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OFFICE OF THE CITY CLERK
OAKLAND
15 FEB 25 PM 12:10

AGENDA REPORT

TO: John A. Flores
Interim City Administrator

FROM: Audree V. Jones-Taylor
Parks and Recreation

SUBJECT: Settlement Agreement Metropolitan Golf
Links Fiscal Year 2013-2014 Rental
Obligations

DATE: February 17, 2015

City Administrator
Approval



Date

2/23/15

Council District: City Wide

RECOMMENDATION

Staff recommends that the City Council adopted:

A Resolution Authorizing The City Administrator Or His Designee To: 1) Execute A Settlement Agreement With The Port Of Oakland (Port) And Oakland Golf LLC With Respect To Metropolitan Golf Links Golf Course For Fiscal Year 2013-14 Rental Obligations; 2) Execute A Fourth Supplemental Lease Agreement With The Port For The Lease Of The Metropolitan Golf Links Golf Course; And 3) Execute A Second Amendment To The Sublease And Operating Agreement With Oakland Golf, LLC For The Operation Of The Metropolitan Golf Links Golf Course.

OUTCOME

Executing a settlement agreement will document the City and the Port's agreement to release Oakland Golf, LLC from all claims to additional rent payments for FY 2013-14, thereby reducing rent by 50 percent for FY 2013-14, in exchange for deleting the Eden Road Parcel. Oakland Golf, LLC has remitted rent payment of roughly \$300,000 for FY 2013-14 (or 50 percent of the full amount owed).

Additionally, approving this resolution would authorize a Fourth Supplemental Lease Agreement with the Port, and a Second Amendment to the Sublease and Operating Agreement with Oakland Golf, LLC in order to delete the Eden Road Parcel from the leased premises.

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BACKGROUND/LEGISLATIVE HISTORY

The Metropolitan Golf Links is an 18-hole golf course, located at the northeast corner of the Oakland International Airport. The golf course is leased by the Port, to the City of Oakland, (as documented in the Amended and Restated Lease dated March 16, 1999), administered through the City's Parks and Recreation Department. The City of Oakland subleases the golf course to Oakland Golf, LLC, pursuant to a Sublease and Operating Agreement (the Sublease) dated August 24, 2001. The Sublease is for a 25 year term, commencing May 23, 2003, with options to extend the term for three additional five (5) year periods.

Oakland Golf, LLC, states that it cannot continue to operate Metropolitan Golf Links at a financial loss for an indefinite, or a sustained period. In 2008, Oakland Golf, LLC approached the City to request modifying the terms of the Sublease for temporary and partial rent relief with the anticipation that with an improving global economy, the financial condition for Oakland and Metropolitan Golf Links would also improve. On May 6, 2008, the City of Oakland adopted Resolution No. 81274 C.M.S. approving a 12-month rent relief period with the minimum annual rent to be reduced by 50 percent, for 12-months. The Council directed City staff to come back each year of the maximum five year rent relief period to review the financial condition of Oakland Golf, LLC, and determine if an additional 12-month period of rent relief was necessary.

The Oakland City Council approved four additional 12-month rent relief periods, with the fifth and final rent relief period expiring on June 30, 2013. In May 2013, Oakland Golf, LLC received a report from Pro Forma Advisors, LLC, a nationally recognized golf course consultant, which presented a Summary of Findings concerning current Bay Area golf market conditions, the historical and projected performance of Metropolitan Golf Links, as well as provide recommendations for a supportable and economically sustainable rent structure for Metropolitan Golf Links.

On November 5, 2013, City Council authorized a one-year extension to the rent relief (ending June 30, 2014) with the understanding that the Port Commissioners would concurrently consider passing a resolution authorizing the rent relief and revenue reduction. The Port Commissioners rejected the rent relief and revenue reduction without a give back from Oakland Golf, LLC. The proposed Settlement Agreement provides for rent relief for FY 2013-14 in exchange for a give back from Oakland Golf, LLC in the form of deleting the Eden Road Parcel, an 18,000 square foot area, from the Leased Premises and relocating and/or replacing all Driving Range fencing and any other existing improvements on the Eden Road Parcel as necessary to accommodate the potential future widening of Eden Road.

