



City of Santa Barbara
Airport Department

Meeting: 02/21/18
Agenda Item No. 7

DATE: February 21, 2018
TO: Airport Commission
FROM: Hazel Johns, Airport Director 
SUBJECT: Lease Amendment with High Sierra Grill Santa Barbara, Inc.

RECOMMENDATION:

That Airport Commission recommends to City Council that the Airport Director execute an Amendment of Lease Agreement No. 25,105 with High Sierra Grill Santa Barbara, Inc., a California Corporation, to extend temporary rent relief over a 12-month period commencing on the first of the month following City Council approval and ending the last day of the 12th month following commencement. The current rent will be discounted to \$114,300 from \$152,400 (on a monthly basis \$9,525 vs. \$12,700), which represents a 25% decrease under current rent to the Airport. At the end of the 12 month period, the rent will revert back to the original Lease Agreement rent schedule.

DISCUSSION:

Background

The subject Premises are located south of Hollister Avenue in an Airport Industrial (AI-2) zone. The use conforms to existing zoning.

The Premises were occupied by the Elephant Bar & Grill until September 2013. Several Elephant Bar locations, including Santa Barbara, were closed as part of a restructuring of the Santa Barbara Restaurant Company, Inc.

City Council approved an exclusive listing agreement with the Radius Group, Inc. in January 2014 for the Airport properties at 521 Norman Firestone Road. A proposal from the High Sierra Grill Santa Barbara, Inc. was received and vetted by the Radius Group, and presented to the Airport.

The High Sierra Grill Santa Barbara, Inc. (HSG) partners have extensive restaurant experience, operating five restaurants in Fresno, one in Merced and Mulligan's Café in Santa Barbara. HSG's financial statements were reviewed by both the Radius Group and Airport Staff. A site visit to Fresno was conducted, one High Sierra Grill House restaurant and three Yosemite Falls Café locations were inspected. The quality of the food, presentation, and service were good and the ambiance was very warm and pleasant. Each location was busy and had developed a regular clientele.

Proposed Services

HSG proposed to serve breakfast, lunch, and dinner and provide live music on Friday and Saturday nights. In addition, they indicated they would pursue catering and event opportunities and actively pursue hosting local civic organization's regular monthly meetings and functions. HSG also planned an aggressive marketing campaign, including giving discount coupons to local businesses during their "soft" opening.

Operations

The Airport as well as the tenant made extensive refurbishments to the property before opening. The High Sierra Grill opened in late 2015 and as part of the negotiated agreement, the restaurant paid no rent during its first six months of operation.

Restaurant sales seemed promising initially and High Sierra reported gross sales of \$2.2 million in 2016. However, sales declined to \$1.5 million (-31 percent) in 2017 after several management changes. The restaurant has faced numerous operational challenges, including perceived slow service and inconsistent food quality. In addition, the High Sierra Grill concept did not seem to resonate with local restaurant patrons.

Reorganization and Short-Term Rent Relief

The restaurant now has stable management and plans to re-concept the restaurant to an airport-theme. The restaurant is already in the process of changing décor and plans to officially change the name to the Flightline, in a nod to an airfield restaurant that existed prior to 1960.

The purpose of the temporary rent relief is to allow the restaurant to rebuild its sales and capital reserves while building customer loyalty under the new brand name.

In consideration for the City's temporary rent relief during the rebranding process, the three restaurant partners have acknowledged the City's desire to receive timely rental payments, and agreed to pay \$50 per day in additional rent if the rent is paid late, effectively reducing the benefit of rent relief. Rent is due on the 1st of day of every month, and is considered late if not paid by the 5th day of every month.

PREPARED BY: Business Development/Marketing