

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 _____
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J. Kolb _____
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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Withdrawn _____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.