



AGENDA REPORT
SAN CLEMENTE CITY COUNCIL MEETING
 Meeting Date: July 3, 2012

Agenda Item 6F
Approvals:
 City Manager [Signature]
 Dept. Head _____
 Attorney _____
 Finance _____

Department: Finance & Administrative Services
Prepared By: Pall Gudgeirsson, Assistant City Manager/City Treasurer

Subject: *TRANSFER OF NORTH BEACH CONCESSIONAIRE LEASE*

Summary: The City's North Beach Concessionaire, Eric and Gia Lucy, seek to sell the equipment, furniture and fixtures enclosed within the City's building. The lease only allows the Lucys' to transfer or sublease the concession operation with written agreement from the City. In fact, the previous concessionaire, George and Aria Schroer, sold the equipment and remaining lease term to the Lucys' in 2004. A new lease with the Lucys' was awarded in 2007.

The City's lease agreement with the Lucys' is for an initial term of five years, plus three successive extensions of five years each. If the City allowed the transfer, the new concessionaire would receive the remaining 15-1/2 years on the lease. The initial term of the lease will expire on December 18, 2012. The concession is only required to be open during the summer months. Rent is the greater of \$200 or 13% of gross sales per month. Over the past four years, rent has averaged \$4,200 per year.

The lease with the Lucys' (Section 10.01) requires City approval for any transfer, assignment, sublet or change of ownership. The lease states that the "Landlord (City) may withhold in its sole and absolute discretion" consent to a transfer.

The potential buyer of the equipment within the concession building and transferee of the concession lease is Martin Foxman. Mr. Foxman has submitted a business plan for Kahuna Grill (Attachment "A") that was reviewed by City staff. The business plan was analyzed to determine if Mr. Foxman had a comprehensive knowledge of the existing business, previous food service/restaurant experience and a marketing plan to expand the business to a full-time operation. This review practice was put in place after the City had some unfortunate experiences with transferred leases.

Comprehensive knowledge of the existing business – As far as the financial knowledge of the business, Mr. Foxman states in the business plan "we were not provided detailed P&L, balance sheets or other reports so we are unable to project specific budgeted goals." As to the operational knowledge of the concession, the

Lucys' have offered to stay and train Mr. Foxman until he has a thorough understanding of the restaurant, distributors and catering. Mr. Foxman is also planning to hire the part-time staff currently employed by the Lucys', so some of daily operational knowledge will be retained. The Lucys' have written a letter in support of the transfer of the lease and their commitment to train Mr. Foxman ("Attachment B").

Previous food service/restaurant experience – Mr. Foxman has no previous food service experience. His background is in Human Resources. The lack of any food experience, unfortunately, is a major obstacle when considering the assignment of the lease. The City has experienced difficulties in the past at Steed Park and other beach concessions due to lack of experience by the concession operators. Since 2007, a City concessionaire lease has not been awarded to an individual or team that did not have previous restaurant experience.

Marketing plan – Mr. Foxman plans to expand the required hours of operation from Memorial Day to Labor Day to a full-time operation. He plans on opening at 7:00 a.m. instead of the required 10:00 a.m. to capture business from people on the beach trail, Amtrack station, Sunday church and surfers. He also plans to use the web, social media, print advertising, healthy food offerings and daily specials to expand the marketing and bring greater awareness to the concession.

Based on the review of the business plan and inexperience with the food service industry, staff recommends denial of the transfer of the lease agreement to Mr. Martin Foxman.

Recommended

Action: STAFF RECOMMENDS THAT the City Council deny the transfer of the North Beach concession lease from Eric and Gia Lucy to Martin Fox.

Fiscal Impact: None. The Lucys' will continue to operate the concession for the summer while seeking a new buyer or sub-lease tenant.

Attachments: Attachment "A" – Business Plan for Kahuna's Grill submitted by Martin Foxman
Attachment "B" – Letter of Support submitted by Eric and Gia Lucy

Notification: Eric and Gia Lucy
Martin Foxman

GF-2

BUSINESS PLAN
FOR KAHUNA'S GRILL
SUBMITTED BY
MARTIN FOXMAN

June 19, 2012

MISSION STATEMENT

Up and down California's coast small seaside stands stir up sweet scents of cotton candy and fresh grilled hot dogs piled high with chili, cheese and chopped onions. Families flock to these beaches to bask in the sun and to enjoy building memories.

Our mission is to provide beachgoers with high quality, delicious, affordable food, while creating an environment that is reminiscent of Summertime Americana. One that will bring them back day after day and year after year so they continue creating memories in San Clemente with their families.

BACKGROUND

Martin ("Marty") Foxman has a B.S. degree from Rutgers University. Over the past thirty-some years, he has served as Director of Human Resources of two Fortune 500 companies. He acted a Director of Payroll Services for LA School District and has a history of success as an entrepreneur building companies from the ground up: Pierce & Associates, Millenia Group and Corporate DNA. The former of which had over two million in sales and over 50 employees.

