

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JILL SCOTT, REAL ESTATE MANAGER
REAL ESTATE SERVICES
SUBJECT: EARLY LEASE TERMINATION WITH SPORTS RESTAURANT OF
BENNETT VALLEY INC. LOCATED AT 3330 YULUPA AVENUE,
SANTA ROSA

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by Real Estate Services that the Council, by resolution, approve the Termination Agreement for Bennett Valley Golf Course Clubhouse Lease Agreement between the City and Sports Restaurant of Bennett Valley Inc. and authorize the City Manager to execute the Termination Agreement and all necessary and related documents.

EXECUTIVE SUMMARY

The City entered into a lease with Sports Restaurant of Bennett Valley Sports Inc. (Tenant) on February 1, 2007, under which they run and operate a restaurant, bar and banquet facility on the City's property located at 3330 Yulupa Avenue, Santa Rosa. Due partly to COVID-19 and the Sonoma County Public Health Order restrictions placed on restaurants, Tenant is no longer able to operate the restaurant and has requested an early lease termination. Staff met with Council in closed session on November 10, 2020, and received direction on price and terms for the negotiation of the lease termination. Staff has since negotiated a termination agreement within the parameters given by Council, and is seeking approval of the final lease termination agreement and authorization for the City Manager to execute the lease termination agreement and all necessary and related documents.

BACKGROUND

The City owns the 18-hole Bennett Valley Golf Course and Golf Course Clubhouse (Clubhouse) located at 3330 Yulupa Avenue, Santa Rosa. The City leased the Clubhouse to Tenant (the "Lease") as of February 1, 2007 under which Tenant operates the Clubhouse as a restaurant, bar and banquet facility. The Lease is set to expire January 31, 2022.

On March 18, 2020, the Sonoma County Health Officer issued a public health order in response to the SARS-CO-V2 global pandemic which required the closing of indoor dining in Sonoma County, including Santa Rosa, in order to slow the spread of the Coronavirus and COVID-19 disease. Tenant, in part due to the mandated closure of indoor dining and the impacts of the COVID-19 Pandemic, has not been able to operate the Clubhouse as a sustainable business enterprise, and now seeks to terminate the Lease for the Clubhouse and cease all operations.

On November 10, 2020, Council in closed session, gave staff direction for the negotiation of price and terms for the Termination Agreement (Agreement). Since that time, Staff and Tenant have negotiated reasonable terms and conditions within the parameters set by Council for the Agreement.

PRIOR CITY COUNCIL REVIEW

On November 10, 2020, the City Council in closed session, gave direction to Staff on price and terms for the negotiation of an early lease termination.

ANALYSIS

The City and Tenant agree that Tenant owes the City past due Rent under the Lease equal to \$34,842.30. Based on the current circumstances, the City acknowledges that Tenant's ability to fully utilize the Clubhouse has been severely curtailed since March of 2020. Therefore, the City accepts Tenant's Supplies, Furnitures, Fixtures and Equipment (FF&E) as detailed in Exhibit B of the Agreement, as full satisfaction of both the past due rent and the future rent that would become due under the remainder of the current Lease term.

Tenant agrees to clean and fix all items, prior to the termination date, that City Staff has identified as Tenants responsibility, and City Staff shall inspect and approve within two days of Termination.

Tenant further agrees and shall assure the ABC license to sell alcohol is in good standing with the ABC, surrender the license to the ABC, and pay all fees to keep the license in good standing, and complete all documents necessary to transfer and convey the license for the benefit of the City, at no cost to the City. Tenant shall provide a deposit of \$1,235.00 to be held by the City to be used for renewal of the license on July 31, 2021, if no replacement operator has been found.

Prior to termination of the Lease, Tenant shall pay to the City water utility payment of \$12,012.08 and City of Santa Rosa natural gas (payment plan) of \$12,374.60. Tenant shall ensure that all utilities to the Clubhouse that are Tenant's responsibility pursuant to the Lease have been paid in full up to the Termination Date, and that all shall be transferred to the City as of the Termination Date in good standing.

The Agreement has been fully negotiated within the parameters given to staff, by Council, in closed session. Staff is now seeking final approval of the Lease Termination Agreement and authorization for the City Manager to execute the Agreement and all necessary and related documents.

FISCAL IMPACT

Approval of this action does not have a fiscal impact on the General Fund. The Golf Course fund is an enterprise fund.

ENVIRONMENTAL IMPACT

The Council finds that the proposed action is exempt from the provisions of the California Environmental Quality Act (CEQA) under section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and that no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

N/A

NOTIFICATION

N/A

ATTACHMENTS

- Resolution / Exhibit A – Termination Agreement

CONTACT

Jill Scott
Real Estate Manager
707-339-1526