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Caring for Your Coast

Gary Jones
Director

Kerry Silverstrom
Chief Deputy

John Kelly
Deputy Director

Brock Ladewig
Deputy Director

April 03, 2018

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

Dear Supervisors:

AUTHORIZE THE DIRECTOR OF THE DEPARTMENT OF BEACHES AND HARBORS TO ENTER INTO EXCLUSIVE NEGOTIATIONS WITH PCH BEACH ASSOCIATES, LLC FOR CONCESSION AGREEMENT TO DEVELOP, MANAGE, AND OPERATE A NEW RESTAURANT FACILITY AT COUNTY OPERATED WILL ROGERS STATE BEACH (THIRD DISTRICT) (3 VOTES)

SUBJECT

This letter recommends delegation of authority to the Director of the Department of Beaches and Harbors to negotiate and execute an Exclusive Negotiating Agreement between the County of Los Angeles and PCH BEA

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed actions do not constitute a project under Sections 15378(b)(5) and 15061(b)(3) of the State CEQA Guidelines for the reasons stated in this letter.
2. Authorize and delegate authority to the Director of the Department of Beaches and Harbors ("Director") to negotiate for up to 90 days with an option to extend two additional months if negotiations do not result in an Exclusive Negotiating Agreement ("ENA") and execute an ENA with PCH BEACH ASSOCIATES, LLC ("PCH Beach"), which ENA would allow for up to 18 months (plus three six-month extensions) to negotiate the material terms of an Option to Enter into Concession Agreement and Concession Agreement for PCH Beach to develop, construct, manage, and operate a new restaurant at Will Rogers State Beach, and return to the Board with such agreements for its consideration and approval.
3. Authorize the Director, if negotiations do not result in an executed ENA with PCH Beach within 90

days, to: (a) cancel the negotiations with PCH Beach, (b) extend such negotiations for up to two additional months, (c) enter into exclusive negotiations with the second-ranked proposer under the RFP, or (d) cancel the RFP and commence a new competitive bidding process.

4. Authorize the Director to execute any and all related or ancillary documents necessary to effectuate the actions authorized hereby.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The recommended actions would authorize the Director to enter into an Exclusive Negotiating Agreement with PCH Beach, which ENA would provide an initial term of up to 18 months, with three optional six-month extensions at Director's sole discretion, to negotiate the material terms of an Option to Enter into Concession Agreement ("Option Agreement") and Concession Agreement ("Concession") for PCH Beach, the first-ranked proposer under the Request for Proposals for Concession Services at County-Operated Will Rogers State Beach issued on April 23, 2017 ("RFP"), to develop, construct, manage, and operate a new restaurant at Will Rogers State Beach, located at 17300 Pacific Coast Highway in the City of Los Angeles ("Property"). Thereafter, the Department of Beaches and Harbors ("Department") will return to your Board with a proposed Option Agreement and Concession for consideration and approval. If negotiations do not result in an executed ENA with PCH Beach within 90 days, then the Director, in his sole discretion, may do any of the following: (a) cancel the negotiations with PCH Beach, (b) extend such negotiations for up to an addition two (2) months, (c) enter into exclusive negotiations with SUNSET AT OCEAN PARTNERS, LLC, a California limited liability company and the second-ranked proposer under the RFP, or (d) cancel the RFP and commence a new competitive bidding process.

The existing Concession Agreement with Sea View Restaurants, Inc., for the operation of the Gladstone's restaurant currently located at the Property commenced on November 1, 1997, expired on October 31, 2017, and thereafter went into month-to-month holdover. On November 14, 2017, your Board authorized an amendment to the concession agreement to allow the current Gladstone's operation to continue for an additional two to five years, so as to provide continuous service until a new operator is able to begin developing the site.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the County's Strategic Plan Goal II, Foster Vibrant and Resilient Communities, by enabling the Department to promote public-private partnering relationships, supporting vibrant communities, driving economic and workforce development in the County, supporting the wellness of our community, making environmental sustainability our daily reality. The recommended actions are also consistent with the County's Strategies II.1.3, Coordinate Workforce Development, by requiring the project to engage local workforce and promote job opportunities, and Strategy II.3.5, Support a clean, flexible, and integrated multi-modal transportation system that improves mobility, by incorporating multi-modal transportation design into the project, and Strategy II.2.2, Expand Access to Recreational and Cultural Opportunities, by providing access for all County residents to high-quality food service and beach recreation.

FISCAL IMPACT/FINANCING

There is no impact on the County General Fund as a result of the actions contemplated in this letter. If negotiation with PCH Beach is successful, the County will return to the Board with negotiated agreements for review and approval and will provide the fiscal impact and financial analysis at that time.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The County is interested in entering into exclusive negotiations with PCH Beach to determine if the parties can reach an agreement to develop a new restaurant facility on the Property. Will Rogers State Beach is owned by the State of California and operated by the County. The Property is located in the City of Los Angeles and currently houses the Gladstone's restaurant and adjacent public parking. The current Concession Agreement expired on October 31, 2017, and subsequently your Board authorized an extension of that agreement to allow for continued operation of Gladstone's until such time as the new operator is ready to commence development of the proposed new project.

The Gladstone's restaurant on the Property is currently operated by Sea View Restaurants, Inc. ("Concessionaire"). It may take several years before the proposed new project can commence operations on the Property, due to the time required to complete the entitlement and regulatory processes, which are prerequisites to the commencement of construction. In the interim, it is in the County's best interest for a restaurant to remain in operation at this site to serve the public and promote public access to the beach.

The Beach Commission will consider the Department's recommendation at its March 28, 2018, meeting. We will provide your Board with the Commission's action prior to your consideration of this item.

