

File No. 110148

Committee Item No. 2

Board Item No. \_\_\_\_\_

# COMMITTEE/BOARD OF SUPERVISORS

## AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance SUB-Committee

Date: March 9, 2011

Board of Supervisors Meeting

Date \_\_\_\_\_

### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Ethics Form 126                              |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form (for hearings)             |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
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Lease with Parkwide Activities LLC

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\_\_\_\_\_

Completed by: Victor Young

Date: March 4, 2011

Completed by: Victor Young

Date: \_\_\_\_\_

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Approval of Lease with ParkWide Activities, LLC - Master Bike Rental Concession in City  
2 Parks]

3  
4 **Resolution authorizing the Recreation and Park Department General Manager to enter**  
5 **into a lease with ParkWide Activities, LLC, for the operation of a Master Bike Rental**  
6 **Concession in City Parks.**

7  
8 WHEREAS, The City desires to contract with ParkWide Activities, LLC, for the lease  
9 and operation of a Master Bike Rental Concession in various City parks and ParkWide desires  
10 to lease the premises from the City; and

11 WHEREAS, The Recreation and Park Commission ("Commission") authorized the  
12 Recreation and Park Department (the "Department") on August 20, 2009 to issue a Request  
13 for Proposals ("RFP") to solicit responses from qualified entities for the operation of a Master  
14 Bike Rental Concession in City Parks, and on May 6, 2010, the Commission authorized staff  
15 to begin negotiations with ParkWide, LLC; and

16 WHEREAS, On January 20, 2010, by Resolution No. <sup>1101-011</sup>, on file with the Clerk of  
17 the Board of Supervisors in File No. 110148, the Commission recommended that the Board of  
18 Supervisors approve the Lease, on file with the Clerk of the Board of Supervisors in File No.  
19 110148, between the City and ParkWide for the operation of a Master Bike Rental  
20 Concession from February 1, 2011, through January 31, 2016, with one (1) potential three (3)-  
21 year extension, which has an anticipated revenue of more than one million dollars; and

22 WHEREAS, Pursuant to San Francisco Charter, Article IX, Section 9.118, Subsections  
23 (a) and (b), the Board of Supervisors must approve the Lease by resolution; now, therefore,  
24 be it

1 RESOLVED, That the Board of Supervisors hereby approves the lease dated January  
2 21, 2011, for the operation of a Master Bike Rental Concession in City Parks, commencing on  
3 February 1, 2011, through January 31, 2016; and for a potential extension period of three  
4 years commencing on February 1, 2016, through January 31, 2019, subject to the approval of  
5 the Commission; and be it

6 FURTHER RESOLVED, That the Board of Supervisors authorizes the General  
7 Manager to enter into additions, amendments, or other modifications to the Lease (including,  
8 without limitation, preparation and attachment of, or charges to, any or all of the exhibits) that  
9 the General Manager, in consultation with the City Attorney, determines are in the best  
10 interest of the City, do not materially decrease the benefits of the Lease to the City, do not  
11 materially increase the obligations or liabilities of the City, do not authorize the performance of  
12 any activities without pursuing all required regulatory and environmental review and  
13 approvals, and are necessary or advisable to complete the transactions which the Lease  
14 contemplates and effectuate the purpose and interest of this resolution, such determination to  
15 be conclusively evidenced by the executions and delivery by the General Manager of the  
16 Lease and any such additions, amendments, or other modifications that that document; and  
17 be it

18 FURTHER RESOLVED, That the Board of Supervisors approves, confirms, and ratifies  
19 all prior actions taken by the officials, employees, and agents of the City with respect to the  
20 Lease.

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22  
23  
24  
25

**Item 2**  
**File 11-0148**

**Department:**  
Recreation and Park Department (RPD)

## EXECUTIVE SUMMARY

### Legislative Objectives

- The proposed resolution would authorize a new lease of approximately five years, with one three-year option, between the City, through the Recreation and Park Department (RPD), and ParkWide Activities, LLC, for a Master Bicycle Rental Concession to be operated at five City parks.

