



Legislation Text

File #: 11-0258, **Version:** 1

Recommendation to authorize City Manager to execute the Fifth Amendment to Lease No. 25092 with Choura Venue Services for the operation of the El Dorado Park Golf Course Restaurant, exercising the first five-year extension option in return for a \$70,000 investment in capital improvements, and revising the Term section of the Lease related to two future extensions. (District 5)

On April 8, 1997, the City Council approved Lease No. 25092 (Lease) with James J. Choura, an individual doing business as El Dorado Food Services, now Choura Venue Services (Choura), for the operation and management of the El Dorado Park Golf Course Restaurant (Restaurant), located at 2400 Studebaker Road. The Fourth Amendment to Lease No. 25092 was approved by the City Council on December 16, 2008. The initial term of the Fourth Amendment was five years, with three additional five-year options executable at the discretion of the City Manager. There are approximately three years remaining on the initial term, plus 15 years of optional extensions.

Choura now wishes to assign the Lease to American Golf Corporation (AGC), which operates the food and beverage operations at the other City golf courses. In order to facilitate the assignment, AGC is willing to make \$70,000 in capital improvements in return for changes to the Lease extensions, which would ensure sufficient time for AGC to amortize the investment and additional capital improvements. In exchange for the capital improvements to the Restaurant, AGC would like the first five-year extension to be exercised concurrent with the assumption, rather than on December 31, 2013. The execution of this option will trigger an additional \$25,000 in capital improvements, and an increase in the minimum monthly rent from \$7,400 to \$9,025. AGC also requests that the two remaining five-year extensions become unilaterally executable by AGC, provided that AGC is not in default of any provisions of the Lease. The City of Long Beach also agrees to clarify that percentage rent will increase on January 1, 2014, from eight percent to ten percent of gross receipts, and continue at that level through the remaining terms of the Lease. The provisions for determining new annual minimum rent amounts will remain unchanged as a result of this action. All other provisions in the Lease will remain the same.

This matter was reviewed by Deputy City Attorney Richard Anthony on March 9, 2011, and Budget Management Officer Victoria Bell on February 17, 2011.

City Council action is requested on March 22, 2011, in order to execute the Fifth Amendment to Lease No. 25092. The City Manager will then exercise the first five-year extension option, which will result in the investment of needed capital improvements to the El Dorado Park Golf Course Restaurant, and allow the transfer of the restaurant concession to American Golf Corporation.

The execution of the first five-year extension will trigger a new monthly minimum rent increase of up to \$19,500 per year. This will also result in previously unanticipated capital improvements to be made to City-owned property. There is no impact to jobs associated with the recommended action.

Approve recommendation.

GEORGE CHAPJIAN
DIRECTOR OF PARKS, RECREATION AND MARINE

MICHAEL P. CONWAY
DIRECTOR OF PUBLIC WORKS

APPROVED:

PATRICK H. WEST
CITY MANAGER