



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

Date: August 28, 2013
To: Recreation and Park Commission
Through: Philip A. Ginsburg
From: Nick Kinsey
Re: Stow Lake Boathouse Boat Rental Rates

Agenda Item Wording:

Discussion and possible action to (1) establish a variable pricing structure for boat rentals at the Stow Lake Boathouse, (2) increase certain boat rental rates, and (3) authorize Department staff to implement automatic annual Consumer Price Index adjustments to such rates beginning fiscal year 2014-15.

Background:

In 2011, the Recreation and Park Department (the “Department”) entered into a lease with the Stow Lake Boathouse Company, LLC (“SLBC”) for the lease and management of the Stow Lake Boathouse. Section 7.4 of the lease required the Department and SLBC to develop a variable pricing structure and to present such structure to the Recreation and Park Commission (the “Commission”) for their approval. Section 7.4 of the lease also requires Commission approval for any boat rental rate increases at the boathouse.

Rate History:

In February of 2006, the Commission approved a rate increase at the Boathouse, which set the hourly rates at \$14 for rowboats, \$19 for pedal boats and \$29 for electric boats. Unlike Fees that are set in the Park Code, boat rental fees at Stow Lake are not subject to an automatic annual Consumer Price Index (“CPI”) adjustment.

Variable Pricing:

The Department desired to create such variable pricing to encourage boat rentals during low demand periods including weekdays, periods of inclement weather and the winter months, where average daily rentals can be as low as one-third those of summer months.

The Department has implemented such flexible pricing at the City’s golf courses and found it to be an effective means to provide discounts to locals who are most likely to utilize City amenities during the winter and to generate additional revenue to the Department.



Stow Lake Boathouse Company Performance:

SLBC began operating the boathouse in fall of 2011. Since that time they have undertaken a complete renovation of the historic boathouse. The renovation plans were reviewed by the City’s Historic Preservation Commission and approved by the City’s Planning and Building Departments. The renovation included creating an interior café space within the boathouse, installing a full-service commercial kitchen, installing an ADA bathroom, installing a new ADA compliant concrete staircase and ramp to access the Boathouse and painting the boathouse exterior. In addition, SLBC corrected numerous structural deficiencies within the boathouse including reinforcing the sub-floor support beams, replacing broken windows and removing dry rot in the buildings exterior walls. SLBC completed the renovation in March of this year.

SLBC has additionally purchased an all-new fleet of rental boats and increased the food offerings at the site. While the boathouse previously served only drinks, snacks and hot dogs, the boathouse now serves complete meals utilizing local, fresh and sustainable ingredients.

Due the improved management of the boathouse and the changes implemented by Ortega over the past two years, the Department anticipates receiving an estimated \$192,000 in rent this year, a 48% increase over the prior concessionaires final year at the Boathouse.

Proposed Variable Pricing Structure:

Department staff proposes implementing the following variable pricing structure:

Boat Type	Current Rate	Proposed Minimum Rate	Proposed Maximum Rate
Row	14	14	20
Pedal	19	19	25
Electric	29	29	34

Boat Rental Rates at Comparable Bay Area Locations:

Location	Hourly Rate	Type of Boat
Lake Chabot	\$30	Row and Pedal
Shoreline Lake Aquatic Center	\$22	Row and Pedal
City Kayak	\$35 single /\$69 double	Kayak
Lake Merritt	\$15	Kayak and Pedal

Automatic CPI Adjustments:

The Department is also requesting authorization to make annual CPI adjustments. Such a mechanism is in place for all Department Fees that are set in the Park Code. In implementing the CPI adjustment the Department would utilize the CPI adjustment rate set by the Office of the Controller each fiscal year. Such annual adjustments would eliminate the need for periodic larger adjustments.

Financial Impact:

Should the Commission approve the variable pricing structure, Department staff project an annual increase in revenue to the Department of approximately \$73,400 resulting in an estimated annual rent to the Department of approximately \$275,000.

Revenue Type	Percentage Rent
Boats (current)	\$173,908
Boats (variable pricing)	\$247,309
Change in boat rent	\$73,400
Projected New Rent (Including \$28,373 of Food and Beverage Rent)	\$275,683

Recommendation:

Department Staff recommend that the Commission approve this item and (1) establish a variable pricing structure for boat rentals at the Stow Lake Boathouse, (2) increase certain boat rental rates, and (3) authorize Department staff to implement automatic annual Consumer Price Index adjustments to such rates beginning fiscal year 2014-15.