



COUNCIL AGENDA: 2/6/2018
ITEM: 5.1 (18-006)

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Toni J. Taber, CMC
City Clerk

SUBJECT: SEE BELOW

DATE: December 22, 2017

SUBJECT: LOS LAGOS GOLF COURSE UPDATE

RECOMMENDATION: As recommended by the Neighborhood Services and Education Committee on December 14, 2017, accept the status report and provide feedback on the guiding principles and results of the Los Lagos Golf Course community engagement process.

CEQA: Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, Information Memos that involve no approvals of any City action. (Parks, Recreation, and Neighborhood Services)

RECOMMEND DEFERRAL TO 2/6/18 PER ADMINISTRATION



Memorandum

TO: NEIGHBORHOOD SERVICES AND
EDUCATION COMMITTEE

FROM: Angel Rios, Jr.

SUBJECT: LOS LAGOS GOLF COURSE
UPDATE

DATE: November 28, 2017

Approved

Date

12/6/17

COUNCIL DISTRICT: Citywide

RECOMMENDATION

1. Accept the status report and provide feedback on the guiding principles and results of the Los Lagos Golf Course (LLGC) community engagement process; and
2. Consider for full City Council consideration of this item at the January 9, 2018 City Council meeting.

OUTCOME

Acceptance of this status report and recommendations outlined in this memorandum will allow City staff to determine any necessary next steps for the future of the Los Lagos Golf Course.

EXECUTIVE SUMMARY

Staff implemented the May 2016 Council directive to conduct a community engagement process to help determine future uses for the Los Lagos Golf Course. This directive stemmed from a September 2015 Auditor's report, which identified several reasons for looking at alternative service delivery, including the City's ongoing general subsidization of operational costs and its long-term debt payment obligations. The community outreach process was implemented during early 2017 in English, Vietnamese and Spanish, and included online surveys, workshops, and online feedback. The process yielded eight community recommendations, some of which are:

1. Maintain City ownership and recreational land use of the Los Lagos property;
2. Approach the Los Lagos property as a multi-faceted community park that includes a golf course, rather than a golf course surrounded by parkland; and
3. Explore and establish new non-recreational (such as hosting corporate events) and recreational (such as Topgolf) revenue streams.

Based on the community feedback, staff has developed the following draft guiding principles for the consideration of the Mayor and City Council related to LLGC:

- 1) **Open Space & Recreation:** Continue to value the benefits of recreation and open space that the property provides for the community;
- 2) **Financial Sustainability:** Continue to focus vigilantly on the financial sustainability of LLGC through innovative and aggressive approaches to management and marketing of the property to ensure maximum use of the property by San José residents; and
- 3) **Opportunity Awareness:** Continue to be open to opportunities in the future for innovative approaches to redeveloping the site as community needs involve, while simultaneously ensuring that the environmental and open space attributes of the site are not lost.

The Los Lagos Golf Course is managed through a fee-for-service Qualified Management Agreement (QMA) with Courseco, Inc. (Courseco). The current agreement will expire on June 30, 2018 after which the operator will be providing services on a month to month basis until the City enters a long-term agreement with an operator. The City anticipates conducting a Request for Proposal (RFP) process to procure an operator by fall 2018.

Several restrictions and challenges affect the future uses of the Los Lagos Golf Course. Some restrictions or challenges identified are:

1. IRS-based Operational Constraints – Due to IRS restrictions on tax-exempt bonds, Los Lagos is maintained through a QMA, which provides for regulations related to private business use of the property;
2. Debt Service Obligations – LLGC carries a debt service until 2031 which costs the City approximately \$1.5M - \$1.7M annually; and
3. Land Use Restrictions – Under City Charter, parklands are considered 'inalienable' and voters must approve sale or any long term development/use of the site for anything other than park and recreational use.

This memo provides the City Council with an overview of the community engagement process for LLGC, recommendations from the community, and challenges or restrictions for the course. Further, detailed analysis is necessary to fully vet non-golf alternatives for the site. Staff recommends feedback and approval of the status of results of the community engagement process.

Given the feedback received during community outreach, staff is currently focusing efforts on maximizing the potential of the site for community access and revenue generation/financial sustainability while simultaneously keeping golf as the primary use. If the City Council agrees with this current direction, as well as the draft guiding principles, staff will continue along this

path. However, as stated in the guiding principles, staff will remain open to opportunities that could present themselves for redevelopment or re-use of the site.

