

# 21 MAIN STREET RFQ

## Study Session

9.21.2021

SUPPLEMENTAL  
COMMUNICATION

Meeting Date: 9/7/2021

Agenda Item No.: SS#1 (21-637)

# 21 Main Street - Background



- Building in operation since 2009 - currently operated by Let's Go Fishing & Surf City Snack Bar LLC (original 5 year lease with one 5 year option).
- Approximately 800 SF; located in the Downtown Specific Plan (DTSP) and Coastal Zone.
- In April 2019, the City issued an RFP and in November 2019, Council authorized an updated lease agreement with Let's Go Fishing for a 6-month lease, followed by MTM. In June 2020, a 90 day extension was granted due to COVID.
- Current base rent is \$950/month or 10.5% of gross receipts; whichever is higher. Currently paying an avg. of approximately \$4,200/month.



# 21 Main Street - RFQ



On 5/26/21 – RFQ release with due date of 6/25/21. Desired entity will:

- Have proven track record
- Demonstrate experience
- Exhibit financial capacity
- Articulate a vision to enhance the pier experience

Submittal requirements were as follows:

- Cover letter
- 3 years of tax returns
- 2021 year-to-date income statement and balance sheet
- 3 years of audited financial statements
- Proposed use of the lease and the property
- Biographical information

Four entities submitted. National Development Council (NDC) conducted a preliminary review and Armijo Enterprises was disqualified due to lack of financial info/capacity. Three entities moved onto the 2<sup>nd</sup> round and submitted additional info:

- Pro forma
- Construction timeline
- Proposed Improvements and cost

# Let's Go Fishing & Surf City Snack Bar LLC

- Sole member LLC owned by Marian Johnson.
- Existing & original operator of the site since 2009 (est. HB business since 1992).
- Currently offers pre-packages foods, ice cream, chips and other beach related merchandise in addition to bait & tackle.
- Desire to upgrade and remodel the inside/ outside of the building. Provided information is unclear about improvements.
- Interested in selling hot foods (pizza, nachos, tacos and hot dogs); installing soft serve ice cream and Icee dispensers; a coffee bar with pastries, bagels and muffins; expanding pole rentals, pier fishing classes and providing fishing-themed birthday parties/events as additional revenues streams.





# **Let's Go Fishing & Surf City Snack Bar LLC**

- **\$28,500 total budget for improvements.**
- **12-17 week estimated timeline to complete the project.**
- **\$435,000-\$635,000 in sales projected for the first 3 years based on 100-110 sales per day at an average of \$12-16/sale and assuming 15% growth per year.**
- **Lease payments currently in excess of \$50,000 annually.**
- **Net profit margins of 13-20% (not inclusive of the owner's salary).**
- **OVERALL – Lowest risk respondent; profitable, established and successful business with a proven past record who will continue operating status quo on the pier with similar annual revenues and minor improvements to the building and the products and services currently being offered.**

# Ruby's Hospitality Group, LLC



In 2018, Ruby's entered into a Chapter 11 bankruptcy process to reorganize its obligations and ownership.

Casbure Management, LLC acquired the master franchise rights in November 2020 and formed Ruby's Hospitality Group, LLC to revitalize the iconic brand.

Principle owners: Casbure Management, LLC (affiliate of West 5<sup>th</sup> Street Partners); Todd Spector, an individual; Eric Kurtzman, an individual; Joe Micatrotto, an individual.

Concept – Construct a modified version of the classic Ruby's Diner utilizing a walk-up window for guest service and a modified menu to streamline operations and conform to existing space requirements.

# Ruby's Hospitality Group, LLC

## BREAKFAST

Rod and reel in one hand, Ruby's breakfast in the other.

### **BEACH BREAKFAST BURRITO**

(egg, bacon, cheese, tots, pico de gallo, and Ruby's salsa)

### **FRENCH TOAST STICKS**

(served with maple syrup and whipped cream)

### **PIER BREAKFAST SANDWICH**

(ciabatta bread, fried eggs, bacon, and cheddar cheese)

## SIDES

### **BREAKFAST POTATOES**

### **TOTS**

### **HASH BROWNS**

## SWEETS

### **SHAKES AND MALTS**

(Vanilla, Chocolate, Strawberry, Oreo)

### **VANILLA CONE**

(dipped in chocolate)

### **SUNDAES**

(Chocolate or Strawberry)

## BEVERAGES:

### **COFFEE**

### **ICED TEA**

### **COKE PRODUCTS**

### **LEMONADE**

### **BOTTLED WATER**

### **HOT CHOCOLATE**



## RUBY'S FAMOUS BURGERS

### **OG RUBY'S STYLE**

(lettuce, tomato, onion w/Ruby's Sauce)

### **BOARDWALK BACON BURGER**

(onion ring, BBQ sauce, Bacon, Cheddar, LTO)

### **COLLAB BURGER**

(we provide the burger and bun, you build it)

### **IMPOSSIBLE BURGER**

(protein style available on all burgers)

## RUBY'S CLASSIC DOGS

### **STARS & STRIPES**

(ketchup, mustard, onion, relish)

### **PIER DOG**

(chili, onion, cheddar)

### **EAST LOS DOG**

(Bacon wrapped, mayonnaise, pico de gallo)

### **COLLAB DOG**

(we give you the dog and bun, you build it)

## RUBY'S CLASSICS

### **CHICKEN FINGERS**

w/ bbq or ranch

### **BEACH BLVD.**

### **FRIED CHICKEN SANDWICH**

(special sauce and pickles)

### **CATALINA FISH AND CHIPS**



## SIDES:

### **SEA SALT FRENCH FRIES**

### **TOTS**

### **ONION RINGS**

Add chili, cheese, onions  
or all of them

- \$520,000 projected budget for improvements. Opening – within 12-14 weeks of receiving proper permits.
- \$1.1M - \$1.4M in sales projected for the first 3 years. 4-9% net profit margin.
- Base rent of \$90,000/yr. with % rent TBD; preference for long-term flat rent. Offering a strong guarantee of the lease.
- **OVERALL** - A little riskier in operating and developing the space but Ruby's has a strong brand awareness at the HB pier with lease revenue proposed almost double existing rent within a similar square footage. Site will be enhanced but not trigger major entitlements. Beloved community amenity revived.



