

APPROVED  
NOV 05 2020

BOARD OF RECREATION  
AND PARK COMMISSIONERS

BOARD REPORT

NO. 20-219

DATE November 5, 2020

C.D. ALL

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: CONCESSIONS OPERATIONS STATUS UPDATE; AMENDMENT TO CONCESSION AGREEMENTS TO WAIVE MINIMUM ANNUAL GUARANTEE (MAG) PAYMENTS FOR CONCESSIONS IMPACTED BY BUSINESS CLOSURES RESULTING FROM THE COVID-19 PANDEMIC

AP Diaz	_____	S. Piña-Cortez	_____
H. Fujita	_____	C. Santo Domingo	_____
V. Israel	_____	*N. Williams	<u>NDW</u>



\_\_\_\_\_  
General Manager

Approved   X  

Disapproved \_\_\_\_\_

Withdrawn \_\_\_\_\_

RECOMMENDATIONS

1. Authorize an amendment to each of the concession agreements listed in Attachment 1 to waive the requirement of the payment of a Minimum Annual Guarantee (MAG) for the calendar year 2020 and to only require the payment of the applicable percentage of sales set forth in each agreement for such one year period.
2. Authorize the execution of each such amendment by the Department of Recreation and Parks (RAP) General Manager or his designee, subject to approval as to form by the City Attorney.
3. Authorize RAP's General Manager, or designee, to make technical corrections as necessary to carry out the intent of this Report.

SUMMARY

Pursuant to the provisions of the Los Angeles City Charter, RAP's Concessions Unit currently oversees forty-four (44) concession agreements that relate to revenue-generating activity or service operated or provided on RAP property by a contract or permit for the benefit, enjoyment, education, amusement, or convenience of the public.

Examples of concessions include food and beverage operations, the Greek Theatre, tennis professional shops and lessons, equestrian centers, family entertainment such as the Griffith Park Merry-Go-Round, bicycle and pedal boat rentals, batting cages, equestrian activities, and gift shops / cultural retail. In addition to the revenue generated from operations at the Greek Theatre, the remaining concessions generated over four million dollars in annual revenue to RAP's General Fund in 2019.

## BOARD REPORT

PG. 2      NO. 20-219

The COVID-19 pandemic has had a significant impact on concession operations. In early March 2020, as a result of Los Angeles County and City public health orders, most concession operations were suspended. Since that time, in alignment with reopening protocols, RAP has worked with concessionaires on the reopening of certain permitted public activities.

Attachment 2 provides a status update on RAP's concession operations. As noted, some concessions remain closed while many other concessions have been permitted to reopen with limitations according to applicable protocols. Attachment 2 also provides important updates related to the status of concession agreements; development of Requests for Proposal (RFP); and current challenges.

As discussed in more detail below, given the suspension of operations due to the pandemic, staff recommends that the Board of Recreation and Park Commissioners (Board) authorize an amendment to those concession agreements which require a MAG rental payment as set forth in Attachment 1 to require the payment of only a percentage of sales for calendar year 2020 in lieu of a MAG payment.

### Amendment to Waive MAG Rental Payment Due to Impact of COVID-19

The suspension of business operations for many of RAP's concessionaires has resulted in months without generating revenue. Those concessions that have reopened have altered their operating models in compliance with County public health directives, which has resulted in less capacity and/or higher operating costs. This is due to reduced capacity as a result of social distancing requirements.

Typically, for the right to operate on park property, concessionaires are required to pay RAP a percentage of gross sales, a flat rate rental fee, or the greater of a percentage of sales or a minimum annual guarantee (MAG). Attachment 1 of this Report sets forth the concession agreements with RAP that currently require a payment of MAG.

Despite many concessions remaining closed due to the pandemic, the MAG rental payment requirement is still effective per the terms of the concession agreements listed in Attachment 1. For these concession agreements, RAP staff recommends to the Board that these agreements be amended such that the MAG rental payment due under each such agreement be waived for the calendar year 2020 and that the only applicable rental payment due under each such agreement be the fee based on the applicable percentage of sales set forth in each such agreement for calendar year 2020. By alleviating the pressure of a MAG payment during the pandemic, RAP can provide economic relief to the concessionaires listed on Attachment 1 while those concessions are closed or operating with reduced hours and capacity.

