

APPROVED

BOARD REPORT

09-09-2016

NO. 16-194

DATE: September 09, 2016

BOARD OF RECREATION
AND PARK COMMISSIONERS

C.D. 4

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: GRIFFITH OBSERVATORY COIN-OPERATED TELESCOPE CONCESSION – EXERCISE AGREEMENT RENEWAL OPTION

A.P. Diaz	_____	*V. Israel	_____
R. Barajas	_____	K. Regan	_____
H. Fujita	_____	N. Williams	_____

General Manager

Approved ✓

Disapproved _____

Withdrawn _____

RECOMMENDATIONS

1. Approve a five-year renewal option as provided in the Agreement, Concession Contract No. 252, between the City of Los Angeles and Fare Share Enterprises for the operation and maintenance of the Griffith Observatory Coin-Operated Telescope Concession;
2. Find, in accordance with Charter Section 1022, that it is necessary, feasible and economical to secure these services by contract as the Department of Recreation and Parks (RAP) lacks sufficient and necessary personnel to undertake these specialized professional services;
3. Authorize the General Manager or Designee to exercise the renewal option; and,
4. Authorize the General Manager or Designee to make any necessary technical changes to implement the Board's intentions.

SUMMARY

Griffith Observatory opened in 1935 and is an icon of Los Angeles, a national leader in public astronomy, and one of Southern California's most popular attractions. In January 2002, the Observatory closed for comprehensive renovation and expansion. The renewed building reopened to the public in November 2006, and has operated continuously for the public. Attendance in 2015 into this free-admission facility was 1,337,608 guests. Additional guests visit the grounds of Griffith Observatory to experience the spectacular views overlooking the City and for a clear, elevated view of the Hollywood Sign.

For the reopening of Griffith Observatory, a Coin-Operated Telescope concession was developed through a RAP Request for Proposals (Attachment 1 - Board Report 05-277) and Agreement No. 252 was executed (Attachment 2 - Board Report 06-218) with Fare Share Enterprises (Fare Share) for a term of ten years, expiring December 7, 2016, with one renewal term of five years at

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the sole discretion of the City acting by and through its Board of Recreation and Park Commissioners. The concession responsibilities included purchase, installation, and maintenance of fifteen (15) coin-operated telescope instruments, at least four are compliant with American with Disabilities Act (ADA) standards – all at Fare Share's expense. The fee to use the telescopes is Fifty Cents (\$0.50) for approximately one minute of viewing, and the price has not changed since inception of the Agreement providing visitors a great value. Revenue share received by the City is sixty percent (60%) of gross receipts and is trending upward:

April thru Dec only 2007	2008	2009	2010	2011	2012	2013	2014	2015	Jan thru July only 2016	Total
GROSS										
\$23,022.55	\$41,936.87	\$39,980.66	\$46,652.33	\$43,755.57	\$44,194.32	\$50,395.06	\$50,357.98	\$54,721.51	\$36,395.01	\$431,411.86
REVENUE SHARE										
\$13,813.53	\$25,162.12	\$23,988.40	\$27,991.40	\$26,253.34	\$26,516.59	\$30,237.04	\$30,214.79	\$32,832.91	\$21,837.01	\$258,847.13

Fare Share is found to be in full compliance of the Agreement including payment of Revenue Share and Occupancy Tax; maintaining a Three Thousand, Five Hundred Dollar (\$3,500.00) Performance Deposit; maintaining required Insurance; and submission of annual Profit and Loss Statements.

Maintenance and customer support is also excellent. Telescope maintenance, repair and graffiti removal is timely. Fare Share also provides Observatory Staff with money for refunds to patrons who complete a form detailing how they used the telescope. The customer feedback is then provided to Fare Share for review and any necessary action. Observatory Staff believe the reason a telescope fails to operate is user error approximately ninety percent (90%) of the time.

RAP staff recommends that the Board approve the five-year option to renew the Agreement, extending the expiration date to December 7, 2021. Approximately one year prior to expiration, RAP staff will reassess the concession and report on the recommendation to release a new Request for Proposals.

FISCAL IMPACT STATEMENT

Trends indicate RAP will receive a shared revenue of at least Thirty Thousand Dollars (\$30,000.00) for the first year of continued operation.

This report was prepared by Stanley Woo, Management Analyst II, Partnership and Revenue Branch, Concessions Unit.

