THE CITY OF ASHEVILLE

STAFF REPORT

Council Meeting Date: August 23, 2022

Subject: Golf Course Operator Agreement

Staff Resource(s): Chris Corl, Director - Community & Regional Entertainment Facilities

Action Requested: Adoption of a resolution authorizing the City Manager to execute a licensing & management/operations agreement with Commonwealth Golf Partners II - Asheville, LLC. for the purpose of management of the Asheville Municipal Golf Course.

Background:

- The City of Asheville assumed ownership of the Golf Course in 2006.
- In 2012 the City leased the property to Pope Golf LLC for a total term of 10 years.
- This lease expires on September 30, 2022.
- Throughout the duration of the Pope Golf lease, the course has steadily degraded to a point that operators are not interested in leasing the property without a significant renovation commitment from the City.
- In February of 2022 an RFQ was issued, in total twelve companies submitted responses for varying types of operations agreements.
- A license & management agreement provides the City with the ability to dictate maintenance levels for the course and retain control of maximum allowable green fee and passholder rates.
- A license & management agreement requires the City to assume some financial risk related to the annual operation of the Course.
- The agreement with Commonwealth Golf Partners II Asheville, LLC. (CGP) shares financial risk/reward with the private operator.
    - In the case of a quarterly loss, the City will be responsible for 65% of losses, CGP responsible for 35%.
    - In the case of a quarterly profit CGP will earn 100% of the first $5,000 and then 55% of remaining earnings, City earning 45% of all earnings after the first $5,000.
- CGP will manage & execute capital projects at the course on behalf of the City, charging a 4% management fee on capital projects exceeding $25,000.
- CGP will receive commission incentives based on confirmed hotel room nights with new business tournaments and events.
- A new Facility Management Fee of $1 will be assessed to all ‘non-annual passholder’ green fees.
- This fee (after taxes) will be directly deposited into a capital account for future capital projects at the course.
- It is anticipated that this fee should generate approximately $29,000 per annum.

Vendor Outreach Efforts:

- A request for qualifications was issued in February of 2022.

Council Goal(s):

- Neighborhood Resilience
- Equitable & Diverse Community
- Thriving Local Economy
- Financially Resilient City
- Connected & Engaged Community

Committee(s):

- NA

Pro(s):

- Allows the City to dictate maximum allowable rates & maintenance levels
- Provides a reliable funding stream into a dedicated golf course capital account
- Set the standards of operation to assure quality maintenance practices to meet community expectations
- Sets requirements to continue and grow youth on course programs
- Requires the CGP to act as project manager for planned capital improvements, freeing time for City Capital Projects staff to work on other projects

Con(s):

- Places the City in a 'risk position' financially with the annual operating budget.
- Anticipation that partial/periodic closures to the course over the next 24 months will necessitate an operating subsidy in the first two fiscal years.

Fiscal Impact:

- A budget amendment will be required to provide start-up funding to the licensee (currently estimated at $75,000) and budget for related revenues and expenses through the end of the current fiscal year.
- Staff anticipates returning to Council at the second meeting in September for consideration of the budget amendment once estimates are finalized.
- A fund balance appropriation will likely be required to offset a portion of the start-up and operating costs in the current fiscal year.
- The agreement minimizes financial risk of annual operation on the City of Asheville by sharing any operating losses with the licensee.
- It is anticipated that the course may require an operating subsidy in the first two fiscal years due to revenue loss associated with periodic closures required to complete capital projects.

Suggested Motion:

- Motion to adopt a resolution authorizing the City Manager to execute a licensing & management/operations agreement with Commonwealth Golf Partners II - Asheville, LLC. for the purpose of management of the Asheville Municipal Golf Course.

Attachment(s)

- Resolution

RESOLUTION NO. 22-_____

RESOLUTION TO AUTHORIZE A LICENSING & MANAGEMENT AGREEMENT FOR MUNICIPAL GOLF COURSE WITH COMMONWEALTH GOLF PARTNERS II - ASHEVILLE, L.L.C. FOR GOLF COURSE MANAGEMENT AND OPERATIONS

WHEREAS, the City of Asheville is the owner of real property known as Asheville Municipal Golf Course; and located at 226 Fairway Drive, Asheville NC, identified as PIN #965893011900000; and

WHEREAS, the City has the authority pursuant to G.S. 160A-353 to appropriate funds, for parks and recreation programs; set aside lands and buildings for parks and recreation, and to provide, construct, equip, operate and maintain parks and associated facilities; and has the authority pursuant to G.S. 160A-20.1 to contract with any private entity to carry out any public purpose that the City is authorized by law to engage in; and

WHEREAS, the City of Asheville assumed ownership of the Municipal Golf Course in 2006 and operated it until, in 2012, the City determined that leasing the property to a private entity to manage and operate would be a more beneficial structure for the City and the golf course; and

WHEREAS, after issuing an RFP, the City leased the property to Pope Golf LLC for a total term of 10 years. This lease expires on September 30, 2022; and

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WHEREAS, in February of 2022 an RFQ was issued for a new manager/operator of the Municipal Golf Course was issued, and a total of twelve (12) companies submitted responses for varying types of operations and management structures and agreements; and

WHEREAS, throughout the duration of the Pope Golf lease, the course has steadily degraded to a point that operators are not interested in leasing the property without a significant renovation commitment from the City; and

WHEREAS, after reviewing all the proposals for golf course management a team of City Staff has determined that a license and management agreement is the most beneficial structure for the City and the golf course because it provides the City with the ability to dictate maintenance levels for the course and retain control of maximum green fee and passholder rates; and

WHEREAS, the City Staff recommends that COMMONWEALTH GOLF PARTNERS II - ASHEVILLE, LLC. (“CGP”) of Williamsburg, VA has been approved by City Council to enter into a license & management agreement in order to operate the municipal golf course; and

WHEREAS, the initial term of the license and management agreement with CGPwill be for seven (7) years with the option to renew for one (1) additional three (3) year period; the main terms of the agreement include the following: City shares financial risk/reward with the private operator. In the case of a quarterly loss, the City will be responsible for 65% of losses, CGP responsible for 35%. In the case of a quarterly profit CGP will earn 100% of the first $5,000 and then 55% of remaining earnings, City earning 45% of all earnings after the first $5,000; CGP will manage & execute capital projects at the course on behalf of the City, charging a 4% management fee on capital projects exceeding $25,000; CGP will receive commission incentives based on confirmed hotel room nights with new business tournaments and events; A new Facility Management Fee of $1 will be assessed to all ‘non-annual passholder’ green fees. This fee (after taxes) will be directly deposited into a capital account for future capital projects at the course. It is anticipated that this fee should generate approximately $29,000 per annum;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ASHEVILLE THAT:

The City Manager is hereby authorized to execute a licensing & operations management agreement with Commonwealth Golf Partners II - Asheville LLC. for the purpose of management of the Asheville Municipal Golf Course. In Addition, the City Manager is hereby authorized to execute any and all documents necessary to give effect to this resolution, subject to approval by the City Attorney, and compliance with applicable North Carolina law.

Read, approved and adopted this 23rd day of August, 2022.

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City Clerk Mayor

Approved as to form:

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City Attorney