



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

Date: October 6, 2016
To: Recreation and Park Commission
Through: Philip A. Ginsburg, General Manager
Dana Ketcham, Director of Property, Permits and Reservations
From: Cassandra Costello, Property Manager
Re: Lake Merced West

Agenda Item Wording

Discussion and possible action to authorize the Department to negotiate a lease agreement exclusively with Lake Merced Recreation LLC for the operation and management of Lake Merced West.

Strategic Plan

Strategy 1: Inspire Public Space: Develop more open space to address population growth in high needs areas and emerging neighborhoods.

Objective 1.2.: Strengthen the quality of existing Parks & Facilities

Strategy 2: Inspire Play: Promote active living, well-being and community for San Francisco's diverse and growing population

Objective 2.1 Strengthen the quality, responsiveness and accessibility of recreation programs

Background

Lake Merced West is situated between the shoreline of the South Lake of Lake Merced and John Muir Drive, just east of the intersection with Skyline Boulevard. This property is owned by the City and County of San Francisco, under the jurisdiction of the San Francisco Public Utilities Commission (the "SFPUC"). The San Francisco Recreation and Park Department (the "Department" and collectively with the SFPUC the "Departments") manages recreation at Lake Merced pursuant to a Memorandum of Understanding between the Departments. The site was previously leased for decades to the Pacific Rod and Gun Club, a private club which offered skeet and trap shooting.

A significant clean up was recently completed by the SFPUC to remove toxic sentiments on the site. The site is currently being used as a storage facility by the SFPUC until a new use is approved and implemented.

Opportunity

The Departments worked together to craft a Request for Proposals ("RFP") (**Exhibit A-Request for Proposals**) which envisioned reactivating this site with a range of high quality opportunities for public recreation that take advantage of the lake's unique setting and assets. The Departments sought an entity(ies) to enhance public enjoyment of the site and appreciation of the watershed's resources, and maintain water quality and watershed health. This is a special lake front property

and the largest flat area of land outside of Harding Park Golf Course, offering approximately 11 acres of useable land.

Lake Merced West is being offered in an “as is” condition and will require substantial investments. The selected respondent will be expected, among other things, to work with city agencies to determine conditions of existing infrastructure and remedy deficiencies as it is applicable to proposed use. This will include, but not be limited to, replace or repair mechanical, electrical and plumbing systems, address ADA issues, replace or repair public restroom and construct any other improvements needed to meet the City’s building code requirements as well as other regulatory requirements, including consistency with the historic preservation standards.

RFP Objectives

The Commission approved the release of the RFP in December of last year. The RFP contained the following objectives for the site that were jointly developed by the Departments:

- Take advantage of the lakeside’s unique setting and assets
- Enhance public enjoyment and appreciation of the watershed’s resources
- Maintain water quality and watershed health
- Preserve the lake’s park-like, open space character
- Be compatible with the site’s particular physical characteristics and environmental sensitivities
- Provide a balanced range of uses and facilities that serves and provides access to San Francisco residents of all ages and abilities
- Provide publicly available restrooms
- Promote uses and facilities that are complementary to both upland and aquatic areas.
- Minimize the obstruction of views of Lake Merced through landscape design and planting that is integrated with the surrounding natural landscape, with buildings, structures sited to be sensitive to scenic views from and into the watershed
- Not contaminate the site or result in any restrictions on future use of the site
- Result in selection of a financially viable tenant under a long term lease agreement that will provide valuable services and amenities to the public
- Result in selection of a tenant with a business model and plan that is financially sustainable for the long term and provides for continued and ongoing maintenance of capital assets constructed on the property
- To provide opportunities for local workers, local nonprofits and /or local businesses during the design, construction and operation phases of the project.

RFP Process

The Department held three well noticed and well attended pre bid conference meetings on site at Lake Merced West. The meetings provided an opportunity for interested parties to tour the site and ask questions about the offering.

