

CITY AND COUNTY OF
SAN FRANCISCO



SAN FRANCISCO
RECREATIONAL OPPORTUNITIES STUDY
SUMMARY REPORT

PREPARED BY:



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EXECUTIVE SUMMARY

INTRODUCTION

The City and County of San Francisco has six municipal golf courses under the jurisdiction of the Recreation and Parks Department. In recent years, questions have been posed regarding the financial and operational performance of the golf courses as well as the viability of maintaining and operating them compared to the demand for more general park and recreation open space needs of the city.

Within the public parks and recreation industry, the majority of public golf courses are considered enterprise operations whereby they are expected to generate enough revenue to cover golf operations and maintenance costs, as well as capital debt service the majority of the time. This is principally due to being a direct competitor with private day use golf courses who focus on the same market as public golf courses do. However, as a public offering of services, the pricing of public municipal golf related fees are generally much lower than the private providers with no membership requirements, thereby reducing barriers to entry and access for people of all ages and income levels to participate in golf if they choose.

When a public golf course is not generating sufficient revenue to cover its operational and maintenance costs, a tax subsidy is required from the general tax funds of the owning public agency, as is the case in San Francisco Recreation and Parks. With the numerous and financial, social and physical constraints in San Francisco, it is prudent to ask the question:

“Is there sufficient need (demand) and justification to continue funding six municipal golf courses through some level of tax subsidies compared to funding other priority park and recreation needs of residents in the city? If not, then what are the most viable options for managing public golf in San Francisco and the costs for converting specific golf course lands to other general recreation needs if appropriate?”

The answer to this question is not an easy one. It requires both objective and subjective analysis. Objective analysis deals with issues and data related to capacity versus demand and the cost of delivery versus overall benefit. On the subjective side, it deals with the underlying value conflicts that will not necessarily be resolved through data review such as:

- Does the value of public golf opportunities to a community supersede the value of other recreation facility needs in the community if the community needs are not being met?
- Does golf have to generate enough revenue to support its operational and capital costs more so than other pure traditional recreation activities in the city?



- Could the San Francisco golf courses be managed more efficiently and effectively if different management models were in place that would allow them to cover their operational and capital costs?

Based on this understanding of the situation, PROS Consulting has prepared the Recreational Opportunities Study to methodically break down both the objective and subjective issues into an overall management recommendation for the public golf courses in San Francisco.

As part of the PROS work, the City of San Francisco set up a Golf Advisory Committee to review the Consulting Team's work, as well as provide feedback on the options and recommendations to policy makers. The Golf Advisory Committee was made up of representatives from the Chamber of Commerce, golf association members from Lincoln Park and Sharp Park Golf Courses, San Francisco Golf staff, environmentalist and recreation sports and open space advocates.

REPORT ORGANIZATION

The overall report is organized in the following sections:

- Purpose of the Recreational Opportunities Study-Goals and Objectives
- Key questions to be addressed by the Consultants
- Analytical Objectives
 - Capacity versus demand of current golf courses
 - Document priority needs for other Park and Recreation open space amenities
 - Analyze the capacity versus the demand
- Existing Golf Course Operational Situational Assessment
 - Data collected and methodology
 - Sharp Park Golf Course Analysis
 - Lincoln Golf Course Analysis
 - Cost of service information for Sharp Park and Lincoln Park Golf Courses
- Industry Management Models to review as it applies to each Golf Course
 - Explanation of each management model and the pros and cons of each management model
 - Recommendations for each golf course within the city of San Francisco system
 - Recommendations for Lincoln Park and Sharp Park Golf Course management
 - Request for information results
- Recommendations for alternative uses for Lincoln Park and Sharp Park Golf Courses

- Identify opportunity costs for status quo and final proposals for Harding, Lincoln Park and Sharp Park

PURPOSE

ANALYTICAL OBJECTIVES

- PROS Consulting reviewed each of the city of San Francisco public golf courses within the framework of the six management models commonly found in the golf industry. This included a review of the basic financials, course layout, and capital assets and play performance for all six golf course with special focus on Lincoln and Sharp Park Golf Courses. The reason PROS focused more on Lincoln and Sharpe Golf Courses is because they have the most interesting options for change to exist. Also PROS did not agree with all of the National Golf Foundation specific recommendations but agreed with their work from a broad point of view.
- Recommend a management model for the six golf courses based on current conditions, costs to operate and capital needs with special attention to Harding which includes Fleming Golf Course, Lincoln Park and Sharp Park golf courses. PROS will provide detailed recommendations as it applies to the level of maintenance staff needed to ensure a high quality recreational experience, structure of leases or other agreements to meet the outcomes the City desires, including basic terms and duration, performance measures for course maintenance, levels of play needed, lessee agreement changes, revenue generation opportunities, the level and types of capital investment required, and potential financing strategies for capital improvements.
- Recommend complementary or alternative uses at Lincoln Park and Sharp Park golf courses if applicable. Where PROS Consulting deems complementary or alternative uses are desirable or feasible at Lincoln Park and Sharp Park courses, PROS will include the type and location of alternative uses, realistic cost estimates for making and maintaining necessary capital improvements, and potential financing strategies for capital improvements.
- Identify opportunity costs for status quo and final proposals for Harding, Lincoln Park and Sharp Park that will include the opportunity costs of implementing recommendations and or continuing with the status quo.

KEY QUESTIONS TO BE ADDRESSED BY THE CONSULTANTS

The City of San Francisco staff desired the following questions to be addressed by the Consulting Team:

- Can a public golf course succeed on this property? How and under what management structure? What investment will be required to make it successful?
- If yes, what are the necessary complimentary uses and their cost to develop and operate?



- If no, what are the alternative uses and their cost to develop and operate?

KEY FINDINGS AND FACTS

PROS Consulting developed a Recreation Needs Assessment for San Francisco Recreation and Park Department in 2004 that outline the recreation needs for golf and sports fields in San Francisco. Within the Recreation Needs Assessment the Consulting Team conducted a Statistical Valid Household Survey with a margin of error of +/- of 3%. For golf courses there was a public need for golf courses in the city for 81,050 people of which 10% of the population surveyed felt that the city was meeting their needs at a 100% level; 10% said the city was meeting their needs at a 75% level; 25% of those surveyed said the city was meeting their needs for golf at a 50% level; 24% of those surveyed said the city was meeting their needs at a 25% level and 31% of those surveyed indicate that the city was meeting 0% of their golf needs.

As for the household survey respondents need for youth sports fields, 54,034 people had a need for sports fields in the city. Of the people responding 7% of the respondents indicated that their needs for youth sports fields were 100% met; 11% of respondents indicated that 75% of their needs were met, 32% of those surveyed indicated that 50% of their needs were being met; 25% of those respondents indicated that 25% of their needs were being met; and 25% of respondents indicated that the city was meeting 0% of their needs for sports fields.

In terms of importance, golf course were more important than sports fields to citizens by 2% of respondents, which 13% indicated that golf was one of the four most important amenities for the city to provide and 11% indicated that outdoor sports fields were one of the four most important amenities to them for the city to provide. This would indicate that the city of San Francisco is a very adult driven city as it applies to recreation facility needs. In addition, the Needs Assessment Study demonstrated that survey respondents are not very satisfied with the availability of golf courses and youth sports fields, but neither scored as high on the importance level which was strongly outpaced by the importance of walking and biking trails at 55%, pools at 27%, indoor exercise and fitness facilities at 22%. Other key findings from the study include the following:

- The city of San Francisco is subsidizing golf by approximately \$1.5 million annually and it is anticipated to grow to \$3 million annually by 2012 if management and capital improvement changes are not made as outlined in the 2007 National Golf Foundation study conducted by the city
- The city has struggled for years in creating a management philosophy toward golf services and courses, which is seen in the various management modes that currently operate in the city today
- The city does not have the necessary capital dollars to invest in their golf courses today to keep them competitive in the marketplace. All the city's public golf courses

are in need of major capital dollars to keep the courses positioned in the marketplace including Harding Golf Course which went through extensive renovations in 2005 but not all the improvements needed were made to generate the amount of revenue needed to offset operational and capital cost

- Golf is a politically charged activity that incorporates high levels of entitlement by players and staff involved in golf in the city which makes it difficult to manage in the most appropriate and successful manner
- Currently, the city lacks an effective marketing approach toward golf to encourage players to play the golf courses
- There is nobody accountable for the complete operations and management of golf in the city due to the present makeup and operational models in place. The golf courses operate on a social management model versus a business management model for a public owned facility

CAPACITY AND DEMAND SUMMARY

The golf industry experienced an unprecedented expansion of courses during the 1990's; during this time, thousand of courses opened throughout the nation. This market trend has drastically shifted over the course of the past five years. Barring a catastrophic event, for the first time in history, 2006 and 2007 experienced a net reduction in course supply – more courses closed than opened. In retrospect, the course expansion period had a negative effect on the industry; as supply was increasing, the demand – the total number of golfers – was remaining relatively even. This excess supply of golf courses created a discounting trend that rampantly spread throughout the majority of the industry; this trend created a cannibalistic operational strategy amongst many public courses that resulted in subpar course conditions and a disloyal participation base. The recent trend of net reduction in supply, more course closures than openings – has allowed the industry to begin to realign itself.

The participatory market has remained steady; it was reported in 2006 that there was an estimated twenty-seven (27) million golfers. For comparison, this total participation base is larger than the participatory base of all traditional sports except basketball – a sport which is relatively free of barriers to entry. Although participation is healthy, composition of the market is changing. The aging primary demographic combined with continued diversification of the general population has the potential to magnify the greatest threat to the industry – the current trend of decreasing frequency of play. Frequency of play is at its lowest point since the initial benchmark period. In 2006, golf reported a drop in average rounds played per year per player from 23.4 to 21.5 with the majority of persons participating 11 or fewer times per year.

Potential to expand the games reach is seen in the junior and women market segment. Junior golf initiatives appear to be increasing the market capture of youth golfers. Training



centers represent an increasingly popular and affective tool to introduce new golfers to the game. The female demographic, an underserved segment, represents slightly more than half of the populace yet currently make up just 20-25% of the market. Unique, gender specific programming combined with the training centers assisted the growth in the female demographic of 300,000 women golfers between 2005 and 2006.

CAPACITY AND DEMAND FINDINGS

Capacity and demand of the city golf courses were analyzed. Factoring in weather conditions, total daylight hours, and tee off intervals for weekday and weekend play, estimated capacity for a course was compared to the demand – the actual rounds recorded. The market was analyzed in regards to two distinct markets – the Bay Area region and the 45-minute combined drive time market for both Lincoln Park Golf Course and Sharp Park Golf Course. This combined market was analyzed in an effort to reduce the potential for duplicating participation due to a relatively homogeneous 45-minute drive time market for each.

Demand and capacity differ by each unique market analyzed. As can be expected, a more densely populated area yields itself to a much higher rate of participation in any activity due to the much greater sampling of potential participants. As the population becomes less dense, a direct correlation in the reduction of the sampling size of the market is realized; simple economies of scale.

The Bay Area has an estimated 8.6 million persons. Of those, roughly 10% of those aged 6 and above can be expected to participate in golf, or 771,217 persons. These participants equate to more than 9.1 million rounds of golf per year – approximately 6.3 million of those rounds can be expected to be played at public courses. The 45-minute drive time market analyzed for Lincoln Park and Sharp Park Golf Courses is geographically much smaller, yet slightly more than half (53.5%) of the total Bay Area region population resides within those conceived boundaries. This equates to an estimated 415,205 persons whom can be expected to participate in golf at least once per year.

The independent variable in the demand and capacity calculations however is total golf courses. Although the 45-minute drive time market is estimated to have slightly more than half of the population, due to the availability of land for design and development, this confined region has only 28.2% of all courses (195 Bay Area courses; 55 “local” area courses).

From this participant projections and actual existing course data, it can be assumed that the Bay Area region – with approximately half of the participation base and 28% of the courses – is operating below capacities. Conversely, when analyzing the courses for the local market – the more defined combined Sharp-Lincoln 45-minute drive time market – courses are

estimated to be operating at 115% capacity; pushing more rounds through than what is optimal.

The main capacity and demand factors are as follows:

- Demand and capacity differs based on service area
 - From a Bay Area regional standpoint, excess capacity does exist
 - 195 total golf courses (as of 2000; classifications not known)
 - Estimated Demand (Rounds) – 9,302,323
 - Projected Capacity (Rounds) – 15,326,220
 - Regional courses are operating at 60.7% capacity
 - The Lincoln and Sharp service area participants are estimated to exceed available capacities
 - 55 total courses (as of 2000 there have been no new golf courses opening in the 45 minute drive; classifications not known)
 - Estimated Demand (Rounds) – 4,972,605
 - Projected Capacity (Rounds) – 4,322,780
 - 45-minute drive time courses are operating at 115% capacity

Analyzing the capacity and demand of the City golf courses, only Harding is operating above 50% capacity (76.9%). This is slightly higher than what is considered the industry average – many courses operate around 60% of available capacity. Both Sharp Park and Lincoln Park Golf Courses operate in the mid- to upper-40% capacity.

- Of the three City 18-hole courses (Harding, Lincoln Park, and Sharp Park), only Harding operates above 50% capacity (76.9% capacity)
 - Lincoln Park operates at 44.8% capacity
 - Sharp Park operates at 44.2% capacity

Course	Harding / Fleming		Sharp Park	Lincoln Park	Golden Gate Park	Gleneagles
Location	Lake Merced		Pacifica, CA	Lincoln Park	Golden Gate Park	McLaren Park
Acreage	170		146	99	14	56
Total Holes	18	9	18	18	9	9
Rounds in FY 2005-06	60,464	41,503	35,186	34,736	47,113	36,038
Projected Capacity:	78,596		78,596	78,596		
Percent Capacity	76.9%		44.8%	44.2%		

Figure 1 - Golf Course Demand and Capacity



Golf courses operating below full capacity are not uncommon in the golf course industry. Following such an intense development stage in the 1990's and the subsequent industry contraction, many courses are just beginning to realign their operations with their customer base, which many times results in an operational capacity of 60% to 70%. Historically, rounds at the City courses have been decreasing rather rapidly.

Course	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Harding	89,600	83,905	75,069	85,978	87,085	82,675	82,992	Closed	N/A	71,425	60,464
Lincoln	65,620	68,153	49,924	66,376	68,588	64,645	58,003	54,945	40,848	33,274	34,748
Sharp	58,291	61,768	52,243	59,189	66,080	63,318	68,137	67,600	50,674	42,549	35,197
Three Course Total	213,511	213,826	177,236	211,543	221,753	210,638	209,132	122,545	91,522	147,248	130,409

Figure 2 - Rounds Played Annually

Operating at less than the industry average, and substantially less than optimal levels, could imply a multitude of variables, some of which may be:

- Volume course in the market (High volume/low cost)
- A course offering a high value of experience
- High intensity of private courses in the area
- A market anomaly in which a larger than normal portion of the market does not participate in golf
- Course playability not suited for the average golfer
- Subpar complimentary offerings which reduce the incentive for making the course a "home course"

The estimated need for increased capacities within the 45-minute drive time market due to higher levels of density occurring in the city and region is an opportunity which both Lincoln Park Golf Course and Sharp Park Golf Courses should embrace. The higher demand is directly related to a greater population density than that of the region as a whole. This density represents an attentive and attractive audience which with the proper course modifications and marketing efforts could be pursued to fill the excess capacity of both Sharp Park and Lincoln Park Golf Courses based on the current level of yearly play occurring in the city. As the traditional golfer demographic begins to come to an end, the ability of a golf course to accurately market and program to the junior golfer, women golfer and early family/career demographic through junior initiatives, learning centers, and aggressive programming to create a new lifetime user will become paramount.

KEY RECOMMENDATIONS

The Key Recommendations come from a combination of statistical data on the market demand and the capacity available in the city and from the PROS Team assessment of the golf course management operations, current conditions, organizational culture and political

environment, capital improvement monies available, and the city's desire to be in the golf course business.

1. Change the management model for four (4) out of the five (5) public golf courses (PROS is counting Harding and Fleming as one course operation) in the city to management model #6 as outlined in this report. Model #6 is to fully outsource the operations and management of all elements including capital improvements to a private operator for a long term lease. This would require the city entering into long-term leases with private golf management companies that are proven operators to invest in additional capital dollars to keep the golf courses competitively positioned and to lower the existing high level of entitlement by staff and the public in the city toward golf. Golf is a management headache for the city, and the city has never achieved success in managing public golf in the city over the last 80 years which requires a new management model for public golf to be successful.
2. Redesign Lincoln Park Golf Course to accommodate a nine-hole golf course, with a driving range, an improved clubhouse and add needed park amenities in the city to include a nature center/hospitality center, trails, sports fields and special events area on the remaining nine holes. Seek a private operator to make the needed nine-hole golf course improvements, development of the driving range and an improved clubhouse for a long-term lease. Seek out a private contractor/operator to build the nature center and hospitality center for the city with a percentage of gross revenues coming back to the city. Park related improvements would be made by the city.
3. Allow Sharp Park Golf Course to be redesigned to build back as much as possible the Alister MacKenzie design and privately raise the money for the capital improvements over a period of five years combined with public funds for environmental mitigation/management to protect the endangered species on the golf course. PROS recognizes that various regulatory agencies will need to weigh in on this recommendation but there are several examples in the San Francisco region where golf course have endangered species on existing golf course sites and are being managed well in allowing both golf and endangered species to co-exist.
4. Continue to make on-course improvements at Harding and Fleming Golf Courses. Seek a long-term management lease with a private operator to make the necessary improvements and operate and manage the golf course for a percentage of gross dollars. This would allow the golf course contractor to operate with the highest level of flexibility to market and manage the golf course to its fullest capability without interference of the city. This would require the city to have a well written operator agreement to hold the contractor accountable to a set of measureable performance measures that supports keeping the golf course assets in top condition as a



signature golf course for those residents and visitors who desire a high quality experience.

5. Allow the Lincoln Park Golf Course manager to manage the Golden Gate Golf Course and make the necessary improvements to the golf course on a long-term lease with a percentage of gross dollars coming back to the city.
6. Allow the Gleneagles Golf Course operator the opportunity to accept the nine (9) year lease extension option in exchange for needed capital improvements on the golf course with a restructured contract and a percentage of gross revenues going back to the city.
7. Hire a golf manager to hold the golf course lease contractors accountable to agreements made with daily, weekly, and monthly documentation of measureable outcomes desired by the city.
8. Invest in the opportunity costs for additional park related recreation amenities at Lincoln Park Golf Course and seek private partnership dollars from potential recreation suppliers for new recreation amenities desired that compliment Sharp Park Golf Course and do not negatively impact the endangered species on site.
9. The population base and market demand for golf in the city of San Francisco exists and should be served by five quality golf operations. Dollars earned from private contracts need to repay the open space fund and support the recreation improvements at Lincoln Park Golf Course. The city needs to establish a maintenance endowment from revenues earned from long-term lease contracts so funds will always be available to keep golf assets well-maintained in the city.

FINAL CONCLUSIONS

Based on the analysis completed by the PROS Consulting Team, the following questions and recommendations are addressed and answered.

CAN A GOLF COURSE SUCCEED ON SHARP PARK GOLF COURSE PROPERTIES?

Yes Sharpe Park Golf Course can succeed under the following arrangements:

- Sharp Park Golf Course needs to have an upgraded re-design that supports as close as possible the original Mackenzie design with an influx of capital dollars from private funding sources and from a private long term management lease contractor (management model six). PROS recognizes that there are several regulatory agencies that will need to be involved in the final design and management requirements for the golf course for this to happen.

- The private management contractor must be able to manage the golf course to the value and prestige it is capable of performing to and re-establish the golf course as one of the United States lost golf treasures with the freedom to manage the asset to its highest level of productivity without public government influence. While the golf course is going through regulatory review and redesign the city should implement a short term (five year) management contract with a private operator to maximize its use and value.
- The management structure will require an operator to participate in some level of the capital costs for the golf course and the club house improvements to maximize the revenues of the golf course and pay back to the city of San Francisco a percentage of gross dollars. The City does not have the capital resources to invest in the golf course but can add public funds for environmental mitigation and management in the form of capital improvements through other mitigation funding resources to protect the San Francisco garter snake and the red legged frog by incorporating need drainage improvements on the site, enhancing Mori Park, just south of the golf course and managing the golf course to the highest Audubon classification standards. There are other golf courses in the United States that have been able to operate a golf course within a endangered species area that demonstrates protection of the endangered species while providing a outstanding golf experience for golfers. This will require a very coordinated effort between the city, the private management company, the United States Fish and Wildlife Department, California Fish and Game, the Corp of Engineers, the California Coastal Commission and the Golden Gate National Recreation Area. The total amount of investment will be approximately \$12-\$14 million for golf course improvements and clubhouse improvements. This amount could be increased by adding additional recreation amenities to the extra property south of the golf course and or adding a first tee program on that site with a driving range. The golf market demand and capacity is available to support the golf course and improvements to be paid out over time with the right infrastructure, management approach and private financing to re-establish this golf course to its historical value.

CAN LINCOLN PARK GOLF COURSE SUCCEED ON THE EXISTING PROPERTY?

