



London N. Breed, Mayor
Philip A. Ginsburg, General Manager

Date: September 6, 2018

To: Recreation and Park Commission
Operations Committee

Through: Phil Ginsburg, General Manager
Dana Ketcham, Director of Property Management, Permits and Reservations

From: Jackie Suen, Property Manager

Subject: Golden Gate Yacht Club Lease Agreement

Agenda Item Wording:

Discussion and possible action to recommend that the Board of Supervisors approve a new 18-year lease with the Golden Gate Yacht Club substantially in the same form as the draft agreement dated August 15, 2018.

Strategic Plan:

Objective 1.2: Strengthen the quality of existing Parks & Facilities

Objective 1.4: Preserve and celebrate historic and cultural resources

Objective 2.3: Work with partners and neighborhood groups to activate parks through organized events, activities, and unstructured play

Objective 3.1: Increase public investment to better align with infrastructure needs and service expectations

Background:

The Golden Gate Yacht Club (GGYC) was founded in 1939. The clubhouse at 1 Yacht Road was severely damaged by the 1989 Loma Prieta earthquake. On June 12, 1990, GGYC secured renovation funding with a \$369,900 loan with the U.S. Small Business Administration (SBA). A loan increase of \$37,400 was approved by the SBA on August 31, 1992. The reconstruction of the clubhouse was approved in the Lease that was approved by the Board of Supervisors on April 27, 1992 (the "1992 Lease"). With the 1992 Lease, GGYC was authorized to operate and maintain a non-profit recreational boating and racing oriented yacht club for a period of 40 years ending in 2032. The City and GGYC entered into a First Amendment to the 1992 Lease on February 1, 1999 which reduced the term of the 1992 Lease to 25 years (ending in 2017), granted GGYC an option to extend the term by five years, and set the Annual Minimum Rent Guarantee at \$54,000. Due to lease amendment negotiations when the 25-year term ended on May 31, 2017, GGYC did not exercise its extension option and the 1992 Lease is currently on a month to month holdover status.



There are over 300 hundred members that enjoy sailing activities on the San Francisco Bay and social activities at the clubhouse. Current membership fees appear below:

| Membership Class | Initiation Fee | Monthly Dues |
|-------------------------------|----------------|--------------|
| Regular/Regular Family Member | \$2,500 | \$125 |
| Corinthian Member | \$600 | \$75 |
| Associate Member | \$250 | \$45 |

Dock fees start at \$25 per night for members and \$50 per night for non-members. The day-use fee for the clubhouse is \$10.

Within the yachting community, the Golden Gate Yacht Club is viewed as an affordable opportunity to participate in this community. In 2013, the Recreation and Park Department completed the Marina West Harbor Renovation project (the “Harbor Renovation”). As a part of the Harbor Renovation, the Department reconfigured the berthing configurations within the West Harbor, including slips within GGYC’s premises under the 1992 Lease. With the completed Harbor Renovation, the Department wishes to enter into an 18-year new lease (“New Lease”) that accurately reflects the slips that will be assigned for GGYC’s use and provides updated rent terms.

Overview of the New Lease:

The Department and GGYC negotiated the New Lease (Attachment A) on substantially the terms of the 1992 Lease, as except as follows:

- Reflects the new berthing configurations created through the Harbor Renovation,
- Increases the fixed minimum rent (the percentage rent remains the same),
- Adds a rent surcharge payable to the Department for harbor maintenance,
- Creates a requirement for continuing the GGYC youth educational programs,
- Requires the GGYC to fund a maintenance fund for their maintenance obligations,
- Updates for new City-required lease language.

Term

The proposed New Lease would be for 18 years starting on the first day of the month immediately following the Board of Supervisor’s approval.

Rent

The rent under the New Lease will be the greater of (i) Annual Minimum Rent of \$85,000 (compared to \$54,000) with an annual CPI adjustment and (ii) ten percent of gross receipts. Gross receipts are defined as the total gross revenues derived from dues and assessments to members, day use fees, guest berth fees, earned income and all other revenues derived by GGYC or any other person, firm or corporation from operations for GGYC on the demised premises, with exclusions for certain taxes and monthly payments owed under the SBA construction loan that is scheduled to expire on August 1, 2022.

Harbor Maintenance Cost Assessment

There will be an additional assessment equal to 10% of all membership fees and dock fees that will be payable with the monthly rent. The Department will hold these funds to pay for its harbor maintenance costs including dredging. The Department expects to request a similar assessment from other users of the harbor to cover the rising maintenance costs.

Berths

Under the 1992 Lease, GGYC is entitled to 359 linear feet of berth space. Under the new West Harbor configuration, it is not possible to provide that exact amount of berth space. Accordingly, the leased premises under the New Lease will include 370 linear feet of berth space. Given the size and configuration of the surrounding slips, this was the smallest increase possible.

Maintenance Fund

In order to ensure that the premises are well-maintained throughout the duration of the New Lease term, the New Lease requires GGYC to establish a Maintenance Fund. Each year GGYC shall be obligated to deposit into a separate account the lesser of three percent of gross revenues or \$45,000. GGYC will further be required to submit to the Department an annual proposal of the expenditure of such funds which shall be subject to the Department's approval. Upon the expiration of the New Lease, any unexpended funds will become the property of the City.

Educational Activities

The New Lease requires GGYC to operate youth sailing programs. Continuing the program that is already in place, GGYC will offer a school term program over three separate sessions. Students will pay a fee of \$400 to help offset the travel costs to regattas (which could be as far as Long Beach, CA), boat repairs and coaching. The use of the boats is included at no additional cost. Scholarships will be available to any San Francisco student who wants to learn sailing but does not have the funds or access to do so. GGYC strives to provide scholarships to every student who requests one.

As Is Condition of Premises; Maintenance

Under the New Lease, the GGYC is responsible for all maintenance of the premises and the Department has no liability for maintenance or any general impacts created by rising tides or other conditions.

Staff Recommendation:

Department staff recommends that the Commission recommends that the Board of Supervisors approves the proposed lease.

Supported By:

GGYC Board of Directors

Opposed By:

No known opposition

Attachments:

Exhibit A – Draft Golden Gate Yacht Club Lease, August 15, 2018

Exhibit B – Lease with the Golden Gate Yacht Club, June 1, 1992

Exhibit C – First Amendment to the Golden Gate Yacht Club Lease, February 1, 1999