



STAFF REPORT

Meeting Date: June 4, 2013
To: Honorable Mayor & City Council
From: Cheryl Friedling, Deputy City Manager for Public Affairs
Megan Roach, Marketing & Economic Sustainability Manager 
Subject: Status Report on 2014 Centennial Celebration and Update on
Proposed Centennial Retail Store
Attachments:

1. Centennial PowerPoint Presentation
2. Centennial Retail Store Business Plan
3. City Flag Photo

INTRODUCTION

The City of Beverly Hills will celebrate its 100th year anniversary of incorporation on January 28, 2014. Planning is underway for a year-long celebration that will include tourism initiatives, regional events and community activities to promote the Beverly Hills brand and commemorate the historic milestone.

This report provides information on the budgeted portfolio of Centennial events and initiatives, as well as an update on the proposed Centennial retail store.

DISCUSSION

The Centennial Liaison Committee (Chair Dick Rosenzweig, Mayor Mirisch, Vice Mayor Bosse, and BHCVB representative Offer Nissenbaum) has met regularly over the past several months and developed a portfolio of Centennial events and initiatives, which were approved by the City Council in February. They include new events along with existing City and partner organization events that will be rebranded for the Centennial.

Volunteer committees were established to oversee the development of the events and initiatives and committee chairs were appointed. The committees have met over the past few months to define the scope of their initiatives, identify resources and develop preliminary budget estimates. In April the chairs provided updates to the Centennial Liaison Committee and they will continue to provide regular updates to the Committee.

Additionally, the City's partner organizations, including the Beverly Hills Conference & Visitors Bureau, Rodeo Drive Committee and Beverly Hills Chamber of Commerce, have proposed new Centennial events or initiatives for City funding consideration.

Centennial Retail Store

At the February 19, 2013 City Council Meeting, staff presented an overview of the Centennial retail store concept to be located in the vacant ground floor retail space in the City-owned 9400 Santa Monica Blvd building. A key component of the retail store will be the once-in-a-lifetime branding opportunity for the City's Centennial celebration. The proposed City store would sell the commemorative Centennial merchandise line, which would include gift items, apparel, home goods, fragrances, books, and other items.

Following the presentation, the City Council requested a comprehensive business plan for the retail store to provide a framework for generating meaningful branding, visibility and profit while minimizing financial risk to the City. The business plan shall include merchandise selection, quantity and pricing; recommended systems (accounting, inventory, online); advertising and marketing; revenue generation strategies; risk/loss prevention; staffing, and a store exit strategy.

Since the City does not have expertise in opening retail stores, staff identified consultants that specialize in opening short term or 'pop up' retail stores to develop the business plan. After interviewing several qualified consulting firms, staff selected Andy Bailen of 3Pe Consulting, LLC based in Denville, New Jersey. Mr. Bailen founded 3Pe Consulting in 2009 and his impressive track record includes several start-up or 'pop-up' stores including Toys R Us, FAO Schwartz, Party City, Blockbuster, and KB Toys.

On April 16, 2013, staff met with Mr. Bailen to discuss the vision for the Centennial retail store and the meeting included a site visit of the retail space at 9400 Santa Monica Blvd. Following the meeting Mr. Bailen prepared a business plan for the store, which is included as Attachment No. 2 to this report.

In addition, the City's Public Works Department, Project Administration Division, has an existing agreement for services with RTK Architects, Inc. for various projects. Staff worked with RTK to develop initial architectural plans for the retail store, including a projected budget for the store build out. The plans and budget are included in the presentation as Attachment No. 1 to this report.

Concurrently the City received two requests from residents (including Mayor Mirisch) to purchase the City flag for display on private property. As the City does not have a policy requesting non-official uses of the City flag, this item is included for City Council review. Should the City Council approve the sale of the City flag, it could be sold in the proposed Centennial retail store. The flag image is included as Attachment No. 3 to this report.

FISCAL IMPACT

The recommended Fiscal Year 2013-14 Tourism and Marketing Budget includes \$1,132,750 for Centennial events and initiatives. The Rolex/Gearys Centennial sponsorship provides \$300,000 in additional revenue for a total budget of \$1,432,750. The Centennial Liaison Committee recommended earmarking \$400,000 within this budget for the Centennial retail store.

Staff proposes that the City Council consider utilizing the ground floor retail space of 9400 Santa Monica Blvd. for a Centennial store for sixteen months from September 1, 2013 to December 31, 2014. The upfront cost to build out the raw space is estimated at \$164,000, which includes \$30,000 for architectural design services, \$122,000 for tenant improvements, and \$12,000 for contractor overhead. The tenant improvements include interior improvements, electrical, mechanical, and plumbing, which could be utilized again by a second generation tenant.

In addition, the store pro forma in the business plan includes other costs for the sixteen-month operating period, such as product, staffing (payroll), signage, utilities, and marketing, which are estimated to be between \$511,890 to \$621,890. Therefore, the total fiscal impact for the sixteen-month period would be approximately \$675,890 to \$785,890.

Should the City be required to enter into a lease for the space, this would be an additional cost of \$174,480 for the sixteen-month period (\$7.50 per square foot for 1,454 rentable square feet).

In addition, revenue would be generated through the sale of Centennial merchandise, which would offset some of the operational expenses. The business plan consultant conservatively estimates \$500,000 to \$750,000 in net sales for the sixteen-month period.

RECOMMENDATION

Staff recommends that the City Council:

- 1.) Provide direction on the budgeted Centennial events and initiatives; and
- 2.) Provide direction on the new funding requests from the City's partner organizations for Centennial-related events and initiatives; and
- 3.) Provide direction on the proposed Centennial store for the City-owned retail space at 9400 Santa Monica Blvd.; and
- 4.) Provide direction regarding retail sales of the City flag.


