



Chicago Park District

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Title: AUTHORIZATION TO ENTER INTO A CONCESSION PERMIT AGREEMENT WITH LAKEFRONT OPERATIONS, INC., D/B/A CASTAWAYS AT NORTH AVENUE BEACH FOR THE DESIGN, RENOVATION, AND OPERATION OF CONCESSIONS AT THE BEACH HOUSE AND NEW BOARDWALK SPACE AT NORTH AVENUE BEACH

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AUTHORIZATION TO ENTER INTO A CONCESSION PERMIT AGREEMENT WITH LAKEFRONT OPERATIONS, INC., D/B/A CASTAWAYS AT NORTH AVENUE BEACH FOR THE DESIGN, RENOVATION, AND OPERATION OF CONCESSIONS AT THE BEACH HOUSE AND NEW BOARDWALK SPACE AT NORTH AVENUE BEACH

To the Honorable Board of Commissioners of the Chicago Park District

I. Recommendation

Pursuant to Chapter IX of the Code of the Chicago Park District, it is recommended that the General Superintendent and CEO or his designee enter into a Concession Permit Agreement with Lakefront Operations, Inc., D/B/A Castaways at North Avenue Beach for the design, renovation, and operation of concessions on the first and second floor at the beach house and new boardwalk space at North Avenue Beach. The concessionaire was selected pursuant to a publicly advertised Notice of Availability. No work may commence prior to the execution of a written Concession Permit Agreement.

II. Award Information

Concessionaire: Lakefront Operations, Inc., D/B/A Castaways at North Avenue Beach
1033 W. Van Buren Street, 5th floor
Chicago, Illinois 60607

Company Type: Illinois Corporation

Majority Interest: Phil Stefani 100%

Concession Permit Agreement Term: 10 year initial term with five (5) one (1) year extension options. The extension options exercisable solely at the discretion of the Chicago Park District.

Scope of Services: The design, renovation, and operation of concessions on the first and second floors at the beach house and new boardwalk space at North Avenue Beach.

Affirmative

Action Goals: The concessionaire has committed to using their best efforts to provide Minority and Women Owned Business Enterprise participation for the capital improvements and restaurant operation.

Authorization: Authorize the General Counsel to include other relevant terms and conditions in the written Concession Permit Agreement. Authorize the General Superintendent to execute the Concession Permit Agreement and the Secretary to attest as to the signing of the Concession Permit Agreement and keep an original copy of the Concession Permit Agreement on file.

III. Business Terms

See Exhibit A

IV. Notice of Availability and Selection Process

Date Notice of Availability Advertised:	August 22, 2017
Site Visits and Meeting:	September 12, 2017
	October 18, 2017
Application Due Date:	November 29, 2017
Number of Applications Received:	Three (3)

The Department of Revenue (“Revenue”) publicly advertised a Notice of Availability (“NOA”) for this opportunity and made it available through an online electronic portal. In addition to advertising the announcement of the NOA in the Sun-Times, Revenue also notified the CPD’s existing concessionaires of the NOA, posted a flyer discussing the NOA at CPD fieldhouses, and informed the Illinois Restaurant Association of the NOA so they would inform their membership. The opportunity was described and presented in 30 electronic files which included the application package, business terms, exhibit documents (including construction drawings and specifications, as well as photographs), and other supplemental documentation. The NOA also included some of the terms and conditions that will be part of the Concession Permit Agreement (e.g. termination for convenience) and a detailed itemization of the concessionaire’s non-reimbursable operating expenses. Additionally, the NOA instructed applicants to complete and submit as part of their application: (i) a detailed description of their proposed beach house, restaurant, and boardwalk concession spaces; (ii) proposed business terms; and (iii) a description of the applicant’s experience.

Three applications were received by the due date and time, and Revenue found all of them to be responsive. Revenue then convened an Application Review Committee (“ARC”) comprised of CPD personnel to review the applications and make a recommendation. Each ARC member signed Confidentiality Affidavits and Statements of Non-Conflict of Interest before Revenue distributed the applications to them for their review.

The ARC first met on December 11th, 2017. At this meeting, the ARC decided to interview all three applicants and request additional information from them. The request for additional information was sent separately to all three applicants on January 18th. The applicants were interviewed by the ARC on January 22nd and 29th. The ARC met after interviews on both dates, and it was at their January 29th meeting that they decided to request further information from all three applicants. Requests for further information were sent on February 2nd and 13th. On February 26th, the ARC met to discuss the responses to the request for further information, continue their discussions of the applications, and decided to send a final email requesting two applicants clarify aspects of their capital contributions. The ARC had their final meeting on March 1st and agreed that all questions had been satisfactorily resolved and that evaluations should be completed. The ARC concluded the evaluation process by unanimously recommending for award the highest scoring applicant, Lakefront Operations, Inc.

