



Legislation Text

File #: 2023-0159, Version: 1

Report to Mayor and City Council

Tuesday, March 21, 2023

Special Orders of the Day

SUBJECT:

PUBLIC HEARING TO CONSIDER AWARDING TWO (2) NON-EXCLUSIVE TOWING AND STORAGE FRANCHISE AGREEMENTS, ONE WITH FALCON TOWING AND ONE WITH KRUGER TOWING (CITY COUNCIL)

I. SUMMARY

On January 17, 2023, the City Council adopted Ordinance No. 23-2301, adding Chapter 18 to Article VI of the Carson Municipal Code, which established towing regulations to govern the provision of non-consensual City towing and storage service, consistent with applicable laws and to protect the public health, safety, and welfare. These regulations would ensure that the best possible tow truck operators are selected to participate in the City's rotational tow program in conducting efficient, prompt, safe and comprehensive towing services.

The City's new program under Ordinance No. 23-2301 is intended to replace the existing franchise agreements with Falcon Towing and Kruger Towing which were entered into after an RFP was issued in 2017. The current agreements, which expire March 31, 2023, require that the current franchisees handle City of Carson-initiated towing and storage requirements (excluding towing and storage requirements initiated by the Los Angeles County Sheriff's Department Carson Station).

In early February, 2023, the City solicited vendors to apply for a non-exclusive towing and storage franchise. The City received a total of four applications of which Van Lingen Towing, Inc., Kam's Automotive, Inc. doing business as Falcon Towing, and Kruger Towing, Inc. ("Prospective Franchisees"), were deemed as qualified and responsive to the City's requests. Per Ordinance No. 23-2301, a public hearing notice was published in the Daily Journal notifying the public of City Council's intention to conduct a public hearing to consider award of non-exclusive, non-consensual City-wide vehicle tow franchises to the Prospective Franchisees during City Council's meeting of March 21, 2023. However, after publication of the public hearing notice, Van Lingen Towing, Inc. indicated that it would be unable to enter into the City-proposed franchise agreement. Now, staff seeks City Council approval of award of tow franchises to Falcon Towing and Kruger Towing.

II. RECOMMENDATION

TAKE the following actions:

1. OPEN the public hearing, TAKE public testimony, and CLOSE the public hearing.
2. AWARD two (2) Non-Exclusive Towing and Storage Franchise Agreements, one with Falcon Towing and one with Kruger Towing.
3. AUTHORIZE the Mayor to execute both agreements, following approval as to form by the City Attorney.

III. ALTERNATIVES

1. DO NOT AWARD these Non-Exclusive Towing and Storage Franchise Agreements.
2. TAKE another action deemed appropriate by the City Council consistent with the requirements of law.

IV. BACKGROUND

Under Ordinance No. 23-2301, no person shall perform vehicle towing services for a non-consensual tow for the City of Carson unless such person has obtained a non-exclusive tow service franchise from the City to perform Non-Consensual Towing Services, as memorialized in a written tow franchise agreement ("Franchise Agreement") approved by City Council and executed by the Mayor. Operators wishing to obtain a non-exclusive tow service franchise are required to submit a complete application to the City for review and approval. The ordinance establishes and details the application process and requirements, and provides that no more than three (3) franchises shall be granted and be active at one time in order to ensure that there are a sufficient number of tow truck operators to fulfill the demand. Typically, the City will request towing of abandoned vehicles, non-operable vehicles, illegally parked vehicles, and vehicles involved in accidents or traffic stops. The City's Code and Parking Control Officers and/or the Los Angeles County Sheriff's Department personnel request and authorize the towing of vehicles in the City.

In early February, 2023, the City solicited vendors to apply for a non-exclusive towing and storage franchise. The City received a total of four applications of which Van Lingen Towing, Inc., Kam's Automotive, Inc. doing business as Falcon Towing, and Kruger Towing, Inc. ("Prospective Franchisees"), were deemed as qualified and responsive to the City's requests. The fourth application submitted by Ketchams Tow, did not include towing and storage rates as was requested, and therefore, has been deemed disqualified from consideration. City's Code Enforcement performed an inspection of the facilities and yards of all three Prospective Franchisees and determined that all three vendors are able to

accommodate the City's anticipated tow requests. However, after publication of the public hearing notice, Van Lingen Towing, Inc. indicated that it would be unable to enter into the City-proposed franchise agreement as it objected to the City-proposed franchise fee, among other reasons. Now, staff seeks City Council approval of award of tow franchises to Falcon Towing and Kruger Towing.

The term of each Franchise Agreement is 10 years with two (2) additional five (5) year extension options at City's sole election. Both Ordinance No. 23-2301 and Section 1001 of the City Charter provide that City may impose franchise fees deemed reasonable, so long as such fees are not arbitrary or confiscatory. The annual franchise fees to be charged to Falcon Towing and Kruger Towing will be 26% of gross revenues collected by each franchisee pursuant to each respective Franchise Agreement. After conducting a survey of surrounding cities for their respective franchise fees charged, such as Baldwin Park - 25%, Irwindale - 30% and West Covina - 30%, staff determined that such 26% fee would provide City a fair return in exchange for granting of the franchises while at the same time, not placing an overly onerous financial burden on the franchisees. As a very rough estimate, the annual franchise fees anticipated to be collected under each Franchise Agreement is \$10,000 but of course, this amount will vary.

V. FISCAL IMPACT

There is no fiscal impact to the City however a revenue of 26% of the gross receipts for all tows is projected.

VI. EXHIBITS

1. Falcon Towing Non-Exclusive Towing and Storage Franchise Agreement
2. Kruger Towing Non-Exclusive Towing and Storage Franchise Agreement

Prepared by: Ken McKay, Public Safety Manager