



# City of Stockton

## Legislation Text

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### **RECEIVE INFORMATION AND PROVIDE DIRECTION TO STAFF ON DEVELOPMENT ALTERNATIVES FOR SWENSON AND VAN BUSKIRK GOLF COURSES**

#### RECOMMENDATION

This is an informational and discussion item and does not require Council action. Staff requests input and direction regarding the future of municipal golf courses in Stockton, including whether it is appropriate to solicit development proposals for Swenson Golf Course and develop design options for a Van Buskirk sports complex.

#### Summary

The City owns two municipal golf courses, Swenson and Van Buskirk. Due to a decline in the national golf market and increased capital needs, both courses have required General Fund subsidies for over a decade with a total average annual subsidy of \$600,000 over the last three years. In June 2017 information on subsidy and player-level data for each course was presented to Council as part of the annual budget discussion. The subsidy sustains a small number of players at a high per capita cost. With the reality of limited general fund dollars and an increasing demand for municipal services, it is important to understand the impacts that general fund subsidies such as this have on the City's long-term fiscal sustainability and delivery of services to its citizens. Staff requested, and has received, a preliminary draft opportunity study (Attachment A) to provide potential alternatives to the golf enterprise. The results of this analysis indicate that further exploration of alternative uses for golf properties will aid the City Council in making more informed decisions about the City's long-term financial health and quality of life for Stockton residents.

#### DISCUSSION

##### Background

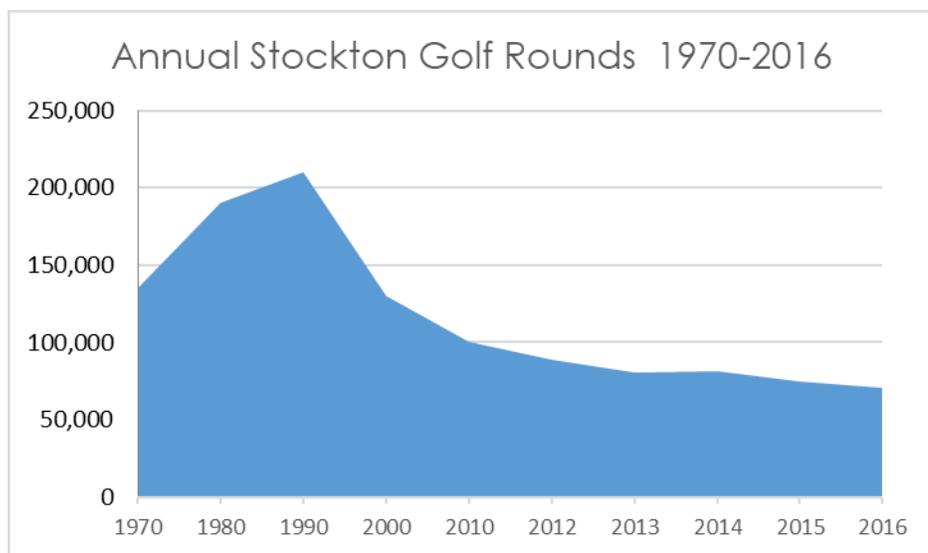
The City of Stockton owns two municipal golf courses. Swenson Golf Course is a 214-acre property that opened in 1952 and is located at 6803 Alexandria Place. Van Buskirk Golf Course, completed in 1969, is located at 1740 Houston Avenue on approximately 192 acres deeded to the City in 1957 by Charles and Bertha Van Buskirk. A portion of the property houses the Van Buskirk Community Center, park, and ballfields. There are deed restrictions on the Van Buskirk property that limit its use to "public recreation or public park purposes." The property reverts to the donors' heirs if the City is non-compliant with respect to the intended use.

Both properties were included as security for the 2009 Public Facility Fee Lease Revenue Bonds, held by Franklin Fund Investments. In 2010, facing mounting financial issues, the City issued an RFP for the lease or purchase of one or both courses. There were no respondents. In 2011, the City issued an RFP for golf course operations, and a contract was awarded to Kemper Sports, who has

operated both courses since that time. Kemper is a nationally recognized golf operator who was charged with improving operations to make the courses as profitable as possible. The courses were included in the bankruptcy proceedings filed in 2012 and were held as collateral until the City exited bankruptcy in 2015. Community Services staff prepared a white paper (Attachment B) in 2013, updated in 2017, describing the changes in the golf market and the likelihood that municipal courses would continue to require more General Fund subsidy without the ability to make needed improvements or achieve profitability or break-even status.

