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City of South Gate
CITY COUNCIL

CITY OF SOUTH GATE
OFFICE OF THE CITY MANAGER

11:40am

AGENDA BILL

For the Regular Meeting of: May 11, 2021
Originating Department: Parks & Recreation

Interim Director: Steve Costley / Interim City Manager: Chris Jeffers
Steve Costley Chris Jeffers

SUBJECT: RESOLUTION FINDING THAT LINGERING ADVERSE ECONOMIC CONDITIONS DUE TO THE COVID-19 PANDEMIC STILL AFFECT OPERATIONS OF GOALS SOCCER CENTER AND BATTING CAGES AT SOUTH GATE PARK AND THAT IT WOULD BE APPROPRIATE TO CONTINUE REDUCED LEASE PAYMENTS FOR GOALS SOCCER CENTER

PURPOSE: To provide rent relief to Goals Soccer Centers, Inc., (Goals) as a means of supporting their business during the ongoing COVID-19 pandemic. It should be noted that Goals has not received any State or Federal COVID-19 financial relief.

RECOMMENDED ACTIONS: The City Council will consider:

- a. Declaring: (1) the lingering effect of the economic recovery from the ongoing COVID-19 pandemic still adversely affects and limits the Goals Soccer Center operations at the soccer center premises, and (2) the closure or limited operation of the soccer centers premises due to the ongoing COVID-19 pandemic continues to adversely impact the recreational programs offered by the City at South Gate Park to City residents; and
- b. Adopting a Resolution adopting the findings required in Amendment No. 1 to the Ground Lease and Management Letter for additional rent reduction for Goals Soccer Centers, Inc.

FISCAL IMPACT: If the City Council approves these findings, the reduction in revenue to the Park Enhancement Fund Revenue Account No. 271-4751 (Leased Facilities) will be \$8,876.69 per month for the period of April 1, 2021 through June 30, 2021, for a total of \$26,630.07. Because the County of Los Angeles has moved to the "Yellow Tier," the rent reduction will be effective for a minimum of 30 days past the start of the "Yellow Tier" ending on the last day of the next full month (June 30th). This time frame should allow Goals to go back to pre-COVID-19 capacity and see their revenue stream normalize. Any reduction by the City Council may be eligible for reimbursement by the funds allocated to the City through the American Rescue Plan Act (ARPA).

ANALYSIS: The world wide COVID-19 pandemic has caused the closure of many businesses throughout South Gate and all of California, and Goals Soccer Centers, Inc., (Goals) is no exception. Since 2010 Goals has operated the soccer center and batting cages located at South Gate Park that provided healthy outdoor activities for the City's residents. Due to the ongoing COVID-19 pandemic and in compliance with the Los Angeles County COVID-19 closure orders, Goals has been closed or in

limited operations since March 13, 2020, with the possibility of being fully operational at the start of 2022. Goals has requested a second year of assistance from the City in the form of a rent reduction that would allow them to reduce the yearly lease amount paid to the City. Goals is currently forecasting a Two Million Dollar (\$2,000,000) loss during this period due to both being non-operational and the reduced capacity of operations now that they have been allowed to partially re-open. At present they can allow game play in the "Orange Tier" but they are still restricted to 50% of capacity. This type of loss is not sustainable and without some relief, Goals would need to consider if keeping the center open is still viable.

The possible permanent closure of the soccer center would be a tremendous loss to the City of South Gate and its residents as Goals has provided much needed soccer programs including game play and youth instruction to the community that would not be available otherwise due to a lack of park space in the City. These community benefits also include up to 40 hours of free use for adult play and provided to the non-profit youth organizations for practice on a regular basis. Staff will be working with Goals to enhance these benefits as part of the overall rent reduction for the year.

It should be noted that staff did investigate how other governmental agencies were handling similar leases with Goals. We spoke to staff at the City of Rancho Cucamonga and Pomona Unified School District. Both have provided similar rent relief of a 50% reduction which is scheduled to continue until various points in the Fall of 2021. Those two organizations also felt these facilities were significant resource to their community and overall wellness goals.