As part of its analysis, RAP staff evaluated whether or not concessionaires with MAG payment obligations have received governmental financial assistance eligible to be used to support rental payments to RAP. A majority of these concessionaires have received governmental financial assistance due to the COVID-19 pandemic, but based on information provided by the concessionaires, only one of the concessionaires with MAG requirements received assistance eligible to support rental payments to RAP in 2020. This concession is therefore not listed on Attachment 1.

## BOARD REPORT

PG. 3 NO. 20-219

### FISCAL IMPACT

The cumulative total of MAG payment obligations recommended to be waived in 2020 is \$1,603,487 as noted on Attachment 1. However, these concessions will remit rental payments to RAP based upon the revenue share percentage of any gross sales generated in 2020 as set forth in each respect agreement. Therefore, the fiscal impact of this action will be approximately the difference between actual revenue received in 2020 by the concessions listed on Attachment 1 and the cumulative MAG amount recommended for waiver noted above. That amount cannot be determined at this time due to the uncertainty of business operations and associated revenue for the last quarter of calendar year 2020. As has been reported previously to the Board, overall revenue generated by RAP concessions will continue to be negatively impacted as a result of the pandemic until such time that concessions can more fully reopen.

### STRATEGIC PLAN INITIATIVES AND GOALS

Approval of this Board Report advances RAP's Strategic Plan by supporting:

Goal No. 6: Build Financial Strength & Innovative Partnerships  
Outcome No. 2: Improved management of rental facilities and concessions.

This Report was prepared by LaTricia M. Jones, Management Analyst, Rachel Ramos, Senior Management Analyst II, and Matthew Rudnick, Chief Management Analyst.

### LIST OF ATTACHMENTS

- 1) List of Concession Agreements with MAG Requirements
- 2) RAP Concessions Status Update

**RAP CONCESSIONS WITH  
MINIMUM ANNUAL GUARANTEE (MAG)  
RENT STRUCTURE**

<b>Location</b>	<b>Agreement No.</b>	<b>Company</b>	<b>Operator</b>	<b>MAG Amount</b>
Griffith Park Golf Restaurant	3717	AM Best Food, Inc.	Mike Azarian	\$121,000
Los Feliz Golf Café	3709	AM Best Food, Inc.	Mike Azarian	\$77,000
Penmar Golf Café	3706	1233 Penmar, LLC	Oscar Hermosillo Mark Chesler	\$24,000
Rancho Park Golf Restaurant	3754	Tavern at Rancho Park, LLC	Greg Plummer, Nick Crews	\$100,000
Observatory Café	248	Wolfgang Puck Catering and Events, LLC	Carl Shuster, CEO	\$191,337
Observatory Bookstore/Gift Shop	280	Event Networks	Tiffany Alford	\$400,000
Griffith Park Pony Ride	281	Los Angeles Pony Rides, Inc.	Stephen Weeks	\$257,554
Fern Dell Refreshment Stand	275	Rowena Partners, LLC	Mickey Petralia	\$56,160
Poinsettia Tennis	277	LA Tennis, Inc.	Brent Pettersson	\$15,000
Citywide Pedal Boats	3607	Wheel Fun Rentals	Al Stonehouse	\$158,400
Lake Balboa Bike Rentals	3694	Wheel Fun Rentals	Al Stonehouse	\$22,000
Hansen Dam Equestrian Center	235	Hansen Dam Equestrian Center, LLC	Larry Langer, Sterling Champ	\$20,000
Echo Park Cafe	282	Arete Vintage Reserve Inc.	Jason Espiritu	\$42,436
Los Angeles Equestrian Center	183	LAEC, Inc.	Tim Behunin, George Chatigny	\$100,000
Travel Town Gift Shop	262	American Southwestern Railway Association dba Travel Town Museum Foundation	Nancy Gneier	\$18,600
<b>TOTAL</b>				<b>\$1,603,487.00</b>

