

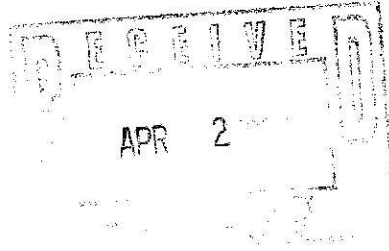
**Economics Research Associates**



***A Market and Financial  
Feasibility Analysis  
for a New Golf Course  
in San Mateo County***

***Prepared for  
San Mateo County  
Parks and Recreation Department***

***June 1989***



Los Angeles, California  
San Francisco, California  
Seattle, Washington  
Chicago, Illinois  
Boston, Massachusetts  
Washington, D.C.  
Ft. Lauderdale, Florida

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***ERA Project No. 9273***

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## SECTION I

### INTRODUCTION, HISTORY AND SITE ANALYSIS

In November 1988, the County of San Mateo retained Economics Research Associates (ERA) to conduct a market and financial feasibility analysis for a municipal golf course to be located on San Francisco Watershed property, near the town of Woodside, California. The County desires the course to be an 18-hole course of high quality with a pro shop, restaurant and bar, locker room, and driving range. The objective of the County is to build a high quality public golf course as a recreational asset with the lowest reasonable green fees. The County also stated a preference to utilize private enterprise in developing, financing, and operating the course if appropriate. The following study includes an analysis of market demand, financial feasibility, and an examination of alternative public/private development and operational arrangements.

#### HISTORY

For many years, the County of San Mateo has expressed a strong interest in building a public golf course to satisfy the recreational needs of its residents. Over the years, the County evaluated several sites and in 1978, purchased land, initiated architectural studies and an EIR for a public golf course to be located in Edgewood Park. After several years it was determined that environmental issues and concerns could not be mitigated and therefore the likelihood of building a golf course at this location is very remote. However, in the course of the environmental analysis, an independent environmental assessment by the Committee for Green Foothills indicated an alternative site located on Watershed property would be more acceptable pending an environmental analysis of that alternative site.

The Watershed land was purchased by the San Francisco Water Department in the 1920's. Prior to the purchase, the land was occupied by residential estates and extensively utilized for grazing, logging and vineyards. In addition to its water resources, the Watershed is used for limited recreational activities including the Crystal Springs Golf Course which opened in 1924. A Watershed plan developed in 1975 but never adopted, suggested continued appropriate recreational uses for the area, including a golf course at a location north of the currently proposed site. Because no actual mandate exists, proposed developments are evaluated by the City of San Francisco on a project by project basis.

#### SITE ANALYSIS

The Watershed site under consideration is located at the southwest corner of the intersection of I-280 and Edgewood Road in the southeastern edge of the watershed property. It is approximately one mile from the southern edge of the Upper Crystal Springs reservoir. The site is in the unincorporated area of the County and adjacent to the northern boundary of the town of Woodside.

A visual inspection indicated the area is a very attractive setting for a golf course. Moreover, according to Robert Trent Jones II, the golf architect retained by the county, this site will have much less wind than previously considered sites. One of the most significant aspects of the location is the proximity to Interstate 280 and, in fact, much of the site is clearly visible from the Interstate. Recent highway traffic counts indicate that on average 75,000 vehicles pass the site on I-280 per day and over 27 million vehicles pass the site in a year. On a regional basis, I-280 affords superior access to the major population centers of San Jose to the south and San Francisco to the north. In addition, access to the population centers of

San Mateo County is provided by connections to highways 92 and 84. On a local level, access to and from the site is very good from the Edgewood Road exit. Utilizing Edgewood Road as the main access point will help to limit the traffic impact on the surrounding communities.

The site includes approximately 300 acres. However, due to significant slope, portions of the site are not usable and major grading may be required. In consideration of these limitations, the golf course architect has prepared three different development concepts.

Environmental issues related to the development of the golf course are not included in this report.

This report was prepared under the supervision of Mr. J. Richard McElyea, Executive Vice President of ERA and Mr. Chris Yoshii, Senior Associate of ERA. Ms. Anne Trela, Associate of ERA, conducted the research and analysis. We wish to thank the San Mateo County Division of Parks and Recreation for their support.

## SECTION II

### SUMMARY AND CONCLUSIONS

The primary conclusion to this analysis is that key market area characteristics and a corresponding market demand analysis indicated a very strong golf market with more than sufficient market support for the proposed golf course on the southern portion of San Francisco Watershed land. Moreover, using these market demand inputs, a financial analysis of the course determined each concept plan under consideration for the course to be financially viable and with reasonable green fee requirements. Furthermore, public/private joint development of a municipal golf course is a viable option. These findings are predicated on the assumption that construction costs are reasonable. Below, the primary findings of the market demand analysis, development and operational considerations, and the financial analysis are presented.

#### GOLF MARKET DEMAND

##### Market Area

The primary market area identified for the proposed golf course included all of San Mateo County as well as portions of Santa Clara County within a 30 minute drive from the site. A secondary market was also established within a 30 to 45 minute drive from the site. The secondary market included San Francisco County, north-central Santa Clara County, and portions of Alameda County within easy access to Highways 92 and 84. Throughout the analysis, specific statistics for San Mateo County and San Francisco County are provided in order to highlight the direct benefit of the proposed golf course to both

areas.

### Demographics of the Market

National statistics indicate that golfer incidence of participation rises both with income and age levels. Not surprisingly, the market area was found to have very strong demographic characteristics relating to the golf market for several reasons: 1) continued population growth, 2) very high income levels, and 3) aging of the population. Specifically, San Mateo County with a population of approximately 620,000 residents is currently growing at approximately 4,000 new residents per year and has an average household income of \$59,000 which is over 30% higher than the statewide average and over 50% higher than the national average. By 1995, the average age in San Mateo County will be almost 40 with one-third of the population in the high golfer participation category of 35-54 years. The total primary market area has approximately 1.1 million residents.

San Francisco County also is experiencing population growth with currently over 5,000 new residents coming into the county every year. Average household income is a moderately high \$38,450 but very high on a per capita basis because of the small household size in the county. The average age in San Francisco County is projected to be over 40 by 1995.

From an overall market standpoint, the total market area, including portions of Santa Clara and Alameda Counties, has over 3.0 million residents and is currently adding approximately 27,000 new residents per year. The average household income is very high at \$60,000. In addition, by 1995, over one-third of the population will be in the high golf participation bracket of 35-54 years.



These trends in San Mateo County, San Francisco County, as well as the entire market area suggest an increase in the demand for golf in the years to come.

### Characteristics of Area Golf Courses

A survey of public regulation courses throughout the market area found that typical green fees charged for 18 holes are from \$8 to \$35 for municipal courses and from \$25 to \$50 for privately owned courses. Higher fees are generally charged at courses located in more rural settings. Many of the courses offer a variety of discounts that range from 15 to 50 percent off the regular fee. In many cases, these discounts are for residents and seniors of the area only and are for weekday play only.

One direct indicator of a strong golf market is the high levels of play at public courses throughout the market with an average of approximately 89,000 annual rounds per course. Several municipal courses experienced annual rounds of over 100,000 while the more exclusive courses kept their level of play down by scheduling longer spacing between tee times. Most notably, newly opened courses, such as Santa Clara Municipal, achieved a high level of play (95,000 annual rounds) during the first year of operation. Interestingly, Santa Clara reported that 30% of these players were coming from north of Redwood City.

### Supply of Courses

There are currently 29.0 (18-hole equivalents) public golf courses out of a total of 47.0 golf courses the market area. Of these, only 5.5 are in San Mateo County and only 3.5 are in San Francisco County. Below is the projected supply of all public courses by 1993.

	# of Courses			
	<u>San Mateo County\1</u>	<u>San Fran. County</u>	<u>Primary Market\1</u>	<u>Secondary Market</u>
Existing Public Courses (1989)	5.5	3.5	13.0	15.5
Expected Courses To Close	-0.5	-0.0	-1.5	-3.0
Expected Courses To Open	<u>+2.0</u>	<u>+0.0</u>	<u>+2.0</u>	<u>+3.0</u>
Net Supply of Public Courses (1993)	7.0	3.5	13.5	15.5

\1 Not including proposed course

There are only two new public courses currently proposed in the primary market, both in Half Moon Bay. However, 1.5 public courses (one 9-hole course in San Mateo County and one 18-hole course in Santa Clara County) are expected to close within the next five years in the primary area. In this case, the supply of golf facilities will be about the same in 1993 as it is today in the primary market. In the secondary market, no new courses are being planned in San Francisco County but three new public courses are being planned in San Jose and in the Fremont and Hayward areas. However, three courses in the secondary market are anticipated to close in the next five years, and therefore, the supply of golf facilities in the secondary market will remain constant. Thus, the golf supply situation is one of status quo at very high levels of play with a continuing increasing golfer population.

Existing and Potential Golf Demand

Based on these findings, ERA used two approaches to estimate the potential demand for golf facilities in the area, one based on population alone and the other based on population and the propensity to play. Both of

these approaches indicate a very strong unmet demand for golf courses, particularly public courses. Looking only at population to golf course ratios for 1988, one can see that the market areas, especially San Mateo and San Francisco Counties, have many more residents per golf course than the state of California as a whole.

