Plano City of Excellence | Memorandum

Date: October 26, 2018

To: Mark Israelson, Senior Deputy City Manager

From: Robin Reeves, Director of Parks and Recreation

Subject: Los Rios Golf Course Lifetime Memberships

The City purchased Los Rios Golf Course in 2014 for $3,500,000 from Golf Addicks LLC. Golf Addicks was a willing seller. The real estate contract included a lease agreement for the City to lease the course back to Golf Addicks for five years with a one year renewal option. The real estate contract and lease agreement were approved by City Council on July 28, 2014. The City has no other agreements with Golf Addicks LLC. The purchased closed on October 7, 2014.

The City's intention at the time of purchase was to use the property as a public park. The City had no intentions of operating it as a golf course.

The initial 5-year term of the lease agreement was scheduled to end on October 7, 2019. The current operator of the course has closed the course and has stated that he is no longer financially able to operate the course. Parks and Recreation staff have taken over maintenance of the property. Prior to the closing of the course parks staff began receiving complaints that the course was not being maintained properly. The Property Standards Division had also received similar complaints.

Over the years, some area residents were sold lifetime memberships to the course. Records from 2009 indicate that 62 lifetime memberships had been sold up to that time.

Highest paid - $21,645
Lowest paid - $5,000
Earliest sold in 1991
Latest sold in 2009

Our current understanding is that there were 28 active lifetime memberships at the time the course closed at the beginning of October 2018.

The real estate contract for purchase of the property includes the following: 12. (e) Seller shall terminate all memberships, including lifetime or otherwise, associated with the Property prior to termination of the Lease Term, so that there will be no entitlement by anyone other than the City to use or occupy the property. Seller shall indemnify and hold harmless the City against any claims, disputes, litigation, or other contested matters regarding the lifetime or other club memberships as provided in Section 13, so long as the City does not operate the Property as a golf course after the Lease Term.

There are no other provisions in the real estate contract or lease agreement concerning the lifetime memberships. The City did not provide any additional funding to the seller beyond the purchase price for any purpose including the purpose of buying out lifetime memberships.

Some alternatives in relation to the remaining lifetime memberships include:

1. The City could chose to do nothing.

2. The City could chose to offer some level of discounted or free golf at Pecan Hollow Golf Course. Weekday rounds would have the least impact on course revenues. **The Weekday Senior rate at Pecan Hollow Golf Course is a $16 green fee with a $17 cart fee. The green fee goes to the City and the cart fee goes to the golf pro under contract with the City and the golf pro is the owner of the golf carts.** Carts are strongly encouraged but not required on weekdays but from what we can tell most seniors use a cart. If we offer free carts we would need to reimburse the golf pro. Staff does not believe free carts is a good option.

   Assuming half of the lifetime memberships are still active, 31 active lifetime memberships with free weekday green fees at $16/round for ***one*** (1) round each would equal $496. Twelve (12) free green fees each would equal 12 rounds x $16/round x 31 lifetime members = $5,952. That is essentially one free round per month for one year. We would need to determine what constitutes proof of a Los Rios Golf Course lifetime membership.

As you know the golf fund is tight due to excessive rains the last few years. Since September 1, the course has only been open for two weeks due to rain and the aftermath of flooding on the course. If Pecan Hollow Golf Course continues to have a revenue deficit due to the impact of excessive rains and the shortfall is offset by the General Fund, then at least some of these free rounds would likely be offset by General Fund dollars.

In the 2017 Bond Election $3,000,000 was included to convert Los Rios Golf Course to a park and to provide some basic improvements to make it useable for park purposes. Staff has had three meetings with area residents concerning plans for the future park. A fourth meeting has been scheduled for November 13.