

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: May 19, 2011
To: Harbor Commission
From: John N. Bridley, Waterfront Director
Subject: **Request for Proposal: 219-G Stearns Wharf
Stearns Wharf Coastal Cruise Concession**

RECOMMENDATION: That Harbor Commission:

- A. Consider the Selection Committee's review and analysis of the three business proposals received from Captain Don's Cruises, Santa Barbara Water Adventures, and Santa Barbara Water Taxi L.L.C. for the coastal cruising business at 219-G Stearns Wharf;
- B. Accept the recommendation from the Selection Committee and make a finding that Santa Barbara Water Taxi L.L.C. is the most responsive and appropriate lessee to revive the coastal cruising business on Stearns Wharf; and
- C. Direct staff to negotiate a lease agreement with Santa Barbara Water Taxi L.L.C. based on the business terms outlined in the RFP and proceed to City Council for final approval.

BACKGROUND:

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. The business has been in a steady state of decline for many years (Attachment 1) and the Department is seeking a new operator for the business or at least a business improvement plan from the existing operator.

A Request for Qualifications (RFQ) was released on November 16, 2010, and a total of six responses were received by the January 6, 2010, deadline. The Selection Committee, consisting of staff and Commissioners Bantilan, Sloan and Spicer, selected two finalists to submit formal business proposals in response to a Request for Proposals (RFP). Two proposals were received from Santa Barbara Water Taxi, L.L.C. and Action Watersports of Tahoe. Unfortunately, the proposals fell short of expectations and the RFP was reissued on March 31, 2011 with a deadline of May 5, 2011.

DISCUSSION:

Three responses were received by the May 5 deadline from Captain Don's Cruises, Santa Barbara Water Adventures, and Santa Barbara Water Taxi. The three proposals are described briefly as follows:

Captain Don's Cruises, the current concessionaire, submitted the one-page letter included in Attachment 2. It was not considered responsive to the terms of the RFP (Attachment 3).

Santa Barbara Water Adventures (SBWA) has experience in operating parasailing and boat tours on Lake Tahoe. SBWA proposed to operate initially with a 35 foot parasailing boat and a 35 foot sloop-rigged sailboat. A 54 foot sailing catamaran would be ordered upon lease execution with a proposed delivery date of summer 2012 and the catamaran would replace the 35 foot sloop at that time. SBWA also proposed to rent and offer skippered six-passenger charters on one or more 23-27 foot powerboats (Attachment 4).

Santa Barbara Water Taxi (SBWT) has operated the water taxi service between the Harbor and Stearns Wharf aboard the 22 passenger *Lil' Toot* since 2003. SBWT proposed to acquire a 64 foot, 49 passenger yacht named *Corporate Image* that is currently conducting charters and cruises in the San Diego area. The vessel is currently U.S. Coast Guard certified and the engines are California Air Resources Board (CARB) compliant. SBWT proposed to rename the vessel *Celebration* and offer sunset cruises, dinner cruises and private charters similar to what the vessel is currently providing in San Diego. Since the vessel is currently operating and would need no refitting, SBWT estimates that the ownership of the vessel could be transferred within 30 days of approval of their proposal.

SBWT would continue to provide the water taxi service but would also expand the services available aboard the *Lil' Toot* to include sunset cruises and private charters (Attachment 5). SBWT is also considering adding a parasailing vessel once the *Celebration* is established in Santa Barbara.

The criteria for evaluation included:

1. Business plan
2. Management & company history
3. Vessel(s) proposed & suitability for intended charter services
4. Financial qualifications

The Selection Committee (Commissioners Bantilan, Sloan and Spicer) met with staff on May 9 to review and discuss the proposals. After carefully considering the three proposals, the Selection Committee recommended the Santa Barbara Water Taxi proposal as being the most appropriate to reinvigorate the coastal cruising concession on Stearns Wharf as evidenced by the business plan, management & company history, and suitability of proposed vessels (*Lil' Toot* and *Celebration*). SBWT has the financial capability to purchase and operate the new vessel *Celebration*.

Fred and Kathy Hershman of Santa Barbara Water Taxi have a proven track record building their start-up water taxi business since its inception in 2003. SBWT has consistently adhered to its posted schedule and required hours of operation (weather and sea conditions permitting) and their marketing has proven effective in reaching customers.

The business terms of the RFP are summarized as follows:

- **Permitted Uses:** A coastal cruise business that may use one or more vessels. Permitted uses may include coastal cruises, dinner cruises, party cruises, weddings, parasailing, whale watching cruises, harbor tours, memorial services/ash scatterings, and other boating opportunities for Stearns Wharf visitors and local residents.
- **Proposed Term:** Initial term of five years, with the possibility of one five-year option to extend.
- **Proposed Minimum Monthly Rent:** \$2,200 per month; includes use of the 2,520 square foot berth area at Marina 4-B-ET3.
- **Proposed Percentage Rent:** Base rent of \$2,200 per month or 15% of gross receipts, whichever is greater.
- **Required Personal Guarantee:** The City's standard personal guarantee will be required since the proposed lessee is a Limited Liability Company.
- **Required Insurance:** \$1,000,000 commercial general liability, naming the City as additional insured, as well as protection and indemnity insurance.

If the Harbor Commission concurs with the Selection Committee recommendation, staff will begin lease discussions with Santa Barbara Water Taxi based on the business terms outlined above.

Attachments: 1. Captain Don's Cruises / sales and Rents
2. Captain Don's Cruises / proposal letter
3. Request for Proposal, March 31, 2011
4. Santa Barbara Water Adventures proposal
5. Santa Barbara Water Taxi proposal

Prepared by: Scott Riedman, Waterfront Business Manager