If the Mayor and City Council would prefer for staff to aggressively vet other opportunities such as redevelopment of the site to park space, sports fields or other non-recreation uses, staff will return to the Mayor and City Council in early 2018 with an anticipated scope of work and schedule for this analysis.

BACKGROUND

The Department of Parks, Recreation, and Neighborhood Services (PRNS) has made golf accessible to the public since the San José Municipal Golf (SJ Muni) course opened in 1968. In 1999 and 2002, Rancho del Pueblo and Los Lagos Golf Course opened creating more opportunities for residents and visitors to enjoy San José's open space, especially in areas that previously lacked amenities such as golf courses. The operation of these facilities is provided through the City's contracts with third party vendors. Specifically, Los Lagos and Rancho del Pueblo Golf Courses are managed by Courseco, and SJ Muni is leased to the Mike Rawitser Golf Shop.

Council Direction

At the November 17, 2015, City Council meeting, the City Council directed staff to bring back a community engagement strategy proposal to evaluate the current land use of the Los Lagos Golf Course property. In seeking a broad and inclusive engagement process, the City Council voiced its intention to establish guiding principles for ensuring that future use(s) of the site (status quo or otherwise) will serve the needs and interests of the community. The directive did not include Rancho del Pueblo or the SJ Muni Golf Courses. Initially, the City Council's directive was limited to an engagement process within the community around the LLGC. At a subsequent Council meeting on June 7, 2016, this was expanded to include a citywide outreach. The directives followed after the City Council discussion on the City Auditor's report and presentation on San José' municipal golf courses.

In collaboration with Placeworks, Inc. (Placeworks) a PRNS on-call consultant, staff implemented the community engagement process. Placeworks' services have included the development of a work plan, an outreach program, staff outreach training, implementation of these strategies, and analysis of findings. Community engagement has included social media, surveys, and community workshops.

Key Considerations from the 2015 City Auditor's Report¹

The City Auditor's Report identified key recommendations (Attachment A) that would address:

¹ "Golf Courses: Loss of customers and revenues requires a new strategy" September 2015, Office of the City Auditor

- More favorable contract terms through competition from potential golf course operators that could lower the City's financial risks and grow customer usage;
- Implement a community engagement process for alternative land uses to address the underutilization of scarce open spaces and ongoing financial losses; and
- Develop a more aggressive customer growth strategy.

Staff has instituted audit recommendations specified in the September 2015 Audit report with the current operator, and will continue to monitor the progress of these recommendations. Recommendations will also be incorporated into the scope of services in future agreements for all municipal courses.

Golf Trends in the Bay Area and Nationwide

The Auditor's report showed that since LLGC opened in 2002, the average rounds of golf have gone down by 28% from approximately 70,000 rounds of play to 50,000 rounds of play in 2014. Nationally, since 2005, there has been a downturn of five million golfers. This, coupled with competition from new private golf courses, has led to a decline in the numbers of rounds of golf played at City-owned courses and at most nearby public golf courses.

Bay Area golf courses have not been spared the downward trends in golfing. These difficult conditions have led to several golf course closures in Northern California. Some golf courses have chosen to reduce the number of holes played per game.

For example, Diablo Grande Golf & Country Club in Patterson and Ridgemark Golf & Country Club have each gone from 36 holes to just 18 holes; while other golf courses like Adobe Creek Golf Course in Petaluma have closed. Green Tree Golf Course in Vacaville and Roddy Ranch Golf Club in Antioch were both closed in 2016.

For Blue Rock Springs Golf Course (36 holes), the City of Vallejo is currently considering many options, including closing one of the golf courses and rezoning the land for housing development. While closures can help address the imbalance of supply and demand over time, the recent history described above indicates a decline in the market and a far more challenging environment.

To address these challenges, some jurisdictions have found creative land use solutions that incorporate environmental, educational, and recreational opportunities to surrounding communities especially across multi-generations. An example of this is the Highlands Golf course in Western Michigan which was completely transformed into an open space for nature. A November 08, 2017 article² stated "Repurposed golf courses can offer large tracts of contiguous green space that attract native wildlife, restore ecological functions and provide opportunities for

² <https://ensia.com/features/golf-courses/> "As hundreds of golf courses close, nature gets a chance to make a comeback" November 8, 2017, Travis Wood MPPA candidate, University of Missouri-St-Louis

members of the surrounding community to interact with nature. Joe Engel, Executive Director of the Land Conservancy of West Michigan, who collaborated with the Blandford Nature Center to acquire the Highlands Golf course in Western Michigan says “This really provides access for kids and for a lot of different constituents in the city to really get out and put their toes in nature a little bit.”

