



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: James Colangelo, City Manager
MEETING DATE: March 1, 2006
SUBJECT: Consider Seeking Proposals for a Long-term Ground Lease and Purchase of Improvements at 620 Ocean View Boulevard (formerly the Old Bath House Restaurant)

RECOMMENDATION:

Authorize staff to Retain Mahoney & Associates Commercial Real Estate to offer 620 Ocean View Boulevard for possible long-term lease and sale of the improvements at the site

DISCUSSION:

The City has received three proposals in response to a Request for Proposals (RFP) to operate the restaurant facility at 620 Ocean View Boulevard. A Council subcommittee reviewed these proposals and directed staff to seek independent opinions on the value of the facility.

Based on a review of the information provided, the Council provided direction to staff to negotiate with two of the proposers. Both of the proposers stated that they would be interested in a long-term land lease and purchase of the restaurant facility. Staff informed both that the original RFP did not contemplate such an arrangement, and that the City would be required to offer this arrangement in an open process.

Based on those discussions, staff is recommending that the Council retain the services of a commercial real estate broker to offer the property under a long-term land lease and sale of the building.

FISCAL IMPACT:

A long-term land lease and sale of the building could produce more revenue than a straight lease in the initial years. At some point, the straight lease, as proposed in the RFP, would produce more revenue to the City than the land lease/building purchase option. In order to determine which option is most beneficial to the City, it will be

necessary to conduct a present value analysis of the two options, once formal proposals have been submitted on the land lease/building purchase option.

RESPECTFULLY SUBMITTED:

James J. Colangelo

Digitally signed: I have reviewed this document

James J. Colangelo
CITY MANAGER