



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Parks
Department No.: 052
For Agenda Of: February 5, 2008
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department
Director Daniel C. Hernandez (568-2461)
Contact Info: Mike Gibson, Business Manager (568-2477)

SUBJECT: Execution of Concession Agreement with the Santa Barbara Shellfish Co., Inc. to Operate the Restaurant at Arroyo Burro Beach County Park; Second Supervisorial District

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Real Property Division

As to form: Yes

Recommended Actions:

That the Board of Supervisors approve and execute the attached original and duplicate original Concession Agreement between the County of Santa Barbara and the Santa Barbara Shellfish Co., Inc. for the concessionaire's use of the approximately 3,600 square foot restaurant and snack bar facility located within Arroyo Burro Beach County Park for a period of approximately 10 years, from February 1, 2008 through December 31, 2017, with one option to extend the term for an additional 10 years, followed by one option to extend the term for an additional five years; for a monthly rental amount of 10% of concessionaire's gross sales, and an additional 1.4% of gross annual sales that exceed \$3,800,000, with a minimum monthly base rent of \$16,000, which will apply during the first year of the term to facilitate concessionaire's completion of approximately \$825,000 in improvements to the facility; and authorize the Director of Parks to administer the agreement on behalf of the County.

Summary Text:

On June 6, 2006, the Board of Supervisors approved a Concession Solicitation and Selection Policy for the Parks Department. This policy, which conforms with a recommendation from the FY 2005-06 Civil Grand Jury Report, established guidelines and procedures for openly soliciting and selecting private operators to provide concession services at County parks through a Request for Proposals (RFP) process.

In conformance with this new policy, on July 10, 2007, the Board authorized the release of a Request for Proposals (RFP) to lease and operate a restaurant and snack bar at Arroyo Burro Beach County Park. A total of seven proposals were received for the restaurant concession (including one from the current concessionaire).

On December 4, 2007, based on a rigorous analysis and evaluation of all the proposals received by an evaluation team comprised of County staff, the Board accepted the proposal from the Santa Barbara Shellfish Co., Inc. as the top proposal received and authorized staff to proceed with negotiating a lease with the Santa Barbara Shellfish Co., Inc. for this concession.

Staff has since negotiated and prepared a concession lease agreement with the selected concessionaire, which is presented at this time for your Board's approval and execution.

Background:

On June 6, 2006, the Board of Supervisors approved a Concession Solicitation and Selection Policy for the Parks Department. This policy, which conforms with a recommendation from the FY 2005-06 Civil Grand Jury, established guidelines and procedures for openly soliciting and selecting private operators to provide concession services at County parks through a Request for Proposals (RFP) process.

In conformance with this new policy, on July 10, 2007, the Board authorized the release of a Request for Proposals (RFP) to lease and operate a restaurant and snack bar at Arroyo Burro Beach County Park. The RFP was widely advertised in several different newspaper publications in the tri-county area (Santa Barbara, Ventura, and San Luis Obispo counties), as well as the Los Angeles region, including the Santa Barbara News-Press, the Santa Maria Times, the Lompoc Record, the Ventura County Star, the San Luis Obispo New Times, the San Luis Obispo County Tribune, and the Los Angeles Times. The submittal deadline for proposals was August 30, 2007.

A total of seven proposals were received for the restaurant concession (including one from the current concessionaire). Attachment 1 provides a summary of all the proposals that were received, including the key terms and conditions that were included in each proposal.

A six-member evaluation team comprised of staff from several different County departments (Mike Gibson, Business Manager/Parks Department; Erik Axelson, South County Deputy Director/Parks Department; Ronn Carlentine, Real Estate Services Manager/General Services Department; Ray Aromatorio, Risk Manager/General Services Department; John Jayasinghe, Fiscal Policy Analyst/County Executive Office; and Mark Paul, Division Chief/Auditor-Controller's Office) evaluated and rated the proposals based on several key criteria, including the proposed business plan, management experience, financial history, and proposed facility/capital improvements (see Attachment 2 for composite rating scores for all of the proposals). It should be noted that two of the evaluation team members have actually owned and operated restaurants in the past, which provided the team with some additional expertise in evaluating the proposals. As part of the evaluation process, each proposer was interviewed by the evaluation team to allow them to further explain their proposals, clarify information, and respond to questions from the evaluation team. The results of the interviews were also taken into account in the final ratings.