### Key Points

- Based on the results of an RFP, the Recreation and Park Commission recommended the award of a lease to ParkWide Activities, LLC (ParkWide), for the operation of bicycle rental concession at: (1) the Golden Gate Park Bandshell, (2) JFK Drive at Hagiwara Tea Garden Drive in Golden Gate Park, (3) Marina Green, (4) Justin Herman Plaza, and (5) Union Square Plaza.
- In addition to renting bicycles to the public, the proposed lease would (a) permit ParkWide to sell limited retail merchandise, such as bottled water and ParkWide t-shirts, and (b) require ParkWide to provide custom-built bicycle rental kiosks at each of the five sites, and bicycle storage facilities near the Bandshell and Marina Green sites. The bicycle rental kiosks would become the property of the City at the end of the proposed lease.
- The proposed Master Bicycle Rental Concession lease would also permit ParkWide, in the future, to expand bicycle rental concessions at additional non-specified San Francisco City park site locations, subject to Recreation and Park Commission approval, but not subject to Board of Supervisors approval.

### Fiscal Impacts

- The proposed lease would require ParkWide to pay RPD the greater of (a) a Minimum Annual Guarantee (MAG) of \$127,400, increased annually by the greater of either five percent or the Consumer Price Index (CPI), or (b) 13.5 percent of gross receipts if gross receipts are below \$1,500,000; 15.0 percent of gross receipts if gross receipts are equal to or greater than \$1,500,000 but less than \$2,000,000; or 17 percent of gross receipts if gross receipts are equal to or greater than \$2,000,000. The proposed lease would guarantee minimum rent of \$703,966 payable to RPD in the first five years. However, if after nine months, the Recreation and Park Commission opts to discontinue the Union Square Plaza bicycle rental concession, the MAG would be reduced by 25.7 percent.
- In FY 2009-2010, RPD received a total of \$38,290 from bicycle rental concessions at two locations. Under the proposed lease, RPD would receive a minimum of \$127,400 for the first year, at five locations, such that RPD would realize a minimum annual increase of \$89,110 in revenues, or 232.7 percent.

### Recommendations

- If the Board of Supervisors wishes to retain the authority to approve future expansions of bicycle rental concessions at additional, non-specified, City park site locations, amend the proposed resolution as stated in the Policy Considerations section of this report.
- If the Board of Supervisors does not wish to retain the authority to approve future expansions of bicycle rental concessions at additional, non-specified City park site locations, approve the proposed resolution.

## MANDATE STATEMENT AND BACKGROUND

### Mandate Statement

In accordance with Charter Section 9.118(c), any lease for a period of ten or more years or that has anticipated revenue greater than \$1,000,000 is subject to Board of Supervisors approval.

### Background

The Recreation and Park Department (RPD) currently has two bicycle rental concessions located in two City parks: (1) in Golden Gate Park as a sublease under the Stow Lake Boathouse concession lease since 1994, and (2) in Marina Green as a sublease under the Marina Green Food Kiosk lease since 2008. Both bicycle rental subleases are operated by the concessionaire Wheel Fun Rentals. At both sites, Wheel Fun Rentals, as sub lessee, pays rent to RPD through the lessor in the greater amount of either a Minimum Annual Guarantee (MAG) rent or a percentage rent. The MAG and percentage rental rates for the two bicycle rental concessions are summarized in Table 1 below.

**Table 1: MAG and Percentage Rental Rate Terms at Golden Gate Park and Marina Green Sites**

Rent Type	Golden Gate Park Site	Marina Green Site
Minimum Annual Guarantee (MAG)	\$10,000	\$18,000
Percentage Rental Rate for Bicycle Rental Revenue	10%	20%

As shown in Table 2 below, over the past five years, the bicycle rental concession in the Golden Gate Park site at the Stow Lake Boathouse has generated a total of \$99,571 in rent for RPD. The two years of the Marina Green bicycle rental concession have generated a total of \$37,250. Overall, the RPD has received a total of \$136,821 from these two bicycle rental concessions over the past five years.

**Table 2: Historic Bicycle Rental Revenues in Golden Gate Park and Marina Green Sites**

Fiscal Year	Golden Gate Park at the Stow Lake Boathouse	Marina Green Site*	Total
2005-06	\$18,131	N/A	\$18,131
2006-07	18,436	N/A	18,436
2007-08	21,733	N/A	21,733
2008-09	22,231	18,000	40,231
2009-10	19,040	19,250	38,290
<b>Total</b>	<b>\$99,571</b>	<b>\$37,250</b>	<b>\$136,821</b>

\* The bicycle rental concession was added to RPD's Marina Green Site lease in 2008.

