



**TO:** Elizabeth A. Pauli, City Manager  
**FROM:** Jennifer Hines, Assistant Division Manager, Facilities Management, Public Works  
Michael P. Slevin III, P.E., Environmental Services Director  
**COPY:** City Council and City Clerk  
**SUBJECT:** Resolution – Lease Agreement with Tacoma Firs Golf Center, LLC – February 13, 2018  
**DATE:** January 26, 2018

**SUMMARY:**

A resolution authorizing the execution of a lease agreement with Tacoma Firs Golf Center, LLC, for a monthly base rent revenue of \$4,562 per month for the initial term once a Certificate of Occupancy is obtained, and increasing to \$10,340 per month at 24 months from the rent commencement period, with annual increases after the third year proportional with the Consumer Price Index, depositing said sum into the ES Solid Waste Fund, for capital improvements to be made to the golf center.

**STRATEGIC POLICY PRIORITY:**

- Foster a vibrant and diverse economy with good jobs for all Tacoma residents.

Authorizing this lease will allow Tacoma Firs Golf Center the opportunity to grow their business by expanding and reconstructing the existing facility to create a destination golf center.

**BACKGROUND:**

In 1998, pursuant to Resolution No. 33906, the City entered into an Operating Agreement for the design, construction, and operation of a first class regional golf learning center on a City owned parcel of land adjacent to Tacoma's landfill. Family Golf, Inc. designed, constructed, and commenced operation of Tacoma Firs Golf Center (TFGC) under the agreement.

Family Golf, Inc. filed for Chapter 11 bankruptcy protection in May 2000, and continued to operate the TFGC under the authority of the Bankruptcy Court. As part of the Family Golf, Inc. bankruptcy, the Court approved the purchase by Tacoma Firs Golf Center, LLC of Family Golf, Inc.'s rights and interest in the agreement for the operation of the TFGC. TFGC and the City entered into an updated agreement in 2001 pursuant to Resolution No. 35114 for the continued operation of the golf center, driving range and associated facilities adjacent to the Tacoma Landfill. In 2003, the operating agreement was amended pursuant to Resolution No. 35907 to allow TFGC to construct a cover over the second level of the driving range. The existing term of the operating agreement expires on December 31, 2031.

TFGC has proposed substantial improvements to the golf center to be funded entirely by TFGC, and has asked the City to enter into a lease agreement creating a leasehold interest in the golf center, authorizing certain improvements to be made to the golf center, providing for an initial 30-year term, with five, five year extensions and providing for payment of rent. The City and TFGC desire to terminate the existing operating agreement and enter into a lease agreement.

**ISSUE:**

Authorizing this lease will allow TFGC the opportunity to grow their business by expanding and reconstructing the existing facility to create a destination golf center.

The current agreement requires lease payments of \$4,562 per month. Under the new lease agreement, no lease payments are required while the facility expansion and additions are being constructed. During this period of no lease payments, the reduction in revenue to the City will be no more than \$104,926. Once



the facility obtains its occupancy permit, the rent will be \$4,562 per month. After two years from the start of the agreement, the rent will increase to \$10,340 per month. After the third year there will be annual increases in the base rent proportional with the Consumer Price Index. The estimated increase in revenue for the City of Tacoma from lease payments for the life of the agreement is \$2,673,156, not including inflationary adjustments.

**ALTERNATIVES:**

The Council could choose to not approve the lease and continue to management the property under the existing Operating Agreement. The City would lose the opportunity to receive additional revenues under the restructured agreement and prevent our business partner the opportunity to expand the facility to create a new business opportunity. The existing space would continue to remain in its current configuration as a driving range.

**RECOMMENDATION:**

A resolution authorizing the execution of a lease agreement with Tacoma Firs Golf Center, LLC, for a monthly base rent revenue of \$4,562 per month for the initial term once a Certificate of Occupancy is obtained, and increasing to \$10,340 per month at 24 months from the rent commencement period, with annual increases after the third year proportional with the Consumer Price Index, depositing said sum into the ES Solid Waste Fund, for capital improvements to be made to the golf center.

**FISCAL IMPACT:**

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
ES Solid Waste Fund 4200	512000	6221005	\$5,244,422
<b>TOTAL</b>			

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET:** There is a \$27,300 reduction in revenues in the current biennium. The total increase in revenue over the life of the agreement is estimated to be \$2,673,156, not including inflationary adjustments.

**ARE THE REVENUES PLANNED AND BUDGETED?** No