	<u>Population per Public Regulation Golf Course</u>
San Mateo County	137,700
San Francisco County	293,600
Primary Market	114,500
Total Market	147,400
State of California	87,350
United States	44,200

Taking into consideration the potential new courses and the possible closure of existing courses in the next five years, analysis based on population growth alone shows an unmet demand for three new public courses in the primary market area and 15 new public golf courses in the total market area.

In the second level of analysis factoring in income and age levels with propensity to play statistics an even greater unmet demand was found in 1993 as summarized below.

	<u># of Public Rounds in 1993 (000)</u>			
	<u>San Mateo County</u>	<u>San Fran. County</u>	<u>Primary Market</u>	<u>Total Market</u>
Est. Demand	989	1,177	1,748	5,146
Est. Supply	<u>383</u>	<u>330</u>	<u>908</u>	<u>2,818</u>
Unmet Demand	606	847	839	2,327

Because of the high level of income and age characteristics in these areas, this analysis indicates a very strong golf market generating an unmet demand of 600,000 rounds in San Mateo County which is sufficient to support seven new public courses in the county alone. San Francisco County has unmet demand for nearly 850,000 public rounds which can support nine new courses. Using a similar analysis, up to nine additional public courses in the primary market and 30 additional public courses in the total market area are needed to support estimated demand.

Given this significant unmet demand, ERA estimated that the proposed golf course need only capture 10% of the primary market unmet demand or only 3% of the total market unmet demand on order to obtain a full capacity of 90,000 annual rounds. Even if the course relied on play generated from San Mateo County alone, it would need to capture only 15% of the unmet demand in the county. Based on course quality and access, ERA feels this level of capture is easily obtainable. In short, it is clear that more than sufficient market demand exists to support the proposed golf course.

#### ALTERNATIVE DESIGN CONCEPTS FOR THE PROPOSED COURSE

The golf course architect firm of Robert Trent Jones II has been retained by the County to design the proposed course. The selection of this well-known and highly regarded golf course architect was based on the desire by the County to provide a high quality and challenging golf course to its residents.

As mentioned, the subject site contains approximately 300 acres but because of significant slope, portions of the acreage are not usable for golf course development. In light of these limitations, Robert Trent Jones II has prepared three different design concepts which are presented in Figures II-1, II-2, and II-3. As illustrated, each concept varies in terms of course length

and layout as well as land requirements. A more detailed description of each concept can be found in Appendix 1 of this report.

#### DEVELOPMENTAL AND OPERATIONAL CONSIDERATIONS

Given the strong golf market for the proposed course, an appropriate development and operation strategy should be determined. The County has expressed an interest in private operator and/or developer involvement.

The trend toward privatization of publicly-owned golf courses has been increasing recently due to a lack of funding for recreation amenities and the growth of private golf development/operations companies in response to the improving economics of golf courses. Private operators have take over many of the operations of publicly owned courses in the market area. Concessions at all the fourteen publicly owned courses in the market area are now privately operated and all but four have private maintenance operators.

In order to evaluate various developmental and operational options for San Mateo County, both the County's and the private developer's objectives must be balanced in negotiations and final contract in order to insure a workable and successful arrangement. San Mateo County wishes to provide a high quality but reasonably priced recreation amenity to serve San Mateo County and the strong regional demand for golf. Moreover, the County would like to construct the course at minimal financial risk, and if possible, generate some revenue to compensate for the value of land and to off-set mitigation costs if appropriate. The private developer wishes to receive adequate return on investment and compensation for taking the risk on the project. With these objectives in mind, both public and private financing and development alternatives have their advantages as well as their disadvantages.

### Financing Alternatives

One of the most critical road-blocks to developing a public golf course is the availability of financing. The most obvious advantage to private financing is the transfer of financial risk in which case the public receives a high quality recreational amenity at relatively little cost and usually little risk without diverting the financial resources of the public funds. However, the primary advantage to public financing is the availability of lower cost financial instruments usually through the issuance of tax exempt bonds or Certificates of Participation.

### Operation/Maintenance Alternatives

Private operators are often more cost efficient than public operators primarily due to lower wage and benefit costs and the utilization of part-time and temporary workers. In addition, a private operator can quickly respond to emergencies and is more likely to do maintenance when necessary rather than when the budget allows. However, any amount of private involvement requires that at least some control be given up by the public entity.

### Ground Lease Recommendation

Because of the particularly strong market demand for golf, a ground lease arrangement is particularly attractive to both the County and a selected private entity. In this arrangement, the public land is leased to a private entity for both development and operation of a public golf course. The land is generally leased for a long term (26 to 40 years), during which time the private operator pays rent typically set at a small percentage of gross revenue. Once the term of the lease expires, the course reverts in its entirety to the public agency. Crystal Springs and Sunol Valley are examples of Bay Area courses that are operated on a ground lease basis.

The primary advantage to a ground lease over other options is that it is a relatively simple approach. Nevertheless, since lease terms often exceed 30 years, it is important that both parties plan carefully and negotiate skillfully.

Generally, in any arrangement involving a mixture of private and public entities, problems in control and responsibility can arise. However, many of the short falls in private development and operation of a public golf course can be offset by careful negotiation, establishing a good working relationship and a mutual understanding of each party's needs and objectives.

### RESULTS OF FINANCIAL ANALYSIS

Using a ground lease arrangement as a base case, a financial analysis of each development concept A, B, and C was performed assuming an development and operating plan described in detail in Section VI of the report. This operating plan included the following fundamental assumptions:

Annual Rounds:	80,000	
	<u>18-hole Rates</u>	
Green Fees (wkend/wkday):	<u>1989\$</u>	<u>1993\$</u>
Standard Rate:	\$19.50/\$15.00	\$23.00/\$18.00
Resident Rate \1:	\$15.50/\$13.00	\$19.00/\$16.00
Senior Rate \2:	-- / \$ 9.00	-- / \$11.00

\1 For San Mateo County and San Francisco County Residents

\2 For weekdays only

The assumed level of annual of 80,000 is below the average of 89,000 for courses in the area, and well below a number of municipal courses that are achieving over 100,000 rounds per year. This assumption provides for a conservative financial analysis. The green fee assumptions are based on the

average green fees charged at comparable courses in the area including Crystal Springs, San Mateo Municipal, Palo Alto Municipal, Santa Clara Municipal, and DeLaVeaga in Santa Cruz. However, as shown, an extensive discount program for residents and seniors is also assumed. As mentioned, green fees for publicly-owned courses in the market area range from \$8 to \$35 with courses in more rural areas tending to charge at the higher end of the spectrum.

Another important assumption concerned estimated water costs as part of the operating expenses of the course. Actual water costs will be based on a specific rate contract; however, the estimates used in this analysis were based on information from other courses in the area. They assume that a significant discount on water rates will be negotiated. Actual costs could be somewhat higher, depending on the actual contract arrangements and water source.

The primary objective of the analysis was to determine the level of net profit and corresponding internal rate of return generated by the golf course which would be available to the county and/or private developer/operator of the course. Table II-1 presents a summary of cash flow for a thirteen year time period (1990-2003). Development concept B was used as a base case example and a ground lease with a private developer/operator was assumed. Both a pre-tax cash flow to the developer/operator and to the County are shown. The pre-tax cash flow to the operator is a result of Net Operating Income less Debt Service (\$791,000 per year) and developer equity contributions (\$1.3 million over the first three years). The pre-tax cash flow to the County is based on ground-lease payments made to the County by the operator. These payments grow steadily as the revenue proceeds from the course increase.

Based on the similar financial analyses conducted for each development concept A, B, and C, ERA concluded that the proposed golf course is



TABLE II-1: SAN MATEO COUNTY GOLF COURSE CASH FLOW SUMMARY

sum case b ground lease	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	5.0%	1.00	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.63	1.71	1.80	1.89	1.98
	(thousands of dollars)														
<b>Revenues</b>															
Green Fees		1,162	1,287	1,494	1,569	1,647	1,730	1,816	1,907	2,002	2,102	2,208			
Cart Fees		333	369	428	449	472	495	520	546	573	602	632			
Range Fees		137	152	168	176	185	194	204	214	225	236	248			
Food & Beverage		13	14	15	16	17	18	19	20	21	22	23			
Pro Shop		270	299	347	365	383	402	422	443	465	489	513			
<b>Total Revenue</b>		1,914	2,121	2,452	2,575	2,704	2,839	2,981	3,130	3,286	3,451	3,623			
<b>Operating Expenses</b>															
Maintenance		614	645	677	711	746	783	823	864	907	952	1,000			
General & Admin.		267	281	295	310	325	341	358	376	395	415	436			
Driving Range		43	45	47	49	52	54	57	60	63	66	69			
Cart Lease		103	108	120	126	132	138	145	153	160	168	177			
Pro Shop		203	224	260	273	287	302	317	332	349	367	385			
Ground Lease Payments		16	18	21	22	33	50	53	55	58	113	169			
<b>Total Expenses</b>		1,246	1,321	1,419	1,490	1,574	1,669	1,753	1,840	1,932	2,081	2,235			
<b>Net Operating Income</b>		668	800	1,033	1,084	1,129	1,170	1,228	1,290	1,354	1,370	1,388			
<b>Project Cost and Financing</b>															
Total Project Costs		255	3,455	2,808											
Developer Equity			770	579											
Permanent Loan				6,205											
Annual Debt Service			791	791	791	791	791	791	791	791	791	791	791	791	791
<b>Annual Pre-tax Cash Flow to operator</b>		(770)	(579)	(123)	(123)	(123)	(123)	(123)	(123)	(123)	(123)	(123)	(123)	(123)	(123)
<b>Cumm. Pre-tax Cash Flow to operator</b>		(770)	(1,349)	(1,472)	(1,472)	(1,464)	(1,222)	(929)	(590)	(212)	225	723	1,286	1,865	2,461
<b>Operator Value (35 years) 1/</b>		(770)	(579)	(123)	(123)	9	242	293	338	379	437	498	563	578	597
<b>County Cash Flow (35 years)</b>		0	0	0	16	18	21	22	33	50	53	55	58	113	1,650
<b>County Value (incl. terminal) 2/</b>		0	0	0	16	18	21	22	33	50	53	55	58	113	6,876