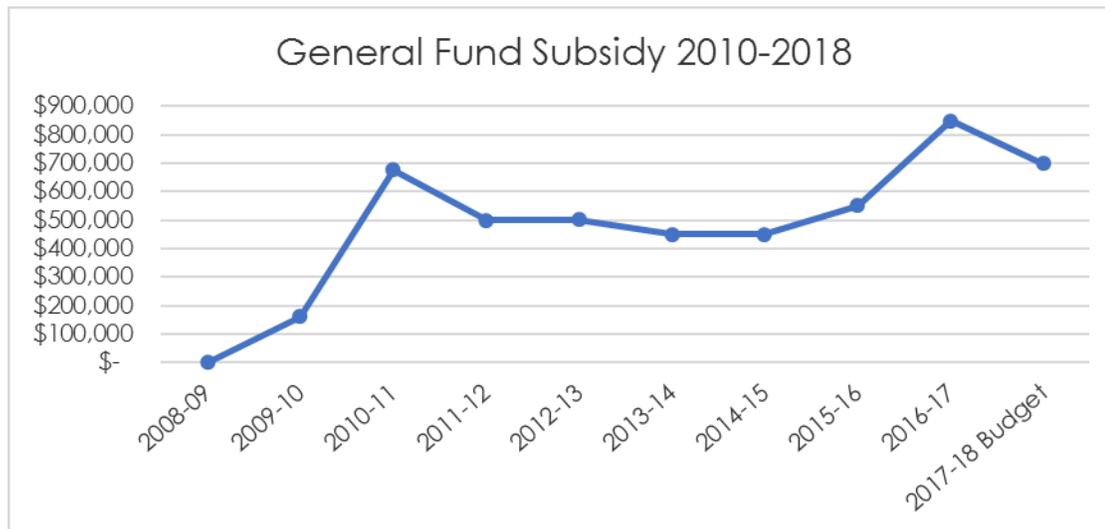
The local golf market and its effect on municipal courses closely mirror national trends. From 1986 to 2005 a national boom in golf course construction occurred, growing the U.S. market by 44%, the most dramatic growth in the industry's history. In the 1990's, five courses (four public and one private) were constructed locally, increasing the number of courses available in the Stockton area by 45%, correlating with the national trend. Today there are ten public and five private golf courses within a 20-mile radius of Stockton.

According to the National Golf Foundation, the slow and steady reduction in courses nationally since that time is an expected economic response to a period of such historic growth and will continue for many years. Likewise, the number of golfers nationally has declined over the past 20 years. From 2011 to 2016 for example, the total number of golfers in the United States declined 6.3%, from 25.3 million to 23.8 million. Total Stockton municipal rounds played have dropped 66% from the all-time high volume of the 1990s. Rounds at neighboring courses also declined an average of 30% during the same period.



These market shifts, in combination with ongoing repairs due to the age of the properties, have resulted in a growing general fund operating subsidy to shore up the City's golf courses. Both courses have required General Fund subsidies for over a decade with a total average annual subsidy of \$600,000 over the last three years. This does not include the large capital investment of \$5.4 million that is required to replace the failing irrigation system at Van Buskirk, or an additional \$3-4 million that has been identified for projects such as replacement fencing, landscaping equipment and cart paths for each course. Furthermore, these projects will only bring the courses up to basic standards. To become profitable and more competitive for players and tournaments, additional

investment would be required to provide clubhouse and banquet facilities that users expect and which already exist at other local courses.



The question arises as to whether a subsidy of this amount is best applied toward the declining golf enterprise or toward some other need, and if so, what options exist. Staff commissioned an opportunity study to better understand the development scenarios for each property, what public benefit they might bring and what effect they would have on the Long Range Financial Plan (L-RFP). The scenarios provide additional information to help with setting a future direction.

### Present Situation

Three potential development alternatives have been identified for the Swenson golf course property, and two were developed for Van Buskirk. Swenson scenarios all involve the development of residential housing with a focus on varying densities that respond to community context and scale, while Van Buskirk scenarios focus on providing multi-use recreational amenities for residents and keeping the current Community Center site.

Swenson alternative one attempts to preserve as much of the existing green space as possible with clustered development and reduced development density. The estimated 686-826 homes include single and multi-family units as well as senior housing.

The second alternative utilizes a mixed-use development approach, as encouraged by the general plan, by incorporating a school facility, commercial uses, and single and multi-family housing with a range of 768-844 homes.

