



DATE: September 15, 2015

CATEGORY: Consent

DEPT.: Public Works

TITLE: **Amendment of Savvy Cellar Wines, Inc., Lease**

RECOMMENDATION

1. Acknowledge and transfer of ownership of Savvy Cellar Wines from Jennifer Ayre and Brent Harrison to Holly and John Orchard.
2. Authorize the City Manager to execute an amendment to the Savvy Cellar Wines, Inc., lease to reflect new ownership of Holly and John Orchard.

BACKGROUND

On June 23, 2009, the City Council authorized the City Manager to execute a lease of 1,100 square feet of space in the Centennial Plaza Train Depot to Jennifer Ayre and Brent Harrison, d.b.a. Savvy Cellar Wines, Inc. (Savvy Cellar). The lease has a 10-year initial term, ending on November 30, 2019, with one 5-year renewal option. Savvy Cellar's current annual rent to the City is \$30,624. Rent is adjusted on each anniversary date of the lease based on the Consumer Price Index (CPI).

The current owners of Savvy Cellar have stated their desire to sell the business and move out of the area. The owners have identified a potential buyer for the business and entered into an "Agreement for Sale of Business by Stock Transfer," conditioned on City Council approval of this transfer and new operators of Savvy Cellar.

ANALYSIS

Article 11.1, Permitted Uses, of the lease states, in part, "TENANTS shall use and occupy the Premises only for the purpose of operating a wine bar for on-site consumption and light food service, retail sales outlet for off-site consumption and other uses including private events and wine education class for which CITY has granted Prior Written Approval." It is the stated intent of the potential buyers of Savvy

Cellar to continue with the same retail format. A copy of the buyer's business plan and resumé are attached as Attachments 1 and 2.

Article 19.1, Procedures for Assignment, Sale, Subletting and Transfer, of the lease requires advance City approval of any assignment of the lease and requires the following information be provided regarding the assignee:

1. Name and legal composition.
2. Proposed use and business plan.
3. A description of the proposed assignee's applicable experience.
4. The proposed assignee's current financial information and credit worthiness.
5. Any other relevant information CITY determines useful or necessary in evaluating the suitability of the proposed assignee to perform pursuant to the terms of the lease.

Based on a review of the financial and other documentation provided supporting the proposed assignment, staff (including City Attorney's Office and Finance and Administrative Services Department staff) finds Savvy Cellar to be profitable and the buyers to be qualified, experienced, and having the financial resources to continue to successfully operate Savvy Cellar as a profitable business.

Staff recommends approval of the transfer of Savvy Cellar to Holly and John Orchard as the new owners and operators.

FISCAL IMPACT

There is no fiscal impact directly associated with the approval of the above-listed recommendations. Savvy Cellar's current annual rent to the City will remain at \$30,624, with future annual adjustments based on the CPI.

ALTERNATIVES

Do not approve the transfer and direct staff to issue a Request for Proposals for a new tenant.

PUBLIC NOTICING

Agenda posting and a copy of report to Holly and John Orchard, and to Jennifer Ayre and Brent Harrison.

Prepared by:

Dennis P. Drennan
Real Property Program Administrator

Linda Forsberg
Transportation and Business Manager

Approved by:

Michael A. Fuller
Public Works Director

Daniel H. Rich
City Manager

DPD-LF/7/CAM
930-09-15-15CR-E

Attachments: 1. Proposed Business Plan
2. Resumé of Holly Orchard