The proposed ENA, Option Agreement, and Concession are authorized by Government Code 25907. If negotiations with PCH Beach pursuant to the ENA are successful, the Department will return to your Board with a negotiated proposed Option to Lease Agreement and Lease for your Board's review and approval. County Counsel will review and approve all agreements as to form prior to presentation to your Board.

ENVIRONMENTAL DOCUMENTATION

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CONTRACTING PROCESS

On April 23, 2017, the Department issued the RFP for concession services at County-operated Will Rogers State Beach to develop, construct, manage, and operate a new restaurant with related facilities. Advertisements were published in Los Angeles Times, Los Angeles Business Journal, Los Angeles Daily News, San Diego Business Journal, The Orange County Register, Urban Land Magazine, Miami Today, LoopNet and Restaurant News Internet sites, as well as the Department's own Internet site and Facebook page. The RFP was also advertised on the County Internet Vendor Registration System ("WebVen"). Furthermore, via electronic mail, the notices were sent to all who had registered their interest in submitting proposals for the RFP.

An RFP Proposers' Conference ("Conference") was held on Wednesday, June 7, 2017, at Burton W. Chace Park Community Building, located at 13650 Mindanao Way in Marina del Rey. The Conference was attended by 32 representatives of various companies and private entities.

Four proposals were received by the September 28, 2017 submittal deadline. One proposal was disqualified as nonresponsive. The remaining proposals were evaluated by an Evaluation Committee ("Committee") comprised of representatives of the Los Angeles County Workforce Development Board, the Los Angeles County Chief Executive Office, and the Department's economic and restaurant consultants.

The Committee conducted a comprehensive technical and professional evaluation, and analyzed the proposals in detail, after which it scored and ranked each proposal based on the criteria set forth in the RFP.

The Committee's review focused on the proposed project scope, the developer's experience in the general construction and operation of restaurants with quality service and a high volume of business, proposed County rents, feasibility analysis of design of multi-modal transportation into the project, and the proposer's financial strength and commitment to achieve the deliverables of the project. The Committee concluded that PCH Beach's proposal would represent the best choice for the project and had the most qualified team. This team demonstrated its diverse knowledge and experience, proven successful track record in delivering projects of similar scope and complexity, both nationally and worldwide, including the ability to assemble financial resources and the technical capacity to design, construct, and operate similar restaurant-related facilities.

The recommended proposal from PCH Beach calls for the construction of an architecturally attractive waterfront destination, designed by a highly regarded design and operations team. The overall design, both interior and exterior, utilizes the size of the parcel's site to its maximum potential, and is being driven by the intent to create the iconic landmark that the location deserves.

PCH Beach's approach is to provide high-quality, locally-sourced food with changing menus in the following venues: (a) casual dining and a bar in both indoor and outdoor settings; (b) a roof top bar and lounge; (c) fine dining; (d) private dining/events with indoor and outdoor space; (f) corporate events; (g) catering; and (h) a small retail business. Other features include the exterior public deck, which will have concession outlets also operated by PCH Beach and housed in smaller independent structures located along the Pacific Coast Highway side of the facility to offer ice cream, sundries, grab-and-go food and beverages, as well as a bar and public restrooms. The exterior public deck is proposed to be located in close enough proximity and designed to seamlessly connect with the restaurant, such that it will feel a part of it, and it will also be served by PCH Beach's staff, should patrons wish to partake of the restaurant's cuisine. Proposed amenities will include a bocce ball court and chess tables as well as a monument to memorialize the Gladstone's restaurant's history.

PCH Beach's members and managers appeared to the Committee to individually possess the experience, capability and background to undertake the respective phases of the process involved to develop, finance, and operate an exciting new restaurant project, and collectively provide a synergy that we believe will result in an iconic restaurant for Los Angeles and Will Rogers State Beach that could attract repeat local business as well as being a tourist attraction. PCH Beach's management team has 35 years of experience operating innovative and profitable restaurants (25 fine dining locations and 48 casual restaurants throughout the United States and internationally), and has received 24 awards and honors from multiple organizations. Other factors highlighted by the Committee included a demonstrated record of advertising and attracting patronage, the likelihood to generate the highest total gross percentage rent payments, a well thought out operating plan, and a demonstrated ability to perform at a high level over a long period of time.

The senior members of PCH B who will be actively involved in the project, including its day-to-day management and operation, are as follows:

Wolfgang Puck Conception & Operations

Cast Iron Partners, LLC Funding & Financing
Carl Schuster, Manager

Tellefsen Investments, Inc. Development & Construction
Thomas R. Tellefsen, Principal

PCH Beach is a newly-formed California limited liability company comprised of individuals and entities that individually will be responsible for overseeing various phases of the development and operation of the restaurant, based on their respective areas of expertise, such that their efforts in combination appear the most likely to result in the successful delivery of the proposed project.

The two non-recommended proposers requested and received debriefings of their scores from the Department, and thereafter pursued County review of the Department's recommendation of the first-place proposer. That review process has been concluded as to both non-recommended proposers.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There will be no impact on current County services or projects during the performance of the recommended actions.

CONCLUSION

Please instruct the Executive Officer of the Board to send an adopted-stamped copy of this letter to the Department of Beaches and Harbors, retaining a copy for your records. Should you have any questions, please contact Michael Rodriguez at (424) 526-7737 or MiRodriguez@bh.lacounty.gov.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gary Jones", with a stylized, cursive script.

GARY JONES
Director

GJ:BL:MR:nr

c: Acting Executive Officer, Board of Supervisors
Chief Administrative Officer
County Counsel
Auditor-Controller