ANALYSIS

The five-year rent relief period in the First Amendment to the Sublease and Operating Agreement expired on June 30, 2013. Oakland Golf, LLC and staff from the City and Port have negotiated a 12-month extension of the Rent Relief period for FY 2013-14. As a result of the Settlement Agreement, the minimum annual rent for FY 2013-14 would be reduced to 50 percent of the full minimum annual rent (\$596,704) that would otherwise be payable, for a FY 2013-14

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rent relief in the amount of \$298,352. The City's 50 percent share of the FY 2013-14 rent is \$149,176, which has already been paid.

Absent any negotiated terms for a restructured minimum annual rent going forward, the minimum annual rent reverts to the rent structure in the 2001 Sublease and Operating Agreement. As of July 1, 2014 the minimum annual rent that is payable by Oakland Golf, LLC is \$611,920 per year, which is prescribed in the 2001 Sublease and Operating Agreement. However, Oakland Golf, LLC, and staff from the Port and the City are to negotiate economic terms and conditions that are both sustainable for Oakland Golf, LLC and adequately compensate the City and the Port. The revised terms and conditions will be documented in a long-term amendment to the Sublease and Operating Agreement and presented to the City Council and the Port Board for review and approval in the FY 2015-16.

POLICY ALTERNATIVES

There are no policy alternative as a result of executing the settlement agreement, Fourth Supplemental Lease Agreement, and Second Amendment to the Sublease and Operating Agreement.

PUBLIC OUTREACH/INTEREST

This item did not require any additional public outreach other than the required posting on the City's website.

COORDINATION

This report was reviewed by the Budget Office and the Office of the City Attorney.

COST SUMMARY/IMPLICATIONS

Rent relief for FY 2013-14 was approved by the City Council on November 5, 2013 in the amount of \$149,176. There is no negative fiscal impact as a result of executing the supplemental agreement.

FISCAL

There is no impact to the City's General Purpose Fund because the General Purpose Fund does not support the operations of Metropolitan Golf Course.

Any rent payment reduction from a restructured agreement would impact the amount of funding set aside in the City's Golf Enterprise Fund (3200) and is factored in the revenue estimates for the FY 2013-15 budget cycle. The City's share of the revenue reduced as a result of a 50 percent rent reduction is \$149,176.

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SUSTAINABLE OPPORTUNITIES

Economic:

There is no economic impact as a result of executing the supplemental agreement.

Environmental:

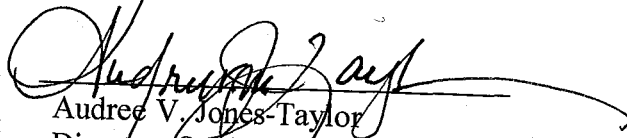
There is no environmental impact as a result of executing the supplemental agreement.

Social Equity:

There is no social equity impact as a result of executing the supplemental agreement.

For questions regarding this report, please contact Robert Davila, Administrative and Fiscal Manager, at 510-238-3926.

Respectfully submitted,



Audree V. Jones-Taylor
Director, Oakland Parks and Recreation

Prepared by:
Robert Davila, Administrative and Fiscal Manager
Oakland Parks and Recreation

FILED
OFFICE OF THE CITY CLERK
OAKLAND


Oakland City Attorney's Office

2015 FEB 25 PM 12:33

OAKLAND CITY COUNCIL

Resolution No: _____ C.M.S.

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR OR HIS DESIGNEE TO: 1) EXECUTE A SETTLEMENT AGREEMENT WITH THE PORT OF OAKLAND AND OAKLAND GOLF LLC WITH RESPECT TO METROPOLITAN GOLF LINKS GOLF COURSE FISCAL YEAR 2013/2014 RENTAL OBLIGATIONS; 2) EXECUTE A FOURTH SUPPLEMENTAL LEASE AGREEMENT WITH THE PORT FOR THE LEASE OF THE METROPOLITAN GOLF LINKS GOLF COURSE; AND 3) EXECUTE A SECOND AMENDMENT TO THE SUBLEASE AND OPERATING AGREEMENT WITH OAKLAND GOLF LLC FOR THE OPERATION OF THE METROPOLITAN GOLF LINKS GOLF COURSE

