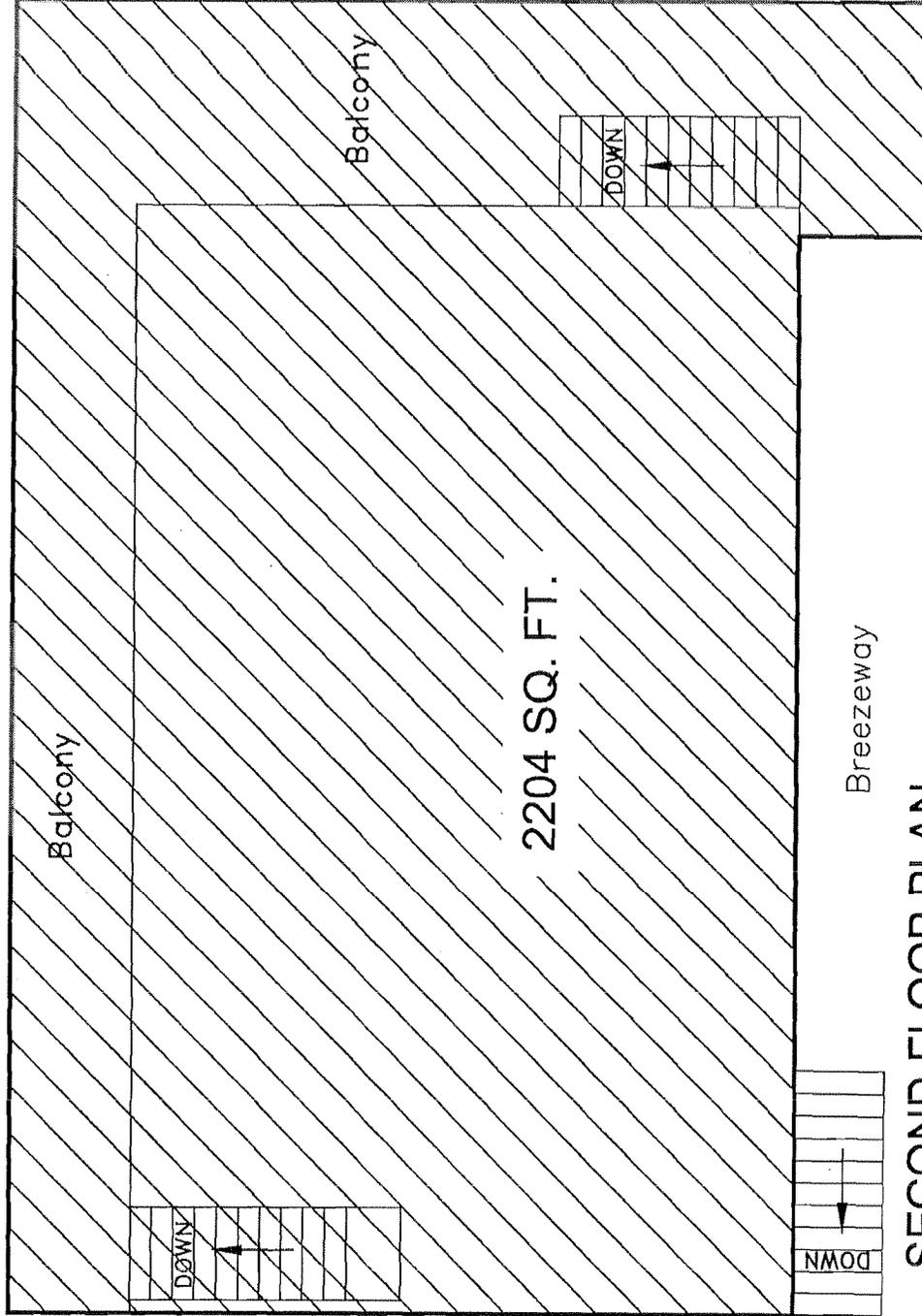
APPROVED BY: City Administrator's Office