No, Lincoln Park Golf Course cannot succeed under its current design and management structure. The current golf course design is too severe for current golf course standards today and new golf equipment standards and it would be very costly to renovate with a very poor level of return to make the golf course a profit center for the city. Lincoln Park Golf Course is a poorly designed golf course and would be better served as a nine hole Executive Golf Course with a driving range and golf learning center along with adding needed park



related improvements in the form of trails, soccer fields, a Nature Center and Hospitality Center along with park amenities for picnicking and supporting small special events.

The Nine-hole Golf Course and Park could succeed under a financial model whereby the golf operation could be managed by a private golf management company (Model six) including having the golf management company make the necessary improvements to the golf course, driving range, club house, parking area and maintenance areas. The cost to renovate the golf course would be approximately 6 million dollars.

The park related improvements including the Nature Center and Hospitality Center will cost approximately 18 million dollars which PROS feels the city should seek a combination of private dollars and public dollars to make these recommended improvements. The hospitality center could also be privately developed and managed with a management lease for 25 years with a percentage of gross revenues to come back to the City in the form of gross revenues from the operator in the range of 6 to 8% plus a land lease arrangement for access to the site based on 15% of the value of the land.

PROS feels that this combination of nine-hole golf course and park would support young and beginner players in the city, provide a full driving range and learning center, where there is a need and no such facility exist today in San Francisco and provide a new park with park related open spaces and amenities in the form of game fields, trails, picnicking, serve as a special event site, and as a nature and hospitality site. This would support some of the game field needs in the city and support the environmental education needs in the community through an environmental and hospitality center that would be privately managed.

CAN HARDING GOLF COURSE SUCCEED ON THE EXISTING PROPERTY?

Yes, Harding Golf Course can succeed on this property. The golf course has demonstrated its capability to achieve a higher level of revenue and play capacity when the improvements were made but needs to have a longer term lease arrangement (model six) for it to have the operational flexibility needed to make the improvements needed and keep the golf course positioned well in the market place. The city of San Francisco needs to put Harding Golf Course out for a long term management lease contract which is model six in the management models provided by PROS. The current management model in place does not make sense and the Department needs to allow an operator to manage the golf course to its highest and best use while retaining a percentage of gross revenues back to the city to repay the open space funds used to finance the golf course improvements and to make additional capital improvements they desire without any additional monies by the city. The contract should provide agreed to performance measures for public golf course management as outline on page 52 on what a great public golf course has in place.

CAN GOLDEN GATE GOLF COURSE SUCCEED ON THE EXISTING PROPERTY?

Yes, the Golden Gate Golf Course can succeed if it is under the operations and maintenance of the future golf course contractor who would be responsible for the Lincoln nine-hole Golf Course based on a two course management contract basis. This would be management (model six) in the management models provided by the PROS Team. The City would benefit from the quality maintenance personnel at Lincoln Golf Course by overseeing the Golden Gate Golf Course and the city should set the green fees together with the contract operator to ensure access by the community that is within the market range and value of the golf course experience. The capital improvements could be made in the future by the contractor for the right to a long term lease from the city. The City can negotiate a gross dollar amount return to the city from the contractor for an exclusive use management arrangement.

CAN GLEN EAGLES GOLF COURSE SUCCEED ON THE EXISTING PROPERTY?

Yes, it can succeed. Glen Eagles Golf Course is currently operating under management (model six) and it appears to be working well for the city and this model is meeting the city's outcomes as it applies to revenues returned to the city and the quality of operations, care and maintenance of the golf course and it should continue with this operational model.



ANALYTICAL OBJECTIVES

SITUATIONAL ASSESSMENT OF SHARP PARK AND LINCOLN PARK GOLF COURSES

ASSESSMENT OF SHARP PARK GOLF COURSE

LENGTH

- Blue 6,481 yards
- White 6,234 yards
- Red 5,793 yards

RATING

- 71.2- golf course rating as established by the PGA

SLOPE

- 119- is the level of difficulty

GOLF ROUNDS HISTORY

- 2005-2006 35,000
- 2004-2005 42,550
- 2003-2004 50,667
- 2002-2003 67,463
- 63,500 potential rounds (2007 NGF report)

NOTES

- A historic golf course by celebrated golf course architect Alister MacKenzie.
 - It has the potential to be one of the best public golf courses in the nation.
- One of the few golf courses in America that a private fund raising (or endowment) for restoration could be accomplished.
- The original “bones” of the golf course are still in place although the golf holes on the ocean have been removed and the prominent view to the ocean from the clubhouse and other areas of the golf course have been lost due to construction of a sea wall along the coast line.
- Great topography for golf.

- It is a great resource for the Recreation and Parks Department, much like having an existing park designed by Olmstead or a Frank Lloyd Wright home.
- It could be used to reinvigorate golf in the San Francisco Recreation and Parks Department, drawing more players into the game.
- Good existing length for public golf.
- Potential (with donations to complete the remodel) to generate substantial revenue to the Recreation and Parks Department.
- Environmental conditions, Red legged frog and San Francisco garter snake
- Drainage issues, pond originally built for drainage needs to be dredge and pond outfall needs to be replaced.
- No practice facility is a major issue

ASSESSMENT OF LINCOLN PARK GOLF COURSE (18-HOLES)

LENGTH

- Blue 5,146 yards
- White 4,948 yards
- Red 4,732 yards

RATING

- 66.0- as established by the PGA

SLOPE

- 109-level of difficulty

GOLF ROUNDS HISTORY

- 2005-2006 34,736
- 2004-2005 33,376
- 2003-2004 40,835
- 2002-2003 54,902
- 47,000 potential rounds (2007 NGF report)

NOTES

- Overall poor golf experience but great scenic experience.
- Long green-to-tee walks, dangerous street crossings, blind tee shots and hilly terrain add to poor golf experience.
- Many tee shots are blind to landing areas causing safety concerns.



- Originally a good golf course, but site is too small for improving to accommodate today's game.
- Cannot make any viable improvements to the golf course without additional purchase of land.
- Site, with undulating topography, is more fitting for a par 3 golf courses or small "executive" golf course, without crossing street. These golf courses are typically difficult to make financially successful but important for bringing youth into the game –an important role for the Recreation and Parks Department.
- No practice facility is a major issue.
- People who think this could be a great golf course if it was improved do not understand the constraints of total acreage and severe topography that quickly dispel the potential for making this a good, fun to play, golf course.
- The scenic value of this golf course cannot be overstated. The vistas should be promoted if other uses are developed for this property.

PROS CONSULTING RECREATION NEEDS ASSESSMENT STUDY (CONDUCTED 2004)

PROS Consulting developed a Recreation Needs Assessment for San Francisco Recreation and Park Department in 2004 that outline the recreation needs for golf and sports fields in San Francisco. Within the Recreation Needs Assessment the Consulting Team conducted a Statistical Valid Household Survey with a margin of error of +/- of 3%. For golf courses there was a public need for golf courses in the city from 81,050 (**Figure 4**) people of which 10% of the population surveyed felt that the city was meeting their needs at a 100% level; 10% said the city was meeting their needs at a 75% level; 25% of those surveyed said the city was meeting their needs for golf at a 50% level; 24% of those surveyed said the city was meeting their needs at a 25% level and 31% of those surveyed indicate that the city was meeting 0% of their golf needs (**Figure 5**).

As for the household survey respondents need for youth sports fields, 54,034 people had a need for sports fields in the city (**Figure 4**). Of the people responding 7% of the respondents indicated that their needs for youth sports fields were 100% met; 11% of respondents indicated that 75% of their needs were met, 32% of those surveyed indicated that 50% of their needs were being met; 25% of those respondents indicated that 25% of their needs were being met; and 25% of respondents indicated that the city was meeting 0% of their needs for sports fields (**Figure 5**).

In terms of importance golf course were more important than sports fields to citizens by 2% of respondents which 13% indicated that golf was one of the four most important amenities for the city to provide and 11% indicated that outdoor sports fields were one of the four most important amenities to them for the city to provide (**Figure 6**). This would indicate that the city is San Francisco is a very adult driven city. In addition, the Needs Assessment

Study demonstrates that survey respondents are not very satisfied with the availability of golf courses and youth sports fields in the city but neither scored as high on the importance level which was strongly outpaced by the importance of walking and biking trails at 55%, Pools at 27%, Indoor exercise and fitness facilities at 22% (**Figure 7**).

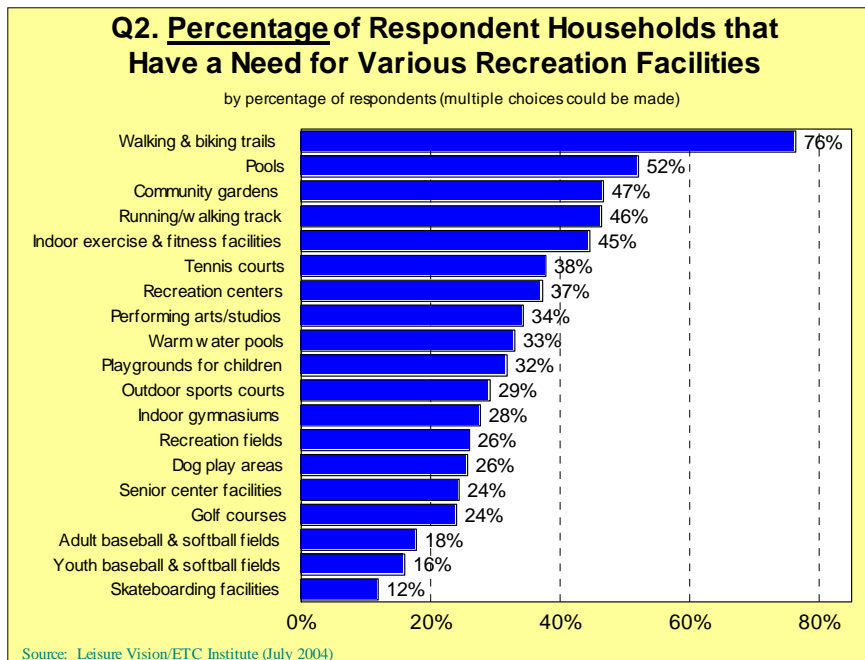


Figure 3 - Percentage of Respondent Households that Have a Need for Various Recreation Facilities

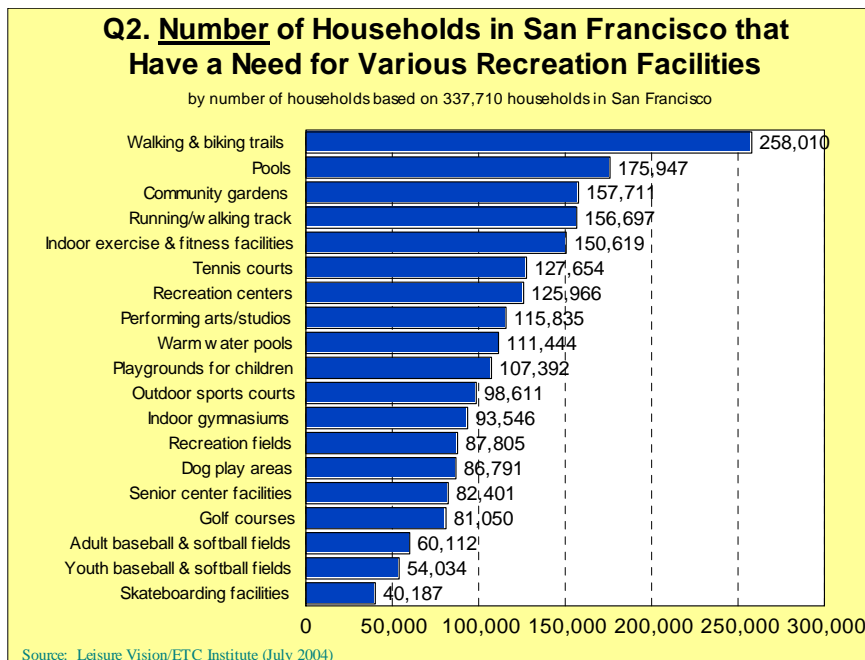


Figure 4 - Number of Respondent Households that Have a Need for Various Recreation Facilities

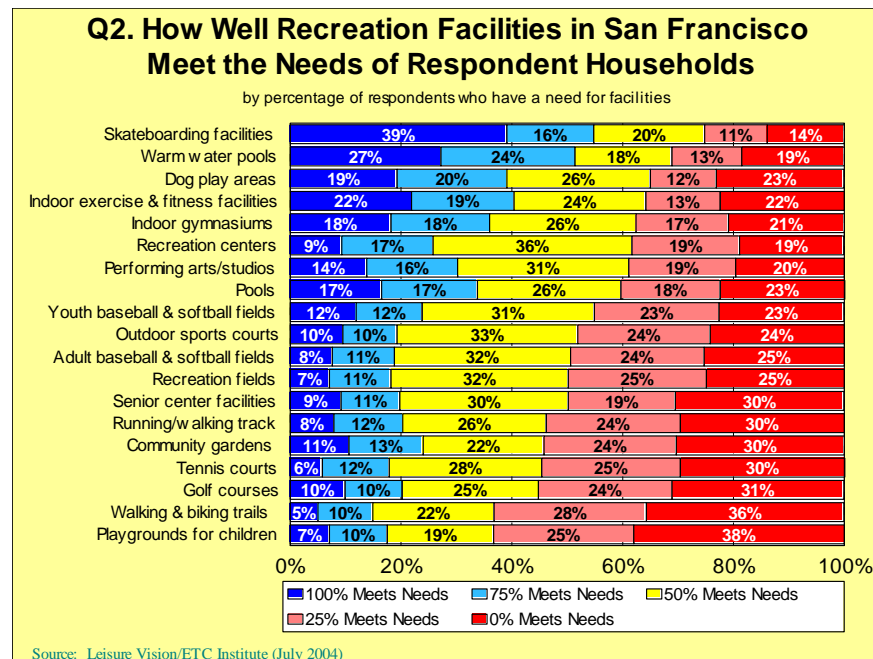


Figure 5 - How Well Recreation Facilities in San Francisco Meet the Needs of Respondent Households

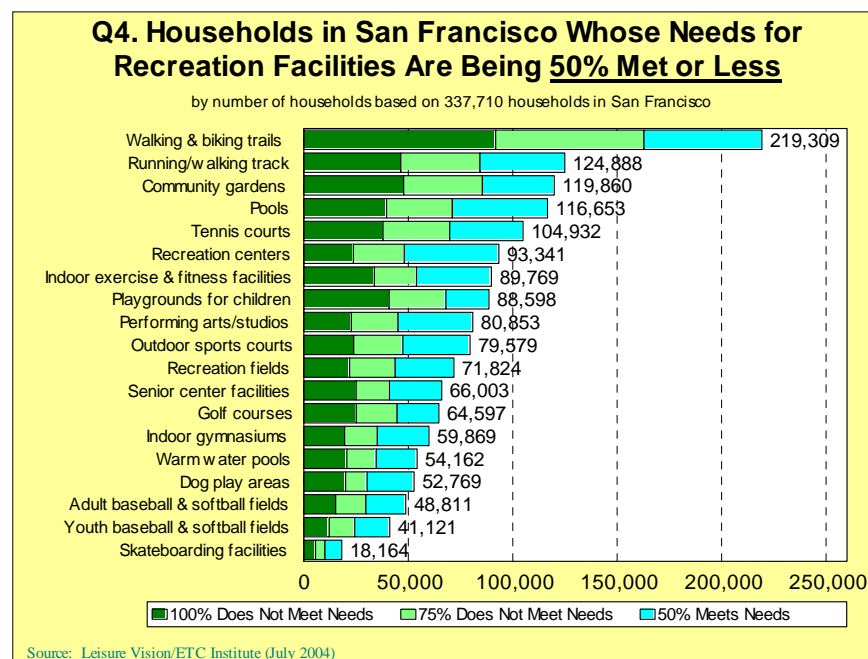


Figure 6 - Households in San Francisco Whose Needs for Recreation Facilities are Being 50% Met or Less

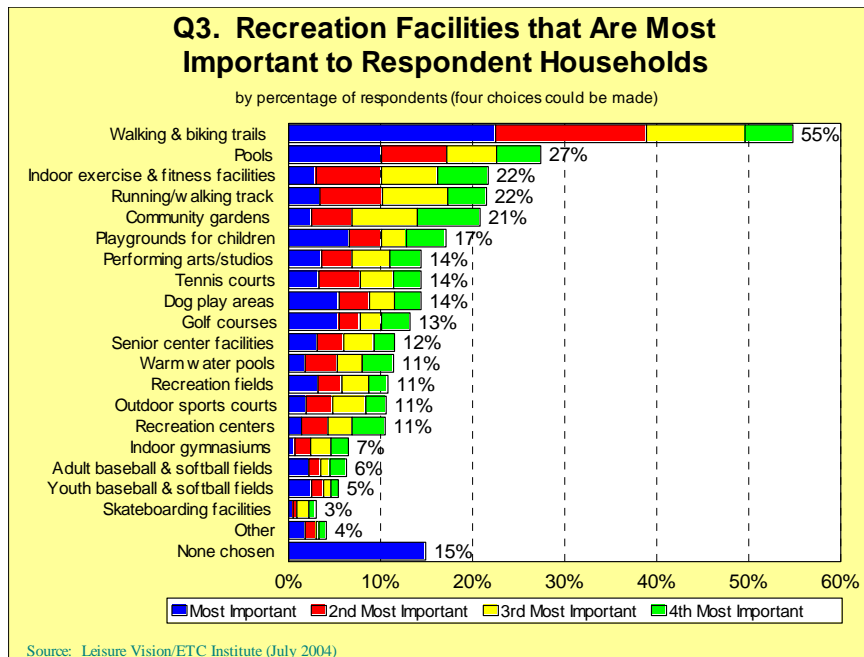


Figure 7 - Recreation Facilities that are Most Important to Respondent Households



ANALYSIS OF THE CAPACITY AND DEMAND IN THE SAN FRANCISCO BAY AREA REGION

CAPACITY AND DEMAND SUMMARY

The golf industry experienced an unprecedented expansion of courses during the 1990's; during this time, thousand of courses opened throughout the nation. This market trend has drastically shifted over the course of the past five years. Barring a catastrophic event, for the first time in history, 2006 and 2007 experienced a net reduction in course supply – more courses closed than opened. In retrospect, the course expansion period had a negative effect on the industry; as supply was increasing, the demand – the total number of golfers – was remaining relatively even. This excess supply created a discounting trend that rampantly spread throughout the majority of the industry; this trend created a cannibalistic operational strategy amongst many public courses that resulted in subpar course conditions and a disloyal participation base. The recent trend of net reduction in supply, more course closures than openings – has allowed the industry to begin to realign itself.

Throughout this intense development period, the participatory market has remained steady; it was reported in 2006 that there was an estimated twenty-seven million golfers. For comparison, this total participation base is larger than the participatory base of all traditional sports except basketball – a sport which is relatively free of barriers to entry. Although participation is healthy, composition of the market is changing. The aging primary demographic combined with continued diversification of the general population has the potential to magnify the greatest threat to the industry – the current trend of decreasing frequency of play. Frequency of play is at its lowest point since the initial benchmark period. In 2006, the golfer reported a drop in average rounds played per year from 23.4 to 21.5; the majority of persons participate 11 or fewer times per year.

Potential to expand the games reach is seen in the junior and women segment. Junior golf initiatives appear to be increasing the market capture of youth golfers. Training centers represent an increasingly popular and affective tool to introduce new golfers to the game. The female demographic, an underserved segment, represents slightly more than half of the populace yet currently make up just 20-25% of the market. Unique, gender specific programming combined with the training centers assisted the growth in the female demographic of 300,000 women golfers between 2005 and 2006.

CAPACITY AND DEMAND PROCESS

- Understand the shape of the golf industry as a whole
- Analyze demand for golf on two levels

- Historical demand – total rounds played for each City course over a ten-year period
 - Projected demand – based on industry trends and population of each market
- Define the market for golf
 - The San Francisco Bay Area Region
 - The combined/unique 45-minute drive time market for the Sharp Park and Lincoln Park Golf Courses
- Analyze capacity for golf
 - Total estimated rounds that could be played based on a set of assumptions, including
 - Daily sunrise and sunset times
 - Average days of rainfall received per month
 - Average interval between tee/start times
- Based on these findings, current estimated capacity and demand will be defined
- Comparison of general recreational activities growth trends

CAPACITY AND DEMAND METHODOLOGY

- Determine the capacity of the current golf courses in relation to overall market supply to support current and future demand for golf within the desired market positioning
- Document capacity of City courses and other comparable courses
- Collect new market data regarding usage, needs and priorities for golf to support demand analysis
- Calculate the cost of service for current City golf operations and identify how these costs would be affected based on changes in capacity and demand
- Document the priority needs for other park and recreation open space and facility needs based on the Recreation Needs Assessment, National Golf Foundation study, updated community input and other sources
- Analyze the capacity versus demand and if there is an opportunity for golf course space to be converted to general recreation usage and develop alternative solutions
- Evaluate the cost of the various alternatives to the overall benefits achieved to determine viable actions and strategies to be recommended including:
- Development, management and funding options
- Positioning the golf course system for a sustainable future
- Balancing the strategies for optimal success



CAPACITY AND DEMAND FINDINGS

Capacity and demand of the City golf courses were analyzed. Factoring in weather conditions, total daylight hours, and tee off intervals for weekday and weekend play, estimated capacity for a course was compared to the demand – the actual rounds recorded. The Bay Area region was analyzed in regards to two distinct markets – the 45-minute drive time market for Lincoln Park Golf Course and the 45-minute market for Sharp Park Golf Course.