The third alternative prioritizes development of single-family homes, with some multi-family units and senior housing. This is the largest option in terms of residential development, providing 870-946 units.

There are some constraints related to the property that will also have an impact on potential revenues and any future development efforts. In addition to possible roadway capacity constraints, the property site is located within an area subject to the risk of flooding. While the site is protected by

the Federal Emergency Management Agency (FEMA) 100-year flood level, the property is also subject to compliance with a State-mandated 200-year level of flood protection. The property site is located within an area that has the potential for greater than 5' of flooding in a 200-year flood event. Further investigation and study would be necessary to determine the potential flood elevation levels and flood protection options prior to approval of development on the property site. These are typically conducted by a potential developer.

In addition, the reimbursement agreement with Assured Guaranty, approved as part of the City's Plan of Adjustment, includes a revenue-sharing provision that requires a portion of any proceeds on the sale of one or both golf courses to be shared with Assured Guaranty. Depending on timing and the performance of other general fund revenues during the same time period, approximately \$2-3 million of the potential land sale could be passed on to Assured Guaranty.

Two alternatives were also prepared for the Van Buskirk property. A deed restriction mandates that the property be used only for recreational purposes and the alternatives have held to this condition. Should the City desire to remove the restriction to examine other development options, staff would need to contact all living heirs of the original donors and go through the legal process of removing the restriction or returning the land to the donors' descendants. Van Buskirk is also located within an X Flood Zone and has the potential for greater than 10' of flooding in a 200-year flood event. Further investigation and study would be necessary to determine the potential flood elevation levels and flood protection options. All alternatives assume the continuing operation of the Van Buskirk Community Center, which is located on the property.

The first alternative proposes a combination of active and passive recreation opportunities, primarily through adding walking trails to the northern half of the property and adding flexible field space adjacent to the community center. Also included in this option are two soccer fields, two softball fields, and basketball courts. Sports amenities would be selected based on community input and achievable operating estimates. There would be required initial investments in capital of approximately \$5 million depending on final plans. An additional \$5.4 million will be necessary to resolve the irrigation issue at Van Buskirk. Ongoing operating costs are estimated between \$205,000 - \$300,000 depending on amenities.

Alternative two proposes a primarily active recreation facility, retaining a smaller footprint of passive open space. Sports amenities in the second alternative include tournament soccer area with eight fields and a stadium area, four baseball fields, lighted basketball courts and lighted tennis courts. While there is a higher potential of revenue generation due to the size of such a facility, initial investment costs of \$15 million for construction and \$5.4 million for irrigation replacement as well as ongoing operating costs of \$386,000 make this a costlier option to implement.

The L-RFP currently projects a \$700,000 annual General Fund subsidy for golf, not including capital improvements. Estimates indicate that the proceeds from the sale of the Swenson property could be sufficient to cover the irrigation capital costs and implement all or most of the improvements to Van Buskirk depending on the Alternative selected. A project of this nature is scalable to available funding and would address community needs in the surrounding area, resulting in a reduction to the subsidy as well as providing a beneficial community resource with wide appeal.

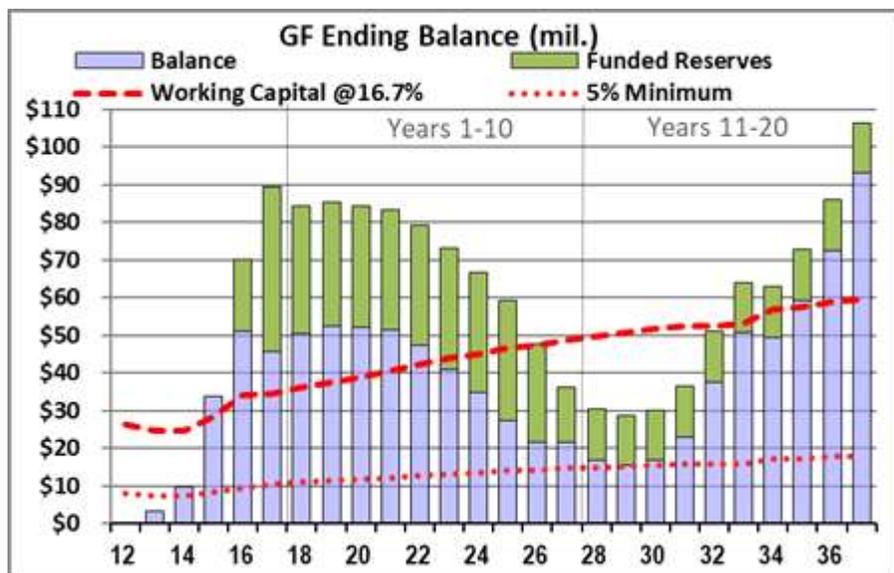
The Strong Communities (Measure M) spending priorities approved by the City Council on August 21, 2017, included a proposed sports complex to be built in 2027 consistent with the alternatives

