

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: September 16, 2010
To: Harbor Commission
From: John N. Bridley, Waterfront Director
Subject: Request for Proposal: 217-G Stearns Wharf Wine Tasting Room

RECOMMENDATION: That Harbor Commission:

- A. Consider the review and analysis of the three finalists' business proposals received from Kalyra Winery, Metropulos Fine Foods Merchants, and Conway Family Wines for the wine tasting room at 217-G Stearns Wharf;
- B. Accept the recommendation from the Selection Committee and make a finding that Conway Family Wines is the most responsive and appropriate lessee to redevelop the wine tasting business on Stearns Wharf; and
- C. Direct staff to negotiate a lease agreement with Conway Family Wines based on the business terms outlined in the RFQ / RFP and proceed to City Council for final approval.

BACKGROUND:

The Request for Qualifications (RFQ) for the 890 square foot space at 217-G Stearns Wharf was sent to 35 interested parties on May 27, 2010 (Attachment 1). As of the June 16 deadline, 12 responses were received from various businesses including winegrowers from Santa Barbara, San Luis Obispo, Tulare, San Joaquin, and Sonoma Counties (Attachment 2).

The number of responses and their level of quality confirmed that there is significant interest in leasing space on Stearns Wharf. The Harbor Commission Selection Committee met with staff on July 7, 2010, to review qualifications and recommend a priority list (short list) of qualified applicants to be invited to participate in the second phase, the Request for Proposals (RFP). Four of the twelve applicants were selected as finalists to participate in the RFP process; Foley Family Wines, Kalyra Winery, Metropulos Fine Foods Merchant, and Conway Family Wines.

DISCUSSION:

Three business proposals were received by the August 25 deadline. Proposals were submitted by Kalyra Winery, Metropulos Fine Foods Merchant, and Conway Family

Wines (Attachment 3). 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 business model is to offer wine tasting in a fun and relaxed atmosphere with an Australian theme, reflective of owners Mike and Martin Brown's Australian heritage. Kalyra sponsors a women's cycling team and holds a variety of special wine tasting events such as their annual Great Aussie BBQ, Moonlight Madness wine tasting, the Great Grape Stomp and others.

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, refurnish 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 market is owner-operated by Craig and Ann Addis and includes a fully-stocked professional kitchen offering a complete deli with artisan cheese and salami cut to order, freshly prepared sandwiches and salads, wines, and imported foods from Italy, Greece, Spain and France. The quality of the food and the attractiveness of the retail and wine merchandising are immediately apparent when visiting the business.

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 Family Wines 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 that are close enough to the Pacific Ocean to benefit from its maritime influence. 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 Deep Sea brand has already received awards and accolades, a partial list of which is attached (Attachment 4).

The Conway proposal involves establishing a high-profile 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 could be used at the Wharf location. Additionally, they proposed to pay 12 months' base rent in advance.

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 Selection Committee (Commissioners Spicer, Sloan and Bantilan) met with staff on August 31 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 Family Wines 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 Conway business plan includes a comprehensive marketing campaign. Their management team has extensive experience in the wine industry in addition to the family members that are actively involved in business (Attachment 5). The Conway proposal includes significant improvements to the leased facility with itemized expenses and timeline for development, and the company clearly has the financial resources to carry out the project.

The business terms of the RFQ / RFP are summarized as follows:

- **Permitted Uses:** A wine tasting room **with possible limited food service** such as sandwiches and cheese plates (no grill, fryer or hood), retail sales of wine and beer (no distilled spirits) and merchandise commonly associated with wine tasting rooms;
- **Term:** Five-year lease, with one or two 5-year options to extend;
- **Base Rent:** \$3,500 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; and
- **Personal Guaranty:** required if business is a corporation.

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If the Harbor Commission concurs with the Selection Committee recommendation, staff will begin lease discussions with Conway Family Wines based on the business terms outlined above.

Attachments: 1. Request for Qualifications (RFQ)
2. RFQ Respondents
3. Excerpts from Finalists' RFP Business Proposals
4. Partial List /Awards and Accolades for Deep Sea Brand
5. Conway Family Wines Management Team

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