Though this trend seems to indicate a bleak future for golf courses, the National Golf Foundation national study³ paints a more encouraging picture for 2017 and beyond. The study found that in 2016, the number of committed golfers rose for the first time in five years from 19.5 million to 20.1 million, and the number of non-golfers expressing the higher level of interest in playing golf increased by 7.6% from 11.9 million to 12.8 million. The report also stated that this renewed interest in golf participation may be due to the off-course participation in non-traditional forms of golf entertainment such as Topgolf or Footgolf. The young adult category (18-34) is the sport’s biggest segment, with 6.2 million on-course participants and another 3.1 million off-course participants. 33% percent of golfers in the 6-17 age range are females, up from 17% in 1995. Another statistic included in this study is that within junior golfers, 27% are non-Caucasian, up from 6% in 1995. This rise in numbers, utilizing golf courses or playing golf, may be due to the increased visibility of the golf tours (such as LPGA) and through the growth of developmental programs such as First Tee across the nation.

ANALYSIS

The LLGC is a par-68 course with 18-holes and has been operational since April 01, 2002. It is located in Council District 7 near Capitol Expressway and McLaughlin Avenue. It is adjacent to Coyote Creek and covers 82 acres irrigated for golf play with an additional 77 acres reserved for Coyote Creek and environmental mitigation areas. The two-tier driving range has 42 stalls with lights and the course was designed to appeal to players at all levels of ability.

History of the Los Lagos Site

The Los Lagos site poses some complexity when considering operational and land use issues in terms of its physical geography and in the circumstances through which it was acquired and developed. This complexity presents real and legal challenges for any proposed reuse of the site, and helps set the parameters in which an 'Alternative Golf Strategy' can be developed. Originally envisioned in the 1950's as part of a proposed Coyote Creek State Park, the City of San José and County of Santa Clara (County) had already begun acquiring properties along the creek to preserve the natural corridor, and eventually achieve the dream of a 17-mile long recreation corridor from Downtown San José to Anderson Dam in Morgan Hill.

When the State reduced its commitment to the project, the City of San José and the County continued to acquire properties resulting in the greenway we have today. Significant recreational amenities like Los Lagos Golf Course, Kelley Park, Hellyer County Park, and the Coyote Creek

³ “Golf Participation in the U.S. 2017 Edition” National Golf Foundation

Trail all originated from this project, and currently funded trail projects will soon bring the dream to reality.

The City of San José Financing Authority (Authority), a separate legal entity from the City, and governed by the City Council, issued tax exempt revenue bonds to finance the construction of the golf course. The LLGC opened to the public in 2002.

Current operator at Los Lagos Golf Course (LLGC)

LLGC is managed through a qualified management agreement with Courseco which also manages Rancho del Pueblo Golf Course and other golf properties in other Bay Area cities, southern California, Oregon, Washington, and Texas. At LLGC, Courseco additionally maintains the riparian corridor as part of the management agreement with the City. In April 2004, Los Lagos received recognition as a Certified Audubon Cooperative Sanctuary (CACS), one of just 43 in California. The CACS is an education and certification program with Audubon International⁴ that helps golf courses protect the environment and preserve the natural heritage of the game of golf. By helping people enhance the valuable natural areas and wildlife habitats that golf courses provide, improve efficiency, and minimize potentially harmful impacts of golf course operations, the program serves an important environmental role worldwide.

A report by Economic Research Associates⁵, the National Golf Foundations' Customer Loyalty and Satisfaction Program (CLASP) reported that LLGC has remained an award winning high standard golf course since opening, generally exceeding competitors, and the national average in customer satisfaction for overall course conditions.

LLGC averages approximately 49,000 rounds of golf play (actuals rounds for the past three fiscal years shown in table below). Courseco staff has hosted several community events to increase their presence in the local community. As an example, they collaborated with the Senter-Monterey Neighborhood Association to host a National Night Out event at Los Lagos on August 1, 2017. They host movie nights, private parties and health and wellness events. Recently, LLGC hosted a Saving Strokes Event and Tournament that focused on stroke awareness and an opportunity for stroke survivors to get back on the course.

