



CITY OF LONG BEACH

DEPARTMENT OF PARKS, RECREATION & MARINE

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December 4, 2018

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach

California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute all documents necessary for an Amended and Restated Lease No. 17448 with American Golf Corporation, for the continued operation of the City's golf courses and associated activities. (Districts 3, 4, 5)

DISCUSSION

In July 1984, the City Council approved Lease No. 17448 (Lease) between the City of Long Beach (City) and American Golf Corporation (AGC). The Lease is administered by the Parks, Recreation and Marine Department (PRM) and the partnership between the PRM and AGC has resulted in the City's golf operation being one of the busiest and most successful municipal golf operations in the United States. The Lease has one remaining five-year extension term available in 2019 at the option of AGC, which they have requested to exercise at this time, and one, five-year extension term available at the option of the City, in 2024. If all options are exercised, the Lease would extend through August 14, 2029.

The Lease has previously been amended 11 times between 1985 and 2014. In addition, PRM and AGC have agreed to several operational practices over the years. All parties agree that the various agreements should be consolidated into an Amended and Restated Lease.

The proposed Amended and Restated Lease contains the following major terms and provisions:

- Premises: The five City-owned municipal golf courses (El Dorado Park GC, Heartwell Park GC, Recreation Park 9-hole GC, Recreation Park 18-hole GC, and Skylinks at Long Beach GC) and all related buildings, except for certain portions of the Clubhouse at Recreation Park 18-hole GC that are utilized as offices by PRM, and the restaurant and banquet tent at El Dorado Park GC, which are operated under Lease No. 25092, which AGC assumed from Choura Venue Services in 2011.

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- Term: The current term of the Lease expires on August 14, 2019, with one five-year extension term available to AGC, that they wish to execute at this time, and one five-year extension term available to the City in 2024.
- Rent: In September 2018, the minimum annual rent was adjusted to \$4,360,913. There is a monthly credit of \$1,115, in exchange for AGC's provision of maintenance support to the lawn bowling facility in Recreation Park. All percentage rents contained in the Lease will remain unchanged.
- Debt Service Account and Improvement Fund: 10 percent of every green fee shall continue to be deposited into the Debt Service Account and/or Improvement Fund as required by the City Treasurer, who acts as the Trustee for the Bonds used to renovate Skylinks at Long Beach GC in 2003. Upon the culmination of the Bond, all remaining funds in the Debt Service Account and/or Improvement Fund will be deposited into an all-years fund maintained by the City. This is a mutually agreeable change to the remaining funds being managed by AGC as was proposed in the 4th Amendment to the Lease approved in 2003.
- AGC Responsibilities: AGC shall continue to operate the courses in accordance with policies found in the City of Long Beach Golf Operations Manual and the Lease Maintenance Specifications; responsibilities shall include all utilities, possessory interest taxes, and adherence to all federal, state and local laws.
- Insurance: AGC shall provide insurance as deemed sufficient by the City's Risk Manager.
- Operational Practices and Other Changes: There are some operational changes, which have been mutually agreed upon over the years, and these will be included in the Amended and Restated Lease.

This matter was reviewed by Deputy City Attorney Linda T. Vu on November 7, 2018 and by Budget Management Officer Rhutu Amin Gharib on November 9, 2018.

TIMING CONSIDERATIONS

City Council action is requested on December 4, 2018, to ensure the continued operation of the City's municipal golf courses.

FISCAL IMPACT

An extension of Lease No. 17448 will ensure the collection of a minimum of \$4,347,534 in rent during FY 19, which will accrue in the General Fund (GF) in the Parks, Recreation and Marine Department (PR). American Golf Corporation will be responsible for all utilities, maintenance, and possessory interest. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



GERARDO MOUET
DIRECTOR
PARKS, RECREATION AND MARINE

GM:JD:rl:jmv



JOHN KEISLER
DIRECTOR
ECONOMIC DEVELOPMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER