

January 4, 2022

R-34

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute all documents necessary for a First Amendment to Amended and Restated Operating Agreement No. 34876 with Grand Prix Association of Long Beach, LLC, to amend certain provisions of the Agreement and facilitate an extension through June 30, 2028. (Districts 1, 2)

DISCUSSION

The Long Beach Grand Prix (Grand Prix) is the longest-running major street race in North America. On April 15th, 1975, the City of Long Beach (City) and Grand Prix Association of Long Beach, LLC (Association) entered into the first Agreement to host the event in Downtown Long Beach. The Grand Prix, an IndyCar Series race (Race), encompasses three-and-half days of races and ancillary events and has a tremendous impact on local and regional economies and local hospitality and tourism industries. The Grand Prix is a large-scale regional event drawing more than 200,000 visitors to Long Beach annually. The event provides significant national exposure for Long Beach and generates significant economic benefits.

The current iteration of the Agreement is Amended and Restated Operating Agreement No. 34876 (Agreement), which the City Council approved on December 5th, 2017. The current term of the Agreement expires on June 30, 2023, and contains a City option for one additional five-year extension. To that end, staff from the Economic Development Department have negotiated an extension to the Agreement. For the past year, the City and Association worked toward an Amendment that addressed the City Council's priorities to reduce the impact of the Race on area residents and businesses and provide for future development of the area while maintaining the Association's ability to safely and viably conduct a world-class Race.

The proposed First Amendment to the Agreement will include the following significant modifications to the terms and conditions:

- Amended Term: Shall be extended through June 30th, 2028.
- City's Right to Remove Develop Portions of the Race Circuit: The City shall have the right to remove and develop portions of the Race Circuit by providing the Association with a series of three advanced written notices as follows: 1) Upon the City Council's authorization to execute an Exclusive Negotiating Agreement, Disposition and Development Agreement, or other development vehicle with a development entity, the City will issue a first notice of potential development to the Association, whereby the

Association will be notified of pending development and City will use its best effort to have the Association included as a stakeholder in development discussions; 2) Upon the approval of a Local Coastal Development Permit by the Long Beach Planning Commission, the City will issue a second notice of potential development to the Association, whereby the affected areas of the race circuit will be removed from the Race effective no less than 12 months from the date of the notice; and 3) Upon 12 months from the date of the second notice of potential development, the City shall issue a final notice of pending development to the Association, effectively removing affected portions of the race circuit from the Race.

Additionally, the City will include language in any future Requests for Proposals for the development of areas currently within the Race Circuit that potential developers would be required to confer with the Association for potential incorporation of the race circuit into the design of any future developments.

- Reduction in Set-Up/Tear-Down Time: Effective January 1st, 2023, the Association shall reduce set-up time from 53 to 50 days and tear-down time from 21 to 20 days. This represents a 5 percent reduction in set-up/tear-down time and is the most compressed timeline currently possible while maintaining the ability to safely set-up and tear-down.
- Construction Timing: Effective January 1st, 2023, no street improvements or street decorations shall commence before 7:00 a.m. nor continue after 6:00 p.m. in areas adjacent to residential buildings. However, these restrictions shall be waived beginning at 12:01 a.m. on Monday immediately preceding the Race and ending twenty-four hours following the Race.
- Joint Pre- and Post-Race Race Circuit Inspections: Beginning in advance of the 2022 Race (April 2022) and continuing annually thereafter, Association and City representatives shall meet to jointly inspect the Race Circuit to document pre-Race tire marks. Following each Race, Association shall be obligated to remove tire marks from the concrete portions of the Circuit that result from the Race and related events. City shall have the option to request that Association remove non-Race-related tire marks from the concrete portions of the Circuit, at City's expense. City shall perform oil emulsion or equivalent treatments utilizing the Association's road restoration contributions (as discussed in more detail below) to address all tire marks on the asphalt portions of the Circuit (whether Race-related or not).
- Grind and Overlay of Pine Avenue: Prior to the 2023 Race (approximately April 2023), the City, at its sole expense, shall perform a grind and overlay of the asphalt portions of the Race Circuit on Pine Avenue, between Seaside Way and Shoreline Drive. Planning for the recommended improvements and costs thereof will commence upon execution of the Amendment and staff will return to Council for future appropriation once funding has been secured.

