



CITY OF SANTA BARBARA
PARKS AND RECREATION COMMISSION REPORT

AGENDA DATE: August 24, 2016
TO: Parks and Recreation Commission
FROM: Administration Division, Parks and Recreation Department
SUBJECT: Cabrillo Pavilion Renovation Status Report and Restaurant Concession

RECOMMENDATION: That the Commission:

- A. Receive a status report on the Cabrillo Pavilion and Bathhouse Renovation Project; and
- B. Recommend to City Council that the City initiate a competitive bid process to secure a restaurant concessionaire for the renovated facility.

DISCUSSION:

Renovation Project Background

The primary objectives of the Cabrillo Pavilion and Bathhouse Renovation Project (Project) are to achieve a viable community recreation center and return the building to its original status as the “crown jewel of East Cabrillo Boulevard.” Constructed and gifted to the City by David Gray, the Cabrillo Pavilion and Bathhouse has provided community cultural and recreational opportunities since 1927. Today, the building’s outdated interiors, structural deficiencies, failing mechanical, electrical and plumbing systems, as well as poor site accessibility, significantly limit its potential to serve Santa Barbara residents and visitors. A City designated Structure of Merit and one of its most significant public assets, renovation of the building will ensure its role as a prime recreational facility well into the future.

The Project includes complete renovation of the facility’s mechanical, electrical, plumbing, and communication systems, and associated structural and seismic, fire protection, and accessibility upgrades. Proposed exterior building improvements include restoration of the original beach level promenade, renovation of exterior building modifications, repairs of the building façade, site grading to achieve accessibility standards and improve facility access, design modifications to the parking lots to address accessibility, and renovation of site landscaping, outdoor showers, and covered walkway (stoa) adjacent to the

playground. The Project also includes installation of a boardwalk to connect the promenade to the beach.

Proposed interior improvements for the Bathhouse floor include restoration of the lobby, renovation of men's and women's shower and locker facilities, new multi-purpose rooms for gym/fitness, recreation programs, meetings and special events, a new small tenant space, and renovation of the area for a private restaurant concession. An exterior service entrance will be installed on the north side of the building to provide access to the Bathhouse floor, interior elevator and restaurant concession kitchen area. Improvements for the Pavilion floor include redesign of the lobby to create one large room, renovation of the main special event room and restrooms, installation of a modern prep kitchen for special events and functions, and renovation of the enclosed terrace with new windows and doors. The interior elevator will connect the two floors.

Renovation Project Status

Significant progress has been made since the Successor Agency and Oversight Board approved project funding in December 2013. Working with project architects, Kruger Bensen Ziemer Architects, Inc. (KBZ), and other technical consultants, the Department completed extensive technical studies, secured the Coastal Development Permit from the Planning Commission in September 2015, and received Historic Landmarks Commission Final Design approval in February 2016. Final plans are nearing completion and the LEED certification process is underway. It is anticipated that the building permits could be issued in early 2017. It will take at least six months to complete the construction bid process. Project construction is tentatively scheduled to begin in January 2018. Due to the extensive site excavation for accessibility and building structural work, as well as the complete overhaul of all building systems and interior spaces, the entire building will be closed for at least 18 months.

Restaurant Concession

Since it opened to the public in 1927, the Cabrillo Pavilion has had a variety of concessionaires providing food and beverage to facility users and beach goers. In consideration of the location at the beach and within a public recreation facility, the format for the food and beverage service has generally been casual and a snack bar style. In 1983, the City entered into an eight year lease agreement with John Williams, dba Char West, to operate a snack bar on the Bathhouse floor of the facility. Mr. Williams opened for business in 1984. The lease agreement was subsequently renewed in 1991. The City entered into a new lease ten year agreement with John Williams, dba East Beach Grill, in 1998. The 1998 agreement included two five-year renewal options. The business was transferred from John Williams to Francisco Aguilera in 2008. Since both of the two five-year renewal options have been exercised, the current lease agreement expires on December 31, 2017.

Along with other public stakeholders, the Department first engaged Mr. Aguilera about the potential facility remodel during the preliminary facility needs assessment in 2011. Since the project restarted in January 2014, the Department has kept Mr. Aguilera up-to-date on the development of the design plans and permit applications through meetings and written communications. Since very early on, in order to minimize the impact to Mr. Aguilera, the City committed to honor the terms of the current lease agreement and allow the lease to terminate upon its natural expiration date.

Department Relationship with East Beach Grill

Over last 33 years, the Department has had a good relationship with the owners of the East Beach Grill. The East Beach Grill is a tenant in good standing with a history of timely payments. Revenue from the restaurant represents about 30% of revenues generated by programs and services at the facility. The East Beach Grill has done well over the years. Breakfast is the most popular meal, particularly during summer months. Mr. Aguilera provides services to and supports athletic events held at the facility and on East Beach, and, since 2010, provides an annual donation of \$5,000 to the PARC Foundation to support the City's Junior Lifeguard program. Mr. Aguilera has a very supportive customer base and has taken some steps to evaluate how he might operate in a new facility. The Department is sensitive to the impacts of the facility closing, for both Mr. Aguilera and his staff, as well as facility patrons, beach users and event organizers. The closed facility will also impact Department programs and services as well as its short term operating revenue. This is a very unique situation for the City. The scope, scale and circumstances of the renovation project is unlike any other. Unfortunately, there is no other alternative approach to achieving the renovation.

