

REPORT OF GENERAL MANAGER

NO. 05-174

DATE June 15, 2005

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BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: GRIFFITH PARK PONY RIDE CONCESSION REQUEST FOR PROPOSALS

H. Fujita _____
J. Kolb _____
S. Huntley _____
B. Jensen _____

F. Mok _____
*K. Regan KR
J. Combs _____



General Manager

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Approve the Griffith Park Pony Ride Concession Request for Proposal (RFP) for a ten year concession contract with one five-year renewal option exercisable in the City's sole discretion, substantially in the form on file in the Board Office, subject to review and approval of the City Attorney as to form;
2. Direct the Board Secretary to transmit the RFP to the City Attorney for review and approval as to form; and,
3. Direct staff, subsequent to City Attorney review and approval as to form, to advertise the RFP and conduct the RFP evaluation process for the Griffith Park Pony Ride Concession.

SUMMARY:

In 1978, the Griffith Park Pony Ride concession was awarded to Thomas T. Wright as a ten-year agreement, expiring in June of 1989. The contract was transferred to Hank W. Bronk in June, 1980. After expiration, Mr. Bronk continued operating under the hold-over terms of the contract, operating in recent years through the aid of his wife Karen and sons Nick and Hank, Jr.

An RFP on this concession was released in October, 1996. On December 10, 1996, three proposals were received for the Pony Rides. One proposer was disqualified and two proposers were interviewed including the family of the current operator. The award was then delayed for several months pending a determination by the Bureau of Contract Compliance on the applicability of the Living Wage Ordinance, which was found to not apply.

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On October 22, 1997 (Board Report No. 444-97), the Board awarded the contract to Karen Bronk, with her son Nick Bronk as manager. The Board further directed staff to prepare and execute a new interim revocable permit implementing updated terms and conditions without changing significant provisions of the existing expired contract (for example, still not open on Mondays, late fees not charged, no improvements required, etc.). On advice of their attorney, neither Hank Bronk nor the Bronk family would sign an interim permit.

Throughout 1998, negotiations with the Bronks' attorney to finalize details of the contract stalled over requested changes to material provisions of the contract including:

- While the RFP required seven-day-a-week operation, the Bronk family wanted to remain closed on Mondays.
- Capital improvements proposed and accepted by the Board under the "Optional Improvements" section of the RFP were interpreted by the Bronks as meaning, at Proposer's option, not the Board's Option.
- Premises boundaries were under dispute, as well as control over the parking lot.

In 1999, negotiations were further complicated by changes made to the provisions of the Living Wage Ordinance (LWO), resulting in a finding by the City Administrative Officer that the new Pony Ride concession agreement would be subject to the LWO and was no longer exempt as when awarded in 1997.

In October of 2000 (Board Report No. 00-391), the Board addressed the impact of the LWO on the financial viability of the Pony Ride concession contract terms by approving an amendment to be processed in tandem with the original awarded agreement expressly approving an increase to the ticket price from \$1.50 to \$2.00. The proposed amendment also added a section which permitted the Concessionaire to withhold from monthly rental payments an amount to offset the cost of compliance with the LWO. The collective impact of this provision could have been a reduction in annual rent of over \$65,000, or 47% of projected annual rate, in the first year alone (assuming no decline in ticket sale averages). The proposed agreement and the amendment were transmitted to the Mayor in accordance with Executive Directive No. 16, prior to going to City Council for consideration and approval as required because of the 10-year term of the agreement. Continued concerns about the impact of the LWO on the viability of the concession, as well as the other impasse issues, ultimately led Council to disapprove the award and amendment. In disapproving, Council instructed Recreation and Parks to perform in-depth research on crafting a new viable and attractive RFP.

Staff proceeded to prepare new RFP materials based on other successful operating models in Southern California and is confident that this RFP will succeed where the previous RFP failed, in large part, for the following reasons:

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- Contract term has been increased by five years.
- Capital investment is more flexible.
- No minimum rental percentage or rental guarantee is demanded.
- An overall improved understanding of this industry will result in better outreach to potential proposers.