The Bay Area has an estimated 8.6 million persons. According to the American Sports Data, Inc.'s *2008 Superstudy of Sports Participation (Superstudy)*, of the estimated 8.6 million persons, roughly 10% of those aged 6 and above can be expected to participate in golf, or 771,217 persons. It can also be expected that 55% to 70% will play on a public course; 51.0% of the *Superstudy* surveyed respondents selected “public golf course” as the facility used most often, 1.9% of respondents selected a “community facility”, and 1.8% chose “other facility, non-private/semi-private”. Only 18% of respondents in the *Superstudy* reported using a private/semi-private facility; a large portion, 27.3%, did not respond. These participants, an estimated 771,217, equate to more than 9.1 million rounds of golf per year – approximately 6.3 million of those rounds can be expected to be played at public courses.

Based on the assumptions stated on the following pages of this report, the estimated capacity of an 18-hole course was estimated at 78,596 rounds per year. This amounts to roughly 45,000 annual weekday rounds and 33,500 annual weekend rounds. Comparing the estimated capacity to each unique market – the Bay Area market and the 45-minute drive time market – results in two distinct and dissimilar findings.

From a San Francisco Bay Area regional standpoint, excess capacity for the analyzed courses exists.

Population Characteristics by Market - Bay Area Region		Bay Area Region	
Total Population, 2007		8,604,030	
- Male (total pop)		4,273,584	
- Female (total pop)		4,330,446	
Summary of Potential Golf Activity By Age Segment	Total	Participants per 100 Persons	Potential Participants
- 6-11	644,629	8.2%	52,860
- 12-17	673,359	9.8%	65,989
- 18-24	731,343	12.9%	94,343
- 25-34	1,151,444	9.8%	112,841
- 35-44	1,407,694	11.1%	156,254
- 45-54	1,368,789	8.8%	120,453
- 55-64	1,043,332	10.2%	106,420
- 65+	969,636	6.4%	62,057
Total Population and Est. Participants	7,990,225		771,217

Figure 8 - Population Characteristics by Market - Bay Area Region

- This study region has a total of 8.6 million persons
- Based on golf trends reported in the *2008 Superstudy of Sports Participation*, roughly 9.7% of all persons can be expected to play golf at least once in a 12-month period
 - 771,217 potential participants
 - A total population of 7,990,225 persons aged 6 and above
- It can be expected that 55% to 70% of all participants will play on a public course
- Estimated Demand (Rounds) – 9,126,215
 - 9,126,215 total participatory days with an average of one round played per day, equates to total estimated rounds of golf per year for the Bay Area region
 - Applying the percentage of persons most likely to play at a public course, it is projected that the demand for public courses is 6,289,132 rounds of golf

Days of Participation and Estimated Total Participatory Days and Rounds	Part. Rate by Days of Part.	Total Market by Days of Part.	Average Total Participatory Days	Estimated Rounds per Day	Total Estimated Rounds
Average Days Participated; 1 to 3	27.8%	216,169	432,339	1	432,339
Average Days Participated; 4 to 6	21.2%	164,355	821,776	1	821,776
Average Days Participated; 7 to 11	12.1%	93,840	844,556	1	844,556
Average Days Participated; 12 to 24	16.3%	126,257	2,272,634	1	2,272,634
Average Days Participated; 25+ Days	22.7%	176,108	4,754,911	1	4,754,911
Total Estimated Participatory Days and Rounds per Year:			9,126,215		9,126,215

Estimated Participatory Days and Total Rounds; By Facility Used Most Often	% of Users to Total	Adjusted (Excl. Not Reported)	Est. Total Users	Est. Total Part. Days	Est. Total Rounds
Private Country Club	8.8%	11.9%	91,582	1,083,738	1,083,738
Private Golf/Tennis Club	2.4%	3.2%	24,870	294,301	294,301
Semi-Private Golf Club	7.0%	9.5%	73,152	865,648	865,648
Public Golf Course	51.0%	68.9%	531,468	6,289,132	6,289,132
Community Facility	2.5%	3.4%	26,004	307,722	307,722
Other Facility	2.3%	3.1%	24,141	285,674	285,674
Not Reported	25.9%	N/A	N/A	N/A	N/A

**Average days of participation was calculated at 28

***All participatory data is based on American Sports Data Superstudy of Sports Participation, 2005

Figure 9 - Estimated Participation, Bay Area Region

- Projected Capacity (Rounds) – 15,326,220
 - 195 total courses (as of 2000; classifications not known)
 - Based on the assumptions presented, estimated capacity of a course was calculated at 78,596 rounds of golf
 - Total estimated weekday (Monday-Thursday) rounds possible – 45,023
 - Total estimated weekend (Friday-Sunday) rounds possible – 33,573
 - It is presumable that capacities of courses can differ based on various operating procedure
- Regional courses are operating at an estimated 59.5% capacity



- 15,326,220 estimated capacity divided by 9,126,215 projected rounds demanded

The combined Sharp-Lincoln 45-minute drive time market was utilized to depict total number of unique participants due to the proximity of the courses to one another. Such close proximity, relatively speaking, implies a portion of the same market is served by both courses from a drive time perspective. When analyzing the courses for the local market – the more defined combined Sharp-Lincoln 45-minute drive time market – courses are estimated to be operating at 115% capacity; pushing more rounds through than what is optimal.

- The Lincoln Park/Sharp Park combined market has a total of 4.3 million persons
- Based on golf trends reported in the *2008 Superstudy of Sports Participation*, roughly 9.7% of all persons can be expected to play golf at least once in a 12-month period
 - 412,258 potential participants
 - A total population of 4,271,216 persons aged 6 and above
- Estimated Demand (Rounds) – 4,878,466
 - 4,878,466 total participatory days with an average of one round played per day, equates to total estimated rounds of golf per year for the Bay Area region
- Applying the percentage of persons most likely to play at a public course, it is projected that the demand for public courses is 3,361,888 rounds of golf

Population Characteristics by Market - Lincoln Park/Sharp Park Unique Market		Combined Market		
Total Population, 2007		4,599,329		
- Male (total pop)		2,284,467		
- Female (total pop)		2,314,862		
Summary of Golf Activity By Age Segment		Total	Participants per 100 Persons	Potential Participants
- 6-11		344,590	8.2%	28,256
- 12-17		359,947	9.8%	35,275
- 18-24		390,943	12.9%	50,432
- 25-34		615,510	9.8%	60,320
- 35-44		752,490	11.1%	83,526
- 45-54		731,693	8.8%	64,389
- 55-64		557,719	10.2%	56,887
- 65+		518,324	6.4%	33,173
Total Population and Est. Participants		4,271,216		412,258

Figure 10 - Lincoln Park and Sharp Park Combined Market

Days of Participation and Estimated Total Participatory Days and Rounds	Part. Rate by Days of Part.	Total Market by Days of Part.	Average Total Participatory Days	Estimated Rounds per Day	Total Estimated Rounds
Average Days Participated; 1 to 3	27.8%	115,554	231,109	1	231,109
Average Days Participated; 4 to 6	21.2%	87,857	439,285	1	439,285
Average Days Participated; 7 to 11	12.1%	50,162	451,462	1	451,462
Average Days Participated; 12 to 24	16.3%	67,492	1,214,848	1	1,214,848
Average Days Participated; 25+ Days	22.7%	94,139	2,541,762	1	2,541,762
Total Estimated Participatory Days and Rounds per Year:			4,878,466		4,878,466

Estimated Participatory Days and Total Rounds; By Facility Used Most Often	% of Users to Total	Adjusted (Excl. Not Reported)	Est. Total Users	Est. Total Part. Days	Est. Total Rounds
Private Country Club	8.8%	11.9%	48,956	579,318	579,318
Private Golf/Tennis Club	2.4%	3.2%	13,294	157,320	157,320
Semi-Private Golf Club	7.0%	9.5%	39,104	462,737	462,737
Public Golf Course	51.0%	68.9%	284,099	3,361,888	3,361,888
Community Facility	2.5%	3.4%	13,901	164,494	164,494
Other Facility	2.3%	3.1%	12,905	152,708	152,708
Not Reported	25.9%	N/A	N/A	N/A	N/A

**Average days of participation was calculated at 28

***All participatory data is based on American Sports Data Superstudy of Sports Participation, 2005

Figure 11 - Estimated Participation, Combined Market

- Projected Capacity (Rounds) – 4,322,780
 - 55 total courses (as of 2000; classifications not known)
 - Based on the assumptions presented, estimated capacity of a course was calculated at 78,596 rounds of golf
 - Total estimated weekday (Monday-Thursday) rounds possible – 45,023
 - Total estimated weekend (Friday-Sunday) rounds possible – 33,573
 - It is presumable that capacities of courses can differ based on various operating procedure
- 45-minute drive time courses are operating at 115% capacity
 - 4,322,780 estimated capacity divided by 4,878,466 projected rounds demanded

OTHER RECREATIONAL ACTIVITIES - A COMPARISON

OTHER RECREATIONAL TRENDS

- Many traditional sports have experienced a loss of participant base in recent years
- The biggest shift in recreational and sporting activities has been towards self directed activities
 - Self directed activities do not restrict schedules
 - Most self directed activities have few, or no, barriers to entry



- Economic barriers (price of activity fee or necessary equipment) or social/personal barriers (age limits, level of physical fitness, etc.)
- Common recreational and sport activities are shown below (**Figure 23**) for comparison purposes; all participatory data is derived from American Sports Data, Inc.'s 2008 Superstudy of Sports Participation
 - Participatory base as well as the 1-year, 4-year, and 7-year growth trends are shown
 - Activities with a 25% or greater reduction in participation is shown in red
 - A reduction in participation of 25% or less is highlighted in yellow
 - An increase of greater than 10% is highlighted in green
- Golf has the second highest participation base of all sporting activities as reported for 2007; participation for each of the activities is shown for individuals aged 6 and above which participated at least once per year
 - Basketball is the only activity with a larger participatory base than basketball
 - Eight of the fifteen activities reported a 1-year decrease in participation base (yellow and red highlighted cells)

National Participatory Trends; by Sporting Activity	1987 (000's)	1998 (000's)	2000 (000's)	2003 (000's)	2006 (000's)	2007 (000's)	Rank in Order of Participant Base	One Year % Change, Participation (-'06-'07)	Four Year % Change, Participation (-'03-'07)	Seven Year % Change, Participation (-'00-'07)
Baseball	15,098	12,318	10,881	10,885	9,039	8,191	8	-9.4%	-24.7%	-24.7%
Basketball	35,737	42,417	37,552	35,439	30,971	32,301	1	4.3%	-8.9%	-14.0%
Ice Hockey	2,393	2,915	2,761	2,789	3,680	3,353	14	-8.9%	20.2%	21.4%
Football, Touch	20,292	17,382	15,456	14,119	14,845	13,472	5	-9.2%	-4.6%	-12.8%
Football, Tackle	n/a	n/a	5,673	5,751	6,246	6,759	10	8.2%	17.5%	19.1%
Golf	n/a	29,961	30,365	27,314	24,755	25,617	2	3.5%	-6.2%	-15.6%
Gymnastics	n/a	6,224	6,689	5,189	6,708	4,983	12	-25.7%	-4.0%	-25.5%
Lacrosse	n/a	926	751	1,132	1,439	1,710	15	18.8%	51.1%	127.7%
Soccer, Outdoor	n/a	n/a	n/a	16,133	14,962	14,396	4	-3.8%	-10.8%	n/a
Softball, Fast Pitch	n/a	3,702	3,795	3,487	3,396	3,974	13	17.0%	14.0%	4.7%
Softball, Slow Pitch	n/a	19,407	17,585	14,410	12,220	13,150	6	7.6%	-8.7%	-25.2%
Volleyball, Court	n/a	n/a	n/a	11,008	11,497	8,706	7	-24.3%	-20.9%	n/a
Volleyball, Sand/Beach	n/a	10,572	8,762	7,454	8,056	7,699	9	-4.4%	3.3%	-12.1%
Racquetball	10,395	5,853	5,155	4,875	5,109	5,705	11	11.7%	17.0%	10.7%
Tennis	21,147	16,937	16,598	17,325	18,737	17,561	3	-6.3%	1.4%	5.8%

Source: American Sports Data, Inc.; 2008 Superstudy of Sports Participation

Figure 12 – National Recreational Trends – Sporting Activity

ASSUMPTIONS AND STATEMENTS OF LIMITATION FOR SHARP PARK AND LINCOLN PARK GOLF COURSE ONLY

MARKET DEFINITION ASSUMPTIONS

To adequately assess the capacity of the San Francisco Recreation and Parks Department courses the following assumptions were made:

- The San Francisco Bay Area region was used as the basis for the capacity and demand
 - Although the study is focused on Sharp Park and Lincoln Park Golf Courses, all area courses have the potential to influence the capacity and demand of Sharp Park and Lincoln Park
 - It is assumed that each of the area courses has the ability to operate as a direct competitor with the potential to cannibalize rounds played from both Sharp Park and Lincoln Park Golf Courses
- 45-minute drive times were utilized as course service areas to further define the potential capacity and demand
 - 45-minute drive time is based on industry standard speed limits for all major routes to and from the respective course; drive times are based on average rate of speed as determined by the most likely route and do not take into account traffic congestion or any other impediment of traffic flow
- All courses within the region and respective drive time markets (Sharp Park and Lincoln Park) are based on course operations as of 2007

Regional comparable courses as defined for the NGF report are based on course operations as of 2007. Regional golf market maps complete with drive times are presented on the following pages and include:

- **Figure 13** – Overall Market; 45-minute drive time; this map depicts all courses as reported in 2007; regional comparable courses depicted with a blue dot were defined as such in the NGF report; light pink shaded area depicts the primary study region
- **Figure 14** – Lincoln Park Golf Course; 45-minute drive time; this map depicts all courses as reported in 2007 that fall within a 45-minute drive time from Lincoln Park Golf Course; regional comparable courses depicted with a blue dot were defined as such in the NGF report; dark purple shaded area depicts the entirety of the 45-minute drive time market



- **Figure 15** – Sharp Park Golf Course; 45-minute drive time this map depicts all courses as reported in 2007 that fall within a 45-minute drive time from Sharp Park Golf Course; regional comparable courses depicted with a blue dot were defined as such in the NGF report; dark purple shaded area depicts the entirety of the 45-minute drive time market

REGIONAL MARKET

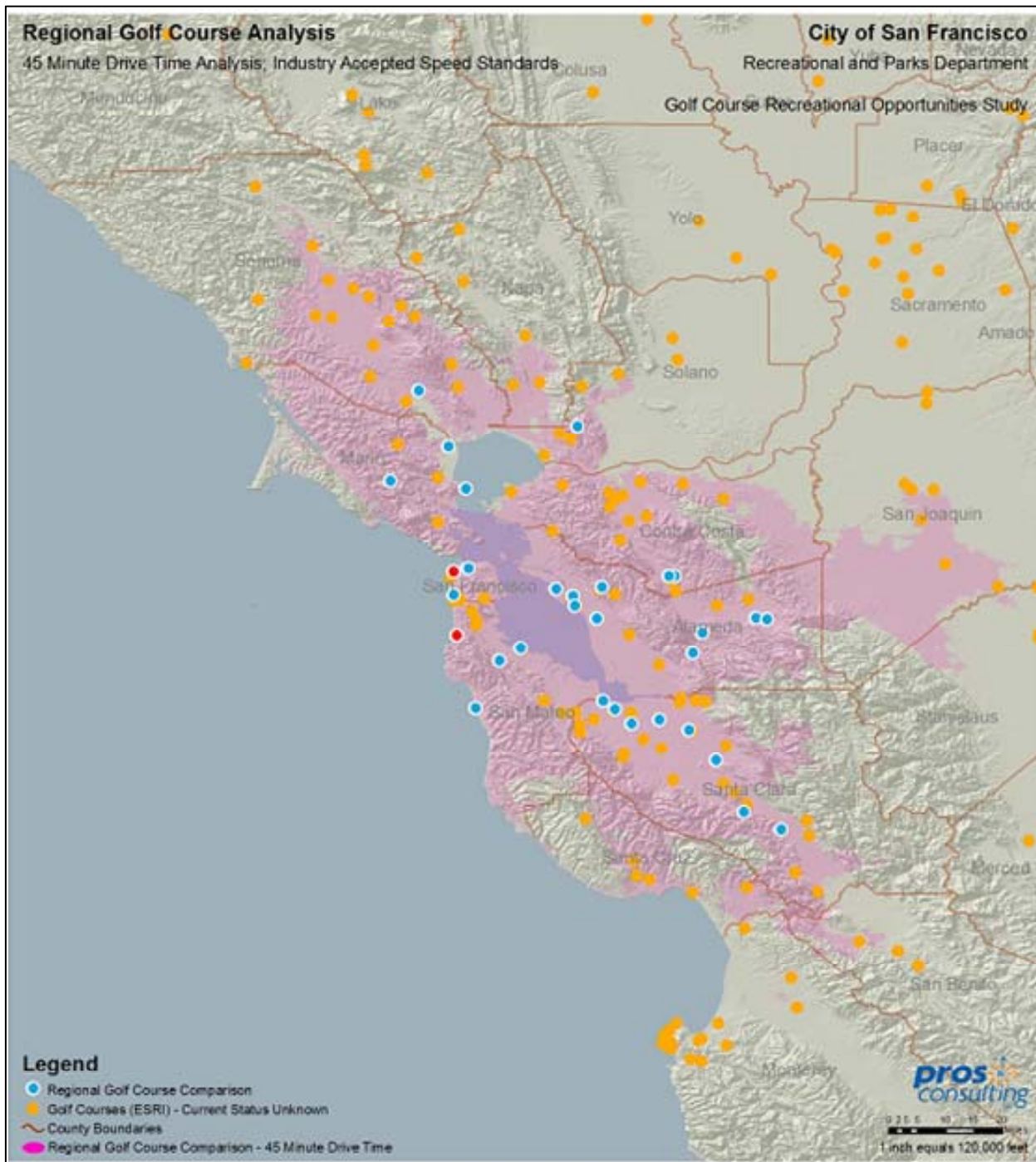


Figure 13 - Regional Market - Based on 45-Minute Drive Time Analysis; Industry Accepted Speed Standards



LINCOLN PARK GOLF COURSE MARKET

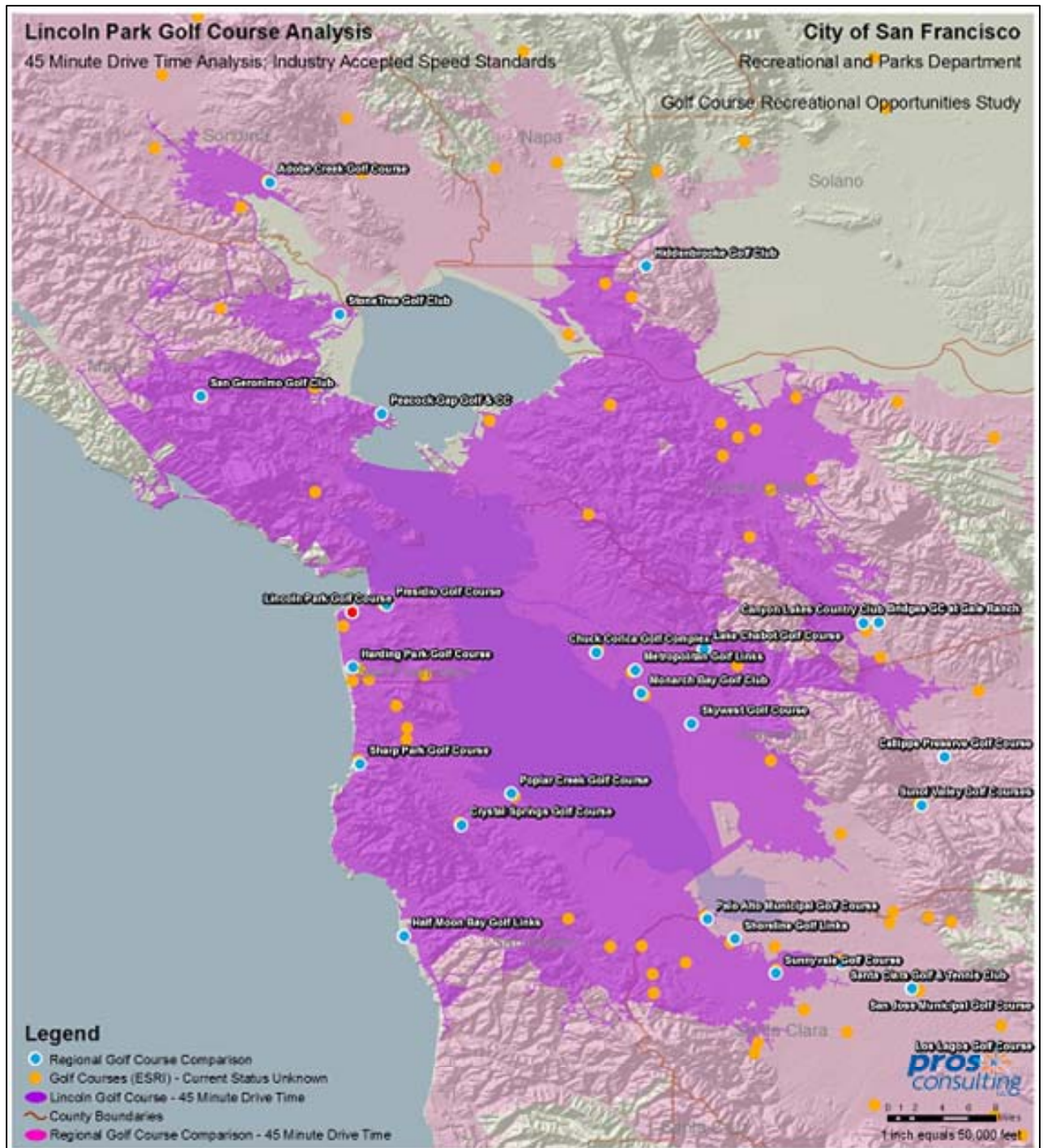


Figure 14 - Lincoln Park Golf Course Market - 45-Minute Drive Time Analysis; Industry Accepted Speed Standards

