



Edwin M. Lee, Mayor
Philip A. Ginsburg, General Manager

Date: November 7, 2013
To: Recreation and Park Commission
Through: Philip A. Ginsburg, General Manager
Nick Kinsey, Director of Property Management
From: Cassandra Costello
Re: Coit Tower Lease

Agenda Item Wording

Discussion and possible action to recommend that the Board of Supervisors approve the five year lease agreement, with one three-year option to extend, between the City and Coit Tower LLC., for the lease and management of the gift shop, food and beverage operation and elevator operation concessions at Coit Tower.

Background

Coit Tower is an international landmark and one of the City's top destinations boasting incredible views of the City as well as unique and priceless WPA-era murals. It is San Francisco's City Landmark #165 and is listed on the National Register of Historic Places.

In October of 2011, the Department issued a Request for Proposals (RFP) for the elevator and concessions at Coit Tower. The RFP included input from years of discussions with surrounding neighborhood groups such as the Telegraph Hill Dwellers (THD) and the Pioneer Park Project (PPP) and incorporates the overwhelming majority of the goals and objectives from the "Coit Tower Concession Principles and Goals," document (attached as **Exhibit B**), developed by the aforementioned neighborhood associations and presented to the Department. The Commission unanimously selected Coit Tower, LLC (formed by Terry Grimm) as the preferred operator for Coit Tower in June of 2012.

Public Input Captured in Lease Agreement

After selection, the Department held a series of community meetings and asked the public to share their Coit Tower experiences and how Coit Tower could be improved. The participants asked for more docent tours, better information about the history of Coit Tower and the murals, high quality merchandise to be sold in the gift shop and high quality food and beverage items to be offered. The Department and the Lessee have negotiated a lease that captures these elements. In conjunction with the planned capital improvements and improved signage, the Coit Tower experience will be greatly improved and enhanced and will better celebrate the historic icon that is Coit Tower.

About Coit Tower, LLC

Coit Tower LLC (the "Lessee") is an entity formed by Mr. Terry Grimm, a Bay Area local that has extensive management and operational experience through his work opening successful family



businesses from the ground up such as the popular Anchor Oyster Bar in the Castro District of San Francisco, the Kenwood Inn and Spa in Northern California and Sorento Imports, also in Northern California. The Lessee proposes to operate a high quality concession at Coit Tower with a robust docent program that will help to highlight and protect the precious murals.

Mural Protection and Docent Program

The murals in Coit Tower constitute the most important asset of the building and as such require the most stringent of safeguards for their protection. It is the Lessee's responsibility to ensure that the murals are adequately protected at all times and to comply with the Mural Protection Guidelines, (attached as **Exhibit C**) developed by the San Francisco Arts Commission. Lessee shall ensure that all of Lessee's staff, contractors and volunteers undergo training with the Arts Commission on the Mural Protection Guidelines. Additionally, any City staff or contractors performing work at Coit Tower must also undergo training on the Mural Protection Guidelines prior to providing services at or to the Premises.

Additionally, the Lessee shall operate a high quality docent program which will offer daily tours of the murals during the Lessee's hours of operations. The Docents shall be professional and knowledgeable about the history of Coit Tower, the murals and the muralists, and shall be dressed in professional uniforms so they are easily recognized by the guests to Coit Tower. The Docents will also act as a greeter for the public as they enter Coit Tower and will inform guests about the rules governing mural viewing (backpacks carried in front, no food or drink, no touching, etc.), answer questions about the murals and Coit Tower and provide information about the art and history of Coit Tower. All docents shall be trained on the Mural Protection Guidelines.

Maintenance of the Murals

As the Department who governs the murals, the Arts Commission is responsible for the maintenance and restoration of these historic art pieces. In order to assist the Arts Commission, the Department has allocated \$250,000 for the upcoming mural restoration project and committed to contributing 1% of revenues received from the concession for the ongoing maintenance of the murals. This will ensure an ongoing maintenance fund that may only be used for the preservation and protection of the murals at Coit Tower.