Staff has performed preliminary interest surveys amongst the pony ride operator community and believes timing is favorable to yield competitive proposals for operation of the Pony Ride. Staff recommends the release of a new RFP for this concession at this time.

Significant Proposal and Contractual Provisions

1. **Standard Conditions:** All provisions of the Department's Standard Conditions and Regulations for the Operation of Concessions (revision 11/03) are applicable to this agreement.
2. **Term:** Ten (10) years with one five-year renewal option, at the sole discretion of the City.
3. **Capital Improvements:** Proposers are to offer comprehensive refurbishment which may include demolition, redesign, and construction of the ticket office, pergola, queue lines, loading areas/ramps, infield, lanes, and landscaping - or remodeling of same. Ownership of all improvements when completed will be with the City. The minimum capital improvement investment shall be set at One Hundred Fifty Thousand Dollars (\$150,000). Rental terms for the initial operating months will be flexible as incentive for all Proposers to maximize the value of their proposed capital improvements and to help increase the selected Proposer's chance of success as they implement the improvements during the start of the term.
4. **Contract and Financial Terms:** As typical with our concessions, the City will enter into a Percentage of Gross Revenue Agreement, whereby the City has no financial responsibility or liability for the day-to-day operation, and the City will share in the gross revenue as expressed by a percentage of the revenue the Operator will pay to the City as rent. Operator must demonstrate access to a minimum of One Hundred Fifty Thousand Dollars (\$150,000) working capital for this project. No minimum rental percentage is being required.
5. **Hours of Operation:** The Pony Ride is expected to open seven (7) days per week at 10:00 a.m. for a minimum of six continuous hours. Extended hours beyond the minimum stated hours are a proposal item.
6. **Proposal Bond:** All proposals must include a Fifteen Thousand Dollar (\$15,000) Proposal Deposit in the form of a Cashier's Check, payable to the City of Los Angeles.

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7. Performance Bond: A Performance Bond will be required to be maintained for the duration of the contract in the amount of Twenty-Nine Thousand Dollars (\$29,000).
8. Required experience: Proposer (not the on-site manager) must have a minimum of five years experience operating a Pony Ride concession of comparable size and patronage.

Evaluation Process

Department Staff will conduct a preliminary evaluation of all proposals to determine completeness and submission of all compliance documents, and evaluate each firm's financial ability to fund the minimum \$150,000 required for this project. Responsive proposals will be evaluated by Staff and interviews may be conducted through use of an expert panel. Consistent with the Department's established RFP evaluation process, proposals will be ranked in each of the following criteria. The Department reserves the right to request additional information to clarify proposals.

RFP Evaluation Criteria

- Qualifications and at least a minimum of five (5) years of experience applicable to the pony ride business
- Capital Improvements including: reflection of entrepreneurship, monetary value, and ability to meet minimum of \$150,000.00 in improvements
- Proven performance and quality of current comparable operations
- Vision for concession, including business plan and marketing
- Prices and other customer service elements
- Documented financial ability to perform as proposed
- Services and rental terms offered

The RFP consists of two books: Book I contains the RFP general information, instructions, and exhibits; Book II contains the Standard Conditions for the Operations of Concessions and required compliance forms. All materials will be available through the Internet and distributed at the proposer's conference. The anticipated time of completion for the RFP process and award of the agreement is approximately six months.

FISCAL IMPACT STATEMENT:

Since this concession has operated for 20 years under the same basic terms and conditions, it is difficult to predict its financial performance under the terms and conditions of a new agreement. However, based on the historical performance, the impact of LWO on this operation, and the level of capital improvements required, it is anticipated this concession will generate between \$100,000 and \$120,000 per year as General Fund revenue to the Department, about the same as the current operation.

Report prepared by Stanley Woo, Management Analyst II, Administrative Resources Division.