

Agenda Report

October 23, 2000

To: City Council Via Business Enterprise Committee

From: Rose Bowl Operating Company (RBOC)

Subject: John Wells Pro Shop Contract Option

RECOMMENDATION:

It is the recommendation of the Rose Bowl Operating Company that the City Council approve a five-year contract option with John Wells Pro Shop.

The recommendation is based on RBOC and John Wells Pro Shop agreeing on the following:

1. The percentage of gross receipts to be paid to the City (RBOC) by the Concessionaire shall be six percent (6%) with a minimum annual rent of \$120,000;
2. The Concessionaire shall be responsible for all maintenance of the 2,400 square foot Pro Shop and include high quality displays and merchandising.
3. Concessionaire will issue a bonus payment to RBOC of 0.25% per 5,000 additional rounds should the amount of rounds exceed 170,000 annually.

BACKGROUND:

On December 5, 1984, the City of Pasadena entered into an eight-year agreement with the John Wells Pro Shop to operate the Pro Shop and to provide Golf Instructional services at the Brookside Golf Course.

On January 29, 1992, the City of Pasadena entered into an extension of the contract ending February 25, 2001. Within the agreement, it states the following with respect to renewal "on or before August 1, 2000" (extended to September 7, 2000): "*City shall evaluate Concessionaire's performance under this Agreement to determine, in City's judgment, whether Concessionaire's performance has been satisfactory*". On September 7, 2000 the RBOC approved a motion that the John Wells Pro Shop was contractually compliant.

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Based on the contract, the Concessionaire now has the option to renew the agreement for an additional term of five (5) years and that the RBOC and Concessionaire, on or before October 1, 2000, shall agree through good faith negotiations, on the following terms:

1. The percentage of gross receipts to be paid to the City (RBOC) shall be six percent (6%) with a minimum annual rent of \$120,000;
2. The nature of Concessionaire’s maintenance responsibilities in or about the interior and exterior of the Pro Shop area: the Concessionaire shall be responsible for all maintenance of the 2,400 square foot Pro Shop and include high quality displays and merchandising;
3. Other terms and conditions as City and Concessionaire agree are appropriate at the time: Concessionaire will issue a bonus payment to RBOC of 0.25% per 5,000 additional rounds should the amount of rounds exceed 170,000 annually.

The chart below details information and proposed charges related to the Pro Shop:

	Current	Proposed
Facility Size	2,400 Square Feet	(no change)
Uses	Retail Merchandise	
Annual Revenue	\$2.4 million	
Per Square Foot	\$1,000	
Minimum Rent	\$100,000	\$120,000
Percentage of Rent	5.0%	6.0%
Bonus (increase >170k)	None	.25% (per 5k rounds > 170k)

Staff has been satisfied with the operation of John Wells Pro Shop. The facility has been recognized consistently as “One of the top 100 Golf Shops in the United States.” John Wells Pro Shop compensates the RBOC among the highest amounts of any pro shop in Southern California (see attachment).

Nature of maintenance responsibilities

John Wells Pro Shop has a total of 2,400 square feet. The Pro Shop will be responsible for maintenance of the Pro Shop, and include high quality window displays and merchandising.

Other terms and conditions

Due to the dependence that John Wells Pro Shop has on the amount of play on the golf course, staff has negotiated a bonus to the RBOC that would apply if the amount of rounds played per year increase exceeds 170,000 annually (the average for the past 5 years). The bonus would be ¼ percent (0.25%) per 5,000 rounds.

Hypothetically, if 180,000 rounds are played and Wells does \$2.2 million of business, the RBOC would receive an additional \$11,000.

FISCAL IMPACT:

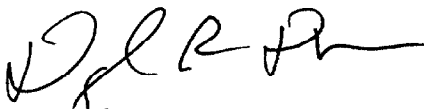
The minimum rent paid to the City (RBOC) will increase \$20,000 per year or a total of at least \$100,000 over the next five years of the contract.

Since 1989 the RBOC has received over \$1.1 million in rent from the John Wells Pro Shop at Brookside. It should be noted that John Wells contract year is March through February as opposed to the RBOC/City fiscal year – July through June.

The following table details annual rent paid to the City (RBOC) by John Wells Pro Shop:

3/88-2/89	\$76,879	3/94-2/95	\$110,894
3/89-2/90	\$77,987	3/95-2/96	\$98,950
3/90-2/91	\$81,551	3/96-2/97	\$108,014
3/91-2/92	\$83,375	3/97-2/98	\$110,014
3/92-2/93	\$90,981	3/98-2/99	\$103,039
3/93-2/94	\$100,000	3/99-2/00	\$110,339

Prepared by,



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Respectfully submitted by,



Porfirio Frausto
RBOC President