



# C-14

## CITY OF LONG BEACH

DEPARTMENT OF PARKS, RECREATION & MARINE



November 13, 2012  
2760 N. Studebaker Road, Long Beach, CA 90815-1697  
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HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

### RECOMMENDATION:

Authorize the City Manager to amend Permit No. 27276 with Harbor Breeze Corporation, for the use of docks in Rainbow Harbor for charters, harbor cruises, and whale watching tours for a term of 15 years, with two, five-year renewal options at the discretion of the City Manager or his designee. (District 2)

### DISCUSSION

On April 24, 2001, the City Council approved Permit No. 27276 with Harbor Breeze Corporation (Harbor Breeze), to operate charters, harbor cruises, and whale watching tours for a five-year term, with three, five-year renewal options. Since that time, there have been two amendments to the lease exercising all three, five-year renewal options, with the term ending on April 30, 2021.

Harbor Breeze was one of the first commercial operators in the newly built Rainbow Harbor. Since that time, Harbor Breeze has been the most successful single operator in Rainbow Harbor. Company sales have grown from approximately \$300,000 in 2001, to over \$3 million in 2011. Harbor Breeze pays nearly \$80,000 a year in dock fees, and in 2011, paid the City approximately \$160,000 in percentage rent.

Harbor Breeze has been the leader in whale watching excursions in Southern California, and has brought significant attention to Long Beach because of their success in the whale watching business. In addition, Harbor Breeze has partnered with the Aquarium of the Pacific for whale watching and nature tours, and has received an endorsement from Aquarium CEO Jerry Schubel for its professionalism and contributions to Long Beach.

Harbor Breeze proposes to expand the business by purchasing a larger, faster vessel, which will cost approximately \$6 million. With the addition of the new vessel, Harbor Breeze estimates that sales will increase to over \$6 million by 2015, which will in turn increase the City's commercial share. In order to amortize the cost of the new vessel, Harbor Breeze has approached the City with a request to revise the permit term to 15 years, with two, five-year renewal options. The revised term would commence on December 1, 2012, and run through November 30, 2027.

The proposed amendment contains the following revisions:

- Term: Fifteen years, December 1, 2012 through November 30, 2027.
- Renewal Options: Two, five-year renewal options at the discretion of the City Manager or his designee.
- Permit Fee: Harbor Breeze shall continue to pay five percent of annual gross receipts for the initial 15-year term. Upon execution of the first renewal option, the percentage rate shall increase to six percent of annual gross receipts, and increase to seven percent of annual gross receipts upon execution of the second renewal option, or an annual minimum amount of \$100,000, whichever is greater.

All other provisions of the permit will remain the same.

This matter was reviewed by Deputy City Attorney Gary J. Anderson on November 1, 2012, and Budget Management Officer Victoria Bell on October 17, 2012.

TIMING CONSIDERATIONS

City Council action is requested on November 13, 2012, in order to amend Permit No. 27276 with Harbor Breeze Corporation.

FISCAL IMPACT

The annual minimum percentage revenue in the amount of \$100,000 remains unchanged and will continue to accrue to the Rainbow Harbor Fund (TF 411) in the Department of Parks, Recreation and Marine (PR). The recommended action will result in a positive impact on jobs. Harbor Breeze Corporation currently employs 35 staff, of which 19 live in Long Beach. The proposed business expansion will enable the company to add approximately five new employees per year.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



GEORGE CHAPJIAN  
DIRECTOR OF PARKS, RECREATION AND MARINE

GC:MS:erh

APPROVED:



PATRICK H. WEST  
CITY MANAGER