Request for Lease Renewal and City Council Resolution 93-127

In June 2015, Mr. Aguilera and his attorney, Joe Howell, approached the Department to suggest that under City Council Resolution 93-127 (the "Resolution"), the City was obligated to pursue negotiation with Mr. Aguilera of a new lease agreement for operation of a restaurant/snack bar in the renovated and redesigned facility with the East Beach Grill. The Resolution (Attachment 1) was adopted by the City Council in October 1993, to clarify the options available to the City to negotiate a lease renewal with an existing tenant, consider unsolicited proposals, or pursue a competitive bid process. The City Council adopted the resolution after it received a request from the public to pursue a competitive bid process for the operation of the ice cream shop on Stearns Wharf. The City Council denied the request since the concession had been competitively bid five years prior and the concessionaire was meeting the terms of the agreement, made investments in the facility, and participated in the Stearns Wharf Merchants Association, among other reasons. The City Council used the opportunity to clarify through the Resolution its options when seeking concessionaires for City buildings and operations.

As outlined in Attachment 1, the Resolution gives the City flexibility regarding consideration for negotiation of a new lease with existing tenants since circumstances can vary by Department and facility. Key considerations for lease renewals include tenant performance, compliance with lease terms, needs of the City and goals of the Department operating the facility, tenant's investment, quality and value of the services provided to the public, financial return to the City and contribution to the surrounding business community. The Resolution also provides that the City should actively solicit competitive proposals for facilities new to market or without an existing tenant. The City Administrator may also determine whether the policy applies to existing or potential tenants which provide or will provide services necessary for the operation of a City government building or facility.

At the time that Mr. Aguilar first suggested that the Department consider negotiation of a new lease pursuant to the Resolution, the Department was still in the project design phase and preparing the coastal development permit application. The Department was also evaluating programming options and developing a preliminary business plan for the renovated facility. There were many unknowns regarding project timing, cost and permitting requirements.

Rationale for a Competitive Bid (RFP) Process

The Department reviewed Mr. Aguilera's request with the City Attorney's Office, City Administrator's Office and the Finance Department. It was determined that although Mr. Aguilera has an existing lease for the restaurant concession space at this time, the particular situation surrounding expiration of Mr. Aguilera's lease does not fall into the category of a lease "renewal" obligating the City to negotiate a lease with an existing tenant, but instead is akin to a facility that is "new to the market" whereby the City should actively solicit lease proposals. Although there is risk to the City with the potential change in restaurant operators, it was determined that due a number of factors, it would be in the best interest of the City and the public to conduct a competitive Request for Proposal (RFP) process for the future restaurant concessionaire. These considerations include:

- The building will be closed for 18 months and the space will be unoccupied.
- The leased space will be dramatically different and significantly upgraded.
- The renovation design will change the layout and increase the size of the restaurant.
- Once complete, the space will be an empty shell with a new concrete floor, new utilities, wiring for portico/patio heating, and a new exterior service entrance.
- The new concessionaire will likely need to invest as much as \$500,000 to build out the kitchen and furnish the indoor and outdoor dining areas. (See Attachments 2 and 3 for key features of the space and a schematic layout.) A competitive bid process would require bidders to demonstrate the financial capacity to invest in the restaurant.
- Once renovated, restaurant service hours and menu requirements will be different than those today. The Bathhouse floor of the building will be open seven days a week for recreation programs, and the hours of operation could range from 6 am to 9 pm.

Given the facility will be completely overhauled and considered new to the market, a competitive bid process would provide an objective method for securing a concessionaire, provide the City with assurances of the financial capacity of prospective concessionaires, and balance the financial benefits with the amenities and services that would be provided to facility users and the general public. Although revenue will be an important factor in the success of the facility, the Department is also committed to ensuring that the purpose and focus of the restaurant is to provide a reasonably priced and appropriate menu to facility patrons, the general public, and casual beach visitors. The Cabrillo Pavilion and Bathhouse is a community recreation facility that needs to be accessible to a broad range of Santa Barbara residents and visitors. This is a very unique situation for the City. The scope, scale and circumstances of the renovation project is unlike any other.

A recommendation to pursue a competitive RFP process should not signal that the Department does not highly value its relationship with the East Beach Grill today. Based on his longevity at the site, and supportive customer base, it is anticipated that Mr. Aguilera would be in a strong position to respond to an RFP.

Next Steps

With final plans nearing completion, timing is critical and it will be important to secure a restaurant concessionaire. The future tenant will need time to design interior improvements, submit plans for building permits, and develop a schedule for construction within the renovation time frame.

The City Council is tentatively scheduled to receive a status report on the project and provide direction on the restaurant concession on September 20, 2016. The Commission's recommendation will be included in the Council Agenda Report.

BUDGET/FINANCIAL INFORMATION:

The total estimated cost to completed renovation of the Cabrillo Pavilion is estimated to be \$13 million. Project funding to date includes approximately \$9 million from the City's former Redevelopment Agency and \$1 million from the City's General Fund. Additional sources of project funds will need to be secured prior to project construction.

ATTACHMENTS:

1. City Council Resolution 93-127
2. Restaurant Concession Fact Sheet
3. Restaurant Concept Schematic

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