



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Alexa Jeffress
Director, EWD

SUBJECT: New License Agreement For Gondola
Services On Lake Merritt

DATE: July 13, 2020

City Administrator Approval 

Date: July 15, 2020

RECOMMENDATION

Staff Recommends That The City Council Adopt An Ordinance (1) Authorizing The City Administrator To Negotiate And Execute A Five-Year License With One Five-Year Option To Renew, At The Below Market Rate Of \$1000 Per Month, Increasing By \$100 In Each Year Including The Option Term, For Use Of Space By Gondola Servizio L.L.C. At Lake Chalet, 1520 Lakeside Drive, And Lake Merritt Boating Center, 568 Bellevue Avenue, Both Properties On The Same Parcel (APN 10-764-3), For Gondola Services On Lake Merritt And (2) Making Findings That The License For Below Fair Market Value Is In The Best Interests Of The City.

EXECUTIVE SUMMARY

Various operators have provided gondola services using human-powered flat-bottomed boats on Lake Merritt for over 20 years, since as early as May 1999. The gondolas have since become an iconic component of Lake Merritt and contribute to its vibrancy and sense of place. Gondola operators have licensed space on City-owned land at Lake Chalet, 1520 Lakeside Drive, and Lake Merritt Boating Center at 568 Bellevue Avenue. The space consists of: 1) commercial space (512 square feet) at Lake Chalet, 2) floating dock (about 400 square feet on southeast side of commercial space) and accompanying berths at Lake Chalet, and 3) storage bay #A (484 square feet) at Lake Merritt Boating Center. Not including the berths, the total square footage is about 1,396 square feet.

The previous operators of the gondola services are in the process of selling their gondolas to Gondola Servizio L.L.C. (Licensee). Licensee is a new small business and will operate manually-rowed gondolas on Lake Merritt, consistent with past practices. Staff has recently concluded negotiations with Licensee to accept, subject to City Council authorization, a below-market-rate (BMR) license for five (5) years, with an escalating rental rate and one option to renew for another five (5) years, and recommends that the City Council approve this license (the License) with the terms specified below. Staff believes that a below-market rate is warranted given the community benefits of the proposed use, which include more equitable access to Lake Merritt, and specific agreed-upon in-kind services.

City Council
July 21, 2020

BACKGROUND/LEGISLATIVE HISTORY

On January 27, 1999, the Parks and Recreation Advisory Commission unanimously endorsed a staff recommendation to allow a gondola concession on Lake Merritt. Gondola service was provided on Lake Merritt until fall 2019 when outgoing owners April Quinn and Angelino Sandri decided to close the business.

Leah Slyder Vass and her husband Gyorgy Vass started a new business called Gondola Servizio L.L.C. to provide a successor gondola service on Lake Merritt. A long-time Oakland resident, Leah is a Laney College-trained chocolatier with a background in opera costume design, catering management, and event production. She has produced events such as the Venetian Carnevale on Lake Merritt and Friday Nights at the de Young Museum. Gyorgy is a classical guitarist and has taught guitar in Oakland for over 25 years. His musical and teaching background will be important in training and building a team of gondoliers. In addition, he has been a building engineer for more than 20 years and has the necessary woodworking skills to provide proper maintenance of the privately-owned gondolas.

The Oakland City Charter provides the City Council with the authority to lease or sell real property owned or controlled by the City, in accordance with procedures described in Oakland Municipal Code (O.M.C.) Section 2.42.110, which establishes that City-owned real property should be leased at a rent or fee equal to or exceeding the property's fair market rental value (FMRV). It also allows the City Council to approve leases at less than FMRV if it determines it is in the best interest of the City and that certain benefits to the City can be demonstrated.

ANALYSIS AND POLICY ALTERNATIVES

Gondola cruises complement existing water activities on Lake Merritt and promote equitable access to the Lake. Rowing, sailing, kayaking, and pedal-boating are popular activities on Lake Merritt that can require specialized skills and/or vigorous physical effort. Gondolas are rowed by trained gondoliers and can accommodate passengers who are unable to exert more vigorous physical effort or desire a more relaxed experience of Lake Merritt. In this way, the gondola service will continue to attract new visitors to Lake Merritt and promote equitable access to the Lake.

Tourism represents a key sector in Oakland's economy. The gondolas add vibrancy and a distinct sense of place to Oakland's Lake Merritt area and provide a creative identity for Oakland. However, commercial rents in Oakland have been rising, and cultural uses often cannot compete in high demand areas such as Lake Merritt. If the City were to license the space at FMRV, Licensee would not be able to operate in these spaces. Offering a multi-year BMR license will provide Licensee some stability and allow it to restore the gondolas and cover its basic expenses as it gradually expands to full operations.

