



Agenda Item # _____

Staff Report

City of Manhattan Beach

TO: Honorable Mayor Ward and Members of the City Council

THROUGH: Geoff Dolan, City Manager

FROM: Sherilyn Lombos, Deputy City Manager

DATE: April 4, 2006

SUBJECT: Consideration of a Status Report on the Pier Café Space Operations and Management

RECOMMENDATION:

Staff recommends that the City Council accept a presentation from staff regarding the current operations and management of the Pier Café space and a presentation from Oceanographic Teaching Station representatives regarding a proposal for an alternative use of the space.

FISCAL IMPLICATION:

There is no financial impact associated with the recommendation. The City currently receives \$500 per month from the Pier Café (the lease specifies \$500/month or 7% of gross receipts, whichever is greater. To date we have only received the minimum payment and have not conducted an audit of gross receipts). Under the OTS proposal, it is unclear how much, if any, rent OTS would pay.

BACKGROUND:

The City assumed operational control of the Manhattan State Beach Pier in 1988. Terms in the agreement between the City and the State provide that the City may grant concessions on the property consistent with use by the general public. A food concession has existed in the Roundhouse since that time.

In November 2003, due to the expiration of the existing lease, the City released a request for proposals for the pier concession; public notices were published in the Beach Reporter and Daily Breeze, letters were mailed to all individuals with a Manhattan Beach restaurant business license, and a ¼ page advertisement was placed in The Beach Reporter soliciting proposals.

Of the five proposals submitted, four proposed a food concession and one, submitted by the Oceanographic Teaching Station (OTS), proposed expansion of the current OTS facility. A City selection committee comprised of the Deputy City Manager, Finance Director, Public Works Director, Management Intern, and a City Council Member reviewed the submitted proposals. The committee narrowed the number of proposals to three after deciding not to further consider the OTS proposal due to the fact that it is not a food service concession and another proposal that did

not have any restaurant experience.

In February 2004 the City entered into a five-year lease agreement with Rock Fish LLC to operate the pier café concession (expires February 2009). For a variety of reasons the café was not as successful as originally envisioned and from fall 2004 through spring 2005, the café was open a minimal amount of time and was not being aggressively worked by the operator. During that time, OTS representatives discussed taking over the lease from Rock Fish LLC and ultimately in March 2005, transmitted a proposal to the City asking that the lease be transferred to them and included a letter from David Zislas giving Rock Fish LLC's support.

Staff discussed the issue with the City Council and it was decided that no decision would be made at that time. The direction to the staff was that the City Council liked having a food concession at the end of the Pier and that if the concession was viable, they would like to leave it in place. Council further directed that they would like to see the current operator go through a full summer to determine if it was viable before making any decisions on an alternative use. That direction was communicated to both Rock Fish LLC representatives (David & Mike Zislas) and OTS representatives (see attachment).

Early in 2005, Vera Janischova approached Mike Zislas and worked out an operating agreement with him to run the Pier Café. Vera took over day-to-day operations in May 2005 and has run it ever since.

In January 2006, Vera and Mike Zislas approached City staff with a request to transfer the lease from Rock Fish LLC to the Bohemian Beach Café. After much discussion, it was decided that instead of proceeding with a transfer request, that Mike and David Zislas would allow Vera to continue to run the business under the existing arrangement. In the meantime, OTS representatives approached the City and said that if consideration of the lease transfer was going to happen, that they would like the opportunity to again make their proposal for an alternative use of the space.

Dick Fruin with the OTS approached the City Council in February requesting that the Council agendaize this item, to which the Council agreed.

DISCUSSION:

The lease agreement requires that the café be open eight hours per week during winter months and four hours per day during summer months. Since May 2005, the operator of the café has the space open every day (with very few exceptions) for extended hours, even during the winter months. Vera has arguably done the best job running the space of anyone in recent memory in terms of days/hours open and the care that has been given the space. Staff conducted an analysis of operations for the summer months of May through August 2005 and the winter months of November & December 2005. Receipts from those months were reviewed and it was determined that the number of beverage transactions/sales would be used to estimate the number of visitors to the café (that number is a minimum as one beverage may be shared or food could have been purchased without a beverage; however, beverage transactions are the most common transactions). Following is a summary:

- An average summer week day (Monday – Friday) sees approximately 120 visitors (based on beverage sales) at the café.

- An average summer weekend day (Saturday & Sunday) sees approximately 180 visitors at the café.
- An average winter week-day (Monday – Friday) sees approximately 55 visitors at the café.
- An average winter week-end (Saturday & Sunday) sees approximately 95 visitors at the café.

From staff's perspective, the café space is viable; we have a good operator who keeps it open a minimum of 8 to 10 hours per day (sometimes up to 12 hours per day) and is giving the business a lot of attention. There is an existing lease in place, with requirements being met. We see no compelling reason for the City Council to consider an alternative proposal at this point.

CONCLUSION:

Staff recommends that the City Council receive and file a presentation from staff, Vera Janischova and Mike Zislas regarding existing operations of the pier café and a presentation from OTS representatives regarding their proposal for an alternative use of the space.

Attachments: A. April 7, 2005 letter from City staff to OTS & Rock Fish LLC
B. Packet of information from the Oceanographic Teaching Stations

cc: Rock Fish, LLC (Mike Zislas and David Zislas)
Vera Janischova
OTS (Dick Fruin)



City Hall 1400 Highland Avenue Manhattan Beach, CA 90266-4795
Telephone (310) 802-5000 FAX (310) 802-5001 TDD (310) 546-3501

April 7, 2005

Oceanographic Teaching Stations, Inc.
Attn: Dick Fruin
2 Manhattan Beach Blvd.
Manhattan Beach CA 90266

RockFish, LLC
Attn: Mike Zislas
120 Manhattan Beach Blvd.
Manhattan Beach CA 90266

Dear Dick & Mike,

The City received the letter from OTS dated March 22, 2005 requesting that the City Council relieve RockFish LLC from their obligations under the lease with the City for a food concession at the end of the Pier and allow OTS to lease that space for additional aquarium usage.

I wanted to let you know that the City Council met in closed session on April 5th to discuss the issue. To a person, the Council is totally supportive of the aquarium; they recognize it as an asset to the Manhattan Beach community. The City Council also recognizes that the food concession run by RockFish LLC was just granted in February 2004; given the prolonged discussions regarding the signage and seating on the Pier, the Council believes that the new food concession has yet to reach its full potential.

The Council has decided to deny OTS's request at this time. They would like the current arrangement in the Roundhouse to continue through the spring and summer. After evaluating a full season of operations they may be willing to reconsider this request.

If you have any questions, please feel free to give me a call at (310) 802-5054 or via email at slombos@citymb.info.

Sincerely,

Sherilyn Lombos
Deputy City Manager

c: Mayor and City Councilmembers
Geoff Dolan, City Manager

TO: MANHATTAN BEACH CITY COUNCIL (April 4, 2006 Agenda)

FROM: OCEANOGRAPHIC TEACHING STATIONS, INC. (OTS)

RE: REQUEST TO LEASE "CAFE SPACE" ON MANHATTAN BEACH PIER

OTS seeks City Council approval to be substituted as the City's lessee for the use of a small space--approximately 190 square feet--on the City-facing side of the Roundhouse that is currently operated as a food concession.

The current lessee for that space, Rock 'N Fish, previously petitioned the City Council to permit OTS to take over this space. The March 21, 2005 letter from the Rock 'N Fish's managing partner is attached.

Last year, on March 22, 2005, OTS submitted its written proposal to take over the cafe space. Because the City Staff wanted to evaluate the cafe operation over the summer, the City Council did not act on OTS's written proposal. Rock "N Fish then assigned the cafe operation to another party (who cannot meet the City's qualification standards).

OTS has received a conditional \$50,000 grant from West Basin Water District to remodel the cafe space as part of the Roundhouse teaching facility. A scale design and a pictorial rendering are attached to show what OTS could do with the additional space.

OTS' OPERATIONS:

Oceanographic Teaching Stations, Inc. (OTS), a 501(c)(3) non-profit corporation, has operated the Roundhouse Marine Studies Lab & Aquarium in the Roundhouse as a lessee of the City (or the County) since 1980. OTS maintains 13 sea water aquaria to display marine life native to Santa Monica Bay. Within the Roundhouse, OTS also has storage and lab areas, a pump room, a small library, an office area and a kids' corner.

OTS employs a staff to maintain the Roundhouse facility, to care for specimens, to teach classes, to train volunteers and to supervise public visits. OTS is open every day, except holidays, until sunset. OTS is financially supported by class fees and community donations. It carries public liability insurance for its operations. As a non-profit, OTS files returns each year with the California Attorney General, the Franchise Tax Board and the IRS. It is managed by a board of directors, whose members are all MB residents.

The Roundhouse Marine Studies Lab & Aquarium has been a unique resource in our City for 26 years. OTS provides these benefits to our community currently:

1. Operates a public aquarium on the Manhattan Beach Pier, without charge to

visitors and without any public financial subsidy, which provides classes to about 8,000 children annually and receives 125,000 visits each year;

2. Provides **free** marine science classes to Manhattan Beach schools (to the 1st, 3rd, 5th grades, middle schools and high school biology classes) through a grant from the Annenberg Foundation, as well as to the Lawndale elementary schools (through an anonymous donation);
3. Cooperates in providing a volunteer program for Mira Costa High School; and
4. Gives recognition to financial sponsors including area employers (among them, Chevron, Mattel, Skechers, Toyota, Murad, Rock 'N Fish and the Manhattan Beach merchants), foundations (among them, Annenberg, Norris and Hoskins), community service organizations and individuals.