The LLGC Annual Plan, including performance measures, is presented in Attachment B. PRNS oversight includes regular meetings with the operator to review operations, inspect course conditions, and review financials. Monthly reports of maintenance and operations activity, and financials are reviewed. Courseco's internal performance targets include:

- Host five non-golf community events (Open House, Family Fun Night, First Green, and Community Movie Nights)

⁴ <https://www.auduboninternational.org/acspgolf> Audubon International

⁵ "Operational Review of the City of San José Municipal Golf Course System" by Economic Research Associates (2008)

- Host two Food and Beverage events to engage the community (e.g.: food-themed events, music/bands, and/or trivia night)
- Implement five new golf instruction programs
- Achieve 50,000 annual rounds and exceed 4,150 tournament rounds
- Expenses not to exceed \$2,763,730
- Merchandise sales of \$200,000 and Driving Range sales of \$297,000

PRNS staff is working with Courseco to develop additional performance measures related to impact on participants' health and wellness or sense of community through opportunities such as golf, community events, instructional or educational program services.

The current Qualified Management Agreement is a fee-for-service agreement which expires on June 30, 2018. After this date, to maintain service continuity, the current agreement will be on a month-to-month basis until another long-term qualified operator can be selected via a competitive process, and agreement is finalized. The City anticipates conducting a Request for Proposal (RFP) process (incorporating recommendations from the audit and direction from Council) in early 2018, so an operator can be in place by fall 2018.

Financial Challenges and Performance

Using the General Fund subsidy to cover gaps in operational costs, and the repayment of debt service of the golf course are primary reasons to look at alternative service delivery models. Initial City-commissioned studies, prior to golf course construction, optimistically concluded that cost-neutral operations, including debt service, were feasible for City-owned courses. The recent reality has been that golf operations have continued to receive increasing subsidies through the General Fund.

Rancho del Pueblo and LLGC were developed using tax-exempt municipal bonds. Because IRS regulations preclude third-party vendors from privately benefiting from the operations of these types of publicly-funded facilities (while a debt obligation balance remains outstanding), the City is prevented from contracting with golf course operators using revenue-sharing agreements, which give added incentives for private operators to be creative and take risks as they reach for profitability.

Instead, the City is constrained to providing fixed-compensation via QMA's to private operators until the outstanding debt obligation for these facilities is paid-off. This is presently the arrangement that the City has with Courseco and it has the effect of shifting all financial risks pertaining to profitability to the City. Thus, as operations and management costs (including staffing costs, water costs, etc.) increase and golf rounds and other revenue-generating products and services remain relatively flat (or decline), the City's General Fund operating subsidies for LLGC continues to grow, as illustrated in the following table:

City of San José Los Lagos Golf Course 3-Year Financial Data with Rounds Played			
	2014-2015	2015-2016	2016-2017
Rounds played	50,078	49,458	47,049
Debt Balance* at Year-End (Millions)	\$26.09	\$24.57	\$23.03
Management Fee**	\$168,289	\$173,491	\$178,279
Net City Loss (Operating Subsidy)	\$386,893	\$483,455	\$621,756

*Funded separately from the operational subsidy and includes principal and interest

** Is included in the operational subsidy amount

With this as a context, the City and Courseco have worked closely in the last several years to address declining demand in the golf industry, including Courseco's development of annual marketing plans, and the ongoing pursuit of creative revenue-generating activities and community events, such as summer movie nights, foot golf, and club house rentals.

Despite these efforts, as rounds decline, staff continues to evaluate the impact that key fixed-cost drivers have on the operational sustainability of the LLGC. For example, based on Courseco's annual staffing levels, work hours, and compensation rates for 2016, it is evident how Prevailing Wage and Living Wage thresholds impact the financial pro forma.

	2016 Annualized Cost Differential (Wages)	
	Current Wages Above Market Wages (Includes Prevailing Wage or Living Wage Constraints)	Current Wages Above Living Wages (With No Prevailing Wage Constraint)
Course Workers	\$128,000	\$72,000
Operators	\$146,000	\$139,000
Mechanic	\$54,000	\$72,000
Food & Beverage Workers (Benefited)	\$35,000	\$0
Food & Beverage Workers (Unbenefited)	\$51,000	\$0
Estimated Cost	\$414,000	\$283,000

These estimates provide one example of the challenges facing golf operations, whether LLGC is operated by a third-party vendor or City staff.