- One-Time Application of Oil Emulsion Treatment: Once the 2022 Race has concluded, the Association shall perform an oil emulsion treatment to the asphalt portions of the Race Circuit on Seaside Way and the easterly portion of the Elephant Lot.
- Annual Road Restoration Contribution / Future Road Restoration Requirements: On January 1, 2023, and every January 1st thereafter for a total of five years, the Association shall contribute \$30,000 per year to the Capital Projects Fund Group, which the City shall use to offset its application of oil emulsion or equivalent surface treatments to the asphalt portions of the Race Circuit as necessary to maintain the asphalt portions of the Race Circuit to substantially similar standard as existed after the one-time emulsion treatment performed after the 2022 Race. In addition, the City shall require all future development projects and permits that require excavation of the asphalt portions of the Race Circuit on Seaside Way to restore those areas to the condition required to accommodate the Race or otherwise to the satisfaction of the City Engineer.
- COVID Relief/Amortization of Permit Fees for 2021: The Association has requested relief from City Permit Fees for its 2021 race due to the financial constraints of the COVID-19 pandemic and subsequent cancellation the Race in 2020 had on the Association. Therefore, the City will allow the Association to defer and amortize Permit Fees from the 2021 race, in the amount of \$94,749 over a period of five years, at zero percent interest. Accordingly, beginning on December 1, 2021, and every December 1st thereafter, the Association shall pay the City equal installments of \$18,950 until the balance is paid in full.
- 2028 Olympic Games: As the City intends to accommodate the 2028 Olympic Games (Olympics), the City agrees to promptly provide Association with detailed information regarding the Olympics after City receives such information, and, if necessary, the parties agree to thereafter cooperate in good faith to adjust the 2028 Race schedule or make such other amendments to the Agreement as necessary to accommodate the Olympics.

This matter was reviewed by Deputy City Attorney Richard F. Anthony and by Budget Operations and Development Officer Rhutu Amin Gharib on December 14, 2021.

TIMING CONSIDERATIONS

City Council consideration of this Amendment is requested on January 4, 2022, to facilitate timely execution of the proposed First Amendment to Amended and Restated Operating Agreement No. 34876 with the Association.

FISCAL IMPACT

Approval of this recommendation will result in the deferral of special events permit fees typically assessed to the Association for its Race in September of 2021. This deferral will result in reduced revenue for FY 21 in the Special Advertising and Promotions Fund Group in the City

Manager's Department in the amount of \$94,749. In addition, the deferrals may result in minimal lost interest earnings. The fees will be repaid in five (5) annual installments beginning in FY 22 at zero percent interest.

Approval of this agreement will result in a requirement for the City to perform a grind and overlay of the asphalt portion of the Race Circuit on Pine Avenue. Costs for this recommendation are unknown at this time. Staff will return to City Council for approval of appropriation when costs and funding have been identified.

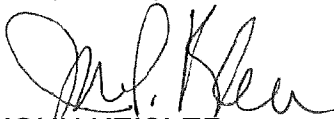
This recommendation will provide a contribution of \$150,000 from the Association to the City over a period of five years, from FY 23 to FY 27. Beginning in FY 23, the Association shall contribute \$30,000 per year for a period of five years, which shall be deposited in the Capital Projects Fund group in the Public Works Department, to be used to offset the City's application of oil emulsion or equivalent surface treatments to the asphalt portions of the Race Circuit to bring it back to conformity with baseline conditions as set prior to the start of each Race. The Public Works Department will request an appropriation increase each year beginning in FY 23 through FY 27 as part of the annual budget development process.

This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

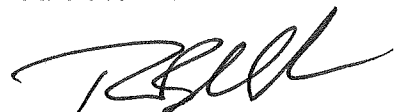


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APPROVED:



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