V. Explanation

The Chicago Park District (“CPD”) requires the services of a concessionaire for the design, renovation and operation of concessions in the breezeway and restaurant on the second floor of the beach house, and a new, to be built, boardwalk concession space at North Avenue Beach.

Located in Lincoln Park on the shore of Lake Michigan at North Avenue Beach, the design and construction of the original boat style beach house (“beach house”) was funded through the Works Progress Administration, and it was dedicated in 1940. Over the decades, the original beach house had deteriorated to the point where it had to be demolished, and it was replaced in 1999 with the larger beach house that stands there today.

Recently, the CPD completed the lakefront trail separation project adjacent to the beach house which greatly improved access to it. Further, the CPD contemplates making additional capital improvements to the area adjacent to the beach house including addition of a boardwalk type plaza, adding parking spaces and enhancing the traffic circle. Continuing the necessity to improve the area around the beach house and at the structure itself, the CPD publicly advertised a Notice of Availability seeking a public-private partnership for a concessionaire to (i) operate the concession at and immediately around the beach style boat house, (ii) fund a renovation of the beach house concession areas including possibly expanding the second floor roof deck, and (iii) partially fund with the CPD the build out of a boardwalk type plaza around the beach house. The target is to have the work on the beach house and site improvements run concurrently with full operations during each summer season with some work completed in 2019 and final construction and renovation complete in 2020.

Phil Stefani, the owner of Lakefront Operations, has 35 years of successful hospitality operations in Chicago's flourishing hospitality industry. He has successfully operated restaurants throughout Chicagoland including Tavern on Rush, Riva Crab House and Tuscany Taylor including venues at high profile destinations such as Navy Pier, River North and Lincoln Park. As the incumbent at North Avenue Beach, Lakefront Operations has successfully managed the food and beverage concessions at the beach house since 1999 making this location consistently one of the top revenue generators for the CPD in the CPD's concession program.

Going forward, Lakefront Operations proposes a design aesthetic and renovation of the beach house that will allow the original structure to maintain its nautical appearance while expanding seating and provide flexibility to host both large and small social occasion rentals. Beach goers will be able to browse the boardwalk plaza which will feature a local Chicago marketplace alongside kiosks of both retail and refreshments. In addition to Mexican fare, the refreshed first floor will offer beach-goers ice cream and beachside burgers from casual walk up stands. Visitors to the revamped Castaways on the second floor will continue to enjoy appetizers, sandwiches, fresh salads and refreshing desserts in a fresh new space with a stunning skyline view. Retractable awnings are proposed to provide opportunities to enjoy both shade and sun.

Lakefront Operations has the experience, capability, and personnel necessary to renovate and operate the beach house concession areas, restaurant and boardwalk space at North Avenue Beach. Therefore, it is in the best interest of the Chicago Park District to award Lakefront Operations the concession permit agreement for the design, renovation and operation of the first and second floor concessions at the beach house and new boardwalk space at North Avenue Beach.

VI. General Conditions

- 1) *Conflicts*: The Agreement shall not be legally binding on the Chicago Park District if entered into in violation of the provisions of 50 ILCS 105, the Public Officer Prohibited Activities Act.
- 2) *Ethics*: The Chicago Park District's Ethics Code, Chapter III of the Code of the Chicago Park District, shall be incorporated into and made part of the agreement.
- 3) *Contingent Liability*: Any agreement lawfully entered into for a period of more than one year shall be executory only for the amounts for which the Park District may become liable in succeeding fiscal years pursuant to Section 17(i) of the Chicago Park District Act, 70 ILCS 1505/17(i). All agreements authorized herein shall contain a clause that any expenditure beyond the current fiscal year is subject to appropriation in the subsequent fiscal year budget.
- 4) *Economic Disclosure Statement ("EDS")*: Concessionaire has submitted a full and complete EDS.

Exhibit A Business Terms

Base Rent

2018	\$275,000
2019	\$275,000
2020	\$275,000
2021	\$275,000
2022	\$275,000
2023	\$275,000
2024	\$275,000
2025	\$275,000
2026	\$275,000

2027 \$275,000

Gross Concession Revenue Share

2018	9%
2019	9%
2020	9%
2021	9%
2022	9%
2023	9%
2024	9%
2025	9%
2026	9%
2027	9%

Breakpoint

\$1,500,000

Capital Improvements

Total: \$3,300,000