The Wheel Fun Rentals bicycle rental concessions will be concluding at the Stow Lake site as a result of a new Stow Lake Boathouse concession lease, effective March 22, 2011, which did not include a bicycle rental concession sublease provision. According to Mr. Nicholas Kinsey, Assistant Director of Property and Concession Management at RPD, the Wheel Fun Rentals

bicycle rental concession at the Marina Green site will conclude on April 30, 2011 with the expiration of the Marina Green Food Kiosk lease.

### *Competitive Process for Proposed Lease*

On August 20, 2009, the Recreation and Park Commission authorized RPD to issue a Request for Proposal (RFP) to provide bicycle rental concessions (a) in Golden Gate Park, (b) along the Marina Green, and (c) for respondents to propose additional City park locations for bicycle rental concessions. RPD received timely responses to the RFP from three prospective concessionaires: (a) Wheel Fun Rentals (the current sublease holder in Golden Gate Park and the Marina Green); (b) ParkWide Activities, LLC (ParkWide); and (c) Library Bikes. The competitive responses were reviewed and evaluated by a three member RPD selection panel, which consisted of Mr. Kinsey; Mr. Richard Hillis of the Mayor's Office of Economic Development; and Mr. Heath Maddox of the SFMTA.

The selection panel scored the responses according to the following three criteria:

1. Experience, qualifications, and financial capability (30 points);
2. Business and marketing plans (30 points); and
3. Proposed financial terms (40 points).

As shown in Table 3 below, based on these scoring criteria, the selection panel awarded the highest score, 90.3 points out of a total of 100 points, to ParkWide.

**Table 3: Scored Responses to the Bicycle Rental Concessions RFP**

Respondent	Proposed MAG	Proposed Percentage Rental Rate	Average RFP Score
ParkWide Activities, LLC	\$130,000	13%/18% tiered rate	90.3
Wheel Fun Rentals	\$36,000	30% flat rate	80.3
Library Bikes	\$25,000	6% flat rate	21.7

On May 6, 2010, the Recreation and Park Commission approved the selection of ParkWide and authorized RPD staff to negotiate a lease with ParkWide. Under the ParkWide lease, bicycle rental concessions would be provided in five City park sites: (1) Golden Gate Park Bandshell, (2) JFK Drive at Hagiwara Tea Garden Drive in Golden Gate Park, (3) Marina Green, (4) Justin Herman Plaza, and (5) Union Square Plaza. As shown in Table 3 above, ParkWide initially proposed a first-year MAG of \$130,000 and tiered percentage rental rates of 13.0 percent and 18.0 percent that are described in Attachment I to this report, provided by Mr. Kinsey. Following negotiations between RPD staff and ParkWide, the rental structure was adjusted to that of the proposed lease, which has a MAG of \$127,400 in the first year and a tiered percentage rental rate of 13.5 percent, 15.0 percent, and 17.0 percent (see Policy Considerations section of this report below). RPD's decision to adjust the rental terms in negotiation with ParkWide is explained in Attachment I to this report, provided by Mr. Kinsey.

The Recreation and Park Commission considered the proposed Master Bicycle Rental Concession lease with ParkWide on January 20, 2011. At that hearing, the Recreation and Park Commission expressed concern for both bicyclist and pedestrian safety with the proposed addition of a bicycle rental concession at Union Square Plaza. Therefore, the Recreation and

Park Commission added a Section 35 to the proposed ParkWide lease, "Ability of Commission To Revoke Parkwide's Authorization To Operate at Union Square." Under Section 35 of the proposed lease, if at any time after nine months after ParkWide commences operating at Union Square, and continuing throughout the term of this Lease, including the three-year option, the Recreation and Park Commission, in its sole discretion, may terminate the bicycle rental concession at the Union Square site, "if the Commission, in its sole discretion, determines that the bike rental operation at Union Square presents a significant safety hazard to ParkWide customers or members of the general public."

