



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jon Cicirelli

**SUBJECT:** LONG-TERM LEASE OF  
MUNICIPAL GOLF COURSES

**DATE:** February 13, 2023

Approved

Date

**2/22/2023**

**COUNCIL DISTRICTS: 3, 5 and 7**

## RECOMMENDATION

- (a) Accept the report on the Golf Course Management, Operations and Maintenance Services Request for Proposal process and results.
- (b) Adopt a resolution authorizing the City Manager, or designee, to negotiate and execute a lease agreement, and all other necessary and/or ancillary documents, with CourseCo, Inc. for the three City-owned golf courses (Los Lagos, Rancho del Pueblo, and San José Municipal) that substantively conforms to the key terms negotiated by staff, which include ensuring and expanding community use, as described in this memorandum.

## SUMMARY AND OUTCOME

The Department of Parks, Recreation and Neighborhood Services (Department) administered a Golf Course Management, Operations and Maintenance Services Request for Proposal during the summer and fall of 2022. Based on staff's evaluation of proposals, the Department issued a Notice of Intent to Award a contract to CourseCo, Inc. The City Council's acceptance of staff's report on the Request for Proposal and approval of key terms for the long-term lease negotiated by staff, including ensuring and expanding community use, will authorize the City Manager, or designee, to execute a lease agreement with CourseCo, Inc., and result in sustainable management, operations and maintenance of the City's Los Lagos, Rancho del Pueblo and San José Municipal golf courses. The lease agreement will generate rent income through revenue sharing; revitalize the courses through capital investment; ensure and expand community access for affordable golf and non-golf activities; steward these spaces with environmentally sustainable practices in accordance with Climate Smart San José; and protect the City financially from future downturns in the golf industry and the cost of future course maintenance.

**BACKGROUND**

The Department has made golf accessible to the public since the San José Municipal Golf Course opened in 1968. In 2000 and 2002, Rancho del Pueblo and Los Lagos golf courses opened, respectively, creating more opportunities for residents and visitors to enjoy San José's open spaces.<sup>1</sup> Table 1 describes the City's golf courses by the numbers:

**Table 1  
San José's Municipal Golf Courses by the Numbers**

	<a href="#"><u>Los Lagos</u></a> <sup>2</sup>	<a href="#"><u>Rancho del Pueblo</u></a> <sup>3</sup>	<a href="#"><u>San José Municipal</u></a> <sup>4</sup>
<b>Acres</b>	180	31	145
<b>Holes</b>	18	9	18
<b>Yards</b>	5,393	1,418	6,639
<b>Par</b>	68	28	72
<b>Range</b>	42 stalls	27 stalls	60 stalls
<b>Facilities</b>	Putting area, clubhouse with small pro shop, bar and restaurant, office space, maintenance yard	Putting and chipping area, clubhouse with small pro shop, small café, office space, maintenance yard	Putting and chipping area, clubhouse with pro shop, bar and restaurant, office space, maintenance yard

The City's golf courses provide significant recreational opportunities. Golf is an accessible and inclusive lifetime recreational activity for people of all ages, cultures and abilities, and the City's public golf courses make the game more affordable for a wide variety of players by charging lower fees compared to private courses. In the spirit of ActivateSJ, the Department's strategic plan, these golf courses serve as one of many opportunities that connect people to recreation for an active San José. The courses have hosted many community social events and fundraisers, served as practice facilities for high school golf teams, and hosted youth development programs.

With a total of about 300 acres making up nine percent of the City's park and open space acreage, the City's golf courses also provide important environmental benefits for the community. They protect habitats and are home to many birds and other animals, including red foxes. Underscoring this role, Los Lagos and Rancho del Pueblo are Certified Audubon Cooperative Sanctuaries for Golf. The courses capture rainfall that recharges groundwater while their trees and shrubs sequester carbon and produce clean air. The City's golf courses use reclaimed water where possible and have maintenance standards and practices that are mindful and protective of the riparian corridors and buffers. As seen clearly in the 2017 flood incident, Los Lagos and San José Municipal also provide flood control capacity along Coyote Creek.

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<sup>1</sup> The County of Santa Clara operates the Santa Teresa Golf Course also located in the City and open to residents.

