



STAFF REPORT

September 14, 2022
File Number 0600-10; A-3430

SUBJECT

REIDY CREEK GOLF COURSE MANAGEMENT AND CONCESSION AGREEMENTS

DEPARTMENT

Communications and Community Services

RECOMMENDATION

Request the City Council adopt Resolution No. 2022-124, authorizing the Mayor to execute a Golf Course Management Agreement and a Lease and Concession Agreement with Escondido Golf, LLC, Inc. for the management and operation of Reidy Creek Golf Course.

Staff Recommendation: Approval (Communications and Community Services: Joanna Axelrod)

Presenter: Vince McCaw, Real Property Manager
Escondido Golf, LLC representative: Tom Bugbee

FISCAL ANALYSIS

JC Management, LLC has managed the Reidy Creek Golf Course since it opened in 2002. Under the terms of the Agreement, JC Management was responsible for the ongoing operation, management, maintenance, repair, and upkeep of the golf course and received an annual fixed base management fee. The fee in FY 2020/21 was \$86,066 and they also received 0.75% of gross revenues, which was \$7,492 in FY 2020/21. The management fee increased by 3% annually.

The fee for the new management company, Escondido Golf, LLC, will decrease to \$75,000 per year and increase by only 2.5% annually. In addition, they are eligible to receive an incentive fee of 10% of the net profit after debt service. The City will receive 10% of the food and beverage revenue under the Lease and Concession Agreement.

PREVIOUS ACTION

On March 1, 2001, City Council approved a ten-year Golf Course Consulting and Management Agreement with JC Management LLC to manage the Reidy Creek Golf Course and also a Lease and Concession Agreement to provide food and beverage services to the golf course. The Agreement was renegotiated and on June 27, 2012, City Council approved a second ten-year Management Agreement and concurrently a Lease and Concession Agreement with JC Resorts, LLC.



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BACKGROUND

Reidy Creek is an 18-hole executive municipal golf course that opened in 2002 and was developed in conjunction with the 222-lot Brookside residential development approved by the City Council in July of 2000. The course is constructed on approximately 65 acres of which 25 acres was owned by the City and 40 acres was transferred to the City by New Urban West, the Brookside developer. Amenities for public use include a 2,582-yard course that offers 18 holes of golf, disc golf, and foot golf; a pro shop with golf and disc golf merchandise; and the newly renovated Clubhouse and Creekside Tavern that also serves as a venue for meetings and special events.

A 26-acre portion of the Property serves as a silt detention basin and flood control facility for large storms when runoff exceeds the carrying capacity of the Reidy Creek channel running through the site. The Course creates an approximate 100-foot-wide naturally contoured drainage channel with a 40-foot-wide natural bottom. Flows from Reidy Creek that exceed system capacity from north of the site are diverted and detained west of North Broadway on holes 11 through 17 of the golf course.

In addition to the financial operations of Reidy Creek, the City is also responsible for the debt service of tax-exempt Lease Revenue Bonds that were issued in April 2001 for the construction of the golf course. The debt issued was intended to be paid back or subsidized by income earned at the property. Since the property has not achieved those levels of income, the General Fund is obligated to make the debt service payments which average about \$361,000 a year. The current outstanding principal and interest on the bonds is \$3,303,494 which will be paid in full October 2030.

In May 2022, the City requested a statement of qualifications from experienced golf course management firms and received six responses. The firms were evaluated and all six were invited to respond to a request for proposals to enter into a Golf Course Management Agreement and a Lease and Concession Agreement for operation and maintenance of the Reidy Creek Golf Course. Five proposals were received and evaluated by a six-member committee comprised of staff from Finance, Community Services, Real Property, and Public Works Department. City staff also received input from an outside consultant, Keith Cubba, National Director of Colliers' Golf Course Advisory Services. The two top firms were invited to oral interviews in July 2022, and Escondido Golf, LLC was selected as the most qualified to provide the requested services based on their financial operating model; experience managing a portfolio of 40 properties – the majority of which are CA-based, publicly-owned courses; their strong marketing, outreach, and engagement plan; and their commitment to making Reidy Creek Golf Course a community asset

Staff considered comments from Council regarding concerns with the previous management agreement and made efforts to address those concerns. The previous agreements were for terms of ten years each, and it was indicated that a shorter term would be preferred. The new agreements are for a five-year term with an option to extend for four additional years. The expiration of the agreements, with the option, will coincide with payment of the bonds.



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Another area of concern in the previous agreement was the incentive payment. The previous agreement included an incentive payment of 0.75% of gross revenues. This payment was based on gross revenues and was provided regardless of the profitability of the course. The new agreement includes an incentive payment that is payable to the management company, which is 10% of the net profit after debt service.

Staff recommends entering into a Management Agreement and a Lease and Concession Agreement with Escondido Golf, LLC. The Management Agreement provides that Escondido Golf, LLC will be responsible for all operations and maintenance of the golf course facility and will be paid a fee for these services. The Lease and Concession Agreement allows Escondido Golf, LLC to provide certain food and beverage for the golf course and to provide 10% of the revenue to the City. The term of both agreements is five years and may be renewed for one additional four-year period.

RESOLUTIONS

- a. Resolution No. 2022-124
- b. Resolution No. 2022-124 Exhibit "A"
- c. Resolution No. 2022-124 Exhibit "B"