As shown on Attachment 2, of the seven proposals received for the Arroyo Burro Beach restaurant concession, the Santa Barbara Shellfish Co. received the highest overall score (91.8 – out of a possible 100 points), with the next highest score being The Mesa Café/Cody's Café (78.2).

On December 4, 2007, based on a rigorous evaluation and analysis process by the evaluation team, the Board accepted the proposal from the Santa Barbara Shellfish Co., Inc. as the top proposal received and authorized staff to proceed with negotiating a lease with the Santa Barbara Shellfish Co., Inc. for the restaurant concession at Arroyo Burro Beach.

Staff has since negotiated and prepared a concession lease agreement (Attachment 3) with the selected concessionaire, which is presented at this time for your Board's approval and execution. The key provisions of the agreement are as follows:

- Ten-year initial term (February 1, 2008 – December 31, 2017), with the option to extend the agreement for one additional term of 10 years, followed by the option to extend for one additional term of five years, based on certain conditions and criteria, including satisfactory performance (as determined and approved by the Director of Parks).
- Monthly rent of 10% of gross sales (increased from the current rent of 6.5% of gross sales) on the first \$3.8 million in gross sales, and 11.4% on all gross sales after the \$3.8 million threshold is reached.
- Minimum monthly rent of \$16,000 (increased from the current \$850 per month). The minimum rent will apply for the first 11 months of the lease (February 1, 2008 – December 31, 2008), with the percentage rent provision taking effect on January 1, 2009.
- Approximately \$825,000 in interior capital improvements will be completed within the first six months of commencement of the new lease term.

As shown on Attachment 4, as a result of the monthly rent increase included in the new concession agreement, it is estimated that \$1,578,000 in additional revenue will be generated for the Parks Department over the initial 10-year term of the lease (\$157,800/year). A copy of the Santa Barbara Shellfish Co.'s lease proposal is included as Attachment 5.

Due to the extent of the interior improvements that the new concessionaire will be providing to upgrade the restaurant facility, including new plumbing and electrical, reconfiguration of the floor plan, etc., it is anticipated that the restaurant will be closed through late spring to allow for permitting and construction of these major renovations. A grand opening of the new restaurant, under a new name, with a new menu, new pricing structure, and significant interior improvements and amenities is anticipated for May 2008.

Performance Measure:

N/A

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

<u>Revenue Sources</u>	<u>Additional FY 2007-08 Revenue:</u>	<u>Additional Annualized On-going Revenue:</u>	<u>Total One-Time Project Revenue</u>
General Fund			
State			
Federal			
Fees: Concession Fee Revenue	\$ -	\$ 157,800.00	
Other: Investment in Capital Improvements			\$ 825,000.00
Total	\$ -	\$ 157,800.00	\$ 825,000.00

Narrative:

Additional estimated ongoing annual revenue as a result of this new lease agreement is \$157,800 (starting in FY 2008-09). This revenue goes towards offsetting the operational costs of Arroyo Burro Beach County Park and is part of the Parks Department’s fees and charges revenue base that lessens its reliance on the County General Fund to support its operations.

In addition to the additional ongoing revenue, capital improvements, totaling approximately \$825,000, are also included as part of the new lease agreement for this facility.

Staffing Impacts:

Legal Positions:

FTEs:

Special Instructions:

Clerk of the Board to forward a copy of the minute action and executed agreement to the Parks Department/Administrative Office, Attn: Mike Gibson.

Attachments:

Attachment 1 – Summary of Proposals Received for Arroyo Burro Beach Restaurant

Attachment 2 – Composite Rating Scores for Arroyo Burro Beach Restaurant Concession Lease Proposals

Attachment 3 – Proposed Concession Lease Agreement with Santa Barbara Shellfish Co., Inc. for Arroyo Burro Beach Restaurant

Attachment 4 – Revenue Projections for Arroyo Burro Beach Restaurant Proposals

Authored by:

Mike Gibson (568-2477)