<sup>2</sup> <https://www.playloslagos.com/>

<sup>3</sup> <https://www.ranchodelpueblo.com/>

<sup>4</sup> <https://www.sjmuni.com/>

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 have been managed on behalf of the City by CourseCo, Inc. since their opening, and San José Municipal Golf Course has been leased to Mike Rawitser Golf Shop since 1988. The Attachment - Overview of Past Programmatic and Policy Evaluations of the City's Municipal Golf Courses provides an overview of past programmatic and policy evaluations of the City's municipal golf courses, and how circumstances changed in recent years.

On March 15, 2022, the Department provided the City Council with a municipal golf courses update including recent performance data, programs offered, and evaluations of other recreational land-use options and their costs. Staff recommended that the City Council accept the report, including plans to initiate a Request for Proposal for long-term lease agreements, and adopt a resolution authorizing the City Manager to negotiate, execute and amend any and all lease agreements resulting from the Request for Proposal, subject to the appropriation of funds. The City Council approved staff's recommendations and provided further direction to:

- Require that the Request for Proposal stipulates the awardee will include The First Tee Silicon Valley as part of Rancho del Pueblo's programming and to that effect, negotiate and execute a new use agreement.
- Return to City 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 City Council prior to final execution of the agreements.
- 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.

## **ANALYSIS**

### ***Request for Proposal Process***

On July 7, 2022, the Department released a Request for Proposal for the management, operations and maintenance of all three City of San José municipal golf courses through Biddingo, the City's procurement portal, for a period of seven weeks. The Department received four proposals prior to the submission deadline of August 29, 2022 from the following organizations:

1. CourseCo, Inc.
2. Golf Automation, Inc.
3. GolfLinks Consulting, Inc.
4. Touchstone Golf, LLC

After completion of the application prescreen process, staff determined that GolfLinks Consulting, Inc. did not meet entry criteria requirements and its application was disqualified.

***Evaluation Process***

A panel evaluated the three qualified proposals in accordance with the criteria set forth in the Request for Proposal document. The panel consisted of three evaluators from the Department. The evaluation categories and their weighting follow in Table 2:

**Table 2  
Evaluation Categories and Weighting Summary**

		Score Without Oral Interview	Score With Oral Interview
Proposal Responsiveness	Pass/Fail		
Experience, Qualifications, and References		25%	25%
Management, Operations, and Maintenance Plan		25%	20%
Lease Payment, Proposed Budget, and Financial Stability		25%	20%
Additional/Alternative Uses and Expanding Public Access		10%	5%
Community Benefit and Diversity Initiatives Strategies		15%	10%
Oral Interview			20%
<b>TOTAL SCORE</b>		<b>100%</b>	<b>100%</b>

***Interviews with Proposers***

The Department interviewed the two highest scoring proposers on October 4, 2022. The interviews were evaluative, meaning they were factored into the final scores. The proposers were asked questions aligned with the evaluation categories stated in Table 2. The final proposer scores follow in Table 3:

**Table 3  
Proposal Scores after Interviews**

Organization Name	Points (out of 100)
CourseCo, Inc.	93.44
Touchstone Golf, LLC	76.57
Golf Automation, Inc. (not interviewed)	40.85

***Award:*** Based on these results, the Department issued a Notice of Intent to Award a contract to CourseCo, Inc. for a long-term lease of all three City of San José municipal golf courses. CourseCo, Inc. brings more than 20 years of experience serving San José residents through its management of Rancho del Pueblo and Los Lagos golf courses and currently operates 40 golf properties, mainly in California. Its proposal demonstrated a capacity to operate all three City golf courses successfully and included an understanding and commitment to the residents of San José and to partners and stakeholders. In addition, the CourseCo, Inc. proposal demonstrated a commitment to environmentally sustainable practices. Furthermore, its core values of Financial Performance, Community Inclusion, Environmental Stewardship and Stakeholder Communication align with the goals of the Request for Proposal as well as the Department's Guiding Principles of Stewardship, Nature, Equity & Access, Identity and Public Life.

***Protests:*** The Request for Proposal process included a ten-day protest period that began once the Notice of Intent to Award was sent to all proposers on November 2, 2022. A protest was received from Golf Automation, Inc. concerning the evaluation and interview process and information provided in the other two proposals. The Department evaluated the protest, rejected it in full and notified Golf Automation, Inc. of its decision on February 16, 2023.

