

Company and City staff recommend assigning City lease agreement #95-031 to American Golf Corporation effective December 1, 1998. All leasehold improvements will remain at the Bartley Cavanaugh Golf Course. In addition, The Fetters Company and City staff recommend the term of the Haggin Oaks Golf Course Restaurant Services Lease Agreement #91-191 be amended to terminate on August 31, 2001 instead of December 16, 2001 to coincide with the City's other golf course restaurant and golf shop services lease agreements.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

The Bartley Cavanaugh Golf Course opened on July 24, 1995. Under the lease requirements, The Fetters Company was responsible for making tenant improvements at an estimated value of \$80,850. Jay Fetters, owner of The Fetters Company, reports incurring a financial loss of \$129,818 since the opening of the Bartley Cavanaugh Golf Course (Attachment D). Mr. Fetters attributes his losses to: 1) initial delays in opening the golf course; 2) increased competition by new golf courses opening in the Sacramento Area; and 3) unforeseen expenditures incurred, which exceeded the required Capital expenditure amounts in the lease.

Mr. Fetters was delinquent in his rent payments to the City in the months of October, November and December of 1997 in the amount of \$40,601. The City and Mr. Fetters agreed on a re-payment schedule for the delinquent rents. Mr. Fetters has paid the City, in full, for the delinquent rents, penalties and interest for the above mentioned months. However, Mr. Fetters continues to have difficulty in staying current with his rent payments to the City.

Mr. Fetters approached staff in September 1998, stating that he could no longer provide the restaurant services at Bartley Cavanaugh Golf Course. However, Mr. Fetters does plan to continue providing restaurant services at the City's Haggin Oaks Golf Course. Mr. Fetters spoke to several restaurant operators during the months of September and October 1998, and was unable to find anyone interested in assuming the Cavanaugh restaurant operation primarily due to the kitchen equipment lease requirement. Mr. Fetters notified the City that, in light of not finding a new operator, he would have to close the restaurant at Bartley Cavanaugh Golf Course at the end of October 1998 and default on his contract with the City.

In an effort to avoid a disruption in service to our golfing customers, it was suggested that the City buyout the equipment leases for approximately \$31,000, thereby becoming the owner of the equipment. This equipment includes fixed furnishings, shelving, furniture and kitchen equipment necessary for the continued operation of the restaurant.

With minor changes to the current agreement, it is recommended that the Bartley Cavanaugh Golf Course Restaurant Services Lease be assigned to American Golf Corporation (Attachment A). American Golf Corporation is currently providing professional golf services at the City's Bartley Cavanaugh and Bing Maloney Golf Courses. American Golf Corporation will be able to assume the restaurant operation at Bartley Cavanaugh Golf Course effective December 1, 1998.

If the assignment of the Bartley Cavanaugh restaurant services lease is not approved, the City will experience additional losses due to interrupted food and beverage service for golf course customers.

FINANCIAL CONSIDERATIONS:

Capital City Golf Division is an Enterprise Fund, supported entirely by golf user fees and concession revenue. There is no effect on the General Fund.

If staff recommendations in this report are approved, the Golf Fund will be impacted by:

- a) the loss of restaurant services contract fee revenue for the month of November 1998 (estimated loss of \$1,800); and
- b) the cost to purchase kitchen and restaurant equipment listed in Attachment "A" - Agreement Re Assignment of Lease (not to exceed \$31,000).

ENVIRONMENTAL CONSIDERATIONS:

This project has been determined to be exempt from the provisions of the California Environmental Quality Act (CEQA) under Section 15323. The project will allow for the continued normal operation of certain public facilities for the purpose for which the facilities were designed. The project will result in no physical change at these facilities.

POLICY CONSIDERATIONS:

The proposed lease assignment is consistent with the City's policy to make all efforts to maintain the stability of the Golf Enterprise Fund while continuing to provide valuable leased services to the community.

MBE/WBE:

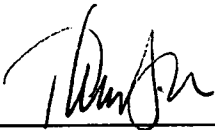
American Golf Corporation will adhere to all provisions or otherwise satisfy the City with regard to equal opportunity, fair hiring practices and affirmative action programs.

Respectfully submitted,



Ann Weaver, Golf Manager
Capital City Golf
Downtown Enterprise Department

RECOMMENDATION APPROVED:



Thomas V. Lee, Deputy City Manager
Downtown Enterprise Department

RECOMMENDATION APPROVED:



William H. Edgar
City Manager

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Attachment D

POST OFFICE BOX 2231
SACRAMENTO, CALIFORNIA 95812
(916) 451-8861

Date: November 6, 1998
TO: Ann Weaver, Manager
City of Sacramento - Golf Division
FROM: Jay Feters, Owner
The Feters Company
RE: Contract for Food and Beverage Services
Bartley W. Cavanaugh Golf Course

As we discussed in our previous meetings, The Feters Company is unable to continue operations at Cavanaugh Golf Course due to financial losses of \$129,818 incurred since opening in July 1995.

At your request, we will continue operations through November 30, 1998 while negotiations with American Golf to acquire our lease are in progress.

Due to projected financial losses for November 1998, we will be unable to pay rent for this final period.

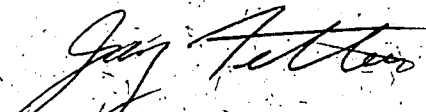
On November 30, 1998, all leasehold improvements will remain at Cavanaugh as will all equipment financed by three separate agreements. These are: Crosspoint Leasing #95-010
Imperial Business #224941
Imperial Business #112451

These agreement end July 1999 and may be aquired by the City of Sacramento with no past due reimbursement to The Feters Company.

Available to a new operator will be:

1. All inventory at cost of \$3,000 - \$5,000
2. All equipment and smallwares needed to continue operations for \$1,963
3. Liquor License for \$8,000

Thank you for your co-operation during this difficult time. I apologize for having to take this action.


Jay Feters, Owner
The Feters Company

12

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APPROVED
BY THE CITY COUNCIL

RESOLUTION NO. 98-587

NOV 24 1998

ADOPTED BY THE SACRAMENTO CITY COUNCIL

OFFICE OF THE
CITY CLERK

ON DATE OF _____

CHANGES TO GOLF COURSE RESTAURANT SERVICE LEASE
AGREEMENTS WITH THE FETTERS COMPANY; AGREEMENT
WITH AMERICAN GOLF CORPORATION

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO:

1. That the City Manager is authorized to execute the attached Agreement Re Assignment of Lease #95-031 between the City and The Fetters Company, for the Bartley Cavanaugh Golf Course Restaurant Services to American Golf Corporation, effective December 1, 1998.
2. That The Fetters Company be relieved of its obligation to pay a contract fee to the City for the month of November 1998 for restaurant operations at Bartley Cavanaugh Golf Course.
3. That the term of the Haggin Oaks Golf Course Restaurant Services Lease Agreement #91-191 be amended to terminate on August 31, 2001.
4. That Capital City Golf be authorized to increase its operating budget for the purchase of kitchen equipment listed in the Agreement Re Assignment of Lease #95-031 for an amount not to exceed \$31,000.

The budget line is: 418-420-4281-4462

MAYOR

ATTEST:

CITY CLERK