Operations

Gift Shop

The Lessee proposes to operate a high quality, attractive, dignified and uncluttered gift shop maintained in a first-class manner in keeping with the character of Coit Tower. The Lessee shall offer a wide range of gift shop items in a range of prices and shall focus on items that are designed for Coit Tower, locally produced, and depict Coit Tower, and the City of San Francisco. Lessee shall also sell items designed to enhance the visitor experience such as batteries and memory cards for digital cameras. All items sold in the gift shop shall be subject to the approval of the General Manager. Please see **Exhibit D** for examples of proposed merchandise.

Elevator

Lessee shall sell tickets for the elevator and operate the elevator with uniformed, knowledgeable and professional attendants. The attendants shall be trained on the Mural Protection Guidelines and be able to answer questions about the murals and history of the building. The attendant shall also

remind visitors of the importance of protecting the murals and shall explain the rules governing the viewing of the murals.

Food and Beverage

Lessee shall operate, maintain and manage a mobile food concession (the “Mobile Café”) on the back patio of Coit Tower. The design of the Mobile Cafe and all menu items shall be subject to approval by the General Manager and shall follow all applicable codes and regulations including those mandated by the Department of Public Health. Alcohol sales are prohibited. Lessee shall remove and store the Mobile Café off site each day and Lessee shall keep the surroundings clean, neat, orderly and attractive at all times providing and maintaining garbage, compost and recycling receptacles servicing the Mobile Café. The Mobile Café may not be powered by generator. All furniture supplied by Lessee requires written approval by the General Manager and must compliment the park surroundings. (Please see **Exhibit E** for proposed menu).

Audio Tours

Lessee may develop an audio tour about the history of Coit Tower and information on the murals. All audio tour material must be approved by the General Manager.

Special Events

There are no special events permitted as part of this Lease Agreement.

Days and Hours of Operation

Lessee shall actively operate the Premises, including the lobby, elevator, gift shop and Mobile Cafe during the following days and hours of operation:

April-October	Daily from 10am-6pm
November-March	Daily from 10am-5pm
Holiday Closures	Thanksgiving Day, Christmas Day, New Year’s Eve

Rates and Charges

Lessee shall charge rates for elevator rides and admission to the observation desk of the tower as approved by the City’s Board of Supervisors. The rates and charges for other goods sold and services offered shall be reasonable and competitively priced with similar business in San Francisco.

As of the date of this Lease the elevator rates approved by the Board of Supervisors are as follows:

Age Category	San Francisco Resident	Non-Resident
Adult	\$5.00	\$7.00
Senior (65+)	\$3.00	\$5.00
Youth (12-17 years)	\$3.00	\$5.00
Child (5-11 years)	\$1.50	\$2.00
Child (4 years and under)	\$0	\$0

Improvements

Lessee proposes to make the following improvements:

- Paint the tower viewing area with slip resistant paint
- Paint the handrails in tower viewing area with slip resistant paint
- Install a wireless security camera system
- Clean and seal the main gallery flooring
- Make improvements to the gift shop such as installing new lighting, painting, installing new custom display cabinets and custom shelving units with lights
- Steam clean all exterior walkways and staircase
- Build a custom designed mobile café with tables and chairs
- Install new, strategically placed Point of Sale systems which will also help the gallery flow

Proposed Basic Lease Information

Term	The term of this lease shall be Five (5) years with a possible option to extend for three (3) additional years subject to approval by the Recreation and Park Commission (the "Commission).														
Permitted Use	Operation of the Elevator, Food and Beverage Concession, Gift Shop, Special Events and Telescopic Viewing Machines.														
Minimum Rent	\$677,400, payable in the following monthly amounts: April-October \$68,200 and November-March \$40,000														
15% Percentage Rent	Percentage rent shall be the aggregate of the following percentages of the respective categories of Gross Receipts: <table border="1"><thead><tr><th>Type of Sale</th><th>Percentage</th></tr></thead><tbody><tr><td>Food and Beverage</td><td>15%</td></tr><tr><td>Admission Receipts</td><td>90%</td></tr><tr><td>Audio Tours and binocular rentals</td><td>10%</td></tr><tr><td>Telescopic Viewers</td><td>50%</td></tr><tr><td>Student or Docent led tours</td><td>10%</td></tr><tr><td>Merchandise Sales</td><td>20%</td></tr></tbody></table>	Type of Sale	Percentage	Food and Beverage	15%	Admission Receipts	90%	Audio Tours and binocular rentals	10%	Telescopic Viewers	50%	Student or Docent led tours	10%	Merchandise Sales	20%
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Initial Base Rent Abatement	Monthly base rent shall be \$0 for the first initial three (3) month period commencing on the Commencement Date.														