General Restrictions and/or Challenges

In considering future options for the LLGC, several challenges must be considered:

- To acquire such extensive land holdings and preserve them for future enjoyment took incredible foresight and commitment by the people of San José. Much of the revenue needed for this effort was generated through the passage of a series of City bond measures in 1957, 1961, and 1966, among other financing (City of San José Financing Authority issued a total of \$27.6M in lease-revenue bonds in 1997 and 2000) that was also involved. At LLGC, at least 12 properties contributing to the golf course are believed to have been purchased with proceeds from the 1966 'Parks and Playground' Bond. In addition to any potential bond restrictions, other obligations may be present due to alternative financing used for the acquisition of golf course properties, including the Water Utility Fund and the U.S. Department of Housing and Urban Development (HUD). It is typical for properties to be deed restricted when specialized financing was used for their acquisition.
- Los Lagos Golf Course is considered parkland and as such is considered "inalienable" under City Charter Section 1700. The sale or long term development, or use of the site for anything but park and recreational use requires the affirmative votes from a majority of the voters. In this way, parkland that has been "dedicated, improved and opened to the public for public park purposes" is protected in perpetuity. It is important to note that even long term contracts or development leases for a portion of the site would likely require a vote of the people to approve.
- The Auditor's report states, "a 3-acre portion near the parking lot contains contaminated soil and is thus restricted from residential development." Costs associated with decontamination of soil at the golf course may be cost-prohibitive.
- A bigger constraint for development, might be that proximity to the Coyote Creek and low lying lands means that much of the golf course is located within the FEMA designated 100-year flood zone.

The physical geography and environmental protections of the golf course make reuse challenging. Los Lagos is in a riparian corridor, subject to development guidelines and restrictions in the City's Riparian Policy and the Santa Clara County Habitat Conservation Plan. The Riparian Corridor Policy states that development projects located adjacent to riparian habitats must be set back 100 feet, and at Los Lagos, the riparian corridor and the associated set-back total about 45 percent of the overall site. A more detailed evaluation of the existing constraints, obligations, and policies that govern the purchase, development, and operation of the LLGC prospectively including corresponding resource requirements would be required if re-use of the site is a desired option.

Citywide Community Engagement

Process

Per City Council direction, PRNS launched the community engagement campaign in early 2017 to solicit feedback from both golfers and non-golfers. Outreach materials were provided in English, Spanish, and Vietnamese and included:

- An online community survey – PRNS staff solicited survey participation through contacts at malls, community centers and neighborhoods;
- Three Community engagement workshops (with interpreter services in Spanish and Vietnamese); and
- Ongoing online feedback via City webpage and online forum applications.

Staff reached out to residents citywide through community centers, shopping malls, Parks and Recreation Commission, Senior Commission, Youth Commission, social media, Neighborhood Associations, City Council office distribution lists, pop-up events, newspaper advertisements, direct mailings, and flyers. Feedback was recorded through:

- 3,738 online survey responses, and more than 40 letters from Nextdoor.com; and
- Approximately 211 participants from the community participated in the three workshops from all council districts. Workshops were held strategically at the Andrew Hill High School (moved from the Seven Trees Community Centers due to the flood) to cover District 2, 7 and 8; Camden Community Center to cover Council Districts 1, 6, 9 and 10; and Berryessa Community Center to cover Council Districts 3, 4 and 5.

Online Surveys

Highlights of responses through the online surveys included the following:

- Most of the respondents play the course every other month, while at least 20% of the responders play either weekly or monthly at LLGC. The driving range is a valued asset at the course as it was utilized by at least 40% of the respondents.
- Location of the course was identified as an important reason to play the course. In addition, the location, design, course condition, cost/fees, and amenities were cited as benefits. The course received positive reviews such as "Amazing balance of nature and sport", "Not a great golfer, and I can still have a nice time", and "As a novice, I find Los Lagos affordable, fun and challenging. It is a course that presents golfers a pleasant and challenging course close to home."