PROPOSED USES FOR ADDITIONAL SPACE:

OTS has negotiated a \$50,000 grant from West Basin Water District to provide a display and educational curriculum on desalination. The display would draw water from beneath the Pier and demonstrate its conversion into fresh water. A copy of the grant contract is attached (without its Exhibit A). OTS plans to pair the desalination display with another exhibit to promote the safe management of waste water (from City storm drains and sewers). These displays, in contrast to OTS's present exhibits, will emphasize water conservation in an urban environment.

The cafe space has a three-window display area. The center window likely would house an aquaria display, while the flanking windows could be used for the desalination and the water management displays. OTS has no space in its current area for these new displays. The City-facing front would give the greatest exposure to the new displays.

The cafe space also would provide two additional doors into the Roundhouse. With the additional doors, OTS would be able to teach two classes independently--one in the Aquarium space and the other in the Lab and outside Pier area.

* * * * *

We believe that permitting OTS to expand into the City-facing side of the Roundhouse is the best use of that space and is in the best interests of the City. We ask the Council to authorize OTS to expand its lease to include the entire Roundhouse.

Dated: March 28, 2006

Oceanographic Teaching Stations, Inc.

Dick Fitts, secretary

To: **Manhattan Beach City Council**

From: **David Zislis**
Rock'N Fish (Rock Fish, LLC)

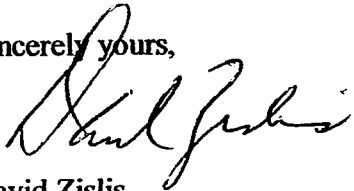
Date: **March 21, 2005**

Dear Council Members:

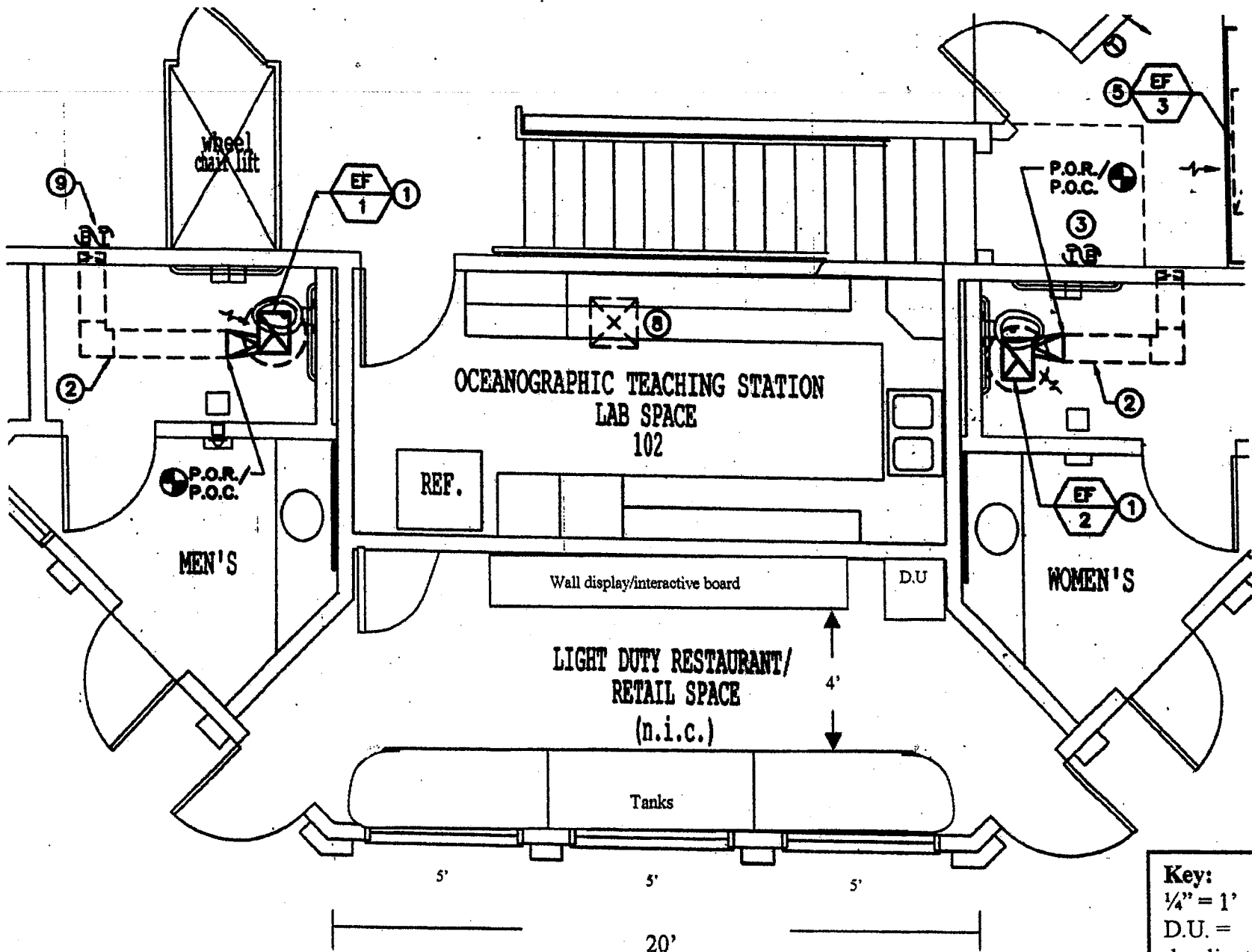
In recent informal conversations with members of the Oceanographic Teaching Stations organization we have become aware of their interest to expand the aquarium facility located at the Roundhouse. We strongly support their proposed plan to enlarge the lab and aquarium by subsuming the food concession lease. After the city council voted to de-intensify our original use for the concession facility, the Rock'N Oyster, we found it difficult to operate a viable business entity. There is simply not enough support in the community from residents and tourists to make a modest profit operating a snack concession year-round. We believe there are alternative superior uses of the invaluable limited space available at the Roundhouse – the most logical and fitting being the Roundhouse Marine Studies Lab & Aquarium.

