



## Legislation Text

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**File #:** CON 14-0027, **Version:** 2

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**TO:**

Honorable Mayor and Members of the City Council

**THROUGH:**

Bruce Moe, Acting City Manager

**FROM:**

David Biggs, Senior Management Analyst

**SUBJECT:**

Five Year Concession Agreement with Erkan Isiktel and Helen Moon for Operation of a Food Concession on the Manhattan Beach Pier (Senior Management Analyst Biggs).

**APPROVE**

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**RECOMMENDATION:**

Approve a Five Year Concession Agreement with Erkan Isiktel and Helen Moon for Operation of a Food Concession on the Manhattan Beach Pier.

**FISCAL IMPLICATIONS:**

The operation of the pier food concession generates revenue for the State Pier and Parking Lots Fund. This fund is restricted and can only be used to maintain and operate the Pier and adjacent parking lots. Approval of a concession agreement with a five year term will ensure continuation of this revenue stream. The Concession agreement provides for a monthly rental payment of \$600 or 8% of gross receipts, whichever is greater, which is a continuation of the current rental terms.

**BACKGROUND:**

The City assumed operation control of the Manhattan Beach Pier in 1988. The terms of this agreement between the State and the City provides that the City may grant concessions on the property consistent with the general public use requirement. In May, 1998, the City Council awarded a five year food concession agreement to Mahmoud Saad for the Roundhouse. The next five year agreement was entered into in February 2004 with Rock Fish, LLC. In early 2005, the owners of Rock-N-Fish gave full operational duties for the Pier café to Vera Janischova for the remainder of the concession agreement term which ran until February 2009. In May of 2009, Vera Janischova was granted a new five year concession agreement which runs until May, 2014. In June of 2011, Erkan Isikel purchased the operation from Vera Janischova and has been operating the concession since.

With the pending expiration of the Concession Agreement, a request for proposals was prepared and issued on March 20, 2014, with responses due on April 17, 2013. The availability of the RFP was also advertised in the Beach Reporter and was posted on the City's website. Two responses were received by the submittal deadline - one from the current operator and one from Two Guns Espresso.

**DISCUSSION:**

The two proposals received are summarized below:

### Pier Café (Erkan Isiktel and Helen Moon)

The proposal by the current operator features:

- Continuation of their existing menu with a moderate price point of items such as hot dogs, churros, chips, soup, beverages including coffee, and ice cream.
- A proposed expanded summer menu with of stuffed baked potatoes, cucumber salad, green lima bean salad, calamari salad, waffles on a stick, Panini's, expanded beverage offerings.
- Continuation of the current rent structure of 8% of gross receipts with a minimum monthly rent of \$600.
- Projected total gross sales on par with current volumes improved with the addition of new menu items.

### Two Guns Espresso (Andrew Stanisich)

Two Guns Espresso operates a successful independent coffee lounge with light food service on Sepulveda Boulevard in Manhattan Beach. They propose to open a second location in the Roundhouse and their proposal features:

- A Manhattan Beach Yacht Club themed venue with outdoor seating.
- High quality beverage and food items including flat white, latte, cappuccino, mocha, ice coffee, drip coffee, tea, smoothies, organic juice, bottled water, baguettes, caprese, small pastries, and ice cream sandwiches at a higher price point.
- Rent proposed at 8% of gross receipts with a minimum monthly rent of \$650.
- Higher projected gross sales based on the upgraded offerings proposed at a higher price point.

The non-proprietary portions of each respective proposal are attached as Attachment 1 and Attachment 2 respectively.

The two proposals were received have been evaluated by a staff committee with representatives from Public Works, Finance, Community Development and the City Manager's Office. This included interviewing each of the proposed operators to get a better sense of their proposals, operating approach, and understanding of the unique operating environment on the Pier and the constraints associated with the concession space.

The City is fortunate to have received two quality concession proposals, though they are targeted at different segments of the market. This became the primary factor in the staff recommendation to grant the current operator the five year concession. Staff believes that the approach offered by Erkan Isiktel and Helen Moon is preferable for the Pier location and they have proven capability in running a business from this location which meets the demands of a market segment which would otherwise go largely unmet. Their menu offerings of a variety of outdoor friendly foods are particularly well suited for this location and have been popular with tourists, beach users, and regular local visitors.

Prior to Erkan Isiktel assuming the operation of the Pier Café in 2011, the operation under the prior operator had deteriorated and there were continuing problems including problems with the health department. Mr. Isiktel addressed all of these issues and as the on-site day-to-day operator has greatly improved the operation and developed a loyal base of regular customers. These factors also

warrant the continuation of the concession agreement with him and his family. The family based ownership structure also provides for a greater likelihood of on-going success as opposed to an operation which would have to rely on employees, especially given the seasonality of the business.

Two Guns Espresso and their principals are highly qualified and operate a very successful business. The proposal by Two Guns Espresso would represent an upgrade to the current offerings on the Pier and they would be a welcome addition to the Downtown area. However, they may not be the best fit for the Pier location given the target market and the operating constraints. The City is fortunate to have them operating on Sepulveda Boulevard and staff has identified an opportunity for them in the future when the new Library building opens which will feature a location for a coffee based concession.

**CONCLUSION:**

It has been difficult to find a successful operator for the subject location in the past. The current vendor has experience in the location and has proven to be successful over the past three years therefore staff does not believe we should change vendors at this time and recommends approval of a five year concession with Erkan Isiktel and Helen Moon which will allow the current operator with a proven track record to continue operations with expanded menu offerings until 2019.

**Attachments:**

1. Erkan Isiktel and Helen Moon Proposal Excerpts
2. Two Guns Espresso Proposal Excerpts
3. Sample Pier Concession Agreement