

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: September 20, 2018

To: Harbor Commission

From: Scott Riedman, Waterfront Director

Subject: **Proposed Lease Agreement with Santa Barbara Fuel Dock, Incorporated**

RECOMMENDATION:

That Harbor Commission review and recommend City Council approval of a five-year lease agreement with three, five-year options at a minimum rent of \$3,378.35 per month, with Santa Barbara Fuel Dock, Incorporated, a California Corporation, for the fuel dock facility in Santa Barbara Harbor.

BACKGROUND:

McCormix Corporation (McCormix) has been operating the fuel dock facility since 2003 following a request for proposal process. McCormix has been a fuel distributor in Santa Barbara for approximately 45 years and is able to purchase diesel from Chevron, Tosco, Arco, and several other independent fuel companies. Additionally, McCormix has supply contracts with fuel terminals in the San Joaquin Valley, Northern California and Los Angeles.

As reported and discussed in detail at the August 16, 2018 Harbor Commission meeting, fuel for the fuel dock is currently stored in four single-walled underground storage tanks (USTs) located just west of the 125 building in Harbor Way. Single-walled USTs, including single-walled piping, must be permanently closed in accordance with Health and Safety Code, Chapter 6.7, Section 25292.05, by December 31, 2025. In an effort to address this statutory requirement, McCormix has prepared a Preliminary UST Construction Work Plan (Work Plan) outlining the replacement of the four existing single-walled USTs with three double-walled USTs. The project will occur in the middle of Harbor Way immediately east of the 125 building. The Work Plan takes into consideration day-to-day operations with the goal of minimizing impacts to local businesses and public access to the harbor. The fuel dock will continue to provide gasoline and regular diesel fuel during the UST replacement project. Once the Work Plan has been approved, McCormix will be in a position to apply for appropriate permits and approvals.

DISCUSSION:

McCormix has created a new corporation, Santa Barbara Fuel Dock, Inc., that consists

of the same ownership entities as McCormix. Santa Barbara Fuel Dock, Inc., (SB Fuel Dock) proposes to lease the fuel dock from the City. As discussed above, McCormix is preparing to embark on an extremely expensive UST replacement project in Harbor Way. In order to amortize their investment, SB Fuel Dock has requested a new lease extending the term.

Below are the basic lease terms. The first five-year option is available only if the fuel tank replacement is completed during the initial five year term. Since the fuel dock is the only permitted fuel supply facility in the Harbor, staff felt it was important to continue to include some form of price control in the lease agreement. SB Fuel Dock continues to agree that fuel will be sold for no more than ten cents per gallon higher than comparable grades of fuel at other marine fuel stations.

Additional basic lease terms of the proposed lease are summarized as follows:

- **Term:** Five years initial term with three, five-year options;
- **Base Rent:** \$3,378.35 per month;
- **Percentage Rent:** Base rent plus \$0.04 per gallon of fuel sold, and 6% of all non-fuel sales;
- **Annual Rent Adjustment:** Cost of Living increases based on the Consumer Price Index (CPI);
- **Utilities:** Separately metered, paid directly to utility companies; and,
- **Fuel Pricing:** Tenant shall maintain fuel pricing so that gasoline and diesel fuel are priced not more than ten cents (\$0.10) higher per gallon than the same grade of fuel sold at similar fuel dock facilities in California such as Morro Bay and Moss Landing.

Santa Barbara Fuel Dock is considered by the Department to be a tenant in good standing, as they are always prompt with their rent payments and there are no lease compliance problems on file. A copy of the lease is available for review at the Waterfront Department Administration Office.

Attachment: Site plan

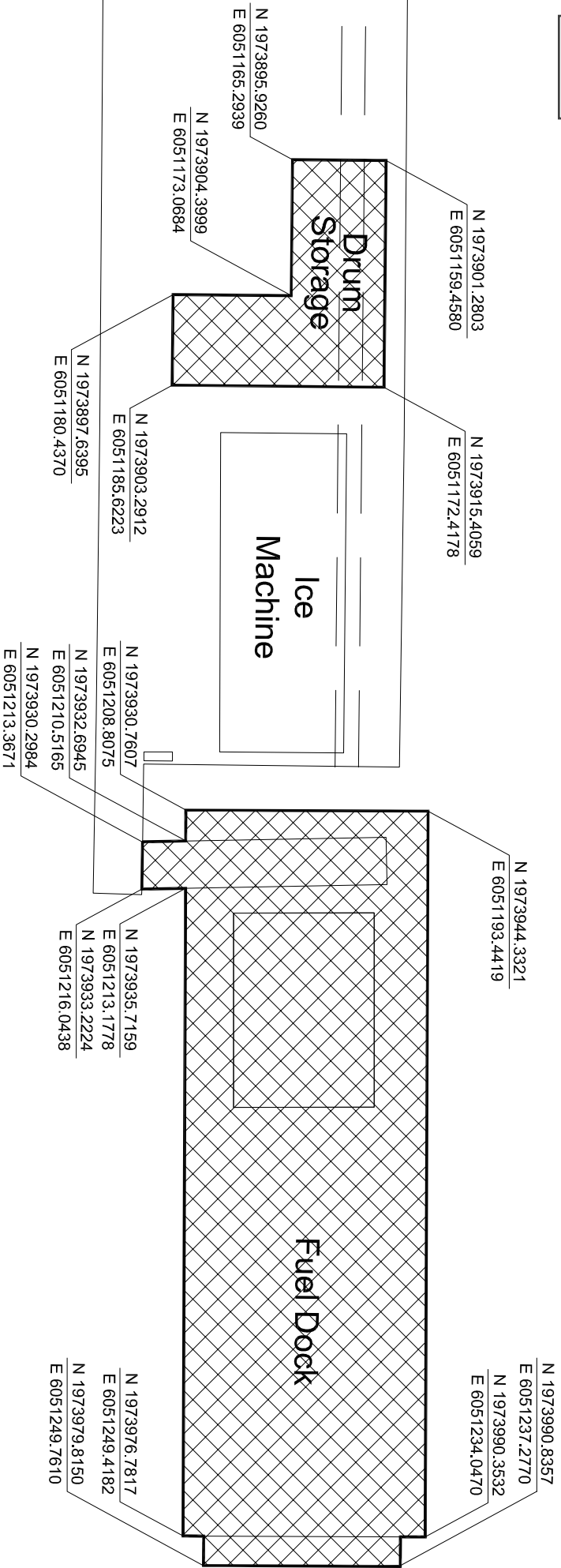
Prepared by: Brian J. Bosse, Waterfront Business Manager

Harbor Commission Meeting
 September 20, 2018
 Report #6
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Lease Area

121 Harbor Way

Drum Storage:	228.50 SF
Fuel Dock:	1,315.00 SF
Total:	1,543.50 SF



REVISIONS

Lease Drawing Exhibit A

DATE	10/23/17	APPROVED BY	T. Lawler
ADDRESS	121 Harbor Way	DRAWING NO.	1210-003A
CITY	City of Santa Barbara	SHEET NO.	2 of 2
DEPARTMENT	Waterfront Department		