LIST OF ATTACHMENTS

- 1) Board Report No. 05-277
- 2) Board Report No. 06-218

APPROVED
OCT 19 2005

REPORT OF GENERAL MANAGER

NO. 05-277

DATE October 19, 2005

BOARD OF RECREATION
AND PARK COMMISSIONERS

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BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: GRIFFITH OBSERVATORY - REQUEST FOR PROPOSALS FOR THE COIN-OPERATED TELESCOPES CONCESSION

J. Combs _____
H. Fujita _____
S. Huntley _____
R. Jensen _____

J. Kolb _____
*F. Mok Jan
K. Regan _____
M. Shull _____

Robert H Jensen (R)
General Manager

Approved as amended

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Approve the Griffith Observatory Coin-Operated Telescopes Concession Request for Proposals (RFP) for a ten-year concession Agreement, with one five-year renewal option exercisable at 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 for the subject Concession.

SUMMARY:

The Griffith Observatory is undergoing a major multi-year renovation and expansion project, and is expected to reopen in mid-2006. The project includes a modern café as well as a bookstore/gift shop, each subcontracted to companies that have been awarded concession agreements as a result of recent RFPs, and are expected to begin operations in time for the Observatory's re-opening.

To complement the concession activity at the Observatory, the Department wishes to re-establish a coin-operated telescope concession that existed before the renovation and enjoyed moderate success. The Department will seek to establish a new Agreement with an operator who will install all-new equipment. A number of locations around the Observatory grounds and on the Observatory itself have been identified as potential locations for these telescopes. These sites have been selected for

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the spectacular views they provide. The RFP will recommend that proposers locate and install their telescopes in the indicated locations, although alternative suggestions are welcome but will not automatically be granted. At least 20% of the telescopes will be required to be ADA-compliant.

The RFP seeks to select a qualified, experienced, financially sound operator that will meet or exceed the City's and the Observatory visitor's expectations in all operational, financial and service areas, and to optimize profitability. Observatory management will support this activity as deemed appropriate by both parties.

Significant Proposal and Contractual Provisions

1. Standard Conditions: All provisions of the Department's Standard Conditions and Regulations for the Operation of Concessions (Revised November 2003) will be applicable to this Agreement.
2. Term: Ten (10) years, with one five-year renewal option, at the sole discretion of the City.
3. Rental Terms: The starting rental percentage to be paid must be at least forty-five percent (45%) of gross receipts.
4. Capital Investment: The operator will be required to install any structural amenities, such as concrete slabs on which to mount the telescopes, necessary to implement the concession. The telescopes will be considered equipment and remain the concessionaire's property.
5. Utilities: It is not expected that this concession operation will use any utilities, nor will any be available for this concession.
6. Contract and Financial Terms: As typical with our concessions, the City will enter into an Agreement whereby the City has no financial responsibility or liability for the operation and the City will share in profits in the form of a percentage of gross revenue.
7. Faithful Performance Deposit: A Faithful Performance Deposit will be required to be maintained for the duration of the Agreement in the amount of Three Thousand Five Hundred Dollars (\$3,500).

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 required capital investment for this project. Responsive proposals will be evaluated by staff according to the criteria below. The Department reserves the right to request additional information

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to clarify proposals.

RFP Evaluation Criteria:

- Qualifications and experience of proposer applicable to the coin-operated telescopes industry
- Proven performance and quality of current comparable operations
- Vision for Concession, including business plan and marketing
- Capital Investment; in terms of appropriateness, reflection of entrepreneurship, monetary value
- Reasonable, viable financial return to the City in the form of proposed rental terms and capital investment
- Financial viability to operate all aspects of the concession as proposed, as supported by the proposer's pro forma, financial statements, and other financial information

The main RFP documents will be available on the Department's website. The anticipated time of completion for the RFP process and award of the Agreement is approximately four to six months. Staff recommends the processing of this RFP at this time in order to execute an Agreement with a suitable operator in time for the reopening in 2006.

The Department's Environmental Management staff has determined that the subject project will consist of the award of a concession Agreement for the operation of coin-operated machines, and minor alterations of an existing public facility involving negligible or no expansion of use. Therefore, the project is exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Article III, Section 1, Class 1 (1, 14) of the City CEQA Guidelines.

FINANCIAL IMPACT STATEMENT:

A similar concession operated at the Observatory before the closure for the renovation in 2002, generating approximately \$30,000 in gross receipts in the last year of operation. This RFP requires a minimum starting rental payment of forty-five percent (45%) of the total gross receipts from this concession. In a given year, assuming annual gross revenue to be \$30,000, the new Agreement would yield ~~\$13,500~~ ^{1,350} to the Department's Concession Improvement Account and \$12,150 to the Department's General Fund; however, considering the extent of the renovation, the nature of the Observatory as a popular Los Angeles landmark, and the resulting expected increase in attendance, revenue to the General Fund is likely to be higher.