SHARP PARK GOLF COURSE MARKET

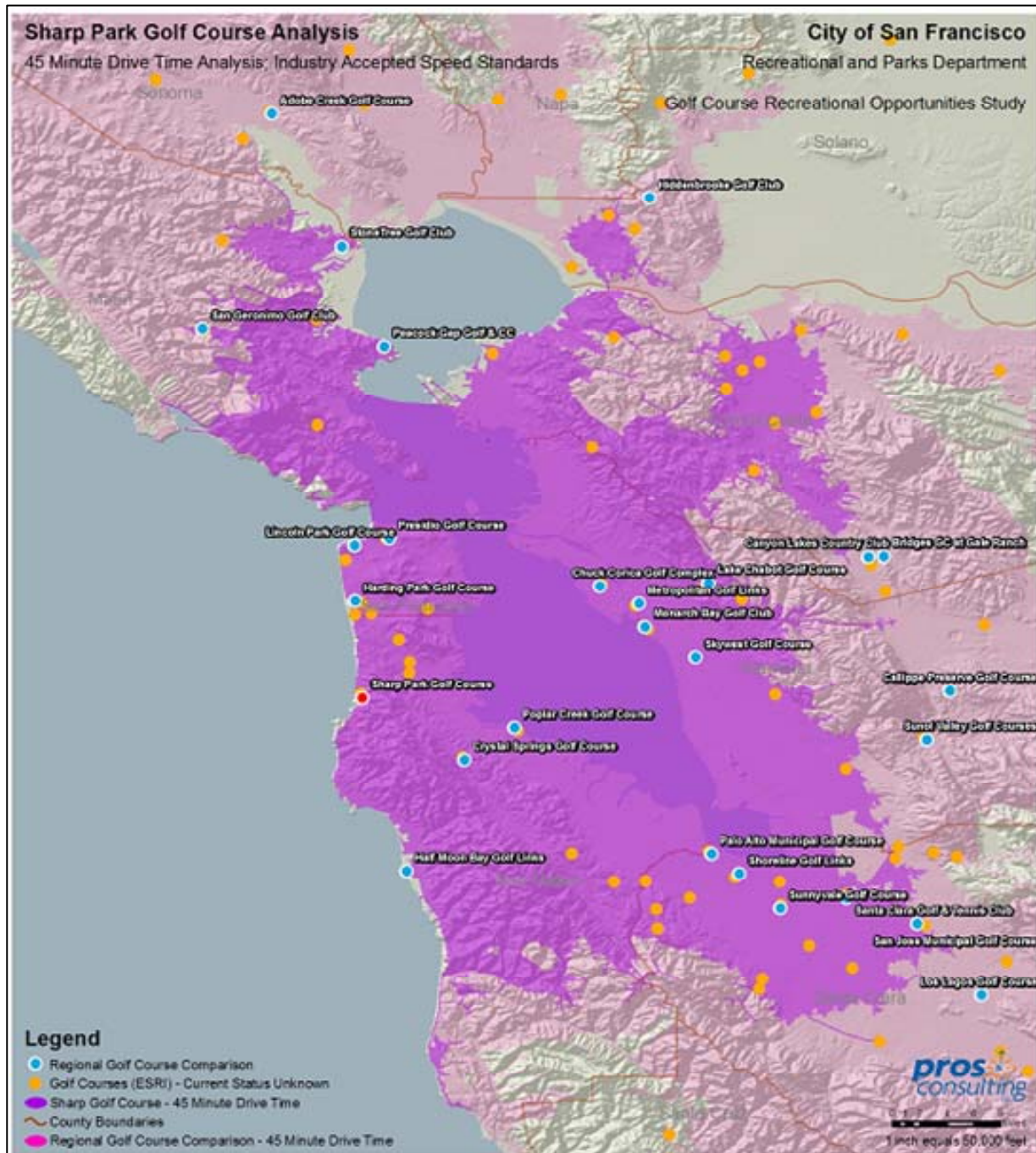


Figure 15 - Sharp Park Golf Course Market - 45-Minute Drive Time Analysis; Industry Accepted Speed Standards



DETAILED TRENDS ASSUMPTIONS

- Detailed trends for the capacity and demand are derived using the American Sports Data, Inc.'s Superstudy of Sports Participation
- The Superstudy is designed to identify and analyze general patterns, trends, and relationships within a full range of 103 sports and activities
- Based on surveys of 25,000 households across the nation
- All data covers the participation habits for the 12 months ended December 2005 (survey was administered in the first quarter of 2006)

DEMAND ASSUMPTIONS

- Historical demand is compiled of actual rounds played for each respective course
- Projected demand is based on the key demographic data as reported by ESRI, a nationally renowned demographic research institute
- Population and age segments for each market are applied to the trends data to project potential demand

CAPACITY ASSUMPTIONS

- Capacity of each course was based on a 12 month period
- Annual rainfall is based on 2007 rainfall results as reported by Weatherbase.com
- Average sunrise and sunset is based on data provided by Fly-By-Day Consulting, Inc., CompuSolve, Inc., and Leslie O'Shaughnessey Studios (<http://www.cmpsolv.com/los/sunset.html>); monthly sunrise and sunset averages are based on 2008 data except for January, February, and March – these months are based on 2009 data
- Average time of first tee-off was within 20 minutes of the average monthly sunrise time
- Average time of last tee-off was based on a three-hour cutoff from average time of dusk for each month
- Average tee/start time interval was based on weekday/weekend play and time of day
 - Weekday
 - Before 9:00AM – 9:30 minute stat interval
 - 9:00AM to 11:30AM – 10:00 minute start interval
 - 11:30AM to 2:00PM/3:00PM (Depending on time of Dusk) – 10:00 minute start interval
 - 2:00PM/3:00PM to Dusk – 10:00 minute start interval
 - Weekend

- Before 9:00AM – 9:30 minute start interval
- 9:00AM to 11:30AM – 10:30 minute start interval
- 11:30AM to 2:00PM/3:00PM (Depending on time of Dusk) – 10:30 minute start interval
- 2:00PM/3:00PM to Dusk – 10:30 minute start interval

OTHER COURSE ASSUMPTIONS

- Golf courses within the region which are utilized for calculating regional supply and the potential demand – average rounds played by persons as reported by the *2008 Superstudy* – are listed as:
 - Comparable regional courses (designate by Blue Dots on the map) were compiled by the Recreation and Park Department for the NGF report
 - Other regional golf courses (designated with Orange Dots on the map) are based on golf courses located within the region as of 2000 because no new golf courses have been developed in the region since 2000.
- Golf courses listed were not analyzed for type of course (private, public, etc.)
- Reconciliation of the current golf course inventory was not made; it is assumed that some of the course are no longer in operations; it could also be assumed that new courses have opened during this time period

THE GOLF INDUSTRY TRENDS

The golf industry experienced a peculiar set of circumstances during the last decade – although the participation base remained relatively steady with 25- to 30-million golfers annually, a development boom lead to hundreds of new courses flooding the scene. As could be expected, a dramatic increase in capacities combined with a steady demand resulted in an abundance of golf courses operating at less than optimal conditions. The industry has begun to realign itself the past few years through course contraction and controlled development.

As with many recreational sporting activities, participation has slowed in golf. Although golf participation has peaked in regards to new participants, it is one of just seven (out of fifteen analyzed) sport activities which has experienced a short term (one year) growth. To put golf participation in perspective, only basketball outranks golf in terms of a participation base. Based on responses received through national surveys and reported in the *2008 Superstudy of Sports Participation*, golf has 8.1 million more participants than tennis, 11.2 million more participants than outdoor soccer, 12.5 million more participants than slow-pitch softball, and 17.4 million more participants than baseball.



The realignment in the golf industry has placed new meaning on the value of experience received. Affectively marketing and programming course assets and amenities to the target market are as important as ever. The trends presented on the following pages of this report will provide insight into the industry and participant both; this information is key in providing a valued experience to the “local” 45-minute Lincoln Park and Sharp Park participant – a market which projects demand exceeding the capacities. From a Bay Area regional standpoint, a market which more closely mimics the national scene with operations at 60- to 70% capacities, the ability to differentiate assets and amenities is at a premium.

A densely populated area can be expected to offer greater economies of scale – the more potential participants with fewer course options naturally lends itself to greater operational efficiencies. These trends would indicate that with the proper marketing and programming both Lincoln Park and Sharp Park Golf Courses should be able increase the respective user base within the existing “local” market.

THE GOLF INDUSTRY HEALTH

The 2007 State of the Industry Report conducted by Pellucid was utilized for industry trends. Challenges and opportunities identified by the survey include:

- Overall recreational activity in the U.S. is declining – including traditional sports and golf participation
- Golf’s share of total recreational activity opportunities is also declining
- The aging of the Baby Boomer generation will be a double-edged sword providing annual rounds growth of between 1.5% and 2.0% over the next decade; however, the increasing level of golf played at senior rates could become a burden on golf course profitability
- Junior Golf initiatives appear to be working in cultivating youth participation
- As with many recreational and sport activities, the golf industry continues to struggle with female participation
- Not unlike many other recreational and sport activities, the golf industry has identified what appears to be a problem in the 25 – 44 age group (GenX) regarding reduced participation and early indications that golf frequency is not increasing as they reach the age of 40

INDUSTRY OVERVIEW

- The golfer base has remained healthy; with 25.6 million participants (*2008 Superstudy of Sports Participation*), golf outpaces every major traditional sport in total participation by 10+ million participants except basketball (32.3 million participants)
- Rounds demand is stagnant; not increasing, but not decreasing

- Weather was a national non-factor in 2007
- Supply is hovering near annual “net zero”; course openings and course closings are near identical; however, the composition of the supply is changing
 - Country club courses are opening up to non-members; public premium courses are cannibalizing private course participation base which is having a trickle down affect on all other course type
- The impact of generations, gender & recreation on the golfer base
 - Economics: course affordability, U.S. economy, and course operating costs all impact the sustainability of a given course
 - Marketing fluctuations: participation base is solid, but new-career population segment’s participation is waning and the golfer in general is playing less frequent
 - Time has become the new “commodity” for the American consumer; the ability to participate in a time efficient and effective manner has become essential when participating in entertainment, leisure, and recreational activities

2007 INDUSTRY SNAPSHOT

- Rounds for 2007 were relatively flat when compared to previous years totals; as can be expected, summer months on average provide for better weather conditions and longer days (more sunlight) which equal more opportunities for play
- Although rounds played have been increasing since 2003, growth is relatively flat (about a 1% annual increase)

INDUSTRY SUPPLY

- Openings and closings for 18-Hole Equivalent courses (EHE) in 2007 balanced out (0.1% reduction in supply)
- 2006 and 2007 were the first years in history (barring any catastrophic event) that the industry had a net reduction in supply
 - 2006 – 120 courses opened; 146 closed nationally
 - 2007 – 113 courses opened; 122 closed nationally

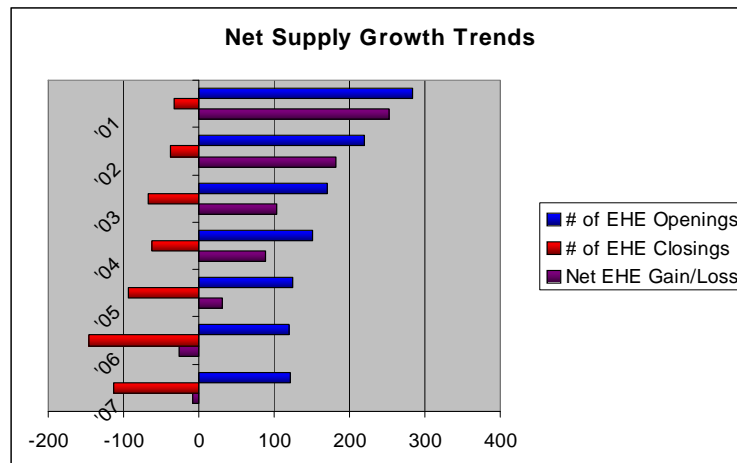


Figure 16 - Net Supply Growth Trends

- Openings since 2001 have slowed by nearly half while remaining steady
- Closings since 2001 have more than doubled; however, the industry has experienced a one-year decline (2006 to 2007) in course closings
- Recent trend of net reduction in supply has allowed the industry to begin realigning itself

COURSE COMPOSITION IS CHANGING – COMPETITION IS INCREASING

- Many courses are experiencing a trickle down affect in demand and pricing
 - As more private and semi-private courses are opening play to non-members, public-premium and other public courses must lower prices or increase the value for experience to entice players back
- Number of private course/holes are increasing, but share of the market is down
- Private clubs are losing members and rounds to the Public Premium segment
- Public Premium courses are lowering rates and causing the Public Value price ranges to shrink
- The Public Value segment appears to be getting squeezed from above by Public Premium discounting and below as Public Price courses capture more rounds
- Some Public Price courses are exhibiting pricing power and moving into the Public Value segment
- Since 1990, private course percentage of holes have decreased, but total holes have increased – more courses opened to a smaller member base
- Public premium course percentage of holes have nearly doubled as well as the percent of the market take

	1990 Holes	%of Tot.	2000 Holes	%of Tot.	2006 Holes	%of Tot.	Pt. Chng. vs. 1990
Private	60,066	30.0%	68,103	27.1%	72,153	27.0%	(3.0)
Public Premium	25,497	12.7%	42,606	16.9%	48,195	18.0%	5.3
Public Value	64,449	32.2%	81,054	32.2%	84,726	31.7%	(0.5)
Public Price	38,763	19.4%	44,514	17.7%	45,882	17.2%	(2.2)
Learning & Practice	11,304	5.6%	15,255	6.1%	16,245	6.1%	0.4
Total	200,079		251,532		267,201		

Figure 17 - Course Composition

THE GOLFER – WHO IS IT?

- Many segments of the population have remained steady participants in golf over the 16-year study period
 - Juniors (7-17 years of age)
 - Mid-Career (35-54 years of age)
 - Late-Career (55-64 years of age)
- Two segments have experienced a decline
 - Early-Career (18-34 years of age)
 - Senior (65+)
- Lifetime participation activities experience different trends when analyzing age segment participation

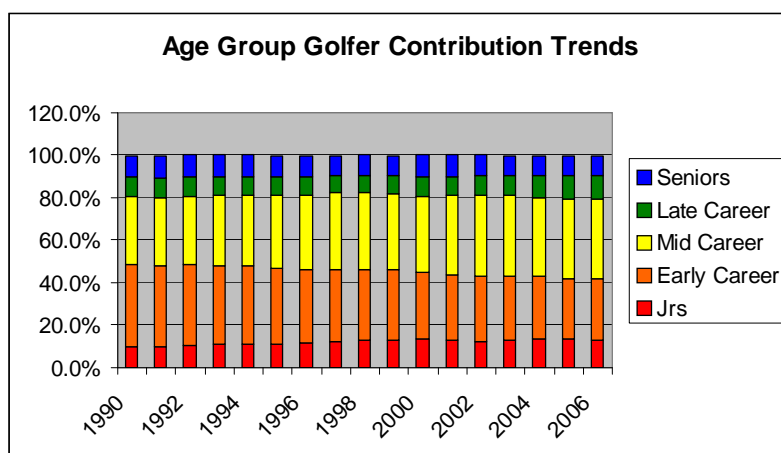


Figure 18 - Age Group Golfer Contribution Trends



- Traditional “bat and ball” sports have mandated age limits for the most popular series
- When age limits are extended or non-existent one or two results are normally experienced
 - A higher level of physical fitness is required (adult soccer, adult basketball leagues, etc.) which effectively reduce the participation base
 - The activity becomes direct competitors with the “Entertainment” sector and participation begins to decline due to the increased demand for time amongst the broader Entertainment and Leisure Industry, of which recreation belongs
- Golf is a lifetime activity that requires unique assets which can allow for a user to grow and mature with the course

PARTICIPATION BY AGE SEGMENT

- Trends confirm that an estimated 75% of all golf in the U.S. is currently played by golfers over the age of 43
- It is projected that by 2010, 50% of all golf will be played by persons aged 55 years and above

Year	1990 Pop. (Ms)	1990 Part. Rate	2006 Pop (Ms)	2006 Part. Rate	Net Golfer Gain/Loss (Ks)
7-17	53.0	4.5%	61.1	5.3%	879
18-24	18.9	16.4%	21.0	14.1%	(132)
25-34	43.4	14.9%	40.4	12.5%	(1,375)
35-44	37.6	13.0%	42.5	13.7%	924
45-54	25.1	11.3%	43.4	10.3%	1,653
55-64	21.1	10.8%	32.6	9.3%	733
65+	31.2	8.0%	38.4	6.8%	100

Figure 19 - Participation by Age Segment

GOLF AND RECREATION

- Golf peaked in both participants and share of recreation around the turn of the century with just under 30 million golfers
 - This equates to a roughly 12% share of total recreation
- If industry participation had retained a steady “share-of-recreation” at the 2000 level of 11.6% participation, roughly 3 million more golfers would be participating today
- Golf’s decline in share-of-recreation is primarily concentrated among the Gen X/Y crowd – the same demographic which not only traditional recreation providers and

programmers have difficulty serving, but a demographic which is constantly creating a headache for corporate America

CURRENT PARTICIPATION BASE

- After healthy growth in late 1990s, consumer base is roughly 26-27 million golfers after nearly hitting 30 million golfers between 1999 and 2003
- The industry's "old reliable" participation base of a predominantly white populace is changing to an increasingly diverse U.S. population
- Future population diversification has the potential to retard both golfer and rounds growth if past trends continue and the industry fails to properly adjust marketing efforts
 - Fast-growing Hispanic segment dramatically under-consumes golf
- However, current trends project lack of Hispanic user base will be somewhat offset by significant gains in the Asian participation base

FREQUENCY

- Frequency of play continues to decline; as with many other recreation and sport activities, golf has fallen prey to the ever increasing inefficient multi-tasking society in which the user base participates in a plethora of activities over the same period of time as opposed to a dedicated window for each individual activity as many from past generations did
- 2006 frequency declined from 23.4 rounds per year per golfer in 2005 to 21.5 rounds per golfer per year
- Time required for a round of golf is the biggest deterrent to the early career and early family oriented participant
- Many persons weight the 4+ hours needed to complete a round of golf against what other personal, family, or social activities they would rather do or are obligated to do

NUMBER OF ROUNDS PLAYED

- Committed golfers – although a relatively small portion of the golf market (20%) – have remained constant
 - Committed golfers are comprised of individuals which play 40+ rounds per year
 - There were an estimated 5.2 million committed golfers in 2006
- Decreased rounds per year can be attributed in part to the reduction in the number of dedicated golfers
- Trends show golfers that were playing in the 20–39 rounds per year are reducing their frequency and becoming casual participants



- Potential to grow the market from a relatively strong entry level user group is increasing – trends show a big increase in the number of once a year golfers

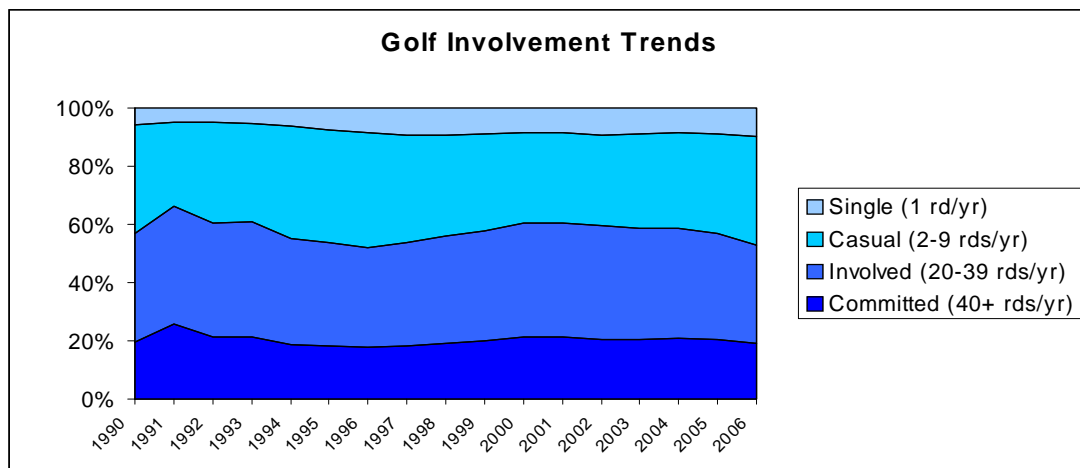


Figure 20 - Golf Involvement Trends

POTENTIAL GROWTH AREAS

- Training centers and learning facilities have increased the opportunities for Junior initiatives, expanding the market, and creating a lifetime user
 - Training centers can also be attributed to some of the increase in play realized in the single user and casual user groups
- Growth was seen in the female demographic
 - Historically 20-25% of the golf base; however, the female demographic represents 51% of the total population
 - 2006 recorded 6.3 million golfers compared to 6.0 million in 2005
- Participants are moving upscale – the average participation rate occurred among persons reporting an average household income of \$50-\$74.9K
 - Since 2000, households reporting incomes of \$75K and above were up 16 percent
 - Households reporting incomes of less than \$50K were down 15 percent