In looking at the long term issues, a reduction in lease payments may be significant in the short term, but keeping a business that is a high priority for the residents and a source of both tax revenue and rental funds for the long term would seem to outweigh the loss of revenue.

BACKGROUND: Completed in 2010, the Goals Soccer Center in South Gate was the first of its kind, multi-field complex in the United States. The Soccer Center was built at a cost of approximately Six Million Dollars (\$6,000,000) that was funded completely by Goals and features eleven overall fields along with a full service snack bar, pro-shop, and locker rooms.

While attendance was slow during the first couple of years of operation, word spread regarding the soccer leagues and quality of play and soon most fields were booked on a nightly basis. Business was so successful in 2018 that in addition to their regular league play for adults and youth, open play and soccer camps/classes, Goals requested to add an additional field to the complex and the construction was completed in 2019. The Parks & Recreation Department has enjoyed a strong working relationship with the management team at Goals Soccer Center and believes that continued operation of the soccer center is in the best interest of the community and the City.

ATTACHMENTS: Proposed Resolution
Amendment No. 1 to Contract Nos. 2546 and 2646 with Goals Soccer Center Inc.

RESOLUTION NO. _____

**CITY OF SOUTH GATE
LOS ANGELES COUNTY, CALIFORNIA**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SOUTH GATE,
CALIFORNIA, ADOPTING THE FINDINGS REQUIRED IN
AMENDMENT NO. 1 TO THE GROUND LEASE AND MANAGEMENT
LETTER FOR A SECOND YEAR OF RENT REDUCTION FOR
GOALS SOCCER CENTERS, INC.**

WHEREAS, the City of South Gate (“City”) along with the State of California and the United States has been part of the worldwide Coronavirus Disease 2019 (“COVID-19”) pandemic;

WHEREAS, during this pandemic businesses large and small have suffered closures and loss of revenue;

WHEREAS, said closures and revenue loss have affected the Goals Soccer Centers, Inc., a tenant of the City; and

WHEREAS, tenant has requested a second year of rent reduction in the amount of \$8,876.69 per month for the period of April 1, 2021 through and including June 30, 2021 provided that the County of Los Angeles (“County”) does not move to the “Yellow Tier”. Should the County move to the “Yellow Tier”, the rent reduction will be effective for a minimum of 30 days past the start of the “Yellow Tier”, ending immediately on the last day of the next full month (June 30th) in accordance with Amendment No. 1 of the Ground Lease and Management Letter.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SOUTH GATE DOES
HEREBY FIND AS FOLLOWS:**

SECTION 1. The City Council does hereby declare that the above recitals are true and correct and are incorporated herein by reference.

SECTION 2. The Los Angeles County COVID-19 Closure Order or any successor order is in effect requiring the partial or full closure of higher-risk businesses and recreational sites such as the Soccer Center Premises.

SECTION 3. The lingering effects of the economic recovery from the COVID-19 pandemic still adversely affects and limits tenant’s operation and/or operating revenues at the Goals Soccer Centers Premises.

[Remainder of page left blank intentionally.]

SECTION 4. The closure or limited operation of the Goals Soccer Center Premises due to the COVID-19 pandemic continues to adversely impact the recreational programs offered by Landlord at South Gate Park to city residents.

SECTION 5. The City Council does hereby adopt the findings required in Amendment No. 1 to the Ground Lease and Management Letter for a second year of rent reduction in the amount of \$8,876.69 per month for the period of April 1, 2021 through and including June 30, 2021 provided that the County of Los Angeles (“County”) does not move to the “Yellow Tier”. Should the County move to the “Yellow Tier”, the rent reduction will be effective for a minimum of 30 days past the start of the “Yellow Tier”, ending immediately on the last day of the next full month (June 30th) in accordance with Amendment No. 1 of the Ground Lease and Management Letter.

SECTION 6. The City Clerk shall certify to the adoption of this Resolution which shall be effective upon its adoption.

PASSED, APPROVED and ADOPTED this 11th day of **May 2021**.