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize a new lease of approximately five years, with one three-year option, between RPD as lessor and ParkWide Activities, LLC (ParkWide) as lessee, for the operation of a Master Bicycle Rental Concession in five City park locations. Under the proposed lease, ParkWide would operate bicycle rental concessions in the following five park sites: (1) Golden Gate Park Bandshell, (2) JFK Drive at Hagiwara Tea Garden Drive in Golden Gate Park, (3) Marina Green, (4) Justin Herman Plaza, and (5) Union Square Plaza. Under the proposed lease, each park site will have "a fleet of bicycles to accommodate the public at each Site available for rental." The proposed lease does not specify a required number of bicycles per park site.

Based on the results of an RFP, the Recreation and Park Commission recommended the award of a lease to ParkWide Activities, LLC (ParkWide), for the operation of bicycle rental concession at: (1) the Golden Gate Park Bandshell, (2) JFK Drive at Hagiwara Tea Garden Drive in Golden Gate Park, (3) Marina Green, (4) Justin Herman Plaza, and (5) Union Square Plaza.

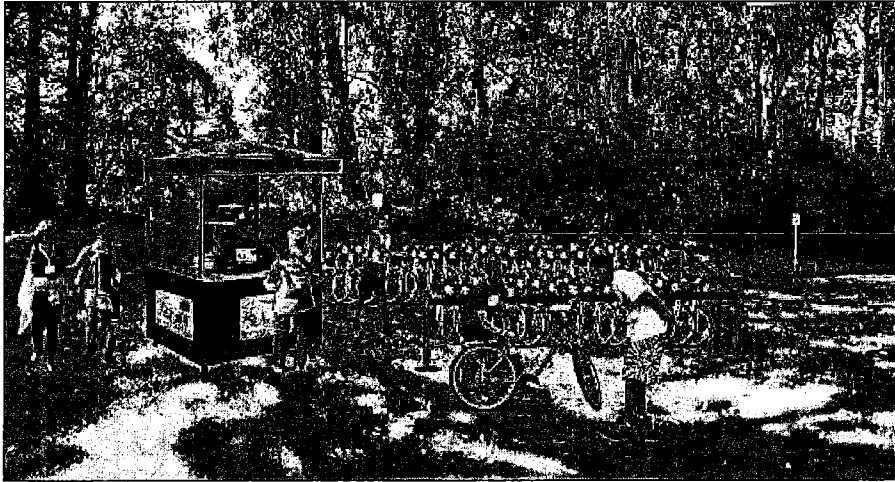
In addition to renting bicycles to the public, the proposed lease would (a) permit ParkWide to sell limited retail merchandise, such as bottled water and ParkWide t-shirts, and (b) require ParkWide to provide custom-built bicycle rental kiosks at each of the five sites, and bicycle storage facilities near the Bandshell and Marina Green sites. The bicycle rental kiosks would become the property of the City at the end of the proposed lease.

Each park site would also have a custom-built bicycle rental kiosk, provided by ParkWide. In addition to bicycle rental services, each park site would include a small retail concession, offering various items for sale. Proposed items for sale include bottled water and ParkWide t-shirts.

The term of the proposed lease would be approximately five years, commencing on the date the City delivers the first park site to ParkWide, and extending through January 31, 2016, with one three-year option from February 1, 2016 through January 31, 2019. Under the proposed resolution, the three-year option would not be subject to further Board of Supervisors approval.

The proposed lease would require ParkWide, to provide custom-built bicycle rental kiosks at each of the five San Francisco City Park sites. These five bicycle rental kiosks would become the property of the City at the completion of the proposed lease. The proposed lease does not require a minimum investment to be made by ParkWide for these kiosks, but the plans, specifications, installation, improvements and alterations of the kiosks are subject to RPD approval. A rendering of the kiosk and rental concession proposed for the Golden Gate Park Bandshell site is shown in Figure 1 below.

**Figure 1: Rendering of Kiosk and Bicycle Rental Concession at the Proposed Golden Gate Park Bandshell Site**



Source: RPD.

Under the proposed lease, ParkWide would be permitted to store bicycles at three locations: (1) two 20-foot bicycle storage containers to be placed at the Handball Courts in Golden Gate Park next to two existing storage containers, (2) two 40-foot bicycle storage containers in the RPD parking lot near the Bandshell in Golden Gate Park, and (3) two 20-foot bicycle storage containers at the Marina Green site that already contains two storage containers for rental bikes. Under the proposed lease, RPD is under no obligation to provide storage for the Union Square or Justin Herman Plaza park site locations.