1/ Includes future value of lease period for years 14-35 (2004-2025)

2/ Ground lease payments plus future value of lease

financially viable under all three development concepts generating a Internal Rate of Return (IRR) of between 21% and 22% to the private operator as well as allowing for significant proceeds to the County. However, given Concept A's slightly lower development costs, longer length and superior layout, it is ERA's opinion that Concept A would be the preferred development if environmental and land acquisitions requirements can be met. On the other hand, Concept C is the least preferred and may involve greater risk.

A sensitivity analysis was then conducted to determine the mathematical minimum green fees that could be charged and still make the project financially viable. However, this does not guarantee that a developer/operator can be found to accept this minimal return. The resulting minimum green fee requirements are presented below:

	18-hole Minimum Green Fee Requirements (Weekend/Weekday)	
	<u>1989 \$</u>	<u>1993 \$</u>
Standard	\$17.50/\$14.00	\$21.50/\$17.00
Resident	\$13.50/\$12.00	\$16.50/\$14.50
Senior	-- /\$8.50	-- /\$10.50

These fees are below average levels of fees charged at comparable courses in the area. However, the financial performance of the project is extremely sensitive to green fees and particularly to the number of annual rounds achieved. Although the project is financially viable assuming 80,000 annual rounds, decreasing the rounds to 70,000 makes the project financially infeasible (given the base case green fees).

Although a ground lease arrangement with a private developer and operator of the course was assumed, a public financing through a bond issue and public operation of the course was also tested. Results show that this arrangement is also a viable option and could result in relatively strong proceeds to the County depending on the bond rates of the actual issue. The

financial feasibility is very susceptible to interest rates. However, assuming a well thought-out ground lease arrangement is negotiated, there is less financial risk and an avoidance of operation and maintenance responsibilities in a ground lease arrangement. For this reason, it is ERA's opinion that a ground lease is the more suitable option for San Mateo County.

#### KEY "NEXT STEPS"

There are several key next steps to implement the development of the San Mateo County municipal golf course.

##### 1) Statement by Board of Supervisors

ERA believes it would be very helpful to assess the commitment of the Board of Supervisors to build a municipal golf course at the Southern Watershed Site. This would be a policy statement to guide negotiations with the San Francisco Water Department and empower the Parks and Recreation Division to continue design and implementation once the property is secured.

##### 2) Secure Use of Southern Watershed Site

The County must have a long-term agreement with the City of San Francisco and the San Francisco Water Department for use of the site as a municipal golf course. Since the course will be built on Water District land, the golf course, in effect, will be a joint effort between the two counties with San Mateo developing the course and San Francisco supplying the land. San Francisco residents can benefit from the course by allowing the use of San Francisco resident discount cards on the new course. In addition, any net profits from the course could be split between the two counties. We recommend

any direct lease payments be avoided. The joint development of this public facility is another example of the strong relationship between the two counties and regional cooperation in addressing recreational needs.

3) Detailed Engineering and Design

Architectural (both golf course and clubhouse) and engineering consultants must be selected and detailed engineering and designs made. The request for proposals could be sent out immediately after the property is secured.

4) Decision on Public/Private Participation

A decision must be made as to the extent of public and private participation in this venture.

5) Bid for Development and Operation

Once a decision is made as to the extent of private participation, a bid package should be prepared and sent out indicating the type of development, designer, objectives, projected financial statements etc. Once bids are returned, one firm should be selected and detailed negotiations and contract prepared.

The above steps are the basic initial steps that must be undertaken to begin the development process.

## SECTION III

### MARKET AREA DEMOGRAPHICS AND GOLFER PROFILE

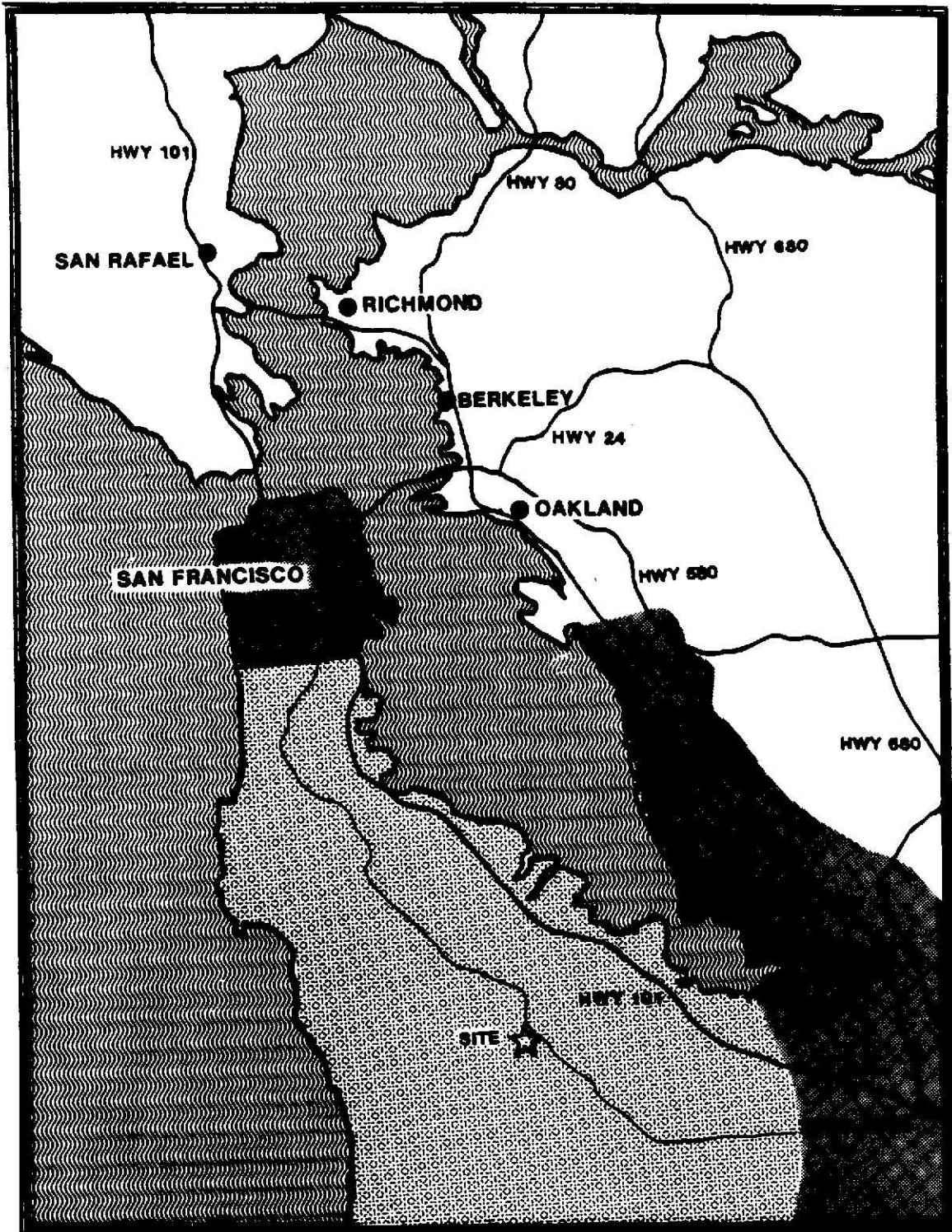
This section begins by identifying the appropriate market area for a new golf course located near the town of Woodside, in San Mateo County. A brief discussion on demographic trends in the market area and a golfer profile describing characteristics of the average golfer follows. This information provides key inputs to support assumptions used in the demand analysis for the proposed golf facility presented in the next section of this report.



