



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Consent
July 29, 2008

**Honorable Mayor and
Members of the City Council**

Title: Amendment No. 3: Morton Golf Lease and Operating Agreement

Location/Council District: Districts 2, 5 and 7

Recommendation: Adopt a **Resolution**; approving and authorizing the City Manager to execute Amendment Number 3 to City Agreement No. 2001-134 with Morton Golf LLC.

Contact: Douglas C. Parker, Golf Manager, 808-6315

Presenters: Not applicable

Department: Convention, Culture and Leisure Department

Division: Golf

Department ID: 17001211

Description/Analysis

Issue: Staff is recommending the current agreement with Morton Golf LLC be amended to require a single rent payment on the fifteenth of each month. This amendment only changes the procedure for collecting rent and will not impact Morton Golf LLC's annual rent obligation to the City.

Policy Considerations: The recommended action is consistent with the City's efforts to promote public/private partnerships in providing services to the community.

Environmental Considerations: This amendment does not constitute a "project" according to CEQA guidelines, California Code of Regulations, title 14, section 15378(b)(2), and therefore is not subject to review under the California Environmental Quality Act.

Commission/Committee Action: None

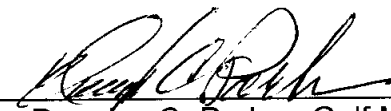
Rationale for Recommendation: The current lease agreement requires Morton Golf LLC to pay the City minimum rent of \$1,000,000 annually. The minimum monthly payment is either \$50,000 or \$100,000 depending on the month of the year and is paid in arrears on the first day of the succeeding month. They also

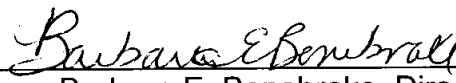
make an additional rent payment on the twentieth of the month if the percentage of gross receipts for the prior month exceeds the minimum rent paid on the first of the month. At the end of each lease year on September 30th, if Morton Golf LLC has exceeded the \$1,000,000 annual minimum rent and paid more than the percentage rent due for that year, the City issues a credit toward the October rent.

The proposed amendment eliminates the minimum monthly rent payment on the first of each month and requires payment of percentage rent on the fifteenth of each month instead of on the twentieth. If Morton Golf LLC's aggregate monthly rent payments for the contract year are less than \$1,000,000, they will immediately pay the difference. This amendment will eliminate the need for the City to issue a credit to Morton Golf LLC at the end of each lease year on rent that was collected the prior fiscal year.

Financial Considerations: Percentage rent payments from Morton Golf LLC has exceeded the \$1,000,000 minimum every year except the first year of the lease. For the lease year ending September 30, 2007, Morton Golf LLC paid the City minimum rent and additional percentage rent totaling \$1,311,338. The percentage rent was \$1,273,725 requiring the City to issue a credit for the difference of \$37,613 against the October rent. This amendment will not impact the amount of rent the City receives each year from Morton Golf LLC.

Emerging Small Business Development (ESBD): No goods or services are being purchased under this report.

Respectfully Submitted by: 
Douglas C. Parker, Golf Manager

Approved by: 
Barbara E. Bonebrake, Director
Convention, Culture and Leisure Department

Recommendation Approved:



Ray Kerridge
City Manager

Table of Contents:

Report	pg. 1
Attachments	
1 Resolution	pg. 4

RESOLUTION NO. 2008-

Adopted by the Sacramento City Council

AUTHORIZING THE CITY MANAGER TO EXECUTE AMENDMENT NO. 3 TO CITY AGREEMENT NO. 2001-134 WITH MORTON GOLF LLC

BACKGROUND

- A. In July 2001, Council approved a ten year lease with Kathken Corporation for golf shop and food and beverage services at the Haggin Oaks, Bing Maloney and Bartley Cavanaugh golf facilities.
- B. In January 2002, Amendment No. 1 was executed for assignment of the lease by Kathken Corporation to Morton Golf LLC.
- C. In September 2002, Council approved Amendment No. 2 to the lease agreement with Morton Golf LLC to resolve financial impacts surrounding delays in the electric golf cart conversion projects at Haggin Oaks and Bartley Cavanaugh golf facilities.
- D. Amendment No. 3 to the lease agreement with Morton Golf LLC amends the monthly rent obligations from minimum monthly rent payments to percentage monthly rent payments. The amendment will not impact the amount of rent the City receives each year from Morton Golf.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager is authorized to approve and execute Amendment Number 3 to City Agreement No. 2001-134.