***Summary of Lease Agreement Terms:*** The long-term lease agreement with CourseCo, Inc. will substantially conform to the exemplar agreement included in the Request for Proposal and the City's standard terms and conditions. The lessee shall be responsible for the management, operations, and maintenance of all three City golf courses, including providing all services and amenities related to golf course operation, including but not limited to:

- Providing high-quality, state-of-the-art golf course operations with an emphasis on excellent course playability and exceptional customer service.
- Maintaining golf courses and all facilities to preserve and enhance the City's investment.
- Operating and managing the pro shop, facilities, and golf cart operations.
- Providing food, refreshments, and event catering services in the clubhouses and golf courses.
- Promoting and marketing the courses to improve the City's market share.
- Developing and implementing recommendations for a capital improvement master plan.
- Continuing programs and initiating new programs and services to increase the use of the golf facilities.
- Reducing the use of harmful pesticides and water consumption and continuing to facilitate ecologically friendly golf course maintenance practices that protect the environment and wildlife habitats in a fiscally responsible manner.
- Promoting and encouraging diversity and incubating local and traditionally under-represented golf players.
- Expanding the use of City golf facilities to activities beyond golf.
- Supporting increased access to City golf facilities by all community members with a focus on equity and inclusion.

- Playing an important role in growing the game of golf in San José and helping shape how future generations engage in golf at the grassroots level.

**Key Terms of Lease:** Staff negotiated the following key lease terms based upon CourseCo, Inc.’s bid and City Council direction:

Term	Description
Lease Term	<p>A period of 15 years commencing on April 1, 2023 and ending on March 31, 2038.</p> <p>City shall have sole discretion to extend the term for up to two additional five-year terms.</p> <p>City may elect to terminate the lease, <i>without cause</i>, after the first five years of the term, subject to the following conditions:</p> <ul style="list-style-type: none"> <li>• City may not terminate the lease without cause if the City’s three municipal golf courses are to remain as golf courses under different management.</li> <li>• City to provide at least 365 days written notice prior to termination.</li> <li>• City shall endeavor, in good faith, to negotiate with CourseCo, Inc. for a lease on any remaining City-owned municipal golf courses should any one or two of them be designated for another purpose.</li> <li>• City staff to seek City Council’s approval of termination without cause with a super-majority (8 of 11) vote of the City Council.</li> <li>• If City elects to terminate the agreement prior to the expiration of the term, City shall pay back the unrealized amortization of the major capital investment funded by CourseCo, Inc. based on a mutually agreed upon amortization schedule, or the fair market value of that capital improvement on the date of termination, whichever is lower.</li> </ul>
Payments to City	<p>CourseCo, Inc. to pay the following percentage rent on the listed revenues:</p> <p>Tier 1 ..... up to \$8,000,000..... 10% of revenue                      Tier 2 ..... \$8,000,001 to \$12,000,000..... 20% of revenue                      Tier 3 ..... \$12,000,001 and up..... 35% of revenue                      Percentage rent on all instruction and merchandise..... 5% of revenue</p> <p>Rent payments to be made quarterly based on the annual tiers; if CourseCo, Inc. earns no revenues, then the City receives no rent payment. Percentage rent tiers to be adjusted annually using the Consumer Price Index.</p> <p>CourseCo, Inc. to provide an annual independent audit of revenues.</p>
Capital Investment	<p>CourseCo, Inc. to invest \$2 million of its company funds for capital improvement projects identified through the Request for Proposal and subject to the approval of an annual capital plan submitted to the Department.</p>

