

City of Sacramento

Legislation Details (With Text)

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On agenda:	6/4/2019	Final action:			
Title:	Approving the Amended and Restated Agreement for the Lease and Operation of Haggin Oaks, Bing Maloney, Bartley Cavanaugh, and William Land Golf Courses				
Sponsors:					
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Date	Ver.	Action By	Action	Result
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Title:

Approving the Amended and Restated Agreement for the Lease and Operation of Haggin Oaks, Bing Maloney, Bartley Cavanaugh, and William Land Golf Courses

File ID: 2019-00495

Location: Citywide

Recommendation:

Pass a Motion: 1) approving the Amended and Restated Agreement for Lease and Operation of the City's golf courses with Morton Golf LLC to set the second term for 15 years expiring in 2034 and extend the maximum term by eight years to 2044; and 2) authorizing the City Manager or City Manager's designee to execute the Lease and Operation Agreement.

Contact: Shannon Brown, Interim Director, (916) 808-6076; Barbara Smith, Administrative Officer, (916) 808-5762, Department of Youth, Parks, & Community Enrichment

Presenter: None

Attachments:

1-Description/Analysis

2-Amended and Restated Agreement with Morton Golf LLC for the Lease and Operation of Haggin Oaks, Bing Maloney, Bartley Cavanaugh, and William Land Golf Courses

3-Morton Golf Letter on Homeless Impacts

4-Morton Golf Homeless Report Excerpts

Description/Analysis

Issue Detail: In January of 2012, the City entered into the operations and lease agreement with Morton Golf LLC (Morton) to take over operation of the Haggin Oaks, Bing Maloney and Bartley Cavanaugh golf courses. At that time, the William Land Golf Course was leased to The First Tee of Greater Sacramento (First Tee), although Morton was managing this course for them.

Last year, the lease with Morton was amended to add the William Land Golf Course because First Tee terminated the lease due to the high cost needed to subsidize operation of this nine-hole golf course. As part of that lease amendment, the rent was reduced by \$250,000 to cover the subsidy needed for operation of the William Land Golf Course. Over the past year, City staff have worked with Morton to evaluate means to reduce costs and increase revenues at this small golf course. Morton has improved marketing of this golf course. However, because this course and its facilities are not suitable for events or expansion of food and beverage services, the operation will continue to need a \$250,000 annual subsidy.

The Amended and Restated Operations and Lease Agreement (the “Agreement”) extends the term for operation of the William Land Golf Course and reflects the reduced base rent by the \$250,000 annual subsidy. The Agreement provides that if the City does not budget for the annual subsidy, the William Land Golf Course will be excluded from the Agreement. Annually, staff will evaluate the net revenues to verify if the full amount of the subsidy is needed to be included in the annual operating budget for the Youth, Parks & Community Enrichment Department.

As part of the revised Agreement, Morton requested that the first extension option be established as of July 2019, rather than in 2022, and extend this second term to December 2034 because Morton wants to take out a \$3.3 million loan for construction of an event center and other improvements at the Bartley Cavanaugh Golf Course. They need at least a 15-year period to align with the loan term. These improvements are anticipated to bring in significant revenues which would increase the funds available for maintenance and increase the amount in the special funds to pay for further golf course improvements.

As a result of setting the second term to end in 2034, the Agreement now includes two rather than three five-year optional extensions. As a result, the maximum length of the Agreement will be extended by eight years to 2044.

The Agreement also combines four of the five special funds into one fund for flexibility. In addition to base rent, Morton pays a portion of its revenues into a special fund for building repairs and minor upgrades, and four other separate special funds to cover the costs for technology upgrades, irrigation system replacements, capital improvements, and special projects. By combining these four funds into one, it will be feasible to undertake more improvements and streamline administrative processes and

oversight. The City must approve the projects Morton proposes to undertake using the combined special fund proceeds.

The other changes to the Agreement include eliminating provisions that have been implemented and updating the list of City equipment. In addition, security and liability concerns brought forward repeatedly by Morton Golf regarding the impacts of homeless encampments on golf course operations and revenues have been acknowledged, and the release of Morton from liability for damages caused to the golf facilities by homeless have been added to the Agreement.

Policy Considerations: Because Morton has operated the City's golf courses in an exemplary manner and will be making further investments to improve the facilities, City staff support a 15-year second term and extending the overall lease term by an additional eight years.

Economic Impacts: None

Environmental Considerations: Any capital improvements undertaken by Morton within a golf course are subject to environmental review if not exempt under the CEQA Guidelines.

Sustainability: Not applicable

Commission/Committee Action: Not applicable

Rationale for Recommendation: Contracting with Morton for the operation and maintenance of the City's four golf courses provides the most cost-effective means for these recreational facilities to be available for public use.

Financial Considerations: Morton currently pays the City \$1,085 million in annual base rent plus deposits approximately \$365,000 annually into the special funds. Because the base rent proceeds are used to pay off the City's golf fund loan, which was taken out before the golf courses were leased to Morton, additional funds are needed to augment Golf Fund (2603) in the amount of \$250,000 annually to cover the base rent reduction for operation of the William Land Golf Course. This amount is part of the FY2019/20 Proposed Youth, Parks, & Community Enrichment operating budget. The base rent amount will be reduced starting in year 2021 as the golf fund loan will be paid off, and this rent provision remains unchanged in the Agreement.

Local Business Enterprise (LBE): Not applicable.