- 44% of the respondents that play golf, do not play at LLGC claiming that "location" was a reason. Other reasons cited for not playing at LLGC included difficult walking environment of the course, the homeless population, and poor clubhouse/food services.
- 70% of the respondents agreed that the course needed improvements. However, more respondents stated that more effective marketing and clean-up of the Coyote Creek was a higher priority. Other improvements identified included upgraded amenities, new and improved management, and upgraded course conditions.
- Maintaining the parkland as an 18-hole municipal golf course was ranked as the respondents' highest priority, while lower priorities included redesign options to a multi-use public park with/without a golf course. Conversion to protected land space with no access was ranked lowest.

Community Workshops

Workshops were open to residents citywide. All the workshops contained the same content, format, and facilitation process. City staff presented background on the Los Lagos Golf Course, including the environmental merits of the facility, current fiscal challenges, and the City auditor's report. Participants were divided into discussion groups of seven to eight members with a group facilitator, who then led the group through the following questions:

1. What are the major community benefits of the course to both golfing and non-golfing residents?
 - More than 20% of the workshop participants considered the cross-section of players (referring to the accessibility of the course to all ages and groups) as its biggest golf-specific benefit followed by approximately 10% of the respondents stating personal and physical health as a benefit.
 - When the benefits of the course were broadened beyond just golf-specific benefits, over 20% of the workshop participants commented that the natural features (referring to the unimproved environment and elements of the course property including the wildlife assets, needed open space and Coyote Creek/Riparian space) as greatest benefits.
2. What methods would allow the course to continue to operate, while improving cost recovery and reducing financial impacts to the City?

Participants contributed the most feedback during this discussion including: growing revenue generation through increased green fees and/or resident/non-resident fee structure; develop non-recreation revenue such as hosting corporate events or outdoor summer events; restructuring the debt obligation; increase golf play, explore new recreational revenue (disc/frisbee golf); and improve marketing strategies were all closely ranked ideas.

3. How could the course be reconfigured to accommodate new uses and broaden community benefits?

Participants were reticent to contribute ideas to this question in comparison to the questions above, given that the significant majority of attendees/respondents were golfers. However, the discussion demonstrated that the community understood the potential of the course as a larger community asset and was willing to explore strategic physical changes to the course. The strongest opinion voiced was to change the course to accommodate new uses of the course. This would include accommodations for soccer, improve and expand hiking and cycling trails, and transform the driving range into new uses.

A designated reporter from each group shared the group's ideas and comments with all workshop participants.

Community Recommendations

The community engagement process yielded eight different recommendations for the Los Lagos Golf Course. Recommendations are:

1. Maintain City ownership and recreational land use of the Los Lagos property
2. Approach the Los Lagos property as a multi-faceted community park that includes a golf course, rather than a golf course surrounded by parkland
3. Explore and establish new non-recreational revenue streams
4. Explore and establish new recreational revenue streams
5. Diversify public utilization, and sense of ownership of the course property
6. Establish an improvement plan for Coyote Creek Trail and Bike path
7. Develop a marketing strategy targeting young and future golfers
8. Explore refinancing bonds and restructuring wages

Details on the process, online surveys, workshop results, and the community recommendations may be found in Attachment C titled "Report on Los Lagos Golf Course Community Outreach Project for the City of San José."

Alternate Uses

During the community engagement process, participants suggested expanding Los Lagos property (wholly or partially), to include other recreation related uses. PRNS currently operates 64 sport fields that support over 80 teams. Of the 64 fields, nine are synthetic turf soccer fields, 13 are grass soccer fields, and 42 support baseball and softball. While some fields are multi-

sport and can be used for field sports or diamond sports, the city remains underserved in sport fields. In a November 2008 study entitled “Community Sports Fields Study,” PRNS compared the available sport fields in the city to recommended standards published by the National Recreation and Park Association (NRPA). NRPA suggests that communities should have one diamond field for every 8,000 residents and one rectangular field for every 10,000 residents. These are national recommendations that do not consider population demographics, but they do provide a rule of thumb for San José to consider. Based on the 2008 Sport Field Study, San José has a deficiency of 72 diamond fields and 57 rectangular fields. While the Los Lagos property certainly cannot support the large number of fields needed to address the current deficiency, the construction of new fields is generally needed, and this site is centrally located and may serve a broad population.

