



Edwin M. Lee, Mayor  
Philip A. Ginsburg, General Manager

**Date:** May 30, 2013  
**To:** Operations Committee  
Recreation and Park Commission  
**From:** Tom Hart *TH*  
**Through:** Nicholas Kinsey *NK*  
**Re:** Gleneagles Golf Course in McLaren Park

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### **Agenda Item Wording.**

Discussion and possible action to approve a resolution recommending that the Board of Supervisors approve an amendment to the lease between the City and Gleneagles Golf Partners, LP for the operation of Gleneagles Golf Course in McLaren Park to extend the term by nine years.

### **Background.**

In 2004, the City entered into a 9-year Lease with Gleneagles Golf Partners, LP (“Partners”) to operate and manage the Gleneagles Golf Course, located in the southern end of McLaren Park. The lease contains a possible 9-year extension, dependent on completion of anticipated capital improvements and evidence the lessee has “operated the property and business in a satisfactory manner”. Such extension is subject to Board of Supervisors approval.

### **Course Operation:**

Unlike lessees and managers at other City municipal courses, the Partners are responsible for all course maintenance as well as golf operations. The staff at Gleneagles mow greens and fairways, water, rake and prepare bunkers, manage irrigation and drainage maintenance as well as perform all clubhouse and golfing operations. Due to the management of the Partners and their staff, Golf World mentioned Gleneagles as one of the top 20 9-hole courses in the United States in 2009. The course is regularly mentioned in golf publications citing its unique design and quality of play.

### **Capital Investment.**

Upon assuming control of the course, the Partners launched into an extensive project addressing years of deferred tree maintenance. This work not only addressed a myriad of safety issues on the course, but it opened the greens and fairways to much-needed sunlight. Additional funds were invested in the interior and exterior improvements to the clubhouse as well as new course maintenance equipment, golf carts and extensive work on the cart paths. Before the end of the fifth lease year, the Partners had reached the required capital investment of \$250,000 in the course - 2 years earlier than anticipated in the lease. To date, over \$550,000 has been invested in the property, including \$200,000 for the renovation to the greens and \$100,000 in in-kind design, consulting and labor services.

### **Greens Renovation Project.**

In 2010, the turf at Gleneagles was contaminated with multiple diseases that left the greens unplayable. The greens were 48 years old at that time and were weak from years of use. Even though the Partners had already expended the required \$250,000 in capital improvements, they accepted the responsibility for additional investment to save the golf course. The Partners, led by Tom Hsieh assembled a team of expert agronomists from local private courses who donated time to assist in essentially renovating all 9 greens as well as reclaiming the original 1<sup>st</sup> hole, which had altered from the original Jack Fleming design by the previous lessee. The Partners spent \$200,000, on this project in addition to an estimated \$100,000 in in-kind services provided by the team assembled by Tom Hsieh. Oliphant Golf, a nationally known golf course construction firm, was hired for the renovation of the greens. It should be noted that the course remained open during the renovation, providing continued employment for their staff and using temporary greens for the golfers.

### **The First Tee.**

Soon after The First Tee of San Francisco established itself at the renovated Harding Park Golf Course, the organization began searching for a second location. Visitacion Valley Middle School became the first satellite location for The First Tee of San Francisco and was inaugurated during the 2009 President's Cup, held at Harding Park. Gleneagles Golf Partners was engaged in this project from the onset to offer course time for more advanced students. Tom Hsieh spent the necessary time and effort in educating his regular golfers on the national youth golf program and now Gleneagles is the destination course for the Visitacion Valley branch of The First Tee, playing alongside seasoned golfers. The Partners fulfilled one of the Department's desires – gradually transitioning the golf course from an isolated space into part of McLaren Park and the surrounding neighborhood.

### **Lease modifications in the extension.**

In addition to updating general provisions and boilerplate language, the following sections have been modified:

- In Section 3.1, a vacant lot at the entrance to the golf course parking lot on Sunnydale is specifically mentioned as a possible area of expansion. This lot is now slated for other Departmental use and reference to it in this lease has been eliminated.
- In Section 5.8, the City may offer a rent credit for work it needs done on the property by the lessee. An additional paragraph is added allowing the lessee to request a rent credit for any emergency or deferred capital maintenance. The request must be granted in writing prior to expending funds for the work.

### **Financial Terms:**

- The base rent and participation rent percentages will remain as originally negotiated: 7% of all gross revenues as base rent; participation rent of 2% of annual gross revenues exceeding 20% over the base of \$661,628 and 3% that exceeding the base by 30%.
- The security deposit of \$25,000 remains in place.
- The restructured Partnership has secured a line of credit in the amount of \$250,000 as security for ongoing operations.

**Recommendation:**

Department management and staff request approval of a resolution recommending that the Board of Supervisors approve an amendment to the lease between the City and Gleneagles Golf Partners, LP for the operation of Gleneagles Golf Course in McLaren Park to extend the term by nine years.

**Financial Impact:**

Annual rent is anticipated to be between \$40,000 and \$45,000, at a minimum.

**Supported By:**

Gleneagles Golf Partners, LP

Judith Powell, Executive Director, The First Tee of San Francisco

Hundreds of letters of support for this extension have been provided to the Commission on a CD.

Department management and staff

**Opposed By:**

None known

**Attachments:**

Amended lease