Don Rhoads
Finance Approval


Cheryl Friedling
Approved By

Attachment 1



Centennial Celebration Status Report

June 4, 2013





Vision

Pay tribute to Beverly Hills' past, present and future through

- Tourism initiatives
- Regional events
- Community activities





Objectives

- Promote Beverly Hills to a global audience
- Celebrate history and accomplishments
- Create ongoing portfolio of events and initiatives for all ages and audiences
- Monetize the City's brand





Community-Wide Partnership

- Liaison Committee Leadership (Chair Richard Rosenzweig, Mayor Mirisch and Vice Mayor Bosse)
- Partner Organizations:
 - Former Mayors Committee
 - Conference & Visitors Bureau
 - Rodeo Drive Committee
 - Chamber of Commerce
 - Paley Center
 - Academy of Motion Picture Arts & Sciences
 - Beverly Hills Rotary
 - Annenberg Foundation
 - BHUSD
 - Sister Cities Committee



Accomplishments

- 12 Liaison Committee meetings
- 2 volunteer events
- 13 volunteer committees up and running
- Submitted application and received acceptance for 2014 Rose Parade Float
- 2 Beverly Hills coffee table-style books in production
- Dedicated Centennial website page and countdown clock
- Sponsorship efforts ongoing
- Licensing Firm



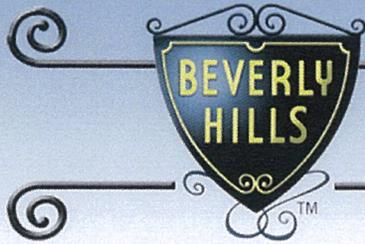
Centennial Budget Overview





Tourism and Marketing

- City promotes tourism and marketing of Beverly Hills through 2% gross hotel revenues (1/7 actual TOT collected)
- FY 2013-14 projected budget is \$5.561M (\$4.580M projected plus \$980K in carryovers)
 - Primary recipient is Beverly Hills CVB
 - Budget allocations recognize special marketing initiatives:
 - Centennial Celebration
 - Rodeo Drive Committee
 - Holiday Décor



Centennial Budget

Revenue	Amount
3-Year City Council Funding Allocation <i>(through Tourism and Marketing Budget)</i>	\$750,000
Additional FY 2011-12 TOT Revenue	\$530,000
Rolex/Gearys Sponsorship	\$300,000
TOTAL	\$1,580,000



Centennial Budget

Expense	Amount	YTD Total
The Argus Group Contract <i>Corporate sponsorship development</i>	\$50,000	\$50,000
The Argus Group Commission <i>Rolex/Gearys sponsorship</i>	\$60,000	\$110,000
Pasadena Advertising Contract <i>Centennial logo design and style guide</i>	\$10,000	\$120,000
2 Centennial Volunteer Events	\$8,750	\$128,750
2014 Rose Parade Float Entrance Fee	\$5,000	\$133,750
3Pe Consulting Contract <i>Retail store business plan</i>	\$13,500	\$147,250
Centennial Retail Store <i>Rent, TI, product, staffing</i>	\$400,000 <i>(estimate)</i>	
Centennial Events and Initiatives <i>Hard costs – as approved by the City Council</i>	\$931,000 <i>(estimate)</i>	
Centennial Events and Initiatives <i>Staff costs (police, fire, park rangers, etc.)</i>	\$100,000 <i>(estimate)</i>	
TOTAL	\$1,578,250	



Events and Initiatives

Priority	Event/Initiative	Budget Estimate
1	Centennial Block Party on January 28, 2014	\$150,000
2	Rose Parade Float	\$275,000
3	Motion Picture Retrospective at AMPAS	\$50,000
4	July 4th Celebration at Beverly Gardens Park*	\$150,000
5	Youth Art Contest	\$5,000
6	BH Postage Stamp Unveil at Annenberg	\$10,000
7	BH Coffee-Table Style Books <i>(funded by publishers)</i>	\$0
8	Beverly Hills Days Photo Exhibit	\$5,000
9	Public Art Installation	\$50,000
10	Merchandise Line	\$10,000



Events and Initiatives

Priority	Event/Initiative	Budget Estimate
11	Tourism and Marketing Campaign	\$50,000
12	Happy Birthday BH Concert at Saban	\$50,000
13	Television Retrospective at Paley Center	\$20,000
14	Beverly Hills Documentary	\$50,000
15	Street Pole Banners	\$25,000
16	Tree Planting and Rose Bush Ceremony	\$5,000
17	Time Capsule	\$1,000
18	Sister Cities Initiatives	\$25,000
19	Food and Wine Festival*	\$100,000
TOTAL		\$931,000

**Centennial Liaison Committee recommends re-allocating funding to July 4th Celebration.*



Volunteer Committees

- **Rose Parade Float** that embodies the historical character of Beverly Hills for the 2014 Pasadena Tournament of Roses. *(Committee Chair Stacia Kopeikin)*
- **Beverly Hills Documentary** to document the first 100 years in Beverly Hills. *(Committee Chair Karla Gordy Bristol)*
- **Public Art Installations** collaborations with artists to install world-class art around Beverly Hills. *(Committee Co-Chairs Alissa Roston and Janice Fernandez)*
- **'Beverly Hills Days' Photography Exhibit** on a designated day people take unique photos in Beverly Hills and the images are assembled to create a mosaic style art piece. *(Committee Chair Richard Rubins)*
- **Commemorative Beverly Hills Postage Stamp** and Unveil Ceremony at the Wallis Annenberg Center for the Performing Arts. *(Committee Co-Chairs Sue Brucker, Annette Saleh and Lauren Segal)*
- **Youth Art Contest** to encourage the youth community to learn about Beverly Hills' history and commemorate the Centennial. *(Committee Co-Chairs Brian Goldberg and Sharona Nazarian)*



Volunteer Committees

- **Happy Birthday Beverly Hills Concert at the Saban Theatre** to include noteworthy performers. *(Committee Co-Chairs Mitch Dawson, Lori Gordon, Karla Gordy Bristol, Marguerite Carlucci, Jon Gluck, and Annette Saleh)*
- **Sister Cities Initiatives** led by the Beverly Hills Sister Cities Association, to explore collaborations with sister cities. *(Committee Chair Sharona Nazarian)*
- **Centennial Tree Planting and Commemorative Rose Bush** *(Committee Co-Chairs Kathi Rothner and Donna and Ray Flade)*
- **Centennial Time Capsule** with key artifacts and Beverly Hills memorabilia. *(Committee Co-Chairs Tamara Kline and Myra Lurie)*
- **Centennial Cookbook** featuring distinguished Beverly Hills chefs and recipes. *(Committee Co-Chairs Judy Henning and Ellyn Snowden)*
- **Beverly Hills: The Next 100 Years** to provide a continuing forum for dialogue and ideas about the next 100 years in Beverly Hills. *(Committee Chair Woody Clark)*
- **100 Years, 100 Stories Centennial Video Project** led by the Beverly Hills Historical Society.