#### IDENTIFICATION OF MARKET AREAS

The primary market area for a golf facility normally encompasses an area within approximately a 30 minute drive. This distance is roughly the maximum distance golfers typically travel to their primary golf courses. Given this behavior, the primary market area for the proposed golf course is assumed to be all of San Mateo County and selected cities in northern Santa Clara County in proximity to I-280. (See Figure III-1)

In addition to a primary market, a secondary market has also been established. Because of the short supply of golf courses in the Bay Area, most of the surrounding golf courses find that a significant number of golfers come from areas that are further than a 30 minute drive. Therefore, we assumed that a secondary market for the proposed golf course would include all of San Francisco County, portions of north-central Santa Clara County, and portions of Alameda County clustered around Highways 92 and 84.

**FIGURE III-1**  
**MARKET AREAS FOR PROPOSED COURSE**



-  = PRIMARY MARKET
-  = SECONDARY MARKET

## MARKET AREA DEMOGRAPHICS

### Population

Within the indicated market areas, there is a substantial population base. In 1988, there was an estimated 1.1 million people in the primary market and an estimated 2.9 million in the secondary market. Table III-1 illustrates population growth for the primary market area through the year 2000. Since 1980, San Mateo County has been experiencing an annual growth rate of approximately 4,000 new residents per year and is expected to continue through 1990. Between 1990 and 2000, however, population growth is projected to decrease to approximately 1,900 new residents per year. In the selected northern portion of Santa Clara County, population has been growing at approximately 3,400 new residents per year since 1980 and is expected to grow by 4,400 new residents per year from 1988 to 2000. As in San Mateo County, the population growth rate is also expected to decrease between 1990 and 2000 with approximately 2,000 new residents projected per year during that period. Overall, the total primary market area is expected to grow by approximately 8,400 new residents from 1988 to 1990, and by approximately 3,900 new residents from 1990 to 2000. By the year 2000, an addition of nearly 100,000 persons is expected in the primary market area.

In Table III-2, similar population growth statistics are presented for the secondary and total market area for the proposed golf facility. San Francisco County is projected to grow by over 5,000 residents per year through 1990 and is projected to continue growing by almost 3,000 new residents per year through the year 2000. In total, the secondary market area is expected to grow by approximately 23,600 new residents per year between 1988 and 1990 which is a slight slow down from an addition of

Table III-1

Historic and Projected Population Growth  
Primary Market Area

	Projected			Average Annual Growth		
	1980	1988	2000	1980-1988	1988-1990	1990-2000
<b>SAN MATEO COUNTY</b>						
Atherton	7,797	7,960	8,000	20	20	(10)
Belmont	24,655	25,140	25,400	61	80	10
Brisbane	2,969	3,300	4,300	41	75	135
Burlingame	27,273	27,760	28,000	61	20	40
Colma	732	870	1,300	17	40	70
Daly City	83,658	91,120	93,800	933	1,140	(100)
East Palo Alto	18,413	18,940	19,900	66	80	140
Foster City	23,287	26,900	29,400	452	800	40
Half Moon Bay	16,006	18,100	22,800	262	350	820
Hillsborough	10,483	10,840	10,800	45	(20)	(30)
Menlo Park	32,116	32,660	32,700	68	20	(30)
Millbrae	20,058	20,240	20,000	23	(20)	(40)
Pacific	36,899	37,320	37,900	53	140	70
Portola Valley	6,294	6,760	7,000	58	20	40
Redwood City	72,864	76,720	80,800	482	440	690
San Bruno	35,871	35,400	34,700	(59)	(100)	(120)
San Carlos	26,345	27,820	28,000	184	40	10
San Mateo	82,100	87,320	88,100	653	240	30
South San Fran.	49,538	53,340	54,400	475	380	20
Woodside	5,295	5,860	6,200	71	120	40
Other	4,676	5,130	5,750	57	110	60
<b>SUBTOTAL</b>	<b>587,329</b>	<b>619,500</b>	<b>639,250</b>	<b>4,021</b>	<b>3,975</b>	<b>1,885</b>
<b>SELECTED CITIES IN SANTA CLARA COUNTY</b>						
Campbell	33,923	36,451	37,500	316	325	70
Cupertino	43,953	49,400	51,200	681	700	80
Los Altos	29,859	29,980	29,500	15	(40)	(40)
Los Altos Hills	9,114	9,480	9,700	46	60	20
Mountain View	61,691	66,700	69,800	626	700	250
Palo Alto	66,252	67,780	69,700	191	360	190
Santa Clara	88,924	92,920	98,400	500	780	660
Sunnyvale	107,627	115,920	125,500	1,037	1,540	810
<b>SUBTOTAL</b>	<b>441,343</b>	<b>468,631</b>	<b>491,600</b>	<b>3,411</b>	<b>4,435</b>	<b>2,040</b>
<b>TOTAL PRIMARY MARKET</b>	<b>1,028,672</b>	<b>1,088,131</b>	<b>1,130,850</b>	<b>7,432</b>	<b>8,410</b>	<b>3,925</b>

Source: Association of Bay Area Governments, Economics Research Associates



Table III-2

Historic and Projected Population Growth  
Total Market Area

	1980	Est. 1988	Projected			Average Annual Growth		
			1990	1995	2000	1980- 1988	1988- 1990	1990- 2000
<b>PRIMARY MARKET</b>	1,028,672	1,088,131	1,104,950	1,130,850	1,144,200	7,432	8,410	3,925
<b>SECONDARY MARKET</b>								
San Francisco County:	678,974	734,000	744,500	760,900	773,700	6,878	5,250	2,920
Selected Cities in Santa Clara County:								
Los Gatos	30,474	31,500	31,800	31,600	31,600	128	150	(20)
Milpitas	37,947	46,600	50,000	53,800	57,700	1,082	1,700	770
Monte Sereno	4,201	4,310	4,350	4,300	4,300	14	20	(5)
San Jose	690,059	782,900	806,200	835,100	850,400	11,605	11,650	4,420
Saratoga	30,046	31,050	31,500	31,500	31,600	126	225	10
<b>SUBTOTAL</b>	792,727	896,360	923,850	956,300	975,600	12,954	13,745	5,175
Selected Cities in Alameda County:								
Castro Valley	43,474	47,120	47,800	48,800	50,300	456	340	250
Fremont	131,960	165,200	167,900	184,500	191,400	4,155	1,350	2,350
Hayward	118,028	127,520	130,200	145,100	158,300	1,187	1,340	2,810
Newark	32,126	39,250	40,700	41,700	42,500	891	725	180
San Lorenzo	20,404	20,580	20,500	20,000	19,700	22	(40)	(80)
Union City	39,449	51,400	53,200	54,300	55,400	1,494	900	220
<b>SUBTOTAL</b>	385,441	451,070	460,300	494,400	517,600	8,204	4,615	5,730
<b>TOTAL SECONDARY MARKET</b>	1,857,142	2,081,430	2,128,650	2,211,600	2,266,900	28,036	23,610	13,825
<b>TOTAL MARKET</b>	2,885,814	3,169,561	3,233,600	3,342,450	3,411,100	35,468	32,020	17,750

Source: Association of Bay Area Governments, Economics Research Associates

approximately 28,000 new residents per year between 1980 and 1988. Population growth is expected to slow down further from 1990 to 2000 with approximately 13,800 new residents projected per year. Most of the growth is due to San Jose, whose projected 67,500 new residents between 1988 and 2000 account for 36% of the total new residents during that time period, and Fremont and Hayward, whose combined 56,980 additional residents account for 31% of total new residents in the secondary market between 1988 and 2000. Overall, an addition of nearly 600,000 persons is expected in the total market area by the year 2000.

### Household Income

There is a straight line correlation between income and propensity to play golf. For example, a person with an average income of \$75,000 is twice as likely to play golf as a person with an average income of \$25,000. As shown in Table III-3, the mean household income for the primary market area in 1988 was estimated to be approximately \$59,850. This figure is almost 30% higher than the statewide average and nearly 50% higher than the national average. Selected areas near the proposed site have exceptionally high household incomes near or over \$100,000 including Atherton, Hillsborough, Portola Valley, and Woodside. By 1990, the mean household income in the primary market is expected to increase by almost 11% to approximately \$66,300, which is an inflation adjusted annual growth rate of 5.3%. Between 1990 and 1995, average household income is expected to increase at an inflation adjusted 4.9% per year to approximately \$84,400 in 1995. Between 1995 and 2000, the primary market area's income is estimated to increase by 4.8% per year to \$106,600 by 2000.