Term	Description
<p>Capital Investment (continued)</p>	<p>For the first five lease years, City shall direct CourseCo, Inc. to deposit an additional \$400,000 per year into a capital improvement fund held by CourseCo, Inc. in lieu of paying an equal amount as rent. If CourseCo, Inc. invests additional company funds into capital improvements above the required \$2 million, City may elect to match by directing CourseCo, Inc. to deposit up to an additional \$200,000 per year into the fund in lieu of paying an equal amount as rent during the first five lease years.</p> <p>CourseCo, Inc. to deposit 3% of annual revenues into a capital maintenance fund held by CourseCo, Inc. for projects extending the life or maintaining the condition of existing assets, subject to City approval.</p> <p>CourseCo, Inc. to provide an annual independent audit of capital improvement and maintenance funds.</p>
<p>Community Use</p>	<p>In accordance with City Council direction, CourseCo, Inc. to commit to ensuring and expanding community use by:</p> <ul style="list-style-type: none"> <li>• Expanding access for residents to City driving ranges, lessons and golf courses by allocating financial support of at least \$25,000 per year of the lease to a CourseCo scholarship fund, while also seeking commitments from additional sponsors to match its contribution.</li> <li>• Ensuring at least 12 non-golf community events per year per golf course such as family fun nights, movie nights, concerts, nature tours, job fairs, and open houses tailored to the surrounding communities, as well as other special events and programs compatible with each facility, which may include farmers markets, camping, yoga, and homework labs.</li> <li>• Expanding the use of Rancho del Pueblo as a community park such as by offering free early morning community access.</li> <li>• Ensuring at least one First Green event per year per golf course and connecting schools with the golf courses by using them as hands-on environmental learning labs.</li> <li>• Expanding youth access by creating a San José Turfgrass Initiative to introduce golf-oriented learning and career opportunities to underserved San José youth.</li> <li>• Ensuring continued use by high school and middle school golf teams.</li> </ul> <p>In accordance with City Council direction, within 90 days following contract execution, CourseCo, Inc. to negotiate a use agreement of the golf courses for The First Tee of Silicon Valley programming use.</p> <p>CourseCo, Inc. to provide City with quarterly reports on community access events and programming.</p>

<b>Term</b>	<b>Description</b>
Environmental Stewardship	In accordance with City Council direction, lease to incorporate the goals of Climate Smart San José by, among other things, maximizing use of recycled water wherever possible and requiring environmentally sustainable maintenance practices that consider sensitive habitats and riparian corridors.

### **EVALUATION AND FOLLOW-UP**

The Department intends to provide the Neighborhood Services and Education Committee an annual status report on the City’s golf courses, including efforts to ensure and expand community use through golf and non-golf activity, beginning in 2024.

### **COST SUMMARY/IMPLICATIONS**

Rent payments from CourseCo, Inc. will be deposited into the City’s Municipal Golf Course Fund, which accounts for the City’s revenues and expenses for its golf courses. The rent that the City will receive under the lease will vary year to year depending on factors including the overall popularity of and trends in golf, volume of golf and non-golf activities at City golf courses, prices, competition with other golf courses and with other recreation, leisure and entertainment options, and weather. Staff estimates that, if the performance of the three City courses matches the average of 2020-2021 and 2021-2022, the rent obligation to the City in the first full year of the lease could be \$1.5 million based on gross revenues of over \$12 million, of which \$400,000-\$600,000 would be held by CourseCo, Inc. for additional capital improvement depending on the extent to which CourseCo, Inc. contributes company funds for capital investment above the required contribution. The remaining \$900,000-\$1.1 million in this example would then be deposited into the City’s Municipal Golf Course Fund.

Staff anticipates that the performance of the City’s golf courses may not sustain the peak observed in 2020-2021, but will remain strong and the lease will generate rent income greatly exceeding pre-pandemic conditions, where golf course operations resulted in a net-cost to the City as shown in the Attachment. The negotiated performance-based lease/revenue-sharing arrangement and the capital investment will protect the City from future downturns in the golf industry and the cost of future course maintenance. Barring unforeseen circumstances, the Department does not forecast significant expenditures from the Municipal Golf Course Fund. Once minimum reserves and fund balance levels are met for the Municipal Golf Course Fund and any golf course needs are addressed, this funding can be redirected for other City uses. As net revenues are unrestricted in their use, the additional revenue received within the Municipal Golf Course Fund can be transferred to the General Fund – which had previously subsidized golf operations – for other critical projects and programs, including park maintenance and rehabilitation activities, as part of future budget development processes.



## **COORDINATION**

This memorandum was coordinated with the City Attorney's Office, City Manager's Budget Office and City Manager's Office of Economic Development and Cultural Affairs.

## **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the March 7, 2023 Council meeting. Outreach was undertaken for this item in addition to the agenda posting described above. These outreach efforts are described below.

### ***Outreach to Existing Partners and Potential Applicants***

The Department released the Golf Course Management, Operations, and Maintenance Services Operator Request for Proposal on July 7, 2022 and sent notices to agencies registered in Biddingo, the City's e-procurement system. The Department emailed prominent golf industry organizations including American Golf, Arcis Golf, Arnold Palmer Golf Management, Century Golf Partners, CourseCo, Elite Golf Course Management, Golf Course Superintendent Association of America, Hampton Golf, Indigo Sports, Kemper Sports, Landscapes Golf Management, Mike Rawitser Golf Shop, Oliphant Golf, Sierra Golf Management, The First Tee of Silicon Valley, Troon, Touchstone Golf, and Western Golf Properties.