2014 Centennial Events Calendar





Beverly Hills Centennial Events Calendar

Date(s)	Event	Location	Description
Sept 2013 – Dec 2014	Street Banners	Beverly Hills	Centennial banners throughout commercial areas
January 1, 2014	Rose Parade Float	Pasadena	Float will embody the historical character and charm of Beverly Hills
January 28, 2014	Centennial Block Party	Beverly Hills City Hall	Official kick-off for the Centennial Celebration featuring a block party around City Hall
February 2014	Youth Art Contest	TBD	To encourage youth community to learn about Beverly Hills' history and celebrate the Centennial
February 2014	Chinese New Year	TBD	Live entertainment and festivities to celebrate the year of the Horse with Centennial tie-ins
April 2014	Tree and Rose Bush Planting	TBD	Planting of ceremonial tree and rose bush
April – Oct 2014	Centennial Film Festival with AMPAS	TBD	A partnership with the Academy with curated films
May 2014	Postage Stamp Ceremony	Wallis Annenberg Center for the Performing Arts	Commemorative Beverly Hills stamp unveiling
May 4, 2014	Greystone Concours d'Elegance	Greystone Mansion	Annual event featuring classic cars to feature a vintage 1914 car in honor of the Centennial
May 17 & 18, 2014	Beverly Hills Art Show	Beverly Gardens Park	One of the most popular art events on the west coast to feature a special Centennial Mayor's Purchase Award

**Events and dates subject to change*

June 8, 2014	Farmers' Market Pie Bake & Piasta	Civic Center Drive	Annual Pie Bake & Piasta with Centennial tie-ins
June 15, 2014	Rodeo Drive Concours d'Elegance	Rodeo Drive	Annual Father's Day event to feature 'one hundred years of cars' in honor of Centennial
July 4 – 6, 2014	July 4 th Celebration	Beverly Gardens Park	A weekend-long, old-fashioned carnival with food, entertainment, Centennial exhibits and fireworks to light up the night sky in Beverly Hills
August 3, 2014	Farmers' Market 20 th Anniversary Event	Civic Center Drive	A celebratory event in honor of the Farmers' Market 20 th Anniversary and the Centennial
August 2014	Happy Birthday BH Concert	Saban Theatre	To include noteworthy singers and performers
September 2014	Music and TV Retrospective	The Paley Center for Media	Centennial retrospective of music and television featuring Beverly Hills
October 2014	Rodeo Drive Walk of Style®	Rodeo Drive	To honor an iconic individual in the fashion industry
October 18 & 19, 2014	Beverly Hills Art Show	Beverly Gardens Park	One of the most popular art events on the west coast with 250 exhibitors from around the nation
Nov – Dec 2014	Citywide Holiday Décor Program	Beverly Hills	Stunning holiday decorations throughout City's commercial areas
December 2014	<i>Beverly Hills Days</i> Exhibit	TBD	Unveiling of mosaic-style art piece featuring unique photos taken in Beverly Hills on a given day
December 2014	Planting of Time Capsule	TBD	Capsule will include key Beverly Hills memorabilia

*Events and dates subject to change



New Centennial Requests from Partner Organizations





Partner Organization Requests

Organization	Event/Initiative	Funding Request
Rodeo Drive	Rodeo Drive Walk of Style® <i>Includes four-day public art installation for Centennial</i>	\$200,000
	Rodeo Drive Concours <i>Reimbursement to RDC for Rolex/Gearys presenting sponsor</i>	\$75,000
	Watch Week <i>Launches on 10/10 and ends 100 days before Centennial</i>	\$100,000
	Bridle Path Re-Enactment for Centennial <i>Horse parade from Beverly Hills Hotel to Rodeo Drive</i>	\$50,000
BHCVB	Suite 100 Hotel Campaign <i>Hotel specific program to transform a suite into an era</i>	\$700,000
	Brand/Centennial Advertising	\$400,000
Chamber	Shop Local During Centennial Campaign <i>Branded marketing campaign to engage businesses</i>	\$60,000
	Beverly Hills Tomorrow Event <i>City sponsorship of event to include Centennial tie-ins</i>	\$30,000
TOTAL		\$1,615,000



Proposed Centennial Retail Store





Centennial Retail Store

- Retail store concept presented to City Council in February
 - Utilize vacant space in City's 9400 Santa Monica Blvd building
 - Once-in-a-lifetime branding opportunity
 - Sell Centennial merchandise line
 - Open fall 2013
- Council requested comprehensive business plan
 - Highlight merchandise, pricing, systems, staffing, marketing, and risk/loss prevention
 - Include detailed financial pro forma
 - Minimize financial risk to City
 - Discuss exit strategy and conveyance to next generation tenant



Proposed Location



Retail
Location

Visitor
Center

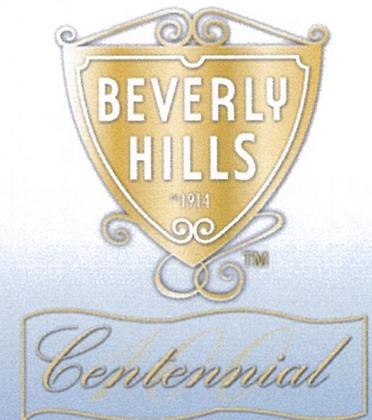


Centennial Retail Store

- Staff identified consultants that specialize in short term, seasonal and 'pop up' retail stores
- Hired Andy Bailen of 3Pe Consulting, LLC
 - Experience includes start-up stores such as Toys R Us, FAQ Schwartz, Party City, Blockbuster and KB Toys
 - Consultant toured store site and met with staff
 - Developed business plan, included with staff report
 - While store concept inherently involves risk and variances in retail plan projections, consultant suggests 'great upside'