The proposed Master Bicycle Rental Concession lease would also permit ParkWide to expand the initial five bicycle rental concession locations to additional, non-specified City park site locations in the future. Such expansion to additional City park sites would be subject to the approval of the Recreation and Park Commission, but would not be subject of Board of Supervisors approval (see Policy Considerations section of this report, below).

## FISCAL IMPACTS



The proposed lease would require ParkWide to pay the RPD the greater of either (1) the Minimum Annual Guarantee (MAG) rent of \$127,400, increased annually by the greater of either five percent or the Consumer Price Index (CPI), or (2) 13.5 percent of gross receipts if gross receipts are below \$1,500,000; 15.0 percent of gross receipts if gross receipts are equal to or greater than \$1,500,000 but less than \$2,000,000; or 17.0 percent if gross receipts are equal to or greater than \$2,000,000. Gross receipts include revenue from bicycle rental charges and the limited retail concession sales permitted under the proposed lease.

Bicycle rental rates and related charges have been established in Section 7.5 of the proposed lease. The rate table is included in Attachment II to this report. Under the proposed lease, any proposed increases in rates or charges are subject to Recreation and Park Commission approval.

The lease specifies the amount that each of the five RPD park sites contributes to the MAG. Table 4 below shows the breakdown of the first-year MAG according to each park site.

**Table 4: MAG Breakdown by Each of the Five Sites**

Bicycle Rental Concession Site	First-Year MAG	Percent of Total MAG*
Union Square Plaza	\$32,772	25.7%
Justin Herman Plaza	32,772	25.7%
Marina Green	24,396	19.1%
Bandshell at Golden Gate Park	25,180	19.8%
JFK Drive at Hagiwara Tea Garden Drive in Golden Gate Park	12,280	9.6%
<b>Total</b>	<b>\$127,400</b>	<b>100.0%</b>

\* Percentages do not add up to 100.0% due to rounding..

As shown in Table 5 below, the proposed lease would require a first-year MAG of \$127,400. ParkWide would pay RPD at least \$703,966 over the first five years of the lease, based on minimum annual increases of five percent to the MAG. However, RPD is projecting actual bicycle rentals and sales from the retail concessions will result in percentage rent that will be higher than the MAG, resulting in ParkWide paying RPD an estimated \$1,081,049 over five years, as shown in Table 5 below.

**Table 5: Guaranteed and Projected Rental Revenue**

Lease Year	Minimum Annual Guarantee (MAG)	Projected Percentage Rent
1	\$127,400	\$132,300
2	133,770	158,760
3	140,459	190,512
4	147,481	254,016
5	154,856	345,461
<b>Total</b>	<b>\$703,966</b>	<b>\$1,081,049</b>

In FY 2009-2010, RPD received a total of \$38,290 from two bicycle rental concessions, as shown in Table 2 above. With a required MAG of \$127,400 in the first year off the proposed

lease, RPD would realize a minimum annual revenue increase of \$89,110 (\$127,400 less \$38,290), or a 232.7 percent increase.

As noted in the Background section above, the Recreation and Park Commission has reserved the right to revoke ParkWide's right to operate a bicycle rental concession at Union Square Plaza at any time after the first nine months of the proposed lease if a significant safety hazard results. If the Recreation and Park Commission revokes this right, the MAG revenue would be reduced by 25.7 percent as reflected in Table 4 above. The reduced MAG would be \$94,628, or \$32,772 less than the proposed MAG of \$127,400. According to Mr. Kinsey, if the bicycle rental concession at the Union Square Plaza is discontinued, "ParkWide would have significant additional capacity and rather than having that go to waste and both the City and ParkWide lose revenue, the Department would work to identify an alternative location for ParkWide to operate."

## **POLICY CONSIDERATIONS**

### **RPD and ParkWide Negotiated Changes to the MAG and Percentage Rental Rates after ParkWide Was Selected in the RFP Process**

As noted in the Background section above, the MAG and the percentage rental rates in the proposed lease differ from the rental terms proposed by ParkWide Activities, LLC in ParkWide's response to RPD's competitive RFP. As shown in Table 3 above, ParkWide's response to the RFP proposed a MAG of \$130,000 and a tiered percentage rental rate of 13 percent and 18 percent of gross revenues. Following the selection of ParkWide through the RFP process, the Recreation and Park Commission authorized RPD to negotiate the final lease with ParkWide. In those negotiations, the rental structure was adjusted to that of the proposed lease, which has a MAG of \$127,400 in the first year and a tiered percentage rental rate of 13.5 percent, 15.0 percent, and 17.0 percent.

