

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: July 15, 2010
To: Harbor Commission
From: John N. Bridley, Waterfront Director
Subject: **Business Services Report**

Stearns Wharf Wine Tasting Concession

The Request for Qualifications (RFQ) for the 890 square foot space at 217-G Stearns Wharf was sent to 35 interested parties on May 27, 2010. As of the June 16 deadline, 12 responses were received from various business entities including winegrowers from Santa Barbara, San Luis Obispo, Tulare, San Joaquin, and Sonoma counties.

The number of responses and their level of quality confirms that there is significant interest in leasing space on Stearns Wharf. The Selection Committee met on July 7, 2010, to review qualifications and recommend to Department staff a priority list (short list) of qualified applicants to be invited to participate in the second phase, the Request for Proposals (RFP).

The RFP phase will request finalists to submit development plans, business plans, merchandising plans, projection of revenue and expenses, timing of the project, financing plans and credit check. The Selection Committee will next review the RFP submittals and possibly interview the applicants. Based on qualifications, the Department may enter into exclusive lease negotiations with a selected business. Staff will return to the Harbor Commission with a recommendation in August.

Stearns Wharf Coastal Cruise / Whale Watching Concession

The lease agreement with Don Hedden, doing business as Captain Don's Cruises, (Captain Don's) expired on September 30, 2006, and the business has been allowed to operate, with Waterfront Department approval, on a month-to-month holdover status since that time. The current rent is \$573 per month for the ticket kiosk and use of the Stearns Wharf Passenger Loading Ramp (PLR), or 15% of gross sales, whichever is greater.

Captain Don's has used the Wharf ticket kiosk and PLR as a base of operation for whale watching trips and sunset/party cruises aboard the 149 passenger vessel *Rachel G* as well as shorter duration harbor tours/pirate-theme boat rides aboard the 49 passenger *Harbour Queen*. In 2006, the *Rachel G* ceased operations and the business has relied upon the *Harbour Queen* pirate-theme since that time.

The business's sales and percentage rent payments have been in continual decline since 2000. Staff has determined that it is in the Department's best interest to offer the concession through a public Request for Proposal (RFP) process to identify whether or not there are other coastal cruise / whale watching businesses interested in operating from the Stearns Wharf kiosk / Passenger Loading Ramp. Staff met with Don Hedden on May 19, 2010, to inform him of the decision to proceed with the RFP process. Captain Don's will be allowed to submit a business proposal and will continue to operate until a new business, if any, is selected. Staff will issue the RFP once the Stearns Wharf wine tasting concession is awarded.

Charter Business Activity Permits

In February 2010, the Harbor Commission received a status report regarding harbor Business Activity Permits (Attachment 1). Under current policy, the Department may issue service Business Activity Permits (BAP) in unlimited numbers. Six-passenger (six-pack) charter permits are limited to a maximum of 12 permits and up to three permits may be issued to kayak excursion operators (Attachment 2). Currently 11 charter permits are in effect and the 12th permit has been offered to an individual on the waiting list. Two of the three kayak excursion permits are in effect.

- **Charter Permits**

There are 24 individuals on the BAP charter permit waiting list, ten of whom have been waiting for three to four years for a charter permit opportunity. In the past, members of the Commission have expressed concern that the waiting list is not turning over quickly enough and staff believes it is appropriate to review the wait list and possibly make some policy adjustments to make charter permits more accessible to qualified operators. For example, currently there are no conditions to get on the waiting list and approximately 11 of the 24 individuals on the waiting list are not qualified to accept a charter permit due to lack of a Coast Guard license or slip permit. Additionally, there is no annual fee to remain on the waiting list such as there is for the slip waiting list (\$40/year) and liveaboard permit waiting list (\$25/year).

- **Kayak Excursion Permits**

Kayak excursion permits allow the operator to launch guided kayak excursions in the Harbor, but not to rent kayaks or other water sports equipment. Due to the large number of kayak rental/excursion businesses operating in the harbor vicinity (Paddle Sports, Sea Landing, Santa Barbara Sailing Center, Captain Jack's Tours, SB Adventure Company). Staff believes the kayak excursion permits should be limited to a maximum of two or eliminated entirely.

The Department will convene a publicly-noticed meeting of the BAP Charter Committee in August to review these issues and discuss possible modifications to the BAP policy.

Attachment: 1. February 18, 2010, Staff Report
2. Business Activity Permit Policy

Prepared by: Scott Riedman, Waterfront Business Manager