

APPROVED

MAY 20 2015

REPORT OF GENERAL MANAGER

NO. 15-109

DATE May 20, 2015

BOARD OF RECREATION
AND PARK COMMISSIONERS

C.D. 14

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: PERSHING SQUARE - CANCELLATION OF REQUESTS FOR PROPOSALS FOR FOOD AND BEVERAGE SERVICE CONCESSION AND BRANDED COFFEE CONCESSION; REQUEST FOR PROPOSALS FOR PERSHING SQUARE CAFÉ CONCESSION

R. Adams _____
R. Barajas _____
H. Fujita _____

*V. Israel _____
K. Regan _____
N. Williams _____

General Manager

*as amended
see attached*

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATIONS:

That the Board:

1. Cancel the Request for Proposals (RFP) process for the Pershing Square Park Food and Beverage Service Concession approved by the Board on August 11, 2010 (Report No. 10-224);
2. Cancel the RFP process for the Pershing Square Branded Coffee Concession approved by the Board on November 19, 2014 (Report No. 14-288);
3. Approve the Pershing Square Café Concession RFP as described in the Summary of this Report, substantially in the form on file in the Board Office;
4. Direct the Board Secretary to transmit the Pershing Square Café Concession RFP to the City Attorney for review and approval as to form;
5. Direct staff to advertise the Pershing Square Café Concession RFP and conduct the RFP process, subsequent to the City Attorney's review and approval as to form; and
6. Authorize the General Manager or designee to make any necessary technical changes and incorporate such changes in the RFP.

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SUMMARY:

Pershing Square, located at 532 South Olive Street in Downtown Los Angeles has proven to be a popular venue with the public. The park hosts a summer concert series, winter season “Holiday on Ice” ice-skating rink, seasonal movie nights and other events, with each providing temporary food and beverage services. Although Pershing Square is also a popular setting for weekday lunch visits by the surrounding business community, a daily food or beverage service does not exist. The Department of Recreation and Parks (Department) explored the potential for providing such services on two (2) previous occasions.

On August 11, 2010, the Board of Recreation and Park Commissioners (Board) approved a Request for Proposals (RFP) process for the “Pershing Square Park Food and Beverage Service Concession” (Report No. 10-224), but nothing resulted from that effort as no proposals were received. The nation’s economy at that time was in a period of recovery from the financial crisis that impacted many business sectors, and it is believed that this may have contributed to the lack of response to the 2010 Food and Beverage Service RFP.

On November 19, 2014, the Board approved a second RFP process, for the “Pershing Square Branded Coffee” RFP (Report No. 14-288), which was to solicit proposals for a high-quality branded coffee service that would include fast and casual food, such as pastries, pre-packaged salads, sandwiches, and non-alcoholic beverages in addition to coffee.

Modifications to the Existing Scope of Services

Subsequent to the Board’s approval of the Branded Coffee RFP, the Department recognized that the scope of the RFP severely limited the types of businesses that could operate at the site. In order to maximize the number of potential proposals, it was decided that the RFP should be expanded to solicit proposals from businesses that would provide a more extensive menu of freshly prepared items, compared to the coffee and pre-packaged foods as outlined in the Branded Coffee RFP. This decision was based in large part on the Board’s expressed interest in developing a more robust concessions operation that would increase potential revenue to the Department while providing quality service to patrons.

The change in scope from a branded coffee service to a full service café appears to be in alignment with the plans of potential proposers; the Department was contacted by a restaurant operator interested in opening a Baja-style cantina/taqueria, and a nation-wide high-end burger chain has also expressed interest in operating at the site. With Downtown Los Angeles in the midst of a renaissance, the area immediately surrounding Pershing Square has experienced a sizable increase in the amount of investment, as evidenced by the surge in commercial and residential development. With increased public transit options and the multitude of new construction projects for housing and retail, more residents and businesses are relocating back

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into the downtown area. Staff believes this presents a prime opportunity for the Department to increase revenue and augment the park's amenities by reinstating a high-quality food and beverage service operator.

The Department has been in discussions with the Pershing Square Park Advisory Board (PAB), which welcomes the release of the RFP. The PAB is well aware that previous attempts to reintroduce a food and beverage service operator were unsuccessful, but with more people living, working and playing downtown, the site is now more attractive to proposers than was previously the case.

Therefore, staff recommends that the 2010 Food and Beverage Concession RFP (2010 RFP) and 2014 Branded Coffee RFP (2014 RFP) be cancelled, and that a third, 2015 "Pershing Square Café Concession" RFP (2015 RFP) be approved and released for processing, as further described in this report. With the re-stabilized economy and the resurgence of residential and commercial development in the vicinity of Pershing Square, it is anticipated that the 2015 RFP, as proposed herein, will generate more interest among potential proposers, thereby optimizing the Department's revenue generating potential, while enhancing the park experience for Pershing Square's patrons.

It is further recommended that the scope of operations for the 2015 RFP be structured to solicit proposals for a Café Concession that offers a menu of freshly prepared, hot food items with non-alcoholic and alcoholic beverage selections, in addition to pre-packaged menu items to be sold from mobile carts throughout Pershing Square. Thus, the following language from the 2014 RFP regarding minimum acceptable requirements should be excluded from the 2015 RFP:

- A minimum of five (5) years' experience as an established brand coffee trade name currently operating in at least thirty (30) locations throughout California; or
- A minimum of five (5) years' experience as an established brand coffee trade name currently operating in at least twenty (20) locations in ten (10) states across the Country.

Below is the proposed language for the minimum acceptable requirements for the 2015 RFP:

It is the Department's intent to enter into a contractual agreement with a Concessionaire who has a proven track record of operating a successful café business that includes alcoholic and non-alcoholic beverages, freshly prepared hot food items, and mobile food cart service. In order for the submitted proposal to be considered, all proposing entities must clearly demonstrate a minimum of five (5) years' experience in operating a successful business as described in this RFP.