The mean household income in the secondary market in 1988 was estimated to be approximately \$60,175 which is again well above state and national averages. As indicated in Table III-4, mean household income is

Table III-3

**Projected Average Household Income  
Primary Market Area  
(Current Dollars)**

	Est. 1988	Projected(1)			Compound Average Annual Growth Rate		
		1990	1995	2000	1988- 1990	1990- 1995	1995- 2000
<b>SAN MATEO COUNTY</b>							
Atherton	\$118,100	\$128,500	\$162,400	\$204,100	4.3%	4.8%	4.7%
Belmont	54,100	59,300	74,900	94,500	4.7%	4.8%	4.8%
Brisbane	40,400	44,600	56,700	71,500	5.1%	4.9%	4.7%
Burlingame	48,000	53,300	67,000	84,600	5.4%	4.7%	4.8%
Colma	38,100	41,900	52,000	68,400	4.9%	4.4%	5.6%
Daly City	42,000	45,800	57,600	71,800	4.4%	4.7%	4.5%
East Palo Alto	33,000	36,300	45,500	56,600	4.9%	4.6%	4.5%
Foster City	62,700	69,000	87,700	108,900	4.9%	4.9%	4.4%
Half Moon Bay	50,300	55,300	68,400	85,700	4.9%	4.3%	4.6%
Hillsborough	121,300	132,100	166,700	209,200	4.4%	4.8%	4.6%
Menlo Park	48,200	52,700	66,300	83,700	4.6%	4.7%	4.8%
Millbrae	55,700	61,100	77,000	97,500	4.7%	4.7%	4.8%
Pacifica	47,400	52,000	66,000	82,800	4.7%	4.9%	4.6%
Portola Valley	95,000	104,100	130,700	161,400	4.7%	4.7%	4.3%
Redwood City	43,800	48,000	59,900	76,600	4.7%	4.5%	5.0%
San Bruno	47,300	52,000	65,600	82,500	4.9%	4.8%	4.7%
San Carlos	52,500	57,600	72,700	91,500	4.7%	4.8%	4.7%
San Mateo	49,600	54,900	69,400	87,800	5.2%	4.8%	4.8%
South San Fran.	43,100	47,400	59,900	75,700	4.9%	4.8%	4.8%
Woodside	94,100	102,300	127,400	160,000	4.3%	4.5%	4.7%
Other	54,000	59,200	75,200	93,500	4.7%	4.9%	4.5%
<b>SUBTOTAL(2)</b>	<b>\$58,986</b>	<b>\$64,638</b>	<b>\$81,381</b>	<b>\$102,300</b>	<b>4.7%</b>	<b>4.7%</b>	<b>4.7%</b>
<b>SELECTED CITIES IN SANTA CLARA COUNTY</b>							
Campbell	\$43,400	\$48,000	\$60,600	\$76,570	5.2%	4.8%	4.8%
Cupertino	54,700	66,000	84,000	106,200	9.8%	4.9%	4.8%
Los Altos	76,300	84,500	110,300	139,600	5.2%	5.5%	4.8%
Los Altos Hills	118,100	130,900	169,400	213,000	5.3%	5.3%	4.7%
Mountain View	42,800	47,200	61,800	79,600	5.0%	5.5%	5.2%
Palo Alto	56,800	63,000	81,200	101,800	5.3%	5.2%	4.6%
Santa Clara	45,300	51,350	63,940	83,900	6.5%	4.5%	5.6%
Sunnyvale	48,300	53,100	68,500	87,200	4.9%	5.2%	4.9%
<b>SUBTOTAL(2)</b>	<b>\$60,713</b>	<b>\$68,006</b>	<b>\$87,468</b>	<b>\$110,984</b>	<b>5.8%</b>	<b>5.2%</b>	<b>4.9%</b>
<b>TOTAL PRIMARY MARKET(2)</b>	<b>\$59,849</b>	<b>\$66,322</b>	<b>\$84,424</b>	<b>\$106,642</b>	<b>5.3%</b>	<b>4.9%</b>	<b>4.8%</b>

(1 Assuming 4.0% inflation rate 1988-2000)

(2 Non-weighted average)

Source: Association of Bay Area Governments, Economics Research Associates

Table III-4

Projected Average Household Income  
Total Market Area  
(Current Dollars)

	Est. 1988	Projected(1)			Compound Average Annual Growth Rate		
		1990	1995	2000	1988- 1990	1990- 1995	1995- 2000
PRIMARY MARKET(2)	\$59,849	\$66,322	\$84,424	\$106,642	5.3%	4.9%	4.8%
SECONDARY MARKET							
San Francisco County:	\$38,450	\$42,650	\$55,000	\$69,300	5.3%	5.2%	4.7%
Selected Cities in Santa Clara County:							
Los Gatos	\$60,890	\$67,360	\$86,260	\$110,350	5.2%	5.1%	5.0%
Milpitas	49,690	56,450	71,280	94,900	6.6%	4.8%	5.9%
Monte Sereno	91,200	101,100	129,600	164,200	5.3%	5.1%	4.8%
San Jose	47,520	54,000	69,000	90,750	6.6%	5.0%	5.6%
Saratoga	87,830	97,300	127,000	164,900	5.3%	5.5%	5.4%
SUBTOTAL(2)	\$67,426	\$75,242	\$96,628	\$125,020	5.6%	5.1%	5.3%
Selected Cities in Alameda County:							
Castro Valley	\$47,200	\$52,200	\$65,900	\$83,700	5.2%	4.8%	4.9%
Fremont	49,030	55,600	69,120	89,900	6.5%	4.4%	5.4%
Hayward	39,500	43,600	56,100	72,200	5.1%	5.2%	5.2%
Newark	47,800	53,650	66,380	86,250	5.9%	4.4%	5.4%
San Lorenzo	45,100	49,700	62,400	79,100	5.0%	4.7%	4.9%
Union City	45,400	50,200	63,100	80,200	5.2%	4.7%	4.9%
SUBTOTAL(2)	\$45,672	\$50,825	\$63,833	\$81,892	5.5%	4.7%	5.1%
TOTAL SECONDARY MARKET(2)	\$60,175	\$67,103	\$85,696	\$110,644	5.6%	5.0%	5.2%
TOTAL MARKET(2)	\$60,012	\$66,713	\$85,060	\$108,643	5.4%	5.0%	5.0%

(1 Assuming 4.0% inflation rate 1988-2000

(2 Non-weighted average

Source: Association of Bay Area Governments, Economics Research Associates

expected to grow by 5.6% per year from 1988 to 1990, by 5.0% per year from 1990 to 1995, and by 5.2% per year from 1995 to 2000. Mean household income by the year 2000 is expected to be approximately \$110,600 in the secondary market. Overall, the total market area can expect mean household income to grow by approximately 5.1% per year between 1988 and 2000 which will result in a mean household income of \$108,600 by the year 2000.

### Age Distribution

In addition to income level, age distribution is another factor that plays a major role in golf participation. The highest incidence of play occurs with people between the ages of 35 and 54. On the other hand, the highest level of play is by golfers over 60 years who account for nearly one-third of all rounds played, and on average play more than three times as many rounds per year than any other age group. Table III-5 presents the age distribution of residents in San Mateo, San Francisco, Santa Clara, and Alameda Counties. All four counties are expecting a general aging of the population as illustrated by the increasing median age of each county from 1985 to 2000. By 2000, the median age in the market area will range from 36.0 years in Santa Clara County to 45.6 years in San Francisco County. Currently, approximately one-quarter of the market area population falls within the high golf incidence bracket of 35-54 years. By 2000, this percentage will increase to approximately one-third of the population in the 35-53 age category. In addition, seniors, aged 55 and over, will make up almost one-quarter of the population.

### GOLFER PROFILE

Golfers include a wide range of individuals, whose propensity to play depends on their demographics. The National Golf Foundation estimated 21.7 million individuals played golf in the U.S in 1987. Overall, this

Table III-5

## Age Distribution in Market Area Counties

	1985	1990	1995	2000
<b>San Mateo</b>				
Under 19	24.6%	24.0%	24.6%	24.7%
20-34	25.6%	23.2%	19.6%	16.7%
35-54	26.0%	28.6%	31.0%	32.6%
55 and over	23.8%	24.2%	24.8%	26.0%
	100.0%	100.0%	100.0%	100.0%
Median Age	34.9	36.5	38.4	40.2
<b>Santa Clara</b>				
Under 19	29.0%	27.7%	27.7%	27.7%
20-34	29.1%	27.4%	24.2%	20.6%
35-54	25.5%	28.0%	30.4%	32.5%
55 and over	16.4%	16.9%	17.7%	19.2%
	100.0%	100.0%	100.0%	100.0%
Median Age	30.6	32.4	34.0	36.0
<b>San Francisco</b>				
Under 19	19.3%	19.6%	20.4%	20.8%
20-34	26.5%	19.1%	15.2%	14.1%
35-54	27.1%	33.5%	36.2%	35.1%
55 and over	27.1%	27.8%	28.2%	30.0%
	100.0%	100.0%	100.0%	100.0%
Median Age	36.8	39.9	42.8	45.6
<b>Alameda</b>				
Under 19	27.2%	26.4%	26.6%	26.3%
20-34	28.2%	26.5%	24.0%	21.3%
35-54	24.6%	27.3%	29.4%	31.4%
55 and over	20.0%	19.8%	20.0%	21.0%
	100.0%	100.0%	100.0%	100.0%
Median Age	32.0	33.4	34.7	36.4

Source: Department of Finance and Economics Research Associates

represents 9.7 percent of total U.S. population over the age of five. This is an increase over 1984 when approximately 8.6 percent of the population or 18.9 million people golfed.

<u>Year</u>	<u>Incidence of Participation Nationwide</u>	<u>Golfers Nationally (millions)</u>
1984	8.6%	18.9
1985	8.0%	17.5
1986	9.1%	20.2
1987	9.7%	21.7

Table III-6 illustrates frequency of play by demographic characteristics. Males are more than three times as likely to participate in golfing as women, although, the percent of female golfers has been steadily increasing. In fact, 41 percent of new golfers in 1987 were female. In 1985, 20.7 percent of all golfers were women. By 1987, this figure had risen to 22.6 percent. Due to higher income levels and large senior population, the incidence of golf participation among West Coast residents is higher than the national incidence.

