



City of Sunnyvale

Agenda Item-No Attachments (PDF)

File #: 16-0163, Version: 1

REPORT TO COUNCIL

SUBJECT

Authorize the City Manager to Execute a Concession License Agreement between the City of Sunnyvale and KemperSports Management (dba KSM Sunnyvale, LLC.) for Certain Facilities at Sunnyvale 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 and golf lessons.

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.

The City issued a Request for Proposals (RFP) on December 1, 2014, and entered into a Concession License Agreement with Gold Rush Eatery for the operation of the restaurant at Sunken Gardens Golf Course on August 13, 2015. As part of that RFP staff also selected an operator for Sunnyvale Golf Course, however the City was not able to reach terms on an agreement. Staff issued a new RFP on October 28, 2015 to select a new vendor.

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

The action being considered is exempt from the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15301 as it pertains to the leasing of an existing public structure involving negligible or no expansion of use beyond that presently existing.

DISCUSSION

An RFP to find a new operator for the Sunnyvale Golf Course restaurant was initiated and four proposals were received. A panel of City staff reviewed the proposals and met with representatives that submitted the highest rated proposal, namely KemperSports Management (dba KSM Sunnyvale, LLC.) This report proposes entering into a Concession License Agreement with KemperSports Management (Attachment 1) for the provision of food, beverage and related services at the Sunnyvale Golf Course to commence June 1, 2016.

Qualifications of Operator

KemperSports Management was founded and operated under continuous family ownership since 1978.

- KSM is headquartered in Northbrook, IL with 6,000 employees.
- KSM manages has more than 110 golf and leisure based facilities in 27 states.
- KSM has 36 municipal clients nationwide and 13 in California with regional offices in Northern & Southern California.
- KSM operates Food & Beverage at more than 90 golf course locations.
- KSM has more than 38 years of golf property Food & Beverage Operations with building and launching brand recognition.
- KSM provides local management & support resources working with municipalities.
- KSM has a client-centric approach with proven operational and sales & marketing best practices available to each property.

Exclusive Use

The lease for areas at the Sunnyvale Golf Course includes the Restaurant and Bar portion of the Clubhouse building and adjacent upstairs patio (See Exhibit "A" of Attachment 1 - Map of area). Use of the parking lot at Sunnyvale Golf Course will be shared between the licensee and the City.

Services Provided

KemperSports Management will provide food, beverage, full bar, banquet, catering and related services at Sunnyvale Golf Course. Hours of operations will be from dawn till dusk, dependent upon seasonality, weather and golf course demand, and will be open every day the course is open. The café/bar will offer their unique variety of comfort foods including burgers, sandwiches and salads and the banquet rooms will be available for events.

Tenant Improvements

KemperSports Management will invest up to \$175,000 in improvements throughout the term. Investments shall include but not limited to: technology (computers, point of sale system, event software, website development, supplies, small wares, paint, carpet etc.); marketing (pre-paid advertising, signage and local public relations campaign etc.); liquor license and equipment (office, kitchen, banquet, tables, chairs etc.).

FISCAL IMPACT

The lease for the Sunnyvale Golf Course would commence with a Licensee payment of \$3,500 for the period June 1, 2016 to December 31, 2016. Then beginning January 1, 2017 (Year 1), Licensee payments will be \$6,000 per year for Year 1 and Year 2; in Year 3 (2019), annual payment is \$22,500; and, in Year 4 (2020) payment is \$24,000. Rent will increase \$1,000 annually from Year 5 to Year 10 through the term of the lease, with Year 10 capping out at \$30,000. At the end of each year for Years 6 through 10, Licensee shall pay the indicated monthly fee, or 3% of net revenue, whichever is greater. Any excess fee due to the City (if any), shall be paid by January 15th of each succeeding year. The terms of the license also includes the option to extend the license agreement, if mutually agreed between the City and the Licensee, for five year terms up to three times. The total revenue to the Golf and Tennis Fund over the ten years would be a minimum of \$227,000. Financial terms are based upon the operator's proposal made during the Request for Proposal process with some negotiated changes.

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 operation of certain areas and facilities at the Sunnyvale Golf Course with KSM Sunnyvale, LLC, with three additional five-year renewal options, in substantially the same form as in Attachment 1 of the report.
2. Do not authorize the City Manager to execute a concession license agreement for operation of certain areas and facilities at Sunnyvale Golf Course with KSM Sunnyvale, LLC and issue a new Request for Proposals for a golf course operator.
3. Other action as determined by the Council.

STAFF RECOMMENDATION

Alternative 1: Authorize the City Manager to execute a concession license agreement for operation of certain areas and facilities at Sunnyvale Golf Course with KSM Sunnyvale, LLC, with three additional five-year renewal options, in substantially the same form as in Attachment 1 of the report.

The provision of high quality food, beverage and special event service at Sunnyvale 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 KSM Sunnyvale, LLC., 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: James Stark, Superintendent of Parks and Golf

Reviewed by: Manuel Pineda, Public Works, Director

Reviewed by: Walter Rossman, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENT

1. Concession License Agreement for Sunnyvale Golf Course