

## CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

### MEMORANDUM

**Date:** November 17, 2011  
**To:** Harbor Commission  
**From:** Scott Riedman, Interim Waterfront Director  
**Subject:** **Lease Agreement with Stearns Wharf, Inc., doing business as Old Wharf Trading Company**

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#### **RECOMMENDATION:**

That Harbor Commission review and recommend to the City Council approval of a five-year lease agreement with Stearns Wharf, Inc., doing business as Old Wharf Trading Company, at an average rent of \$12,463 per month or 10% of gross sales, whichever is greater, for a 2,369 square foot retail space located at 217-A, B and D Stearns Wharf.

#### **DISCUSSION:**

Patrick Hartmann has operated Old Wharf Trading Company and Topside via his corporation Stearns Wharf, Inc., since assuming the two leases through a lease assignment process in April 2006. The two lease spaces adjoin each other on the ground floor of the Old Wharf building at 217 Stearns Wharf (Attachment 1). The current leases commenced in February 2007 and will expire on November 30, 2016.

Since acquiring the leases, Mr. Hartmann made various improvements including adding a double door to the front of the building, facing the walkway, which has improved traffic flow. He also removed the wall between Old Wharf Trading Company and Topside, further improving traffic flow between the businesses and essentially merging the two businesses into one.

Since there are two separate leases governing what has effectively become one lease area, separate revenue reporting and percentage rent tracking became more complicated. Although the tenant's point of sale system is able to identify which sales are attributable to each lease, the situation is less than ideal. Mr. Hartmann requested to merge the two leases into one, which will simplify tracking for the tenant and for Waterfront staff. No changes to the business terms such as the amount of rent or length of lease term are proposed.

#### **The basic terms of the proposed lease are as follows:**

- Five- year remaining term (November 30, 2016, no change)
- Average base rent of \$12,463 per month (\$5.26 p.s.f.), subject to annual CPI increases (no change)
- Base rent is allocated seasonally (Attachment 2)
- Percentage rent 10% of gross sales (no change)

**Permitted uses:**

- Primary Specialty: Tenant shall use the Premises for the sale of general merchandise, more than 50% marine, beach and nautical related, active wear clothing and accessories, and gifts.
- Secondary Specialty: Tenant shall also use the Premises for the sale of novelty items, toys and general merchandise related to primary specialty.
- The sale of jewelry made from seashells is not permitted.

All business terms of the lease remain unchanged.

Mr. Hartmann signed the City's Personal Guaranty since the lease is with his corporation, Stearns Wharf Inc. Patrick Hartmann is considered by the Department to be a tenant in good standing as he has been prompt with rental payments, is an active member of the Stearns Wharf Business Association, and has no lease compliance problems on file.

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

Attachment: 1. Site plan  
2. Base rent schedule