THE LOCAL MARKET

MARKETS ANALYZED

- The Bay Area Region and the combined 45-minute drive time market for Lincoln Park and Sharp Park were the primary markets analyzed:

- The combined market for both Lincoln and Sharp was analyzed to depict total number of unique participants within the 45-minute drive times
- Due to the proximity of the courses to one another, a portion of the same market is served by both from a drive time perspective
- Demographic data was procured from ESRI, a nationally renowned demographic purveyor

BAY AREA – DEMOGRAPHICS

- The Region population has experienced a seven year growth rate of 4.3% (2000 to 2007)
- Age segment shifts signify an aging community
 - The 25-34 (14% decrease), 5-9 (5.5% decrease), and 35-44 (4.0% decrease) year age segments are losing persons
 - Two biggest gaining age segments are 55-64 (41.1% increase) and 85+ (30.5% increase)

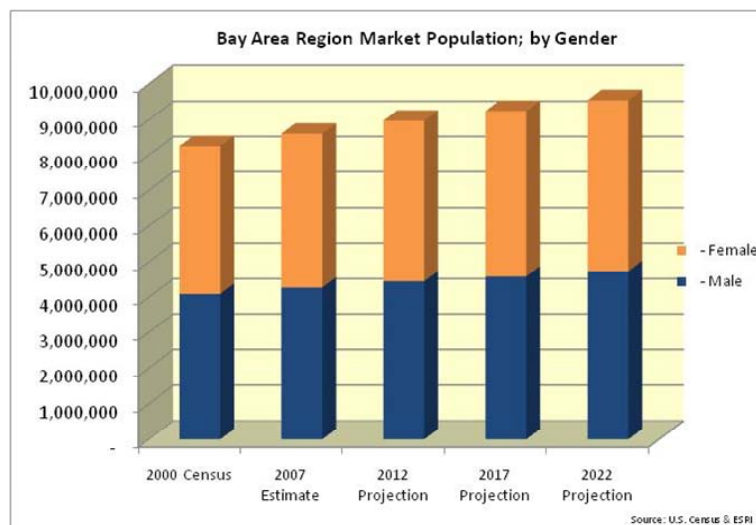


Figure 21 - Bay Area Region Market Population; by Gender

- Income characteristics of the region are increasing
 - All household categories reporting incomes of \$75K or more increased between 2000 and 2007
 - 57.78% households earn \$75K or greater – the greatest growth in participatory segments hailed from individuals reporting household income of \$75K and greater
 - 16.26% households earn \$50-\$74.9K – the largest average participatory base in golf

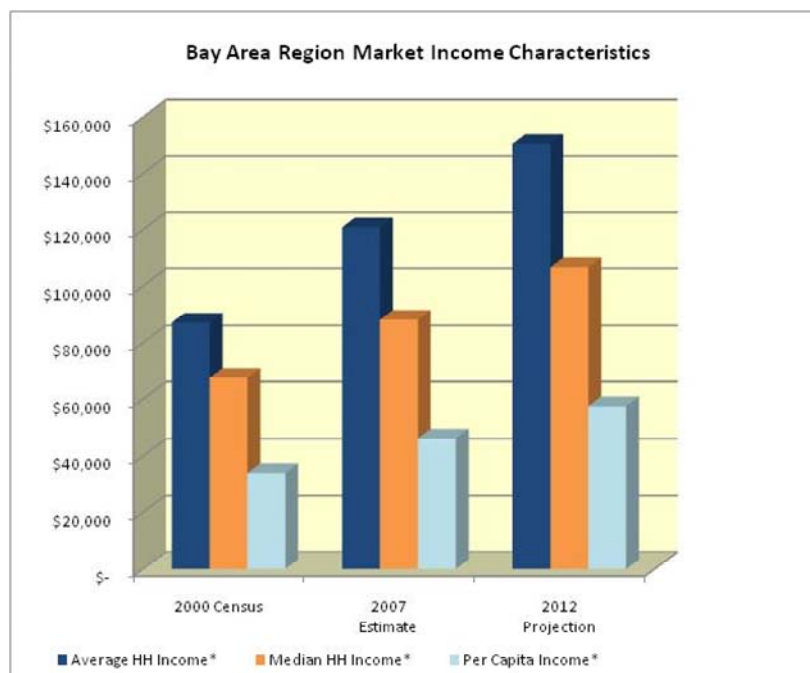


Figure 22 - Bay Area Market Income Characteristics

- Although income characteristics are considerably higher than the U.S. averages, it is assumed that the discretionary income characteristics are more closely related
 - Current average household income is estimated \$120,762
 - It is assumed that higher cost of living negates much of the excess income earned, affectively reducing the purchasing power for discretionary goods
- Consumer spending on entertainment and recreation ranks sixth out of 14 total categories
 - However, average consumer spending on entertainment and recreation equates to roughly 5.0% of total spending
 - The top five categories – retail goods, shelter, food, and healthcare – account for more than 77% of total consumer spending

Recreational Opportunities Study – Summary Report

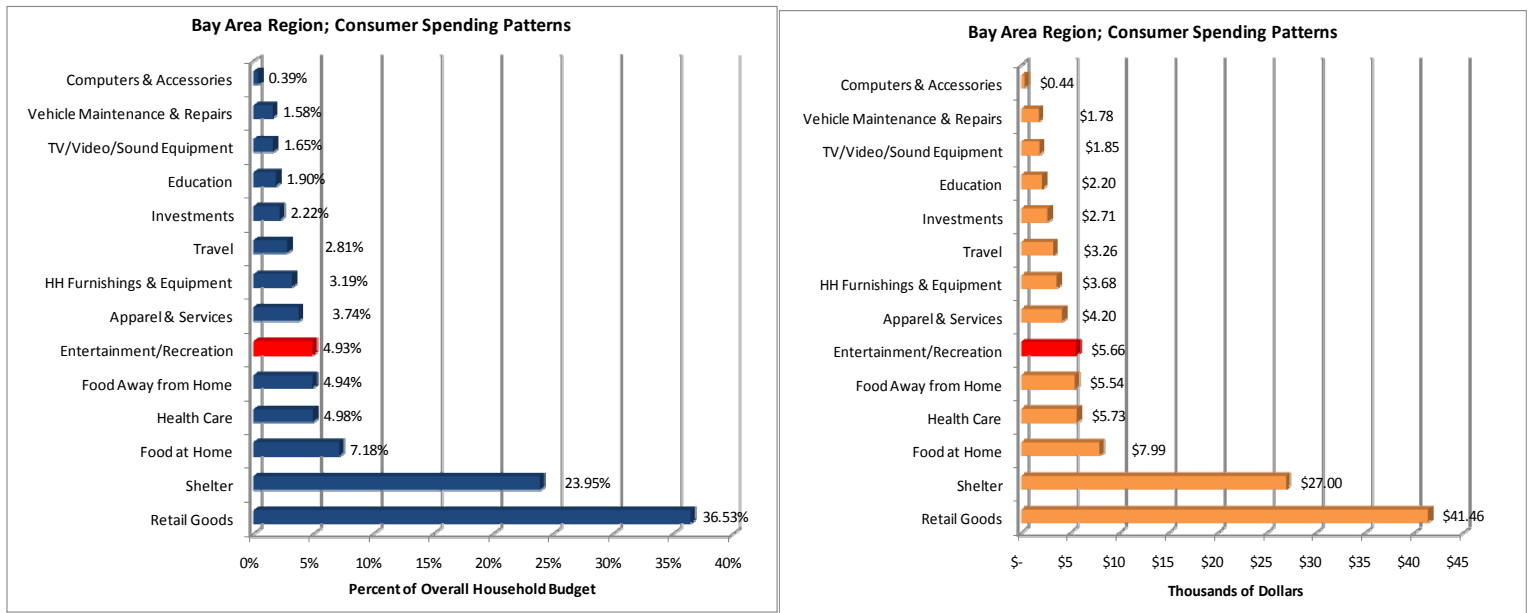


Figure 23 - Bay Area Region; Consumer Spending Patterns

- Commuting habits can be used as a gauge of how likely a person is to drive for a personal need or activity
- Majority of persons travel 20 to 44 minutes to work
 - 78% of all persons commuting for work travel less than 45 minutes to work on a daily basis

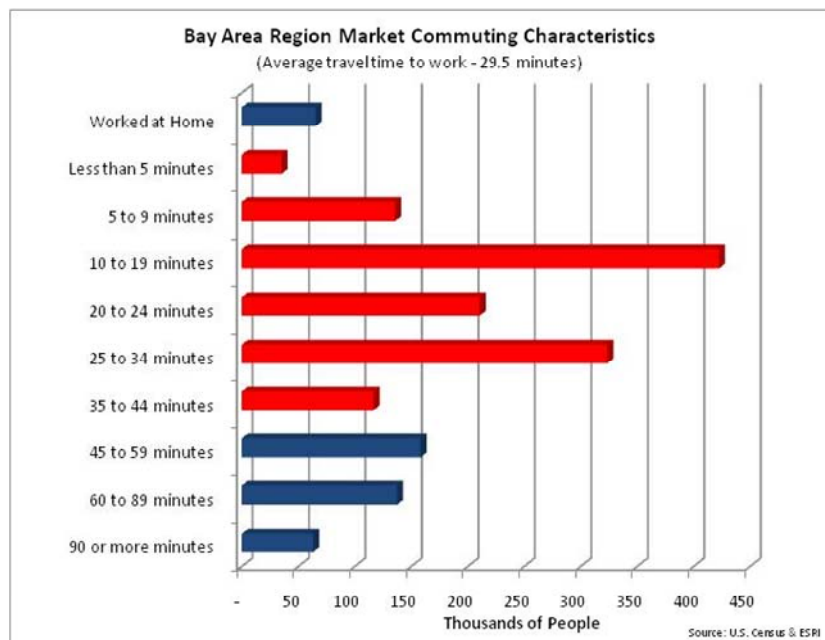


Figure 24 - Bay Area Region Market Commuting Characteristics



EXISTING GOLF COURSE OPERATIONAL ASSESSMENT

The following key points, as based on the on-site review of the golf course and the situational assessment, are presented below to describe current operational conditions of Sharp Park, Lincoln Park, Harding, Golden Gate, and Glen Eagles golf courses:

SHARP PARK GOLF COURSE OPPORTUNITIES AND CONSTRAINTS

HISTORY

- A historic golf course designed by the most celebrated golf architect, Alister MacKenzie, who designed Cypress Point, part of Pebble Beach, Augusta National and many more. It is much like having a park designed by Olmstead or a Frank Lloyd Wright building.
- It has been featured in a book on lost golf courses published in 1995. The golf community around the world is aware of this golf course, its past and future potential.
- With its proximity to the Ocean and its design by Alister MacKenzie, it has the potential to be one of the best public golf courses in the United States.
- Because of its heritage it has the potential for private fund raising or an endowment for restoration and remodel. Probably one of the few in America.
- It is important because it has the potential to be the “average golfer’s” Cypress Point. By this the consulting team means that Cypress Point, arguable the best golf course in the world is very private and has very limited access to outside play. Sharp Golf Course, with its Ocean frontage, Monterey Cypress Trees and Mackenzie’s artistic design has the potential, as it once was, to be of similar character and at the same time open to public play. It provides the average golfer access to design greatness.
- It should be a crown jewel of the Recreation and Park Department and the city of San Francisco, a prominent fixture extolling the quality of life in this area. A proud heritage of some of the best golf in the world and its relationship to the sea.
- It would also become a great revenue source (especially with private funds for restoration /remodel) for the Recreation and Parks Department, as it would be a great local golf course but also a destination golf course for golfers all over America.

INFRASTRUCTURE

- The golf course has poor infrastructure consistent with a golf course of this age and lack of improvements.

- The irrigation system, normally planned to last 20 years, is 60 years old. It needs to be updated to improve turf conditions, as well as reduce environmental impacts with the use of less water and a better distribution of water.
- Existing drainage is very poor and is in a critical state. The area of the golf course drains a watershed area of over 1,000 acres before it flows into the ocean. Currently, due to poor drainage, water backs up on the golf course negatively affecting the condition and playability of the golf course. The existing soils of the golf course are poor draining lowland soils contributing to the problem.
- Adjacent city streets outfall drainage onto the golf course contributing to the drainage issue of the golf course.
- All drainage flows through Horse Stable Pond, which then mechanically pumps this water over the sea wall for positive drainage. These pumps are outdated, often non-working and either need to be replaced or a new outflow system designed with a non-mechanical system if possible.
- The features of the golf course; greens, tees, bunkers and fairways of the golf course are seriously in need of an upgrade for acceptable golf playing conditions. The turf quality of the golf playing surfaces is reflective of the poor and outdated infrastructure of these features. Greens need new drainage and growing medium (modified soil). Tees need new drainage and soil. Fairways need new drainage and growing medium (modified soil). Bunkers need to be rebuilt with new drainage and fresh bunker sand.
- Much of the MacKenzie artwork of the bunkers and greens that add so much value to the golf course have been lost over the years because of decades of minimum maintenance practices.
- Many original bunkers have been removed or modified over the past decades due to past remodels or low maintenance budgets.
- The existing sea wall while protecting the surrounding area from storms backs up drainage across the golf course. This important sea wall needs to be reviewed for its stability as well as potential percolation of salt water into the golf course.
- Cart paths are out of date and need to be replaced, preferably with an imperious surface like gravel or stone, which is more in character with the historic design of the original golf course.

ENVIRONMENTAL

- The endangered San Francisco Garter Snake is the single most important aspect of Sharp Golf Course. By this the Consulting Team means that it should be the driving force behind all improvements in the immediate area of the Laguna Salada wetland. The golf course can be a valuable tool in enhancing the habitat for this endangered species. Mori Park, just south of the golf course, is one of only 4 areas of significant population of the San Francisco Garter Snake and it is under stress.



- The red legged frog, a threatened species is also a driving force in any improvement plans for the golf course and Laguna Salada wetland. Again, the golf course can be a valuable tool in enhancing the habitat for this threatened species.
- Because of the San Francisco Garter Snake and the Red Legged Frog and Sharp Park's proximity to the ocean it has many state and federal agencies involved and they all have a voice in the re-development of this golf course.

LAGUNA SALADA WETLAND

- San Francisco Garter Snake – Endangered Species
- Red-Legged Frog – Threatened Species

JURISDICTIONAL AGENCIES

- California Department of Fish and Game
- United States Fish and Wildlife
- Golden Gate National Recreation Area
- US Corp of Engineers
- California Coastal Commission

DRAINAGE BASIN

- Low point of large drainage basin of many acres
- Streets surface drain onto golf course
- Jurisdictional Agencies
 - California Fish and Game
 - US Corp of Engineers

SEA WALL

- Leak in wall might be allowing salt water incursion
- Jurisdictional Agencies
 - US Corp of Engineers
 - Californian Coastal Commission

MONTEREY CYPRESS TREES (THROUGHOUT GOLF COURSE)

- Seasonal permit for removal
- 30 day posting period
- City of Pacifica regulations

All of these agencies must be coordinated around enhancing the habitat for the San Francisco Garter Snake and the Red Legged frog. This is the driving force for any new development and should begin immediately and must be supported by the Recreation and Parks Department, the Golf Commission and golf course improvement designers. It should direct the planning of run-off water, overall drainage, improvements to the Laguna Salada wetland, the sea wall, golf course irrigation, etc. It is the only way to get the many organizations behind a common goal and move forward with improvements. Recycled water should also be used to irrigate the golf course.

OVERALL

The historic nature of this great MacKenzie golf course and the protection and enhancement of the San Francisco Garter Snake and Red Legged frog can go hand-in hand. The synergy of using private donations and government funds to improve the golf course, and enhance the habitat area for an endangered species can combine the divergent goals and objectives of the environment and of golf.

The golf course, the endangered San Francisco Garter Snake and the Red Legged Frog can enhance and support each other. It would be great for the game of golf, which has a constrained image in environmental stewardship to not only promote this great historic Mackenzie golf course, but also promote its use as enhancing the habitat for these endangered species. The golf course also has the potential to use recycled water for irrigation, adding to its environmental enhancement. Many courses across the United States use the Audubon Cooperative Sanctuary Program for Golf Courses (ACSP). The ACSP is an award winning education and certification program that helps golf courses protect our 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 operations, the ACSP serves as vital resource for golf courses. More than 2,300 golf courses have registered in the Audubon Cooperative Sanctuary Program, sponsored by the USGA. The education and certification program helps golf courses protect the nature of the game. Examples of golf courses that operate and maintain endangered species include the following:

- The Institute Golf Course; Morgan Hill, California (Juan Fitzgerald, Superintendent of Golf, 408.782.7101) – Red Legged Frog
- Pinehurst Golf Courses; Pinehurst, North Carolina – Re-Cockaded Woodpecker
- Trump National Golf Course; Los Angeles, California – California Gnatcatcher
- The Links at Kuilima, Turtle Bay Resort on the North Shore of Oahu, Hawaii, built around and over Punaho`olapa Marsh, a nature sanctuary that is home to at least five endangered birds: koloe, nene, stilt, coot and gallinule, as well as the black-crowned night heron, egret and great frigate bird



- Campbell Town Golf Course; Campbell Town, Tasmania – Highly diverse grassland – 11 rare and one endangered species (Black-Tipped Spider Orchid) -

These golf courses staff has been trained on how to deal with the endangered species on site and work closely with monitoring agencies for management compliance. There will have to be compromises on both sides of the issue. The golf course will probably not be a pure historic restoration, as many golfers would prefer, as some golf holes will have to be shifted to accommodate an environmental corridor for San Francisco Garter Snake and Red Legged Frog. Additionally, upland areas for the endangered species will probably include golf course areas that will have to be closely managed to prevent any harm to the San Francisco Garter Snake or Red Legged Frog. Also, golf carts might be prohibited to reduce the chance of harm to the San Francisco Garter Snake.

This will have to be delicately balanced as too much impact to the historic golf course will deter the ability to receive donations for improvements, while enhancing the San Francisco Garter Snake habitat is the primary goal and driver of improvements.

If the golf course is redesign and developed the land east of the highway used for three golf holes currently could be converted and used for other recreational uses such as a golf practice area, multi-purpose fields, trails and other important recreational uses could be provided in this area. This area could also be combined with the nearby Pacifica baseball fields and parking area to provide additional recreational experiences. The higher impact facilities would have to be evaluated for their impact to the endangered species.

Finally, the golf course could be used as a buffer from walkers on the sea wall and the sensitive habitat corridor between Mori Park and the Laguna Salada wetland.

LINCOLN GOLF COURSE OPPORTUNITIES AND CONSTRAINTS

HISTORY

- Course was originally design as a nine-hole golf course and later expanded to an 18-hole golf course
- The course has poor infrastructure consistent with a golf course of this age and lack of recent major improvements
- The design is reflective to when it was originally built
- Very short and compact by today's standards
- Today's golf ball travels approximately 50-yards farther, 30% to 40% increase in distance
- Resulting in golf shots currently traveling over the originally intended landing areas
- The potential has increased exponentially for the flight of golf balls traveling further off-line and into neighboring streets, fairways, buildings, etc.