In order to better engage interested parties, the Department set up a process whereby interested parties could post a “letter of interest” on the Department’s website providing their contact information and stating what they propose to offer at the site. This process provided a way for parties who only had capacity to activate a small portion of the site or offer a singular use, to publically state their interest to partner with a master tenant to respond to the RFP.

The Department received six letters of interest from the following (letters can be accessed on our website: <http://sfrecpark.org/about/partnership-opportunities/lake-merced-west/>):

- City Kayak
- The Bay Area’s Mini Horse
- Lake Merced Rowing (Saint Ignatius College Preparatory, Pacific Rowing Club, San Francisco Rowing Club, South End Rowing Club and Dolphin Boat Club)
- Office of Cheryl Barton (planning and landscape design services)
- California Dragon Boat Association
- YMCA

Response Received for the Lease and Operation of Lake Merced West

The Department received one response (**Exhibit B-Lake Merced Recreation LLC Response**) in June of this year from Lake Merced Recreation LLC (LMR). The proposal from LMR is a joint venture partnership between Outback Adventures and Greener Excavations and Construction Inc. They propose to offer a wide variety of outdoor activities for the public to enjoy and they are proposing an initial term of 20 years with a possible 20 year option to extend.

About Lake Merced Recreation LLC

Outback Adventures:

Outback Adventures was started in 1999 as an outdoor adventure company specializing in renting outdoor sporting equipment and providing guided trips and classes in a variety of outdoor facilities and parks. Their mission is to enable and encourage the public to enjoy the great outdoors. Since their inception, Outback Adventures has expanded and now offers two retail stores in the north and east bay, however, their bulk of operation remains focused on getting the public outside and enjoying the water.

The leadership of Outback Adventures is led by Jay Ganjei who is the owner and founder of Outback Adventures. Jay began Outback Adventures after completing his degree in Environmental Studies and a five-year tenure at an outdoor specialty retail store in the Bay Area. Jay wanted to combine his passion for the environment with his outdoor experience to create “a business that would make outdoor recreation easier, safer, more accessible and more affordable to more people in hopes that people would appreciate, and then protect, the natural world they visit.”

Outback Adventures has held many permits with public recreational areas to offer outdoor activities including:

- Lassen Volcanic National Park
- Yosemite National Park
- Point Reyes National Seashore
- Castle Rock State Park
- Stevens Creek County Park
- Del Valle Regional Park
- Pinnacles National Monument
- Santa Clara Valley Water District

Currently, Outback Adventures operates three on-water recreation facilities in the Bay Area:

- Stevens Creek Reservoir in Cupertino
 - Outback Adventures operates this facility from a permit issued by the Santa Clara County Parks and Recreation Department and the Santa Clara Valley Water District
 - Outback Adventures has been operating this concession consistently for the past 14 years
 - They offer kayak and paddleboard rental and instruction, kids camps and group events
- Del Valle Regional Park in Livermore
 - For the past two years, Outback Adventures has offered a wide range of recreation options at Del Valle such as kayaking, paddleboarding, bike rentals, volleyball, bocce ball and horseshoes
 - They also offer kids camps, group events, classes and instruction
- Gallinas Creek near China Camp State Park
 - This location offers self-guided kayak and paddleboard rentals for use on the inland waters
 - Outback Adventures also offers kayaking and paddleboarding classes and tours at this location and is equipped to handle everything from small youth camps to large corporate outings
 - They have operated on the water in Marin County for the past 11 years

With the RFP submission, the Department received letters of recommendation for LMR from both East Bay Regional Parks for the Del Valle concession and the Santa Clara County Parks and Recreation Department for the Stevens Creek Reservoir concession.

Greener Excavations and Construction Inc:

As stated in the LMR response to the RFP, Greener Excavations and Construction Inc (“Greener Excavations”) was started upon the concept that an engineering company can execute jobs to the highest standards, be competitive, and be environmentally conscious at the same time.