There are several considerations associated with the course conversion approach including site topography, environmental resources, and impacts (e.g., endangered species, floodplains, wetlands, etc.), traffic impacts, to name a few. All these pose constraints that limit the future viable uses and should be considered if the option is to be studied further.

Staff Recommendation and Next Steps

PRNS recommends the acceptance of the report on the community engagement process and feedback on the guiding principles below.

- 1) **Open Space & Recreation:** Continue to value the benefits of recreation and open space that the property provides for the community;
- 2) **Financial Sustainability:** Continue to focus vigilantly on the financial sustainability of LLGC through innovative and aggressive approaches to management and marketing of the property to ensure maximum use of the property by San José residents; and
- 3) **Opportunity Awareness:** Continue to be open to opportunities in the future for innovative approaches to redeveloping the site as community needs involve, while simultaneously ensuring that the environmental and open space attributes of the site are not lost.

The City has several options moving forward as summarized in the below table:

Options	Initial Opportunities (O) and Challenges (C)
Maintain status quo as golf course	<p>O: Golf course is maintained at current levels. Staff will work with operator to improve marketing strategies; environmental values are preserved; and open space is maintained.</p> <p>C: City General Fund continues to subsidize the gaps in operational cost and a debt service of \$1.5-1.7M until 2031.</p>

PRNS assumes operations and oversight	O: More control over marketing and ability to effectively implement audit recommendations including increasing revenue through recreational and non-recreational programs. C: Staff will need to consider the additional cost (ranging from \$100,000 - \$200,000) of operations and management.
Close the course and maintain as an open space	O: Aligns with the commitment to have open space for residents to enjoy; City subsidy ends and costs will be limited to ongoing maintenance/security/capital improvements. C: Debt service remains and must be paid back – no revenue to offset any expenses.
Sale of the course in part or in entirety	O: Full retirement or reduction in debt service. C: Loss of parkland; needs voter approval; may require additional capital investments.
Conversion of field to other sports (whole or partial) based on sports utilization trends analysis	O: Fulfill need for additional soccer or cricket fields; may generate more revenue. C: Requires substantial capital investment; environmental impact.
Expand on-course and off-course activities including park place-making activation and multi-generational uses	O: May be able to reduce annual City subsidy; increased utilization of asset citywide. C: Requires additional capital investment to get the course ready for enhanced activities; may increase staff costs.

Given the feedback received during community outreach, staff is currently focusing efforts on maximizing the potential of the site for community access and revenue generation/financial sustainability while simultaneously keeping golf as the primary use. If the City Council agrees with this current direction, as well as the draft guiding principles, staff will continue along this path. However, as stated in the guiding principles, staff will remain open to opportunities that could present themselves for redevelopment or re-use of the site.

If the Mayor and City Council would prefer for staff to aggressively vet other opportunities such as redevelopment of the site to park space, sports fields or other non-recreation uses, staff will return to the Mayor and City Council in early 2018 with an anticipated scope of work and schedule for this analysis.

EVALUATION AND FOLLOW-UP

The preliminary date to provide an update to the Neighborhood Services and Education (NSE) Committee is December 14, 2017 and the City Council on January 16, 2018.

PUBLIC OUTREACH

This memo will be posted on the City's website for the December 6, 2017 Parks and Recreation Commission meeting, for the December 14, 2017 NSE Committee meeting, and for the City Council meeting on January 9, 2018.

COORDINATION

This memo has been coordinated through the City Attorney's Office and the City Manager's Budget Office.

COST SUMMARY/IMPLICATIONS

There are no budgetary implications associated with this memo. Any budgetary or cost implication arising from subsequent recommendations stemming from the City Council discussion will be brought forward to City Council for approval later.

COMMISSION RECOMMENDATION/INPUT

The results of the community engagement process were presented to the Parks and Recreation Commission on June 7, 2017. This memo is scheduled to be presented to the same body on December 6, 2017.

CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/
ANGEL RIOS, JR.
Director of Parks, Recreation, and
Neighborhood Services Department

For questions, please contact Abraham Chacko, Program Manager, at (408) 793-5523.

Attachments:

1. Attachment A: Recommendations from the City Auditor's report on golf course
2. Attachment B: 2017-2018 Annual Marketing Plan for Los Lagos Golf Course, Courseco Inc.
3. Attachment C: Report on "Los Lagos Golf Course Community Engagement Project" for the City of San José" – June 07, 2017, Placeworks, Inc.