

AMENDED IN COMMITTEE
2/5/14

FILE NO. 140066

RESOLUTION NO.

1 [Lease - Coit Tower, LLC - \$662,400 Annual Base Rent]

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3 **Resolution authorizing the General Manager of the Recreation and Park Department to**
4 **execute a five-year lease from February 1, 2014, through January 31, 2019, with one**
5 **three-year option to extend, for an initial annual base rent of \$662,400, with Coit Tower,**
6 **LLC, for the operation and management of Coit Tower and reaffirming the commitment**
7 **of the Board of Supervisors to protect and preserve Coit Tower and its murals in**
8 **accordance with Proposition B passed by voters on June 5, 2012.**

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10 WHEREAS, The City and County of San Francisco (City) owns, and the Recreation
11 and Park Department operates and maintains, the land and improvements commonly known
12 as Coit Tower; and

13 WHEREAS, Since 1933, Coit Tower has graced San Francisco's skyline as one of the
14 City's most iconic buildings; and

15 WHEREAS, Coit Tower was named in honor of Lillie Hitchcock Coit, a wealthy booster
16 of San Francisco's dedicated firefighters, who left a significant bequest "for the purpose of
17 adding to the beauty of the City I have always loved"; and

18 WHEREAS, In 1934, a group of artists supported by the Public Works of Art Project, a
19 forerunner of the Works Progress Administration, painted a series of murals portraying daily
20 life in California during the Great Depression; and

21 WHEREAS, The murals are maintained and managed by the San Francisco Arts
22 Commission; and

23 WHEREAS, On October 24, 2011, the Recreation and Park Commission
24 ("Commission") authorized the Recreation and Park Department (RPD or the Department) to
25 issue a Request for Proposals (RFP) to solicit responses from qualified entities for the

1 management and operation of the concessions at Coit Tower, and on June 21, 2012, the
2 Commission authorized RPD staff to begin lease negotiations with Coit Tower LLC as the
3 highest scoring respondent to the RFP; and

4 WHEREAS, On January 23, 2014, by Resolution No. 1401-009, which is on file with
5 the Clerk of the Board of Supervisors in File No.140066 , the Commission recommended that
6 the Board of Supervisors approve the Lease, on file with the Clerk of the Board of Supervisors
7 in File No. 140066 (Lease), between the City and Coit Tower LLC for the operation and
8 management of Coit Tower, including the elevator, bookstore, tours and telescope rentals, for
9 five years from February 1, 2014, through January 31, 2019, with one three-year option to
10 extend, the exercise of which will be subject to approval by the Commission, which shall not
11 be unreasonably withheld provided that the lessee is not then in default of any its obligations
12 under the Lease; and

13 WHEREAS, The Lease has an anticipated revenue to the City of more than \$1,000,000
14 and therefore requires Board of Supervisors approval pursuant to City Charter, Article IX,
15 Section 9.118, Subsection (a); and

16 WHEREAS, The Lease provides for an annual base rent of \$662,400 per year, payable
17 in monthly installments, and subject to an annual CPI increase capped at 5%, or, if greater,
18 percentage rent in an amount equal to 90% of elevator admission receipts, 20% of
19 merchandise sales, 10% of audio tours and binocular rentals, 50% of revenue from telescopic
20 viewers, and 10% of revenue from student or docent led tours; and

21 WHEREAS, The Lease requires Coit Tower, LLC, to institute a docent program by
22 employing or engaging one or more employees, contractors, or volunteers who is
23 knowledgeable about the history of Coit Tower, the murals, and the muralists, to be on duty
24 during all hours Coit Tower is open to the public to greet visitors, inform guests about rules
25 governing mural viewing, give a brief summary of the art and history of Coit Tower, provide

1 directions and answer questions about the murals and Coit Tower, and observe visitors in the
2 lobby and remind them of the viewing rules (backpacks and other items to be carried in front,
3 no food or drink, no touching, etc.), and to provide a minimum of one daily guided tour of the
4 murals, and the Lease provides a credit against the monthly base rent or monthly percentage
5 rent payable in the amount of \$3,333.33 adjusted annually by CPI, for each full calendar
6 month in which Coit Tower, LLC, provides the required docent service; and