As shown in Table III-6, golf participation increases sharply with income as individuals with higher household income are more likely to golf than lower income individuals. An estimated 13.9 percent of the population in the \$40,000 to \$50,000 household income bracket played golf in 1987. This indicates market area residents with an average household income of \$60,000 would have an incidence of participation of about 14 to 15 percent based on income alone.

The age distribution of golfers in the U.S. is presented in Table III-6. In 1987, the average age of golfers was 37.9 years. The peak participation rate of 14.0 percent is found in the 20 to 29 year age bracket; however, this age group does not play as often as older age groups

Table III-6

## GOLF PARTICIPATION, 1987

	<u>Incidence of Participation<sup>1</sup></u>	<u>Percent of Golfer Population</u>	<u>Number of Golfers (millions)<sup>2</sup></u>
Total	9.7%	100.0%	21.7
Male	15.4%	77.4%	16.8
Female	4.2	22.6	4.9
West Coast	10.0	14.3	3.1
Household Income:			
Under \$10,000	2.4%	3.8%	0.8
\$10,000-19,999	5.9	12.9	2.8
\$20,000-29,999	9.3	17.7	3.8
\$30,000-39,999	11.8	20.5	4.4
\$40,000-49,999	13.9	18.1	3.9
\$50,000-74,999	15.3	18.3	4.0
\$75,000 and over	18.7	8.7	1.9
Age:			
Under 19	4.7%	11.2%	2.4
20-29	14.0	27.3	5.9
30-39	12.1	22.2	4.8
40-49	11.0	14.1	3.0
50-59	10.2	10.2	2.2
Over 60	8.0	15.0	3.3

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<sup>1</sup> Represents the percent of the U.S. population over the age of five.

<sup>2</sup> Includes frequent, infrequent and first-time players.

Source: National Golf Foundation, and Economics Research Associates.



As a result, the largest proportion of golfers (22.2%) is found in the baby boomer bracket between the ages of 30 and 40.

Seventy-seven percent of golfers are considered public golfers and represent approximately 16.7 million players. A public golfer is defined as playing at least 50 percent of their golf rounds at public golf facilities. The remaining 23 percent or 5.0 million golfers are defined as private golfers and play at least 50 percent of their golf rounds at private facilities. As one would expect, private golfers tend to have higher household incomes than public golfers, reflecting the higher cost to play on private courses. The mean household income of public golfers is \$40,500, while the mean household income of private golfers is \$48,000.

The mean frequency of play for all golfers in 1987 was 19.4 rounds. The average number of rounds played by public golfers was slightly lower with a mean of 16.8 rounds. Private golfers have a tendency to be more frequent players than public golfers. More rounds of golf, however, are played on public courses. The figures below show that over 67 percent of the rounds played in 1987 were played on public courses, while only 33 percent were played on private courses.

	<u>Number of Rounds Played in 1987 (millions)</u>	<u>Percent Share of Rounds</u>
Private	142	32.7%
Daily Fee	175	40.4%
Municipal	117	26.9%
Total	421.2	100.0%

Source: National Golf Foundation.

Thus, on the basis of the principal factors affecting golf demand -- population, income, and age -- the demand for golf in both the primary and

secondary market areas can be expected to intensify significantly over the next 15 years.

## SECTION IV

### MARKET DEMAND FOR PROPOSED GOLF FACILITY

This section presents a market demand analysis for a new 18 hole public golf course at the proposed site. The analysis begins with a summary of the number of existing courses in the primary and secondary market areas. A survey of golf courses in the area follows and an outlook on proposed new courses and closures of existing courses is presented generating a projected supply of golf facilities over the next five years. Given this estimated supply, the demand for new public golf facilities is measured using two approaches as described below. The section then concludes with an analysis of supply and demand for additional facilities in the market area.

There are two generally accepted ways of determining market demand for golf courses. The National Golf Foundation uses population to golf course ratios as a measure of demand. While this approach is a useful measure, it alone is not sufficient. Thus, ERA utilizes a multi-faceted approach which includes participation rates and levels and other important factors such as demographic information as well as geographic considerations to determine rounds and courses demanded. Both approaches will be used in this section.

#### GOLF COURSE INVENTORY AND SURVEY

Below is a summary of the number of golf courses in San Mateo County, San Francisco County, and the primary and secondary market area by type of course. In this and subsequent analysis, the number of golf courses is expressed in 18-hole equivalents where two 9-hole courses are considered one 18-hole equivalent course. An inventory of market area golf

courses, along with their location and size, is presented in Table IV-1 and Table IV-2 and summarized below.

<u>Type of Golf Course</u>	<u>Number of Courses (18-hole Equivalents)</u>				
	<u>San Mateo County</u>	<u>San Fran. County</u>	<u>Primary Market</u>	<u>Secondary Market</u>	<u>Total Market</u>
Regulation					
Public	4.0	2.0	9.0	11.0	20.0
Private	<u>7.0</u>	<u>4.0</u>	<u>11.0</u>	<u>8.5</u>	<u>19.5</u>
Subtotal	11.0	6.0	20.0	19.5	39.5
Executive/Par-3 /9-Hole	<u>1.5</u>	<u>1.5</u>	<u>4.0</u>	<u>4.5</u>	<u>8.5</u>
TOTAL	12.5	7.5	24.0	24.0	48.0

In terms of 18-hole equivalents, San Mateo has a total of 12.5 golf courses but only 4.0 of these are 18-hole regulation length public courses. Overall, the primary market has a total of 24.0 golf courses. Of this total, 9 are public regulation length courses. In addition, there are 4.0 public courses that are either executive or Par-3 facilities. The remaining 11.0 regulation courses in the primary market are private, all with high initiation fees and waiting lists. In the secondary market area there are 11.0 public regulation courses and 8.5 private regulation courses, with the remainder being either executive or par-3 length courses. Within the secondary market, San Francisco County has only 2.0 18-hole public regulation length courses. In total, there are 24.0 courses in the secondary market and 48.0 courses in the overall market area.

The regulation length courses typically range from 5,500-7,000 yards (par 70-72); the executive courses from 4,000-5,000 yards (par 58-62); and par-3 courses from 1,800-3,000 yards. Regulation length courses require about 110-200 acres of land; executive courses about 60-100 acres; and par-3 courses about 25-50 acres.

TABLE IV-1

INVENTORY OF GOLF COURSES  
PRIMARY MARKET AREA

<u>CITY</u>	<u>NUMBER OF HOLES</u>
<u>SAN MATEO COUNTY</u>	
Regulation Length Public Courses:	
San Mateo Golf Course	San Mateo 18
Sharp Park Golf Course	Pacifica 18
Crystal Springs Golf Course	Burlingame 18
Half Moon Bay Golf Links	Half Moon Bay 18
Private Courses:	
Burlingame Golf Course	Hillsborough 18
California Golf Course	South San Fran. 18
Green Hills Country Club	Millbrae 18
Lake Merced Golf Country Club	Daly City 18
Menlo Country Club	Woodside 18
Peninsula Golf Country Club	Menlo Park 18
Sharon Heights Golf Country Club	Menlo Park 18
Executive/Par-3/9-Hole Courses:	
Cypress Hills Golf Course	Colma 9
Bay Meadows Golf Course	San Mateo 9
Emerald Hills	Redwood City 9
Subtotal (18-hole equiv)	<u>12.5</u>
<u>PRIMARY MARKET PORTION OF SANTA CLARA COUNTY</u>	
Regulation Length Public Courses:	
Palo Alto Golf Course	Palo Alto 18
Shoreline Golf Course	Mountain View 18
Sunnyvale Municipal Golf Course	Sunnyvale 18
Fairway Glen Golf Course	Santa Clara 18
Santa Clara Golf Club	Santa Clara 18
Private Courses:	
Los Altos Golf Country Club	Los Altos 18
Palo Alto Hills Golf Club	Palo Alto 18
Stanford Golf Course	Palo Alto 18
Moffet Field Golf Course	Sunnyvale 18
Executive/Par-3/9-Hole Courses:	
Blackberry Farm	Cupertino 9
Deep Cliff Golf Course	Cupertino 18
Sunken Garden Golf Course	Sunnyvale 9
Pruneridge Golf Course	Santa Clara 9
Subtotal (18-hole equiv.)	<u>11.5</u>
<u>GRAND TOTAL IN PRIMARY MARKET (18-hole equiv.)</u>	<u>24.0</u>

Source: Economics Research Associates

Source: Economics Research Associates.