Retail Store Pro Forma

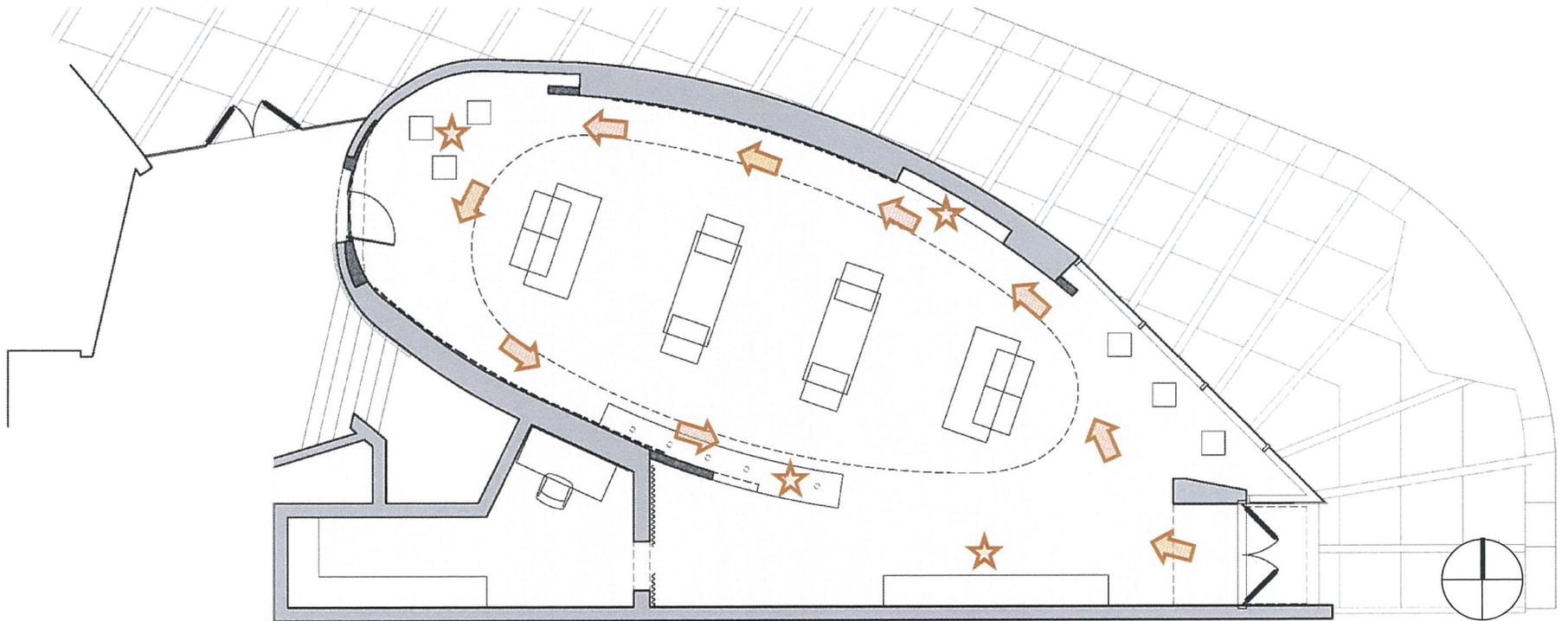


Beverly Hills Centennial Retail Store

	Estimate	Comments
Net Sales	\$500,000 - \$750,000	16 Mos; 64 Operating Wks; Sept. 1, 2013 – Dec. 31, 2014
Cost of Product	\$220,000 - \$330,000	
Gross Margin	\$280,000 - \$420,000	
Payroll	\$216,640	69 hours/week @\$40; 25 hours/week @\$25; \$3,385/week total
Store Exterior Sign	\$5,000	
Store Supplies	\$15,000	Bags, cleaning, register, \$4,000 for POS System
Store Interior Signage	\$4,000	Graphics, required signage
Telephone, Internet	\$3,500	
Utilities – Light, Heat & Water	\$12,000	
Bank Charges and Credit Card Fees	\$10,500	1.4% of sales based on history
All Other Controllable	\$5,250	0.007% of sales based on history
Total – Controllable Expenses	\$271,890	
Space Build Out	\$164,000	Architectural design, tenant improvements
Rent	TBD	Should Council wish to enter into a lease - \$174,480
Marketing & Advertising	\$5,000	
Direct Distribution	\$5,000	Purchase all goods “delivered”. Freight in/out
All Other Non-Controllable	\$10,000	Includes \$4,000 for visual merchandising
Total – Non-Controllable Expenses	\$184,000	
TOTAL PROJECTED EXPENSES	\$455,890	
TOTAL PROJECTED LOSS	(\$175,890) - (\$35,890)	Gross Margin minus Total Projected Expenses



