

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: September 20, 2012
To: Harbor Commission
From: Scott Riedman, Waterfront Director
Subject: Lease Agreement with Brophy & Sons, Inc.

RECOMMENDATION:

That Harbor Commission consider and recommend City Council approval of a 23-year lease agreement with Brophy & Sons, Inc., doing business as Brophy Brothers Restaurant and Clam Bar and On The Alley, at an average base rent of \$35,800 per month or 10% of gross sales, whichever is greater.

BACKGROUND:

In August 2010, Harbor Commission recommended approval of a new 25-year lease with Brophy & Sons, Inc (“Brophys”) for the second floor restaurant operation at 119 Harbor Way.

In January 2011, Brophys assumed the lease of the former Minnow Café location at 117-E Harbor Way via a lease assignment process. The Minnow Café lease had expired in 2008 and the business had operated on a month-to-month “holdover” status since that time. Brophys continued to operate the Minnow Café until closing for an extensive remodel in October 2011. The business reopened in May 2012 as “On The Alley” and includes additional space formerly occupied by the Santa Barbara Fish Market at 117-F Harbor Way.

DISCUSSION:

The remodel of the former Minnow Café and Fish Market spaces triggered County Environmental Health Services (EHS) upgrades and Americans with Disabilities Act (ADA) improvements which required substantial work in the adjacent Brophys lease space in suite “H” of the 117 building. Although Brophys and On The Alley maintain separate identities and operate from different business models, functionally the lease spaces are now permanently combined. The proposed lease combines the two restaurant spaces and rent obligations into one lease contract, simplifying rent payments, accounting, and record keeping.

The basic terms of the proposed lease are as follows:

- **Base Rent:** \$38,500 average per month, allocated seasonally (Brophys base rent + On The Alley base rent)
- **Percentage Rent:** 10% of gross sales, escalating to 11% at \$3 million (no change)
- **Cost of Living Adjustment:** Annually, based on changes in the Consumer Price Index
- **Term:** Approximately three years remaining on the initial term with 4 five-year options for a total of 23 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. On The Alley doubled its gross sales this year compared to June-July 2011.

A copy of the lease is available for review at the Waterfront Department administration office.

Attachment: Site Plan

Prepared by: Brian Bosse, Waterfront Business Manager