Concession Category	Concession Location	Concessionaire Name	Status	Comments on Issues/Challenges
Greek Theatre	The Greek Theatre	ASM Global (SMG)	Closed	The 2020 season was canceled and the Board approved an amendment extending the contract by one year to 2024.
Golf Food and Beverage	Encino-Balboa Golf Restaurant	Monterey Concessions Group	Open with Restrictions	Take-out food and beverage available only.
Golf Food and Beverage	Franklin's Café at Roosevelt Golf Course	ASM Global (SMG)	Open with Restrictions	Take-out food and beverage available only.
Golf Food and Beverage	Griffith Park Golf Restaurant	AM Best Food	Open with Restrictions	The clubhouse is under construction. Take-out food and beverage available only.
Golf Food and Beverage	Hansen Dam Golf Restaurant	Monterey Concessions Group	Open with Restrictions	Take-out food and beverage available only.
Golf Food and Beverage	Harbor Golf Restaurant	None	Closed	The Café has been closed since August 2019. The former operator was unable to sustain the business and there were no responses to the RFP. Staff is considering next steps.
Golf Food and Beverage	Los Feliz Golf Food Service	AM Best Food	Open with Restrictions	The operator was awarded a new contract in 2019. The planned expansion and refurbishment has been delayed due to COVID-19. The concession is open for takeout and patio dining.
Golf Food and Beverage	Penmar Golf Course Food	1233 Penmar, LLC	Open with Restrictions	The café was recently remodeled and take-out and patio dining is now being provided by the new operator.
Golf Food and Beverage	Rancho Park Golf Course Restaurant	Tavern at Rancho Park, LLC	Open with Restrictions	The operator was recently awarded this contract and is revising their design based on COVID-19 operating protocols. Construction was delayed due to COVID-19. In the interim, a mobile food offering is servicing golfers and an outdoor restaurant concept, "Calfresco" is being operated Thursday-Sunday from 3:00 pm.- 9:00 p.m.
Golf Food and Beverage	Woodley Lakes Golf Restaurant	Payam Tavakoli and George Kevorkian DBA The Lake House	Open with Restrictions	Take-out food and beverage available only.
Equestrian Center	Hansen Dam Equestrian Center	Hansen Dam Equestrian Center, LLC	Open with Restrictions	The Center is open for boarding and training in compliance with County orders. Horse shows are not authorized under LA County guidelines, which has been challenging per the Concessionaire.
Equestrian Center	Los Angeles Equestrian Center	LAEC, Inc.	Open with Restrictions	The Center is open for boarding and training in compliance with County orders. Horse shows are not authorized, which has been challenging per the Concessionaire. The Board and RAP staff have received numerous complaints and concerns from users of LAEC regarding issues with deferred maintenance, non-equestrian activities, and management of LAEC. RAP staff continues to work with LAEC to address day to day concerns received. Staff is also developing an RFP to establish a new contract for the management of LAEC.