CITY OF SOUTH GATE:

By: _____
Al Rios, Mayor

ATTESTED:

By: _____
Carmen Avalos, City Clerk
(SEAL)

APPROVED AS TO FORM:

By:  _____
Raul F. Salinas, City Attorney

Contract No. 2546

**FIRST AMENDMENT TO GROUND LEASE AGREEMENT
BETWEEN THE CITY OF SOUTH GATE AND GOALS SOCCER CENTERS, INC.**

THIS FIRST AMENDMENT TO GROUND LEASE AGREEMENT (this "Amendment") is made and entered into on November 10, 2020, by and between the **CITY OF SOUTH GATE**, a municipal corporation ("Landlord"), and **GOALS SOCCER CENTERS, INC.**, a Delaware corporation ("Tenant").

RECITALS

WHEREAS, Landlord and Tenant are parties to that certain Ground Lease Agreement dated June 1, 2009, as supplemented, Contract No. 2546 (collectively, the "Lease"), covering approximately 3.32 acres of land at the northeast corner of South Gate Park and improved with a building containing approximately 9,400 square feet, lockable storage areas, concession and snack bar facilities, a retail sales outlet, administrative support offices, and other improvements, including eleven "all weather" soccer courts, to augment and enhance the existing public outdoor recreational activities available at the park for city residents (collectively, the "Soccer Center Premises").

WHEREAS, for more than five months the COVID-19 pandemic has been rampant throughout our country as evidenced by the uncontrolled spread of the novel coronavirus infection in many counties and cities, including the County of Los Angeles which remains under the emergency revised order adopted by the County of Los Angeles Public Health Officer's Reopening Safer at Work and in the Community for Control of COVID-19 Order dated July 18, 2020 (the "L.A. County COVID-19 Closure Order"), requiring the closure of higher-risk businesses and recreational sites where more frequent and prolonged person-to-person contacts are likely to occur.

WHEREAS, from and after March 14, 2020, Tenant ceased operating the Soccer Center Premises in compliance with the L.A. County COVID-19 Closure Order or its predecessor orders and to date remains closed to the public, which closure has resulted in the substantial decrease in operating revenue of Tenant and will continue to result in such substantial decrease in such operating revenue so long as the L.A. County COVID-19 Closure Order or any successor order is in effect requiring the closure of higher-risk businesses and recreational sites.

WHEREAS, Landlord acknowledges that the closure of the Soccer Center Premises has adversely impacted the recreational programs offered by Landlord at South Gate Park to City residents.

WHEREAS, Tenant has requested relief from payment of the rent due under the Lease while the Soccer Center Premises remains closed to the public in compliance with the L.A. County COVID-19 Closure Order, and Landlord finds good cause to grant the requested rent relief on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are

hereby acknowledged by the Parties hereto, Landlord and Tenant hereby amend the Lease as follows:

1. **RECITALS.** The foregoing Recitals are all true and correct and incorporated herein by this reference.

2. **PARTIAL ABATEMENT OF BASE RENT.**

A. Subject to subparagraph 2.C below, Landlord hereby agrees to abate an amount equal to fifty percent (50%) of the Base Rent due under the Lease for the Soccer Center Premises for the twelve (12) month period commencing as of April 1, 2020 and expiring on March 31, 2021 (the "Abatement Period"). During the Abatement Period, Tenant will still be responsible for the payment of an amount equal to fifty percent (50%) of the Base Rent in addition to all other monetary obligations as and when due under the Lease. Except as otherwise provided in subparagraph 2.B below, immediately following the expiration of the Abatement Period, Tenant shall pay one hundred percent (100%) of the Base Rent as and when due under the Lease. For avoidance of doubt, Tenant acknowledges and agrees that (i) effective as of July 1, 2020, the Base Rent for the Soccer Center Premises shall be increased by the scheduled 5-year adjustment in Base Rent as provided in Section 4.3 of the Lease, (ii) Tenant shall pay to Landlord fifty percent (50%) of the Base Rent due as of April 1, 2020 and the balance of the Base Rent then due will be abated as provided hereunder, and (iii) Tenant shall pay fifty percent (50%) of the Base Rent due as of July 1, 2020 and on the first day of each calendar quarter thereafter, as increased by the scheduled 5-year adjustment in accordance with Section 4.3 of the Lease, and the balance of such increased Base Rent then due will be abated as provided hereunder.

