



DEPARTMENT OF PARKS
AND COMMUNITY SERVICES

CITY OF SACRAMENTO
CALIFORNIA

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ROBERT P. THOMAS
DIRECTOR

March 19, 1987

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DIVISIONS:

Budget and Finance Committee
Sacramento, California

CROCKER ART MUSEUM
GOLF
METROPOLITAN ARTS
MUSEUM & HISTORY
PARKS
RECREATION
ZOO

Honorable Members in Session:

SUBJECT: Riverfront Commercial Tour Vessel - Authorization to Execute Lease Agreement

SUMMARY

This report provides information relating to the provision of commercial riverfront tours in Old Sacramento and requests authorization to execute a lease with Channel Star Excursions, Inc.

BACKGROUND INFORMATION

The Old Sacramento Riverfront Master Plan project includes the reconstruction and revitalization of approximately 4.5 acres of riverfront area. Designed to interpret the 1849 to 1870 period, principal elements of the plan include historic riverfront buildings, floating hulks, and historic ships. Proposed uses for the riverfront area are commercial, tour boats, public open space, and riverfront access. The Specific Use and Leasing Plan approved January 1985 includes historic ships to be moored on the reconstructed riverfront which will contribute to the historic ambience of the area.

The Department of Parks and Community Services, in cooperation with the Sacramento Housing and Redevelopment Agency, developed a request for proposal for a lease for a riverfront commercial tour vessel in Old Sacramento. On October 14, 1986, the City Council authorized the call for proposals in accordance with the specifications entitled "Invitation to Propose for Riverfront Commercial Tour Vessel Lease in Old Sacramento." Following City Council authorization, an advertising campaign designed to encourage proposals was implemented. Interest in this proposal opportunity was high, and the City received eight proposals for a Riverfront Commercial Tour Vessel Lease. In order to ensure the selection of the best responsible proposer, a selection panel was established with representatives from the Department's Revenue Development and Management Section, Waterfront Management Section, SHRA and the Executive Director of the Museum and History Division. The selection panel was assisted by the expertise of the Executive Director of the Steamer Virginia V Foundation, a Seattle based nonprofit historical society which owns and operates a historic tour vessel on Washington's Puget Sound. Serving in a consulting capacity, the Executive Director, Michael Boston, provided expert guidance regarding the provision of historical riverfront tours.

All proposers were interviewed by the selection panel and were evaluated on their experience maintaining and operating similar or related tour boat operations on government waters; quality and design of proposed western-style riverboat depicting the interpretive period of 1849 to 1870; quality of proposed services and proposed rent to the City.

The panel was unanimous in recommending that the Riverfront Commercial Tour Vessel lease be negotiated with Channel Star Excursions, Inc., a family-owned, Stockton-based corporation. A check of the proposer's business and credit references and a site evaluation of the proposed vessel further supported this conclusion. Channel Star Excursions has successfully operated a riverfront tour vessel business in Stockton since 1976. The success of this business, operated under a leasing arrangement with the Waterfront Yacht Harbor, clearly indicates that Channel Star Excursions has the proven experience, operational plans and ability to perform above the other proposals. Channel Star Excursions' record of providing quality riverfront tour experiences to the public in a market which is similar to Sacramento and of the scope deemed ideal for the Old Sacramento Waterfront project, is strongly supported by financial records and by key representatives from both the Stockton Chamber of Commerce and the Waterfront Harbor. Further, Channel Star Excursions was the only one of the top three proposers who currently has an acceptable vessel of a "western-style riverboat" depicting the interpretive period of 1849 to 1870.

Lease Negotiations

On March 3, 1987, the City Council authorized the Department of Parks and Community Services to negotiate a Riverfront Commercial Tour Vessel Lease with Channel Star Excursions, Inc. A negotiating team comprised of a Parks and Community Services Revenue Development and Management staff person, the Deputy City Attorney and the Assistant Director of SHRA commenced negotiations with Channel Star Excursions. These parties have completed the negotiations process. Significant terms of the lease agreement are as follows:

- Channel Star Excursions, Inc. will bring their existing vessel "Matthew McKinley" to Old Sacramento within 45 days following notice from the City that the demised premises are suitable for occupancy. A mid-June start-up date is anticipated.
- The Matthew McKinley, capacity 150, will provide riverboat tours from April through October of each year with the frequency of tours corresponding to the seasonal fluctuations in Old Sacramento visitation.
- Channel Star Excursions will provide a variety of services to the public including narrated sightseeing tours, luncheon, brunch, happy hour and dinner/dancing cruises as well as charters and cooperative ventures with tour groups, conventions and other leisure industry organizations.
- The lessee will assume full responsibility for all maintenance and for a \$3 million insurance policy.

