

## **HARBOR HOUSE RESTAURANT LEASE**

Lease Agreement  
between  
Discovery World Ltd. (Tenant)  
and the  
Board of Harbor Commissioners  
City of Milwaukee (Landlord)

### **Term**

- Current lease expires January 31, 2018. The new lease provides for early termination of the existing lease on December 31, 2017, with the new lease starting on January 1, 2018.
- Lease was originally with Specialty Restaurants of Wisconsin, but was assigned to Discovery World in 2015. Specialty Restaurants / Bartolotta continues to operate the Harbor House restaurant on the lease premises.
- Current lease had an initial term of 21 years with three extensions of 10 years each.
- New lease to be 15 years with 1 extension of 5 years at Tenant's sole option and 2 extensions of 5 years available by mutual agreement of both parties.
- Language acknowledging the public trust doctrine and lakebed limitations and possible take back of land by the State of Wisconsin.

### **Lease Premises**

- Entire parcel including the building, patio and parking lot (see attached).
- Premises does not include the dock wall. Landlord is responsible for maintenance of the dock wall.

### **Rent**

- Rent shall be 6% of gross sales with a minimum base annual rent in the amount of \$200,000.
- Rent payments will be monthly based upon an estimated amount at the beginning of each lease year with a year-end adjustment either up or down based upon 6% of actual gross sales.
  - In the first year the estimated amount will be \$200,000.
  - In the second year the estimated amount will be 6% of the gross sales in year 1, but shall not be lower than \$200,000 or higher than \$300,000.
  - In the third year the estimated amount will be 6% of the gross sales in year 2, but shall not be lower than \$200,000 or higher than \$400,000.
  - Each year thereafter the estimated rent amount shall be 6% of the gross sales from the prior year, but not less than \$200,000.

- In the event the total rent amount actually owed for any year decreases from what it was the previous year (i.e. 6% of gross sales for that year is less than the estimated rent based on the previous year's gross sales) resulting in an overpayment of rent, the overpayment shall be deducted from the rent owed in the following year. In the event the estimated amount is less than the 6% of actual gross sales for that year, the adjusted rent will be due from Tenant and will be paid with the next monthly rent payment.
- Tenant shall provide Landlord with sales reports used to calculate its gross sales
- Landlord shall have the right, but not the obligation, to audit Tenant's sales reports annually and Tenant shall pay the full costs of such audit in the event that the audit reveals that sales have been underreported by 5% or more during any audited period.
- In the event of a catastrophic event that causes the restaurant to be closed for more than 120 days in any given lease year, the rent will be a straight 6% of actual gross sales for that year without the \$200,000 minimum requirement.

#### Lease Requirements

- Standard commercial restaurant lease language plus standard City requirements (non-discrimination, public records requirements, etc).
- Requires Tenant to maintain compliance with requirements in a letter from the Wisconsin Department of Natural Resources regarding proper use of the property under the public trust law and the lakebed grants from the state legislature.
- Requires a minimum of 6 patio tables located north of the retaining wall on the patio be made available to the public (non-restaurant patrons). Require signs to that effect. Public can bring their own food and non-alcoholic beverages to consume at these tables.
- Tenant is granted permission to put a tent on the patio to provide some cover for the tables, with prior approval by the Port Director.
- Requires a minimum of 5 parking spaces be made available for the public (non-restaurant patrons). Tenant may limit timing of use, but such time may not be limited to less than 60 minutes. Tenant to install signage to that effect at or near the parking spaces and the valet stand.
- Requires the lakewalk around the building to remain open on a 24/7/365 basis for use by the general public including those wanting to fish. Lakewalk to be lit for safety and ADA compliant. Lakewalk may only be closed when necessary for maintenance / repairs (with prior approval by the Port) or when ordered closed by the Port Director, MPD, MFD or Coast Guard for security or safety purposes. Tenant to maintain the lakewalk.

- Requires a lunch option be made available at a cost of no greater than \$15 for a sandwich, side and drink (an escalator for the price based on the Consumer Price Index every 5 years is incorporated into the lease).
- Requires restrooms to be made available to general public (non-restaurant patrons) during regular business hours.
- Allows a management / operation agreement or sublease with Specialty Restaurants / Bartolotta. Any lease assignment or other sublease requires approval by the BHC.
- Includes cross-default language so that if Discovery World defaults on its museum lease for the land just south of the Lease Premises resulting in a termination of that lease, Landlord can declare this lease to also be in default if Landlord believes the termination of the Discovery World museum lease causes the restaurant use to be in violation of the DNR requirements under the public trust doctrine and lakebed grants from the State.