The Budget and Legislative Analyst notes that ParkWide originally proposed a MAG of \$130,000 as compared to the negotiated MAG of \$127,400, resulting in a reduction \$2,600 per year. However, as shown in Table 2 above, the Budget and Legislative Analyst notes that the negotiated MAG of \$127,400 to be paid by ParkWide to the RPD is still significantly more than the \$36,000 and \$25,000 MAGs proposed by the other two RFP respondents.

### **The Proposed Resolution Would Allow for Bicycle Rental Concessions at Additional, Non-specified City Park Site Locations, Without Being Subject to Board of Supervisors Approval**

As noted in the Details of Proposed Legislation section above, the proposed Master Bicycle Rental Concession lease would permit ParkWide to increase the number of bicycle rental concessions from the currently proposed five sites to an undetermined number of additional, non-specified City park site locations in the future, subject to approval by the Recreation and Park Commission but not subject to Board of Supervisors approval. If bicycle rental concessions at additional park site locations are added, increases to the MAG and changes to the percentage

rental rate structure would be negotiated between RPD and ParkWide prior to operation of any new bicycle rental concessions.

Based on an inquiry from the Budget and Legislative Analyst, Deputy City Attorney Ms. Virginia Dario Elizondo advises that if the Board of Supervisors wishes to retain the authority to approve the expansion of bicycle rental concessions at any additional undetermined number of non-specified park locations, the Board of Supervisors should amend the proposed resolution as described below (**additions in bold**):

From page 1 of the proposed lease:

“WHEREAS, The City desires to contract with ParkWide Activities, LLC. for the lease and operation of a Master Bike Rental Concession ~~in various City parks~~ **at the Golden Gate Park Bandshell, JFK Drive at Hagiwara Tea Garden Drive in Golden Gate Park, Marina Green, Justin Herman Plaza, and Union Square Plaza** and ParkWide desires to lease the premises from the City;”

From page 2 of the proposed lease:

“RESOLVED, That the Board of Supervisors hereby approves the lease dated January 21, 2011, for the operation of a Master Bike Rental Concession ~~in City Parks~~ **at the Golden Gate Park Bandshell, JFK Drive at Hagiwara Tea Garden Drive in Golden Gate Park, Marina Green, Justin Herman Plaza, and Union Square Plaza**, commencing on February 1, 2011, through January 31, 2016; and for a potential extension period of three years commencing on February 1, 2016, through January 31, 2019, subject to the approval of the Commission, **additional locations for bike rental facilities under this lease must be approved by the Board of Supervisors**; and be it”

## RECOMMENDATIONS

- 1.I f the Board of Supervisors wishes to retain the right to approve future expansion by an undetermined number of bicycle rental concessions at additional, non-specified City park site locations, that have not been specified under the proposed lease, amend the proposed resolution as stated in the Policy Considerations section above.
- 2.I f the Board of Supervisors does not wish to retain the authority to approve future expansions of bicycle rental concessions at additional, non-specified City park site locations, approve the proposed resolution.



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

**MEMORANDUM**

**Date:** March 2, 2011  
**To:** Ian Hart, Office of the Budget and Legislative Analyst  
**From:** Nick Kinsey, Assistant Director of Property and Concession Management  
**Re:** Percentage Rent Summary of Master Bike Rental Concession Lease

**Percentage Rent Proposed by ParkWide in their Response to the RFP**

In their response to the RFP, ParkWide proposed paying a percentage rent equal to 13% of gross receipts up to a break point that would be set at 80% of gross receipts and 18% of gross receipts for revenue above that breakpoint. The following chart summarizes the ParkWide's percentage rent payments under various scenarios.