discussed above. However, funding for recreation capital will need to be reduced by the amount proposed to be allocated to the City’s new parks landscaping agreement. Capital funding for a future sports complex option will likely need to be identified, either from Swenson proceeds or another source, if a project is desired.

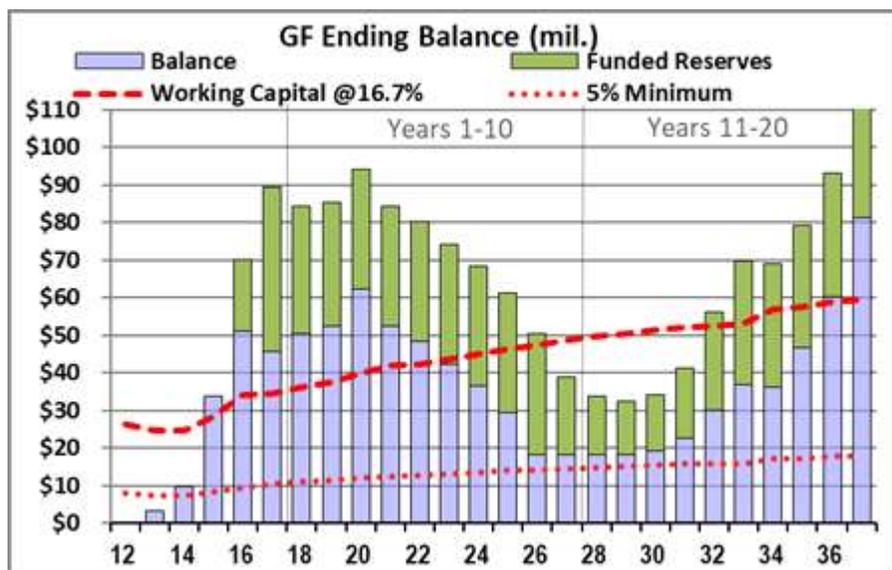
Any combination of these alternatives must be examined through the lens of the L-RFP to understand long-term implications to the City’s financial health. The charts below illustrate the effects of operating golf courses in their current state compared to the sale of the Swenson course and construction of a sports complex.

In the “Golf Courses Status Quo” graph, FY 2028-29 is at the 5% minimum reserve level with a fund balance of \$15.2 million. In the “Golf Course Sale and Sports Complex Implementation” graph, the FY 2028-29 fund balance is at 6% of expenditures, or \$18.3 million. The \$3.1 million increase in fund balance is the cumulative savings from reductions in ongoing operating cost starting in FY 2022-23. The “Golf Course Sale and Sports Complex” graph also shows an increase in fund balance in FY 2019-20 assuming the sale of property followed by a lower fund balance in FY 2020-21 due to one-time capital expenses.

### Golf Courses Status Quo



## Golf Course Sale and Sports Complex Implementation



If reuse of both properties becomes a reality, the City can expect to subsidize the golf enterprise at the current projected level of \$700,000 per year until the sale of the Swenson property is complete, which staff expects would take approximately two years. Following that, the annual subsidy would be reduced to approximately \$350,000. Costs associated with maintaining a golf course or a sports complex alternative are roughly equivalent in terms of operations; however, the anticipated use of a sports complex is expected to serve a wider audience. The design and construction time frame for a sports complex alternative is estimated at three years.

In a worst-case scenario where both courses were offline for a period with no revenues being generated, the City could expect to remain at the projected subsidy level of \$700,000 per year, as the loss in revenues would be offset by elimination of the operator’s management fee and switching to a lower level of turf maintenance for the properties.

### FINANCIAL SUMMARY

This is an informational item only and would have no immediate impact on the General Fund. However, depending on the pursuit of any options discussed, there would be both significant revenue opportunities as well as potential capital costs. The most significant effect would be a net reduction of the City’s general fund subsidy for recreation programs and the provision of new programs that serve a wide range of Stockton residents at a lower cost per use.

- Attachment A - Municipal Golf Course Opportunity Study
- Attachment B - Golf Program White Paper