7 WHEREAS, The Lease requires Coit Tower, LLC, to make improvements at Coit Tower
8 such as repainting, cleaning, and resealing the floors in the main gallery, installing customized
9 lighting and shelving in the bookstore, and installing a wireless security camera system; and

10 WHEREAS, The anticipated revenues from the Lease are projected to net the
11 Department \$6,558,870 over the course of the proposed five-year term, an increase from
12 current revenue of an average of \$563,412 annually; and

13 WHEREAS, Revenues from the Coit Tower concessions are fundamental in supporting
14 RPD programming and maintenance, including the maintenance of Coit Tower and
15 surrounding Pioneer Park; and

16 WHEREAS, The Commission expressed in its Resolution No. 1401-009 dated January
17 23, 2014, which is on file with the Clerk of the Board of Supervisors in File No.140066, that as
18 part of its annual budget proposed to the Mayor and Board of Supervisors, RPD intends to
19 propose that 1% of annual revenues from the Lease be allocated to the Arts Commission to
20 provide an ongoing dedicated funding source for the maintenance and protection of the Coit
21 Tower murals; and

22 WHEREAS, At the request of RPD, the Arts Commission in August of 2012 developed
23 "Guidelines for Coit Tower Usage," (the Guidelines), which include comprehensive regulations
24 to protect the Coit Tower murals; and

25 WHEREAS, The Guidelines have been incorporated into the proposed Lease; and

1 WHEREAS, According to the professional assessment of Arts Commission
2 preservationists, proper implementation, enforcement and adherence to the Guidelines will
3 adequately protect Coit Tower’s treasured murals; and, therefore be it

4 RESOLVED, That the Board of Supervisors hereby approves the Lease with Coit
5 Tower, LLC, for the operation and management of Coit Tower; and, be it

6 FURTHER RESOLVED, That in approving the Lease, the Board of Supervisors
7 reaffirms its commitment to protect and preserve Coit Tower and its murals in accordance with
8 Proposition B approved by the voters on June 5, 2012; and, be it

9 FURTHER RESOLVED, That the Board finds that the Lease is consistent with the
10 policy set forth in Proposition B because it provides for the protection of the murals in
11 accordance with the Guidelines and prohibits private events at Coit Tower; and, be it

12 FURTHER RESOLVED, That the Board finds further consistency with Proposition B
13 through the Commission’s Resolution No. 1401-009 dated January 23, 2014, that expresses
14 the Department’s intention to propose that 1% of annual revenues from the Lease be
15 allocated to the Arts Commission to provide an ongoing dedicated funding source for the
16 maintenance and protection of the murals; and, be it

17 FURTHER RESOLVED, That the Board of Supervisors authorizes the General
18 Manager of the Recreation and Park Department to enter into additions, amendments, or
19 other modifications to the Lease (including, without limitation, preparation and attachment of,
20 or charges to, any or all of the exhibits) that the General Manager, in consultation with the City
21 Attorney, determines are in the best interest of the City, do not materially decrease the
22 benefits of the Lease to the City, do not materially increase the obligations or liabilities of the
23 City, do not authorize the performance of any activities without pursuing all required regulatory
24 and environmental review and approvals, and are necessary or advisable to complete the
25 transactions which the Lease contemplates and effectuate the purpose and interest of this

1 resolution, such determination to be conclusively evidenced by the executions and delivery by
2 the General Manager of the Lease and any such additions, amendments, or other
3 modifications to the document; and, be it

4 FURTHER RESOLVED, That the Board recognizes the importance of providing for
5 future Capital needs at Coit Tower, and the Board intends to take the maintenance needs of
6 Coit Tower into consideration when developing and adopting the next 10-year Capital Plan;
7 and, be it

8 FURTHER RESOLVED, That within thirty (30) days of the contract being fully executed
9 by all parties the Recreation and Park Department shall provide the final Lease to the Clerk of
10 the Board for inclusion into the official file.

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