TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: FEBRUARY 4, 2008 CMR: 123:08

SUBJECT: APPROVAL OF AMENDMENT #1 TO THE LEASE BETWEEN CITY OF PALO ALTO AND COMMUNITY SKATING, INC. FOR THE WINTER LODGE, 3009 MIDDLEFIELD ROAD, EXTENDING THE TERM FOR AN ADDITIONAL TEN YEARS

RECOMMENDATION
Staff recommends that Council authorize the City Manager to execute the attached Amendment #1 to the lease between the City of Palo Alto and Community Skating, Inc. for Winter Lodge, 3009 Middlefield Road, extending the term for an additional ten years.

BACKGROUND
In accordance with a voter-approved measure, on April 28, 1987, the City acquired the 3.73 acre parcel on Middlefield Road commonly known as the “Winter Lodge” site, for the purpose of continuing its use as a community ice skating facility. On January 26, 1990, the City entered into a 20-year lease with Community Skating, Inc. (CSI) to operate a public ice skating facility on a 1.056-acre portion of the site. On April 20, 2001, the City entered into a second lease with CSI to operate a public tennis facility on the remaining 1.634-acre portion of the site formerly used as a swimming and tennis facility. Both leases also share 1.04 acres of common parking. Both leases are set to terminate on January 25, 2010 and provide for the option to extend the term for an additional ten years upon notice from CSI of its intent to do so and upon the City Manager’s assessment of CSI’s satisfactory performance of the terms of the lease.

DISCUSSION
On October 25, 2007, CSI sent the City written notice (Attachment B) of its intent to exercise its option to extend its lease for the ice skating facility for the additional ten years from 2010 to 2020. As noted in its letter, the Winter Lodge facility has been an asset to the City. The Winter Lodge acts as a recreational partner for the City by offering classes through the City’s Recreation Division and booking family skate nights for elementary schools in Palo Alto and neighboring communities. Last year, the Winter
Lodge was recognized by the Ice Skating Institute for having the largest skating school in the USA. The skating school operates consistently with 98 to 99% customer satisfaction and enrolls over 3,000 students per season every year. The facility has been ranked recently by Outside Magazine as one of the top 10 outdoor ice skating experiences in the country. In addition, CSI’s improvements to the site and building total over one million dollars.

The terms of the lease require CSI to satisfy all conditions of the lease throughout the primary lease term, abide by all City laws, code and ordinance requirements and to provide written notice of its desire to exercise the option to extend. All of these conditions have been met. Therefore, the attached Amendment #1 provides for the lease extension to January 1, 2020, with all other terms and conditions of the lease to remain the same.

**RESOURCE IMPACT**
Extension of the lease will have no fiscal impact to the City. There is no monetary rent required by the lease. The non-monetary consideration required by the lease is that CSI operate the facility for the required use at no cost to the City.

**POLICY IMPLICATIONS**
Extending the term in accordance with the lease option-to-extend provisions does not represent any change to existing policy.

**ENVIRONMENTAL REVIEW**
Extension of a lease is categorically exempt from the requirements of the California Environmental Quality Act under Article 19, Section 15301, existing facilities.

**ATTACHMENTS**
Attachment A: Notice from CSI of Intent to Exercise Option
Attachment B: Amendment #1 to Lease with CSI for the Winter Lodge

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