



CITY OF POMONA

COUNCIL REPORT

October 2, 2017

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted by: Mark Lazzaretto, Development Services Director

Subject: Discussion to provide direction to staff on how to move forward with the lease and use of Palm Lake Golf Course

OVERVIEW

Recommendation – Staff recommends that the City Council discuss the options for Palm Lake Golf Course and either:

1. Adopt the attached Resolution authorizing the City Manager or her designee to execute an agreement with Jucchou Corp for the lease and operation of Palm Lake Golf Course; or,
2. Reject all bids and direct staff to prepare a new Request For Proposals to identify a new lessee for Palm Lake Golf Course; or,
3. Provide direction on an alternative course of action for identifying a lessee for Palm Lake Golf Course.

Previous Council Action – On May 15, 2017, the City Council voted to reject all proposals for the lease of Palm Lake Golf Course and directed staff to reissue a Request for Proposal (RFP) to attract additional bidders. On July 17, 2017, the City Council reviewed the responses received to the revised RFP and directed staff to have Jucchou Corp discuss potential partnership opportunities with the San Gabriel Valley Conservation Corps and return with a draft agreement in the future. On September 11, 2017, the item was on the Council agenda for discussion to consider entering into a lease with Jucchou Corp; however, shortly before the City Council meeting, staff received a request from Jucchou Corp to partner with the Chino Development League to combine proposals. As a result of the late information received, the City Council continued the item.

Fiscal Impact – Should the City Council approve a lease with the terms submitted by Jucchou Corp, the initial lease term will be a five-year lease at \$1 per year. The lease would be automatically renewable for three additional five-year terms, but would be

cancelled if Jucchou Corp failed to invest at least \$100,000 in capital improvements into the property during the first five years. Jucchou Corp will also be responsible for all maintenance and operational costs of the facility. Additionally, should the golf course become profitable to the point that \$150,000 or more is generated in net profit for Jucchou Corp in any calendar year; the proposal includes a fee to the City of 10% of the net profit.

By entering into a lease for operation and maintenance of the golf course, the City will receive an undetermined amount of sales tax from the sale of food and beverages at the restaurant and on any merchandise sold at the pro shop, UUT on the utility bills paid by the operator, and revenues to the water, sewer, and refuse funds for services provided at the golf course. Conversely, the City will not have water or maintenance costs associated with the golf course as the new operator will be responsible for all expenses. Additionally, the new operator will perform renovations on the existing structures and the course itself at no cost to the City.

As the City has not received a revised proposal for the combined proposal of Jucchou Corp and Chino Development League, it is unknown what the fiscal impact of the revised proposal would be.

NOTE: Each month the City has to operate this site, there is a monthly average cost of \$5,000 for water, electricity and basic maintenance costs. Funds for these costs were not included in the current FY 2017-18 Budget and will need to be paid from contingency funds.

EXECUTIVE SUMMARY

On July 17, 2017, the City Council considered a proposal from Jucchou Corp (Jucchou) to lease and operate Palm Lake Golf Course (Staff Report – Attachment 3). After hearing public testimony and input, the City Council voted to direct staff to have Jucchou and representatives from the San Gabriel Valley Conservation Corps (SGVCC) have discussions on partnership opportunities on the renovation and ongoing maintenance and operation of the golf course, and then bring an agenda item back at a future date to consider an agreement with Jucchou. On September 11, 2017, an item was placed on the City Council agenda to consider adopting a resolution authorizing a lease agreement with Jucchou Corp. Less than an hour prior to the meeting, staff received correspondence from Jucchou Corp requesting that the City allow Jucchou Corp to partner with Chino Development League (another bidder in the RFP process) to present a revised joint proposal. The City Council continued the item to give time to review the revised request. As of the date of writing of this report, staff has yet to receive any information on a revised proposal and therefore does not have an analysis of the benefits to the City of the joint proposal. Staff is requesting that the City Council discuss the issue and provide direction on how to move forward to secure a lessee for the golf course.

DISCUSSION

In March 2017, staff received notice from the lessee of Palm Lake Golf Course, Palm Lake Junior Golf Academy, that they would be breaking the lease and returning the property to the

City due to financial constraints. Staff issued an RFP in order to receive proposals from golf course operators for a new lease of the property. On May 15, 2017, the City Council voted to reject all three proposals and reissue the RFP to attract additional bidders. The reissued RFP resulted in four proposals, two of which were new. Staff ranked the submissions, with the most qualified bidder being Jucchou, and brought a lease agreement to the City Council for consideration on July 17, 2017. During the meeting, the City Council expressed a desire to have Jucchou work with local youth employment agencies, like the SGVCC, in order to provide a further benefit to the community. The City Council voted to continue the item to give Jucchou the opportunity to meet with members of SGVCC and determine if a partnership opportunity was available.

On September 11, 2017, staff received a request from Jucchou that the City Council allow a joint proposal between Jucchou and Chino Development League, another bidder in the RFP process, to revise the top proposal and present a joint proposal. Staff requested a detailed proposal from Jucchou so that the benefits and terms of the proposal could be analyzed and presented to the City Council with a recommendation as to how to proceed. Staff has yet to receive anything other than the memorandum of understanding that was presented to the City Council by Jucchou on September 11, 2017 (Attachment 4).

Staff is seeking direction on how to proceed with the future management of Palm Lake Golf Course. Staff has attached a resolution (Attachment 1) and draft lease agreement (Attachment 2) should the City Council desire to move forward with an agreement with Jucchou under the original terms that were proposed. The other options available are to continue the item again and request information on the joint proposal, or to reject all of the proposals received and start a new RFP process. Staff has received calls from at least three potential operators who would like to submit proposals to lease the property from the City.

In the meantime, without an operator for the site, the City is absorbing approximately \$5,000 per month in utility bills and maintenance costs to keep the greens alive and to keep the site secure. Funds for the ongoing maintenance were not included in the current fiscal year budget.

- Attachments
1. Resolution
 2. Draft Lease Agreement
 3. July 17, 2017 Staff Report
 4. Memorandum of Understanding from Jucchou Corp