Annual Gross Receipts	Proposed ParkWide BreakPoint (80% of Gross Receipts)	13 Percent Rent Due on Breakpoint (80% of Gross Receipts)	Revenue above breakpoint	18 Percent Rent Due on Revenue above Breakpoint (20% of Gross Receipts)	Total Percentage Rent Paid
\$500,000	\$400,000	\$52,000	\$100,000	\$18,000	\$70,000*
\$1,000,000	\$800,000	\$104,000	\$200,000	\$36,000	\$140,000
\$1,500,000	\$1,200,000	\$156,000	\$300,000	\$54,000	\$210,000
\$2,000,000	\$1,600,000	\$208,000	\$400,000	\$72,000	\$280,000
\$2,500,000	\$2,000,000	\$260,000	\$500,000	\$90,000	\$350,000
\$3,000,000	\$2,400,000	\$312,000	\$600,000	\$108,000	\$420,000

In negotiating a lease with ParkWide, RPD felt it important to alter the proposed breakpoint as the proposal that the breakpoint be fixed at 80% of revenue had little correlation with ParkWide's increased costs as the business expanded. As business grew over the term of the contract, there is no evidence that ParkWide's expenses would remain equal to 80% of revenue. In fact it is likely that since many of ParkWide's expenses are fixed, ParkWide's profit margin's would increase as the business expanded. RPD therefore felt that such a percentage rent structure would not maximize RPD's revenue as the concession grew and negotiated a lease more beneficial to the City.

**Negotiated Percentage Rent**

During the negotiations RPD and ParkWide exchanged numerous proposals but ultimately settled upon a percentage rent structure where ParkWide's percentage rent payments would escalate upon reaching certain predetermined thresholds. According to the proposed lease, ParkWide will pay to the City the greater of a Minimum Annual Guarantee of \$127,400 or an agreed upon percentage rent as defined below.

Annual Gross Receipts	Percentage Rent Due
Less than \$1,500,000	13.50%
\$1,500,000 to 1,999,999	15%
Over \$2,000,000	17%

If ParkWide's Annual Gross receipts are such that a higher percentage rent payment is triggered, ParkWide shall pay that higher percentage for the total Annual Gross Receipts, not just the increment above the relevant threshold. For example, if ParkWide's Gross Receipts total \$1,750,000, ParkWide shall be required to pay a percentage rent payment equal to 15% of the total \$1,750,00 and not a payment equal to 13.5% of the first \$1,499,999 and 15% of the remaining \$250,001.

**Comparison of ParkWide's Proposed Rents and the Negotiated Percentage Rent**

The Following chart compares the percentage rents that would be due to the City under various scenarios. It should be noted that while the City will receive slightly less rent under the final percentage rent terms than the proposed lease terms until annual gross receipts reach \$1,500,000, the City will receive significantly more revenue under the final lease terms when annual gross receipts exceed \$1,500,000.

Annual Gross Receipts	Percentage Rent Due Under ParkWide's Proposal	Percentage Rent Due Under Final Lease Terms
\$500,000	\$70,000*	\$67,500*
\$1,000,000	\$140,000	\$135,000
\$1,499,999	\$210,000	\$202,500
\$1,500,000	\$210,000	\$225,000
\$2,000,000	\$280,000	\$340,000
\$2,500,000	\$350,000	\$425,000
\$3,000,000	\$420,000	\$510,000

\* In the event that the percentage payment is less than the Minimum Annual Guarantee (MAG) of \$127,400, ParkWide shall pay the MAG. The MAG shall increase by the greater of 5% or the annual CPI for each lease year.

### Excerpt from Proposed Bicycle Concession Lease

**7.5 Rates and Charges.** The rates and charges for goods sold and services offered shall be reasonable and competitively priced with similar businesses in San Francisco. The Department reserves the right to review and approve any increases in rates and charges for bicycle rentals. Any increase in the bicycle rental rates or charges shall be subject to approval by the Commission. Bicycle rental rates shall be as follows:

<b>Bike Rentals</b>	<b>Hourly-2 hour minimum</b>	<b>½ Day-3 hours</b>	<b>Full Day-to close</b>	<b>24 Hours</b>
<b>Kids (Trailers, Baby Seats, 3-Wheelers)</b>	N/A	\$20	\$25	\$35
<b>Adult Bikes (Comfort Bikes and Cruisers)</b>	\$9	\$27	\$36	\$46
<b>High Performance</b>	\$14	\$42	\$56	\$66
<b>Tandems</b>	\$18	\$54	\$72	\$82
<b>Electric Bikes</b>	N/A	N/A	\$79	\$89
<b>2 Person Surrey (seats 2 people)</b>	\$25 (no minimum hours)	N/A	N/A	N/A
<b>4 Person Surrey (seats 4-6 people)</b>	\$35 (no minimum hours)	N/A	N/A	N/A

