



Legislation Text

File #: 21-0807, **Version:** 1

Recommendation to authorize City Manager, or designee, to enter into Beach Concession Agreements with Monty's Beach, a California limited liability company, and Downey Restaurant Company, Inc., dba Gaucho Grill, for the operation of a food concession at Granada Beach and Alamitos Beach, respectively, on the stated terms and conditions, including options to renew at the discretion of the City Manager; and

Authorize City Manager, or designee, to negotiate and execute any necessary modifications to the proposed terms that may be necessary to expedite establishment of the beach concessions operation. (Districts 2,3)

On June 8, 2021, the City Council authorized the City Manager to enter into Beach Concession Agreements for the provision of food, beverage, and/or equipment rental concessions to beachgoers, special events, festivals, weddings, and other events at Junipero, Bayshore, and Mother's Beaches. The previous concession agreements had expired by its own terms at the end of 2018 and improvements were made to the City's beach concession stands and adjacent areas, which included installation of large play and fitness areas. The remaining concession stand nearing completion is located at Alamitos Beach, which will now include a cafe space, rooftop deck, large exterior seating area, new restrooms, a retail space, and play area. Beach Concession Agreements for Granada and Alamitos Beaches were not included in the previous City Council action as selection of concessionaires for these locations was still pending.

Efforts to find a suitable replacement concessionaire for the Granada and Alamitos Beach locations were included in the efforts along with Junipero, Bayshore and Mother's Beaches. Request for Proposals (RFP) No. PW19-018, seeking proposals for operators of one or more of the concessions stands, was issued in January 2019. With limited interest received in response to the RFP, the City utilized Lee & Associates, one of the City's on-call commercial real estate brokerage firms, to better market these locations and facilitate business outreach efforts. Lee & Associates proactively reached out to local and regional business owners and various business associations of Long Beach and the brokerage community. Potential concessionaires began submitting offers in early 2020; however, evaluation and negotiations were delayed by the onset of the COVID-19 pandemic. As COVID-19 restrictions have eased, negotiations restarted with parties interested including Granada and Alamitos Beaches.

A panel consisting of representatives from the Departments of Parks, Recreation and Marine, Public Works, Economic Development, and the Special Events and Filming Office in the City Manager Department, reviewed all proposals submitted for the Granada and Alamitos Beach concessions and conducted interviews. Each proposal was evaluated based on the

following: (1) menu and location concept; (2) affordability of menu items offered; (3) demonstrated experience; (4) financial strength of the proposer and their team members; (5) proposed hours of operation; and, (6) demonstrated willingness to partner with the City in activation of the area. City staff have identified potential concessionaires for Granada and Alamitos Beaches with each concession agreement subject to varying terms and conditions given each location's unique characteristics.

Granada Beach

The Granada Beach Concession building is located south of Ocean Boulevard at Granada Avenue (Attachment A). The location serves as a popular destination for kite surfing, volleyball, and local dog beach. The parking lot just to the north of the concession building was completely renovated in 2018 and offers 708 parking spaces. This location also includes a children's water play area, adult exercise area, dog rinse station, and is adjacent to Rosie's Dog Beach. The concession building, recently renovated in 2021, offers 887 rentable square feet and supports traditional beach-front food service concessions, as well as the potential for outdoor cafe food service operations. There is also a rental/retail space consisting of 565 square feet, which is covered under the Beach Concessions Agreement with Pedal Movement, LLC (Pedal Movement) previously approved on June 8, 2021. Granada Beach will be one of the three locations where Pedal Movement will offer rentals of bicycles, rollerblades, skates, and other non-motorized vehicles. Pedal Movement will also offer for sale items such as sunglasses, water bottles, hydration products, sunscreen, and energy bars to beach goers.

Three proposals were received for the Granada Beach opportunity and evaluated by the panel. The panel unanimously selected the proposal submitted by Monty's Beach (Monty's), whose proposed concept offers both food and beverages including coffee, natural juices, smoothies, teas, granola, breakfast and lunch sandwiches, hamburgers, hot dogs, fruit and meat platters, and salads. To enhance the offerings at this location, Monty's has requested to add a dog agility course as well as sunbeds and cabanas, which will require Coastal Commission approval. Should the expanded area and uses not be approved, Monty's will have the option to terminate the Concession Agreement. Monty's operates a similar location in Croatia.

The proposed Beach Concession Agreement with Monty's contains the following major terms and provisions:

- Initial Term: Five years, commencing on September 1, 2021.
- Renewal Option: One additional five-year option to extend. The Renewal Option will be at the discretion of the City Manager, or designee, and Concessionaire will be required to provide the City with advance prior written notice to extend not less than 90 days before the end of the Term.

