



*City of Arts & Innovation*

# City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: SEPTEMBER 20, 2022

FROM: GENERAL SERVICES DEPARTMENT WARD: 7

SUBJECT: TWELFTH AMENDMENT TO LEASE AGREEMENT WITH VAN BUREN GOLF CENTER, LLC. TO INCREASE MONTHLY RENT BY \$200 ANNUALLY – TOTAL ESTIMATED REVENUE OF \$118,500 TO THE AIRPORT FUND FOR A FIVE-YEAR TERM ENDING MAY 31, 2027, AND AMEND PROFIT SHARING LEASE PROVISION TO PROVIDE 25% OF THE FIRST \$50,000 OF NET INCOME TO CITY

## **ISSUE:**

Approve the Twelfth Amendment to Lease Agreement with Van Buren Golf Center, LLC., to increase monthly rent by \$200 annually for estimated lease revenue of \$118,500 to the Airport fund for a five-year term ending May 31, 2027 and amend profit sharing lease provision to provide 25% of the first \$50,000 of net income to City.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the Twelfth Amendment to Lease Agreement with Van Buren Golf Center, LLC., to increase monthly rent by \$200 annually each year for estimated lease revenue of \$118,500 to the Airport fund for a five (5) year term ending May 31, 2027; and,
2. Amend the profit-sharing lease provision to provide 25% of the first \$50,000 of net income to City; and,
2. Authorize the City Manager, or designee, to execute the Twelfth Amendment to Lease Agreement with Van Buren Golf Center, LLC, including making minor and non-substantive changes.

## **BACKGROUND:**

The City of Riverside (City) and WABI Limited (WABI) entered into a Lease Agreement dated February 16, 1988, for Riverside Municipal Airport (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 terminating 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 in 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.
May 15, 2018	Tenth Amendment to increase monthly rent by \$100 from \$1,000 to \$1,100 for a period of 12 months ending May 31, 2019.
July 16, 2019	Eleventh Amendment to increase monthly rent by \$100 each year for a three (3) year period ending May 31, 2022.

## **DISCUSSION:**

Paragraph 6 of the current Lease Agreement provides that upon the expiration of the period commencing June 1, 2019 and ending May 31, 2022, monthly rent for the subsequent 36 months shall be revised by mutual agreement of the parties.

It is requested City Council approve an increase of monthly rent by \$200 for each of the subsequent 5-years commencing June 1, 2022 and ending May 31, 2027.

<b>Term</b>	<b>Monthly Rent</b>	<b>Annual Revenue</b>
6/1/2022 – 5/31/2023	\$1,575	\$ 18,900
6/1/2023 – 5/31/2024	\$1,775	\$ 21,300
6/1/2024 – 5/31/2025	\$1,975	\$ 23,700
6/1/2025 – 5/31/2026	\$2,175	\$ 26,100
6/1/2026 – 5/31/2027	\$2,375	\$ 28,500
		<b>Total: \$ 118,500</b>

NOTE: Amounts are approximant and do not include annual CPI increases

Staff also requests City Council approval to amend Paragraph 6 of the Lease to adjust the profit-sharing provision. The current Lease provides a profit-sharing arrangement with the City whereby any profits realized up to the first \$100,000 shall be divided 75% to Lessee and 25% to City. Approval of amended Lease language would provide a profit-sharing arrangement with the City whereby any profits realized up to the first \$50,000 shall be divided 75% to Lessee and 25% to City. It should be noted that since Lease inception, the Golf Course has not realized any profits that provide for annual profit sharing.

## **STRATEGIC PLAN ALIGNMENT:**

This Lease Amendment contributes to the City's Strategic Priority No. 5 High Performing Government and Goal No. 5.4 – achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

This Lease Amendment also aligns with the Cross-Cutting Threads of the City's Strategic Plan as described below:

1. **Community Trust** - Approval of this Lease Amendment will demonstrate the Airport's commitment to the community by making sound business decisions.
2. **Equity** - The Airport serves the entire community of the City of Riverside. The Airport's multiple businesses, and more specifically the Van Buren Golf Center, LLC, provide equal access and opportunities for the City's diverse community.
3. **Fiscal Responsibility** – Approval of the Lease Amendment demonstrates the importance placed on the Airport's fiscal responsibility and ensuring Airport businesses are treated in a fair and balanced business manner.
4. **Innovation** – Approval of this Lease Amendment will ensure the Van Buren Golf Center, LLC, is governed by the same financial responsibilities as other Airport tenants.

5. **Sustainability and Resiliency** – Approval of this request will allow Van Buren Golf Center, LLC. to further increase their business opportunity and ensure their financial stability.

**FISCAL IMPACT:**

The fiscal impact of this action is approximately \$118,500 in lease revenue for the five-year term beginning June 1, 2022 through May 31, 2027. All revenues will be deposited into the Airport Fund, Charges for Services, Airport Building & Ground Rental revenue account 0000530-346120.

Prepared by:	Carl Carey, General Services Director
Certified as to	
Availability of funds:	Edward Enriquez, Chief Financial Officer/Treasurer
Approved by:	Kris Martinez, Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney

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