TABLE IV-2

INVENTORY OF GOLF COURSES  
SECONDARY MARKET AREA

<u>CITY</u>	<u>NUMBER OF HOLES</u>	
<u>SAN FRANCISCO COUNTY</u>		
Regulation Length Public Courses:		
Lincoln Park Golf Course	San Francisco	18
Harding Park Golf Course	San Francisco	18
Private Courses:		
The Olympic Country Club	San Francisco	36
San Francisco Golf Course	San Francisco	18
The Presidio	San Francisco	18
Executive/Par-3/9-Hole Courses:		
Gleneagles Int'l Golf Course	San Francisco	9
Golden Gate Golf Course	San Francisco	9
Harding Park Golf Course	San Francisco	9
Subtotal (18-hole equiv.)		<u>7.5</u>
<u>SECONDARY MARKET PORTION OF SANTA CLARA COUNTY</u>		
Regulation Length Public Courses:		
Oakridge Golf Course	San Jose	18
Pleasant Hill Golf Course	San Jose	18
Riverside Golf Course	San Jose	18
San Jose Municipal	San Jose	18
Santa Teresa Golf Course	San Jose	18
Spring Valley Golf Course	Milpitas	18
Tularcitos Golf Country Club	Milpitas	18
Private Courses:		
Almaden Golf Country Club	San Jose	18
San Jose Country Club	San Jose	18
The Villages Golf Country Club	San Jose	18
Saratoga Country Club	Saratoga	9
La Rinconada Country Club	Los Gatos	18
Executive/Par-3/9-Hole Courses:		
Cypress Greens Golf Course	San Jose	18
Thunderbird Golf Course	San Jose	18
Subtotal (18-hole equiv.)		<u>13.5</u>
<u>SECONDARY MARKET PORTION OF ALAMEDA COUNTY</u>		
Regulation Length Public Courses:		
Skywest	Hayward	18
Willow Park	Castro Valley	18
Executive/Par-3/9-Hole Courses:		
Parkway Golf Course	Fremont	18
Subtotal (18-hole equiv.)		<u>3.0</u>
<u>GRAND TOTAL IN SECONDARY MARKET (18-hole equiv.)</u>		<u>23.0</u>

Source: Economics Research Associates

## Green Fees

A survey of public regulation golf course green fees was conducted throughout the market area. As shown in Table IV-3, regulation courses average approximately 6,300 yards from the white tees. The range of green fees for 18 holes is quite wide, from \$10.00 to \$65.00 weekends and \$8.00 to \$50.00 weekdays. Generally, the privately owned courses and those in dramatic settings charge higher green fees, in the \$25-\$50 range, while courses situated in more urban areas charge in the \$8-\$18 range for green fees. Municipal courses are generally less expensive.

Most regulation courses offer 9-hole rates but only during twilight hours, which begin anywhere from 1:30 to 3:00 p.m. depending on the season. The standard twilight starting hour is 2:00 p.m. Twilight green fees average \$12.00 weekends and \$9.00 weekdays. Many courses offer senior and/or junior discounts. The typical age cut-off is 62 for seniors and 17 for juniors. In almost all cases, discounts are only given midweek and seniors must be residents to qualify for discounts. Senior discounts range from 15 to 50 percent. Only a few courses offer straight resident discounts, but many offer monthly passes that generally allow unlimited play during the weekdays. Several courses offer yearly passes as well.

All regulation courses in the market area offer power carts. Cart rental fees generally range from \$10.00 to \$20.00 for 18 holes and from \$8.00 to \$20.00 for nine holes. Average cart rental is \$16.00 for 18 holes and \$11.75 for nine holes. In a few cases, lower weekday rates are offered.

Table IV-3  
SURVEY OF PUBLIC REGULATION GOLF COURSES

Course	City	Par/ Rating	Length (regular)	Annual Revs <sup>2</sup>	Green Fees (weekday/weekend)		Special Fees (weekday/weekend)		Annual Monthly Pass		Cart Fees (per person) 9-holes/18-holes	Resident/Tourist <sup>1</sup> Play
					18-hole	9-hole	Twilight	Senior/ Junior	Monthly	Yearly		
Crystal Springs	Burlingame	72/70.9	6,321	60,000	\$30/\$35	--	\$25/\$30	--	--	\$1,980 <sup>2</sup>	\$10	80%/20%
Half Moon Bay	Half Moon Bay	72/71.5	6,447	48,000	\$50/\$65	--	--	\$35/--	--	\$2,200 <sup>3</sup>	Included in green fees	50%/50%
Sharp Park	Pacific	72/69.6	6,273	74,900	\$10/\$14	--	\$5/\$7	\$6.50/\$6 <sup>3</sup>	--	--	\$9/\$16	95%/5%
San Mateo	San Mateo	70/64.7	5,496	100,000	\$8/\$10	--	\$6/-- <sup>3</sup>	\$6/\$9 <sup>3</sup>	\$45 <sup>3</sup>	--	\$11/\$13	90%/10%
Fairway Glen	Santa Clara	71/67.0	6,100	90,000	\$9/\$14	--	\$7/\$9	--	\$40/\$50 <sup>5</sup>	--	\$9/\$16	90%/10%
Oak Ridge	San Jose	72/69.0	5,800	90,000	\$13/\$17	\$11/--	\$9/--	\$9/--	--	--	\$13/\$17.50	75%/25%
Palo Alto	Palo Alto	72/70.1	6,325	108,000	\$10/\$14	--	\$7/\$9.50	\$8/--	\$50/\$30 <sup>6</sup>	--	\$8/\$15	85%/15%
Pleasant Hills	San Jose	72/70.9	6,303	N.A.	\$11/\$15	--	\$7/\$9	\$6/--	\$55/\$72 <sup>7</sup>	\$580/\$790 <sup>7</sup>	\$9/\$16	90%/10%
Riverside	San Jose	71/71.0	6,304	85,000	\$12/\$17	--	\$8/\$12	\$9/\$5 <sup>6</sup>	--	--	\$18/\$18	75%/25%
San Jose	San Jose	72/72.0	6,135	105,800	\$11/\$15	--	\$7/\$9	\$6.50/--	--	--	\$9/\$16	80%/20%
Santa Clara	Santa Clara	72/72.2	6,474	95,536	\$12/\$18	--	\$7/\$12	--	\$60 <sup>8</sup>	--	\$8/\$16	70%/30%
Shoreline	Mountain View	72/71.9	6,235	75,000	\$25/\$29	--	\$10/\$15	\$13/--	--	\$1,800 <sup>9</sup>	\$20/\$20	90%/10%
Sunnyvale	Sunnyvale	69/68.0	6,150	90,000	\$11/\$15	--	\$7/\$9	\$9.50/-- <sup>6</sup>	--	--	\$17/\$17	80%/20%

1 Tourist includes distant residents of more than 30 minutes drive away.

2 Semi-private club; \$360 initiation fee; \$165 per month for full man's membership. Only 200 men's memberships available. Women, family and weekday only memberships are also available.

3 Must be resident.

4 Must purchase \$20 discount card good for two years; Pacifica and San Francisco residents qualify.

5 Resident/non-resident seniors; weekday play only.

6 Senior/junior; seniors must be residents; weekdays only.

7 Senior/regular.

8 Weekdays only.

9 Under consideration only.



## Rounds of Play

Table IV-3 also illustrates the very high levels of play at the surveyed courses in the market area. Most of the municipal courses, including nearby San Mateo Municipal Course and Palo Alto Municipal Course, get 100,000 rounds of golf per year. On average, courses in the market area are getting approximately 85,000 annual rounds with some courses like Half Moon Bay Golf Links and Crystal Springs intentionally keeping their level of play down by scheduling longer separations between tee times to reduce crowding. In fact, Crystal Springs recently increased their green fees by another \$5 to \$35 on the weekends and \$30 on the weekdays. A strong golf market is further indicated by the high level of play in the initial years of the newly opened courses, Santa Clara Municipal and Shoreline in Mountain View. Santa Clara Municipal in its first full year of operation achieved over 95,000 rounds. This extraordinary high level of play consistently found throughout the market area indicates that there is a substantial unmet demand for golf from those who are unable to play because of a shortage of golf courses in the area.

## Golfer Origins and Play Patterns

Most golf courses surveyed had high levels of play throughout the week although weekends are the busiest and in most cases were always booked solid. However, senior groups and tournaments often filled up the weekdays especially in the morning. Generally, 75% to 90% of the players were from the local area, but most courses mentioned that they had regular players from further than 30 minutes away, including San Francisco, Marin and the East Bay. Palo Alto Golf Course reported nearly 25% of its players were from San Mateo County. Similarly, Santa Clara Golf Course reported approximately 30% of its players were from north of Redwood City.

## PROJECTED SUPPLY OF GOLF FACILITIES

In projecting the future supply of golf facilities in the primary and secondary market areas, ERA surveyed planning agencies, owners, and developers to estimate the number of courses expected to close and open in the next five years. The supply and demand analysis is projected to 1993 which is a reasonable estimate of the opening of a new course in San Mateo County.