Floor Plan



WORKING WITH THE EXISTING BUILDING GEOMETRY – RETAIL LAYOUT



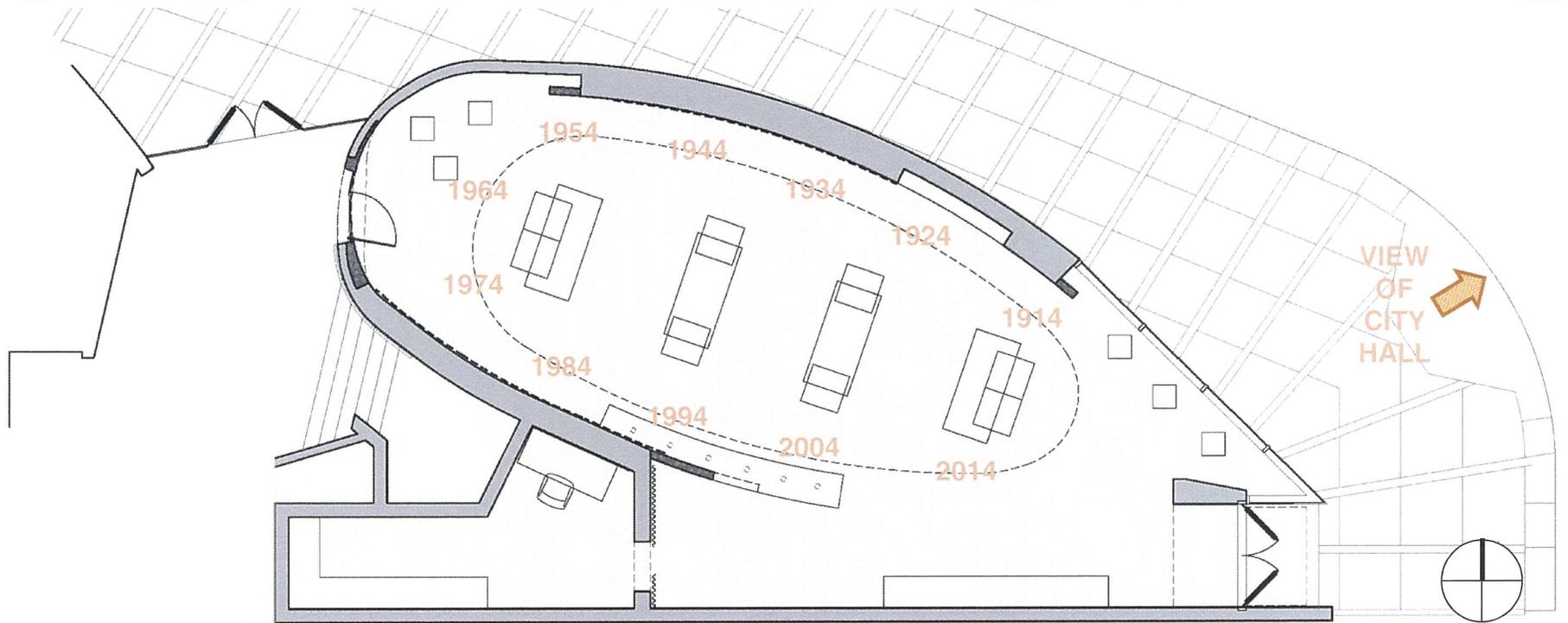
a racetrack or loop circulation is utilized to work with the existing building geometry and pull the customer through the space



Focal points are placed setting goals to guide the customer through the store



Floor Plan



CITY BRAND



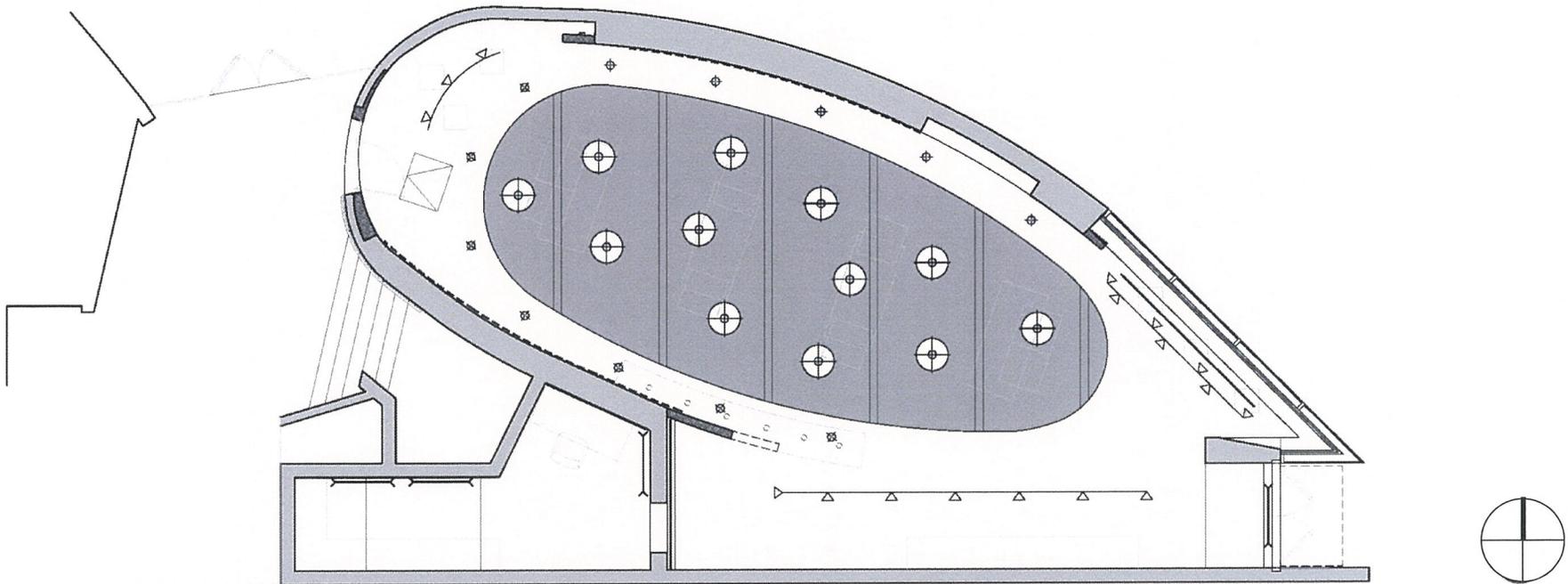
City History: located above the product displays, a pictorial time line with historic images will be arranged around the elliptical form.



Iconic Forms: its dome and, elliptical courts and are some of the most iconic elements of the city.



