



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

Date: August 7, 2014

To: Recreation and Park Commission
Operations Committee

Through: Philip A. Ginsburg, General Manager
Dana Ketcham, Director of Property Management

From: Jeff Suess

Subject: Carrousel Lease

Agenda Item Wording:

Discussion and possible action to approve a five-year lease agreement between the City and New York Frankfurter Company California, Inc. dba Annie's Hot Dogs, for the lease and management of the Carrousel and Carrousel food kiosk located at the Children's Playground in Golden Gate Park with a minimum annual guarantee rent of \$75,000.

About the Carrousel:

The historic Herschell-Spillman Carrousel was constructed in 1912 in upstate New York. After surviving stints in Los Angeles and Portland, Oregon, it was featured at the 1939 World's Fair at Treasure Island and then moved to the Children's Playground in 1941. An ongoing preventative maintenance program ensures the future of this treasure, called by at least one historian the "Rolls Royce of American carrouseles".

The Concession Building, is available to operate a food and beverage concession. It is 34-ft long and 20-ft wide, with inside usable area of approximately 525 sq. ft. There are ten exterior sales windows, all of which were replaced in 2006. The interior space is comprised of storage, service and work areas. Café tables may be placed outside.

The Farm, commonly referred to as "the Barn", is approximately 100 square feet and is surrounded by a small enclosed yard. It has been used previously for parties. The Lessee will upgrade this building and use it for children's parties and other purposes that may be proposed. Any modification to the building must be approved by the General Manager and/or Commission in writing. Costs of any modifications or improvements to the Farm will be paid by the Lessee. The small enclosed yard will remain available for permitting for parties as well through permits.



MJM Management Company operated the Carrousel at Golden Gate Park on a month-to-month basis from February of 2008 through June 2013. New York Frankfurter Company (Annie's Hot Dogs) has been operating the Carrousel and the food and beverage kiosk at the Carrousel on a month to month basis since July 2009.

Background on Proposed Lease:

The Recreation and Park Department (the "Department") issued a Request for Proposals in 2009 to try to secure a long term lease with an entity to operate both the Carrousel and the Food and Beverage concessions. At that time, the Department did not find a candidate for the joint operation of both the Carrousel and the Food and Beverage Kiosk.

A Request for Proposals was issued in early 2012 and the sole applicant was the New York Frankfurter Company of California, DbA Annie's Hot Dogs. Due to concerns about the number of candidates, in May, 2012, the Department released a revised Request for Proposals (the "Revised RFP") for the management and operation of both the food and beverage kiosk and the carrousel.

The Revised RFP was extensively marketed via the Office of Small Business, to area business owners and entrepreneurs via the Works for Me user community, through Supervisors Olague, Mar and Chiu's email newsletters, and calls and emails directly to event planning companies, catering companies, and carrousel operator companies, as well as the Department's email list of over 1600 potential applicants. The Department held two onsite Information Meetings, at which a total of four companies attended, one from as far away as New York State. In the end only one complete application was received and a Selection Committee chose New York Frankfurter Company of California, DbA Annie's Hot Dogs, as the operator of both the Carrousel and the Food and Beverage Kiosk (the "Lessee"). The average score by the review committee was 83 out of 100 based on the criteria established in the RFP.

Proposed Operations:

The Lessee will operate the Carrousel, Kiosk and Barn. The Lessee will complete a facelift of operations including; new tables, chairs, awnings, uniforms, and paint. The lessee may facilitate possible events such as birthday parties to be approved by the Department. The Barnyard picnic area will continue to be permitted through the Department's Permits and Reservations Office. In the event that the lessee has an event using the barn, they will need to obtain a permit for the picnic area on the same basis as the general public in order to ensure continued public access to this favorite picnic site.

Capital Improvements:

None

Proposed Lease Term:

Term	The term of this lease shall be Five (5) years											
Permitted Use	Operation of the Carrousel, Kiosk and Barn.											
Annual Minimum Rent	Year 1	\$75,000										
	Year 2	\$78,750										
	Year 3	\$82,687										
	Year 4	\$86,822										
	Year 5	\$93,119										
Percentage Rent	Lessee shall be the greater of the Minimum Rent and 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>20%</td> </tr> <tr> <td>Rides</td> <td>60%</td> </tr> <tr> <td>Parties and Events</td> <td>20%</td> </tr> <tr> <td>Miscellaneous</td> <td>20%</td> </tr> </tbody> </table>		Type of Sale	Percentage	Food and Beverage	20%	Rides	60%	Parties and Events	20%	Miscellaneous	20%
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Security Deposit	\$12,500											

Financial Benefit to the Department:

Over the previous five years the Department has received an average of \$ 46,000 per year from the Carrousel and \$35,000 for the Kiosk. Since Annie's began, operating the Carrousel on a month to month basis, revenues have increased due to expanded hours of operation and additional staffing. Under the previous vendor, January through June of 2013 generated \$16,370 in ride revenue for the Department. The same period in 2014 under Annie's operation has generated \$31,745 for the Department a 93% increase.

Revenue History- Calendar Year

	2011	2012	2013	YTD 2014 (Jan-June)	Three -Year Average
Rides	\$29,955	\$51,431	\$48,215	\$31,790	\$46,112
Kiosk	\$27,697	\$42,298	\$36,319	\$19,514	\$35,950
Total	\$57,652	\$93,729	\$84,534	\$51,304	\$82,062

Five-Year Revenue Projections

	Year 1	Year 2	Year 3	Year 4	Year 5	Projected Five-Year Average
Rides	\$48,000	\$60,000	\$66,000	\$72,000	\$78,000	\$64,800
Kiosk	\$33,000	\$36,300	\$39,930	\$43,923	\$50,135	\$40,657
Total	\$81,000	\$96,300	\$105,930	\$115,923	\$128,135	\$105,457

Community Outreach:

- Supervisor Eric Mar
- Works for Me Mother's Group
- District 5 Neighborhood Action Council, which includes:
 - North of Panhandle Neighborhood Association
 - Alamo Square Neighborhood Association
 - Inner Sunset Park Neighbors
 - Lower Haight Merchants and Neighbors Association
 - Cole Valley Improvement Association
 - Haight Ashbury Improvement Association
 - Fillmore and Lower Fillmore Neighborhood Association
 - Hayes Valley Neighborhood Association
 - Buena Vista Neighborhood Association

Support for Project:

Department Staff

Opposition to Lessee selection:

No Known Opposition

Recommendation:

Staff recommends the approval of the lease agreement between the City and NEW YORK FRANKFURTER COMPANY OF CALIFORNIA, INC., a California corporation, DBA Annie's Hot Dogs