Many council members and residents consider the Roundhouse to be the identifying icon of Manhattan Beach. There could be no more appropriate use of the public property than to house a non-profit organization dedicated to marine research and education. We encourage the city council to approve the OTS's proposal.

Sincerely yours,



David Zislis
Managing Member



Key:
 1/4" = 1'
 D.U. =
 desalination unit



**Conservation and Education Program Participation Agreement No. W1714
between
West Basin Municipal Water District
and
Oceanographic Teaching Stations, Inc.
for
Sponsorship Participation in the
Roundhouse Marine Studies Lab & Aquarium**

The West Basin Municipal Water District ("District") and Oceanographic Teaching Stations, Inc. (herein called "Recipient") agree as follows:

Section 1. Recitals

In an effort to increase water awareness and conservation, the District sponsors certain programs which benefit residents in the District's service area. The Roundhouse Marine Studies Lab & Aquarium and its associated educational programs are managed by Recipient. The Recipient wishes to receive funding assistance from District for the expansion of its programs.

Section 2. Scope

Recipient operates the Roundhouse Marine Studies Lab & Aquarium which promotes water conservation in the District's service area and educates members of the community on water supply, water quality, and water conservation programs. Recipient will expand its education offerings by developing the Desalination Demonstration Project and Lesson Plan with Curriculum, as further described in Exhibit "A", attached hereto and incorporated herein by reference.

Section 3. Term

The term of this Agreement shall be for a period of ten (10) months, commencing March 1, 2006, and concluding December 31, 2006.

Section 4. Contribution

Pursuant to this Agreement, District shall contribute \$50,000.00 in funding for Recipient's program, which contribution is to be used as described in Exhibit "A," attached hereto and incorporated herein by reference.

Section 5. Indemnity

Recipient shall hold harmless, defend at its own expense, and indemnify District, its officers, employees, and agents against any and all liability, claims, losses, damages, or expenses, including reasonable attorneys' fees, arising from all acts or omissions to act of Recipient, or its officers, agents or employees in rendering services to the Agreement, excluding, however, such liability, claims, losses, damages, or expenses arising solely from District's negligence or willful acts.

Section 6. Applicable Law

This Agreement shall be construed in accordance with and governed by the laws of the State of California.

Section 7. Integration

This Agreement represents the entire understanding of the Parties. No prior oral or written understanding shall be of any force or effect with respect to those matters covered by this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date of the latest signature below.

APPROVED:

West Basin Municipal Water District

By: _____ Date _____
Art Aguilar, Co-General Manager

By: _____ Date _____
Richard Nagel, Co-General Manager

APPROVED AS TO FORM:

By: _____ Date _____
Lemieux and O'Neill, District Counsel

APPROVED:

Recipient

By: *E. Cas* + *Wesley Jenkins* Date *3/29/06*

Title: *Co-Directors of Boardhouse Aquarium*

MM:ds Q:\...\Agr.06W1714