B. Subject to subparagraph 2.C below, upon Tenant's written request for extension delivered to Landlord not later than sixty (60) days before the expiration of the Abatement Period or any applicable Extended Abatement Period (as defined herein), Landlord, at its option, may (but is under no obligation to do so) agree to extend the Abatement Period for up to four (4) consecutive periods of twelve (12) months each (each an "Extended Abatement Period") during which the Base Rent for the Soccer Center Premises as and when due under the Lease shall be abated by an equitable percentage thereof, not to exceed fifty percent (50%). Such Extended Abatement Period shall be granted, if at all, at a duly called and noticed regular meeting of the City Council of the City of South Gate ("City Council") and, if granted, the equitable abatement of the Base Rent shall be determined by the City Council upon finding that (1) either (i) the L.A. County COVID-19 Closure Order or any successor order is then in effect requiring the partial or full closure of higher-risk businesses and recreational sites such as the Soccer Center Premises or (ii) the lingering effect of the economic recovery from the COVID-19 pandemic still adversely affects and limits Tenant's operations and/or operating revenues at the Soccer Center Premises and (2) the closure or limited operation of the Soccer Center Premises due to the COVID-19 pandemic continues to adversely impact the

recreational programs offered by Landlord at South Gate Park to city residents. During any Extended Abatement Period, Tenant will still be responsible for the payment of any non-abated Base Rent in addition to all other monetary obligations due under the Lease. Immediately following the expiration of any such Extended Abatement Period, Tenant shall pay one hundred percent (100%) of the Base Rent as and when due under the Lease.

- C. Tenant acknowledges and agrees that should Tenant fail to cure any Monetary Default or Non-Monetary Default under the Lease (beyond any applicable notice and cure period), (beyond any applicable notice and cure period) under the Lease, then the abatement of Base Rent set forth under either subparagraph 2.A or subparagraph 2.B above, as applicable, shall immediately terminate without further notice and thereafter Tenant shall pay one hundred percent (100%) of the Base Rent as and when due under the Lease; provided, however, Tenant further acknowledges and agrees that nothing in this subparagraph 2.C is intended to limit any other remedies available to Landlord at law or in equity under applicable law in the event Tenant defaults under the Lease beyond any applicable notice or cure period.

3. FINANCIAL STATEMENTS.

- A. Prior to the execution of this Amendment No. 1, Tenant shall have delivered to Landlord an unaudited financial statement as of the end of its most recent fiscal year and the related balance sheet and income statement for the fiscal year then ended, all in reasonable detail and as prepared by management. Tenant represents and warrants to Landlord that this financial statement and related statements are complete and correct in all material respects and fairly present the financial position of Tenant as of the end of its most recent fiscal year and the results of its operations for the fiscal year then ended in accordance with generally accepted accounting principles, consistently applied, subject to normal year-end adjustments.
- B. Not later than January 31, 2021 and not later than each January 31 thereafter during the Abatement Period or any Extended Abatement Period, Tenant shall deliver to Landlord an unaudited financial statement as of the end of its most recent fiscal year and the related balance sheet and income statement for the fiscal year then ended, all in reasonable detail and as prepared by management, together with a certificate of Tenant signed by Tenant's authorized representative stating that the financial statement and related statements are complete and correct in all material respects and fairly present the financial position of Tenant as at the end of its most recent fiscal year and the results of its operations for the fiscal year then ended, in accordance with generally accepted accounting principles, consistently applied, subject to normal year-end adjustments.

C. Landlord acknowledges and agrees that any financial statements of Tenant received by Landlord as provided in this Paragraph 3 of this Amendment No. 1 are confidential and proprietary to Tenant. Landlord shall use the financial statements only to confirm the impact of the L.A. County COVID-19 Closure Order or any successor order is then in effect requiring the partial or full closure of higher-risk businesses and recreational sites such as the Soccer Center Premises and/or the lingering effect of the economic recovery from the COVID-19 pandemic on Tenant's operations and/or operating revenues at the Soccer Center Premises, and for no other reason.

