



CITY OF LONG BEACH

C-10

DEPARTMENT OF PARKS, RECREATION & MARINE

2760 N. Studebaker Road, Long Beach, CA 90815-1697

December 4, 2007

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HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a permit, and any amendments, with Harbor Breeze Corp., to provide and operate retail merchandising units on the Rainbow Harbor Esplanade, for a term of three years, with two three-year options to renew, at the sole discretion of the City Manager. (District 2)

DISCUSSION

Rainbow Harbor was officially opened over eight years ago. Since that time, development in Rainbow Harbor and the Pike Development Project have brought numerous retail and restaurant establishments to the area. The Department of Parks, Recreation and Marine (PRM) determined that the placement of retail merchandising units (RMUs), or merchandise carts, along the Rainbow Harbor Esplanade (Esplanade) would attract visitors to stroll the area and provide a benefit to both the visitors and area businesses. RMUs are kiosk type temporary units used to sell food and seasonal tourist oriented merchandise. PRM issued a Request for Proposal (RFP) in October 2004, for an RMU operator at the Esplanade. No responses were received for this RFP. Subsequently, PRM attempted to negotiate directly with the Pike lessee, Developers Diversified Realty; however, an agreement could not be reached.

In October 2005, PRM received a proposal from Harbor Breeze Corp. (Permittee) to provide and operate RMUs along the Esplanade. The proposal was reviewed by PRM and deemed to meet the requirements of the previously issued RFP. In August 2006, this matter was brought to City Council for a permit to operate this program. The major points of the permit included a defined permit area and a ten percent fee of gross program revenue to the City. The permit term is for three years, with two three-year extensions, at the sole discretion of the City Manager.

In 2006, there was not sufficient time to initiate this program for the critical summer season, and therefore, Permittee purchased 19 carts to begin operating the program in the summer of 2007. The strategy of the Permittee was to provide the carts for the program, and sub-permit to individual operators. During the summer, Permittee was able to sub-permit only five carts on a consistent basis. The primary problems associated with this program relate to operational costs, which include the ten percent charged by the City and the requirement that each individual operator obtain a Business License, as well as pay an annual fee to the Downtown Long Beach Business Association. Permittee found that these costs were too high for the operators, which work on very slim margins. Another problem is that the permit area defined in the program does not include Shoreline Park, which is an area of relatively high foot traffic.

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HONORABLE MAYOR AND CITY COUNCIL

December 4, 2007

Page 2

Since it is PRM's intent to maximize the number of RMUs in order to create activity around Rainbow Harbor, it is recommended that the permit fee be reduced from ten percent to five percent, and the permit area be expanded to include Shoreline Park. This will enable the program to grow, creating a more interesting atmosphere around Rainbow Harbor, and should result in no negative fiscal impact since the program will at least double in size under the amended conditions.

This matter was reviewed by Deputy City Attorney Gary J. Anderson on November 15, 2007, and Budget Management Officer Victoria Bell on November 14, 2007.

TIMING CONSIDERATIONS

City Council action is requested on December 4, 2007, to enable the Permittee to begin marketing to new operators under the amended fee structure.

FISCAL IMPACT

Permittee will pay five percent of gross receipts, which is projected to be \$8,400 annually. Revenues resulting from the Permittee's area of operation will be deposited in the Tidelands Operating Fund (TF) in the Department of Parks, Recreation and Marine (PR).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



PHIL T. HESTER
DIRECTOR OF PARKS, RECREATION AND MARINE

PTH:MS:bjg

APPROVED:


PATRICK H. WEST
CITY MANAGER