In Marty's youth, he recalls going to his family's restaurants every week for dinner. His memories of the good times and great food, that he had as a child, has encouraged him to follow his dream of owning his own small restaurant by the sea. Along with his two sons, Justin Foxman (he has worked in food service for 7 years) and Erik Foxman (Manager at Crazy Horse Restaurant in Irvine Spectrum for 3 years. On The Go Restaurant Experience 4 Years), Marty looks forward to serving San Clemente.

His strong work ethic, ability to manage and motivate people, commitment to customer service and enthusiasm for people and building relationships, along with his eagerness to learn all the ins and outs of the current Kahuna's Grill makes him an ideal candidate for assignment of the North Beach Concession Stand lease.

Marty and his wife, Rhonda are very familiar with San Clemente. Residents for five years, prior to living in San Juan Capistrano, they love the small-town, friendly atmosphere of San Clemente and the fact that it truly is "the best climate in the world." They are excited about becoming an integral part of the San Clemente community once again (they were highly involved in the Ocean Festival as volunteers) and providing the best products to beach-loving individuals.

MARKETING

Marty Foxman understands that in order to expand and make successful Kahuna's Grill at North Beach marketing is paramount. The following are immediate procedures he would like to implement.

- Strong Website Presence – Develop a website featuring Kahuna's Grill at North Beach. The website would include pictures, menu, operating hours, catering menu and address, as well as links to The City Of San Clemente's homepage, JPs Surf Camp, and Campco, We would work with Google Adwords and other search engines to make Kahuna's URL come up in first position.

- ~~Social Media – Utilize social media websites such as Yelp, Facebook, Twitter and Wordpress blogging sites~~
- Print Advertising – We would advertise in local newspapers, magazines and school publications
- Increased Snack Bar Hours – The snack bar would open at 7:00 a.m. instead of the required 10:00 a.m. to capture the untapped potential of patrons from San Clemente's walking trail, the Amtrak Station, Sunday church goers and surfers at 204 Beach.
- Continue Eric and Gia Lucy's efforts with catering meals to the Boy Scouts and Girls Scouts and working with the local troop leaders to establish official beach clean-up and beach safety days.
- Continue Eric and Gia Lucy's relationships with the local churches, JPs Surf Camp, Campco, Volleyball Camp etc by offering catering to their groups.
- Utilize the "spare" room better with more rentals, and sale items such as San Clemente keepsakes and/or dog bakery items.
- Aggressive campaign with Amtrak and Metrolink
- Explore options to fully utilize "off season" time by creating a coffee house for dog-walkers, boot camps, and catering or cooking classes.

GFA

- Health Conscious Offerings_– we would revamp the menu to include more healthy products for the trail patrons including fruit drinks, fresh fruit, yogurt, fruit smoothies and other appropriate items
 - Signage – better signage to include the operating hours on both sides of the building.
 - Special Offerings – we would develop specials such as Coffee Friday where you get one free chocolate chip cookie with a cup of coffee; Taco Tuesday, combo meals, etc.
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OPERATIONS

The business will be owner-operated. As we step into the 2012 summer we understand that the snack bar will have been well underway. Gia and Eric Lucy have been kind enough to stay on and train us until we have a thorough understanding of the restaurant, distributors and catering. We are also happy at the chance to hire on the current trained staff that Eric and Gia Lucy have provided. In future years we are committed to hiring San Clemente residents.

FINANCIAL

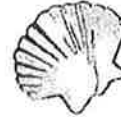
Unfortunately, we were not provided detailed P&L, balance sheets or other reports so we are unable to project specific budgeted goals. However, we feel that with expanded hours, aggressive marketing and more health-conscious foods that we will be able to exceed previous revenues to the City. This business will be purchased with available funds with no outside financing necessary. Marty has the necessary capital for operating funds on an ongoing basis to ensure that the business will be operated in a vibrant, viable, successful manner.

CONCLUSION

We look forward to partnering with the City of San Clemente and helping to promote their beautiful beaches. Our friendly and fun environment will be a place that people will want to return over and over again! My ability to spend 100% of my time, unencumbered by other businesses or jobs enables me to fully commit myself to the success of Kahuna's Grill At North Beach.

Kahuna's Grill at

North Beach



June 19, 2012

Dear City Council:

We feel so privileged to have been given the opportunity to run the North Beach Concession for the past seven years. Thank you! We have had some amazing years and made some incredible memories.

We are looking forward to our next adventure and would like you to consider Marty Foxman as the next concessionaire for the North Beach Concession. He comes with a strong business background and has built and run several successful businesses from the ground up.

Over the years, we have worked in earnest to be honorable to the City Of San Clemente by providing a top-notch restaurant/concession for North Beach patrons. We would like to continue that tradition by staying on as long as needed, after the close of escrow, and training Marty Foxman in all the specifics needed to run Kahuna's Grill At North Beach.

We know that with Marty's vision, strong work ethic, background working with fortune 500 companies, overall success in business and our training, he will run a successful concession for the City.

Thank you in advance for your vote.

Sincerely,

Eric & Gia Lucy

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