



MEMORANDUM

August 8, 2025

TO: MEMBERS, PORT COMMISSION
Hon. Gail Gilman, President
Hon. Stephen Engblom, Vice President
Hon. Willie Adams
Hon. Steven Lee
Hon. Ken McNeely

FROM: Elaine Forbes
Executive Director

SUBJECT: Request approval of an 18-month renewal, with one 18-month extension option, of SkyStar Wheel, LLC Lease at SWL 301 (proposed Lease No. L-17322) including a resolution recommending the Board of Supervisors waive any applicable requirements of the competitive bidding process with respect to this renewal.

DIRECTOR'S RECOMMENDATION: Approve the Attached Resolution No. 25-49

EXECUTIVE SUMMARY

On May 1, 2024, Port entered an 18-month lease, Lease No. L-17136, with SkyStar Wheel LLC, a Missouri limited liability company ("SkyStar"), for an observation wheel ("Wheel") on a portion of the parking lot at Seawall Lot 301 ("SWL 301"). The Port Commission and Board of Supervisors both waived the competitive bidding requirements for Lease No. L-17136.

Lease No. L-17136 expires on October 31, 2025, and Port staff seek to enter a renewal lease, L-17322, (the "Renewal Lease") with SkyStar for 18 months with one option for SkyStar to extend the Lease for an additional 18 months. Even though Lease No. L-17136 was authorized under a competitive bidding waiver, authority did not explicitly extend to a renewal. Because the Renewal Lease requires approval by the Board of Supervisors

under Charter Section 9.118, a subsequent waiver of competitive bidding is also recommended.

Under the proposed terms of the Renewal Lease, the base rent increases from \$10,491 to \$11,000 per month plus annual increases, and the percentage rent increases from 5% to 8%. Based on revenues under Lease No. L-17136, Port anticipates the Renewal Lease will produce revenues in excess of \$1 million if Tenant exercises its extension option. Port engineering recommends increasing the security deposit to \$100,000 to have funds available if the foundation is not adequately removed. The Port may terminate the Lease on 90-day notice if needed for the Fisherman's Wharf Revitalization project. Other terms and conditions in Lease No. L-17136 will generally remain in the Renewal Lease.

Fisherman's Wharf Revitalized, LLC, holds an exclusive negotiating agreement ("ENA") with the Port for the redevelopment of SWL 301 and Sheds A and C at Pier 45. The ENA limits the term of SkyStar's use of SWL 301 and requires SkyStar vacate by December 31, 2025. Port staff are working with Fisherman's Wharf Revitalized to waive the December 31, 2025 deadline. Without that waiver, the Port would violate the ENA by approving the Renewal Lease.

This staff report provides the rationale for the Renewal Lease and for the request to waive the competitive bidding procedures and provides the Port staff's recommendation on the next steps to seek Board of Supervisors approval and execute the Renewal Lease No. L-17322 with SkyStar.

STRATEGIC OBJECTIVE

Advancement of the Lease supports the following goals of the Port's Strategic Plan:

Economic Recovery:

Targeted Activation: The Wheel helps maintain a significant draw to Fisherman's Wharf as it is popular with tourists and locals.

Economic Growth:

Property Portfolio: The Renewal Lease continues to provide revenue to the Port and support tenants by bringing more foot traffic to the area.

Engagement:

Stakeholder Awareness: Port staff advised the Fisherman's Wharf Advisory Committee ("FWAC"), representing the Port businesses in Fisherman's Wharf, that Port staff was seeking to renew this Lease which will allow the Wheel to remain for an additional 18 months. The FWAC supported the original 18-month lease.

BACKGROUND

In July 2023, Port staff worked to move the Wheel from Golden Gate Park to Fisherman's Wharf. Port staff favorably viewed this proposal because it was perceived as a favorable activation for the area.

Operations commenced on November 10, 2023 under a special event license that expired six months later. Port staff and SkyStar negotiated an 18-month lease, L-17136, to keep the Wheel in operation into October 2025.

Lease No. L-17136 was presented at the January 2024 Fisherman's Wharf Advisory Committee ("FWAC") meeting and FWAC members and other participants in the meeting favored keeping the Wheel in place on SWL 301, which support remains unchanged.

