



# City of Huntington Beach

**File #:** 19-1004

**MEETING DATE:** 11/4/2019

## REQUEST FOR CITY COUNCIL ACTION

**SUBMITTED TO:** Honorable Chair and Board Members

**SUBMITTED BY:** Oliver Chi, City Manager

**PREPARED BY:** Kellee Fritzal, Deputy Director of Economic Development

**Subject:**

**Approve and authorize execution of Lease Agreements for two concession buildings at the Huntington Beach Pier with Kite Connection and Surf City Store**

**Statement of Issue:**

The City Council is requested to approve lease agreements for two of the concession buildings located on the Huntington Beach Pier with 1) DBA Kite Connection International Incorporated; and 2) Surf City Store.

**Financial Impact:**

**Kite Connection**

The Kite Connection currently pays \$790.13/month in base rent which will be increased to \$950.00/month. The current Percentage Rent is 10% of gross sales that exceed \$790.13/month. The Percentage Rent will be increased to 10.5% of sales that exceed \$950.00/month at the commencement of the new lease and increase to 11% in year 6.

**Surf City Store**

The Surf City Store currently pays \$790.13/month in base rent which will be increased to \$950/month. The current Percentage Rent is 10% of gross sales (of non "Surf City" merchandise) that exceeds \$790.13/month. The difference in base rent amounts between the concessionaires is due to the Surf City Store trademark license agreement which provides a revenue share of an additional 5% of all gross sales at the Surf City Store. The Percentage Rent will be increased to 10.5% of gross sales that exceeds \$950.00/month at the commencement of the new lease and increase to 11% in year 6.

Revenue from the leases will be deposited into the General Fund (1000100.43095) Beach Concessions.

**Recommended Action:**

- A) Approve and authorize the Mayor, City Clerk, and City Manager to execute "Lease Between the City of Huntington Beach and Dave Shenkman, Doing Business As Kite Connection International Incorporated;" and,
- B) Approve and authorize the Mayor, City Clerk, and City Manager to execute "Lease Between the City of Huntington Beach and Tina Viray and Nelson Wescott, a General Partnership, Doing Business As the Surf City Store."

**Alternative Action(s):**

Do not approve the lease agreements and direct staff accordingly.

**Analysis:****Kite Connection**

On November 16, 2009, the City Council approved a five (5) year lease agreement ("Kite Connection Lease") including one five (5) year option to extend with Dave Shenkman, for the use of a 620 square foot concession building on the Huntington Beach Pier. Dave Shenkman has operated the concession building as the Kite Connection which sells kites, banners, and souvenirs. The terms of the Kite Connection Lease include a minimum base rent of \$620/month with annual CPI increases. In addition, Kite Connection is to pay a portion of gross revenues of 5% (Year 1) and 10% (Year 2-10) in those months where 5% or 10% of the gross sales exceeds \$620 ("Percentage Rent"). The Kite Connection Lease is set to expire on November 16, 2019.

Staff has negotiated new terms for a new lease agreement with Dave Shenkman based on the following term

- Term: Five (5) years
- Extension: One five-year mutually written extension
- Base Rent: \$950 per month
- Base Rent Increases: Annual increases based on the Los Angeles-Anaheim-Riverside All Urban Consumer Price Index (CPI), no less than 3% and a maximum of 5%.
- Percentage Rent:
  - Years 1-5: 10.5% of gross receipts in months where 10.5% of all gross sales exceeds \$950.00
  - Years 6-10: 11.0% of gross receipts in months where 11.0% of all gross sales exceeds \$950.00
- Permitted Uses: Kite Connection includes games, wind-driven toys, and visitor service merchandise.
- Minimum Days: 350 days open
- Maintenance: Kite Connection shall repair and maintain the concession

**Surf City Store**

On November 16, 2009, the City Council also approved a five (5) year lease agreement ("Surf City Store Lease") including one five (5) year option to extend with Tina Viray and Nelson Wescott, for the use of a 620 square foot concession building on the Huntington Beach Pier. Tina Viray and Nelson Wescott have operated the concession building as the gift shop selling visitor serving merchandise, souvenirs, and have a license to sell "Surf City" branded merchandise. The terms of the Surf City Store Lease include a minimum base rent of \$620/month with annual CPI increases. In addition, Surf City Store is to pay a portion of gross revenues of 5% in the first year and increasing to 10% in years 2-10), in those months where 5% or 10% of the gross sales exceeds \$620 ("Percentage Rent"). The Surf City Store Lease is set to expire on November 16, 2019.

Staff has negotiated new terms for a new lease agreement with Tina Viray and Nelson Wescott based on the following terms:

- Term: Five (5) years
- Extension: One five-year extension, mutually written
- Base Rent: \$950.00 per month
- Base Rent Increases: Annual increases based on the Los Angeles-Anaheim-Riverside All Urban Consumer Price Index (CPI), no less than 3% and a maximum of 5%.
- Percentage Rent:
  - Years 1-5: 10.5% of gross receipts in months where 10.5% of all gross sales exceeds \$950.00.
  - Years 6-10: 11.0% of gross receipts in months where 11.0% of all gross sales exceeds \$950.00.
- Permitted Uses: Surf City Store includes visitor service merchandise, jewelry, apparel, and Huntington Beach souvenirs.
- Minimum Days: 350 days open
- Maintenance: Surf City Store shall repair and maintain the concession.

The Economic Development Committee approved the proposed leases at the August 14, 2019, meeting.

**Environmental Status:**

Not applicable

**Strategic Plan Goal:**

Strengthen long-term financial and economic sustainability

**Attachment(s):**

1. "Lease Between the City of Huntington Beach and Dave Shenkman, Doing Business As Kite Connection International, Incorporated"
2. "Lease between the City of Huntington Beach and Tina Viray and Nelson Wescott, a General

Partnership, Doing Business As the Surf City Store”