Rent Credit	Lessee shall receive a credit in the amount of \$65,000 to assist in offsetting the cost of the capital improvements Lessee proposes to make in and around the Premises, many of which will become property of the City at the end of the Term.
Rent Credit for Docent Program	Lessee shall receive up to \$40,000 per year (\$3,333 per month) to assist in offsetting the costs of operating a full time docent program on the Premises.
Security Deposit	\$50,000
Capital Improvements	Lessee shall provide certain approved capital improvements valued at approximately \$100,000.

Financial Benefit

Previous MAG	New MAG
\$80,226	\$677,400

Average Payment to Department of last five (5) years	Projected Payment to Department
\$748,362.4	\$803,400

Community Outreach

Department staff held a public community meeting last month to present the lease agreement and provide an update on the upcoming capital improvements. Additionally, staff informed the following groups and individuals of the consideration of this Lease agreement:

- Supervisor David Chiu
- Supervisor David Chiu’s newsletter
- Telegraph Hill Dwellers
- Pioneer Park Project
- Protect Coit Tower
- Save Coit Tower
- Friends of Joe DiMaggio Park
- Coalition of San Francisco Neighborhoods
- City Guides Walking Tours
- Merchants of Upper Market and Castro
- Buena Vista Neighborhood Association
- North Beach Merchants and North Beach Chamber of Commerce
- Chinese Community Development Center
- North Beach Neighbors
- Arts Commission
- Members of the public who have expressed interest in this concession opportunity
- Friends of Washington Square Park
- Chinese Chamber of Commerce
- Vincent and Fred Lo, current operators at Coit Tower

Staff posted notice of the proposed lease amendment and Recreation and Park Commission hearings at the following:

- Posting on Department Website
- Posting at Coit Tower
- Posting at Joe DiMaggio Clubhouse
- Posting at Joe DiMaggio Pool

Support for Project:

Selection Panel (unanimous)
Anne Halsted, Chair, Pioneer Park Project
Ken Maley, Pioneer Park Project
Julie Christensen, Pioneer Park Project
Liz Diaz, Friends of Joe DiMaggio Playground
Shell Thomas, President, North Beach Business Association
Merchants of Upper Market and Castro
Buena Vista Neighborhood Association
Sonoma Valley Chamber of Commerce
San Francisco Chamber of Commerce
Fort Mason Center
Golden Gate Restaurant Association
Don Franklin, SEIU
John Hershberger
Todd Nathan Thorpe
Brian Huber
Jeff Kozak
David Crockett
Umberto Chironi Lubrilli
Dan Cheney
Jerold Quesada

Opposition to Lessee selection:

Chef Stephen Worsley, Save Coit Tower

The following individuals have expressed opposition to the RFP generally:

Jon Golinger, Protect Coit Tower
Adam Gottstein
Ruth Gottstein
Gayle Leyton
Chef Stephen Worsley, Save Coit Tower

Recommendation

Staff recommends that the Commission recommend approval of the lease agreement between the City and Coit Tower, LLC., to the Board of Supervisors for their consideration.

Next Steps

Upon approval by the Operations Committee and Full Commission to recommend this lease agreement to the Board of Supervisors, staff will work diligently to schedule the lease to be considered by the Board of Supervisors.

Exhibits

A: Lease Agreement between the City and Coit Tower LLC

B: Coit Tower Concession Principles and Goals

C: Mural Guidelines

D: Examples of Proposed Merchandise for Gift Shop

E: Proposed Menu