

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

Course Fees and Sustainability



- Unchanged Fees: Junior Golf, free high school use and seniors.
- 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.
- **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 required to ensure revenue to City.

Financial Impact



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