Lease No. L-17136 required that SkyStar construct a more robust foundation for the Wheel. State regulations set different safety standards for temporary amusement rides and the 18-month term under Lease No. L-17136 did not qualify as temporary for Cal/OSHA and building permit purposes. SkyStar upgraded the foundation at a cost of nearly \$2 million. SkyStar completed the work at the end of June 2024 and received permits to reopen to the public.

SkyStar at Fisherman's Wharf is more popular than when it was at Golden Gate Park: ridership at least doubled year-over-year.

PORT STAFF ANALYSIS REGARDING BOARD APPROVAL

The Wheel has become an iconic feature at Fisherman's Wharf, visible from both the City and across the bay.

San Francisco Administrative Code Sections 2.6-1 and 23.33 generally require a competitive bidding procedure to lease City-owned property. However, there is a high barrier to entry into the observation wheel market given the significant upfront costs and specific operating skills required. SkyStar is a major supplier and operator of wheels in the United States with only a few competitors.

After conducting due diligence in anticipation of Lease No. L-17136, Port staff identified no other likely competitors to SkyStar that would participate in a competitive bidding process and this finding stands for the Renewal Lease. According to the operator, the fabrication of a new wheel takes at least 2 years at a cost of approximately \$15 million. Pursuing a competitive bidding process now would likely result in a gap in operations, resulting in the loss of needed activation for the Fisherman's Wharf area and associated Port revenue.

After 17 months of reported operating performance, the Wheel has proven to be a positive addition to Fisherman's Wharf. It has served 517,000 riders, produced \$8.9 million in gross revenue, and paid \$639,000 to the Port for base and percentage rent, equating to approximately \$37,500 per month. Although actual Port revenues vary with the tourist season, the Port estimates slightly greater revenues based on higher base and percentage rents under the Renewal Lease. If SkyStar exercises the tenant option and operates for 36 months, Port estimates revenues of approximately \$1.3 million, requiring Port Commission and Board of Supervisors approval.

The Wheel meets Port activation and beautification goals and creates more foot traffic for nearby businesses. The Wheel provides a desirable and previously missing activity for visitors to the Wharf. The Wheel offers sweeping views of the San Francisco bayfront and an iconic image in the San Francisco skyline.

Based on the Port's interest in maintaining operations and the pending Lease No. L-17136 termination on October 31, 2025, Port staff seek a waiver of competitive bidding for the proposed Renewal Lease and approve the Renewal Lease with potential revenue exceeding \$1 million.

TERMS OF PROPOSED RENEWAL LEASE

The main financial terms of the Renewal Lease No. L-17322 include:

- New, 18-month term commencing on November 1, 2025 and expiring on April 30, 2027.
- Plus, one 18-month Tenant option to renew that would extend the term to October 31, 2028.
- Port has the right to terminate the Lease on 90-days' notice, for the limited purpose of accommodating Fisherman's Wharf Revitalized's redevelopment plans under the ENA, if Port determines the termination is necessary.
- If Tenant does not vacate at the termination or expiration of the Lease, Port staff revised the standard holdover provision in the lease from 200% of base rent per month (an unauthorized holdover) to 200% of base **plus** percentage¹ rent for the first month of holdover and to 500% every month thereafter.
- New Monthly Base Rent of \$11,000 to increase to \$11,550 effective November 2026.
 - The proposed Base Rent (\$1.02 psf/mo) exceeds the Port Commission's approved, minimum parameter rent for Improved Land and Sidewalk of \$0.94 psf/mo, which was initially adopted for fiscal year 2023-2024 (Port Resolution 23-36).
- The percentage rent increases from 5.00% to 8.00% of gross revenue.
 - Under the proposed Renewal Lease, SkyStar will continue to pay both Base Rent and Percentage Rent based on revenue. Most other Port restaurant/retail tenants pay percentage rent only to the extent that percentage or participation rent exceeds the base rent.

¹ Percentage rent will be calculated by averaging the trailing 12 months of percentage rent.

- Security deposit to increase to \$100,000 to help ensure Port can address any lingering physical issues after lease expiration and SkyStar vacates the site.

See Lease No. L-17322, lodged with the Port Commission secretary, for complete terms and conditions.

