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**DEPARTMENT OF PARKS  
AND COMMUNITY SERVICES**

**CITY OF SACRAMENTO**  
CALIFORNIA

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DIRECTOR

July 19, 1989

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CROCKER ART MUSEUM  
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METROPOLITAN ARTS  
MUSEUM AND HISTORY  
PARKS  
RECREATION  
ZOO

WALTER S. UEDA  
DEPUTY DIRECTOR

Budget and Finance Committee  
Sacramento, California

Honorable Members in Session:

SUBJECT: Amendment of the Restaurant Lease at the Sacramento Softball Complex

SUMMARY

This report requests authorization for the City Manager to execute an amendment to the contract between the City of Sacramento and Canteen Corporation for operation of the restaurant at the Sacramento Softball Complex.

BACKGROUND

Completed in 1987, the Sacramento Softball Complex includes four lighted diamonds, bleacher seating to accommodate 7,000 persons, restrooms, players' warm-up area, umpire's headquarters, and a children's play area. The Softball Complex also includes a restaurant building which was constructed as a shell with tenant improvements to be made by the lessee under an operational lease with the City. On March 17, 1987, the City Council authorized the award of the lease for the Sacramento Softball Complex restaurant to Canteen Corporation. Canteen, who proposed to operate the restaurant as a pizza parlor, is responsible for all tenant improvements as well as all operating and maintenance costs. Pazzelli's Pizza provides food service to complex patrons on a daily basis throughout the softball season and has provided satisfactory services under this contract.

Canteen's proposed improvements were originally estimated at \$175,000. However, given the existence of several design oversights in the construction of the shell and the lack of available city funding to correct these oversights, Canteen assumed the cost of correcting the various design flaws. As a result, their actual tenant improvements cost \$274,000.

The original terms of the lease included a contract fee of ten percent of gross receipts up to \$250,000 with a series of graduated percentage rents for gross receipts above this amount. The contract further requires an annual guaranteed minimum fee of \$25,000.

Canteen Corporation is presently beginning their third year of operation of Pazzelli's Pizza at the Sacramento Softball Complex. During the first two years of operation, their actual revenue has fallen short of their original projections, and Canteen has experienced a loss of approximately \$89,000. Consequently, Canteen has requested the City amend their contract to reduce their minimum annual rent by \$10,000 for years two and three of the contract (FY 1988-89 and FY 1989-90). (See Attachment A.)

Both the food service consultant who assisted the selection panel during the original contract negotiations and the Deputy City Manager have reviewed the data submitted by Canteen in support of this request, and have confirmed that their operating expenses are in line with standard restaurant and accounting procedures. While their loss is partially due to somewhat optimistic projections at the time Canteen made their proposal to operate this facility, this loss is largely attributable to the additional nearly \$100,000 in tenant improvements. Had Canteen not assumed the cost of these improvements, the City and/or County would have had to bear this cost. As a gesture of the cooperative relationship between the City and Canteen Corporation and in recognition of the lessee's initial goodwill effort in assuming the cost of and responsibility for extra tenant improvements, staff recommends approval of Canteen's request for a contract amendment. Such a short term reduction in the minimum annual rent will allow Canteen to continue their quality of service rather than cut costs which may negatively impact service to the softball complex patrons.

#### FINANCIAL DATA

Revenue from the Sacramento Softball Complex restaurant is deposited in the Sacramento Softball Complex Special Revenue Fund to offset the cost of operating the Complex.

Reduction of the required minimum annual rent by Canteen Corporation for the Sacramento Softball Complex for both the recently completed and the current contract years will result in a potential total loss to the Complex Special Revenue Fund of \$20,000. However, the lessee will continue to pay rent based on a percentage of gross and accordingly, should gross receipts in year three of the contract (FY 1989-90) exceed the lessee's estimate, the loss to the City could be less than \$10,000 for that year.

#### MBE/WBE

No effect.

#### POLICY CONSIDERATIONS

Chapter 12, Article 3, Section 12.41 of the City Code authorizes the City Council to approve the amendment of any lease; provided, however, this section does not authorize the amendment of any lease to increase the term of such lease.

# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

RESOLUTION AUTHORIZING THE CITY MANAGER TO  
EXECUTE AN AMENDMENT TO THE LEASE WITH  
CANTEEN CORPORATION FOR THE SACRAMENTO  
SOFTBALL COMPLEX RESTAURANT FACILITY  
(CITY AGREEMENT 88163)

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

That the City Manager is hereby authorized to execute an amendment to the lease with Canteen Corporation for the Sacramento Softball Complex restaurant facility to reduce the annual minimum payment to \$15,000 for years two and three of the contract (City Agreement 88163).

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

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FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED:

RECOMMENDATION

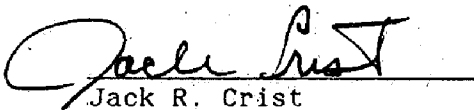
It is recommended that the Budget and Finance Committee approve this report and refer it to the full City Council for action. Further, it is recommended that the City Council, by resolution, authorize the City Manager to execute an amendment to the lease for the Sacramento Softball Complex restaurant facility with Canteen Corporation (City Agreement 88163) to reduce the annual minimum payment to \$15,000 for years two and three of the contract.

Respectfully submitted,



Robert P. Thomas, Director  
Parks and Community Services

Recommendation Approved:



Jack R. Crist  
Deputy City Manager

EPT:ja

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August 15, 1989  
District No. 2

CONTRACT AMENDMENT

City Agreement No. 88163, contract for the Sacramento Softball Complex Restaurant Facility, between the City of Sacramento and Canteen Corporation, Section 4 d) as follows:

"Notwithstanding the provisions of Subsection a) herein above, lessee shall pay to the City as a guaranteed minimum fee, the following amount for each of the seven separate years comprising the term of this contract:

Year 1 . . . . .	\$25,000
Years 2 and 3 . . . . .	\$15,000
Years 4 through 7 . . . . .	\$25,000"

CITY

City of Sacramento, a  
municipal corporation

By \_\_\_\_\_  
City Manager

LESSEE

By \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
Deputy City Attorney