



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** October 19, 2010

**TO:** Mayor and Councilmembers

**FROM:** Business Division, Waterfront Department

**SUBJECT:** Introduction Of Ordinance For A 15-Year Lease With Conway Vineyards, Incorporated, For The Wine Tasting Room At 217-G Stearns Wharf

### RECOMMENDATION:

That Council approve a 15-year lease with Conway Vineyards, Inc., and introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving a 15-Year Lease of the Premises Located at 217-G Stearns Wharf with Conway Vineyards, Inc., Effective November 25, 2010.

### BACKGROUND:

The lease with the Coastal Winery wine tasting room expired on March 31, 2010, and the former tenant vacated the space at 217-G Stearns Wharf on April 5 (Attachment 2).

The Department conducted a two-phase screening and selection process to identify a prospective tenant. The Request for Qualifications (RFQ) phase was used to identify interested businesses and their general concept for the lease space. Thirty-five RFQ packets were sent out and 12 responses were received from various businesses including winegrowers from Santa Barbara, San Luis Obispo, Tulare, San Joaquin and Sonoma Counties (Attachment 1). A Selection Committee consisting of Harbor Commissioners and staff reviewed qualifications and recommended a priority list ("short list") of the top four candidates that were invited to participate in the second phase, the Request for Proposals (RFP).

The four finalists selected were Foley Family Wines, Kalyra Winery, Metropulos Fine Foods Merchant, and Conway Vineyards, Inc.

### DISCUSSION:

Three business proposals were received by the August 25 deadline. Foley Family Wines did not submit a proposal. The three proposals are described briefly as follows:

**Kalyra Winery** and tasting room opened in February 2002 in Santa Ynez. Kalyra opened a second tasting room in 2007 at 212 State Street.

Kalyra's proposal involved moderate investment in the facility and minimal down time, estimating that the business could be opened in 21 days' time. Kalyra proposed to refurbish the mahogany bar, refurbish the Stearns Wharf premises, close its existing State Street tasting room, and relocate its operation and Alcoholic Beverage Control (ABC) license to the Stearns Wharf location. The Kalyra Santa Ynez winery and tasting room would continue normal operations.

**Metropulos Fine Foods Merchant** has operated at 216 East Yanonali Street since 2004. Metropulos proposed to open a tasting room on Stearns Wharf offering customers the opportunity to taste wines as well as cheeses, jams, olive oils, vinegars, cured meats, salads, soft drinks, beers, and other items that do not need to be served hot. The food would be prepared off-site at the Metropulos kitchen facility. Metropulos proposed significant investment in the facility and acquisition of a new ABC license that would be necessary for serving food and wine.

**Conway Vineyards** (Conway) was founded in 2007 and has a wine production facility in Santa Maria and vineyards at Rancho Arroyo Grande. Conway produced approximately 40,000 cases of premium table wine from the 2008 harvest and anticipates approximately 50,000 cases from the 2009 harvest. The wines are made from grapes grown in select Santa Barbara and Central Coast vineyards. Although relatively new to the wine business, the company has retained managers and consultants with extensive experience in the wine production / wine sales industry and Conway has solid financial resources.

The Conway proposal involves establishing a quality wine tasting room on Stearns Wharf through an extensive tenant improvement, significant monetary investment in the lease space and a comprehensive marketing plan. Conway currently has an ABC license that will be used at the Wharf location.

The criteria for evaluation included:

1. Business plan
2. Management team
3. Planned improvements to the lease space
4. Financial qualifications

Staff visited each location and met with the owners during the month of August. The Harbor Commission Selection Committee met with staff in August to review the proposals and receive presentations from the respondents. All three proposals were of outstanding quality. After carefully considering the three proposals, the Selection Committee recommended the Conway proposal as being the most responsive and appropriate to reinvigorate the wine tasting room concession on Stearns Wharf as evidenced by the business plan, management team, planned improvements and financial qualifications.

The business terms of the proposed lease are summarized as follows:

- **Permitted Uses:** A wine tasting room and retail store selling wine, beer, juices, waters, retail items and specialty foods commonly found in wine tasting rooms including cheeses, baguettes, croissants and coffee drinks. Tenant may carry T-shirts, sweatshirts and hats that carry a design/logo featuring the name of the business;
- **Term:** Five-year lease, with two 5-year options to extend
- **Base Rent:** \$4,160 per month
- **Percentage Rent:** Base rent or 10% of gross sales, whichever is greater
- **Insurance:** City standard requirements of commercial general liability, property, and business interruption insurance
- **Personal Guaranty:** Signed by Christopher Conway

The Harbor Commission recommended approval of the Conway proposal and directed staff to negotiate a lease agreement based on the business terms outlined in the RFQ / RFP and proceed to City Council for final approval at the September 16, 2010, meeting.