Concession Category	Concession Location	Concessionaire Name	Status	Comments on Issues/Challenges
Griffith Park Concession	Griffith Observatory Food Service	Wolfgang Puck	Closed	The Observatory has been closed since March 2020.
Griffith Park Concession	Griffith Observatory Gift Shop	Event Network, Inc.	Closed	The Observatory has been closed since March 2020.
Griffith Park Concession	Griffith Park Pony Rides	Griffith Park Pony Ride, Inc.	Closed	The Griffith Park Pony Rides were recently permitted to reopen under the Los Angeles County Equestrian Center Reopening protocols.
Griffith Park Concession	Griffith Park Bicycle Rentals	Spokes 'N Stuff	Open with Restrictions	
Griffith Park Concession	Griffith Park Merry-Go-Round	Rosemary West	Closed	One of the co-owners of the Merry-Go-Round recently passed away unexpectedly. Staff is in discussions with the co-owner regarding the long-term operations of the Merry-Go-Round.
Griffith Park Concession	Griffith Park Pony Ride Refreshment Stand	Kenneth Hong	Closed	Staff is coordinating with the concessionaire on re-opening planning.
Griffith Park Concession	Griffith Park Train Ride	GP RAH Enterprises, LLC	Closed	Staff is coordinating with the concessionaire on re-opening planning.
Griffith Park Concession	Fern Dell Refreshment Stand	Rowena Partners, LLC	Open	Take-out and outdoor seating with limitations.
Griffith Park Concession	Travel Town Museum	ASRA/TT Museum Foundation	Closed	Travel Town has been closed since March 2020.
Griffith Park Concession	Travel Town Museum (Mobile Food)	Yummy Street, LLC	Closed	Travel Town has been closed since March 2020.
Tennis Professional	Balboa Park Tennis Pro	Match Point Management	Open with restrictions	Limited to a maximum of two students and one trainer per lesson.
Tennis Professional	Cheviot Hills Tennis Pro	TNT Doubles, LLC	Open with restrictions	Limited to a maximum of two students and one trainer per lesson.
Tennis Professional	Glen Alla Tennis Pro	Peggy Reilly	Open with restrictions	Limited to a maximum of two students and one trainer per lesson.
Tennis Professional	Griffith Riverside Tennis	LA Tennis, Inc.	Open with restrictions	Limited to a maximum of two students and one trainer per lesson.
Tennis Professional	Palisades Tennis Pro	TNT Doubles, LLC	Open with restrictions	Limited to a maximum of two students and one trainer per lesson.
Tennis Professional	Poinsettia Tennis Pro	LA Tennis, Inc.	Open with restrictions	Limited to a maximum of two students and one trainer per lesson.
Tennis Professional	Rancho Cienega Tennis Pro	Richard Williams	Open with restrictions	Limited to a maximum of two students and one trainer per lesson. Concessionaire operating out of mobile unit due to construction activity.
Tennis Professional	Westchester Park Tennis	LA Tennis, Inc.	Open with restrictions	Limited to a maximum of two students and one trainer per lesson.
Tennis Professional	Westwood Tennis	TNT Doubles, LLC	Open with restrictions	Limited to a maximum of two students and one trainer per lesson.
Sherman Oaks Castle Park (SOCP)	Sherman Oaks Castle Park Arcade	Butterfield Games, Inc.	Closed	Sherman Oaks Castle Park has been closed since March 2020.
Sherman Oaks Castle Park (SOCP)	Sherman Oaks Castle Park Batting Cage	AJ Family Entertainment	Closed	Sherman Oaks Castle Park has been closed since March 2020. Staff coordinating with concessionaire regarding reopening planning.
Sherman Oaks Castle Park (SOCP)	Sherman Oaks Castle Park Food	Monterey Concessions Group	Closed	Sherman Oaks Castle Park has been closed since March 2020.

Concession Category	Concession Location	Concessionaire Name	Status	Comments on Issues/Challenges
Food and Beverage	Vending Machines at Various RAP facilities throughout the City of Los Angeles	First Class Vending, Inc.	Open	Machines are still operable at all open locations.
Food and Beverage	Healthy Options Vending Machines	Neighbor Nosh, Inc.	Open	New pilot program for healthy vending with machines at Griffith Park and Lake Balboa.
Food and Beverage	Echo Park Café /Beacon I Echo Park	Arete Vintage Reserve, Inc.	Open for Take Out only.	The concessionaire has expressed concern about conditions in the park which are affecting sales. Specifically, the number of unpermitted vendors and the recent expansion of the encampment of unhoused individuals.
Rental / Recreational Activity	Echo Park Lake Pedal Boats	Freetime, Inc. dba Wheel Fun Rentals	Open with Restrictions	Volume of rentals has increased. However, the concessionaire has communicated concerns to RAP regarding the current conditions at Echo Park Lake and the impact to their operations.
Rental / Recreational Activity	Lake Balboa Bike Rentals	Freetime, Inc. dba Wheel Fun Rentals	Open with Restrictions	
Rental / Recreational Activity	Lake Balboa Pedal Boats	Freetime, Inc. dba Wheel Fun Rentals	Open with Restrictions	
Food and Beverage	Bar Service at various RAP facilities throughout the City of Los Angeles	Sunseri's	Closed	Special events are canceled until further notice.
Food and Beverage	Bar Service at various Department of Recreation and Parks facilities throughout the City of Los Angeles	Monterey Concessions Group DBA L.A. Bar Services	Closed	Special events are canceled until further notice.
	Point Fermin and Venice Pier Telescopes	Russell "Bunker" Hill dba See Scopes	Closed	
	Telescopes outside of Griffith Observatory	Fare Share, Inc.	Closed	The Observatory is closed.