Greener Excavations offers demolition and deconstruction services where they reclaim and salvage usable materials. They also promote and offer the salvage, reuse and recycling of as much material as possible on their projects.

Greener Excavations has experience working on environmentally sensitive areas such as creeks, rivers, lakes and in close proximity to trees and has worked on historically significant structures.

Other Partners:

- San Francisco Yellow Bike Project, a not for profit organization

San Francisco Yellow Bike Project (SFYBP) is a grassroots, do it yourself, community building organization that invests in nonfunctioning bikes to get back on the road. Since 2011, they have helped thousands of cyclists refurbish their bikes, resulting in over 10,000 volunteer hours. SFYBP helps some of San Francisco's most vulnerable populations know the pride of owning and maintaining their own transportation instilling empowerment and independence. SFYBP proposed to offer the following services:

- Open Shop
- Ready to Ride Program
- Mobile Bike Shop
- Kids Bike Swaps

- Polytech Associates

Polytech will be the architect LMR's proposed project. They are a woman owned company in San Francisco and have been in business since 1986. They have a deep breadth of experience on large development projects in San Francisco and will also act as consults to help navigate through the complex approval processes of the project.

- Stillwater Consulting LLC

Stillwater is a sustainability consulting company specializing in biofuels, green building and business development. Their focus is to help preserve the environment and the connection to its community.

LMR is also proposing to partner with various other nonprofits such as the San Francisco Bay Bird Observatory, local schools and environmental education partners.

Proposed Uses

LMR is proposing to offer a wide array of recreation and amenities to welcome people of all ages and abilities. Their concept involves removing barriers to participation so that outdoor resources such as Lake Merced can be as inclusive as possible.

LMR is proposing to offer a variety of affordably priced outdoor sports, guided activities and recreational amenities at Lake Merced including:

- Kayaking
- Paddleboarding
- Rowing/Dragon Boat/Long Boat Paddling (all optional)
- Fitness Training
- Bocce Ball Courts
- Birding
- Biking
- Yoga
- Fishing
- Picnicking
- Team Building
- Gardening
- Field Sports

LMR is also proposing to offer a number of facilities and amenities including:

- Food and beverage
- Ancillary retail
- Classroom space/meeting space
- Garden house and classroom
- Farmers' Market
- Non-profit bike shop
- Boat Dock
- Community circle
- Fishing Pier
- Multipurpose Field
- Community Garden
- Fitness Room
- Public Restrooms

LMR envisions these services and amenities unfolding in three phases beginning in 2017 with final completion in 2020. This schedule is dependent on environmental review and approvals from all necessary regulatory bodies.

The first phase is expected to cost \$1.9 million and be completed by 2018 and includes the completion of the rehab of some of the existing structures, installation of a dock, installation of a kayak and paddleboard boathouse, installation of public restrooms, completion of a parking lot, landscaping improvements and the installation of a gazebo. The revenues generated by these activities will help fund the next stages of development.

The second phase of the project is expected to cost \$550k and be completed by 2019. The second phase entails the installation of the multi use field and picnic area.

The third and final stage of the proposed development is expected to cost \$450k and be completed by 2020. This stage will encompass the community gardens, bird observatory, fishing pier, community circle and bocce courts.

LMR is projecting a total project cost of \$3 million financed by a variety of sources including cash on hand, debt and equity.

Evaluation Process

The proposal was evaluated based on the following criteria:

- Compatibility with the entire Lake Merced Watershed
- Meaningful Public Access
- Recreational Opportunities
- Surrounding Neighborhood (parking, traffic and noise)
- Project Feasibility
- Financial Capacity
- Proposed financial terms

The proposal was evaluated by an independent panel (**Exhibit C-Evaluation Panel**) selected jointly by the Departments. The panel consisted of professional individuals with expertise in a variety of areas related to the Lake Merced opportunity. The evaluation panel reviewed the entire RFP including the confidential financial information. The financial information is proprietary confidential information and was analyzed by the evaluation panel and Department Staff, but not disclosed to the public. The results of the evaluation panel's work yielded an average overall score of 85 points (**Exhibit D-Score Sheet**).