- Base Rent: \$2,661 per month with annual adjustments based on the Consumer Price Index (CPI), but no more than 3 percent.
- Rent Commencement: Rent commencement begins once the Granada Beach concession has opened, or 180 days after the start of the Initial Term, whichever comes first.
- Free Rent/Early Possession: Early possession of the space will be granted upon delivery of proof of insurance and other administrative requirements, for tenant improvements, installing telecommunication equipment, business fixtures, and the like.
- Tenant Improvements: Concessionaire will accept premises in "as-is" condition. All tenant improvements will be subject to the City's prior approval. Concessionaire will contract for and manage all construction services, which may be subject to prevailing wage.
- Utilities: Utilities will be metered separately and paid for directly by Concessionaire.
- Refuse and Maintenance: Concessionaire will be responsible for refuse and maintenance and paid for directly by Concessionaire.
- Expanded Area/Option to Terminate: Concessionaire has requested to pursue Coastal Commission approval of an expanded area to offer sunbeds and cabanas as well as a dog agility course. If expansion is not approved, Concessionaire will be provided with the option to terminate the Concession Agreement with 30 days' notice.

Alamitos Beach

The Alamitos Beach concession building, and cafe sits at the northwest end of Alamitos Beach (Attachment B). The areas immediately adjacent to the building include Marina Green Park, Long Beach Shoreline Marina, the regional beach bicycle and pedestrian route, Alamitos Beach, the Alamitos Beach public beach parking lot offering 143 parking spaces, and a new 5,500-square-foot outdoor play area and games corner. The concession building offers 4,240 rentable square feet, including a semi-enclosed first-floor deck and an open-air roof deck overlooking the bay. In addition, the building also includes a concession walk-up window for quicker service and grab-and-go offerings. Construction of the core and shell of the building is the responsibility of the City with all interior fixtures and improvements to be completed by the concessionaire.

Six proposals were received for this Alamitos Beach opportunity and evaluated by the panel. The panel unanimously selected the proposal submitted by Downey Restaurant Company, Inc. dba Gaucho Grill (Gaucho Grill), which is proposing to operate Gaucho Beach, Gaucho Cafe and Gaucho Mercado. Gaucho Beach will offer Argentine steaks, short ribs, chicken, signature empanadas, seafood, salads, and vegan options. Gaucho Cafe will offer coffee, juices, smoothies, baked goods and cakes, pizzas, signature empanadas, and ice cream. Gaucho Mercado will offer "grab & go" options including specialty sandwiches, salads,

beverages, sweets, and more. Gaucho Grill operates locations in Buena Park, Downey, and West Covina, with a Pasadena location coming soon.

Gaucho Grill's proposal provided the greatest value to the City while demonstrating an understanding of the California Coastal Commission's requirements public beaches to be active and provide options for all. Gaucho Grill's proposal met the goals for the Alamitos Beach concession building with activation, variety, and afford ability at market rate rent and the expected commitment to become integral in the fabric of the surrounding area. Through the offering of Gaucho Beach, Gaucho Cafe, and Gaucho Mercado, the concession stand will be activated for beachgoers morning, afternoon, and evening while offering a variety of items and prices ranging from grab-n-go to more formal sit-down atmosphere. Further, Gaucho Grill intends to provide not only substantial monetary investment into the concession stand but into activation of the area through partnerships with the City, promotion, and participation of community events and support for special event partners.

The proposed Beach Concession Agreement with Gaucho Grill contains the following major terms and provisions:

- Initial Term: Five years, commencing on September 1,2021.
- Renewal Option: Concessionaire will have two additional five-year options to extend.

The Renewal Option will be at the discretion of the City Manager, or designee, and Concessionaire will be required to provide the City with advance prior written notice to extend not less than 90 days before the end of the Term.

- Base Rent: \$12,720 per month with annual adjustments based on the CPI, but no more than 3 percent.
- Rent Commencement: Rent commencement begins the first day of the month immediately after the month in which the building receives a Certificate of Occupancy, or June 1,2022, whichever comes first.
- Tenant Improvements: Concessionaire is responsible for the build-out of all concession front-of-house and back-of-house, including kitchens and food preparation areas. Concessionaire must design and build out the interior of the concessions/cafe as well as provide the necessary equipment, fixtures, materials and furniture necessary for operation. Concessionaire will contract for and manage all construction services, which may be subject to prevailing wage.
- Utilities: Utilities will be metered separately and paid for directly by Concessionaire.
- Refuse and Maintenance: Concessionaire will be responsible for refuse and maintenance and paid for directly by concessionaire.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on July 23, 2021, Business Services Bureau Manager Tara Mortensen on July 28, 2021, and by Budget Management Officer Rhutu Amin Gharib on July 30, 2021.

City Council action is requested on August 17, 2021, to ensure the Beach Concession Agreements are in place expeditiously.

The proposed Beach Concession Agreement for Granada Beach will start generating rental revenue once either the concession has opened for business or 180 days after the start of the initial term of the agreement of September 1, 2021, whichever comes first. The proposed Beach Concession Agreement for Alamitos Beach will start generating rental revenue the first month after a Certificate of Occupancy is received or June 1, 2022, whichever comes first. Rent revenue will accrue to the Tidelands Operating Fund Group in the Parks, Recreation and Marine Department. Depending on the actual start date of operations, revenue will most likely begin to be received in Fiscal Year 2022 (FY 22) with monthly rent in the amount of \$2,661 for the Granada Beach concession location and monthly rent in the amount of \$12,720 for the Alamitos Beach location for a total anticipated rent of \$72,168 in FY 22. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. The approval of this action will result in a positive impact on jobs, although the number of additional local jobs is unknown at this time.

Approve recommendation.

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