

REPORT OF GENERAL MANAGER

NO. 09-236

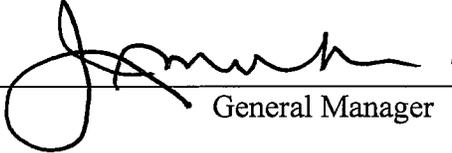
DATE September 2, 2009

C.D. 9

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: PERSHING SQUARE PARK FOOD AND BEVERAGE SERVICE
CONCESSION – FEASIBILITY FINDING

R. Adams _____	J. Kolb _____
H. Fujita _____	*F. Mok <u>MDW/EM</u>
S. Huntley _____	K. Regan _____
V. Israel _____	M. Shull _____



General Manager

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Find, in accordance with Charter Section 1022, that the Department does not have personnel available in its employ with sufficient time and expertise to undertake these specialized professional tasks and that it is more feasible to secure these services by contract;
2. Find, in accordance with Charter Section 371(e)(10) and Los Angeles Administrative Code Section 10.15(a)(10), that obtaining proposals would not be reasonably practicable or desirable and that in order to provide service to the public and increase revenue to the Department, a competitive bidding process is not practicable or advantageous at this time; and,
3. Authorize staff to negotiate a multi-year Concession Agreement and submit for Board approval.

SUMMARY:

Pershing Square Park is located at 532 South Olive Street, Los Angeles, CA 90012. The park provides a variety of free cultural programming for the community, including an extensive summer concert series, an annual St. Patrick's Day concert, Downtown on Ice (outdoor ice rink), and a number of other special events. The park is used daily by the public for recreational purposes, filming, and general public gatherings. The park is located in the center of the downtown business district and surrounded by private businesses and downtown residents.

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A food service facility was constructed in the park in 1994 as part of a reconstruction project. In 1998, the selected food service operator abandoned the concession. A Request for Proposals (RFP) was released in 2000 to provide a new operator for the concession. The selected operator, Food Service, Inc., abandoned the concession after four weeks of operation. Between 2001 and 2008, a number of short term operators were allowed to occupy the facility to provide food and beverage service on a seasonal basis and during special events. The facility is currently vacant.

On December 11, 2008, the Board approved the release of an RFP in order to select an operator for a multi-year agreement (Board Report No. 08-346). On February 4, 2009, the Board discussed that the RFP be held pending further review and input from the Park Advisory Board. A review of the facility indicates that changes must be made to the facility in order for a business enterprise to be successful in the space. Previous concessionaires abandoned the business enterprise due to low sales, lack of space and lack of funds to sustain the business in the early stages of development. Even seasonal providers of food service have not returned to use the facility for these reasons.

Subsequent to Board approval of Board Report No. 08-346, staff has received an unsolicited proposal from Bicos Restaurant Group, Incorporated (Bicos) for the operation and maintenance of the Pershing Square Food and Beverage Service concession. Bicos has over thirty years of restaurant experience and is currently the owner and operator of Gus's Barbeque Restaurant in South Pasadena and Tops Restaurant in Pasadena. Both restaurants offer high quality food and service, including bar service.

Bicos has proposed to operate and maintain the concession and provide up to \$250,000 in improvements to the concession in order to expand the operation from the current 300 square foot facility to an 800 square foot facility. This would be a major change in the scope of type of service offered from a "walkup snack shop" to an established sit down restaurant with food and beverage service. Bicos has been successful in maintaining an ongoing business and may have the capital necessary to refurbish the existing area, procure necessary equipment and furnishings and the expertise to develop a new business. At this time, the Department does not have the resources to make these changes. The business community and residents who live and work in the surrounding community have indicated through their Park Advisory Board and Business Improvement District that this type of establishment would better meet the needs of the community than the current business model by encouraging more people to visit and use the park as a social gathering place.

Charter Section 1022

Los Angeles City Charter Section 1022 prohibits contracting out work that could be done by City employees unless the Board determines it is more economical and/or feasible to contract out the service. The Personnel Department previously determined that the ability to independently

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operate and maintain a restaurant facility on a day-to-day basis requires expertise that City classifications are unable to provide; therefore, it would be more feasible to contract out the service in order to meet the immediate needs of the public.

Formal Competitive Bid

In order to ensure that a high quality food and beverage service is provided to the public and to create additional revenue for the Department, a formal competitive bid process, in accordance with Los Angeles Administrative Code Section 10.15(a)(2), is not practical or advantageous due to the need to expeditiously obtain an operator to provide the necessary improvements and long-term marketing required to build a new business venture at the facility.

As stated previously, the Department has attempted to install a food service operator at the location in order to serve the public. The previous businesses failed to successfully operate the concession and subsequently abandoned the concession.

The Department's experience with previous interim operators found that the limited timeframe was insufficient to recoup start-up costs and capital improvement funding necessary to provide a high-quality food service operation to the surrounding businesses and downtown residents and to effectively market the restaurant to build the business.

A multi-year agreement will allow an operator to invest in the restaurant and recoup the costs while providing a year-round operation that will be able to maximize profits and grant the necessary time to market and build the business. It is not practical or advantageous at this time to go through a formal RFP process for this concession.

This report authorizes staff to negotiate the terms and conditions of a possible multi-year concession agreement for the operation and maintenance of a food service concession at Pershing Square Park. If negotiations are successful and a mutual agreement is reached by both parties, staff will submit a board report recommending approval for award of the concession agreement.

FISCAL IMPACT STATEMENT:

Authorizing staff to negotiate the terms and conditions of a multi-year concession agreement has no impact to the General Fund.

Report prepared by Vicki Israel, Assistant General Manager Operations East and Robert N. Morales, Senior Management Analyst II, Administrative Resources Section, Finance Division.