- The site is very small, too small for today's golf courses

INFRASTRUCTURE

- Much of the courses infrastructure is in poor condition
- Clubhouse and parking are in need of upgrades and/or complete replacement; crucial amenities needed to provide golf services are not present such as restrooms on the golf course, adequate maintenance facilities, and practice facilities

INFRASTRUCTURE - SAFETY

- Design of the golf course results in longer golf shots typically flying over hills within the fairways which results in blind shots into other golfers playing the golf hole
- Blind shots are a very serious safety problem
- Safety concerns include the crossing of Legion of Honor Drive multiple times within the course of the golf round
- First street crossing is within the curve of the street minimizing safe views of traffic for both golfers and automobiles
- Unfortunately, due to the limited size of the area for golf it is impossible to correct many of the safety issues
- There are no more space in this urban setting

INFRASTRUCTURE - PLAYABILITY

- The topography of the golf hole is very severe for golf; creates tough walks up and down hills while playing golf
- Many grades exceed 10%, the normally recommended maximum slope for enjoyable golf
- Long walks between greens and tees also detract from the enjoyment of the golf round. This occurs between 4 times:
 - Between golf holes 3 and 4, cross a street, behind golf hole 6, to the tee
 - After hole 6, across the street, around the museum and parking
 - Across the street to from #16 green to #17 tee
 - Across the street from #17 green to #18 tee

ENVIRONMENTAL

- All decisions regarding the implementation of this initial concept plan must be made in consultation with the U.S. Fish and Wildlife Service, as well as California Fish and Game

PERCEPTION AND CONCLUSION



- The golf course has some of the best views of any course in the U.S.
- The view from #17th tee is legendary
- Many times good views are confused with good golf
- Many people, golfers and non-golfers alike, will say this is a good golf course because of its views
- By industry standards, both golf course design and today's playability desires, Lincoln Park is not a good golf course
- With its many street crossing, long green-to-tee walks, difficult sloping, and blind shots it is not enjoyable to play

HARDING PARK GOLF COURSE OPPORTUNITIES AND CONSTRAINTS

The golf course includes the 18-hole Harding Park golf course and the Fleming 9-hole golf course. The golf course only was redeveloped in 2003 for \$7.3 million

- 6,845 yards from the championship tees – Par 72 for men and par 73 for women
- 5,375 from the forward tees
- Golf course developed in 1922
- Driving range and first tee learning center
- New clubhouse
- The golf course is in very good condition
- Kikuyu grass is re-establishing itself at an alarming rate and management plan is needed
- Need upgrades to restrooms on the golf course
- 25 maintenance employees maintain the golf course which is nine (9) more than the PGA recommends
- Managed by Kemper Sports Management for a seven (7) year term to expire in July 2010 with an option to extend for two years
- City pays Kemper Sports Management \$192,000 annually with a 5% gross revenue fee above \$6 million a year plus additional compensation for staffing levels above normal staffing levels
- Golf course operates at 76% capacity
- Stronger marketing efforts are needed for attracting players to the golf course
- Non-city resident rounds make up 30% of play
- Standards fees are \$135 for weekday and \$155 for weekend with a cart
- Golfers are 92% male with 52% being between 30-45 years of age

- Need for computerized tee-time system
- The pace of play is an issue with golfers
- Golfer would like to see better food service at the golf course
- Rounds played was the high in 2000 at 145,000 rounds down to 102,000 rounds at the two golf courses in 2006
- The golf course operates in a deficit primary because of repayment of the loan from the open space fund used to renovate the golf course

GOLDEN GATE GOLF COURSE OPPORTUNITIES AND CONSTRAINTS

- 9-hole beginner golf course – all Par 3's, 25 acres total
- 1,357 yards in length
- Small hitting cage available
- Strong appeal for less-skilled golfers
- Seven (7) year agreement in place with Global Golf Management will end in 2011
- City pays a management fee of \$300,000 annually to the manger. All revenues go to the City. Manager receives 80% of revenue above budgeted dollars, 80% of revenues above budget amount, 20% of practice driving range above budget amount, 10% of green fess above budget amount, 5% of pull carts above budgeted amounts
- City provides one (1) city employee to maintain the golf course and the supervisor over Lincoln Golf Course oversees Golden Gate Golf Course
- Golf course maintained at a minimal level of care
- Standard rate is \$15 for 9-holes and \$18 for weekends with resident rates at \$10 for weekday and weekend \$12
- No golf carts available
- 24% of play is females and 50% of men who play the golf course are under 50 years of age
- Respondents to a survey would prefer the rates stay low in lieu of rate increases
- Number of rounds played in 2006 – 44,823 which is 63% capacity

GLENEAGLES GOLF COURSE OPPORTUNITIES AND CONSTRAINTS

- 9-hole golf course located in McLaren Park
- 50 acres in size and developed in 1922
- Course is leased to a private operator since its inception in 1960s. Current lease is up in 2013 with a nine (9) year option to renew
- Course designed for better skilled players seeking a time-shorten round of golf



- Golf course is updated in 1982
- Golf course is 3,006 yards in length
- Two par 5's, two par 3's and four par 4's
- No practice facilities available
- Poor turf conditions exist
- A new irrigation system is needed
- Drainage problems exist due to the golf course being built on a hillside
- The greens need major drainage improvements
- An update to the cart path is needed
- Private management employees maintain the golf course with four (4) employees with six (6) part-time staff
- Tenant pays the city rent of 7% of monthly gross revenues plus participation rent of 2% of gross revenues between \$737,337 and \$860,050 and 3% of amount above \$860,050
- Fees are \$13 for weekday and \$16 weekend
- Carts are \$14 for 9 holes and \$24 for 18 holes
- Strong loyalty of golfers exist at the golf course
- 2006 rounds totaled 33,000 rounds

INDUSTRY MANAGEMENT MODELS FOR GOLF COURSE REVIEW

WHAT CONSTITUTES A GREAT PUBLIC GOLF COURSE

The following are the key facets of what a great public golf course needs to have in place that supports its capability of meeting the desired financial requirements desired by most municipalities.

FIVE KEY COST CENTERS

- Pro Shop and Management Operations
- Golf Course Maintenance Operations
- Concessions/Food and Beverage Operations
- Driving Range
- Program Development

STAFFING LEVELS

- A Golf Manager over all operations of the golf course

- Teaching Pros (2) Men and Women, can be Part Time
- Pro Shop Staff (2) front counter
- Starter (1)
- (2) Marshall's, one for each side of the golf course
- Cart Staff (2)
- Maintenance Operations(9)FTE (Sharp and Lincoln have (6)FTE each)

ESTABLISHED PERFORMANCE MEASURES FOR EACH COST CENTER WITHIN THE GOLF OPERATIONS

- Rounds of Golf Played by (9) and (18)
- Type of players by % of Men, Women, Youth and by age segment
- Revenue per round
- Expense per round
- Returning leagues and outings
- Returning season pass holders
- Revenue over expenses based on the expected outcomes
- Capacity levels met by time of day and weekend versus weekday
- Capital dollars invested at 5-6% of gross revenues yearly into the golf course
- Volunteer time and rounds are no more than 2% of total rounds played
- Percentage of new players of total rounds
- Advertising return on investment at \$7 dollars earned for every \$1 dollar spent
- Customer satisfaction levels met at 90% or greater
- Standards for maintenance, clubhouse, food service and programs meet 95% or greater based on the right amount of dollars spent for staffing, equipment and supplies

PRO SHOP OPERATIONS REQUIRE THE FOLLOWING:

- Inventory owned by the golf pro or manager of golf with a percentage of gross back to the city of 7-10%
- Golf supplies available in various dollar amounts to support a variety of player types
- Limited set of clubs for sale
- Good rental clubs available for visitors
- Carts are leased, electric, and turned over every 3 years
- Handicap System available for players



ROLE OF PRO SHOP STAFF

- Manage play, sell golf over the phone, manage tee times, develop golf programs, recruit and manage outings, keep the Pro Shop clean as well as restrooms, audit standards daily
- Market the golf course via appropriate pricing, email, phone, walk-up traffic, website, tee time system, paid advertisement and promotional brochures
- Manage point of sale system that tracks players, frequency, match tee sheet to cash registers

PRO SHOP STAFF MUST:

- Manage tee time system
- Accept credit cards for products and services
- Manage pricing by prime time, non-prime time versus by type of player
- Limit entitlement by players
- Don't discount golf below what it costs you to produce a round of golf
- Base season pass rates on 70 rounds a year minimum

CONCESSION OPERATIONS

- Must be managed privately with 12-15% of gross back to the city:
- Have a menu to support men, women and youth players as well as the neighborhood that surrounds the golf operations
- Sell beer, wine, mix drinks if appropriate
- Support player outings with menu options and a facility to support the outing both indoor and outdoor
- 4-6 televisions in place in the clubhouse concession area

DESIGN OF THE GOLF COURSE AND MAINTENANCE REQUIREMENTS

- Length: Red/forward tees: 5,200 yards Lincoln 4748, Sharp 5793
- Middle: White tees: 6,000 yards Sharp (6234) Lincoln (4948)
- Back: Blue: 6,500 yards (Sharp 6481, Lincoln 5146)
- Championship: 6800 yards, Tournament 7,200
- Key is to design to support a four to four and a half hour golf experience
- Slope rating 100-120, (Sharp 119, Lincoln 109)
- No carry holes
- Limit sand traps

- No blind shots
- Design to support 75,000 rounds
- Support walkers and riders
- Limit walking distance between holes
- Golf set up on busy days as easy as possible to move people through the golf course in a timely manner
- Maintenance levels need to be much higher than the current conditions at Lincoln and Sharp golf courses

THE SIX MANAGEMENT MODELS ANALYZED FOR THE RECREATIONAL OPPORTUNITIES STUDY WERE:

- Total In-House Operation
- Parks and Recreation Department Manages the Maintenance Operations and the City Hires Private Contractors to Manage All Other Operations
- The City Hires a Pro/Manager or a Management Contractor to Manage All Operations of the Golf Course
- The City Creates a Not-For-Profit Corporation to Manage All Golf Operations
- The City Hires a Golf Management Company to Manage the Revenue Centers of the Golf Course Under a Set Fee
- The City Contracts for a Long-Term Lease with a Management Company to Manage All Operations and Improvements of the Golf Course

The key elements of each management model have been listed below:

TOTAL IN-HOUSE OPERATIONS (MODEL ONE)

Under this model, the Recreation and Parks Department will manage all aspects of the golf course operations.

This will include golf course maintenance, landscaping, course signage, operation of the pro shop, concessions, restaurant, golf carts, driving range, marketing and promotion of daily play, golf outings and tournaments, development of junior golf programs, leagues and men's and women's associations. All employees that work at the golf course are employees of the City, including the Golf Course Pro and Assistants. They receive full and part-time benefits. All employees report to a Golf Course manager or the Recreation and Park Operations Director. All major improvements will be made by the City.

- Departmental Exposure: 100% of course budget including revenues, expenses and capital costs
- Revenue Potential: The City Council sets all pricing, driving range and program fees



- Associated Expenditures: Staffing required to effectively operate and maintain the golf course; pro shop and food/beverage inventory; capital improvements

ADVANTAGES

- This system provides for total responsibility and accountability for the golf course on the city staff for all golf operations.
 - Hiring of Personnel (fulltime and part-time include setting salaries of employees)
 - Care and maintenance of grounds, equipment, buildings, landscaping, and utilities
 - Total revenue collection and expense control is with the City
 - Purchasing of all equipment and supplies
 - Concession and restaurant management
 - Setting fees and prices of all services and good
 - Managing the driving range
 - Leasing or purchasing of carts
 - Providing lessons and development of specialty groups such as seniors, women's and men's associations, and junior programs
 - Pro shop purchasing of supplies and inventory control
 - Improvements to the golf course are under the City's design and control
 - All reporting processes are under the Parks and Recreation Director
 - City is able to pass a revenue bond to support the golf course development from player fees
 - If the City does not have bureaucratic systems in place, it allows for entrepreneurial thinking to occur. This model would work very well in this instance.

DISADVANTAGES

- Most cities do not provide any incentives for their personnel who operate the golf course to meet desired outcomes in terms of paying out bonuses or creating additional opportunities to earn additional income, except continuous employment.
 - All the risk is placed on the City
 - Based on this model, generally a sense of entitlement is built into the employees and the culture of the golf course, which makes change difficult
 - It is difficult for employees to move from a spend mindset to an earned mindset because there is not any incentive to save money

- Because of loss of incentive, it may be difficult to hire a Golf Pro who wants to work under this type of arrangement
- Under this arrangement some services provided at the golf course, such as restaurant management, are not core services to a City, so the ability to hire entrepreneurial managers that will make money, are difficult to find
- Because of City bureaucracies, purchasing restrictions limit the ability to access timely supplies and resale items, which limit the course's ability to make money
- This system requires strong aggressive management to make a profit in the pro shop and other revenue centers. It is difficult to create a competitive model in a total closed system
- Under this arrangement, the City has to balance the other Department needs against the golf course's needs for appropriate equipment and continuous capital improvements to keep the golf course positioned well in the market place. This can cause problems in reinvesting in the golf course
- Fees for services under this model are typically lower than what the market place is capable of paying. Public employees tend to be more price sensitive than market sensitive
- Under this arrangement, wages tend to be higher than if managed by an outside contractor which drives up the cost to operate the golf course. Likewise, overtime wages and flexibility can be a limiting factor to do the little extra to make all service areas operate in the most customer driven format possible
- Once this system is in place, it is very difficult to change it and move to a different system because of the public employee's entitlement mindset
- In most public institutions, it is difficult to remove employees for not following directions or meeting desired outcomes, which tends to accept mediocrity in Departments
- Typically, marketing of the golf course and selective purchasing of marketable resale of goods beyond the basics is difficult to obtain because the people doing the purchasing do not understand the golfing retail market. Discounting and packaging of services to meet maximum capacity of the golf course is difficult to obtain because most public employees have not run a business before and do not understand capacity management
- Under this system, the City has a tax exempt status when purchasing equipment or supplies, which does not put taxes back into the community
- Special interest groups, such as seniors, are more focal and demanding because they see golf as an entitlement recreation service versus a marketable business

This management model has been tried by the city of San Francisco Recreation and Parks Department over the years and has proven to be too difficult to manage in because of the disadvantages listed and the culture it creates to be effective in



the future for management recommendations for public golf course operations in the city to be successful.

MAINTENANCE / OPERATIONS SPLIT CONTRACT (MODEL TWO)

Under this model, the Recreation and Parks Department manages the maintenance operations of all facilities, grounds, landscaping, and equipment for the golf course and hires a private contractor (under a Request for Proposal) to manage the pro shop, golf carts, concessions, restaurant, driving range, course programs for juniors, seniors and men's and women's associations, leagues, tournament and golf outings.

All maintenance employees work for the City. All equipment used to maintain the course is owned by the City. All other personnel who work in the pro shop, concession, restaurant, driving range, starters, marshals, and assistant golf professionals work for the Golf Manager or the PGA Pro. All improvements to the course are made by the City. The City retains a percentage of gross revenue by cost center to offset maintenance operations and capital improvements.

- Departmental Exposure: 40-60% of the golf course total operating budget (average)
- Revenue Potential: Set percentage of gross revenues from each cost center
- Associated Expenditures: Staffing and supplies/materials/equipment required to effectively maintain course; capital improvements

ADVANTAGES

- This system provides total asset responsibility and accountability with the City Recreation and Parks Department.
 - City is responsible for hiring of all grounds and building personnel (full and part-time to include setting of salaries)
 - Care and maintenance of grounds equipment, building and landscaping is with the City
 - Purchasing of all equipment and supplies to maintain the course and protect building assets is the City's responsibility
 - The City has the ability to set fees for golf services
 - The City is passing responsibility and accountability for marketing and promoting all areas of the golf course to a manager and/or PGA Pro with more systems flexibility and risk in pro shop inventory, concessions, restaurant, driving range, carts, play development, and events
 - This system provides more entrepreneurial thinking and practices by the Pro/Manager, which is difficult to get in a totally in-house managed operations

- The City does not have to pay salaries and benefits to the Pro/Manager's employees
- The City can hold a Pro/Manager to a set of measurable outcomes under their control
- The liability risk is lessened through Pro/Manager provided insurance for players and their own personnel. This does not eliminate all risk, but most of it
- The ability of the Pro/Manager to remove employees who are not accountable to meet desired outcomes is less cumbersome
- The City has the ability to negotiate strongly with the Pro/Manager for greater gross revenues of carts, concessions, restaurants, driving range, and pro shop sales
- The purchasing flexibility by the Pro/Manager is greater than under a City procurement system
- Employees who work under the Pro/Manager do not have the same sense of entitlement that comes with a totally controlled in-house management system
- The City does not own or lease the carts, but passes this to the Pro/Manager with responsibility to provide carts that are leased or new every three years to keep players happy
- The City can change Pro/Manager at the end of a contract or during a contract for non-compliance without any recourse by the Pro/Manager

DISADVANTAGES

- The City relinquishes revenue collection to the Pro/Manager which sets up a perception problem with elected officials and players that all revenues received are not deposited.
 - This requires the City to relinquish control of all revenue producing components of the course to a non-City employee (that sometimes they do not want to give up). It requires them to develop trust with a Pro/Manager that sometimes they do not want to give up
 - The Pro/Manager has difficulty directing the City workers on quality of care and maintenance standards for the course to keep the course positioned well with the players which can create a we/they mindset and culture
 - The Pro/Manager must be a good communicator, in writing and verbally, to keep the City officials and staff informed on revenue and expenses, customer satisfaction, course conditions, and play levels to be successful
 - The Pro/Manager will not invest their own money in improvements to enhance the course playability and image for the players so they are at the mercy of the city to keep the golf course assets up to a certain level and keep the course positioned well in the minds of the golf community



- The Pro/Manager has to have a good relationship with course maintenance staff or it sets a major “we/they” mindset that creates negative thinking on both parties. This may adversely affect the golfer’s enjoyment of the course
- The Pro/Manager still has to work through requested maintenance work orders at the course against other City priorities
- The Pro/Manager has to have a good line of credit to draw on when purchasing pro shop goods, restaurants and concessions food, as well as staffing when weather is a factor on the success of the golf course
- The City cannot get out of a contract if the Pro/Manager is in compliance when they feel they would like to change operators. It is important to make sure all contracts with the Pro/Manager are outcome based with measurable performance measures
- The City still pays all golf course utilities
- Typically, the Pro/Manager develops a good relationship with the players, seniors, and men’s and women’s associations. If the City decides to change contractors or the way the contract is developed, this can set up a major confrontation between the players and the City administration. People will always bad mouth something they do not understand
- The Pro/Manager must sublease the restaurant and concession to another contractor which the City probably has to approve, but does not have direct management control of over the operations
- Under this model, the potential revenue opportunities are greater with a good Pro/Manager, but could be less if the operator is not customer focused and only revenue focused

This management model is currently in place at Lincoln and Sharpe Golf Courses with marginal success. The key short-comings of this model is the lack of total accountability of the golf operations is not centered on one entity but spread out to two or three different operators with two different agendas. The disadvantages listed far outweigh the advantages which keeps this model from being successful in the city.

COMPLETE CONTRACTOR MANAGEMENT SHORT TERM (MODEL THREE)

Under this model, the City hires a Pro/Manager through a Request for Proposal for a short term contract, typically five to six years, to manage all operations of the golf course. This includes all golf course maintenance, golf course landscaping, course signage, all building asset management, pro shop, concessions, restaurant, golf carts, driving range, marketing and promotions of the golf course, development of junior golf programs, leagues and men’s and women’s associations.

All equipment used to maintain and operate the golf course is owned by the Pro/Manager. All employees work for the Pro/Manager. All revenues collected by the Pro/Management

Company and all operating expenses are covered by the Pro/Manager. All revenues collected by the Pro/Management Company and all operating expenses are covered by the Pro/Manager. The City is still responsible for major improvements, usually above a \$5,000 amount for water systems, building, parking lots, drainage problems, etc. The Pro/Manager may sublease operations such as concessions, restaurant, or maintenance to other companies that specialize in these areas

The City will hold the Pro/Manager to a set of measurable outcomes and the City receives a percentage of gross revenues from each cost center that is variable based on the capitalization cost and volume.

- Departmental Exposure: Varies depending on the outcome based contracting requirement; there is greater potential for exposure to negative perceptions by the golfer than direct/short term monetary ramifications
- Revenue Potential: Set percentage of gross revenues is provided back to the city by cost center (examples of gross revenues by cost center depends on revenues earned but will be in the following ranges):
 - PRO Shop Revenues from sale of equipment 5-8% of gross
 - Green fees 15 to 30% of gross
 - Concessions 12-15% of gross
 - Program revenues 10 to 15% of gross
 - Cart rental 20 to 30% of gross
 - Driving range 10 to 15% of gross
- Associated Expenditures: Capital improvement above \$5,000 dollars are the city's responsibility

ADVANTAGES

- All responsibility and accountability for all operations are located with one manager, which keeps parties from blaming each other for problems that may develop on the golf course
- The maximum amount of flexibility is obtained because little bureaucracy is in place, which should allow for greater gross revenues to both parties
- All utilities are paid by the Pro/Management Company
- Incentives for operators and their employees are high, which allows for greater urgency, productivity, and customer service
- This model allows for the operator to invest in the course operations that improve the opportunity to create additional revenues
- The length of the management contract is short term, five to six years, with an option to renew or change operators for another operator to manage the course



- This model allows the City to hold the Pro/Manager to a set of measurable outcomes that are tied to the contract and are not subjective, which meets the goals of the City
- Marketing flexibility is at the optimum in this model to create incentives, price services that are based on benefits, and to develop and promote the course and its image to the highest level possible
- The City can relinquish its capital equipment cost by selling off equipment and requiring the operator to provide all necessary equipment to maintain the cost. This allows the City not to spend the revenue dollars they receive on equipment, but on major course asset improvements that keep the course positioned well in the eyes of the player
- The City can outline various deliverables from the Pro/Manager on communication, revenues, rounds, insurance requirements and customer satisfaction levels throughout the contract
- The City spreads its risk because the Pro/Manager supplies the insurance for liability, workman's compensations, and property damage
- All security is supplied by the Pro/Manager
- The City can set fees for green fees and review other fees for reasonableness

DISADVANTAGES

- The City is vulnerable in that they are totally dependent upon the Pro/Manager. It would be difficult to get back into the operation of golf courses after you have relinquished this responsibility and accountability to the operator
- The City can expect strong competitive proposals that will draw a lot of media attention. This will need to be managed well so it is not a politically driven process.
- The City can expect major resistance from public workers who lose their positions. The City could allow the workers to put in a bid to the Pro/Manager to operate the maintenance of the course and compete for the work. If accepted, they would work for the Pro/Manager as a subcontractor which has worked in many communities.
- The City will have to develop revenue collection polling sites to track revenues to make sure the City receives its revenue share accurately. This can be managed very effectively and it keeps the operator honest
- The City has to learn how to manage the contract versus produce a service, which is a change in mindset. This requires the City to view the Pro/Manager as a partner versus a competitor
- The City will need to develop ways to manage the outcomes desired, which will take some tracking of established performance measures and set staff to manage the contract

- The City will not know where all expenses for the course go, which may be disturbing. They can request a breakdown of expenses at the end of each year to show where the contractor spent money at the course. The contractor does not have to share profit or loss statements but the city can audit them if they choose.
- The City will still have to make improvements in major asset areas of the course, above \$5,000 from its coffers
- The City cannot get out of a contract if the Pro/Manager is in compliance when they feel they would like to change operators. It is important to make sure all contracts with the Pro/Manager are outcome based with measurable performance measures
- Typically, the Pro/Manager will develop a very good relationship with the players, seniors, and men's and women's' associations. If the City decides to change contractors or the way the contract is developed, this can set up a major confrontation between players and the City administration
- The Pro/Manager must be a good administrator and communicator, both verbally and written, to keep the City officials and staff informed on revenue and expenses, customer satisfaction, course conditions, and play levels
- The Pro/Manager may sublease the restaurant, concession, or course maintenance to another contractor, which the City can approve in advance, but will have to allow the Pro/Manager to manage the subcontract with his staff versus the City

This model is in place at Glen Eagles and seems to be working with very little conflict with the city. The real problem with this model is that the contractor makes very little capital improvements to the golf course and the Department does not have the capital improvement dollars to make the improvement either which over time allow the golf course conditions to erode. This model only works if the city puts dollars received into a golf course maintenance endowment fund to reinvest in the golf courses on an annual basis to keep the golf courses well positioned in the market place to attract golfers to the courses and create the value they expect. The city of Indianapolis has successfully implemented this model on the 14 public golf operations which has been in place for the last 18 years.



