

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: March 18, 2010
To: Harbor Commission
From: John N. Bridley, Waterfront Director
Subject: **Business Services Report**

Coastal Winery, 217-G Stearns Wharf

The lease agreement with Candace Scott, doing business as Stearns Wharf Vintners, expired on September 30, 2006. Ms. Scott had leased the space and operated the wine tasting room since approximately 1983. At the time the lease expired, the Department had concerns about the financial viability of the business; in 2006 a credit check regarding Stearns Wharf Vintners revealed significant negative credit issues. The electrical service to the business was disconnected on two occasions in 2006 for failure to pay the bills. Additionally, the Vintners' January 2006 rent check was returned by the bank for non sufficient funds. During the 2006/2007 period, Ms. Scott was allowed to continue to operate the business on a holdover status while staff evaluated the possibility of issuing a Request for Proposals (RFP) to identify a new tenant for the space.

In mid 2007, Candace Scott began working with Matthew and Barbara Long on business plans for the wine tasting room. The business would be restructured as a corporation, with Ms. Scott retaining a 25% ownership of the corporation and remaining as the store director /on site manager. The Longs would invest capital to improve the business, install a point of sale system, and provide business guidance and marketing support.

Coastal Winery, Inc. was formed in May of 2007 and staff began lease discussions with Ms. Scott and the Longs. Ultimately a lease was signed with Coastal Winery, Inc. with Matthew Long as President and Candace Scott and Barbara Long as Vice Presidents (Attachment 1).

The proposed term was kept short (one year with a one-year option) to allow the Department to evaluate the performance of the tenant during the two year period. The business relationship soured and Candace Scott was physically locked out of the business in late 2008 /early 2009, leaving the Longs in control of the wine tasting room. Staff's understanding is that Ms. Scott and the Longs are suing each other over ongoing business matters.

The lease with Coastal Winery expires on March 31, 2010, and the Department does not intend to renew the lease. On March 2, 2010, the Department notified Coastal Winery that the lease would not be renewed. Several parties have expressed interest in

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operating the wine tasting room and staff is currently researching alternatives including advertising the space for lease and issuing a Request for Proposal to select a new tenant.

Attachments: 1. Lease Signature Page
2. Site Plan

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