

APPROVED
JUL 24 2015

BOARD OF RECREATION
& PARK COMMISSIONERS

REPORT OF GENERAL MANAGER

NO. 15-167

DATE July 24, 2015

C.D. 6

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: SEPULVEDA GOLF COMPLEX PROFESSIONAL CONCESSION –
OPERATION AND MAINTENANCE AGREEMENT WITH MICHAEL
LESLIE PRODUCTIONS, INC., DBA READY GOLF CENTERS

R. Barajas _____
H. Fujita _____
V. Israel _____

K. Regan _____
*N. Williams NDW

General Manager

Approved

Disapproved _____

Withdrawn _____

RECOMMENDATIONS:

That the Board:

1. Approve a contract (Contract) with Michael Leslie Productions, Inc., dba Ready Golf Centers, to operate the Sepulveda Golf Complex Professional Concession, as approved by the City Council on December 11, 2009 (Council File No. 09-2740);
2. Authorize the Board President and Secretary of the Board of Recreation and Park Commissioners to execute the agreement with Michael Leslie Productions, Inc., dba Ready Golf Centers, relative to the Sepulveda Golf Professional Concession, for a term of ten (10) years with two (2) five (5)-year options to renew, subject to approval of the United States Army Corps of Engineers and the City Attorney.”
3. Authorize RAP’s General Manager to make technical corrections as necessary to carry out the intent of this Report.

SUMMARY:

The Sepulveda Golf Complex is located at 16812 Burbank Boulevard, Encino, CA 91436 and includes two (2) eighteen (18)-hole golf courses, the Encino Golf Course and the Balboa Golf Course. RAP owns and maintains both golf courses. The Sepulveda Golf Complex Professional Concession (Concession) provides professional golf lessons to patrons and maintains and operates the golf professional shop, range shop and the golf driving range.

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The Board approved the contract with Michael Leslie Productions, Inc., dba Ready Golf Centers (Concessionaire), to operate the Concession (Contract) on February 6, 2008 (Report No. 08-37). The City Council approved a slightly different version of the Contract on December 11, 2009 (Council File No. 09-2740). Differences included changes to contract terms regarding utilities and capital improvements.

The Contract has been in litigation. RAP is under Court order to sign and execute the Contract as approved by the City Council on December 11, 2009.

RAP requests Board approval of the Contract with Ready Golf Centers, as approved by the City Council on December 11, 2009 (Council File No. 09-2740) (Contract), for a period of ten (10) years, effective on the date of execution, with two (2) five (5)-year options to renew, exercisable at the sole discretion of the General Manager.

Monthly rental fees are as follows:

- Golf Lessons / Instruction Services:
Five percent (5%) of the gross receipts produced by all golf lessons (instructional services), each month;
- Pro Shop and Range Shop Sales:
Five percent (5%) of the gross receipts produced by all professional shop and range shop sales (goods and services) and rentals, each month.
- Driving Range Business:
Twenty-Five percent (25%) of gross receipts between \$0 and Six Hundred Thousand Dollars (\$600,000.00) produced by all driving range business authorized herein to be conducted, and, Sixty percent (60%) of the gross receipts in excess of Six Hundred Thousand Dollars (\$600,000.00) produced by all driving range business authorized herein to be conducted.

In the event that individual utility meters are not installed before the execution of the agreement, the initial monthly utility payment will be Three Hundred and Thirty Five Dollars (\$335.00). These fees can be adjusted annually based on prior years' usage.

Capital Improvements (Improvements) are as follows:

- The Concessionaire is responsible to complete all required and proposed Capital Improvements ("Improvements") as proposed in the Proposal submitted in

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response to the Request for Proposal (RFP) issued for the Contract, and to the funding level proposed. The Improvements are a condition of the Contract and must be begun and completed as stipulated therein, once approved by General Manager. The Concessionaire is responsible for the cost of the Improvements, as stipulated in the Contract. The City reserves the right to recover damages from Concessionaire if the Improvements are not begun and completed as stipulated.

- Concessionaire will make the following Improvements to the Concession premises within twenty-four (24) months of the execution of the Contract, or pay the City an amount equal to the value of the Improvement(s) not completed within sixty (60) days of written notification by the City that said Improvement was not completed.

The minimum required investment is One Million Dollars (\$1,000,000.00), exclusive of financing costs. If the actual cost of the Improvements is less than the required investment amount, the remainder shall be expended at the Sepulveda Golf Complex on mutually agreed upon Improvements, subject to final approval of the General Manager. All Improvements shall become property of the City.

- Renovation of the Driving Range Surface
 - Renovation of the Tee Line
 - Installation of Range Fence for Ball Containment
 - Renovation and/or Remodeling of the Range Shop
 - Renovation and/or Remodeling of the Pro Shop
 - Storage Area for Driving Range Equipment/Staging Area
 - Upgrade of Driving Range Lights
- Concessionaire will make the following Improvements to the Concession premises within twelve (12) months of the execution of the Contract, or pay the City an amount equal to the value of the Improvement(s) not completed within sixty (60) days of written notification by City that said Improvement was not completed.

The minimum required investment is to be Three Hundred Six Thousand, Nine Hundred Eight Dollars (\$306,908.00), exclusive of financing costs. If the actual cost of the Improvements is less than the required investment amount, the remainder shall be expended at the Sepulveda Golf Complex on mutually agreed upon Improvements, subject to final approval of the General Manager. All Improvements shall become property of the City.

- Installation of Target Greens
- Installation of Landing Area Lake Front with Water Feature
- Installation of Misting System in all Covered Stalls

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- Installation of Additional Landscaping and Hardscape
- Outdoor Furnishing: Benches and Seating Areas
- Installation of Water Drinking Fountain
- Installation of Consistent, Well-Designed Signage
- Installation of 24-Hour Closed Circuit Video Security Monitoring

For all Improvements, Concessionaire is responsible for guaranteeing the completion of all proposed Improvements, according to approved plans, regardless of cost. Concessionaire shall bear all costs for necessary permits, insurance, and taxes required for compliance of such Improvements.

FISCAL IMPACT STATEMENT:

The average annual rent received from the concession between 2010 and 2014 was Sixty-Eight Thousand, Seven Hundred Sixty-Seven Dollars (\$68,767.00). Based on the average monthly rent received during the first six (6) months of 2015, RAP can expect to receive approximately Forty-Nine Thousand, Eight Hundred Sixty-Three Dollars (\$49,863.00) in revenue for 2015.

This Report was prepared by Noel Williams, Chief Financial Officer, Finance Division.