4. **REPRESENTATIONS AND WARRANTIES.** Except for the matters addressed in this Amendment No. 1, Tenant hereby represents and warrants to Landlord that: (A) to the best of Tenant's knowledge, there exists no breach, default, or event of default by Landlord under the Lease, or any event or condition which, with notice or passage of time or both, would constitute a breach, default, or event of default by Landlord under the Lease; (B) the Lease continues to be a legal, valid, and binding agreement and obligation of Tenant; and (C) Tenant has no current offset or defense to its performance or obligations under the Lease.

5. **MISCELLANEOUS.**

A. All capitalized terms used in this Amendment No. 1 which are not specifically defined shall have the meanings given such terms in the Lease.

B. Landlord and Tenant agree that except as otherwise specifically modified in this Amendment No. 1, the Lease has not been modified, supplemented, amended, or otherwise changed in any way and the Lease remains in full force and effect between the parties hereto as modified by this Amendment No. 1. To the extent of any inconsistency between the terms and conditions of the Lease and the terms and conditions of this Amendment No. 1, the terms and conditions of this Amendment No. 1 shall prevail.

C. In the event any term, covenant, condition, provision or agreement contained in this Amendment No. 1 is held to be invalid, void or otherwise unenforceable, by any court of competent jurisdiction, such holding shall in no way affect the validity or enforceability of any other term, covenant, condition, provision or agreement contained herein.

D. This Amendment No. 1 constitutes the complete understanding and agreement of the parties with respect to the subject matters referred to herein, and supersedes all prior or contemporaneous negotiations, promises, covenants, agreements or representations of every nature with respect thereto, all of which have become merged and integrated into this Amendment No. 1.

- E. This Amendment No. 1 may be executed in counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same amendment and each counterpart shall be deemed an original. For purposes of this Amendment No. 1, the parties hereby acknowledge and agree that signatures transmitted by electronic mail in so-called ".pdf" format shall be legal and binding and shall have the same full force and effect as if an original of this Amendment No. 1 had been manually executed and delivered. Landlord and Tenant (i) intend to be bound by the signatures whether manually executed or ".pdf" format delivered by electronic mail, (ii) are aware that the other Party will rely on such signatures, and (iii) hereby waive any defenses to the enforcement of the terms of this Amendment No. 1 based on the foregoing forms of signature.
- F. From and after the execution and delivery hereof, the term "Lease" shall mean and refer to the Lease, as amended by this Amendment No. 1.

[signatures of the parties on following page; balance of this page intentionally left blank]

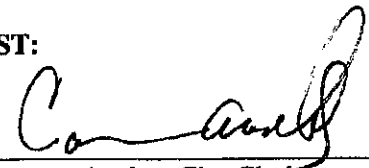
IN WITNESS WHEREOF, Landlord hereto has caused this Amendment No. 1 to be executed and attested by its respective officers thereunto duly authorized.

CITY OF SOUTH GATE:

By: 
Maria Davila, Mayor

Date: 11-19-2020

ATTEST:

By: 
Carmen Avalos, City Clerk
(SEAL)

APPROVED AS TO FORM:

By: 
Raul F. Salinas, City Attorney

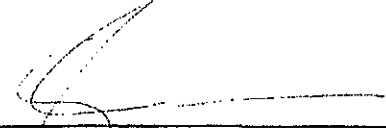
Mailing Address:

8650 California Avenue
South Gate, CA 90280
Attn: Parks and Recreation Director

[signature of Tenant on following page]

IN WITNESS WHEREOF, Tenant hereto has caused this Amendment No. 1 to be executed by its respective officer thereunto duly authorized.

GOALS SOCCER CENTERS, INC.:

By: 
Elizabeth A. Romero, Director of Operations

Date: 10.26.2020

Mailing Address:

9599 Pinehurst Avenue
South Gate, CA 90280