



City of Huntington Beach

File #: 22-964

MEETING DATE: 11/15/2022

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Al Zelinka, City Manager

VIA: Ursula Luna-Reynosa, Director of Community Development

PREPARED BY: Kriss Casanova, Economic Development Manager

Subject:

Approve an Amended and Restated Lease Agreement between the City of Huntington Beach and Waterfront Hotel, LLC, for the beach concession at 21351 Pacific Coast Highway

Statement of Issue:

The City Council is asked to approve an Amended and Restated Lease Agreement (the "Lease Agreement") between the City and Waterfront Hotel, LLC ("Lessee"), to operate the beach concession located at 21351 Pacific Coast Highway (formerly called the "Waterfront Beach Cabana Concession").

Financial Impact:

The Lease Agreement will generate \$13,200 annually in base rent in addition to shared percentage of revenue based on low (5%), middle (10%), and peak (12%) seasons. Revenues will be deposited into General Fund Account Nos. 10000100.43095 and 10000100.43090.

Recommended Action:

- A) Approve an Amended and Restated Lease Agreement between the City of Huntington Beach and Waterfront Hotel, LLC for the Concession Stand at 21351 Pacific Coast Highway; and,
- B) Authorize the Mayor, City Manager, and City Clerk to execute the Agreement and other related documents.

Alternative Action(s):

Do not approve the Lease Agreement, and direct staff accordingly.

Analysis:

The Lessee is the owner of the Hilton Hotel and has operated the concession on the City beach since 1990. In 2001, the concession was demolished and rebuilt as part of the development agreement between Waterfront and the City for the construction of the new Hyatt Regency Huntington Beach

Resort and Spa. The existing lease commenced in 2003 and is set to expire January 31, 2023.

The concession provides amenities for beachgoers and hotel guests including food, bike rentals, sunscreen, and firewood for the evening fire rings. The Lessee currently manages and operates the concession, "The Wave" and plans to remodel and offer an expanded menu beginning summer 2023.

The Lease Agreement (Attachment 1) has been prepared in accordance with the City's current standards and lease format and models the existing license between the City and the PCH Beach Resort, LLC for the concession stand at 21529 Pacific Coast Highway (the former "Shor" concession). The lease terms have remained fairly consistent except for the structure of the percentage rent which has changed to better reflect the seasonal operations of the concession stand. The terms are summarized below:

- 10-year term with one (10 year) extension option.
- Monthly base rent: \$1,100 with 2% annual increases.
- Revenue share based on low (5%), middle (10%), and peak (12%) seasons. (Percentage rent in the prior lease increased on a sliding scale as gross revenue increased.)
- Lessee to remodel the concession stand with fenced outdoor dining, new trellis, heaters, lighting, and signage.
- Lessee may sell alcoholic beverages to concession customers if all required permits and licenses have been obtained, and all conditions are followed to ensure that Lessee operates in a responsible manner.
- The exhibit of the premises has been updated and the total square footage remains the same.
- Indemnification of the City against claims and damages arising from losses.
- Concession must be open a minimum of 120 days for at least four hours a day.

In addition to renewing the lease, Lessee is also seeking approval from regulatory agencies for a Coastal Development Permit (CDP) and a Conditional Use Permit (CUP) with a new Alcohol Beverage Control (ABC) license. The Design Review Board will also review visual upgrades and amenities to the concession stand such as a fenced, outdoor dining area with a new trellis and heaters. The ABC license request is to expand beverage offerings to include beer, wine, and distilled spirits. Proposed hours of operation would be 12:00 PM - 9:00 PM, Memorial Day Weekend through Labor Day Weekend and Friday, Saturday, and Sundays in the off-season. The concession will still include bicycle rentals and be managed and operated by Lessee.

The proposed lease was prepared by City Attorney's Office, and the Economic Development Committee (EDC) reviewed the proposed lease terms at their August 10, 2022 meeting.

Environmental Status:

The actions to approve the amended and restated lease agreement to operate a concession meets the categorical exemption criteria set forth in the CEQA State Guidelines pursuant to Section 15301 (Existing Facilities), which exempts the operation, repair, maintenance, permitting, leasing, licensing

or minor alterations of existing public or private structures or facilities involving negligible or no expansion of use.

Strategic Plan Goal:

Economic Development & Housing

Attachment(s):

1. Amended and Restated Lease Agreement between the City of Huntington Beach and Waterfront Hotel, LLC, for the concession stand at 21351 Pacific Coast Highway
2. Original Lease Agreement