



# City of Huntington Beach

File #: 21-787

MEETING DATE: 11/2/2021

## REQUEST FOR CITY COUNCIL ACTION

**SUBMITTED TO:** Honorable Mayor and City Council Members

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

**PREPARED BY:** Ursula Luna-Reynosa, Director of Community Development

**Subject:**

**Approve and authorize execution of an Exclusive Negotiating Agreement (ENA) with Surf City Partners, LLC for 21 Main Street at the Huntington Beach Pier**

**Statement of Issue:**

The City Council is requested to authorize execution of an Exclusive Negotiating Agreement (ENA) with Surf City Partners, LLC for a concession building located at 21 Main Street on the Huntington Beach Pier. The purpose of the ENA is to establish duties and obligations related to the negotiation of a lease agreement for the site.

**Financial Impact:**

There is no financial impact associated with this request. If a new lease is drafted with Surf City Partners, LLC, staff will submit it to City Council for consideration and will include the rental rate and the projected lease revenues that would be deposited into the General Fund (1000100.43095) Beach Concessions account.

**Recommended Action:**

Approve and authorize the Mayor and City Clerk to execute the "Exclusive Negotiating Agreement Between City of Huntington Beach and Surf City Partners, LLC" to negotiate the terms of a lease agreement for 21 Main Street.

**Alternative Action(s):**

Do not approve the recommended action and direct staff to reissue a Request for Qualifications or a Request for Proposals for 21 Main Street that includes an expanded area to be defined by the Council.

**Analysis:**

On September 7, 2021, Council directed staff to prepare an Exclusive Negotiating Agreement (ENA) with Surf City Partners, LLC (SCP) for an approximately 800 square foot concession building located at 21 Main Street on the Huntington Beach Pier. If approved, the ENA will commence good-faith negotiations between the City and SCP, intended to culminate in a mutually acceptable lease that will set forth the terms and conditions for improving the site as a restaurant concept, including; design,

financing, construction, and operation of the project.

The purpose of the ENA is to guide the process of negotiations through establishment of exclusive rights, negotiation timelines, development objectives, limitations, and responsibilities. Based on Council's direction at the September 7, 2021 meeting, staff and SCP have structured terms and conditions for the negotiations in the ENA (Attachment 1).

Key points of the ENA are summarized below:

- The exclusive negotiating period is for a term not to exceed 365 days with critical milestones and off-ramps scheduled within the term. The City and SCP will conduct due diligence, secure entitlements, and negotiate the terms and conditions of a mutually-acceptable lease.
- SCP will submit requisite development applications, plans and documents necessary to secure discretionary approvals for the project, consistent with the response to the RFQ.
- SCP shall be solely responsible for all costs associated with preparation of requisite plans and documents.
- The ENA establishes a schedule of performance with milestones.
- The ENA does not obligate either party to enter into any particular agreement. It does not commit the City to lease the site or grant discretionary approvals.

SCP is proposing a unique concept of a “locals” eatery named Huntington’s which would offer high quality comfort food and beverages (fine wines, locally crafted beers and libations), outdoor dining, surf line views, and occasional live music. The proposal reimagines the site with an eatery open for breakfast, lunch and dinner and two mobile retail carts; one for fishing pole rentals and the sale of bait and tackle, and the other for the sale of coffee, hot chocolate and bottled water. The approximate budget for improvements to the site is \$532,000 with projected sales for year one through three between \$1.5 and \$2.75 million.

The project, as it is envisioned, would require entitlement approvals consistent with the Downtown Specific Plan (DTSP) and Coastal Zone given the intensification of the use and scope of improvements to the property. A site plan and elevation of the current proposal is included as Attachment 2. An ENA will provide an opportunity to analyze the feasibility of pursuing the project while addressing various issues related to the change of use and proposed remodel. Planning approvals needed include 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 zoning requirements related to outdoor dining, parking, alcohol and outdoor sales, as well as a public view analysis. Requirements by Building & Safety, the Orange County Health Care Agency, and Alcohol Beverage Control would also need to be met. Further, the State Land Commission must approve the lease as the City leases the pier from the State.

Upon the securing of requisite approvals and negotiating lease terms, the lease will be submitted to the City Council for consideration at a future City Council meeting. In the interim, the ENA will allow the current tenant, Let’s Go Fishing, to continue its month-to-month lease and operations rather than leaving the concession vacant during this period. Let’s Go Fishing has expressed their desire to remain at the site as long as possible until a lease with SCP is approved, and staff will work with them during this period to keep them informed of the new lease status and to ultimately facilitate a

smooth transition.

**Environmental Status:**

Pursuant to CEQA Guidelines Section 15378(b)(5), organizational or administrative activities of governments that will not result in direct or indirect physical changes to the environment, do not constitute a project. If negotiations are successful, a lease agreement will be brought forward for City Council consideration and an environmental assessment will be conducted at that time.

**Strategic Plan Goal:**

Economic Development & Housing

**Attachment(s):**

1. Exclusive Negotiating Agreement
2. Current Site Plan and Elevation
3. September 7, 2021 RCA and Minutes