

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: May 21, 2009
To: Harbor Commission
From: John N. Bridley, Waterfront Director
Subject: **Harbor Laundry Facility Lease**

RECOMMENDATION: That Harbor Commission:

- A. Accept the Selection Committee recommendation that Web Service Company, LLC, ranks the most responsive to the Request for Proposals for the 161 square foot harbor laundry facility at 307 Shoreline Drive; and
- B. Recommend to City Council approval of a seven-year lease agreement with Web Service Company to provide and maintain commercial laundry machines for the harbor laundry facility with percentage rent of 90% of gross receipts in excess of \$374 per month.

BACKGROUND:

The 10-year lease for the laundry room concession expired in November 2008. During the term of the lease, the Department received numerous complaints from slip permittees and visitors that the facility was not being cleaned adequately, machines were broken and money was lost in the dollar bill changer. Generally the lessee is unresponsive to phone calls from customers or Department staff. Due to numerous complaints from marina users, the current operator was formally notified in May 2008 that the lease would not be renewed.

Due to the problems experienced with having the laundry room run by an unresponsive lessee, staff considered three alternatives for operating the facility; identifying a new lessee through a Request for Proposals process, purchasing the laundry equipment and having Department staff operate the facility, or leasing the equipment from a laundry company and having Department staff maintain the facility. These alternatives were reviewed at the July 17, 2008, Harbor Commission meeting.

DISCUSSION:

A Request for Proposal (RFP) for the harbor laundry room was issued on July 23, 2008. The Department advertised the laundry concession via Craigslist, sending out notifications in slip billing statements and tenant billing, hanging a 'For Lease' sign on the building, sending out notices to all Harbor and Wharf business owners, and posting the marina gates. Although the Department received 15 inquiries about the laundry concession, only two proposals were received. Unfortunately, neither respondent had

sufficient experience in operating commercial laundry facilities to give staff assurance that they would be an improvement over the current operator.

Both proposals were rejected and another RFP was re-issued in November 2008. One response was received from Web Service Company, a nation-wide commercial laundry operator.

Staff provided Web's proposal and other relevant information to the Harbor Commission selection committee (Commissioners Watson and Cramer) and met to discuss the proposal on December 10, 2008.

Web proposes to install and maintain six energy and water efficient front-loading washers and six dryers. The cost of a wash will be \$1.75 per cycle and the dryers will be \$0.75 per cycle. Instead of coins, the machines will operate using prepaid "access cards", eliminating the problems experienced with the dollar bill changer. Initially, Web will provide 140 access cards for the Department to distribute free of charge. A point of sale system will be installed on site to enable marina users to obtain access cards or add value to existing cards using credit or debit cards.

The Department will provide utilities, daily janitorial service (via Work, Inc.), and an on-demand gas water heater with a solar-thermal unit on the roof. To help prevent vandalism and loitering, the room will be accessible only to marina key card holders and will not be open to the general public, as it is currently. The basic terms of the proposed lease are as follows:

- **Term:** Seven years
- **Base Rent:** N/A
- **Percentage Payment:** Web to pay 90% of gross receipts in excess of \$374 per month
- **Equipment:** Six Maytag washers and six Maytag dryers
- **Lessee obligations:** Lessee shall undertake repairs within 48 hours of notice of non-operability. If machine cannot be repaired, machine shall be replaced within 10 days of notice of non-operability. If Lessee fails to repair or replace the inoperable machine, the Department may do so at Lessee's expense, after reasonable notice.

Rent Expectations

Sales records indicate the laundry room generated an average of \$19,500 per year in gross sales from eight machines. The Department currently receives \$4,524 per year in rent from the laundry room. Under the proposed lease, the Department would receive approximately \$15,012 in percentage rent annually and pay approximately \$4,600 for utilities annually. It is anticipated that the laundry room could generate more revenue with more machines (12 vs. 8) and that the new front loading washers will use less water and natural gas.

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Web Service has laundry rooms in 30,000 locations throughout California, Nevada and Hawaii. Locally, Web provides laundry service for UCSB, Cal Poly, condominiums and apartments as well as the laundry room in Ventura West Marina. Web has been in business since 1947 and is considered a leader in the industry.

Staff recommends using Web Service Company to provide and maintain the laundry machines in coordination with the Department providing the facility and daily janitorial service and inspection. The coordinated approach is less expensive than the alternative of the Department purchasing the laundry equipment and operating the laundry room directly. This approach will also give the Department greater control over the condition of the facility than the alternative of renting the laundry room as a concession to a private operator. The coordinated alternative will resolve most of the problems experienced with the current tenant.

A copy of the proposed lease is available for review at the Waterfront Department office.

Attachment: Site plan

Prepared by: Scott Riedman, Waterfront Business Manager