



DATE: August 16, 2011

TO: Mayor and Council Members
Chair and Board Members, Hesperia Community Redevelopment Agency

FROM: Mike Podegracz, City Manager

BY: Kim Summers, Assistant to the City Manager
Kelly Malloy, Community Relations & Media Coordinator

SUBJECT: Hesperia Golf Course Community Outreach and Feasibility Study

RECOMMENDED ACTION

Staff recommends that the City Council (Council) and Hesperia Community Redevelopment Agency Board of Directors (Board) determine the long term use of the City owned golf course property and direct staff to return with other considerations related to operations and improvements.

BACKGROUND

The Hesperia Community Redevelopment Agency (Agency) purchased the Hesperia Golf Course in April 2010, for \$1.6 million in an effort to prevent the property from becoming blighted and run-down in addition to paying \$2.6 million to acquire 675 acre feet of water. The 210 acre property is currently an 18-hole golf course, operated by the Hesperia Recreation and Park District (HRPD). At the time of purchase, the Council and Board directed Staff to conduct an extensive outreach effort in order to provide an opportunity for the community to submit input regarding the long term use of the property. The Council and Board reaffirmed this intent at the February 2010 Budget Workshop and directed staff to proceed with public meetings and other opportunities for citizen input.

ISSUES/ANALYSIS

The Golf Course Outreach Program began in May 2011, and consisted of three parts: five public meetings; a community survey available both on the City website and in print at City Hall; and a feasibility study conducted by an outside consultant.

During the month of June, the City of Hesperia hosted five public meetings that were designed to gather input and suggestions from the community regarding the golf course property. At each meeting, Staff gave a brief presentation providing background on the property and goals for the meetings followed by an extensive discussion session with participants.

All general meetings, with the exception of the June 9 meeting, were promoted with multiple 5" by 8" advertisements in the Hesperia Star and Daily Press newspaper, on the homepage of the City of Hesperia website, in flyers distributed throughout the community, in the Hesperia Water District customer bills for the May/June 2011 billing cycle, promoted at functions attended by City Staff and featured on the cover story of the Spring 2011 Hesperia Horizon newsletter. The June 9, 2011 meeting was specifically designated for residents directly impacted by the Golf

Course and so 593 residents living within 1/8 of a mile were invited via mailed invitations sent to the properties to attend this meeting and share their thoughts on the future of the property. As a result of this promotional effort, attendance at each meeting was:

- June 2: Hesperia Golf and Country Club- 139 attendees
- June 9: Sultana High School- 85 attendees
- June 11: Hesperia Library Community Room- 43 attendees
- June 16: Hesperia Library Community Room- 47 attendees
- June 30: Hesperia Golf and Country Club- 47 attendees

While the opinions of participants varied as to the specific details related to daily operation of the Hesperia Golf Course, members of the public in attendance were adamant in their request for the Council and Board to continue operating it as a golf course and that they do not support the property being used for anything non-golf related (see Attachments 1 and 2).

Citizens repeatedly expressed a concern that property values would drop should the use change and also shared that a park is not seen as a safe alternative. The top five most common suggestions for operations included:

1. Keep it an 18-hole golf course;
2. Leaving the property as-is until it can self-fund improvements;
3. Implement a marketing/advertising plan to increase play;
4. Reduce turf to conserve water; and
5. Make aesthetic improvements to the clubhouse/restaurant.

The community survey was developed in house to gather input on the current level of use, strengths and weaknesses of the facility and evaluate the level of use for non-golf alternatives. The survey specifically focused on assessing the property for a variety of activities in its current use, and not the aesthetic value that the golf course may contribute to the surrounding neighborhood. It consisted of 19 questions focused on community use of the Hesperia Golf Course property along with an opportunity to provide additional input. The survey was made available electronically on the City's website along with printed versions at City Hall and at each public meeting May 1- July 7, 2011. In total, 421 completed surveys were collected from all sources.

In summary (see Attachment 3), the survey responses, when given a wide range of potential uses for the property, respondents consistently selected retaining the property as an 18-hole golf course, with walking/jogging paths at the second most popular selection. 55% of respondents have played golf at the Hesperia Golf Course within 30 days prior to taking the survey. The additional comments section included many of the same improvements that were discussed at the Golf Course Outreach Meetings, including: repairing the bunkers, improving the restrooms, implementing a marketing/ advertising plan, turf reduction and hosting of special events.

