

## CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

### MEMORANDUM

**Date:** January 23, 2014  
**To:** Harbor Commission  
**From:** Scott Riedman, Waterfront Director  
**Subject:** Lease Agreement with Shoreline Beach Café

---

#### RECOMMENDATION:

That Harbor Commission review and recommend to the City Council approval of a ten-year lease agreement with two five-year options with Kevin Boss, Steve Marsh, and Beachrok, Inc, a California corporation, doing business as Shoreline Beach Café, at an average initial base rent of \$14,342.06 per month, allocated seasonally, for the 5,095 square foot restaurant located at 801 Shoreline Drive.

#### DISCUSSION:

Shoreline Beach Café (SBC) has operated at 801 Shoreline Drive since 1997. Prior to that, it was known as the Leadbetter Beach Grill. The current lease dates back to 1994 and expires on May 23, 2014. The lease format is outdated and lacks current insurance requirements and lease assignment provisions, as well as maintenance and default clauses. Additionally, the lease has been assigned once and amended three times. The proposed lease modernizes those provisions and brings the lease into compliance with current City of Santa Barbara practices.

The current lease requires a percentage rent of 11.4% of gross sales, more than any other Waterfront full-service restaurant. The tenant requested a flat 10% of gross sales. Staff is recommending a percentage rent of 10% of gross sales up to \$1,250,000 and 11.4% on any sales above that amount. This percentage rent structure is similar to other Waterfront full-service restaurant leases (Attachment 1).

The percentage rent escalation at \$1.25 million is identical to the rent for Santa Barbara Shellfish Company, which operates at similar sales volumes as Shoreline Beach Café (\$2.2-\$2.6 million annually).

The lease with SBC is a ground lease, meaning SBC is responsible for all maintenance, repair and replacement on the property. Shoreline Beach Café has significantly improved the lease space area by installing a well-designed shade canopy for patrons, new artistic deck railings, an improved deck heating system and most recently a completely renovated outdoor deck. As a result, annual rent payments to the City have increased by 92% over the past 10 years. This increase justifies the minor percentage rent concession staff is recommending.

The business terms of the proposed lease are as follows:

- **Term:** Ten-year initial term with two, five-year options
- **Base Rent:** An average of \$ 14,342.06 per month allocated seasonally
- **Annual Rent Adjustment:** Cost of Living increases based on the Consumer Price Index (CPI)
- **Percentage Rent:** Ten percent (10%) of Tenant's Gross Receipts up to and including \$1,250,000 and 11.4% of Tenant's Gross Receipts in excess of \$1,250,000 per calendar year.

Shoreline Beach Café is considered a tenant in good standing by the Department as they have no outstanding default notices on file and have been prompt with rent payments.

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

Attachments: 1. Restaurant Percentage Lease Rates  
2. Shoreline Beach Café Lease Area Map

Prepared by: Brian J. Bosse, Waterfront Business Manager

**Restaurant Percentage Rent**

<b>Restaurant</b>	<b>Percentage Rent</b>
Brophy's	10%, escalates to 11% after \$3 million
Breakwater Restaurant	10%, escalates to 11.4% after \$1 million
Char West	11.4%
Sushi Go Go	11.4%
Harbor Restaurant	10%, escalates to 11% after \$3 million
Moby Dick	10%
SB Shellfish Co.	10%, escalates to 11.4% after \$1.25 million
Shoreline Beach Café*	10%, escalates to 11.4% after \$1.25 million*
Waterfront Grill	10%, escalates to 11% after \$3 million