Reflected Ceiling Plan



CEILING FORM AND ELEMENTS



the use of an elliptical ceiling aperture relates to the existing geometry.



exposed infrastructure will fade into background behind the aperture and lighting elements



Reflected Ceiling Plan



GRAPHICS INTEGRATED WITH MERCHANDISE



images
integrated
into display



historic time line of
Beverly Hills above
merchandise displays

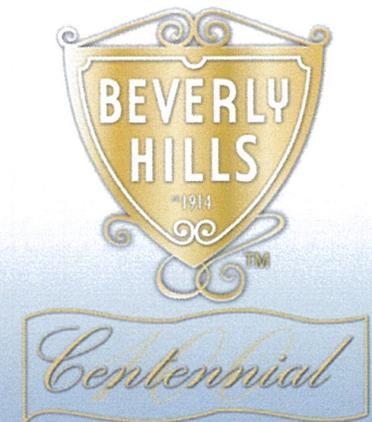


City Flag Proposal

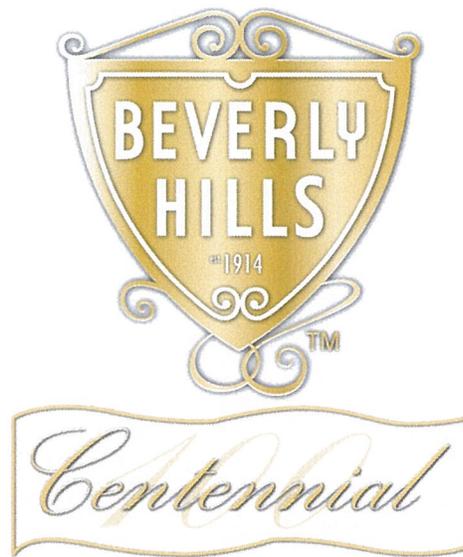




Questions?



Attachment 2



Retail Store Business Plan

June 4, 2013

EXECUTIVE SUMMARY

The City of Beverly Hills will celebrate its 100th year anniversary of incorporation on January 28, 2014. Planning is underway for an exciting year-long celebration that will include tourism initiatives, regional events, and community activities to promote the Beverly Hills brand and commemorate the historic milestone.

The City of Beverly Hills is exploring the concept of a dedicated retail store as a once-in-a-lifetime branding opportunity for the Centennial Celebration. The proposed City store would carry the commemorative Centennial merchandise line, which would include gift items, apparel, home goods, fragrances, books, and other items. The proposed store location is an existing, vacant, city-owned retail storefront at 9400 Santa Monica Blvd. Target opening is fall 2013 and the store will continue in operation through December 2014.



OBJECTIVES

The objectives of this retail effort are twofold. The first objective is to further build and enhance the brand perception of Beverly Hills in the eyes of primarily visitors to the city but also to residents of and workers within the City. By providing a special retail environment selling proprietary branded Beverly Hills and Centennial products, while offering select historical information, the belief is this retail store will be a compelling destination for consumers and will leave them with an extremely positive perception of the City.

The second objective is to generate sales over the window of operation. The sales target of \$750,000 for the term, while conservative, is highly contingent of the product offering, marketing programs, store operation and expense controls. The development of plans and controls for all of these areas is well under way and the Centennial Store team is highly confident that all deliverables are and will continue to be on target.

The sales projection of \$750,000 over 64 weeks of operation was developed in conjunction with retail industry experts. It is based on not only institutional knowledge, but also from benchmarking other similar retailers' data. Those retailers include hotel gift shops, airport stores, tourist destination stores, temporary toy stores as well as mall based specialty stores including Brookstone, KB Toys, Vineyard Vines, Tumi, Papyrus, Disney Store, It's Sugar and Vera Bradley. While the \$750,000 sales plan is realistic, the belief is there is much more upside to the number than there is downside.

KEYS TO SUCCESS

The store location, at the intersection of Santa Monica Boulevard and Canon Drive, is well located to generate meaningful visibility to attract sufficient consumer traffic to support the sales plan. The space will have two entrances, yet another positive element to enhance visibility and traffic flow. One entrance/exit is pre-existing on the exterior of the space while the second will be within the office building. This second entrance will appropriately leverage the store's location next to the Beverly Hills Visitor Center. The store size, at 1,454 square feet, is more than sufficient to support the sales plan.

The target consumer for the store's product offering is primarily tourists, supplemented by both residents of the city as well as those that work in the city but do not reside here. During the sales benchmarking process, it became clear that tourists will spend more on an average retail transaction than typical consumers. The average sale per transaction for retailers benchmarked who were selling in traditional retail outlets ranged from \$18 to \$30, while those that were selling in tourist environments enjoyed an average sale per transaction ranging from \$26 to \$44. Given the nature of the Centennial Store location and product offering, the expectation is that tourists will be responsible for as much as 75-80% of sales, with residents and local workers generating the remaining 20-25% of sales. This is seen as a positive given the tourists proclivity to spend more per visit so long as there is no significant reduction in tourist traffic to the City.

While the store location is well located to provide great visibility to all potential customers, a low cost, grassroots styled marketing effort will be utilized to ensure sufficient awareness and traffic flow of and to the store. From the utilization of social media to a grand opening party,

tour bus cross promotions, press releases, Friends & Family events and hotel concierge recommendations, significant awareness will be generated at a very low cost.

The Centennial Store will offer a range of retail products that in most cases will be proprietary to our store. This will create a great incentive to purchase in the eyes of the consumer while providing for higher gross margins as there will be no price comparisons available for these items. The limited availability of these products will also create a sense of exclusivity and even collectability, which not only enhances the Beverly Hills brand, but also supports higher retail price points. All merchandise will be purchased from domestic suppliers which allows for maximum merchandising flexibility. Purchases can be made in conservative quantities (reducing markdown risk) and replenished frequently with minimal lead times. Domestic purchasing, along with the 64 week operating window of the store, also allows for the testing of different products as well as the opportunity to eliminate slower sellers and replace them with better selling products.

Retail Store Pro Forma

The following pro forma is an all-inclusive overview of the projected sales, margin and expenses for setting up and operating the retail store over a 16-month period. All numbers are estimates.

