

Greenway Golf Lease Amendment

City Council
February 20, 2018

Background



- July 2012 – Council approved a 25-year lease with Greenway Golf
- 2013-2014 - Driving Range and Par 3 Course renovations complete.
- 2014-present –South Course rebuilt and open in mid-2018.
- June 2016 – Greenway proposed lease amendment with additional facility improvements.
- August 2016 – Golf Commission discussed improvement priorities beyond existing requirements. North Course complete renovation was unanimous.
- April and May 2017 – Council discussed real property negotiations regarding Greenway Golf lease amendment.

Current Lease Improvement Requirements



- North Course - Improvements to irrigation system, basic drainage, improvements to tees, fairways, roughs and greens, and renovation of bunkers and cart paths.
- No improvements required for Clubhouse, restrooms, pro shop or other infrastructure upgrades.

Proposed Improvements with Lease Amendment – North Course



- Full North Course renovation
 - Raise course approximately 3 feet, re-grade and install new drain pipes.
- Repair North Course waterways - includes storm water detention ponds
 - Dredge and repair ponds with suitable water plants, enlarge and reduce depth, add rocks for stabilization.
- Rebuild and renovate tees, fairways, roughs and greens to USGA specifications.
 - Includes reshaping and contouring each hole for correct drainage.
 - Upgraded irrigation will significantly reduce water use requirements.

North Course Construction



- Layout will remain parkland style with water features, tree-lined fairways and little rough and few sand bunkers.
- Will continue to be a value-priced course.
- During construction, 9 holes will remain open at all times for continued play.
- Planting more than 100 trees throughout North Course, in addition to a memorial tree grove along Clubhouse Memorial Drive.

Additional Proposed Improvements



- Clubhouse Remodel
 - Restrooms – new fixtures, tiles and lighting
 - Golf Shop – new windows, flooring, wall treatment, fixtures and lighting
 - Exterior – re-face walls with repurposed wood and walkway lighting
 - Future interior upgrades
- Expanded Outdoor Patio
 - Supporting Jim's on the Course expansion
 - Grading, leveling, resurfacing with pavers, adding a stone wall
- Installing fire line and water main line
 - Benefits current and future building improvements, including Event Center.

Comparison of Terms



| | ORIGINAL LEASE | LEASE AMENDMENT |
|-------------|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| TERM | 20 year term | 40 year term (effective 1/1/13) |
| | One 5- year option to extend | One ten-year option to extend |
| | Total = 25 year term (2013-2038) | Total = 50 year term (2013-2063) |
| RENT | Years 1-4 (2013-16) = \$75,000/year | Years 1-8 (2013-20) = \$75,000/year |
| | Years 5-8 (2017-20) = 8% Gross up to \$4M and 12% Gross over \$4M. \$300,000 Min. | Year 9–10 (2021-22) = \$175,000/year |
| | Years 9-20 plus option (2021-37) = 10% Gross up to \$4M and 12% Gross over \$4M with \$350,000 Minimum | Years 11-20 (2023-32) = 8% Gross up to \$4M and 12% gross over \$4M (higher margins) AND 3% (lower margins) with \$300,000 Minimum |
| | | Years 21-40 plus option (2033-62) = 10% gross up to \$4M and 12% over \$4M (higher margins) and 3% (lower margins) with \$350,000 minimum. <i>Annual increase to minimum amount based on Bay Area CPI.</i> |

Comparison of Terms



| | ORIGINAL LEASE | LEASE AMENDMENT |
|------------------------|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| CAPITAL RESERVE | Starting 7/1/2017: 3% of prior year's annual Gross. Payments only made when balance is less than \$500,000 | Starting on 7/1/2027: 3% of prior year's annual Gross. Payments only made when balance is less than \$250,000 |
| OTHER | | All North Course improvements are subject to prevailing wage and Project Labor Agreement |
| | | City responsible to resurface parking lot by Year 7 (2019). \$500,000 from CIP Fund Surplus |

- North Course improvements are subject to a Project Labor Agreement between Greenway Golf, Operating Engineers (OE3) and Laborers Union #304 Alameda. All Greenway construction employees will participate in one of these unions for the duration of the North Course construction project.
- Parking Lot funding from CIP Fund 310 fund balance – remainder from completed projects. Included in City's Project Stabilization Agreement.

The Financials and Value



| | ORIGINAL LEASE | LEASE AMENDMENT |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GREENWAY CAPITAL VALUE | Capital Value invested by Greenway = \$8,500,000 <ul style="list-style-type: none"> • Driving Range Renovation • South Course Renovation • Par 3 Course Renovation • Minimal North Course Improvements | Total of Capital Value invested by Greenway (Original plus Amendment) = \$15,500,000 Capital Value from amendment = \$7,000,000 <ul style="list-style-type: none"> • North Course Full Renovation • Clubhouse, Golf Shop and Restrooms Remodel • Expanded Outdoor Patio • Water and Fire Lines |
| CITY CONTRIBUTION | \$1,900,000 for four years of reduced rent plus one million dollar payment for construction | Total (original and amendment) = \$3,550,000 Amendment contribution = \$1,650,000 including additional years at reduced rent and value of parking lot improvement. |
| TOTAL REVENUE TO CITY | \$7,450,000 <i>For 25 years (2013-2037)</i> | \$18,148,828 <i>*includes CPI annual increase</i> <i>For 50 years (2013-2062)</i> |

- Golf Commission discussed these lease amendment terms at its February 25, 2018 meeting and unanimously approved.

Course Fees and Sustainability



- Unchanged Fees: Youth On Course golf, free high school use.
- Resident Fees: Must be discounted and have City approval.
- Greenway Golf has focused its investments into courses that are in the middle of a significant population area and are there based on demand.
- Improvements will increase operational efficiency and activities such as Foot Golf and Golf Boards are implemented to draw in new users.

Comparable Municipal Courses – Management & Construction



- Palo Alto: \$13 Million General Fund bond debt. Was paying \$345,000 per year to operator.
 - San Jose: General Fund subsidy of \$2,600,000 for two golf courses, including debt service payments. Operator not required to do any capital improvements.
 - EBRPD: funded its golf course improvements.
 - Oceanside: 30-year term for \$3,600,000 in improvements.
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- **ALAMEDA** –Greenway Golf will invest a total of \$15,500,000. City only funds parking lot and provides reduced rent until 2022. Minimum rent payments ensure revenue to City.

Financial Impact



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|-------------------------------------------------|----------------------|
| Total Amendment Improvements Funded By Greenway | \$8,044,632 |
| Existing Agreement North Course Project Value | <u>(\$1,100,000)</u> |
| TOTAL VALUE OF ADDED IMPROVEMENTS | \$6,944,632 |
| | |
| City Contribution | |
| Lease Revenue offset | \$1,150,000 |
| Parking Lot renovation | <u>\$500,000</u> |
| TOTAL CITY CONTRIBUTION | \$1,650,000 |

Comments and Questions

