PATRICK H. WEST
CITY MANAGER

April 22, 2014

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

>   Authorize the City Manager to execute the First Amendment to Agreement No.
>   30691 with the Grand Prix Association of Long Beach, LLC, a Delaware limited
>   liability company. (District 2)

DISCUSSION

On April 15, 1975, the City and the Grand Prix Association of Long Beach (Association)
executed Agreement No. 16278 (Agreement) granting permission to the Association to
conduct championship Grand Prix automobile races in the City of Long Beach. The
term of the Agreement, as amended, expired June 30, 1990. On April 30, 1990, the
City extended the term of the Agreement to June 30, 2000. On April 18, 1995, the City
amended and restated the Agreement, which included a termination date of June 30,
2010. On March 18, 2008, the City again amended and restated the Agreement and
extended the term of the Agreement to June 30, 2015, with an option to extend the term
for an additional five years, expiring June 30, 2020.

The City has had a long and mutually advantageous relationship with the Association.
The races have drawn large crowds, national and international exposure for the City,
and generated substantial positive economic benefits. In an effort to continue this
relationship, staff recommends that the City extend the term of the current Agreement to
June 30, 2018, and provide two options to thereafter extend the term for a period of
one-year each. This request provides an opportunity for the City to revise and refine
other aspects of the Agreement and sufficient time to prepare and issue a Request for
Proposals to the Association and to Formula 1.

As a result of the last contract negotiations, the Association has significantly modified its
Construction Period in an attempt to accommodate the restaurants along Pine Circle, in
the Pike, and at the Aquarium of the Pacific; expanded the Race Period to include a
half-day event on Thursday afternoon; and, very recently, agreed to allow limited
pedestrian and bicycle access to the Circuit between the hours of 2:00 PM and 4:00 PM
on a mutually acceptable day.

While most of the provisions of the existing Agreement will remain unchanged, the proposed Amendment will include the following significant modifications to the terms and conditions:

- Eliminate the half-day event on Thursday afternoon returning the duration of the Race Period to Friday from 7:00 AM through Sunday at 6:00 PM.

- Limit the Association's control of the Circuit Vicinity during the Pre-Race and Race Period to prohibit any permits to third parties whose activities or events would impinge upon the Association's right to sell exclusive advertising and sponsorship rights in connection with the Race. The City shall not be prohibited from conducting any City-organized and non-sponsored activities or events within the Circuit Vicinity during the Pre-Race Period.

- Require Association to conduct an annual Motor Sports Walk of Fame event, which shall be open to the public and held during the Pre-Race Period at a time and location acceptable to the City. The City will continue to be responsible for the ordering and installation of the plaques.

- Require Association to provide a Letter of Credit effective from 180 days before the Race Period and expiring immediately after the Race Period, naming the City as beneficiary, in the amount of $1,000,000, from which the City shall have the unconditional right to draw if the Association fails to conduct a Race or proposes to conduct a Race which is not consistent with the Agreement.

- Include a $1,000,000 liquidated damages clause, so that, if the Association terminates its Agreement earlier than the termination date, or advises the City that the Association will not conduct an authorized race, the City may receive liquidated damages as recourse.

Additionally, the Association shall enter a Side Letter, setting forth certain operating protocols in connection with the conduct of the Race. The Side Letter is being used to allow refinements to occur over the remaining term of the Agreement without requiring City Council approval. These protocols include:

- Provide a 2-hour period before the Race Period when the Circuit is closed to allow non-sponsored and limited pedestrian and bicycle access to the Circuit, at a time to be determined by the City and the Association in advance of each Race (Cycling Event).

- Use best efforts to alter construction and deliveries, and to establish appropriate traffic management protocols during the Cycling Event.

- Install K-rail and related safety systems in front of the Aquarium of the Pacific, along the south side of Aquarium Way, no earlier than the second Friday prior to the Race Period.

- Install Grandstand No. 36 (in front of P.F. Chang's) no earlier than the second Wednesday prior to the Race Period.

- Remove all grandstands in the valet parking lot south of Shoreline and all K-rail and related safety systems on the south side of Shoreline and Aquarium Way between Pine Avenue and the Aquarium of the Pacific no later than 11:00 AM on the Tuesday immediately following the Race Period.

- Remove all remaining K-rail and related safety systems on the south side of Aquarium Way no later than 6:00 PM on the Wednesday immediately following the Race Period.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on April 2, 2014, and by Budget Management Officer Victoria Bell on April 2, 2014.

TIMING CONSIDERATIONS

City Council action is requested on April 22, 2014, in order to allow the Association to coordinate with its promoters and participants for the 2015 race.
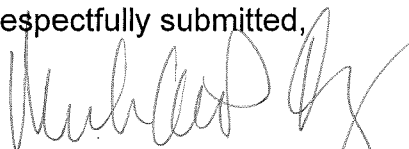
FISCAL IMPACT

There is no fiscal impact associated with the recommended action.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

MICHAEL P. CONWAY, DIRECTOR
BUSINESS AND PROPERTY DEVELOPMENT

MPC:mb

APPROVED:

PATRICK H. WEST
CITY MANAGER