WHEREAS, Metropolitan Golf Links Golf Course is an 18-hole regulation public golf course developed on property owned by the adjoining Oakland International Airport and was designed on the site of the former City of Oakland Galbraith Municipal Golf Course ("Premises"); and

WHEREAS, the Port of Oakland ("Port") is the lessor of that real property and the City of Oakland ("City") is the lessee pursuant to the Lease dated as of June 1, 1965, as amended by the Amended and Restated Lease dated March 16, 1999, as amended by the First Supplemental Agreement dated July 1, 2000, the Second Supplemental Agreement dated July 11, 2001, and the Third Supplemental Agreement dated July 1, 2008, collectively referred to herein as the "Lease"; and

WHEREAS, in 2001 with the Port's consent the City subleased the Premises to Oakland Golf LLC in an agreement entitled "Sublease and Operating Agreement", as amended by the First Amendment to the Sublease and Operating agreement ("Sublease") for the purpose of operating and managing the Metropolitan Golf Links Golf Course, a public golf course, (the "Course"); and

WHEREAS, between 2001 and 2003 Oakland Golf LLC completed a \$14 million capital improvement project at Metropolitan Golf Course, \$9.5 million of which was funded by Oakland Golf LLC, and \$4.5 million of which was funded by the Port and the City; and

WHEREAS, in 2008 Oakland Golf LLC requested a temporary reduction in the rent under the Sublease in order to continue the economic viability of the enterprise; and

WHEREAS, the City and the Port agreed to reduce the rent and executed an amendment to the Sublease that provided for a 50% rent relief in the amount of approximately \$1 million over five years; and

WHEREAS, pursuant to Resolution No. 84678 C.M.S. passed November 5, 2013 the City Council approved one additional year of rent relief for Fiscal Year 2013-14, however the Port did not approve additional rent relief and no amendment to the Lease or Sublease was executed; and

WHEREAS, Oakland Golf LLC paid approximately \$300,000 in rent for Fiscal Year 2013-14, approximately 50% of the full rental obligation; and

WHEREAS, the City and Port now desire to amend the Lease and Sublease to release Oakland Golf LLC from all remaining rental obligations for Fiscal Year 2013-14 and to delete a roughly 18,000 square foot portion (the "Eden Road Parcel") of the land constituting the Leased Premises from the Lease in order to potentially accommodate an expansion of Eden Road and requiring Oakland Golf LLC to relocate and/or replace the driving range fencing along the Eden Road parcel; and

WHEREAS, the Settlement agreement releasing Oakland Golf LLC from the full rent payment for Fiscal Year 2013-14 will result in a loss of \$149,176 to the City's Golf Enterprise Fund; now, therefore, be it

RESOLVED: That the City Administrator is hereby authorized to execute a settlement agreement to release Oakland Golf LLC from all remaining Metropolitan Golf Links Golf Course rental obligations for Fiscal Year 2013-14, and delete the Eden Road Parcel from the leased Premises, and require Oakland Golf LLC to relocate or replace the driving range fencing along the Eden Road Parcel; and be it

FURTHER RESOLVED: That the City Administrator or his designee is hereby authorized to execute a Fourth Supplemental Lease Agreement to amend the leased Premises by deleting the Eden Road Parcel; and be it

FURTHER RESOLVED: That the City Administrator or his designee is hereby authorized to execute a Second Amendment to the Sublease and Operating Agreement with Oakland Golf LLC to amend the leased Premises by deleting the Eden Road Parcel; and be it

FURTHER RESOLVED: That the Office of the City Attorney shall approve the Settlement Agreement, the Fourth Supplemental Lease Agreement, and the Second Amendment to the Sublease and Operating Agreement as to form and legality and copies will be on file in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____ 2015

PASSED BY THE FOLLOWING VOTE:

AYES – BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLEN, KALB, KAPLAN, REID AND PRESIDENT GIBSON-MCELHANEY

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council of
the City of Oakland, California