

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: April 21, 2022

To: Harbor Commission

From: Mike Wiltshire, Waterfront Director

Subject: **Proposed Assignment Of Lease Agreement No. 23,328 – Salty At The Beach, Located At 113 Harbor Way**

RECOMMENDATION:

That Harbor Commission review and recommend City Council approve the assignment of Lease Agreement No. 23,328 from Waterfront Food Group LLC, to Co-Owners Ms. Amy Rose, Mr. Bryan Deminie, and Mr. Dennis Longaberger, for Salty at the Beach, located at 113 Harbor Way.

BACKGROUND:

Mr. Aaron Petersen, owner of Waterfront Food Group LLC, 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.

Mr. Petersen contacted the Waterfront Department in July 2021 requesting to amend lease agreement No. 23,328 and reduce the premises to only accommodate Salty At The Beach. Mr. Petersen also requested that a new lease be developed for Chomp On The Rocks. Waterfront staff worked with the City Attorney's office to accommodate Mr. Petersen's request noting that the changes do 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. The Harbor Commission approved the lease actions on September 16, 2021.

DISCUSSION:

In late-2021, Mr. Petersen informed Waterfront staff of his desire to sell Chomp On The Rocks and staff provided him with the Waterfront Department's lease assignment

requirements. Mr. Petersen has recently identified a qualified team led by Ms. Amy Rose who submitted a buyer's package in compliance with the Department's lease assignment process. During the negotiation process between the two parties it was agreed that Ms. Rose and her team wanted to purchase both restaurants. The Department received the lease assignment review fee, financial information, and other documentation relevant to the proposed lease assignment. The lease is proposed to be assigned to co-owners Ms. Amy Rose, Mr. Bryan Deminie, and Mr. Dennis Longaberger. Ms. Rose is an experienced businesswoman who has been involved in the restaurant business since she was a child. Ms. Rose is currently the Director of Operations for seven family-owned Black Bear Diners located in the San Joaquin Valley. Her business partner, Mr. Deminie is a licensed contractor who specializes in restaurant development and restaurant renovation having completed over 70 projects in this regard. Mr. Longaberger has been a business owner in the Waterfront for many years.

Salty at the Beach will continue to operate in its current form for the time being and focus on California-style tavern cuisine that includes an award-winning wine list and local craft beer.

In accordance with the Department's lease assignment procedure, no changes to the business terms of the lease will occur as part of this lease assignment. The basic terms of the current Salty at the Beach lease (Lease No. 23,328) are as follows:

- **Remaining Term:** Initial term expires December 31, 2025, with three, five-year options extending to December 31, 2040.
- **Base Rent:** \$13,691.55 per month
- **Percentage Rent:** 10% up to and including \$1,250,000. 11.4% in excess of \$1,250,000
- **Annual Rent Adjustment:** Cost of Living increases based on the Consumer Price Index (CPI)

The current owner, Waterfront Food Group (Mr. Aaron Petersen), is considered a tenant in good standing by the Department and has no outstanding default notices on file.

A copy of the proposed lease assignment is available for public review in the Waterfront Department Office located at 132-A Harbor Way.

If the Harbor Commission recommends approval of this assignment, the item will be considered by City Council in May.