



City of Sunnyvale

Agenda Item-No Attachments (PDF)

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REPORT TO CITY COUNCIL

SUBJECT

Authorize the City Manager to Execute a Concession License Agreement between the City of Sunnyvale and Gold Rush Eatery for Certain Facilities at Sunken Gardens Golf Course

BACKGROUND

The City presently owns and manages two public golf courses. Sunnyvale Golf Course was built by the City in 1967 and opened for business in 1968. It is an 18-hole championship course situated on 145 acres of property at 605 Macara Avenue. Sunken Gardens Golf Course and Driving Range was purchased from a private entity with bond revenue in 1973, and was shortly thereafter re-opened as a public course. It is an executive, nine-hole course with a 26 stall driving range, situated on a 30 acre parcel at 1010 South Wolfe Road. These facilities operate as part of the Golf and Tennis Enterprise Fund. Services provided at these facilities include golf play on-course, golf practice on the driving range and putting greens, golf merchandise sales, golf cart and equipment rentals, golf lessons and food/beverage services.

Buildings at each course currently house a pro shop, restaurant, bar, banquet rooms and outdoor patio space. Areas used for food, beverage, and banquet related services (those encompassed by the scope of these leases) include approximately 16,000 square feet at Sunnyvale Golf Course and 3,000 square feet at Sunken Gardens Golf Course. Since inception, food, beverage, and banquet services have been provided through agreements with outside vendors. These agreements were non-transferable and non-saleable.

The most recent operator, Synergy Golf Management Inc., entered into an agreement with the City in March of 2013. The agreement required Synergy to operate the restaurant, bar, and banquet/event businesses at each of Sunnyvale's two golf courses. On December 14, 2014 the City terminated the agreement for failure to pay rent, and the restaurants were closed; food and beverage services have not been available since that time.

EXISTING POLICY

General Plan, Chapter 4, Community Character - Recreation

Policy CC-10.6 - Leverage available resources by pursuing co-funded and/or cooperative agreements for provision and maintenance of programs, facilities, and services, in order to maximize benefits to the community. Partners may include, but are not limited to, school districts, non-profit groups, governmental agencies and businesses.

ENVIRONMENTAL REVIEW

N/A

DISCUSSION

A Request for Proposal process to find new, qualified operators was initiated and multiple proposals to operate one or both of the restaurants were received by the deadline on March 20, 2015. A panel of staff reviewed the proposals and met with the operator that submitted the highest rated proposal, namely Gold Rush Eatery for Sunken Gardens Golf Course. This report proposes entering into a concession license agreement with the Gold Rush Eatery for the provision of food, beverage and related services at Sunken Gardens Golf Course (see Attachment 1).

Qualifications of Operator

The Gold Rush Eatery was established by Kris Zankich in 2012 as a gourmet food truck business dedicated to providing high quality comfort food to the greater south bay area. They are a preferred vendor with two of the largest mobile food truck organizations in Northern California: Off the Grid and Moveable Feast, and have contracted with numerous business and organizations to provide catering and mobile food service for organizations including Apple, San Jose Earthquakes and Stanford University. Their successful “mobile” restaurant business has inspired them to bring the same high quality food and beverage service for the first time to a fixed location restaurant at Sunken Gardens Golf Course.

Exclusive Use

The lease for areas at the Sunken Gardens Golf Course includes the Restaurant and Bar portion of the Clubhouse building and adjacent patio (see Attachment 2). Parking lots at both courses will be shared use between the lessee and the City.

Services Provided

Gold Rush eatery will provide food, beverage, light bar (beer and wine), banquet, catering and related services at Sunken Gardens Golf Course from dawn till dusk, dependent upon seasonality, weather and golf course demand, and will be open every day the course is open. The small café will offer their unique variety of comfort foods including burgers, sandwiches and salads and the small banquet room will be available for events.

Tenant Improvements

Gold Rush Eatery plans to invest approximately \$60,000 to start up the business, with half of that amount dedicated to improvements affecting the infrastructure of the clubhouse. The other improvements will be minor renovations and will include improved flooring, bar counter, restrooms, kitchen counters, doors, light fixtures, wall treatment/paint in bar/meeting room and interior and exterior painting. The other costs are associated with startup investments such as marketing, technology, liquor license, and equipment/furniture.

FISCAL IMPACT

The lease for the Sunken Gardens Golf Course would be \$8,000 in year one, \$18,000 in year two, and additional rent increases of \$2,000 annually through the term of the lease, with year ten being \$34,000. It would also include three five-year options. The total revenue to the Golf and Tennis Fund over ten years would be \$242,000. Financial terms are based upon the operator’s proposal made during the Request for Proposal process with some minor negotiated changes. Nine-hole courses in San Mateo and Santa Clara counties were surveyed and Blackberry Farm owned by the City of Cupertino was the only one identified that leased restaurant facilities to an outside operator. The facility at Blackberry Farm predates the golf course and has three times the square footage as the one at Sunken Gardens, serves as a dinner restaurant to the community and includes a banquet room that holds 150 people. The cost per square foot of the Sunken Gardens proposal is

approximately half of the lease amount paid by the operator at Blackberry Farm. Although benchmarking and other research is done and negotiating occurs, the financial terms are primarily set by what the proposer has determined to be feasible as part of their business plan.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

ALTERNATIVES

1. Authorize the City Manager to execute a concession license agreement for certain areas and facilities at Sunken Garden Golf Course with Gold Rush Eatery.
2. Do not Authorize the City Manager to execute a concession license agreement for certain areas and facilities at Sunken Garden Golf Course with Gold Rush Eatery.
3. Other action as determined by the Council.

RECOMMENDATION

Alternative: 1. Authorize the City Manager to execute a concession license agreement for certain areas and facilities at Sunken Garden Golf Course with Gold Rush Eatery.

The provision of high quality food, beverage and special event service at Sunken Gardens Golf Course is expected by the golfing community as part of the overall golf experience. Having qualified food, beverage and special event providers at each course is also critical to the short and long-term financial status of the Golf and Tennis Fund. Entering into a concession license agreement with Gold Rush Eatery will provide direct revenue in the form of fees and collateral income as more golfers and tournaments are attracted to play the course because of the quality of the course and the food, beverage and related services.

Prepared by: Scott Morton, Superintendent of Parks and Golf

Reviewed by: Manuel Pineda, Public Works, Director

Reviewed by: Kent Steffens, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Concession License Agreement with Gold Rush Eatery
2. Sunken Gardens Golf Course Restaurant