Report prepared by Jaime Guzmán and Anthony Sanchez, Administrative Resources Division.

APPROVED
AUG 09 2006

REPORT OF GENERAL MANAGER

NO. 06-218

DATE August 9, 2006

BOARD OF RECREATION
and PARK COMMISSIONERS

C.D. 4

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: GRIFFITH OBSERVATORY - AWARD OF 10-YEAR CONCESSION
AGREEMENT FOR THE COIN-OPERATED TELESCOPES CONCESSION

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

J. Kolb _____
*F. Mok RA
K. Regan _____
M. Shull _____

Robert H. Jensen (ra)

General Manager

Approved as amended

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Award the Coin-Operated Telescopes Concession Agreement at Griffith Observatory to Fare Share Enterprises;
2. Approve a 10-year concession agreement with a five-year renewal option at the sole discretion of the City, substantially in the form as on file in the Board Office subject to approval of the Mayor, in accordance with Executive Directive No. 3, and approval of the City Council, and approval of the City Attorney as to form;
3. Direct the Board Secretary to transmit forthwith the proposed agreement to the Mayor and City Attorney for expedited handling; and,
4. Authorize the Board President and Secretary to execute the subject agreement upon receipt of necessary approvals.

SUMMARY:

On October 19, 2005, the Board approved the release of a Request for Proposals (RFP) for a ten-year Agreement with one five-year renewal option, exercisable at the City's sole discretion, for the operation of a Coin-Operated Telescopes Concession at the Griffith Observatory (Board Report No. 05-277). The telescopes are to be installed and ready for operation concurrently with the re-opening of the Observatory later this year. The RFP was released on November 28, 2005;

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four proposals were received on January 10, 2006, from the following companies:

- Carden Coin Telescopes (Carden)
- Fare Share Enterprises (Fare Share)
- See Scopes
- The Tower Optical Company, Inc. (Tower Optical)

All proposals were determined to be responsive; all required compliance documents were submitted. To fully evaluate all proposals, staff ranked the proposals according to the criteria stated in the RFP, visited locations currently operated by each proposer, and evaluated working demonstration samples received from each proposer. Listed below are the evaluation criteria:

- Qualifications and experience of proposer applicable to the coin-operated telescope industry;
- Proven performance and quality of current comparable operations;
- Vision for concession, including business and marketing plans;
- Capital improvements (i.e., appropriateness, reflection of entrepreneurship, monetary value);
- Reasonable, viable financial return to the City in the form of proposed rental terms and capital investment.
- Financial viability to operate all aspects of the concession, as proposed, as supported by the proposer's pro forma, financial statements, and other financial information.

The following is a summary of Staff's recommendation comments under each of the six evaluation criteria.

Qualifications and Experience of Proposer

All four proposers are well established companies who currently operate at a variety of locations around the country. East Coast-based Fare Share Enterprises was created by David Lockrow and Rod Mackenzie (founder of Hi Spy Viewing, which began producing viewing equipment in 1992 based on a Scandinavian design); Lockrow and Mackenzie created Fare Share to meet the demands of the U.S. market. Family-owned and operated Carden Coin Telescopes, established in 1946, both manufactures and sells coin-operated telescopes; they operated the coin-operated telescopes at the Griffith Observatory from 1972 until its closure for renovation in 2002. See Scopes has seen steady growth since its start over twenty years ago; all of See Scopes' equipment is manufactured by See Coast Manufacturing Company in Alabama. Founded in 1933, family-owned Tower Optical Company, Inc., develops, manufactures, and distributes binocular viewing instruments. Tower Optical did not offer telescopes and thus was unable to meet the requirements of the RFP. They were not evaluated further in this RFP process.

Fare Share and See Scopes both offer greater diversity with both telescopes and binoculars; however during evaluation, Observatory Staff ultimately indicated that the preferred installation was exclusively telescopes. Fare Share ranks highest in this category since they manufacture their own equipment and have a track record of notable recent growth. Moreover, while Fare Share is a relatively young company, they have quickly established themselves as an industry

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leader, with installations such as Top of the Rock at Rockefeller Center in New York, Prudential Tower, Canadian National (CN) Tower, and nearby Universal Studios Hollywood, demonstrating a level of energy and enthusiasm appropriate for the standard of excellence expected at the Griffith Observatory. Therefore, proposers are ranked in the following order based on their expertise, knowledge, and success in the viewing instrument industry, and their ability to meet the needs of the Observatory: (1) Fare Share, (2) Carden, and (3) See Scopes.

