

October 22, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVAL OF RESTAURANT, FOOD AND BEVERAGE
SERVICE AND CATERING LICENSE AGREEMENT
FOR THE MUSIC CENTER
(ALL DISTRICTS) (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the request of the Performing Arts Center to enter into a Restaurant, Food and Beverage Service and Catering License Agreement with RA Music, Inc., subject to the understanding that any physical changes to the Music Center contemplated by that Agreement are subject to future County approval, and authorize the Chief Administrative Officer to sign the Lease Agreement for the County.
2. Delegate to the Chief Administrative Office the authority to approve physical changes to the Music Center to be requested by the Performing Arts Center if the Chief Administrative Office determines that such changes are in the best interest of the County as owner of the property and such changes are categorically exempt under the California Environmental Quality Act.
3. Delegate to the Chief Administrative Office the authority to approve a schedule of maximum and minimum prices to be charged for meals and refreshments at the various Music Center venues provided that there are low price points which are comparable to other County entertainment venues.
4. Authorize the Chief Administrative Office to issue an Entry Permit to the Performing Arts Center for the purpose of constructing the restaurant improvements at the Walt Disney Concert Hall site.

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

The Performing Arts Center (Music Center) currently has a license agreement in place with RA Music Inc. to provide for the operation and management of the restaurant, catering and other food service operations at the Music Center complex. That agreement was entered into in 1995 and does not include the Walt Disney Concert Hall facility, which has space for a restaurant and a café under construction.

The Music Center has negotiated a new license agreement (Agreement) with RA Music Inc. which includes the Walt Disney Concert Hall as well as numerous additional modifications which are designed to enhance and increase food service at the complex. The Music Center is required under the Operating Sublease with the County to seek approval for any contract for restaurant concession services. Additionally, the Music Center is required to compile a schedule of maximum and minimum prices to be charged for meals and refreshments which is also to be approved by the County. On August 15 the Board of Directors of the Music Center, through its Executive Committee, approved the Agreement and requested that the County also approve the Agreement.

FISCAL IMPACT/FINANCING

There is no direct County fiscal impact. The revenue generated from food and beverage operations offsets the Music Center's costs of operation.

The Agreement provides for RA Music to invest \$7.7 million in the Music Center facilities (Construction Contribution), including \$2.5 million for renovation of Otto's restaurant, \$600,000 for remodeling of the Salvatori Room/Impresario Room, and \$4.0 million for the restaurant and café at the Walt Disney Concert Hall. The proposed agreement calls for annual rent equal to the current percentage rent paid to the Music Center by the licensee (6 percent of annual gross receipts from food and non-alcoholic beverage operations) to remain in effect until the Walt Disney Concert Hall opens. At that time, the annual percentage rent will increase by 2 percent of annual gross receipts from food and beverage operations. In recognition of the capital investment by the licensee, annual rent in an amount equal to 2 percent of annual gross food and beverage receipts may be deferred for three years, commencing with the opening of the Walt Disney Concert Hall. At the end of

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the deferral period, any deferred rent will be paid by the licensee in 36 equal monthly installments.

In the event the Music Center no longer manages the restaurant concessions, the agreement provides that the County may succeed to all the rights and obligations of the Music Center under this license agreement. Under this premise, at the County's option, and in the event of default by RA Music, the County may choose to terminate RA Music for default and pay RA Music the remaining unamortized Construction Contribution for the Music Center and Walt Disney Concert Hall sites.

FACTS AND LEGAL PROVISIONS

Section 7 (c) of the Operating Sublease between the Music Center and the County requires that the Music Center submit any request for contract services that have a term of more than three years to the County for approval. Section 7 (e) requires County approval of a schedule of prices for meals and refreshments.

The term of the existing agreement, including a one-time renewal, expires in 2010. The proposed agreement runs through 2010 with two, five-year options to renew.

The County and the Music Center are parties to a Maintenance and Operation Agreement under which the Music Center will maintain the Walt Disney Concert Hall facility. This agreement will commence upon completion of the Concert Hall. Since the restaurant facilities at the Concert Hall should be complete in time for its opening, an Entry Permit to authorize the restaurant area construction must be issued by the County. The Chief Administrative Office will work with Walt Disney Concert Hall I, Inc. (Disney I) to coordinate this Entry Permit and its activities with other construction activities at the Concert Hall site. The permit will only be issued if Disney I agrees it will have no adverse impact on the timely completion of the Concert Hall project.

County Counsel has reviewed the proposed contract.

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ENVIRONMENTAL DOCUMENTATION

The Agreement obligates the Music Center to remodel Otto's restaurant and to build out the Walt Disney Concert Hall restaurant and café, and related food preparation and serving facilities at the Concert Hall. The Agreement also expresses the intention of the parties to make physical improvements to certain catering venues in the Dorothy Chandler; Pavilion, to intermission bars at the several Music Center venues, and to the food and beverage facilities located on the Music Center Plaza and their related food preparation areas.

The Operating Sublease with the Music Center requires that the County approve any physical changes to the Music Center. The County's approval is a discretionary act which requires consideration of the potential environmental impacts under the California Environmental Quality Act (CEQA).

The County considered the environmental impacts of the build out of the restaurant and food preparation facilities at the Walt Disney Concert Hall when it certified the Environmental Impact Report for that project.

There are no specific plans at this time which describe the nature and extent of the physical changes which may be made to the other food concession facilities at the Music Center. These improvements may be exempt under CEQA. For example, alterations and repairs to existing facilities which involve negligible or no expansion of use may be categorically exempt from CEQA.

It is recommended that the Chief Administrative Office be delegated the authority to review plans for such physical improvements as and when the Music Center submits plans for the County's review and approval. The CAO would be authorized to make a determination that such changes are categorically exempt under the CEQA and approve improvements on behalf of the County. In the event the improvements requested by the Music Center may potentially affect the environment, the description of those improvements and any environmental document which assesses the impact of those improvements will be submitted to your Board for its consideration.

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CONTRACTING PROCESS

RA Music, Inc. was selected and the Agreement was negotiated by the Music Center, which is a not-for-profit corporation organized under the laws of the State of California.

CONCLUSION

Please return adopted copies of this adopted letter to the CAO (Capital Projects/Debt Management Division), County Counsel, and the Music Center.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SNY
JSE:i/h

Attachment

c: County Counsel
Auditor Controller
Music Center