



City of Santa Barbara
Airport Department

Meeting: 3/21/18
Agenda Item No. 14

DATE: March 21, 2018
TO: Airport Commission
FROM: Hazel Johns, Airport Director
SUBJECT: Rescind Lease Agreement Authorization – The Water Store

RECOMMENDATION:

That Commission rescind authorization for the Airport Director to execute a two-year Lease Agreement with The Water Store, a California Corporation, for 1,520 square feet of office/retail space for a water purification and direct resale of processed water located at 94 Frederick Lopez Road, Suite B, at Santa Barbara Airport. The Commission authorized this Agreement in November 2017 and subsequent final negotiations have failed to result in an executed Agreement.

DISCUSSION:

The Water Store is a local business which purifies municipal water to improve quality and taste for consumers. The business was located in the nearby Magnolia Shopping Center in Goleta for many years. Upon losing its lease in 2016, The Water Store relocated to 94 Frederick Lopez Road, Suite B as a subtenant to Reson/Teledyne. The Airport's Lease with Reson/Teledyne ended on November 28, 2017. Prior to its expiration, The Water Store sought to enter into a direct lease agreement with the Airport.

The rent that The Water Store negotiated with the Airport was similar to the \$1.85 per square foot the company paid as a subtenant. However, when the Airport billed for December water/sewer charges, it became apparent to The Water Store these charges, previously billed to prime tenant Reson/Teledyne, had not been passed through. Neither the Water Store nor the Airport was aware that Reson/Teledyne had been subsidizing The Water Store's cost of water/sewer. As a result, The Water Store had inaccurate assumptions regarding their costs for water and sewer on Airport property. The Water Store has very high water use because water is the refined product sold to customers.

The Water Store determined that the business could not afford the rent and water costs without subsidy or offset from its landlord. The Airport cannot subsidize tenant utility costs as a private landlord may choose to do. The Water Store has identified a more favorable opportunity in new location with a private landlord in Goleta and seeks to end its tenancy at the Airport. The Water Store will continue to occupy the space under a temporary use permit until the end of May and pay all rent and charges due.

PREPARED BY: Business Development/Marketing