



CITY OF POMONA COUNCIL REPORT

December 18, 2017

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted by: Mark Lazzaretto, Development Services Director

Subject: Adoption of a Resolution Approving a Lease Agreement with Chino Development League for the Use and Operation of Palm Lake Golf Course

OVERVIEW

Recommendation – Staff recommends that the City Council adopt the attached resolution authorizing the City Manager or her designee to execute an agreement with Chino Development League for the lease and operation of Palm Lake Golf Course.

Previous Council Action – On May 15, 2017, July 17, 2017, and September 11, 2017, the City Council considered entering into a lease agreement with Jucchou Corp, a potential operator of Palm Lake. At each of those meetings, the City Council directed staff to work with the operator to incorporate local youth employers into the proposal. On October 2, 2017, the City Council directed staff to work with Chino Development League and Jucchou Corp to refine a joint proposal and bring back a lease agreement for consideration.

Fiscal Impact – The initial lease term will be a twenty-year lease at \$1 per year. The lease would be automatically renewable for three additional five-year terms, but would be cancelled if Chino Development League failed to invest at least \$100,000 in capital improvements into the property. Though the agreement calls for a minimum investment of \$100,000, Chino Development League intends to invest at least \$600,000 into the property within the first eighteen months of operation. Chino Development League will 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 Chino Development League 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.

EXECUTIVE SUMMARY

On October 2, 2017, the City Council considered a revised joint proposal from Jucchou Corp and Chino Development League and directed staff to prepare a lease based on the latest joint proposal. The attached lease agreement would lease Palm Lake Golf Course to Chino Development League for a period of twenty years, with three five-year extension options, at a rate of \$1 per year. The proposed lease requires Chino Development League to invest a minimum of \$100,000 into the property during the initial term, and to manage and maintain the golf course at no expense to the City.

DISCUSSION

Shortly after the former operator of Palm Lake Golf Course notified the City that he would be cancelling his lease for the golf course, staff issued an RFP to solicit bids for a new operator. The initial RFP resulted in three responses, the highest ranked of which was Jucchou Corp. On May 15, 2017, staff recommended to the City Council that a lease agreement be approved with Jucchou Corp. The City Council approved Jucchou Corp as the highest bidder, but requested that Jucchou Corp work with local youth-oriented non-profit groups to determine if there would be a way that Jucchou Corp could incorporate a local non-profit into their proposal to provide youth jobs for the course maintenance work.

On July 17, 2017 and September 11, 2017, the City Council discussed a revised proposal from Jucchou Corp, with both meetings resulting in the item being continued for more information. On October 2, 2017, the City Council considered a revised proposal that included a partnership between Jucchou Corp, Chino Development League (who had previously submitted a bid during the RFP processes) and the San Gabriel Valley Conservation Corps. Council reviewed the proposal and directed staff to bring a lease agreement back for consideration at a future meeting.

The revised proposal represents a partnership whereby Chino Development League would be the main operator, financial investor and lessee of the facility. Jucchou Corp would provide management staff for the golf course and pro shop, and instructors for a youth golf academy. San Gabriel Valley Conservation Corps would be under contract to provide part of the rehabilitation and maintenance services of the course.

The team has proposed an initial lease term of twenty years in order to recoup their capital investments in the property. If they are successful and invest at least \$100,000 into the golf course during the initial term, the lease could be automatically extended for up to three five-year periods. Though the lease has a minimum investment requirement of \$100,000, Chino Development League intends to invest between \$600,000 and \$1,000,000 to fully rehabilitate the golf course, pro shop and restaurant, and possibly expand the restaurant to provide additional banquet facilities. The rehabilitation plan includes new netting for the driving range and course, new irrigation systems, upgraded greens and fairways, replacement of the abandoned lake, repaving of the parking lot, and repair of all of the course lighting.

The City's water department has plans to provide recycled water to the golf course to reduce the facility's impact on the environment. In addition, there are plans to utilize parts of the driving range as a recharge facility to allow recycled water and storm water to percolate into the aquifer below the course. The lease agreement allows the City to modify the driving range in order to accommodate the proposed recharge project.

One of the main components of the RFP process was demonstrating the financial capacity of the operator to help ensure that the new operator has the finances necessary to invest in the facility and continue to run it in a safe and successful manner. To that end, staff recommends that Chino Development League be required to demonstrate that it has a minimum of \$100,000 in available credit or cash in order to finance the necessary improvements to the golf course. Additionally, should the operator not be successful and terminate the lease, the City could be left with unpaid water bills as was the case in the past. To remedy that, staff will be requiring a \$10,000 deposit when the water account is turned on to cover at least two billing cycles in case the bills are not paid in a timely manner.

RECOMMENDATION AND ALTERNATIVE COURSE OF ACTION

Staff has reviewed the new proposal from Chino Development League and recommends that the City Council adopt the attached resolution approving a lease agreement. Should the City Council approve the recommended action, a lease agreement could be signed quickly and the lease could start in the middle of January. An alternate course of action would be to reject the latest proposal and direct staff to start a new RFP process, or provide direction on exploring other recreational uses for the site. As a reminder, the course was donated to the City with a deed restriction that requires that the facility be used in perpetuity for public recreational purposes. The deed restriction precludes the City from selling the site for other purposes. Finally, the City is incurring approximately \$5,000 per month in utility bills and board-up costs for every month that the site remains unused. Funds for the ongoing maintenance have not been included in the 2017/2018 fiscal year budget, and are therefore being drawn from contingency funds.

- Attachments
1. Resolution
 2. Chino Development League Proposal
 3. Draft Lease Agreement