

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

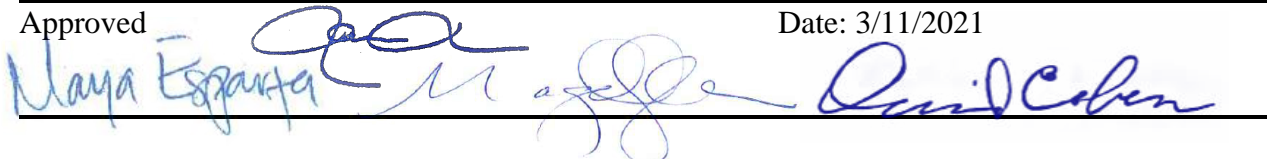
FROM: Councilmember Peralez
Councilmember Cohen
Councilmember Carrasco
Councilmember Esparza

SUBJECT: SEE BELOW

DATE: 3/11/2022

Approved

Date: 3/11/2021



SUBJECT: MUNICIPAL GOLF COURSES UPDATE

RECOMMENDATION

1. Accept staff recommendations, including plans to initiate an RFP for long-term golf course lease agreements and authority for the City Manager to negotiate, execute, and amend resulting lease agreements, and,
 - a. Direct staff to require that the RFP stipulates the awardee will include First Tee Silicon Valley (FTSV) as part of Rancho Del Pueblo's programming and to that effect, negotiate and execute a new use agreement.
2. Return to Council as part of the development of the long term lease agreements with a report on community use of our city-owned golf courses, including details on how that is being ensured and expanded in the new agreements for approval by Council prior to final execution of the agreements
3. Encourage operators to use practices that accord with the goals of Climate Smart San José by, among other things, maximizing use of recycled water wherever possible and employing environmentally sustainable maintenance procedures that consider sensitive habitats and riparian corridors.

BACKGROUND

Beginning with the opening of San Jose Municipal Golf Course in 1968, and continuing with the opening of Rancho del Pueblo in 2000 and Los Lagos in 2002, our city-owned golf courses have provided generations of San José residents with space to enjoy the sport of golf, while also serving as critical green open spaces and community amenities for some of our most otherwise park and open space deficient communities. Both local and national data suggests that trends in

recent decades away from golf have changed substantially during the pandemic, and that this resurgence is continuing during our recovery even as other recreational opportunities re-open.

Past challenges with Los Lagos and Rancho relating to performance and debt service have been well-documented and discussed at Council and within our community over the past two decades, though these conversations have not always focused on the entire picture. The debt service on Los Lagos and Rancho was well over \$20 million in 2007. That year, additional debt on Camden Park, Murdock Park, and the Berryessa Community Center was leveraged against the leases on Rancho and Los Lagos. The result of this debt bundling with projects entirely outside of Districts 5 and 7 resulted in overall debt savings to the City at the cost of prolonged debt payments on the golf courses. After 13 years, City was finally able to pay down these bundled debts with the proceeds from the Hayes Mansion sale in 2020, greatly reducing the potential for a significant “golf subsidy,” and freeing us of the various management agreement constraints of the bond financing that had required the City to assume most of the financial risk of operation.

Following the City Audit of the Golf Courses in 2015, Council directed staff to conduct community engagement around the future use of the golf courses, particularly Los Lagos. The feedback from the community was clear: they want Los Lagos to remain a golf course, valuing it both as an accessible athletic activity for people of all ages, including our youth and seniors, and as an open space and community space provided by its current use.

Specifically, for our youth, we should continue to honor and build on partnerships with organizations like First Tee Silicon Valley that has served San José youth for 23 years at Rancho Del Pueblo by introducing and facilitating the joy of golfing. With \$2.7 million in investment over the past five years, an annual average of 700 youth taking 1,400 classes, and only 16% facility capacity used, the future operator should continue to integrate this invaluable programming into our city’s recreational golf operations and explore opportunities to expand youth access to the course in a manner that preserves the course’s ability to remain profitable and allows it to continue serving the community

The alternative open space uses contemplated for the golf courses all present numerous fiscal and environmental challenges. Converting a golf course into any other use would cost on the order of tens of millions of dollars, funding which we do not have. Even if we did, this funding would be sorely needed to address the estimated \$424 million PRNS infrastructure and deferred maintenance backlog. Additionally, these alternative uses would pose ongoing operating costs to the City with little chance for offsetting revenue. Under a long term lease model, the city would continue to incur no operating costs, while reaping the financial benefits of the golf course use. The risk of operation would fall primarily with the operator, while the City would continue to reap the rewards.

Further complicating any alternative use for our golf courses is the reality that both Los Lagos and Muni lie on riparian corridors within the Coyote Creek flood plain, severely limiting uses on the corridor. At Los Lagos, 77 of the 180 acres are designated riparian corridor, and the course has affirmed its commitment to environmental stewardship along the corridor through its participation as an Audubon Cooperative Sanctuary. The current golf use is uniquely able to incorporate the riparian corridors while also providing a low-impact use that helps to ensure the environmental health of the corridors. The course has also proven its usefulness as a flood mitigation asset during the 2017 Coyote Creek Flood, when one third of the holes were flooded

in under 3-5 feet of water, mitigating further downstream damage to the Rocksprings community.

Alternative recreational uses all present environmental challenges. A sports complex would present lighting issues, while more traditional park uses may make it more difficult to protect the health of the creek. Approximately 3 acres of Los Lagos near the parking lot are toxically contaminated by lead and petroleum, which has been capped, but further limits available uses of that area.

Given the strong community support for the existing uses, the recent sustained upswing in golf as a popular recreation activity, the numerous community and environmental benefits, and infeasibility of potential alternative uses, we strongly support staff's recommendation to issue an RFP for a new long term lease agreement for all three courses. This model will provide greater incentives for the operators to make business investment while minimizing City exposure to risk. Even with this minimized risk, Staff's proposal provides the City an "out" should the golf trends and usage change dramatically in the future with the inclusion of an early termination clause.

One of the core themes that has emerged through all of the engagement and discussions around the future of our golf courses is the need to ensure continued and expanded community use and community benefits from the golf courses. We appreciate that staff has prioritized expansion of public access in the RFP, and request that staff provide a report back to Council to provide more details and solicit feedback on the terms regarding community use prior to the final execution of the agreement. We urge our colleagues to join us in supporting staff's recommendation, ensuring that our community will continue to benefit from our City's golf courses as accessible recreation spaces, community spaces, and green open spaces for many years to come.

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.