Community Participation

The Department has held a robust community outreach process inviting the public to provide comment at public meetings and the Commission. The Department has reached out to many parties, including, but not limited to:

Supervisor Yee	Lakeshore Acres Improvement Club
Supervisor Tang	Friends of Ocean Beach
Bay Area Stewards	Lakewood Tenants Association
Lake Merced Outdoor Center	Sunset District Neighborhood Coalition
California Waterfowl Association	Sunset Neighborhood Beacon Center
Clean Water Action	San Francisco Tomorrow
Coalition for a Better Wastewater Solution	Sunset Youth Services
Tuolumne River Trust	Outward Bound
Urban Resource Systems	San Francisco Small Business Network
Golden Gate Audubon Society	Westside Observer
St Francis Heights Association	San Francisco State University
Lakewood Apartments	Olympic Gold and Country Club
Golden Gate Heights Neighborhood Association	America True
West of Twin Peaks Council	Saint Ignatius Prep
Parkmerced	University of San Francisco
Inner Sunset Merchant Association	Bay Sailing
Coalition for San Francisco Neighborhoods	Zip Line
Great West Portal Neighborhood Association	Stow Lake Boathouse
San Francisco Beautiful	Lick Wilmerding High School
California Native Plant Society	Riordan High School
San Francisco Apartment Association	Sacred Heart High School
	Boys and Girls Club

Catholic Charities
YMCA
Pacific Rowing Club
Pacific Rod and Gun Club
California Dragon Boat Association
South End Rowing Club
San Francisco Rowing Club
Lake Merced Golf Club

California Dragon Boat Association
Dolphin Swimming and Boating Club
San Francisco Model Yacht Club
City Kayak
Pacific Rod and Gun Club
Lake Merced Outdoor Center

Staff Recommendation

The Department recommends that the Commission authorize staff to enter into negotiations with Lake Merced Recreation LLC.

Next Steps

Should the Commission authorize staff to enter into negotiations with Lake Merced Recreation LLC, staff will diligently begin negotiating and will commence the environmental review process. Once a lease has been negotiated and all necessary pre lease approvals have been obtained, the Department will come back to the Commission for their consideration of the negotiated lease agreement.

Exhibits

Exhibit A-Request for Proposals
Exhibit B-Lake Merced Recreation LLC Response to Request for Proposals
Exhibit C-Evaluation Panel
Exhibit D-Score Sheet

Support

At a public meeting held on September 15, 2016, the Department heard many supportive comments from neighbors of the Lake Merced area and from the general public for the LMR proposal. Additionally, as of the publish date of this memo staff has received many emails from the general public who support the proposal.

Opposition

Staff has received a limited number of concerns from the public at the public meeting which focused primarily on possible parking and traffic impacts. Additionally, staff has recently received a number of emails each expressing concern about the financial capacity of the respondent and that trap and skeet operations are not being offered. Each of those emails also contained a request to reopen the current RFP process to allow for an additional opportunity for Lake Merced Outdoor Center to submit a response.

Exhibit A-Request for Proposals

Lake Merced West RFP:

<http://sfrecpark.org/wp-content/uploads/LMW-RFP-FINAL-January-11-2016.pdf>

Amendments One and Two to RFP:

<http://sfrecpark.org/wp-content/uploads/Lake-Merced-West-Amendments-1.pdf>

Amendments Three and Four to RFP:

<http://sfrecpark.org/wp-content/uploads/Lake-Merced-West-Amendment-no-3-and-41.pdf>

Exhibit B- Lake Merced Recreation LLC Response to Request for Proposals

<http://sfrecpark.org/wp-content/uploads/Lake-Merced-Recreation-LLC-public-proposal-response-to-RFP.pdf>

