

**CITY OF SANTA BARBARA WATERFRONT DEPARTMENT**

**MEMORANDUM**

**Date:** January 20, 2011  
**To:** Harbor Commission  
**From:** John N. Bridley, Waterfront Director  
**Subject: Amendment of Lease Agreement No. 19,694  
Santa Barbara Shellfish Company**

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**RECOMMENDATION:**

That Harbor Commission recommend approval to City Council of the amendment of Lease Agreement No. 19,694, Santa Barbara Shellfish Company, allowing for a seasonal allocation of base rent, for the 1,160 square foot restaurant at 230 Stearns Wharf.

**DISCUSSION:**

Santa Barbara Shellfish Company, Inc., (SBSC) has leased space on Stearns Wharf since the Wharf was acquired by the City and redeveloped in the 1980's. The current lease commenced in September 1999 and expires in September 2017. The base rent is \$13,348 or 10% of gross sales, whichever is greater. The percentage rent escalates to 11.4% of gross sales when sales exceed \$1,250,000 in a calendar year. The base rent is subject to annual Cost of Living increases based on the Consumer Price Index. The base rent is also adjusted every three years to an amount equal to 75% of the average total rent paid (base + percentage) during the previous 36 months.

In December the base rent for SBSC was increased from \$10,317 per month to \$13,348 due to the three-year 75% rent adjustment. Due to the extreme seasonal fluctuation of business on the Wharf, SBSC's gross sales can be twice as much in July and August compared to January and February.

SBSC owners Tom and Adam White met with staff in early January to discuss options to mitigate the 30% base rent increase. A mutually acceptable solution was reached in which staff agreed to recommend amending the lease to allow for a seasonal adjustment of base rent. The annual base rent will remain the same (\$160,174 / year). The proposed lease amendment will allocate the base rent seasonally as follows:

<u>Month</u>	<u>Base Rent</u>
November- April	\$10,665
May-October	\$16,030

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The seasonal allocation of base rent is consistent with many other restaurant tenants including Brophy Brothers, Chuck's Waterfront Grill, Shoreline Beach Café, Minnow Café and Breakwater Restaurant.

Santa Barbara Shellfish 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. Annual gross sales have increased from \$842,447 in 2001 to \$1,975,588 in 2009 (Attachment 1).

No other changes to the business terms of the lease are proposed as part of this lease amendment.

Attachment: 1. Sales 2001-2009  
2. Site Plan

Prepared by: Scott Riedman, Waterfront Business Manager