Proven Performance and Quality of Comparable Operations

*2nd other
? prominent
locations*

Fare Share's instruments are found throughout the United States and Canada, and include installations at Universal Studios in Universal City, California; Harbortown Lighthouse in Hilton Head, South Carolina; Top of the Rock at Rockefeller Center ~~and the Empire State Building~~ in New York; Prudential Tower in Boston; and CN Tower in Ontario, Canada. A reference check with the management of a current location revealed Fare Share's impressive reputation for excellent service as a responsive concession operator at that location. When the Griffith Observatory reopens in the fall of this year, public demand to see the "new" Observatory will exceed building capacity. In evaluating the quality of the comparable locations provided by the proposers, Fare Share's locations were considered points of interest or landmarks of similar prestige and annual attendance. Based on the prestige of the locations of its current operations, Fare Share Enterprises was ranked highest.

Current Carden installations include Hermosa Beach Pier, Huntington Beach Pier, and San Clemente Pier—all within Southern California. Although Carden is the Observatory's former coin-operated telescope concessionaire, its current locations are less comparable in terms of traffic and environment to the Observatory than Fare Share's current locations. See Scopes' installations are located in San Pedro and the Venice Beach Pier, operated through a concession agreement with the Department, as well as, additional locations in Southern California and Hawaii.

Vision for Concession

Proposers were requested to provide a description of their proposed equipment, accommodations for disabled patrons, plans for marketing and advertising, and specific plan to maintain and/or upgrade equipment as needed throughout the life of the concession agreement.

Fare Share was ranked highest due in part to their proposed installation of new equipment at Griffith Observatory. In keeping with the standard of excellence, Staff felt the installation of new equipment was most preferable. Fare Share manufactures and operates various models to provide consumers with choices: 10-power binocular, 20-power binocular, and a 35-power telescope, using nitrogen-sealed, certified waterproof optics to prevent leaking and fogging; ADA-compliant instruments will be provided. Coins are collected in a tube below the viewer head, rather than in the viewer head. This prevents customers from having to move and maneuver an instrument full of coins. Additionally, Staff feels the collection of coins in a tube

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below the viewer head is more secure against vandalism than coin-collection in the viewer head. Fare Share employs a local technician to service the equipment weekly and ensure the viewing machines are operational, clean, and attractive to the public. The current technician has serviced Universal Studios for the past six years.

See Scopes was ranked second and proposed equipment includes both telescopes and auto-focusing binoculars manufactured by See Coast Manufacturing Company, Inc. A disadvantage to the See Scopes' instruments is coins are collected within the viewer head. Each instrument will be tested weekly, and regular visits to site are planned for weekends and holidays to solicit feedback from patrons regarding equipment and equipment placement. This information will be used to make decisions about moving or changing existing equipment or adding additional instruments. The normal refurbishment cycle is three to five years.

Carden was ranked third and did not propose the installation of new equipment at Griffith Observatory. Stands and telescopes to be installed are currently in Carden's warehouse and would be color coated approximately four weeks prior to installation. Bi-monthly maintenance includes cleaning and ensuring all units are in perfect operating condition. While Carden's proposed equipment and service appeared adequate, Staff feels Fare Share's proposal provided a better match for the Observatory's needs.

Capital Improvement

Although no major improvements to the existing facility were required in the RFP, proposers will be required to install the necessary structural amenities (e.g., concrete slabs) to implement the concession. Proposers were ranked based on their proposal's conduciveness to the enhancement of the concession. Fare Share ranked highest in this category for their customizable cast-aluminum standing rings which will enhance the overall appearance of the viewing instruments emplacements. The standing rings will have a customized message (e.g., Griffith Observatory) imprinted on them. Fare Share allocated \$5,000 for any concrete slabs, or other improvements, necessary for installation of viewing instruments.

Carden proposed installing a coin change machine within the interior of the Observatory, and two pedestal signs on the exterior of the Observatory indicating the locations of telescope installations and the coin change machine. The cost for the pedestal signs was approximated at \$5,100. Other proposed capital improvements included concrete rings around the base of the telescope stands and four (4) specially designed ADA-compliant telescope stands. However, a coin machine may detract from the appearance of the Observatory, and therefore, was not deemed an appropriate investment.

See Scopes did not detail exact capital improvements required at this time, but speculated that the only potential capital improvement needed may be small cement pads onto which the viewing instruments are mounted and/or ramps to the viewing instrument for wheelchair accessibility. See Scopes did not assign a dollar value to their proposed installation.