Beverly Hills Centennial Retail Store		
	Estimate	Comments
Net Sales	\$500,000 - \$750,000	16 Mos; 64 Wks; Sept. 1, 2013 – Dec. 31, 2014
Cost of Product	\$220,000 - \$330,000	
Gross Margin	\$280,000 - \$420,000	
Payroll	\$216,640	All paid via staffing firm; 69 hours/week @\$40; 25 hours/week @\$25; \$3,385/week total
Store Exterior Sign	\$5,000	
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Total – Non-Controllable Expenses	\$184,000	
TOTAL PROJECTED EXPENSES	\$455,890	
TOTAL PROJECTED LOSS	(\$175,890) - (\$35,890)	Gross Margin minus Total Projected Expenses

Pro Forma Assumptions

- Sales: \$500,000 - \$750,000 over 16 Months
- Total Inventory Need At Cost: \$220,000 - \$330,000 over 16 Months
- Rent: TBD

Expenses Borne By the City of Beverly Hills

- Store Build-Out Including Fixtures; Capitalize as Appropriate
- Administrative: Store Design, Construction, License, Permits, Banking, Finance, Merchant Account, IT, Graphic Design, Consulting Fees, etc.
- Overhead: Merchandise Buying, Store Oversight, Loss Prevention Visits

Start-Up Expenses

Start-up expenses, for the purpose of this plan, are defined as all required expenditures made after the Beverly Hills construction team turns over the built out retail space (including utilities, flooring, ceiling, lighting, fixtures, fixture accessories, alarms, camera systems, etc.) to the Centennial Store team but before the actual opening of the store. All start-up expenses are included in the pro forma above. They include:

- Payroll: \$5,260
 - Store Exterior Sign with Install: \$5,000
 - POS Register System: \$4,000
 - Supplies (other): \$6,000
 - Signage: \$3,000
 - Phone, Internet: \$2,000
 - Utilities: \$4,000
 - Misc. Controllable: \$2,000
 - Marketing: \$2,000
 - Direct Distribution: \$2,500
 - Misc. Non-Controllable: \$3,000
 - Inventory Investment: \$75,000
- TOTAL: \$113,760**

Store Brand

The Centennial Store will utilize a name, logo and color palette that reflects the Beverly Hills' brand while also communicating the retail offering and the experiential benefits of visiting the location. The name and color palette will be carried throughout the store design, on retail

packaging, shopping bags, employee uniforms, collateral materials as well as within all marketing efforts.

Store Design

The store, at 1,454 square feet, is well sized to support both the recommended and the “high” sales targets contained within this plan. The store will use only a minimal amount of space for non-selling storage, receiving and administrative functions. This is possible due to the small average size of the products being sold, the potential for frequent replenishment of those products and the high ceiling height, allowing for sufficient vertical storage capabilities.

The design and build out of the space, including the flooring, ceiling, lighting and fixture treatments, will support the Beverly Hills’ brand. At the same time, the design elements will be broad enough in their appeal that they will support the future leasing of the space to a new tenant once the Centennial Store ceases operation.

Fixtures will be flexible in terms of their capabilities to display various types of products, from boxed to hanging, peggable, folded and bulk displays. This will allow for an ongoing evolution of the product offering, if necessary, without the display constraints created by less flexible fixture designs.

Special attention will be paid to the design of the exterior store sign as well as the window displays facing Santa Monica Boulevard. These display elements will be critical to communicate to passing tourists, workers and residents that a new retail store exists within a space that has been vacant for an extended period of time. These elements will also be critical in communicating the name of the store and the product offering of the store.

Point of Sale Register System

The recommended POS system, Checkout, is a robust yet low cost system that is ideal for single store environments. The software will function off an iMac computer and will provide all necessary sales transactions, inventory management capabilities and reporting functions. Data flow can either tie into the City of Beverly Hills financial system directly (currently being researched) or via import through Microsoft Excel. The entire system, including the iMac, dash drawer, scanner, credit/debit card reader, training and installation, can be secured for about \$4,000. While the software may not have a use beyond the closing of the Centennial Store, the \$1,300 iMac can be repurposed within the City infrastructure.

Staffing

With a planned expenditure of \$216,640 over the term of the store operation, payroll will be far and away the most expensive element of the store's budget. Hiring and training the proper individuals, managing payrolls hours utilized daily and controlling the overall staffing costs will be a critical element of the store's success.

All store employees will be outsourced via a staffing firm that is highly experienced in providing retail teams to high visibility projects like the Beverly Hills Centennial Store. The benefits of outsourcing are significant. They include the sourcing and hiring of all associates (with the approval of the Centennial Store team), maintaining all associates as employees of the staffing firm rather than of the City, elimination of the need by the City to track and pay payroll taxes and benefits and the avoidance of risk when associates are terminated at the conclusion of the program.

The staffing firm can and will provide employees at every level of the operation if need be, from store management to key carriers to part-time associates. The firm has significant experience in hiring associates, or brand ambassadors, that best reflect the brand of the client. The staffing firm will also participate in the training of all associates to ensure the highest quality in execution and guest service.

The "recommended" pro forma includes utilizing 5 associates which includes one manager, one additional key carrier and 3 part-time employees, all working over 62 operating hours per week. While the store can be staffed by a single person most of each week, 25 hours per week on average are designated for two-person coverage.

Store Operating Hours (Adjust as Needed):

- Sunday 12-5, Mon – Fri 10 – 8, Saturday 10 – 5
- 62 Open Hours Per Week

Scheduling:

- Plan 69 Hours of Base Coverage Per Week (62 Open Hours Plus ½ Before Open and After Close Daily)
- Plan 94 Hours of Staffing Coverage Per Week (69 Hours Base Coverage Plus 25 Hours of Two Person Coverage for Peak Sales Hours)

Staff:

- 2 Key Carriers (one designated as Store Manager) at \$40/Hour (35 Hours Each per Week)
- 2 - 3 Part-Time Workers at \$25/Hour.