NON-PROFIT MANAGEMENT (MODEL FOUR)

Under this model, the City will create a not-for-profit management corporation to manage all aspects of the golf course with a Pro/Manager that is employed by the Not-for Profit Board and all employees that work at the course are employed by the Board. The vision for this model is to create country club conditions at affordable prices while maintaining a cash flow that will ensure long term growth and improvements to the facilities. All of the revenues and profits go to support the golf course operations and capital costs.

The Board of the not-for-profit could be appointed by the Mayor and City Council with the Recreation and Parks Director sitting on the Board. The Board would not receive compensation. The Not-for-Profit board could have a long term or short term lease with the City. The Not-for-Profit Board will need to hire all people and manage the golf course maintenance and landscaping (or contract it out) as well as all proshop operations.

All golf course buildings and grounds will be lease to the not-for-profit. Equipment used to maintain the course will be owned or leased by the not-for-profit from the city. All supplies in the pro shop could be owned by the not-for-profit or the pro shop could be leased to the Pro/Manager. The concessions and restaurant can be contracted out and or managed by the Pro/Manger. All revenues will be collected by the not-for-profit management group. All major improvements, above \$5,000, are still covered by the City for items such as watering systems, buildings, cart paths, parking lots, course repairs, and drainage.

The City will still need to hold the Not-for-Profit Board and staff to a set of measurable outcomes. The City will receive all revenues above expenses to their coffers.

- Departmental Exposure: 0%; all risk is transferred to the Not-For-Profit. There is greater potential for exposure to negative perception and a highly politicized environment than direct/short term monetary ramifications
- Revenue Potential: Percentage/all net revenues (revenues less all expenditures) are returned to the city
- Associated Expenditures: Capital improvements are still the responsibility of the city

ADVANTAGES

- Less bureaucracy to operate the golf course while implementing sound business principles. This allows management to concentrate on operations of the golf course and quickly address the needs of the golfers
- No employees are City staff. The Not-for-profit sets staff salaries and benefits and can create incentives based on measurable outcomes

- Flexible management that can quickly respond to problems is in place
- All revenues stay within the City versus leaving the City through a private contractor
- The city is still able to sell revenue bonds to support improvements and paid by the golfers
- Because all profits stay with the City, player fees are able to be kept within marketable levels
- The not-for-profit is totally accountable and responsible for the course operations
- The City can still establish the player fees for services or allow the not-for-profit to set them
- The reporting processes to the City are through the Director of Parks and Recreation and year end reports are submitted by the Chairman of the Not-for-Profit to the City Council and Mayor annually
- This model is simplistic. The not-for-profit can create many entrepreneurial practices that generate revenue and high customer service for golfers
- The not-for-profit board is typically made up of nine members
- Existing employees can be given the opportunity to join the new company and be subject to all the company's guidelines and regulations and can bid for the maintenance of the golf course
- All utilities are paid by the not-for-profit

DISADVANTAGES

- Elected and appointed officials have difficulty trusting a not-for-profit to manage the golf course. It will require a lot of communication on the front end to gain their confidence and trust
- This management model was intended to remove politics from business decisions about the business of golf but
- The elected officials who appoint people to the not-for-profit board must know something about golf, business and how a not-for-profit board works
- If the City takes the profits and does not invest in long term improvements in the course, this model will become a negative with the golfers
- The not-for-profit board operates under a set of measurable outcomes, but is still accountable to taxpayers and to golfers
- The City cannot micro-manage this not-for-profit board otherwise it will create a “we versus they” dynamic
- This model limits the Pro/Manager incentives if tax free revenue bonds are used to pay for improvements



- The City relinquishes revenue collection to the Pro/Manager which sets up a perception with elected officials and players that all revenues received are deposited. The City can still poll the cash registers to make sure receipts match deposits
- It takes a little time to get the not-for-profit up and running, usually 3 to 4 months. This will require a smooth transition period and done during the slowest time of the year
- The not-for-profit will require a small capital improvement fund (\$50,000) to draw on to fix emergencies that are unexpected. This is a budgeted item that needs to be built up over time
- The City may let the not-for-profit borrow \$250,000 to \$275,000 to get started or the not-for-profit will need to get a line of credit to draw on to get started
- The not-for-profit board must have experienced people and a Pro/Manager who understands how to manage subcontracts. This will require a legal person to draw up the contracts to be approved by the City and negotiated by the not-for-profit management group
- The City can sell off its equipment in phases and /or lease it to the not-for-profit under strict equipment maintenance guidelines

This management model has been discussed many times within the city of San Francisco Recreation and Parks Department as a model to implement in the city. This model has been tried in Seattle, Denver and Baltimore. Seattle and Denver got out of this management model within the first five years of operation because of the political appointments and miss-management of the golf courses. Baltimore has been operating in this model for the last 25 years because of a strong not-for-profit golf manager and leader but recently has fallen into problems because of the change in the political environment and the lack of the city re-investing in the golf courses to keep them well positioned in the market place which has caused players to move away from using public golf courses in the city.

GOLF MANAGEMENT COMPANY, OPERATIONS (FIFTH MANAGEMENT MODEL)

Under this model, the City will send out a Request for Proposal to seek a management contract for a management company to manage the golf pro shop and restaurant operations under a set amount. The Management Company will be responsible for managing the pro shop, starters, marshals, player development programs, leagues, outings, concessions, carts, driving range, clubhouse, cleaning, and marketing and promotions. All fulltime and part-time employees at the golf course maintenance operations are City employees.

The City will direct the maintenance employees in their duties. The employees of the restaurant and concessions will be employees of the subcontractor. The management contract is established to meet certain measurable outcomes and performance measures.

All City employees, except maintenance, report directly to the Management Company. The merchandise and supplies in the pro shop belong to the City.

All City benefits are paid to workers at the course, except those that work for the Management Company. The Management Company can retain a bonus for meeting certain efficiency objectives that are outlined in the contract.

- Departmental Exposure: 60%-75% of golf course budget operations and capital costs (average). Management costs range from \$500,000 to \$900,000 depending on what is included in the management contract
- Revenue Potential: All gross revenues from all the cost centers
- Associated Expenditures: Staffing required to effectively operate and maintain course, less Golf Pro/Mgmt Company Supervisor; pro shop and food/beverage inventory; any contract stipulated bonus; capital improvements

ADVANTAGES

- The City hires a proven expert to manage the golf course pro shop operation, restaurant, and concessions
- The Management Company collects all revenues and the City pays all bills
- The City is able to monitor daily operations and direct the Management Company to meet desired outcomes
- The Management Company still has the ability to create incentives for efficiencies and meeting performance goals beyond the set management contract
- The contract is short term, 4 to 5 years
- The elected officials like this because they know exactly what the Management Company is going to make with approved incentives
- All assets are owned by the City
- All fees for services, except the restaurant and concessions, are set by the City
- The City can allow the Management Company to act as its agent and require them to follow all City policies and procedures including purchasing and personnel guidelines
- The Management Company trains their staff and pays all staff costs and the benefits associated with their management team

DISADVANTAGES

- PROS has found that typically public employees do not like to report to a management company who operates under an efficiency, entrepreneurial mindset that is focused on creating revenue while the public employees are focused on maintaining the assets and some union contracts don't allow it



- The City takes all the risk including insurance liability
- The City has to take a lot of its dollars and invest in infrastructure, paying off revenue bonds, and purchasing equipment
- All City systems are followed by the Management Company. If the City's systems are bureaucratic, this will cause conflict with the Management Company where it has to meet performance and efficiency goals
- The City pays all utilities
- The City has to spend time training the Management Company to its system
- The golf course has to compete with other City Department's needs versus the needs of the golf course to keep the course positioned well
- The City employees will not be able to share incentives with the Management Company when performance measures are met
- A sense of employee entitlement is built into this model even under a management company
- Typically, management companies do not hire PGA Pros on site but business managers. They may elect to allow a teaching pro to be on site to give lessons
- Fees under this model will typically be set artificially low by the city to keep golfers happy
- The City still has to maintain the course and equipment to meet maintenance standards. If they do a poor job, it will reflect on the Management Company's ability to meet incentive clauses in the contract

This management model is in place in the city with Kemper Sports Management at Harding Golf Course and is working but could be much better if greater flexibility was given to the golf management company. The real issue is the city capability to reinvest in the golf course and if there is a low level of capital dollars available to reinvest in the golf course this model doesn't work. Players and the Management Company become very frustrated based on this management model quickly without capital dollars to keep the golf course in good condition and when there is not total accountability with one entity each group blames each other for management faults.

GOLF MANAGEMENT COMPANY, LONG TERM LEASE (SIXTH MODEL)

Under this management model, the City will lease the entire golf course under a subordinate lease basis for a long period of time usually 15 to 20 years.

Under this arrangement, the golf course typically needs a lot of capital improvements and the City wants to get a private golf company to make those improvements listed in the Request for Proposal versus making the improvements themselves. The Golf Lease Management Company is responsible for all operations, daily maintenance, and capital improvements including construction management of the desired improvements.

No city money will be used to make these improvements and the improvements are paid off by golf fees over a period of time. The Golf Lease Management Company will manage the maintenance of the golf course, pro shop operations, concessions, restaurant, golf carts, driving range, marketing and promotions of daily play, golf outings, tournaments, development programs for juniors, leagues, and men's and women's associations. All employees work for the Golf Lease Management Company.

A range of fees are established in the contract that allows the Golf Lease Management Company to work off of and are adjusted annually. All utilities and risk are assumed by the Golf Lease Management Company.

- Departmental Exposure: 0%; all risk is transferred to the Golf Management Company; the city could face greater potential for exposure to negative perception than a direct/short term monetary contract
- Revenue Potential: City receives a set percentage of gross revenues usually in the 10% to 15% of total gross of the golf course from various cost centers
- Associated Expenditures: Contract administration is still required by the city to perform and hold the contractor accountable

ADVANTAGES

- The City relinquishes all assets and management control of the golf course to the Golf Lease Management Company for a long period of time
- The City can still hold the Golf Lease Management Company to measurable outcomes and performance measures. If the Golf Lease Management Company is not able to meet those outcomes, then the City can buy back their capital investment and take back the golf course and find another operator to manage the golf course in a similar management arrangement
- The City has no liability for expenses, except for contract monitoring and annual reviews for compliance and auditing
- The City should establish a Golf Course Land and Capital Improvement Fund to use a percentage of money earned on capital projects when needed to keep the course marketable and well positioned in the market place
- The Golf Lease Management Company is required to hold their subcontractors to equal standards, and the city can build measurable outcomes for subcontractors in the base contract of the Golf Lease Management Company
- The City can earn a substantial amount of money under this lease arrangement

DISADVANTAGES

- Elected officials have little control over the Golf Lease Management Company's efforts and it is difficult for a City to buy out their improvements



- Public employees will typically lose their jobs under this arrangement, but the City could require the Golf Management Lease Company to interview them for positions at the golf course or allow the union to bid for the maintenance operational work of the golf course
- Elected officials and the public will lose a sense of ownership if the Golf Lease Management Company does not create a communication effort with elected officials and the public golfer that builds on positive relationships
- The City must create ongoing requirements of the Golf Lease Management Company to reinvest in buildings and the golf course, so if the City ever changes contractors or takes back the management that the asset value has been kept to optimal standards. This could be a shared cost from dollars earned by the City
- The public loses a voice to elected officials because of a lease of this type. The lease is a triple net lease in design and customer service has to be built into the accountability side of the contract
- The City has very little recourse if the players are unhappy. This could extend to neighbors and partners of the City. The City needs to hire a skilled negotiator and someone with good contract management skills that has the ability to work with the contractor in a positive, yet demanding effort to meet desired outcomes

This management model works well if the city does not have the capital to reinvest in the golf course and the lease operator has the resources to invest to keep the golf course in good condition. This management model puts all the accountability on one person and entity the Golf manager which forces everyone to work together. The city gets a percentage of gross revenues and the operator gets to manage the golf course to its highest and best use. The key is to have a proven operator who understands how to manage public golf and will invest money to keep the golf courses well positioned in the market place. This model has worked well in LA County, Long Beach and other public systems but requires a well written contract and good management of the contract by the city. The city still receives a fair share of the gross dollars from operations but not at the same level as model three.

REVIEW OF SIX MODELS

Similarities exist among all six models; the main discerning variables can be narrowed down to two points:

- The exposure the City has to any capital improvements needed to increase the course usage potential
- The exposure the City has in regards to maintenance costs and the loss of operational efficiency, especially if the operations of the course were not to be contracted out, but stayed with the City. The potential for disconnect arises between the persons responsible for generating the revenues without the capability to control maintenance cost; revenue centers may lose the incentive to program and operate in an efficient manner since costs are not directly coupled

To assist in determining the best management model for the City of San Francisco, all six models were analyzed and compared against the estimated 2008-2009 Budget for both Sharp Park Golf Course and Lincoln Park Golf Course. In order to highlight the magnitude of the major discerning factors – capital investment and maintenance costs – no projections were applied to the course performance over and above the estimates. Although it could be expected that different management models could produce different results based on the primary mission of the operator – whether it be City or contractor, for the purpose of this comparison all factors are held operational, maintenance, and usage factors are held constant. The pivotal variables for this comparison are potential revenues generated via a contract percentage take or traditional business operations, the exposure to expenses based on the City's exposure – contractual or in-house operations – and the potential incurrence of capital improvement debt required to rehabilitate the courses.

Based on these assumptions, the two management models most beneficial to the City of San Francisco are the short-term contract management (Model 3) and long-term lease (Model 6) options. Based on the assumptions set forth and the variables discussed, the scenario studied delineates that the most beneficial model would be the long-term lease option (model 6). The long-term lease option allows the City to negotiate with the lease holder to the extent the City would like to be exposed to the repayment of any capital expenditures required. Although the long-term lease does have the second lowest figure in regards to revenues generated, this management model negates all exposure to operational and maintenance expenses and is the least politically charged.

A detailed breakdown of the base budget and the six management models as they pertain to each of the courses are presented in **Figure 25** (Lincoln Park Golf Course) and **Figure 26** (Sharp Park Golf Course). Budgeted information as it pertains to the '08-'09 fiscal years is



City and County of San Francisco – Parks and Recreation Department

presented. For the purpose of this study – recreational opportunities – management models and opportunities were the primary focus.

LINCOLN PARK GOLF COURSE; MANAGEMENT MODEL COMPARISON

Lincoln Park Golf Course; Operational Efficiencies

Estimated 2008-'09 Budget with Course Management Model Estimates

**High level general estimate for illustration of potential management models only; not to be used as a detailed budgeting or cost modeling tool*

Lincoln Park Golf Course; Estimated 2008-'09 Operations and Two Course Management Model Estimates	2008-2009 Fiscal Year Budgeted Operations ('08-'09 Budget)	'08-'09 Budget: Course Mgmt - Contract Mgmt (Model 3)	'08-'09 Budget: Course Mgmt - Long Term Lease (Model 6)	'08-'09 Budget: Course Mgmt - In-House (Model 1)	'08-'09 Budget: Course Mgmt - City Maint+Mgmt Contract (Model 2)	'08-'09 Budget: Course Mgmt - Non-Profit Mgmt (Model 4)	'08-'09 Budget: Course Mgmt - Revenue Centers (Model 5)
Revenues							
Green Fees	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Golf Carts/Rentals	242,659	242,659	242,659	242,659	242,659	242,659	242,659
Food & Beverage	100,676	100,676	100,676	100,676	100,676	100,676	100,676
Merchandise	123,806	123,806	123,806	123,806	123,806	123,806	123,806
Lessons	4,944	4,944	4,944	4,944	4,944	4,944	4,944
Other	29,347	29,347	29,347	29,347	29,347	29,347	29,347
Total Revenues	\$ 1,501,432	\$ 1,501,432	\$ 1,501,432	\$ 1,501,432	\$ 1,501,432	\$ 1,501,432	\$ 1,501,432
Expenditures							
Salaries and Fringe Benefits	906,212	906,212	906,212	906,212	906,212	906,212	906,212
Overhead	259,791	259,791	259,791	259,791	259,791	259,791	259,791
Materials and Supplies	83,480	83,480	83,480	83,480	83,480	83,480	83,480
Professional Services	4,350	4,350	4,350	4,350	4,350	4,350	4,350
Services, Other Departments	71,073	71,073	71,073	71,073	71,073	71,073	71,073
Merchandise COGS	35,516	35,516	35,516	35,516	35,516	35,516	35,516
Food and Beverage COGS	35,610	35,610	35,610	35,610	35,610	35,610	35,610
Total Expenditures	\$ 1,396,032	\$ 1,396,032	\$ 1,396,032	\$ 1,396,032	\$ 1,396,032	\$ 1,396,032	\$ 1,396,032
Estimated Rounds Played	37,188	37,188	37,188	37,188	37,188	37,188	37,188
Cost per Round of Golf (Not Including COGS)	\$ 35.63	\$ 35.63	\$ 35.63	\$ 35.63	\$ 35.63	\$ 35.63	\$ 35.63
Percent of Cost Recovered per Round	75.5%	75.5%	75.5%	75.5%	75.5%	75.5%	75.5%
Percentage of Gross Concession Revenues	8.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
San Francisco's Concession Revenue Take	\$ 40,127	n/a	n/a	n/a	n/a	n/a	n/a
Percentage of Total Gross Revenues	n/a	18.0%	12.0%	100.0%	45.0%	5.0%	60.0%
San Francisco's Revenues Generated/Associated	\$ 1,040,127	\$ 270,258	\$ 180,172	\$ 1,501,432	\$ 675,644	\$ 75,072	\$ 900,859
San Francisco's Exposure to Expenditures	\$ 1,324,906	\$ 104,197	-	\$ 1,396,032	\$ 1,324,906	\$ -	\$ 1,324,906
San Francisco's Exposure to Capital Investment	n/a	Yes	Negotiated	Yes	Yes	Yes	Yes
San Francisco's Revenues Generated per Round of Golf*	\$ 27.97	\$ 7.27	\$ 4.84	\$ 40.37	\$ 18.17	\$ 2.02	\$ 24.22
San Francisco's Expenditures Incurred per Round of Golf*	\$ 35.63	\$ 2.80	-	\$ 37.54	\$ 35.63	\$ -	\$ 35.63
Total San Francisco's Cost Recovery - Golf Course Ops*	78.5%	259.4%	n/a	107.5%	51.0%	n/a	68.0%
		Complete Contractor Mgmt	Complete Long-Term Lease	Total In-House Operation	In-House Maintenance Operations; Mgmt Contract For All Other Components	Non-Profit Management	Operations Lessee; City Maintained

Notes:

*Does not include potential Capital Investment

Figure 25 - Lincoln Park Golf Course, Management Model Comparison

Recreational Opportunities Study – Summary Report

SHARP PARK GOLF COURSE; MANAGEMENT MODEL COMPARISON

Sharp Park Golf Course; Operational Efficiencies

Estimated 2008-'09 Budget with Course Management Model Estimates

**High level general estimate for illustration of potential management models only; not to be used as a detailed budgeting or cost modeling tool*

