Meeting Date: 07/01/08

ACTION	TYPE OF ITEM
☐ Approved Recommendation	☐ Info/Consent
☐ Ord. No(s). _____	☐ Report
☐ Res. No(s). _____	■ Public Hearing
☐ Other _____	☐ Other _____

Prepared By: Maureen Hooper, Redevelopment Project Manager Agenda Item No. L-1

Reviewed By: City Manager City Attorney Holmberg Finance Other N/A

DATE: June 23, 2008

TO: Community Development Commission

FROM: Curtis P. Cannon, Community Development Director
Community Development Department

SUBJECT: **Lease of Restaurant Space to La Dolce Vita Di Mare Restaurant, Inc. (La Dolce Vita) at 740 South "B" Street (McGrath House)**

RECOMMENDATION

That the Community Development Commission:

1. Hold a public hearing and approve the lease agreement (A-7056) between the Community Development Commission (CDC) and La Dolce Vita for CDC-owned property located at 740 South "B" Street in substantially the form presented at this meeting or with such non-substantive changes and amendments as may be approved by the Executive Director of the CDC and CDC Counsel.

2. Authorize the Chairman of the CDC to execute the lease for the property on behalf of the CDC, in substantially the form presented at this meeting, or with such non-substantive changes and amendments as may be approved by the Executive Director of the CDC and CDC Counsel.

3. Authorize the Chairman of the CDC, the Executive Director of the CDC, or the Community Development Director, on behalf of the CDC, to sign all documents necessary and appropriate to carry out and implement the lease, and to administer the CDC's obligations, responsibilities, and duties to be performed hereunder.

DISCUSSION

In January 2006, the CDC entered into a lease agreement with La Dolce Vita after a Request for Proposals process that resulted in seven restaurant proposals for the McGrath House in Heritage Square. The current lease is for an initial five-year period (Initial Period) and two optional five-year terms (Option Period), and includes the space on all three levels of the McGrath House: the basement/lounge, the first level and the second level. At this time, the CDC is in the third year of the Initial Period of the lease.

La Dolce Vita restaurant opened in the McGrath building in April 2006. Prior to that time, La Dolce Vita operated in Hollywood Beach and Port Hueneme for twenty-five years. Since that time, Tenant has

participated in numerous activities and events to promote the restaurant, Heritage Square and Oxnard's downtown, including television advertising; print advertising in local news publications and food/entertainment/special event publications, hotel check-in "cards" and guest room guides, the Oxnard Visitors Guide, Oxnard Chamber of Commerce Directory, Oxnard Events magazine, wedding guide/planning publications, while also participating in wedding expos, the Heritage Square Summer Concert series and other special events at the Square, a menu club, and providing monthly cooking classes at the restaurant. Restaurant marketing and advertising for the first two years of the lease period totaled $27,000 and $24,000 respectively. Michelle Kenney, Owner/President of La Dolce Vita and its Master Chef, also serves as a travel host in the tourism industry and is a member of numerous Downtown and City-wide organizations.

In spite of consistent marketing, advertising and community participation, the market demand has not required the full utilization of the leased space. Of the three levels leased by Tenant, the first level and the basement/lounge are used most frequently. The second level is not required to accommodate additional dining patrons, but is used for occasional private parties or business meetings. As a result, restaurant sales were approximately 25% below projected levels for each year.

Prior to the effective date of the new monthly base rent effective April 2008, CDC staff was informed by the Tenant that, due to changes in the economy, the restaurant performing at less than what was anticipated, and the lack of demand for all three levels of the building, Tenant would not be able to comply with the lease payment schedule of a new monthly base rent of $6,542 effective April 1, 2008.

CDC staff recommends restructuring the lease payments to enable the Tenant to maintain its presence at the Heritage Square and continue providing additional food service to the Downtown area and to the community events and private engagements taking place at Heritage Square. The proposed new lease will be for the First Level, a portion (125 sq. ft.) of the Second Level to continue use as the Tenant's office space, and the Basement of the Property, for a total of 3,274 square foot. At a blended "average" rate of $0.99 per square foot, the monthly Base Rent would be $3,241. This is consistent with the current rental market range as evaluated in a recent appraisal (June 2008) commissioned by the CDC.

The Second Level of the Property (other than the 125 square foot of Tenant's office space) will not be included in the Lease but instead, will be returned to the Heritage Square Facilities Rental Program and as such, be available to the public for private events and activities. This second level will be added to the current "exclusive catering service areas" in the Lease for which Tenant pays CDC 10 percent of the food and beverage sales ("Additional Rent"). The Tenant may reserve the Second Level for private parties booked through the restaurant on an event-by-event basis.

Following is a comparison of the existing lease and the proposed new lease:

	Existing Lease	New Lease
Floors	Basement, 1st, 2nd	Basement, 1st, 2nd (office space, only)
Square Feet	4,181 s.f.	3,274 s.f.
Rent/s.f.	$1.56	$0.99 (blended)
Rent/month	$6,542.00	$3,241.00
CPI Increases	2-5% annually	2-5% annually

Lease Comparison, cont.

	Existing Lease	New Lease
Base Period	5 years	5 years
Renewal Option	Two 5-year options	Two 5-year options
Exclusive Catering	4 areas of Heritage Square	5 areas of Heritage Square
Exclusive Catering Fee	10% of food and beverage sales	10% of food and beverage sales

The current lease will be terminated upon execution of the new lease, which is effective April 1, 2008.

FINANCIAL IMPACT

The revised rent and catering sales proceeds are estimated to provide $54,892 in revenue by the end of the first twelve months of the new lease to the Redevelopment Central City Revitalization Project Area Fund 402. In addition to the $20,000 paid by the CDC for necessary repairs to various restaurant equipment prior to the beginning of the current lease term, the CDC will pay a portion of the repairs to the wheelchair lift equipment, and continue to pay annual possessory interest tax estimated at $5,560, annual Heritage Square Property Owners Association dues of $9,948.92, and annual Oxnard Downtown Management District special assessments of approximately $800. Annual fees are subject to increases. These funds are available in the 402 Fund.

Attachment #1 - Lease with La Dolce Vita di Mare, Inc.

Note: The lease has been provided to the CDC under separate cover. Copies of the lease were made available for public review as of June 16 at the City Clerk's Office and at the Circulation Desk of the Oxnard Public Library.