Licensee has agreed to a set of in-kind services that will benefit the Oakland community. Licensee will partner with the City and local groups, including local artists and makers, to be featured in popups in the commercial space and floating dock. Licensee will host recitals and concerts that would benefit both the musicians and the local community by providing a beautiful and safe performance space. Licensee will donate gift certificates for gondola cruises for Oakland public schools, nonprofit groups, and charity organizations such as the Oakland Parks

and Recreation Foundation. Licensee will offer discounts or scholarships for rowing lessons for promising youth and community college students interested in learning the rare skill of Venetian rowing who will then be able to join Licensee's team of local rowers.

Proposed License Terms

For reasons described above and in the previous section of this report, staff proposes to offer a multi-year BMR license to Licensee because of the social, cultural, and economic benefits it brings to Oakland. The agreed-upon business terms are as follows:

	Business terms	
1	License Term	5 years, one option to renew for another 5 years
2	Square Feet	1) commercial space (512 sf) at Lake Chalet 2) floating dock with 2 to 3 berths at Lake Chalet 3) storage bay #A (484 sf) at Lake Merritt Boating Center
3	Monthly Rental Rate	Below market rental rate of \$1,000 per month. License fees will increase annually by \$100 per month, including during the option term. The fair market rental rate is estimated to be \$2,050 per month.

Licensee will provide at least the following in-kind services:

- free use of commercial space and floating dock by the City;
- free or discounted use of commercial space and floating dock by local groups, including local artists and makers;
- free or discounted use of commercial space and floating dock for recitals and concerts;
- gift certificates for gondola cruises for Oakland public schools, nonprofit groups, and charity organizations;
- gift certificate for Oakland Parks and Recreation Foundation annual fundraiser;
- discounts or scholarships for rowing lessons for promising youth and community college students; and
- free use of gondola image for City marketing.

Policy Alternatives

In the alternative, the City could market the space at FMRV. Provided the City is able to attract a licensee at the higher rent, this would generate greater revenue for the General Fund. However, it is uncertain, if not unlikely, that a FMRV tenant would be able to offer the in-kind services and other community benefits described above. Historically, the gondola-for-hire service at Lake Merritt has not been profitable due to the seasonality of the business, less than ideal weather conditions, and difficulty in recruiting workers due to the unique requirements of being a gondolier, which can include singing.

FISCAL IMPACT

If the License is approved, the target commencement date is August 1, 2020. At that point, the Licensee would begin paying the BMRV of \$1,000/month to the OPRCA Self Sustaining Revolving Fund (1820), Office of OPR Director Org (501110), DP5000 Administrative Project (1000012), Central Administration Program (NB01), Miscellaneous Concession Rental Account (44519). The license fee will be escalated annually by \$100/month, including during the option term.

The City would forgo about \$12,600 annually that it could have received if the space was licensed at FMRV. This amount will decrease by \$1,200 per year because of the agreed-upon rate escalation.

PUBLIC OUTREACH / INTEREST

No outreach was deemed necessary for the proposed policy action beyond the standard City Council agenda noticing procedures.

COORDINATION

Several City departments, including the City Administrator's Office, the Office of the City Attorney, Parks Recreation & Youth Development Department, and Economic & Workforce Development Department (Real Estate Asset Management Division) are working together to coordinate this License. In addition, this report and legislation have been reviewed by the Budget Bureau and the Office of the City Attorney.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)

Staff has determined that this action is not a project subject to the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3) because the License authorized by this Ordinance will not have a direct or reasonably foreseeable indirect physical change in the environment.

SUSTAINABLE OPPORTUNITIES

Economic: The License will directly assist an Oakland-based small business, create a venue for other Oakland small businesses, and contribute to the economic vitality of Lake Merritt and surrounding neighborhoods.

Environmental: There are no environmental impacts associated with this action.

Race & Equity: The License supports a partially woman-owned business and enables more equitable access to Lake Merritt.

ACTION REQUESTED OF CITY COUNCIL

Staff Recommends That The City Council Adopt An Ordinance (1) Authorizing The City Administrator To Negotiate And Execute A Five-Year License With One Five-Year Option To Renew, At The Below Market Rate Of \$1000 Per Month, Increasing By \$100 In Each Year Including The Option Term, For Use Of Space By Gondola Servizio L.L.C. At Lake Chalet, 1520 Lakeside Drive, And Lake Merritt Boating Center, 568 Bellevue Avenue, Both Properties On The Same Parcel (APN 10-764-3), For Gondola Services On Lake Merritt And (2) Making Findings That The License For Below Fair Market Value Is In The Best Interests Of The City.

For questions regarding this report, please contact Brendan Moriarty, Real Property Asset Manager, Real Estate Asset Management Division, (510) 238-6354, bmoriarty@oaklandca.gov.

Respectfully submitted,



ALEXA JEFFRESS
Director, Economic & Workforce Development
Department

Reviewed by:

Dana Riley, Assistant Director
Parks, Recreation & Youth Development Dept.

Brendan Moriarty, Real Property Asset Manager
Real Estate Asset Management Division
Economic & Workforce Development Department

Prepared by:

Jinhua Su, Real Estate Agent
Real Estate Asset Management Division
Economic & Workforce Development Department