<b>Services</b>	
<b>Daily Guided Tour (Golden Gate Park Only)</b>	Adult- \$50, Child \$30

<b>Upgrades</b>	
<b>One Way Rentals</b>	\$10
<b>One Way Rentals Within Golden Gate Parke</b>	\$5

**RECREATION AND PARK COMMISSION**  
**City and County of San Francisco**  
**Resolution No. 1101-011**


**PARKWIDE BIKE RENTAL CONTRACT**

**RESOLVED**, That this Commission does recommend that the Board of Supervisors approve a lease with ParkWide Activities LLC for the operation of a master bike rental concession in city parks with the following amendment: 1) If after nine months of operating at Union Square, or any point thereafter, the Commission determines at its sole discretion that the bike rental operation at Union Square presents a significant safety hazard to ParkWide customers or members of the general public, the Commission shall be permitted to revoke ParkWide's ability to operate at Union Square.

Adopted by the following vote:

Ayes	7
Noes	0
Absent	0

I hereby certify that the foregoing resolution was adopted at the Regular Meeting of the Recreation and Park Commission held on January 20, 2011.

  
Margaret A. McArthur, Commission Liaison



File 110148

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

February 7, 2011

Angela Calvillo  
Clerk of the Board  
1 Dr. Carlton B. Goodlett Place  
City Hall, Room 244  
San Francisco, CA 94117

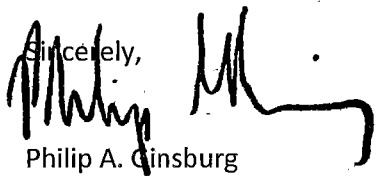
RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
2011 FEB - 7 AM 9:56  
BY Pha

Dear Ms. Calvillo,

Attached please find an original and four copies of a proposed resolution authorizing the Recreation and Park Department to enter into a lease agreement with ParkWide Activities, LLC for the operation of a Master Bike Rental concession in City parks.

I have attached a copy of the proposed lease as well.

Please contact Nick Kinsey at 415 831 2774 with any questions you may have.

Sincerely,  
  
Philip A. Ginsburg





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

**LEASE**

**between**

**CITY AND COUNTY OF SAN FRANCISCO,**

**And ParkWide Activities, LLC.**

**for the Operation of a Master Bike Bicycle Rental Concession in Various Parks**

**January 21, 2011**

**CITY AND COUNTY OF SAN FRANCISCO**

**Edwin M. Lee, Mayor**

**SAN FRANCISCO RECREATION and PARK COMMISSION**

**Mark Buell, President**

**Tom Harrison, Vice President**

**Gloria Bonilla, Commissioner**

**David E. Lee, Commissioner**

**Meagan Levitan, Commissioner**

**Lawrence Martin, Commissioner**

**Paige Arata, Commissioner**

**Philip A. Ginsburg, General Manager**

**RECREATION AND PARK DEPARTMENT**

**\*\*Complete copy of document  
located in File No. 110148**



**FORM SFEC-126:**  
**NOTIFICATION OF CONTRACT APPROVAL**  
(S.F. Campaign and Governmental Conduct Code § 1.126)

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s): Members, Board of Supervisors	City elective office(s) held: Members, Board of Supervisors
<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: <b>ParkWide Activities LLC</b>	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
Luis Orellana, Principal Darryll White, Principal Jeff Sears, Principal	
Contractor address: 383 Hyacinth Way San Rafael CA 94903	
Date that contract was approved: <i>(By the SF Board of Supervisors)</i>	Amount of contract: \$127,400 annually (Based on MAG)
Describe the nature of the contract that was approved: Lease to rent bicycles and conduct guided bike tours in SF parks	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form

a board on which the City elective officer(s) serves: San Francisco Board of Supervisors  
Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer: Angela Calvillo, Clerk of the Board	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: Board.of.Supervisors@sfgov.org

\_\_\_\_\_  
Signature of City Elective Officer (if submitted by City elective officer)

\_\_\_\_\_  
Date Signed

\_\_\_\_\_  
Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

\_\_\_\_\_  
Date Signed