

## CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

### MEMORANDUM

**Date:** September 16, 2021

**To:** Harbor Commission

**From:** Mike Wiltshire, Waterfront Director

**Subject:** **Proposed Amendment Three Of Lease Agreement No. 23,328 With Mr. Aaron Petersen For Salty At The Beach And Approve A New Lease Agreement With Mr. Aaron Peterson For Chomp On The Rocks**

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**RECOMMENDATION:** That Harbor Commission:

- A. Review and recommend City Council approve Lease Amendment Three to Lease Agreement No. 23,328 with Mr. Aaron Peterson, revising the premises and lease rate to encompass only Salty At The Beach; and
- B. Approve a new, separate lease agreement with Mr. Aaron Peterson for Chomp on the Rocks.

**BACKGROUND:**

Mr. Aaron Peterson assumed Lease No. 23,328 through a lease assignment process approved by City Council on March 24, 2020. Mr. Petersen has operated Chomp on the Rocks (downstairs) and Salty at the Beach (upstairs) since May 7, 2020. Mr. Petersen assumed ownership in the midst of COVID-19 and due to the continuing negative impacts of COVID-19, immediately set out to completely renovate both upstairs and downstairs venues as well as a complete remodel of the shared kitchen area.

The ground floor space was rebranded as Chomp On The Rocks and is similar to Mr. Petersen's successful Chomp restaurant in Solvang and features burgers, fries, and shakes, catering to families, young adults, and retirees. The second story lease space was rebranded as Salty at the Beach Bar and Grill and focuses on California-style tavern cuisine that includes an award-winning wine list.

**PROPOSED AMENDMENT AND NEW LEASE AGREEMENT:**

Mr. Petersen contacted the Waterfront Department in July about amending the lease. Mr. Petersen has requested that the lease be amended into two separate leases: one lease governing the downstairs business and one lease governing the upstairs business. Staff revised the monthly rental rates based on the square footage of each space and adjusted the percentage rent calculation to bring it in line with similar sized Waterfront restaurant tenants.

As part of Mr. Petersons request to amend lease agreement No. 23,328 and reduce the premises to only accommodate Salty At The Beach, Mr. Peterson has requested that a

Harbor Commission Staff Report

Proposed Amendment Three Of Lease Agreement No. 23,328 With Mr. Aaron Petersen For Salty At The Beach And Approve A New Lease Agreement With Mr. Aaron Peterson For Chomp On The Rocks

September 16, 2021

Page 2

new lease be developed for Chomp On The Rocks. Waterfront staff worked with the City Attorney's office to accommodate Mr. Peterson's request noting that the changes will not negatively impact the current revenue stream from Lease Agreement No. 23,328 and will likely add to Waterfront revenue streams over time by more closely aligning with other Waterfront restaurant tenants of similar size.

A summary of the current lease No. 23,328, the Proposed Amendment Three and the proposed new lease agreement can be found below:

Current Lease No. 23,328: Chomp on the Rocks and Salty at the Beach

Square feet: 8,525

Base rent: \$24,104.68 per month (\$2.8275 per square foot)

Percentage Rent: 10% up to and including \$3,000,000. 11.0% in excess of \$3,000,000

Term Remaining: Current term expires December 31, 2025, with two five-year options.

Proposed Amendment Three: Salty at the Beach

Square feet: 4,547

Base rent: \$12,868.01 per month (\$2.83 per square foot)

Percentage Rent: 10% up to and including \$1,250,000. 11.4% in excess of \$1,250,000

Term Remaining: Current term expires December 31, 2025, with two five-year options.

Proposed New Lease Agreement: Chomp On The Rocks

Square feet: 3,978 (\$2.83 per square foot)

Base rent: \$11,257.74 per month

Percentage Rent: 10% up to and including \$1,250,000. 11.4% in excess of \$1,250,000

Term: Initial Term expires December 31, 2025, with two five-year options.

Waterfront staff are comfortable with the proposed Lease Amendment Three with Salty On The Beach and the proposed new lease agreement with Chomp On The Rocks noting that two separate lease provides more flexibility for the current owner, future restaurant operations and will result in increased revenue streams to the Waterfront Department in the future.

If the Harbor Commission recommends that City Council approve the proposed amendment and new lease agreement the item will go before City Council in October.

Prepared by: Brian Bosse, Waterfront Business Manager