Exhibit C-Evaluation Panel Members

Kelly Groth	San Francisco Public Utilities Commission Citizen Advisory Committee member from District 7
Kristin Hathaway	Watershed Program Supervisor, City of Oakland
Tim Colen	Lake Merced Task Force Member
Amy Lee	Former Director of the San Francisco Department of Building Inspections, Finance Professional
Sheryl Davis	Director of the San Francisco Human Rights Commission, Former Director of Mo Magic

Exhibit D-Score Sheet

(Average scores for each category shown)

Evaluation Criteria	Score
<p>Compatibility with the entire Lake Merced Watershed</p> <ul style="list-style-type: none"> • How the project will protect and preserve the Watershed and surrounding natural areas and meets the requirements set forth under Regulatory Context • How the project meets or exceeds Property Objectives • Habitat restoration included in the proposal such as plantings and wetland restoration. 	<p>23/25 (92%)</p>
<p>Meaningful Public Access and (15 points)</p> <ul style="list-style-type: none"> • How the project ensures access by persons of all ages and abilities • How the project programming fee structure addresses affordability • How the project ensures publicly accessible restroom 	<p>13.4/15 (89%)</p>
<p>Recreational Opportunities (15 points)</p> <ul style="list-style-type: none"> • How the project complements and enhances the experience of property users • How the project promotes and expands outdoor recreational activities 	<p>13.9/15 (93%)</p>
<p>Surrounding Neighborhood (10 points)</p> <ul style="list-style-type: none"> • How the project mitigates parking and traffic issues • How the project mitigates noise issues • How the project protects the views to and from Lake Merced 	<p>9/10 (90%)</p>
<p>Project Feasibility (10 points)</p> <ul style="list-style-type: none"> • Feasibility of the proposal overall and in particular to meet the items listed under Regulatory Objectives • The probability of obtaining approvals for the proposed use • Respondent Qualifications <ul style="list-style-type: none"> ○ Respondent’s track record in successfully completing projects of a similar nature and scale ○ Experience of Respondent’s team members and key personnel ○ Experience with securing necessary approvals for projects of this size and nature ○ Demonstrated ability to operate, sustain and maintain projects of a similar size and nature once completed ○ Proven ability to work with public agencies to achieve a completed project 	<p>7.2/10 (72%)</p>

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<p>Financial Capacity (15 points)</p> <ul style="list-style-type: none"> • Current Available Funding of Preconstruction Expenses: <ul style="list-style-type: none"> ○ At the time of submittal of RFP, Respondent will be required to demonstrate that it has available liquid assets in hand necessary to fund the development expense through the approval of the project (including environmental and planning review but excluding construction expenses) (“Preconstruction Expenses”) ○ A response will be deemed nonresponsive if this condition is not met. • Funding of Project Investment: Demonstration that the Respondent has the required funding and/or the ability to attract the funding needed to cover the projected cost of the proposed project, including design, negotiations, improvements and the first two years of operations (the “Project Investment”) as evidenced by: <ul style="list-style-type: none"> ○ Equity in hand (whether provided directly or through donations that have actually been received) ○ Access to sufficient debt and equity, including risk equity, for the project proposed as demonstrated by documentation of <ol style="list-style-type: none"> (1) Financing of comparable projects by the Respondent. (2) On-going relationships with financial sources (3) Ability to offer guarantees of bonding arrangements to ensure timely completion of the proposed project ○ If the Respondent intends to rely on donations, the respondent must have written commitments from donors equal to at least 50% of the needed donations or a demonstrated track record of comparable fundraising capacity. 	<p>12.2/15 (81%)</p>
<p>Proposed financial terms (10 points)</p> <ul style="list-style-type: none"> • Cash flow projections that demonstrate the project, once operational, will meet all lease, debt service, and operating expenses • Proposed annual rent structure to the Department Financing the long term minor, major and capital improvements, maintenance and repairs for the property. 	<p>6.4/10 (64%)</p>
<p>Total Points</p>	<p>85.1/100</p>