- Channel Star Excursions will replace the Matthew McKinley with a new and larger historical tour vessel, if and when the annual gross receipts under the lease operations reach \$750,000. This new vessel, which would have a capacity of 300-500 passengers, would be required to provide services and amenities similar to the Matthew McKinley, and to conform to all historical design requirements and city approval processes.
- The term of the lease is ten years with lessee having the option to extend the term for two additional five year periods if they provide the new vessel, and a mutual option if no new vessel is provided.
- The leased premises shall include an assigned building located at the foot of L Street on the waterfront to be utilized as a ticket booth. Channel Star Excursions, Inc. shall also provide a floating storage building no larger than 15 x 30 feet to be moored adjacent to the Globe. This building, currently in use in Stockton, will be painted and modified to conform with all City historical specifications prior to being used in conjunction with the Old Sacramento tour vessel operations. Within two years, Channel Star Excursions, Inc. shall remove or replace this floating storage building with a substitute building approved by the City.
- The proposed lease grants to Channel Star Excursions an exclusive permanent moorage facility in Old Sacramento. The City will grant no other homeport moorage leases for commercial tour vessels or allow individual ticket sales on City-owned dockage in Old Sacramento; however, charter boat operations, such as are currently in existence, will be permitted to continue contingent on space availability.

FINANCIAL DATA

Revenue from the Riverfront Commercial Tour Vessel Lease will be deposited in the General Fund and will be used to offset the costs of providing management, programming, and maintenance for the Old Sacramento Waterfront area.

Terms of the negotiated lease include a graduated percentage of the gross receipts, ranging from 2% at the onset up to a high of 5%. In addition, the proposed lease also provides an annual guaranteed minimum fee of \$10,000. Estimated return to the City, based on gross receipts prepared by Channel Star, is as follows:

| | <u>Year</u> | <u>Estimated Gross Receipts</u> | <u>Percentage Rent</u> | <u>Revenue to City</u> |
|-------------------------|-------------|-------------------------------------|----------------------------|------------------------|
| <u>Channel Star</u> | 1987 | \$600,000 | 2% | \$12,000 |
| <u>Excursions, Inc.</u> | 1988 | \$690,000 | 2% | \$13,800 |
| | 1989 | \$759,000 | 2% | \$15,180 |
| | 1990 | \$834,900 | 2.5% | \$20,872 |
| | 1991 | \$918,400 | 3% | \$27,552 |

For the remaining years of the lease, the percentage will continue to increase as follows:

| <u>Year</u> | <u>Percentage Rent</u> |
|-------------------------|----------------------------|
| 1992 | 3.5% |
| 1993 | 4.0% |
| 1994 to end of lease | 5.0% |

(Estimates of gross receipts and subsequent revenue to City were not required for these years as part of the proposal process.)

RECOMMENDATION

It is recommended that the Budget and Finance Committee approve this report and refer it to the full City Council for action. Further, it is recommended that the City Council, by resolution, authorize the award of the lease for the Riverfront Commercial Tour Vessel to Channel Star Excursions.

Respectfully submitted,



ROBERT P. THOMAS, Director
Parks and Community Services

Recommendation Approved:



JACK R. CRIST
Deputy City Manager

RPT:ja

March 31, 1987
District No. 1

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION AWARDING THE LEASE FOR THE
RIVERFRONT COMMERCIAL TOUR VESSEL IN
OLD SACRAMENTO TO CHANNEL STAR
EXCURSIONS, INC.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

That the award of the lease for the riverfront commercial tour vessel in Old Sacramento with Channel Star Excursions, Inc. is hereby authorized in accordance with Section 12.39 of the Sacramento City Code.

MAYOR

ATTEST:

CITY CLERK