### ***Outreach to the General Public***

The Department posted announcements about the Request for Proposal through its various social media platforms, including the Department's Facebook, Twitter, NextDoor, and Instagram accounts. In addition, the Department issued announcements on its internet site, via the Funding Opportunities and Procurements web page.

### ***Pre-Proposal Workshops and Public Site Walkthrough***

The Department conducted a Pre-Proposal Workshop aimed at answering questions from potential applicants regarding the Request for Proposal process, as well as addressing any questions or concerns voiced by the general public. Information provided included the following:

- Timeline;
- Scope of work;
- Required documents; and
- Application submission process (Biddingo training).

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Subsequently, the Department also hosted an in-person site visit at all three City of San José municipal golf courses. In all instances, the public could ask questions pertaining to the Request for Proposal and all questions and responses were posted on Biddingo for public viewing.

### **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

### **CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no significant physical changes to the environment.

### **PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

JON CICIRELLI  
Director of Parks, Recreation  
and Neighborhood Services

For questions, please contact Avi Yotam, Deputy Director, at [avi.yotam@sanjoseca.gov](mailto:avi.yotam@sanjoseca.gov).

Attachment: Overview of Past Programmatic and Policy Evaluations of the City's Municipal Golf Courses

**Attachment**  
**Overview of Past Programmatic and Policy Evaluations  
of the City’s Municipal Golf Courses**

***A History of Study***

Over the years, the City’s golf courses have been the subject of extensive study, largely due to performance that did not meet projections or expectations. There have been City audits (2007 and 2015), civil grand juries (1994 and 2009), consultant evaluations (2000 and 2008), and numerous staff reports. These studies identified various factors that led to the golf courses not generating the revenues needed to cover operating expenses and debt service, including initial financial assumptions, a softening golf market, and higher than expected costs. In their first decade of operation, Los Lagos made net operating income but did not cover a significant portion of its debt service, and Rancho del Pueblo had only one early year of positive operating income and never covered its debt service. In their second decade of operation, both courses generally had net operating losses. As a result of older studies and performance concerns, the City has previously explored the sale of Rancho del Pueblo (2009-2011).

On September 2, 2015, the City Auditor’s Office issued a report titled “Golf Courses: Loss of Customers and Revenues Requires a New Strategy.”<sup>1</sup> The audit report provided background information and analysis on the City’s courses and the challenges the City has faced in operating them, and recommended changes for the Department to implement. When accepting the audit report, on November 17, 2015, 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) would serve the needs and interests of the community. The direction did not include Rancho del Pueblo or the San José Municipal golf courses. Initially, the City Council's direction was limited to an engagement process within the community around the Los Lagos course. At a subsequent City Council meeting on June 7, 2016, engagement was expanded to include citywide outreach.

On February 6, 2018, the City Council accepted a staff report on the community engagement process related to Los Lagos land use and provided further direction.<sup>2</sup> It approved staff’s recommended guiding principles for ensuring that future uses for the Los Lagos site serve the needs and interests of the community. The guiding principles focused on maintaining open space and recreation; seeking financial sustainability; and creating opportunity awareness. The City Council also accepted memoranda from Mayor Sam Liccardo, Councilmembers Rocha and Jimenez, and Councilmember Nguyen. The memorandum from Councilmembers Rocha and Jimenez included a recommendation that the City Council accept staff’s report and approve the guiding principles for future work on Los Lagos. Memoranda from Mayor Liccardo and Councilmember Nguyen further recommended directing the City Manager to retain recreational

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<sup>1</sup> The September 2015 audit report can be found here: <http://www.sanjoseca.gov/Home/ShowDocument?id=33854>.

<sup>2</sup> The February 6, 2018 staff report and City Council memoranda be found here: <https://sanjose.legistar.com/LegislationDetail.aspx?ID=3299162&GUID=A77C5DBF-3BC5-4BEF-9792-D3A51F6B8261&Options=&Search=>.

use of the Los Lagos land; to explore debt retirement or refinancing; to return to City Council for a discussion of options for the recreational use of the site after exploring ways to pay off the debt; to explore management and operations improvements; and, to include other City municipal golf courses in future discussions.

