

REPORT OF GENERAL MANAGER

NO. 05-48

DATE February 16, 2005

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BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: GRIFFITH OBSERVATORY BOOKSTORE/GIFT SHOP CONCESSION
REQUEST FOR PROPOSAL

K. Chan _____
J. Combs _____
H. Fujita _____

J. Kolb _____
F. Mok _____
* K. Regan [Signature]

[Signature]
General Manager

Approved _____

Disapproved _____

Withdrawn _____

RECOMMENDATION:

That the Board:

1. Approve the Griffith Observatory Bookstore/Gift Shop Request for Proposal (RFP) for a five year concession contract with renewal options, 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 process for the Griffith Observatory Bookstore/Gift Shop Concession.

SUMMARY:

The Griffith Observatory is undergoing a major multi-year renovation and expansion project and is expected to reopen on May 14, 2006. The project includes the addition of a modern Bookstore/Gift Shop located on the same level of the Observatory building as a new café. The shop's total square footage is approximately 1,642, which includes the shop (1,307 square feet), an office (145 square feet), and storage (190 square feet). The former Bookstore/Gift Shop was small and antiquated in comparison and run by Observatory part-time staff. Due to the high visibility of this landmark location and the desire to have concession agreements in place to coincide with the reopening of the

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Observatory, the Board approved the use of Arthur M. Manask and Associates (Manask) to conduct an RFP process for operation of the new food and beverage service as well as an option to propose to operate the Bookstore/Gift Shop. (Manask is currently on contract with the Department to provide economic consultant services, and the firm specializes in RFP preparation and evaluation.)

On November 30, 2004, the Department received two proposals on the café - one from Delaware North Companies Parks and Resorts, Inc., (DNC) and one from Wolfgang Puck Catering and Events, LLC, (WPCE). Each proposer elected to include the optional Bookstore/Gift Shop operation as part of their respective proposal for food services. DNC has experience in both food and retail services, whereas WPCE partnered with Event Network for the Bookstore/Gift Shop services in order to offer a single-contract solution to the City.

After review of the written proposals on the café, carts, and catering, presentation and interview sessions with both proposers, and input from the five-member RFP evaluation panel, the Department's Administrative Resources Staff concluded that exercise of the optional retail portion of the food service RFP was not the optimum scenario to meet the Observatory Bookstore/Gift Shop needs. Although both proposers presented an excellent choice for food service, the panel and staff concurred that a separate RFP would give the opportunity to shorten the bookstore term for more control over performance and ensure maximum revenue return. A new RFP would also give opportunity for proposers to elaborate on custom merchandise.

Staff recommends a separate search for an operator for the Observatory's Bookstore/Gift Shop concession. The new RFP is based on the Bookstore/Gift Shop-related RFP work produced by Manask who, during preparation, worked closely with Staff and had extensive consultation and input from Observatory staff and the Friends of the Observatory (FOTO).

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

The City seeks in its retail service operator a firm that will understand and appreciate the Observatory's distinctive values and will work as a true partner in supporting the Observatory's mission, purpose, and growth in future years.

The Operator will be required to provide the capital investment to build-out and finish the retail space and provide all furniture, fixtures and equipment, and inventory. Proposers will be required to demonstrate the financial ability to fund a minimum of \$250,000 for this project.

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Significant Proposal and Contractual Provisions

1. **Standard Conditions:** All provisions of the Department's Standard Conditions and Regulations for the Operation of Concessions (11/03) are applicable to this agreement.
2. **Term:** Five (5) years with one five-year renewal option, at the sole discretion of the City.
3. **Capital Investment:** Furnish the retail spaces (including furnishings, fixtures, and equipment). When fully amortized, ownership of all improvements will revert to the City. The minimum investment is expected to be Two Hundred Fifty Thousand Dollars (\$250,000), based on design estimates.
4. **Contract and Financial Terms:** As typical with our concessions, the City will enter into a "Profit and Loss" Agreement, whereby the City has no financial responsibility or liability for the day-to-day retail operation, and the City will share in the gross revenue as expressed by a percentage of the revenue the Operator will pay to the City as rent. Operator must demonstrate access to a minimum of Two Hundred Fifty Thousand Dollars (\$250,000) working capital for this project. No minimum rental percentage is being required.
5. **Hours of Operation:** The Bookstore/Gift Shop is expected to open when the Observatory opens and remain open continuously until at least one (1) hour prior to the Observatory closing. Extended hours beyond the minimum stated hours are acceptable.
6. **Proposal Bond:** All proposals must include a Fifteen Thousand Dollar (\$15,000) Proposal Deposit in the form of a Cashier's Check, payable to the City of Los Angeles.
7. **Performance Bond:** A Performance Bond will be required to be maintained for the duration of the contract in the amount of Twenty Thousand Dollars (\$20,000).
8. **Required experience:** Proposer (not the on-site manager) must have a minimum of five years experience operating a Bookstore/Gift Shop applicable to the proposal in a cultural institution (museum, botanic gardens, historic home, performing arts center or similar environment that serves visitors, general public, staff, etc.) that grosses at least Five Hundred Thousand Dollars (\$500,000) annually.

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 minimum \$250,000 required for this project. Responsive proposals will be evaluated by Staff and by

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a panel selected for expertise in daily operation of the Observatory, concession management, retail business, and museum operations. Consistent with our established RFP evaluation process, the panelists will rank each proposal in each of the following criteria. The Department reserves the right to request additional information to clarify proposals.

RFP Evaluation Criteria:

- Experience and Capability/Quality of Experience
- Operational Plan including creativity in customized product and marketing
- Build-Out Plan and Capital Investment for the Bookstore/Gift Shop
- Projected Commissions/Rent to City and Financial Projections

The RFP consists of four books: Book I contains the RFP general information and instructions, Book II contains the Standard Conditions for the Operations of Concessions and required compliance forms, Book III contains the financial projection forms, and Book IV contains facility information and diagrams. Book I will be available for informational purposes through the internet. All other books will be available per the Department duplication standard charge. The anticipated time of completion for the RFP process and award of the agreement is approximately six months. Observatory management and FOTO have provided significant input and comment during the formulation of a concession RFP. Approval of this RFP, at this time, allows for execution of an Agreement with a suitable operator in time for required build-out and obtaining inventory prior to re-opening.

Report prepared by Jacquelyn DeVaughn, Administrative Resources Division.