\*Staff recommendation

**JANUARY 23, 2014**

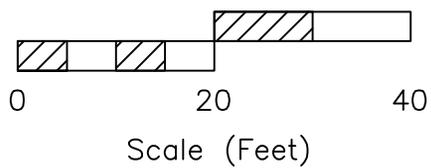
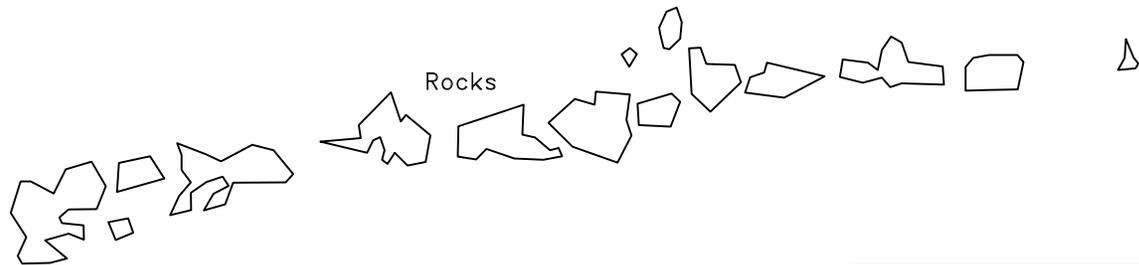
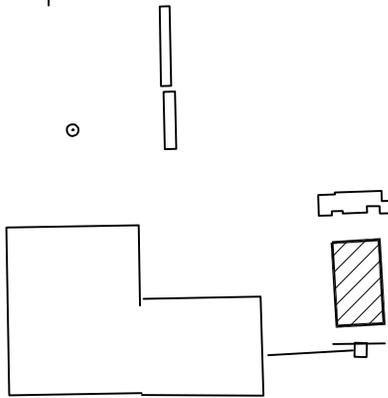
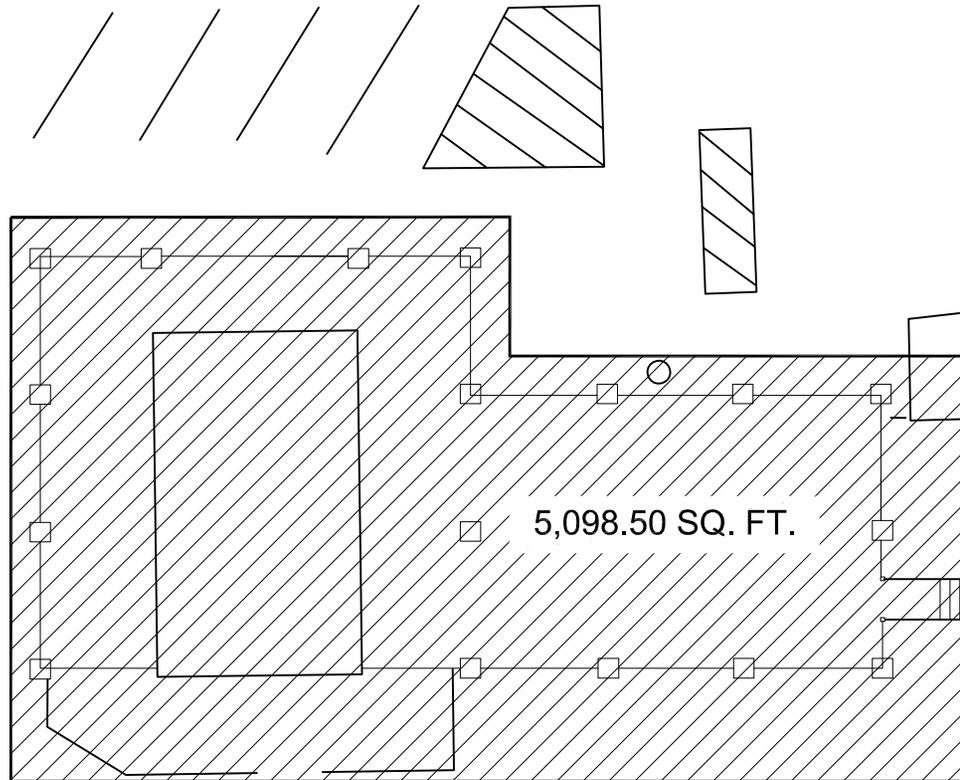
**#9**

**LEASE AREA PLAN  
801 Shoreline Drive  
(Shoreline Beach Cafe)**

Exhibit "A"

Total Area = 5,098.50 SQ. FT.

Project North



REVISIONS		Shoreline Beach Cafe Lease Area	
12/31/2013	TL	SCALE: 1" = 20'	APPROVED BY: B. Bosse, Business Manager
		DATE: 7/20/1998	ADDRESS: 801 Shoreline Drive
		City of Santa Barbara Waterfront Department	
		DRAWN BY: T. Lawler	DRAWING NO.: 3020-003A
		SHEET NO.: 1 of 1	

**ATTACHMENT #2**