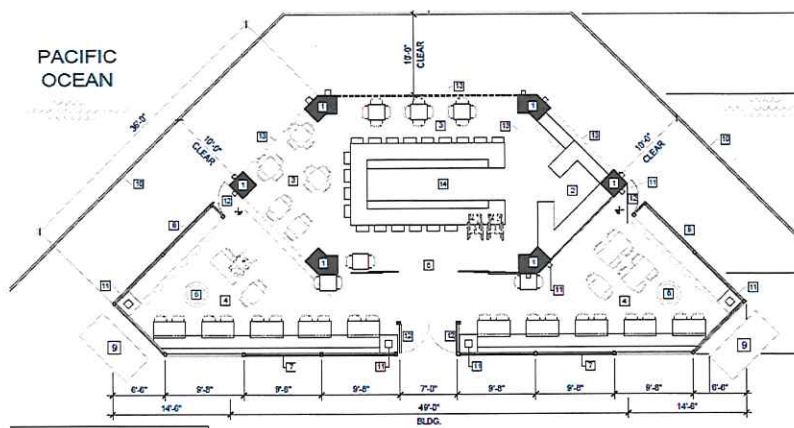
# Surf City Partners, LLC



Design/Construction/Maintenance – Jeff Bergsma  
Government Approvals – Keith Bohr  
Rest. F&B/Operational Systems – Paul Motenko  
Rest. Systems/Recruitment/Training – Sharon & Adam Go

Huntington's is a “locals” eatery with...

- High quality comfort food & beverages (fine wines, locally craft beers and libations);
- Outdoor dining;
- Outstanding views; and,
- Occasional live unplugged music.



Concept also includes two mobile retail carts:

- Fishing pole rentals and the sale of bait & tackle; and,
- Coffee, hot chocolate and bottled water.

LLC is preliminary seeking a \$1M loan commitment to fund the project with a 10-year term at 5% interest rate.



# Surf City Partners, LLC

- \$532,000 projected budget for improvements.
- Project timeline est. at 7 months (4 months for permit approval process; 3 months for construction) with goal of opening in May 2022. Unrealistic timeline.
- Sales projections for year one (\$1.5M) with an increase of 66% in year 2 (\$2.5M) and another increase of 10% in year 3 (\$2.75M). 5-8% net profit margin. Aggressive projections.
- Check average of \$22.62, 90-minute table turns, open for breakfast, lunch and dinner, with 130 patrons (49 inside & 81 patio) based on 340 days. 81 patio seats may be difficult to achieve.
- Base rent figure of \$180,000/yr. (7% of sales based on the \$2.5M year 2 revenue assumption). 40% sales derived from alcohol sales (typical restaurant 20-30%).
- OVERALL – High-risk, high-reward. Experienced team and unique “local” eatery concept but new start-up restaurant (high rate of failure) - the space is small and the location non-traditional. Uncertainty with entitlements (coastal commission approval, parking, outdoor dining, ABC license) given the level of improvements needed. Taking on debt in the form of a \$1M loan commitment. Highly dependent on sales from summer months. More complex deal all around but could offer the highest revenue potential and provide a unique dining establishment.

# EDC Recommendation

- On August 11, EDC reviewed a presentation of the finalists and recommended to City Council that Ruby's enter into an Exclusive Negotiating Agreement (ENA) with the City, in a form approved by the City Attorney.
- Following this study session, Council will consider a consent item requesting approval and authorization for the City Manager to enter into an ENA with Ruby's. Council can also provide alternative direction.
- In an effort to provide each finalist a fair and appropriate opportunity to present before the final decision making body, each entity has been given the option of sharing their proposal at this study session.





# ENA

- Provides an opportunity to analyze the feasibility of pursuing the project while addressing various issues related to the change of use and proposed remodel.
- Approval of an ENA does not obligate the City to enter into a lease agreement. A lease of the site will require separate City Council approval.
- ENA term of 180 days to negotiate the lease terms, establish duties and obligations between the parties, and conduct due diligence.

Such lease terms and obligations include the following:

- Use, Term, Rent, Minimum Days/Hours of Operation, Maintenance, etc.
- Design of Building Plans
- Approvals including a Conditional Use Permit from the Zoning Administrator, Review by the Design Review Board for the building's design, colors, signage and materials, a Coastal Development Permit processed and approved by the Coastal Commission, and any applicable requirements related to outdoor dining, parking, and outdoor sales
- Establishment of a Schedule of Performance and Entitlement Milestones

Additionally, this ENA period will allow the current tenant to continue its lease and operations while Ruby's obtains all necessary permits rather than leaving the concession vacant during this period.

# **Presentations**

- **Let's Go Fishing & Surf City Snack Bar, LLC**
- **Ruby's Hospitality Group, LLC**
- **Surf City Partners, LLC**





# Questions?

