City of Rochester Hills
AGENDA SUMMARY
NON-FINANCIAL ITEMS

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Legislative File No: 2024-0335

TO: Mayor and City Council Members

FROM: Joe Snyder, Chief Financial Officer, x2534

DATE: July 15, 2024

SUBJECT: Approval of Pine Trace Lease Agreement

REQUEST:
The City of Rochester Hills City Council is requested to approve the updated Lease Agreement between the City of Rochester Hills ("City") and Bylen Golf Company, LLC ("Lessee"), and authorize the Mayor to sign the Lease Agreement.

BACKGROUND:
Lessee, and its predecessors in interest, have developed, maintained and operated a municipal golf course on City's property under a June 27, 1986 Lease Agreement and Eight Amendments which has been a benefit to the citizens of Rochester Hills and the City.

Lessee has proposed to undertake significant upgrades to the Parcel, including improvements to the Golf Course and related facilities, and the Lessee has proposed to undertake significant additional capital improvements which shall include the construction of a new Banquet Facility and the relocation of the existing Driving Range on the two (2) recently acquired City properties adjacent to the Parcel (3300 South Boulevard and 3308 South Boulevard).

Final plans and specifications for constructing the Banquet Facility shall be prepared with reasonable diligence after the beginning of the Term of this Lease. Final Plans and specifications for the Banquet Facility shall be prepared by a licensed Architect, Engineer, and/or Landscape Architect. The final plans shall be in sufficient detail to permit construction of the Banquet Facility in accordance with the approved general features and the specifications shall be in sufficient detail to provide for adequate control of materials and processes which conform with good practices and meet code requirements where applicable.

The term of this Lease shall be fifty-one (51) years, commencing on January 1, 2025 ("Effective Date"), and terminating on December 31, 2075. The City grants the Lessee two (2) additional ten (10) year options to extend the Initial Term subject to conditions.

As consideration for the use of the Property during the Lease, in addition to the surrender to the City of all fixed improvements and equipment at the end of the Lease term as provided, Lessee shall pay each calendar year, as rent to the City, the greater of (A) the annual Percentage Rent of 5.5% of Lessee's "Gross Receipts" or (B) the annual minimum rent equal to the sum of $350,000 beginning with Lease Year 4 (starting as of the third anniversary of the Effective Date), which annual minimum rent shall be increased by three percent (3.0%) each Lease Year commencing with Lease Year 5 and continuing through the balance of the Term (and any extensions thereof). For sake of clarity, Lessee

shall only owe City Percentage Rent in Lease Year 1, Lease Year 2, and Lease Year 3 (and the minimum annual rent shall not apply to those Lease Years).

"Gross Receipts" shall mean exclusively the following line items of revenue from the operations of Pine Trace Golf Course at the Property: (a) golf revenue consisting of revenues from green fees, cart and equipment rental, pro shop merchandise, and the driving range; (b) restaurant and banquet center revenue consisting of revenues from sales of food and non-alcoholic beverage/refreshment, facility rentals, on-site ceremonies, and bridal suite and facility fees; and (c) net rental revenue of items contracted with third party vendors such as tables, chairs, and other equipment.

This updated Lease Agreement has been signed off by the Lessee on June 19, 2024.

RECOMMENDATION:
The City of Rochester Hills City Council is recommended to approve the updated Lease Agreement between the City of Rochester Hills ("City") and Bylen Golf Company, LLC ("Lessee"), and authorize the Mayor to sign the Lease Agreement.

APPROVALS:	SIGNATURE	DATE
Department Review		
Department Director		
Mayor		
City Clerk		

Contract Reviewed by City Attorney ☒ Yes ☐ N/A