

Introduction of Ordinance to Approve Lease for Building 22 (2505 Monarch) with Gold Bar Spirits Company, Inc.

March 5, 2024



Building 22: 2505 Monarch Street



- Located along Spirits Alley
- Approx. 32,500 square feet available for lease, plus exterior areas
- Former tenant was Hangar One
- Contains existing distillery and tasting room improvements
- Faction Brewing Co. occupies adjacent half of building



Building 22 – Goals and Process

- Secure a new tenant who would:
 - Compliment Spirit's Alley and surrounding breweries, tasting rooms and distilleries.
 - utilize existing improvements.
 - demonstrate adequate financial resources to invest in tenant improvements.
 - provide stable rental income to the City.
- Engaged in public marketing effort to identify and attract compatible businesses
- Staff recommend leasing to Gold Bar Spirit's, Inc.



Interior views of Building

Gold Bar Spirits, Inc.

- Producers of Gold Bar Whiskey, founded in 2018
- Formal partnerships with 49ers, Vegas Golden Knights & Cal Bears
- Sold in major brick-and-mortar and e-commerce retailers like Total Wine, Costco and BevMo
- Current distillery facility on Treasure Island
- Financial information indicates strong 2023 sales supporting ability to expand and invest in a new facility and pay rent
- Building 22 accommodates both a new distillery and tasting room/event space



Lease Terms

- **Use:** Distillery and Tasting Room
- **Term:** 6 years with one (1) 5-year option to renew
- **Rent:** \$1.05 psf or \$34,125 per month (initial rent)
 - Annual incremental increases, thereafter
 - Tenant pays share of all services, utilities and taxes (including possessory interest taxes)
 - If option is exercised, renewal term rent is reset at fair market value
- **Rent Credit:** Maximum value of ~\$368,000 (Year 1)
 - Capital Credit = \$268K for building improvement expenses; plus
 - Up to \$100K in Contingency Credit for risk associated with duration of permitting & licensing that ceases upon commencement of operations

Year	Monthly Rent	Effective Annual Rent
1	\$34,125	\$41,925*
2	\$35,750	\$429,000
3	\$40,625	\$487,500
4	\$43,875	\$526,500
5	\$45,191	\$542,295
6	\$46,547	\$558,564
Total Initial Term		\$430,964
Total Renewal Term (5 years)		\$575,300**
Total Life of Lease		\$5.6 Million

*Inclusive of Rent Credit

** Estimated value – Base Rent will be reset at Fair Market Value

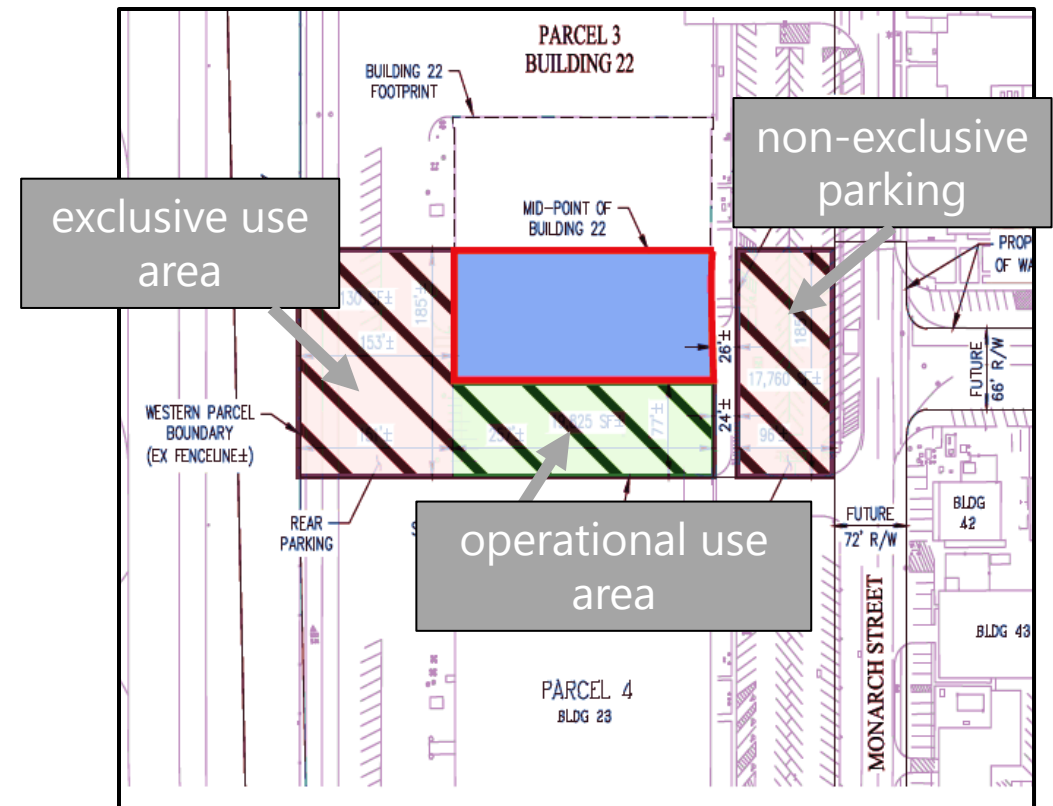
Lease Premises

Premises: Interior portion of Building 22, plus:

- Non-exclusive parking along Monarch Street
- Exclusive operational uses along side yard
- Exclusive use of area behind Building 22 with views over San Francisco Bay

Proposed outdoor uses to align with neighborhood fabric of Spirits Alley

- Create customer seating and event space
- Fencing with screening measures to shield view of business' operations (garbage enclosure, equipment storage, loading and unloading, production uses, etc.)



Gold Bar must apply for & receive a City Use Permit to make exterior improvements. Not approved as part of the lease agreement.

Proposed Outdoor Uses & Screening

* CURRENT STATE



PROPOSED STATE



- 9-foot height for wood barrels proposed to screen operational uses while protecting existing view of skyline
- Wood patio added on backside, like Faction's existing deck

* Rendering for discussion purposes only. Gold Bar must apply for & receive a City Use Permit to make exterior improvements.



Recommendation

- Hold Public Hearing, and
- Approve introduction of ordinance approving draft lease with Gold Bar Spirits Inc.



Photo credit: *Maurice Ramirez*