Concurrent to these efforts, the City issued a Request for Proposals on January 11, 2011 for a Golf Course Feasibility Study and awarded the contract to Pro Forma Advisors, LLC in April 2011. The goal of this study was to determine the feasibility of continuing to operate the property as a golf course, including the costs associated with various reconfigurations and the cost evaluation of various multi-use and non-golf related options. The project consisted of three

phases of analysis and evaluation addressing a competitive market analysis, operational analysis of the golf and food/beverage service and financial performance analysis and business plan.

Phase I consisted of assessing the local demographics and economic data to identify the local golf market and potential demand, visiting the competing golf courses in the Victor Valley and conducting a physical inspection and evaluation of the Hesperia Golf Course.

Phase II entailed the evaluation of the current operation of the facility by evaluating the existing practices and examining key business elements of the Hesperia Golf Course. This phase included: reviewing the background, former PGA history, studies, reports, drawings and easements onsite in order to address how the operational areas are structured; whether or not the structure lends itself to maximizing revenues and controlling expenditures; determining the effectiveness of existing programs, and the efficiency and economy of operations; and determining if the operations are in compliance with appropriate laws, regulations and contracts. The result of this phase was an analysis of current operations and evaluations of proposed operating options to include self operation, long-term facility lease, short-term facility lease and short-term facility management contract.

Phase III resulted in the preparation of a business plan for the Hesperia Golf Course's food and beverage services and a strategy for implementation of the business plan. This phase of the study involved integrating market findings and expected use levels into a five-year cash flow pro-forma for the golf facility.

Pro Forma Advisors, LLC has provided a Draft Market and Operations Analysis on the Hesperia Golf and Country Club for review (see Attachment 4). The summary of their findings included:

- Retaining an 18-hole regulation length golf course, with appropriate modifications, is clearly the superior option to other golf course options (9 hole regulation or 18 hole executive course).
- Through selective turf reductions in irrigated turf areas water consumption can be reduced from its current level of 550 acre feet per year to 450 acre feet per year, which would minimize or eliminate the requirement to purchase water above the current allocation.
- Continued operation of an 18-hole golf course at a reasonable quality standard will require approximately \$3 million in capital improvements, although these improvements may be phased over a 5- to 10- year period.
- The original capital cost and annual operating expenses of a "no-golf" option, defined as passive park/open space with multi-use trail networks and some irrigated green belt, is about the same as continuing operation of an 18-hole, upgraded regulation length golf course.
- Operation of the golf course utilizing outside professional management at an acceptable (upgraded from current level) standard is estimated to require an annual operating subsidy of approximately \$200,000 per year, plus about \$200,000 in annual amortization of the required capital improvements.
- Over the past year, the HRPD has operated the golf course reasonably well in light of having a short term agreement and a very limited budget. HRPD has the advantage of an administrative structure already in place and other support resources which provide some operating efficiencies. By absorbing much of the typical administrative cost and charging only the incremental costs of using their support services, HRPD can likely operate the golf course at little, or no operating subsidy.

- If the City elects to retain HRPD on a mid- to long-term basis under some type of lease or management agreement, it is incumbent to set operating and maintenance standards, and to retain some control over golf course pricing and policies.

Once the Council/Board determines a long-term use and management/operating option, staff will return with additional information related to future capital improvements; water conservation efforts; long term management agreement, operational subsidies, etc. for consideration.

FISCAL IMPACT

1. The capital cost estimate to retain the property as an 18-hole regulation course with improvements is \$2.92 million, with an anticipated annual subsidy of \$308,400 (these improvements can be phased in over time, and the annual subsidy assumes hiring a private management firm; this would be substantially reduced utilizing the services of HRPD)
2. The capital cost estimate to modify the property to become a 9-hole regulation course is \$3.27 million, with an anticipated annual subsidy of \$575,100.
3. The capital cost estimate to modify the property to become an 18-hole executive course is \$4.65, with an anticipated annual subsidy of \$687,400.
4. The capital cost estimate to modify the property to become a “no-golf” alternative is \$3 million, with an anticipated annual subsidy of \$200,000.

ALTERNATIVE(S)

1. Provide alternative direction to staff.

ATTACHMENT(S)

1. Hesperia Golf Course Community Outreach Comments
2. Hesperia Golf Course Community Outreach Letters Received
3. Hesperia Golf Course Community Survey and Results
4. Pro Forma Feasibility Study