***Changing Circumstances: Golf Resurgence and Debt Clearance***

After years of decline for the industry, the game of golf had a resurgence locally and nationwide during the pandemic. Golf provided a low-impact option for a diverse group of participants to be physically, mentally, and socially active while following State of California and County of Santa Clara pandemic safety guidelines. Golf was one of the first recreational activities available to residents and visitors after a series of stay-at-home orders led to closures for many activities. Fiscal Year 2020-2021 saw the City's three municipal golf courses achieve record levels of play, with almost 213,000 rounds played generating about \$12 million in gross revenue and resulting in approximately \$1.5 million of income to the City. In 2021-2022, the courses experienced a slight decline in rounds compared with 2020-2021 but continued strong financial results, with more than 201,000 rounds played generating \$12.5 million in gross revenues. By comparison, the last full pre-pandemic year, 2018-2019, had 130,000 rounds played and a net operating loss to the City of \$700,000. Table A below shows that the number of paid golf rounds and financial performance declined through 2018-2019 and then rebounded robustly.

**Table A  
Annual Rounds and Net Revenue/(Loss) for the City's Golf Courses  
2015-2016 to 2021-2022**

Year	Los Lagos*		Rancho del Pueblo*		San José Municipal	
	Rounds	Net Revenue/ (Loss)	Rounds	Net Revenue/ (Loss)	Rounds	Lease Payments to City
2015-2016	48,577	(\$481,855)	21,643	(\$384,655)	72,516	\$436,378
2016-2017	47,049	(\$718,804)	20,776	(\$442,071)	66,146	\$407,888
2017-2018	52,214	(\$467,458)	18,939	(\$492,833)	71,590	\$435,832
2018-2019	46,368	(\$603,545)	20,035	(\$513,696)	62,892	\$413,341
2019-2020**	49,448	(\$279,610)	24,216	(\$458,992)	62,367	\$376,025
2020-2021	71,366	\$945,782	46,363	\$28,336	95,259	\$538,598
2021-2022	66,705	\$366,881	40,201	(\$236,116)	94,370	\$591,612

\* Net Revenue/(Loss) for Los Lagos and Rancho del Pueblo includes the payment of management fees.

\*\* In 2019-2020, City golf courses closed mid-March and reopened the first week of May in accordance with stay-at-home orders.

Concurrently, the City paid off all golf course debt, enabling better management structures in the future. The City Council approved Mayor Liccardo's recommendation to pay off the last outstanding golf course debt in the 2020-2021 budget, eliminating future debt service payments that had reached \$2 million per year for Los Lagos and Rancho del Pueblo. Importantly, as the tax-exempt bonds imposed requirements that limited operating options for Los Lagos and Rancho del Pueblo golf courses and saddled the City with all the financial risk in downturns, the clearance of debt also allowed for different management structures, including revenue-sharing, that can drive performance. With debt cleared, all three courses could be operated using a lease model that gives greater incentives for long-term operators to make business investments and

protects the City from downside risk. San José Municipal has had this lease model, which has been a stable source of income for the City while also encouraging course maintenance by the operator.

As directed by City Council, staff considered other possible recreational land uses for the golf courses and returned to the City Council with findings and recommendations. On March 15, 2022, the Department provided the City Council a municipal golf courses update including recent performance data, programs offered, and evaluations of other recreational land-use options and their costs. Staff recommended the City Council accept the report, including plans to initiate a Request for Proposal for long-term lease agreements, and adopt a resolution authorizing the City Manager to negotiate, execute and amend any and all lease agreements resulting from the Request for Proposal, subject to the appropriation of funds. The City Council approved staff's recommendations and provided further direction to:

- Require that the Request for Proposal stipulates the awardee will include First Tee Silicon Valley as part of Rancho del Pueblo's programming and to that effect, negotiate and execute a new use agreement.
- Return to City 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.
- 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.<sup>3</sup>

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<sup>3</sup> The March 15, 2022 staff report and City Council memorandum can be found here: <https://sanjose.legistar.com/LegislationDetail.aspx?ID=5472238&GUID=DD3ACAF3-2019-4955-B63C-204F9EBE8DB9&Options=&Search=>.