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Modifications to Existing Terms and Provisions

Although many of the general terms and conditions in the previously approved 2014 RFP will remain in the 2015 RFP, staff proposes additional changes beyond the expansion of the scope of services to be provided. Proposed modifications to existing sections of the 2014 RFP, which will be included in the 2015 RFP, are outlined below.

Proposal and Contractual Provisions

1. **Proposer's and Performance Deposits:** The Board approved language in the 2014 RFP that required a proposer's deposit and a performance deposit, each in the amount of Five Thousand Dollars (\$5,000.00), in the form of cashier's checks. The proposer's deposit is to be submitted with the proposal, and the performance deposit must be provided prior to the execution of the Concession Agreement. It is proposed that the required deposits be increased to Twenty Thousand Dollars (\$20,000.00) each, to ensure that only serious proposers with sufficient working capital apply for a contract award.
2. **Term:** The Board-approved 2014 RFP provided for a term of ten (10) years, with two (2) five-year options to renew at the sole discretion of the General Manager. It is requested that the term be decreased to ten (10) years, with no option to renew. This will allow the Department a greater level of flexibility in making essential changes to the operation of the concession if needed.
3. **Hours/Dates of Operation:** The Board-approved 2014 RFP states, "The selected contractor will ensure service is provided as follows: Subject to Negotiation. Seven (7) days a week, except for major holidays. Major Holidays will be defined and negotiated upon completion of the RFP process. Hours are subject to change with the prior written approval of the General Manager. The concession will be open, at a minimum, the same hours that the ice skating rink is open to the public during the annual Downtown on Ice event."

Proposed replacement language is as follows:

"At a minimum, the Concession shall be open for a minimum of six (6) hours per day, year round. Concessionaire must post the hours of operation in a location visible to the public and must be open for business during the hours posted. Exceptions to the normal operating hours are as follows:

- The Concession's hours of operation will coincide with City or Department sponsored special events. The Concessionaire is responsible for coordinating the hours of operation with the Pershing Square Facility Manager."

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4. Payment Terms: The Board-approved 2014 RFP provided for a monthly flat rent of \$7,000.00 per month, at minimum, with a negotiated annual increase beginning in the third contract year.

It is proposed that the language be changed in the 2015 RFP as follows:

The minimum revenue-sharing payment required is the Annual Minimum Revenue-Sharing Guarantee of:

- \$48,000 annually for years one (1) through three (3) of the contract;
- \$63,000 annually for years four (4) through six (6) of the contract;
- \$84,000 annually for years seven (7) through ten (10) of the contract;

or

12% of gross receipts from all sales, whichever is higher.

The proposed revenue-sharing payments for the first three contract years equate to \$4,000 per month as opposed to the \$7,000 per month proposed in the Branded Coffee RFP. Staff believes the lower rental amount corresponds with the current size and amenities of the concession facility and will enable the Concessionaire to fund any proposed capital improvements.

5. Alcoholic Beverages: The Board-approved 2014 RFP contains language stating that no alcoholic beverages are to be consumed, dispensed, sold, or brought onto Premises.

Proposed language in the 2015 RFP will state that the purchase of alcoholic beverages will be limited to sales by the Concessionaire or, in the case of a City- or Department-sponsored special event, sales by a Department-approved vendor. Consumption will be limited to designated area(s). Designated area(s) may vary based on whether use is part of daily operation or part of a special event and will be determined on a case by case basis and according to applicable regulations.

Modifications to the Evaluation Criteria

The Board-approved 2014 RFP included the following four (4) evaluation criteria:

- 1) Business Plan (40 points)
- 2) Sustainability Plan (20 points)
- 3) Rent Payment (20 points)
- 4) Facility Improvements (20 points)

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The evaluation criteria have been modified for the 2015 RFP and are as follows:

- 1) Business Plan (including Sustainability Plan) (20 points)
- 2) Proposed Revenue Sharing Payment (60 points)
- 3) Facility Improvements (20 points)

The modified point categories reflect the Department's focus on maximizing revenue generation at its concession facilities and provides for the implementation of a capital improvement plan.

Upon Board approval of the release of the 2015 RFP and City Attorney approval as to form, staff will move forward with the next steps in the process, which include advertising the business opportunity and making the RFP documents available to interested parties.

FISCAL IMPACT STATEMENT:

The Board's approval of, and authorization to release, the 2015 RFP including the proposed changes from the 2014 RFP as described in this Report, shall have no impact on the Department General Fund.

This Report was prepared by Agnes Ko, Senior Management Analyst II, Concessions Unit and Lisa Shinsato, Management Analyst II, Concessions Unit.

EXCERPT FROM THE MINUTES OF THE REGULAR MEETING
BOARD OF RECREATION AND PARK COMMISSIONERS
May 20, 2015

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The item was presented to the Board by Agnes Ko. The Board and staff discussed the item in detail.

Commissioner Alvarez moved, and Commissioner Zuñiga seconded, that General Manager's Report 15-109 and related documents be amended to change the term of the agreement by adding language to provide for two five-year extensions to be granted at the sole discretion of the General Manager, to revise the RFP Evaluation Criteria to add a new category entitled *Operational Plan*, and revise the possible points for each category as follows:

- 1) Business Plan (including Sustainability Plan): 20 points
- 2) Proposed Revenue Sharing Payment: ~~6~~40 points
- 3) Facility Improvements: 20 points
- 4) **Operational Plan (new), which includes provisions regarding the sale and service of alcohol (20 points)**

There being no objections, the Motion was unanimously approved.