



RECREATION AND COMMUNITY SERVICES DEPARTMENT

QUINLAN COMMUNITY CENTER

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CITY COUNCIL STAFF REPORT

Meeting: June 5, 2018

Subject

Authorize the City Manager to negotiate and execute an amendment of the lease agreement for the property known as The Blue Pheasant Restaurant.

Recommend Action

Authorize the City Manager to negotiate and amend the lease agreement with Hungry Jack's Corporation and Mike Tsachres for the Blue Pheasant Restaurant, for a three-year period extending through June 30, 2021.

Background

The Blue Pheasant Restaurant property located at 22100 Stevens Creek Boulevard includes a building of approximately 6800 square feet with a kitchen, bar, and banquet room and the non-exclusive use of 92 parking spaces shared with the Blackberry Farm Golf Course. The lessee has been in compliance of agreement requirements and to date the Recreation and Community Services Department has not received any complaints or are aware of any public nuisance reports during the existing agreement term. The current five-year lease agreement with Hungry Jack's Restaurant Corporation and Mike Tsachres expires on June 30, 2018.

Discussion

Staff contacted Mr. Tsachres in April 2018 to discuss the terms for a new lease and came to a tentative amendment to continue current business terms for a three-year extension and increased insurance coverage levels as recommended by the City's risk management provider, due to alcohol sales on the premise.

In the current agreement, the City receives \$6,875.00 in base rent per month (\$82,500 per year), with an additional 6% payment of the amount of gross sales on an annual basis, which includes the sale of all food, sundry food items, nonalcoholic and alcoholic beverages, and other commercial items sold and for all services performed by the Hungry Jack's Corporation on the leased property. The most recent annual gross sales payment totaled \$39,649.

A comparison to approximate market rates would suggest a rent of \$1.75 per square foot and 6% of gross sales. However, the age and condition of the facility makes it unlikely that rental at market rate is possible without additional City investment in building maintenance. Staff recommends retaining the current rental rate for a three-year term with no option to renew.

Fiscal Impact

There is no change to the projected revenue based on recommended renewal of current terms.

Prepared by: Jenny Koverman, Recreation Supervisor

Reviewed by: Christine Hanel, Assistant Director, Recreation and Community Services

Approved for Submission by: David Brandt, City Manager

Attachments:

A – Draft First Amendment

B – Lease Agreement