



*City of Arts & Innovation*

# City Council Memorandum

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**TO:** HONORABLE MAYOR AND CITY COUNCIL **DATE:** MAY 15, 2018

**FROM:** GENERAL SERVICES DEPARTMENT **WARDS:** 3 AND 7

**SUBJECT:** **TENTH AMENDMENT TO LEASE AGREEMENT WITH VAN BUREN GOLF CENTER, LLC. TO INCREASE MONTHLY RENT BY \$100 - TOTAL ESTIMATED ANNUAL REVENUE OF \$13,200 TO THE AIRPORT FUND FOR A PERIOD OF TWELVE (12) MONTHS ENDING MAY 31, 2019**

## **ISSUE:**

Approve the Tenth Amendment to Lease Agreement with Van Buren Golf Center, LLC., to increase monthly rent by \$100 from \$1,000 to \$1,100, for estimated annual lease revenue of \$13,200 to the Airport fund for a period of twelve (12) months ending May 31, 2019.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the Tenth Amendment to Lease Agreement with Van Buren Golf Center, LLC., to increase monthly rent by \$100 from \$1,000 to \$1,100, for estimated annual lease revenue of \$13,200 to the Airport fund for a period of twelve (12) months ending May 31, 2019; and,
2. Authorize the City Manager, or his designee, to execute the Tenth Amendment to Lease Agreement with Van Buren Golf Center, LLC, including making minor and non-substantive changes.

## **BACKGROUND:**

The City and WABI Limited (WABI) entered into a Lease Agreement dated February 16, 1988 for Riverside Municipal Airport property to be used as a golf driving range and other activities directly associated with the golf driving range. The term of the Lease Agreement was for a period of 20 years effective January 1, 1988 and terminated on December 31, 2008.

On August 9, 1988, the City and WABI entered into a First Amendment to the Lease Agreement to decrease the size of the leasehold and list all of the improvements required to construct a golf driving range.

On October 1, 1995, the City, WABI and the Van Buren Golf Center, LLC (Lessee) entered into

an Assignment of Lease and Assumption Agreement and Consent to Assignment transferring the interest of WABI in the Lease Agreement to Van Buren Golf Center, LLC.

On July 23, 1996, the City and Lessee entered into a Second Amendment to the Lease Agreement to revise a number of lease terms, including increasing the size of the premises to approximately forty-nine acres, allowing for the construction of an 18-hole golf course, and increasing rent to account for the increased size and use. Lessee constructed and continues to operate a golf course, golf driving range and other associated activities on the property. As part of the Second Amendment, the term of the lease was extended with a revised termination date of July 9, 2016.

The City and Lessee entered into a number of additional amendments to the Lease Agreement as follows:

- September 19, 2000: Third Amendment to increase minimum rents and the percentage of gross payment for the golf course and driving range and extend the term to July 9, 2036.
- October 19, 2006: Fourth Amendment to increase monthly minimum payments and increase the premises by 15 acres for a total of approximately 64 acres.
- August 20, 2008: Fifth Amendment revising the formula for establishing the base rental fee.
- February 17, 2010: Sixth Amendment to continue the base rental modifications approved in the Fifth Amendment for two years, and returning approximately 12.44 acres of previously leased land.
- September 10, 2012: Seventh Amendment to continue the base rental modifications contained in prior amendments for an additional two years.
- March 17, 2015: Eighth Amendment extending prior base rental formula modifications through May 31, 2015 and adjusting the rent structure beginning June 1, 2015 to a simplified flat rental rate of \$1,000 per month through May 31, 2018. This low rate provides for continued low-cost golfing opportunities for residents at a time when golf courses in the region have been struggling due to the difficult economic environment. The Eighth Amendment also provided a profit sharing arrangement whereby any profits realized up to the first \$100,000 shall be divided 75% to Lessee and 25% to City. To date, this provision has not been activated because the profit threshold has not been reached.
- June 21, 2016: Ninth Amendment clarifying language to the Eighth Amendment that the annual profit sharing arrangement is an on-going obligation of the Lessee (not just for one year) and that annual profit sharing payments are based on Van Buren Golf Center's revenue before depreciation.

## **DISCUSSION:**

Paragraph 6 of the current Lease Agreement provides that upon the expiration of the period commencing June 1, 2015 and ending May 31, 2018, monthly rent for the subsequent twelve (12) months shall be revised by mutual agreement of the parties. Per the Tenth Amendment to the Lease Agreement, monthly rent will increase from \$1,000 to \$1,100 for the Executive Golf Course, the Golf Driving Range, and Pro Shop and Food and Beverage Sales. Furthermore, the rental amount shall be adjusted annually commencing August 1, 2018 by the greater of (1) the amount of 2% or (2) the percentage increase, if any, in the Consumer Price Index for All Urban Consumers (CPI-U) for the Los Angeles-Anaheim-Riverside Standard Metropolitan Statistical Area.

**FISCAL IMPACT:**

The fiscal impact of this action is \$13,200 in annual lease revenue. The rental amount shall be further adjusted commencing August 1, 2018 by the greater amount of 2% or the CPI-U for the most recent 12-month published index. All revenues will be deposited into the Airport Building & Ground Rental account 0000530-346120.

Prepared by: Carl Carey, General Services Director

Certified as to

Availability of funds: Adam Raymond, Chief Financial Officer/City Treasurer

Approved by: Marianna Marysheva, Assistant City Manager

Approved as to form: Gary G. Geuss, City Attorney

Attachment: Tenth Amendment to Lease Agreement – Van Buren Golf Center, LLC.