PORT STAFF CONCLUSIONS - WAIVER OF COMPETITIVE SELECTION PROCESS AND PROPOSED TERMS OF THE LEASE

For the renewal of the SkyStar Lease, Port staff arrived at the following conclusions.

- The Port should maintain operation of the Wheel to support the ongoing economic recovery Fisherman's Wharf. The Wheel improves the visitor experience at Fisherman's Wharf and helps position other Port projects and activations for success.
- The proposed Lease No. L-17322 terms represent a significant improvement from the terms in the lease that expires in October 2025, are better than base rent parameter minimums, and secure additional revenue for the Port for the 18-month extension term.
- Based on past payments under the prior lease, the Port anticipates revenues in excess of \$1 million assuming SkyStar exercises the tenant's option to extend the Renewal Lease term.
- By waiving the competitive bidding process and entering a renewal with SkyStar, the extended term will allow the benefits of the Wheel to continue to accrue unabated and continue to generate revenue for the Port.
- In closing, Port staff recommend that the Port Commission adopt the attached Resolution to approve the waiver of the competitive bidding process and the terms of the proposed Renewal Lease that will maintain the positive momentum of the Wheel at Fisherman's Wharf.
- Port staff has determined that initiating a competitive bidding process is impractical, if not impossible, due to the tight timeframe that is unlikely to generate a competing interest that can open by October 31, 2025, when the SkyStar lease expires.

PROPOSED NEXT STEPS & RECOMMENDATION

Port staff recommend that the Port Commission adopt the attached Resolution for a continuing waiver of the competitive bidding process and approve the Renewal Lease No. L-17322 with potential revenue exceeding \$1 million, subject to Board of Supervisors approvals, and direct staff to seek Board approvals for the continuing waiver of the competitive bidding process and for a lease with potential revenue exceeding \$1 million, both necessary to execute the Renewal Lease.

Prepared by: Don Kavanagh, Senior Property Manager
Real Estate and Development

For: Scott Landsittel, Deputy Director
Real Estate and Development

**PORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 25-49

- WHEREAS, Charter Section B3.581 empowers the Port Commission with the power and duty to use, conduct, operate, maintain, manage, regulate, and control the Port area of the City and County of San Francisco; and
- WHEREAS, At its meeting on April 11, 2023, after a public planning process that maximized public participation in discussions about existing waterfront activities, regulations, challenges, public desires, and needs to incorporate diverse viewpoints and perspectives to develop policy recommendations, the Port Commission adopted an updated Waterfront Plan (the “Waterfront Plan”); and
- WHEREAS, The Waterfront Plan includes a stakeholder engagement process for waiver of competitive bidding requirements in advance of the submission of such proposals to the Board of Supervisors for consideration of a waiver of the City’s competitive bidding policies; and
- WHEREAS, In July 2023, the Port was notified of the opportunity to move the SkyStar Wheel (the “Wheel”) from Golden Gate Park to Fisherman’s Wharf; and
- WHEREAS, On November 1, 2023, the Port and SkyStar Wheel, LLC, a Missouri limited liability company (“SkyStar”), entered License Number 17107 for a portion of SWL 301 for a six-month term; and
- WHEREAS, Before the expiration of the License 17107 on April 30, 2024, SkyStar and the Port negotiated an 18-month lease (“Lease 17136”), that commenced on May 1, 2024 and will expire on October 31, 2025; and
- WHEREAS, Port staff sought stakeholder feedback and explored the potential to competitively bid the site for an observation wheel prior to executing Lease 17136 and concluded that a competitive process was unlikely to result in more than one proposal; and
- WHEREAS, The Port Commission approved Resolution 24-15 on February 27, 2024, adopting findings under the California Environmental Quality Act (California Public Resources Code sections 21000 et seq.) and approving Lease 17136 subject to any necessary approvals by the Board of Supervisors (“Board”) such as a waiver of the City’s competitive bidding policies; and
- WHEREAS, The Board adopted Resolution 194-24, which was enacted on May 1, 2024 and waived competitive bidding procedures for Lease 17136; and

- WHEREAS, Port staff has concluded that the favorable stakeholder feedback received at the Fisherman’s Wharf Advisory Committee on January 10, 2024, remains relevant; and
- WHEREAS, Port staff and SkyStar have negotiated a Renewal Lease (“Lease No. 17322”), to allow SkyStar to continue Wheel operations at the site for an initial 18-month term, with an option for SkyStar to extend the term for an additional 18 months, including base and percentage rent increases and other terms and conditions as described in the staff report accompanying this Resolution; and
- WHEREAS, The Renewal Lease No. 17322 allows a temporary continuation of the existing use of the site, with the same maximum intensity of use, and is therefore within the scope of the project evaluated by the Planning Department and for which the Port Commission adopted findings under CEQA in Port Commission Resolution 24-15; and
- WHEREAS, WHEREAS, On March 16, 2023, the Planning Commission certified the Final Environmental Impact Report (Planning Case No. 2019-023037ENV) (“FEIR”) for The Port of San Francisco’s Waterfront Plan (the “Project”); and
- WHEREAS, On October 30, 2023, the Planning Department issued Addendum 2 (Planning Case No. 2023-009039ENV) (“Addendum 2”) to the FEIR, which analyzed the environmental impacts of the relocation to and operation of the Wheel in Fisherman’s Wharf for a period of up to three years, and identified the following mitigation measures to be potentially applicable to relocation and operation of the Wheel: M-CR-2a, Procedures for Accidental Discovery of Archeological Resources for Projects Involving Soil Disturbance; M-CR-2b, Archeological Monitoring Program; M-CR-2c, Archeological Testing Program; M-CR-2d, Treatment of Submerged and Deeply Buried Resources; and Mitigation Measure M-AQ-4c, Best Available Control Technology for Projects with Diesel Generators and Fire Pumps (each as further described in the FEIR and collectively, the “Mitigation Measures”); and
- WHEREAS, On June 11, 2024, the Planning Department issued a Memorandum to File (Planning Case No. 2023-009039ENV) (“Memorandum to File”) pursuant to the requirements of the California Environmental Quality Act and Chapter 31 of the San Francisco Administrative Code, analyzing an extension of the operation of the Wheel beyond the initial period analyzed in Addendum 2, including the construction of a new foundation shifting the Wheel approximately 15 feet west and 2 feet south from its then-current location, and determined that the modifications to the Project would not cause new significant impacts or result in a substantial increase in the severity of the impacts identified in Addendum 2, and that no new or revised mitigation measures would be required; and

WHEREAS, San Francisco Administrative Code Section 31.19(c)(1) provides that the Planning Department must reevaluate a modified project and that, “[i]f, on the basis of such reevaluation, the Environmental Review Officer determines, based on the requirements of CEQA, that no additional environmental review is necessary, this determination and the reasons therefore shall be noted in writing in the case record, and no further evaluation shall be required by this Chapter”; and

WHEREAS, Port staff desires to renew the SkyStar Lease as an appropriate interim use of the site that generates revenue for the Port, creates foot traffic that helps activate the Fisherman’s Wharf area, maintains economic momentum from the Port’s current investments in the recovery of the Fisherman’s Wharf portfolio, and supports the goals of the Port’s Fisherman’s Wharf Forward project; now, therefore be it

RESOLVED, That the Port Commission adopts the findings and conclusions in Addendum 2 and the Memorandum to File, and adopts the Mitigation Measures identified in the FEIR and Addendum 2 as conditions of this approval action; and be it further

RESOLVED, That in consideration of the financial performance of the Wheel, and the results of the stakeholder outreach summarized above and in the staff report accompanying this Resolution, the Port Commission recommends that Port staff, in consultation with the City Attorney’s Office, seek Board approvals to renew the lease for an observation wheel on a portion of SWL 301, with potential revenue exceeding \$1 million in accordance with Charter Section 9.118 and a continuing waiver of the City’s competitive bidding policies and; and be it further

RESOLVED, That upon approvals by the Board, Port staff is authorized and instructed to execute a renewal lease with SkyStar including substantially the same terms and conditions as those described in the staff report accompanying this Resolution for Lease No. 17322.

I hereby certify that the foregoing resolution was adopted by the Port Commission at its meeting of August 12, 2025.

Secretary