

Agreement with American Golf Corporation for the Management of Monarch Bay Golf Club

San Leandro City Council
June 1, 2020

History

- Marina Course built in 1963
- Tony Lema Course & Everett Rooney Driving Range opened in 1983
- Prior to 1997, amenities operated/maintained by City and concessionaires operated Golf Shop, Driving Range, Carts and Restaurant
- City lost revenues during this time

1997 Lease Agreement Terms

- 20-year term (effective 11/15/2004) + two 5-year extensions
- AGC to spend \$8.1M on renovations
- Creation of Golf CIP account
- Minimum annual rent paid to City of \$750K
- Escalating percentage rent with current (and maximum) rate of 30% on golf revenues + 6% on clubhouse revenues
- Subsequent addendums:
 - 2006 - Purchase of reclaimed water
 - 2010 - Addition of cell sites
 - 2019 - Temporary waiver of payment for reclaimed water

Declining Golf Numbers

Year	2013	2014	2015	2016	2017	2018	2019
Revenues	\$3,089,601	\$3,001,054	\$3,341,796	\$3,152,101	\$3,225,840	\$3,472,004	\$3,578,005
Expenses	\$2,186,986	\$2,266,979	\$2,641,979	\$2,507,759	\$2,535,615	\$2,639,407	\$2,559,329
EBITDAR*	\$ 901,170	\$ 734,075	\$ 699,982	\$ 644,342	\$ 690,225	\$ 832,597	\$1,018,676
City Rent	\$ 800,042	\$ 797,797	\$ 830,379	\$ 818,563	\$ 877,015	\$ 946,655	\$ 965,573
AGC Net	\$ 101,128	\$ (63,725)	\$ (130,397)	\$ (174,221)	\$ (186,790)	\$ (114,058)	\$ 53,103

*EBITDAR = Earnings Before Interest, Taxes, Depreciation, Amortization, and Rent costs

→ City has received over \$6M the past seven years

→ AGC has lost over \$500K during the same period due to increasing rents and expenses

Proposed Management Agreement

- Existing Lease Agreement will terminate June 1, 2020
- Term of Management Agreement through November 15, 2024, with two additional 5-year options if mutually agreeable
- Annual Base Management Fee of \$150,000 paid to AGC
- Incentive Management Fee due when net operating income exceeds \$750,000
- No future contribution from AGC to Golf CIP fund – Staff will return to Council with 5-year Projects List
- City and AGC shall mutually approve annual operating plan/budget
- AGC shall operate the golf course as has historically been done
- 9-hole Executive course to be rebuilt as 9-hole Par 3 as part of Shoreline Development

Proposed Management Agreement

- City's sale of portion of 9-hole course necessitates opening up Lease Agreement
- Lease Agreement not feasible with any credible golf operator
- Management Agreement provides City with maximum flexibility and control of facility
- Conversion is consistent with municipal golf courses with expiring lease agreements
- Staff and Golf Consultant conferred with various municipalities, golf course operation industry experts and other well-respected golf course consultants
- Seamless transition for golfing community

Fiscal Impacts

- City's anticipated net profit for first plan period (13 months) is \$715,056
- Difference in projected revenue due to:
 - Management Agreement not exempt from Living Wage Ordinance (Lease Agreement exempt)
 - Static Management Fee paid to AGC (in prior years AGC posted losses)
- Closure of 9-hole course for reconstruction will temporarily affect net revenues in future years

Recommendation

Approve Management Agreement with Exhibits A-E between American Golf Corporation (AGC) and the City, effective June 2, 2020

Termination of the existing Lease Agreement (Exhibit C) would be effective at 11:59 PM on June 1, 2020



QUESTIONS?