Project North

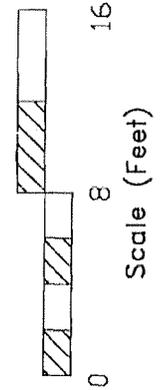


Brophy's Lease

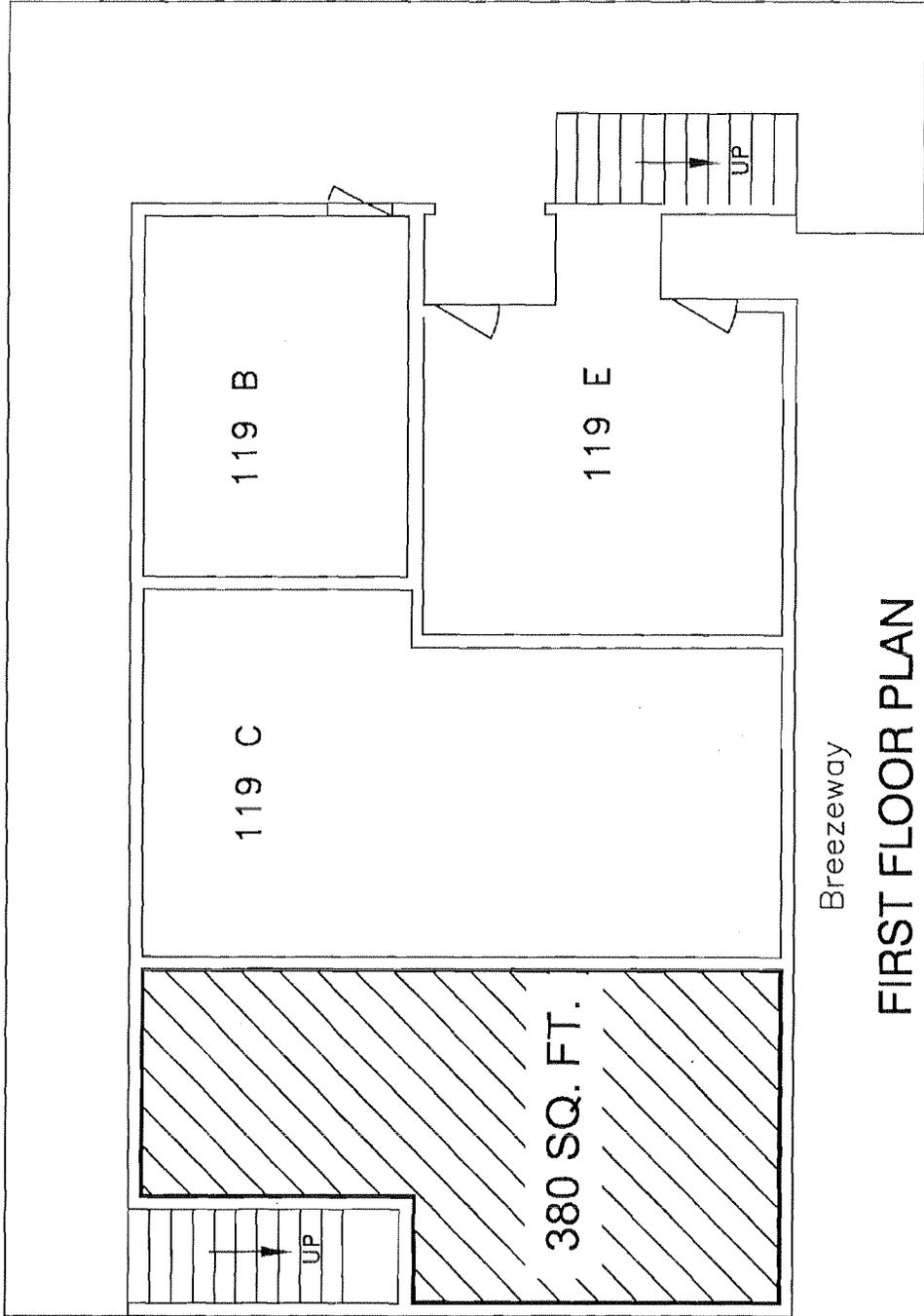
119-A	2,204 SQ FT
119-D	380 SQ FT
117-H	994 SQ FT
Total	3,578 SQ FT



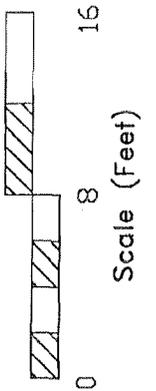
SECOND FLOOR PLAN
119 - A Harbor Way



REVISIONS	Lease Area Exhibit "A"		
	SCALE: 1" = 8'	APPROVED BY: S. REEDMAN	DRAWN BY: T. LAWLER
	DATE: 3/25/2010	ADDRESS: 119-A HARBOR WAY	SHEET NO: 1 OF 3
		City of Santa Barbara	DRAWING NO: 1190-017
		Waterfront Department	



Breezeway
FIRST FLOOR PLAN
 119 - D Harbor Way



REVISIONS	Lease Area Exhibit "A"		
	SCALE: 1" = 6'	APPROVED BY: S. REEDMAN	DRAWN BY: T. LAWLER
	DATE: 3/25/2010	ADDRESS: 119-D HARBOR WAY	SHEET NO: 2 OF 3
		City of Santa Barbara	DRAWING NO: 1190-016
		Waterfront Department	

119 Harbor Way

DOOR

TRASH ENCLOSURE

117-H
994 SQ. FT.

BREEZEWAY

GATE

117 G

Project North



117 E

117 D

REVISIONS

Lease Area
Exhibit "A"

SCALE: 1" = 8'	APPROVED BY: S. REIDMAN	DRAWN BY: T. LAWLER
DATE: 9/25/2010	ADDRESS: 117-H HARBOR WAY & Addition	SHEET NO: 3 OF 3
	City of Santa Barbara	DRAWING NO: 1170-008

Waterfront Department

FIRST FLOOR PLAN
117 - H Harbor Way