**ATTACHMENTS:** 1. RFQ Respondents  
2. Site Plan

**PREPARED BY:** Scott Riedman, Waterfront Business Manager

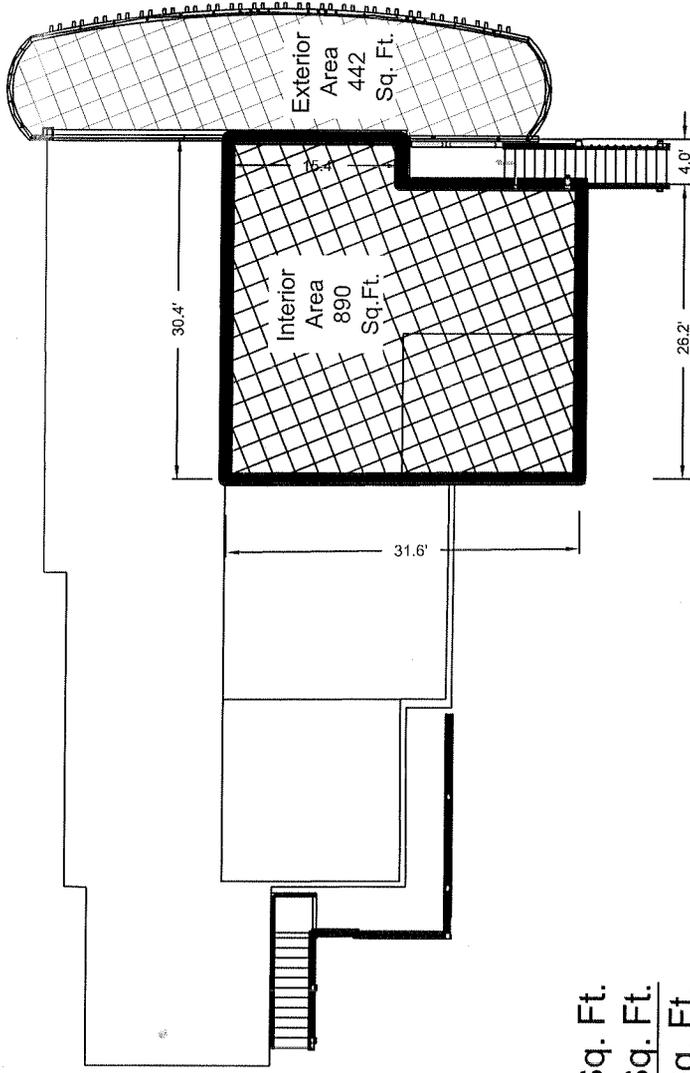
**SUBMITTED BY:** John N. Bridley, Waterfront Director

**APPROVED BY:** City Administrator's Office

**Stearns Wharf Wine Tasting Room / responses to RFQ**

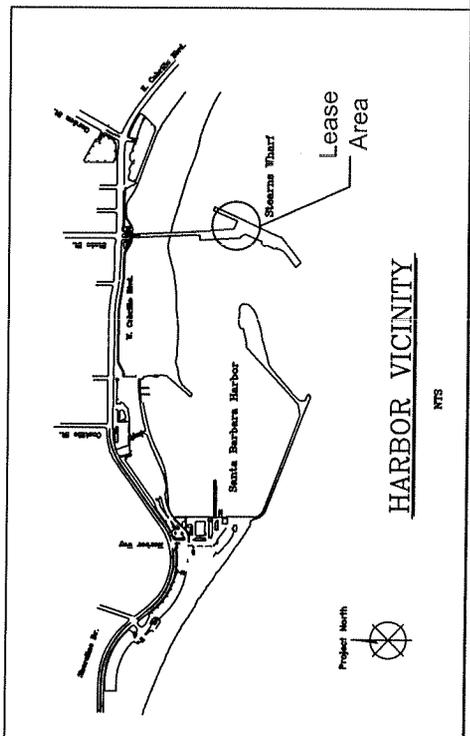
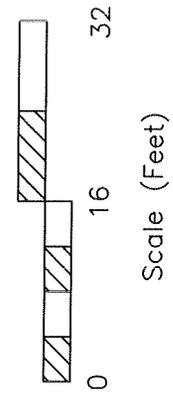
Company	Principal	Address	Website
<b>RFQ selected- in alphabetical order</b>			
Conway Family Wines	Christopher Conway	591 Hi Mountain Road, Arroyo Grande	<a href="http://www.conwayvineyards.com">www.conwayvineyards.com</a>
Foley Family Wines	William Foley II	389 Fourth Street, East Sonoma, CA	<a href="http://www.foleyfamilywines.com">www.foleyfamilywines.com</a>
Kalyra Winery	Martin Brown	212 State Street	<a href="http://www.kalyrawinery.com">www.kalyrawinery.com</a>
Metropolis Fine Foods	Craig & Ann Addis	216 East Yanonali St	<a href="http://www.metrofinefoods.com">www.metrofinefoods.com</a>
<b>RFQ Not selected- in alphabetical order</b>			
Channel Islands Winery	Doug Scott & Virga Paskus	760 W Loop Drive, Camarillo	
Kunin Winery LLC	Seth & Magan Kunin	28 Anacapa St #A	<a href="http://www.kuninwines.com">www.kuninwines.com</a>
La Belle Winery	Marti Woodmansee	Terra Bella, CA	<a href="http://www.labellewinery.com">www.labellewinery.com</a>
Oreana Winemaking Co. LLC	Christian Garvin	205 Anacapa Street	<a href="http://www.oreanawinery.com">www.oreanawinery.com</a>
"Pacific Wine Room"	Mark Lawrence & Sarah Sugich	"Blush" 630 State St	
Presidio Vineyard & Winery	Doug Braun	Lompoc /Solvang	<a href="http://www.presidiowinery.com">www.presidiowinery.com</a>
"Skippers"	Jon Marshall	217-C Stearns Wharf	
Watts Winery & Vineyards	Craig & Shari Watts	12470 Locke Road, Lockeford CA (Lodi)	<a href="http://www.wattswinery.com">www.wattswinery.com</a>

Second Floor Plan  
 Old Wharf Building  
 217 #G Stearns Wharf



Interior Lease Area: 890 Sq. Ft.  
 Exterior Lease Area: 442 Sq. Ft.  
 Total Lease Area: 1,322 Sq. Ft.

ATTACHMENT #2



REVISIONS		DATE: 05/10/10	APPROVED BY: S. Reichman	DRAWN BY: J.J.
		ADDRESS: 217 #G Stearns Wharf		SHEET NO: 1 of 1
			City of Santa Barbara	DRAWING NO: 2170-013
			Waterfront Department	

Exhibit A: Lease Area