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Proposed Rental Terms and Capital Investment

Fare Share and See Scopes were ranked equally based on the rental percentage proposed; both proposers offered sixty percent (60%) of gross receipts to the City. In terms of Capital Investment, Fare Share offers the highest initial capital investment due to proposed expenditure of \$90,000 for the purchase of all new equipment for this concession. In addition to the substantial capital investment, Fare Share will expend additional capital in Year 3 to upgrade equipment and install bill acceptors on each viewing instrument. Over the ten-year term of this concession agreement, Fare Share estimates it will generate the highest average annual revenue, and in turn, the highest average return to the City. Fare Share was ranked highest based on their proposed projections and investment.

Carden Coin	Fare Share	See Scopes
<u>Projected Revenue / Rent:</u> Years 1 – 10: \$80,000 / \$44,000	<u>Projected Revenue / Rent:</u> Years 1 & 2: \$70,000 / \$42,000 Years 2 – 10: \$125,000 / \$75,000 Revenue estimates are based on 7% of estimated attendance using telescopes (140,000 persons @ \$0.50/use). Revenue increased to \$125,000 based on 6.25% of attendance using telescopes.	<u>Projected Revenue / Rent:</u> Year 1 - \$66,000 / \$39,600 Year 2 - \$59,400 / \$35,640 (10% decrease from Year 1) Year 3 - \$62,370 / \$37,422 Year 4 - \$65,489 / \$39,293 Year 5 - \$68,763 / \$41,258 Year 6 - \$72,201 / \$43,321 Year 7 - \$75,811 / \$45,487 Year 8 - \$79,602 / \$47,761 Year 9 - \$83,582 / \$50,149 Year 10 - \$87,761 / \$52,657 (Years 2 - 10 are escalated by 5% each year.)

Financial Viability

Fare Share, Carden, and See Scopes were equally ranked in this category. Staff felt each proposer equally demonstrated their financial soundness to operate all aspects of the concession as proposed.

Conclusion

The Department received three strong proposals for the operation of this concession. Staff ranked Fare Share Enterprises higher in six of the six evaluation criteria. Although Fare Share is a relatively young company in comparison to the other proposers, they have installed their instruments at the most comparable locations to the Griffith Observatory – Top of the Rock at Rockefeller Center, Prudential Tower, CN Tower, and Universal Studios. This is proof of Fare Share's energy and enthusiasm that will drive them toward the standard of excellence required at the Griffith Observatory.

In addition to evaluating the written proposals, working demonstration samples of the proposed telescope instruments to be installed at Griffith Observatory were requested from Carden, Fare Share and See Scopes. The samples were evaluated by Observatory Staff, including the

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Observatory's Astronomical Observer who is an expert in telescope optics. Staff found the optical quality of the Fare Share instrument to be superior by presenting the user with a bright, pleasing image when compared to instruments from Carden and See Scopes. The modern lines of the instrument are simple enough to fit in with the surroundings at the Observatory, and the mechanics of the instrument are sturdy. Additionally, the limited up-down motion of the instrument prevented the telescope housing from being damaged by constant banging on the mount.

Therefore, after evaluating the written proposals and working demonstration samples, Staff concludes Fare Share Enterprises is the best candidate and recommends them for the award of the operation of this concession.

The agreement with Fare Share is based substantially on the Standard Conditions for Concessions (Revised December 2005) and the provisions of the RFP as discussed above. Key terms are:

- Term is ten years with one five-year renewal option at the sole discretion of the City.
- Telescopes to be placed as directed by Observatory management.
- All telescopes used in this concession will be newly manufactured, and associated installation costs will be paid by the concessionaire.
- At least four telescopes will be ADA accessible.
- Equipment maintenance will occur weekly to ensure telescopes are operational, clean and attractive to the public. At no time will equipment be unavailable to the public for any reason.
- Freestanding telescopes will have a customized standing ring installed.
- Performance bond of \$3,500.00 is required.
- Rental percentage to the City is 60 percent.

FISCAL IMPACT STATEMENT:

Prior to the closure of the Griffith Observatory for renovation and expansion in 2002, the coin-operated telescopes concession generated approximately \$30,000.00 in annual gross revenues. When the Griffith Observatory re-opens to the public in the fall of 2006, Fare Share Enterprises approximates gross revenues in Years 1 and 2 at \$70,000 and Years 3 – 10 at \$125,000. With the proposed sixty percent (60%) of gross receipts as rent, revenue to the Department is estimated at \$684,000 over the ten-year term of the agreement.

Report prepared by Heather Tarumoto, Griffith Observatory, and Anthony Sanchez, Concessions.