Sharp Park Golf Course; Estimated 2008-'09 Operations and Two Course Management Model Estimates	2008-2009 Fiscal Year Budgeted Operations (*08-'09 Budget)	'08-'09 Budget: Course Mgmt - Contract Mgmt (Model 3)	'08-'09 Budget: Course Mgmt - Long Term Lease (Model 6)	'08-'09 Budget: Course Mgmt - In-House (Model 1)	'08-'09 Budget: Course Mgmt - City Maint+Mgmt Contract (Model 2)	'08-'09 Budget: Course Mgmt - Non-Profit Mgmt (Model 4)	'08-'09 Budget: Course Mgmt - Revenue Centers (Model 5)
Revenues							
Green Fees	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Golf Carts/Rentals	186,161	186,161	186,161	186,161	186,161	186,161	186,161
Food & Beverage	961,160	961,160	961,160	961,160	961,160	961,160	961,160
Merchandise	40,265	40,265	40,265	40,265	40,265	40,265	40,265
Lessons	8,659	8,659	8,659	8,659	8,659	8,659	8,659
Total Revenues	\$ 2,296,245	\$ 2,296,245	\$ 2,296,245	\$ 2,296,245	\$ 2,296,245	\$ 2,296,245	\$ 2,296,245
Expenditures							
Salaries and Fringe Benefits	857,014	857,014	857,014	857,014	857,014	857,014	857,014
Overhead	245,816	245,816	245,816	245,816	245,816	245,816	245,816
Materials and Supplies	83,479	83,479	83,479	83,479	83,479	83,479	83,479
Professional Services	138,000	138,000	138,000	138,000	138,000	138,000	138,000
Services, Other Departments	60,983	60,983	60,983	60,983	60,983	60,983	60,983
Merchandise COGS	13,189	13,189	13,189	13,189	13,189	13,189	13,189
Food and Beverage COGS	397,863	397,863	397,863	397,863	397,863	397,863	397,863
Total Expenditures	\$ 1,796,344	\$ 1,796,344	\$ 1,796,344	\$ 1,796,344	\$ 1,796,344	\$ 1,796,344	\$ 1,796,344
Estimated Rounds Played	38,218	38,218	38,218	38,218	38,218	38,218	38,218
Cost per Round of Golf (Not Including COGS)	\$ 36.25	\$ 36.25	\$ 36.25	\$ 36.25	\$ 36.25	\$ 36.25	\$ 36.25
Percent of Cost Recovered per Round	79.4%	79.4%	79.4%	79.4%	79.4%	79.4%	79.4%
Percentage of Gross Concession Revenues	8.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
San Francisco's Concession Revenue Take	\$ 101,681	n/a	n/a	n/a	n/a	n/a	n/a
Percentage of Total Gross Revenues	n/a	18.0%	12.0%	100.0%	45.0%	5.0%	60.0%
San Francisco's Revenues Generated/Associated	\$ 1,201,681	\$ 413,324	\$ 275,549	\$ 2,296,245	\$ 1,033,310	\$ 114,812	\$ 1,377,747
San Francisco's Exposure to Expenditures	\$ 1,385,292	\$ 104,367	-	\$ 1,796,344	\$ 1,385,292	\$ 104,367	\$ 1,385,292
San Francisco's Exposure to Capital Investment	n/a	Yes	Negotiated	Yes	Yes	Yes	Yes
San Francisco's Revenues Generated per Round of Golf*	\$ 31.44	\$ 10.81	\$ 7.21	\$ 60.08	\$ 27.04	\$ 3.00	\$ 36.05
San Francisco's Expenditures Incurred per Round of Golf*	\$ 36.25	\$ 2.73	-	\$ 47.00	\$ 36.25	\$ 2.73	\$ 36.25
Total San Francisco's Cost Recovery - Golf Course Ops*	86.7%	396.0%	n/a	127.8%	74.6%	n/a	99.5%
		Complete Contractor Mgmt	Complete Long-Term Lease	Total In-House Operation	In-House Maintenance Operations; Mgmt Contract For All Other Components	Non-Profit Management	Operations Lessee; City Maintained

Notes:

*Does not include potential Capital Investment

Figure 26 - Sharp Park Golf Course, Management Model Comparison



OVERALL KEY FINDINGS

- The city of San Francisco is subsidizing golf by approximately \$1.5 million annually and it will grow to \$3 million annually by 2012 if changes are not made as outlined in the National Golf Foundation report
- The city has struggled for years in creating a management philosophy toward golf, which is seen in the various management modes that currently operate in the city
- The city does not have the capital dollars to invest in their golf courses to keep them competitive in the marketplace. All the golf courses are in need of major capital dollars to keep the courses positioned in the marketplace including Harding Golf Course and to generate the revenue to offset operational and capital cost
- Golf is a politically charged activity that incorporates high levels of entitlement by players and staff involved in golf in the city
- Currently, the city lacks an effective marketing approach toward golf
- There is nobody accountable for the operations and management of golf in the city due to the present makeup and operational models in place. The golf courses operate on a social management model versus a business management model for a public facility

KEY RECOMMENDATIONS

1. Change the management model for four (4) out of the five (5) golf courses in the city. Allow them to be setup on a long-term lease basis to allow for additional capital dollars and to lower the existing high level of entitlement in the city toward golf. Golf is a management headache for the city, which has never had success in managing public golf in the city which requires a new management model.
2. Redesign Lincoln Park Golf Course to accommodate a nine-hole golf course, with a driving range and additional park amenities to include a nature center/hospitality center, trails, sports fields and special events area. Seek a private operator to make the golf course driving range and clubhouse improvements for a long-term lease. Request a private contractor to build the nature center and hospitality center. Park related improvements would be made by the city.
3. Allow Sharp Park Golf Course to be redesigned to build back as much as possible the Alister MacKenzie design and privately raise the money for the capital improvements combined with public funds for environmental mitigation/management to protect the endangered species on the golf course.
4. Continue to make on-course improvements at Harding Golf Course. Seek a long-term management lease to a private operator the full flexibility to market and manage the golf course to its highest capability without interference of the city.

Hold the contractor accountable to a set of performance measures that support keeping asset in top condition and supporting a high quality experience for golfers.

5. Allow the Lincoln Park Golf Course manager to manage the Golden Gate Golf Course and make the necessary improvements to the golf course on a long-term lease with a percentage of gross dollars coming back to the city.
6. Allow the Gleneagles Golf Course operator the opportunity to accept the nine (9) year extension option in exchange for capital improvements on the golf course that are needed with a restructured contract.
7. Hire a golf manager to hold the golf contractors accountable to agreements made with daily, weekly, and monthly documentation of outcomes desired by the city.
8. Invest in the opportunity costs for additional park related recreation amenities at Lincoln Park Golf Course and seek partnership dollars from other recreation suppliers for the amenities desired that compliment Sharp Park Golf Course and do not impact the endangered species on site.
9. The population base and market demand for golf in the city of San Francisco exists and should be served by five quality golf operations. Dollars earned from private contracts need to repay the open space fund and support the recreation improvements at Lincoln Park Golf Course. The city needs to establish a maintenance endowment from revenues earned from long-term lease contracts so funds will always be available to keep golf assets well-maintained in the city.

RECOMMENDATIONS FOR ALTERNATIVE USES FOR SHARP PARK AND LINCOLN GOLF COURSES

SHARP PARK GOLF COURSE REDEVELOPMENT – PRELIMINARY CONCEPT DESIGN

- Enhance the Laguna Salada wetland and the endangered species areas
- Enhance the San Francisco Garter Snake and Red Legged Frog habitat area
- Low flat area along the creek (across highway) is an ideal place to add new habitat area for the Garter Snake and Red Legged Frog
- Clubhouse and parking area would be renovated/expanded
- Clubhouse would be renovated to reclaim historic aura; allow for greater concession opportunities
- Parking is expanded to accommodate course, practice center, and sports field assets



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Figure 27 - Concept Plan - Sharp Park Golf Course



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San Francisco Recreation and Park Department <i>San Francisco, California</i>		
Preliminary Cost Improvement Study		
Sharp Park <i>Pacifica, California</i>		
Remodel / Restore Golf Course		
Erosion Control	\$	200,000.00
Demolition	\$	200,000.00
Earthmoving	\$	400,000.00
Golf Course Shaping	\$	250,000.00
Drainage	\$	600,000.00
20 Acres of Sand Plating	\$	1,500,000.00
Irrigation	\$	2,000,000.00
Green Construction	\$	500,000.00
Bunker Construction	\$	500,000.00
Tee Construction	\$	200,000.00
Gravel Cart Paths	\$	300,000.00
Fine Shaping	\$	250,000.00
Landscape	\$	400,000.00
Grassing (sod and seed)	\$	1,000,000.00
Construction Bond	\$	100,000.00
Sea Wall Reconstruction	\$	1,000,000.00
Golf Practice Range	\$	600,000.00
		\$ 10,000,000.00
4 Multipurpose Fields at \$1.5 M each	\$	7,500,000.00
(Artificial turf, lights)		
Habitat Improvement areas	\$	1,000,000.00
Clubhouse Remodel (5,000 SF @ \$400)		TBD
Total		\$ 18,500,000.00

Figure 28 - Sharp Park - Preliminary Cost Improvement Study

LINCOLN PARK GOLF COURSE REDEVELOPMENT – PRELIMINARY CONCEPT DESIGN

The key points that comprise the preliminary concept design for the suggested redevelopment of Lincoln Golf Course are:

- Major course redevelopment would be required
- Reduce course from an 18-hole course to a Par 3 or Executive Nine Golf Course



- Each has 9-holes; Executive Course has 2-3 par four holes
- Develop an extensive Golf Practice Learning Center
- In conjunction with the Par 3 course, development of a training center will allow for a strong youth and beginner program
- Driving range has the potential to be the highest return-on-investment generator since limited operational and maintenance tasks are required to operate and there is no driving range in the city of San Francisco
- Land reclaimed from a portion of the course can be utilized for multipurpose sports fields (3) for soccer, lacrosse, rugby
- Creation of a passive use and special event area on other course properties
- Original course area separated by the museum and is connected to the remainder of the park through the development of an extensive multi-use trail
- Creation of a passive area for picnicking and general park activities could be created
- Potential to accommodate an amphitheater or special events staging area
- Nature Center/ Banquet Hospitality Center overlooking the Bay and Golden Gate Bridge
- Rental facility constructed at famous view shed
- Lawn area adjacent to Center is conducive to picnicking, small special events, and photographic opportunities
- Trails are extensively developed throughout park
- Trail system uniquely designed to allow for solitary multi-use; multiple uses throughout trail system with defined limited use areas and non-pedestrian prohibitive areas
- Clubhouse and parking area would be renovated/expanded
- Clubhouse would better accommodate the addition of the Learning Center as well as a staging area for niche special event programs (sign-in, information center including initial way-finding information, etc.)
- Parking is expanded to accommodate the nine hole golf course, learning center, sports field assets, and Nature Center/Hospitality Center

Lincoln Park and Surrounding Area

City of San Francisco

Recreational and Parks Department

Golf Course Recreational Opportunities Study

Concept Plan

Lincoln Park

San Francisco, California

Summary

- 1. Junior / Practice Golf Center
 - Practice Range
 - Par 3 golf course
 - Life skills education (with golf)
- 2. Soccer
- 3. Nature Center
 - Banquet Room
 - Education
- 4. Amphitheater
- 5. Trails
 - views, walking, jogging
 - Picnic



Figure 29 - Concept Plan - Lincoln Park Golf Course



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San Francisco Recreation and Park Department <i>San Francisco, California</i>	
Preliminary Cost Improvement Study	
Lincoln Park <i>San Francisco, California</i>	
Golf Practice and Nine Hole Par 3 Golf Course	
Erosion Control	\$ 100,000.00
Demolition	\$ 200,000.00
Earthmoving	\$ 100,000.00
Golf Course Shaping	\$ 100,000.00
Drainage	\$ 600,000.00
Irrigation	\$ 2,000,000.00
Green Construction	\$ 300,000.00
Bunker Construction	\$ 100,000.00
Tee Construction	\$ 200,000.00
Concrete Cart paths	\$ 300,000.00
Fine Shaping	\$ 200,000.00
Landscape	\$ 200,000.00
Grassing (sod and seed)	\$ 500,000.00
Construction Bond	\$ 100,000.00
Subtotal	\$ 5,000,000.00
3 Soccer Fields at \$1.5 M each (Artificial turf, lights)	\$ 4,500,000.00
Amphitheater	\$ 1,000,000.00
Trails	\$ 300,000.00
Nature Center/ Banquet Facility	\$ 10,000,000.00
Vista Park	\$ 3,000,000.00
Clubhouse Remodel (5,000 SF @ \$400)	\$ 2,000,000.00
Total	\$ 25,800,000.00

Figure 30 - Lincoln Park Preliminary Costs Improvement Study



HARDING, GLENEAGLES, AND GOLDEN GATE PARK GOLF COURSES

Harding Golf Course, the premier City course, has an operational budget nearly eight times that of the next most cost intensive course, Sharp Park Golf Course. Much of the cost for Harding can be attributed to the nearly 25 full time equivalent staff maintaining the course. Golden Gate and Glen Eagles each bring in excess revenues to the Department; Golden Gate was expected to operate at a profit for the '06-'07 operational year while the Glen Eagle lease was expected to net \$50,000 in revenues. Due to the lease agreement in place at Glen Eagles, no costs are incurred. Limited staffing at Golden Gate, 1.82 maintenance workers were budgeted for the '06-'07 operating year, assists in keeping expenses relatively low.

Success of both courses mimics the trends seen not only in the golf industry, but in the entertainment and leisure sector as a whole. The biggest threat to entertainment and leisure, of which recreation is a part, is the availability of time. The 9-hole format allows for the golfer to still participate, but at a fraction of the time – an average savings of 2-3 hours over that of playing an 18-hole course. The ability for a dedicated golfer to still participate in the sport without having to forfeit half of a green fee charge when time is of the essence is a trend that has boosted the value and importance of the 9-hole courses throughout the country. In addition to convenience, the allure of the 9-hole course is also important in growing the market; 9-hole courses are perceived as less daunting of a task for beginning golfers.

PROS focused primarily on Sharp and Lincoln Golf Courses because they have the most interesting potential options for change to address other recreation needs of the community.

FINAL CONCLUSIONS

Based on the analysis completed by the PROS Consulting Team, the following questions and recommendations are addressed and answered.

CAN A GOLF COURSE SUCCEED ON SHARP PARK GOLF COURSE PROPERTIES?

Yes Sharpe Park Golf Course can succeed under the following arrangements:

- Sharp Park Golf Course needs to have an upgraded re-design that supports as close as possible the original Mackenzie design with an influx of capital dollars from private funding sources and from a private long term management lease contractor (management model six). PROS recognizes that there are several regulatory agencies that will need to be involved in the final design and management requirements for the golf course for this to happen.

- The private management contractor must be able to manage the golf course to the value and prestige it is capable of performing to and re-establish the golf course as one of the United States lost golf treasures with the freedom to manage the asset to its highest level of productivity without public government influence. While the golf course is going through regulatory review and redesign the city should implement a short term (five year) management contract with a private operator to maximize its use and value.
- The management structure will require an operator to participate in some level of the capital costs for the golf course and the club house improvements to maximize the revenues of the golf course and pay back to the city of San Francisco a percentage of gross dollars. The City does not have the capital resources to invest in the golf course but can add public funds for environmental mitigation and management in the form of capital improvements through other mitigation funding resources to protect the San Francisco garter snake and the red legged frog by incorporating need drainage improvements on the site, enhancing Mori Park, just south of the golf course and managing the golf course to the highest Audubon classification standards. There are other golf courses in the United states that have been able to operate a golf course within a endangered species area that demonstrates protection of the endangered species while providing a outstanding golf experience for golfers. This will require a very coordinated effort between the city, the private management company, the United States Fish and Wildlife Department, California Fish and Game, the Corp of Engineers, the California Coastal Commission and the Golden Gate National Recreation Area. The total amount of investment will be approximately \$12-\$14 million for golf course improvements and clubhouse improvements. This amount could be increased by adding additional recreation amenities to the extra property south of the golf course and or adding a first tee program on that site with a driving range. The golf market demand and capacity is available to support the golf course and improvements to be paid out over time with the right infrastructure, management approach and private financing to re-establish this golf course to its historical value.

CAN LINCOLN PARK GOLF COURSE SUCCEED ON THE EXISTING PROPERTY?

No, Lincoln Park Golf Course cannot succeed under its current design and management structure. The current golf course design is too severe for current golf course standards today and new golf equipment standards and it would be very costly to renovate with a very poor level of return to make the golf course a profit center for the city. Lincoln Park Golf Course is a poorly designed golf course and would be better served as a nine hole Executive Golf Course with a driving range and golf learning center along with adding needed park



related improvements in the form of trails, soccer fields, a Nature Center and Hospitality Center along with park amenities for picnicking and supporting small special events.

The Nine-hole Golf Course and Park could succeed under a financial model whereby the golf operation could be managed by a private golf management company (Model six) including having the golf management company make the necessary improvements to the golf course, driving range, club house, parking area and maintenance areas. The cost to renovate the golf course would be approximately 6 million dollars.

The park related improvements including the Nature Center and Hospitality Center will cost approximately 18 million dollars which PROS feels the city should seek a combination of private dollars and public dollars to make these recommended improvements. The hospitality center could also be privately developed and managed with a management lease for 25 years with a percentage of gross revenues to come back to the City in the form of gross revenues from the operator in the range of 6 to 8% plus a land lease arrangement for access to the site based on 15% of the value of the land.

PROS feels that this combination of nine-hole golf course and park would support young and beginner players in the city, provide a full driving range and learning center, where there is a need and no such facility exist today in San Francisco and provide a new park with park related open spaces and amenities in the form of game fields, trails, picnicking, serve as a special event site, and as a nature and hospitality site. This would support some of the game field needs in the city and support the environmental education needs in the community through an environmental and hospitality center that would be privately managed.

CAN HARDING GOLF COURSE SUCCEED ON THE EXISTING PROPERTY?

Yes, Harding Golf Course can succeed on this property. The golf course has demonstrated its capability to achieve a higher level of revenue and play capacity when the improvements were made but needs to have a longer term lease arrangement (model six) for it to have the operational flexibility needed to make the improvements needed and keep the golf course positioned well in the market place. The city of San Francisco needs to put Harding Golf Course out for a long term management lease contract which is model six in the management models provided by PROS. The current management model in place does not make sense and the Department needs to allow an operator to manage the golf course to its highest and best use while retaining a percentage of gross revenues back to the city to repay the open space funds used to finance the golf course improvements and to make additional capital improvements they desire without any additional monies by the city. The contract should provide agreed to performance measures for public golf course management as outline on page 52 on what a great public golf course has in place.

CAN GOLDEN GATE GOLF COURSE SUCCEED ON THE EXISTING PROPERTY?

Yes, the Golden Gate Golf Course can succeed if it is under the operations and maintenance of the future golf course contractor who would be responsible for the Lincoln nine-hole Golf Course based on a two course management contract basis. This would be management (model six) in the management models provided by the PROS Team. The City would benefit from the quality maintenance personnel at Lincoln Golf Course by overseeing the Golden Gate Golf Course and the city should set the green fees together with the contract operator to ensure access by the community that is within the market range and value of the golf course experience. The capital improvements could be made in the future by the contractor for the right to a long term lease from the city. The City can negotiate a gross dollar amount return to the city from the contractor for an exclusive use management arrangement.

CAN GLEN EAGLES GOLF COURSE SUCCEED ON THE EXISTING PROPERTY?

Yes, it can succeed. Glen Eagles Golf Course is currently operating under management (model six) and it appears to be working well for the city and this model is meeting the city's outcomes as it applies to revenues returned to the city and the quality of operations, care and maintenance of the golf course and it should continue with this operational model.



APPENDIX 1 – RFI RESPONSE

The following is PROS Consulting’s review of the Eight RFI Responses to the City and County of San Francisco request to private golf course operators on management responses to future operations of the San Francisco Recreation and Parks Department Golf Operations:

PROS CONSULTING’S RESPONSE

The San Francisco Recreation and Parks Department sent out Request for Qualifications to a number of private golf course operators requesting their interest in managing a golf course or course within the San Francisco Recreation and Parks Department. The goal was to solicit interest in their approach to how they would like to engage in discussions within the Department of future management opportunities. Eight private operators submitted proposals which included:

- Fairchild Golf Company
- American Golf Corporation
- Cornerstone Golf Development Company
- Northern California Golf Association
- Sharp Park Golf Course Restaurant and Proshop Inc
- Course Co. Inc
- Century Golf Partners
- Kemper Sports Golf Management Company

PROS was asked to review the proposals and provide a short opinion on the responses. From PROS point of view after reviewing the Request for Information proposals is that they follow the typical desires of golf management companies to totally self operate the golf courses themselves including all aspects of the operation. All but one, Kemper Sports Golf Management was willing to look into a long term contract with the city for a percentage of gross revenues. Kemper Sport Management was willing to enter into a management contract with the city to manage the golf operations for a fixed fee but not on a long term basis. This reflects that the golf management companies interested see the value of all the accountability of the golf operation with one agency and not spread out across two or three different entities. All companies that submitted recognized the need for major golf course improvements that would need to be required for the golf courses to be successful and were willing to invest some capital dollars depending on how long the contract was to be in place and the improvements the city desired. This is Management Model (six) that is outlined in the San Francisco Recreation Opportunities Study Summary Report completed by PROS Consulting. The golf management companies that submitted have a strong track record of working with public agencies and understand the complexities of public and

private partnerships to make them work. The golf companies that did submit did not elaborate on any percentage costs to be negotiated with the city if given the opportunity but mainly focused on their skills in providing golf management services, their philosophy and desire to be in the business. PROS feels that if the city does put out a Request for Proposals that they will get good interest because the market demand is and can be captured in the right management model for the city to keep the golf courses as great public assets that can return money to the city if managed in the right management context.