Product

The Beverly Hills' Centennial Store will offer a selection of products from multiple categories with a significant focus on proprietary Beverly Hills and Beverly Hill's Centennial branded items. The core merchandise assortment will focus on the tourist as the store's primary customer. Products will include higher quality items that are bought as remembrances of the purchaser's visit to Beverly Hills, or bought to be used by purchasers that aspire to live part of the Beverly Hills lifestyle, or both. Items will typically be smaller in size and thus easy to pack in luggage and travel home with. The proprietary nature of the product offering will create a great incentive for the stores guests to purchase as they will not find the same items anywhere else. This exclusivity will also allow for higher gross margins as there will be no price comparisons available for these items. Finally, the limited availability of these products will create a sense of exclusivity and even collectability, which not only enhances the Beverly Hill brand, but also supports higher retail price points.

All merchandise will be purchased from domestic suppliers which allows for maximum merchandising flexibility. Purchases can be made in conservative quantities (reducing markdown risk) and replenished frequently with minimal lead times. Domestic purchasing, along with the 64 week operating window of the store, also allows for the testing of different products as well as the opportunity to eliminate slower sellers and replace them with better selling products.

Key categories of product to be offered in the Centennial Store include (note: the designation "Beverly Hills Branded" pertains to both commemorative Beverly Hills Centennial branded items as well as other Beverly Hills branded product):

- Beverly Hills Branded Apparel (Polo's, Hoodies, T-Shirts, Shorts)
- Books Relating to Beverly Hills
- Beverly Hills Branded Fashion Accessories (Bags, Hats, Robes, Slippers)
- Beverly Hills Branded Gifts (Albums, Journals,)
- Beverly Hills Branded Fragrances
- Beverly Hills Branded Home Décor (Frames, Art, Candles)
- Beverly Hills Branded Stationery (Pen Sets, Desk Accessories, Note Pads)
- Beverly Hills Branded Electronics Accessories (Phone cases, Tablet Cases, Ear Buds)
- Beverly Hills Branded Candy & Snacks

Given the propensity for tourists to spend at higher levels than traditional retail shoppers, the expected average retail value of an item carried within the store as well as sold will be \$40. The opening price point will be \$5 to avoid low ticket impulse sales and will range as high as \$299 for high end apparel and accessories. The initial blended margin of the assortment will be 60%

which will be reduced by 2% for shrink and 2% for markdowns, resulting in a maintained margin of 56%.

Given these metrics and the sales plan of \$750,000, the City will need to purchase \$330,000 of product over the life of the store. Recommended opening inventory is \$187,500 at retail (\$75,000 at cost). With an average unit retail of \$40 and an average purchase quantity of 6 pieces per item, the Centennial Store team will to source and purchase 781 individual items. This item, or SKU count, fits well with the store size and capacity and will allow for a robust but not excessive selection of product for the store's guests. Executing against these metrics will result in an "inventory turn" of 4 times, which reflects a relatively efficient use of inventory and inventory dollars. As a comparison, many stores in this volume range will turn their inventory on 2 or 2.25 times annually.

The vendor base will be kept relatively small, 10 to 20 at most. This will make the inventory management effort more efficient for the Centennial Store team while avoiding the risk of having "too many eggs in one (vendor) basket". The City will endeavor to source goods made in the USA and all goods will be shipped directly to the store. Upon receipt, items and quantities will be received into the POS system which will maintain an ongoing perpetual inventory of both units on hand by item and inventory dollars on hand by item. This perpetual inventory will be used to facilitate item reorders as well as assisting in maintaining the financial controls over the business.

Marketing

While building awareness within the targeted consumer groups will be critical to the success of the Centennial Store, the belief is that this can be accomplished with minimal dollars spent on classic marketing methods. The highly visible location of the retail site, along with multiple inexpensive grassroots marketing opportunities, supports this logic.

While the store location is well located to provide great visibility to all potential customers, it will be critical to design an exterior store sign as well as compelling store window messaging program to ensure potential customers can see and understand the existence of the Centennial Store as well as have a basic understanding of the store's offering. This messaging must be equally visible both day and night. These efforts may be supplemented with other "visibility" tools such as banners/flags hanging from the street light poles in front of the store location.

Grassroots marketing efforts can be accomplished for very little cost yet they can generate significant awareness and resulting consumer traffic. From the utilization of social media to a

grand opening party, tour bus cross promotions, press releases, Friends & Family events and hotel concierge recommendations, the opportunities can be executed for about \$5,000.

Loss Prevention

While the risk of external theft (shoplifting) will be somewhat lower in the Centennial Store than in a typical retail environment (primarily due to the product offering not having a significant resale value for shoplifters), the risk of internal, or employee theft will be greater. The limited tenure of the store, as well as the amount of hours per week that associates will be working alone, raise the risk of internal theft. The key processes and tools to utilize are:

- Closed Circuit Camera System: cameras will be mounted in both doorways as well as over the cash register station. Additional cameras may be used on the sales floor as well as over the store manager's desk area. The system will record all activity plus it will allow for remote monitoring in real time.
- Unannounced store visits by members of the Beverly Hills Centennial Store team to deter potential internal theft.
- Unannounced store visits by members of the Beverly Hills Police Department, which is located a short distance away.
- The use of armored cars to bring cash and checks from the store to the bank. Lost and stolen deposits are a significant source of shrink and the use of armored carriers will all but eliminate this risk.

Conclusion

The Beverly Hills Centennial Store is an exciting and meaningful opportunity to extend the Beverly Hills' brand to tourists and local residents as well. From a marketing perspective the visibility of the store along with the consumer impressions created from various promotional efforts with pay great dividends, both short and long term.

From a financial standpoint, there is a high likelihood that the store can be profitable, thereby offsetting most or all of the costs of generating the marketing results discussed above as well as many of the costs of preparing the retail site for future leasing. While no results can be guaranteed and there is always the risk of significant variances in results from the planned numbers, the belief is there is a much greater upside opportunity than downside risk, make the pursuit of this opportunity very attractive.

Attachment 3