### Recent Golf Course Conversions

Many industry experts agree that the Bay Area is a unique market in that the supply of golf courses has decreased significantly and is likely to decrease further. In other parts of the country, notably Southern California, golf courses have been heavily protected against conversion to other uses. Environmentalists and golf advocates pressure local governments to not allow golf courses to change over. In parts of the Bay Area, however, this has not been the case, especially in the South Bay Area. Nearly every municipality in this area has either already allowed conversion or is considering conversion of privately owned public courses. Table IV-4 illustrates golf course conversion in recent years as surveyed from municipal planning agencies. Within the past seven years, six courses (a total of 4.0 18-hole equivalents) have gone out of play. One course in the primary market area, Cypress Hills Golf Course in Colma, recently closed 9 of its 18 holes. The golf course is currently located on leased land and last year, the property owner sold a portion of the land to a Chinese Benevolent Society for conversion into a Chinese cemetery. In the secondary market, San Jose has allowed the most conversions in recent years, generally due to its larger supply of small privately owned courses, and extremely high pressure on land prices.

Table IV-4  
GOLF COURSES CONVERTED TO HIGHER USES

<u>Course</u>	<u>City</u>	<u>Number of Holes</u>	<u>Approximate Year of Conversion</u>	<u>Reason for Conversion</u>	<u>Present Land Use</u>
Cypress Hills	Colma	9	1987	Higher land use potential	Cemetery
Alma	San Jose	9	1981	Make way for Guadalupe Corridor	Vacant but will be part of Guadalupe Corridor
Cambrian Park	San Jose	18	1981	Higher land use potential	Industrial
Cherry Chase	Mountain View	9	1984	Higher land use potential	Medium-intensity residential
Dixon Landing	Milpitas	18	1982	Salt leaching	Industrial
Hill View	San Jose	18	1965	Higher land use potential	Eastridge Shopping Center
Los Gatos Golf Course	San Jose	9	1983	Higher land use potential	Industrial
Warm Springs Golf Course	Fremont	9	1979	Higher land use potential	Shopping center and high intensity residential

Source: Economics Research Associates

The primary reason for conversion is economic. Land values throughout the market area have risen dramatically over the last decade pressuring marginal golf operations to sell out or convert to a higher use. Although the municipalities strongly oppose conversion, course owners have used aggressive tactics to force conversion.

#### Anticipated Golf Course Conversions

In the past few years, five golf courses in the South Bay Area have attempted to convert to higher land uses (see Table IV-5). So far, only the Thunderbird course in San Jose has received actual approval to re-zone the property.

Within the primary market area, there are two courses (1.5 18-hole equiv.) that are likely possibilities for conversion: Cypress Hills and Fairway Glen. There is significant likelihood that the remaining 9 holes at Cypress Hills will close down altogether. Until recently, there were fairly serious plans to convert these 9 holes into a green house development; however, the project turned out to be economically infeasible. The owner of the property still remains interested in selling the remaining property, but as yet, has no firm offers.

With the recent completion of the new Santa Clara Municipal Golf Course, the City of Santa Clara intends to convert the older Fairway Glen Course into a residential development. The course is expected to close sometime next Spring. This conversion was part of the original plan to build the new course. It will not only assist in paying for the costs incurred by the city to construct the new municipal course, but the residential re-zoning will remain consistent with the zoning of the surrounding area.

Table IV-5

GOLF COURSES ATTEMPTING TO CONVERT TO HIGHER USES

<u>Course</u>	<u>City</u>	<u>Number of Holes</u>	<u>Official Re-use Proposals Submitted</u>	<u>Reason for Wanting Conversion</u>	<u>General Plan Amendment/ Reasoning Status</u>
<u>Primary Market</u>					
Cypress Hills	Colma	9	No	Higher land use	Seeking buyer
Fairway Glen	Santa Clara	18	Yes	High land use - residential and/or office	Parks and recreation -- estimate course will close this summer
<u>Secondary Market</u>					
Hayward	Hayward	18	No, but closed down	Higher land use - residential	Parks and recreation
Oak Ridge	San Jose	18	Re-applying for General Plan Amendment	Higher land use - residential and/or office	Planned private recreation
Parkway	Fremont	18 Par 3	No	Higher land use - residential	Planned high intensity residential
Thunderbird	San Jose	18	Yes	Higher land use - industrial	Recently received zoning approval for industrial
Pleasant Hills	San Jose	18	Yes	Higher land use	Tried but cannot get approval
Cypress Greens	San Jose	9	Yes	Higher land use	Tried but cannot get approval

Source: Economics Research Associates

In the secondary market, four courses are possible conversion candidates: Oak Ridge, Thunderbird, Parkway, and Hayward. San Jose city planners believe the Oak Ridge Course will soon be reapplying for a General Plan Amendment to re-zone the course to high density residential and/or commercial office use. Based on discussions with officials, ERA believes the Oak Ridge General Plan Amendment will be approved by 1993. As mentioned, Thunderbird Golf Course, an 18-hole executive length course, has received approval for industrial use and is expected to convert in the next 2-3 years. At one time, three other courses in San Jose, including two public regulation courses, Riverside Golf Course and Pleasant Hill Golf Course, and a par 3 course, Cypress Greens, submitted reuse proposals but the proposals were not approved. Owners of these courses have not recently attempted to convert the courses and no proposals are expected in the near future. If interest to convert the properties to higher use is rekindled, proposals would need to be resubmitted.

The Parkway Golf Course in Fremont has expressed an interest in converting to higher land use. The Parkway Golf Course is currently under a Williamson Act contract which is due to expire in 1989. It is believed that the owners of the Parkway will submit a reuse proposal soon to re-zone the site to single family residential.

The Hayward Golf Course will also likely file for conversion very soon. Previously, the citizens of Hayward passed an initiative stating that the property on which the course was located could not be re-zoned for other use without a vote of the people. However, a recent Federal Court decision stated that the City could not place special restrictions on selected land sites. Special restrictions can be placed on areas in the City, but individual parcels cannot be singled out. The owners of the Hayward Course, as yet, have not made any future plans for the property public information and a city appeal is still possible. For some time now,

maintenance has not been kept up on the course and recently it has closed down and is no longer available for play.

It is important to note that a majority of the courses that have attempted to convert, are widely used. In general, these courses are better than marginal operations, but there is a strong desire to sell out or reuse the land for more profitable higher uses.

### New Golf Courses

In recent years, the Bay Area has seen very little new public golf course development. In most cities, sufficient land is not available or else is available only at prohibitively high prices. The only public courses that have opened for play in the last five years are the Shoreline Golf Course in Mountain View and the Santa Clara Municipal Golf Course in Santa Clara. The Shoreline was constructed on landfill and is a high quality 18-hole par 72 championship course. The Shoreline reached close to its planned capacity within two years of opening. Operators report 70,000 rounds were played in 1985, with a capacity between 75,000 and 80,000 rounds. The Santa Clara Municipal Golf Course is an 18-hole course that was completed in fall of 1987. The course was also constructed on sanitary landfill and was part of an overall plan to establish a golf course, major hotel facility, office complex and convention center in one area. The course has done extremely well during its first year with approximately 95,500 annual rounds played, which is significantly better than was originally planned. No new courses have been built in San Mateo County since Half Moon Bay Golf Links, over 15 years ago.

At present, there are only three courses planned or proposed for the primary market area. However, two of these courses will not be targeted to the core golfer market. The first course is a private venture

being proposed for the Mori Point area in Pacifica. In June of this year, the City approved plans for a 275 room conference center at the site as part of the overall plan. In the next year, the owner will most likely submit plans for an expansion of the conference facility and construction of a 9-hole private golf course adjacent to the already existing Sharp Park Course. At this point, plans are very preliminary; however, city planners believe there is a good chance the course will be completed in the next five years. The course and hotel would be marketed as a destination resort and would primarily serve as a golf course for the conference center.

Ocean Colony Partners, the current owners of the Half Moon Bay Golf Links, are planning to build a second ocean-front golf course south of the current course. Ocean Colony will also add an approximate 250 room hotel and about 40 residential units. The new golf course will likely be oriented toward the hotel guest with green fees equal to or greater than the \$60 now charged at the existing course.

There is also a good chance that another public golf course will be built in Half Moon Bay by 1993. The city of Half Moon Bay is considering building an 18-hole championship course on ocean-front property just north of Half Moon Bay Golf Links. The course would be open to the public and will include residential development around it. Green fees will probably be in the moderate to high range, most likely comparable to those charged at Crystal Springs and Shoreline. Depending on land planning and routing considerations, the course may be a 27-hole course.

Three new courses are also being planned in the secondary market area but have not been officially proposed. The first course is proposed by the City of Fremont is planned to be an 18-hole public course in the Mission San Jose area of Fremont. The second course is being planned as part of the Silver Creek planned residential community in Southern San



Jose. The development by Brandenburg, Staedler and Moore will include a championship course designed by Arnold Palmer. This course will be open to the public but will maintain very high green fees. It will most likely be converted to a private course at a later date. In addition, a public 18-hole course is being planned that will occupy land on the southeast quadrant of San Jose along Coyote Creek. The Coyote Creek course has received voter approval but planning for the course is being delayed while an entire Coyote Creek master plan is prepared. ERA anticipates Coyote Creek will most likely open by 1993.

#### Projected Supply of Golf Courses - 1993

Based on the above discussion of conversion of existing courses and development of new courses, ERA projected the supply of golf courses in 1993 as shown in Table IV-6. The number of courses is expressed in 18-hole equivalents. Without the proposed facility, there will be a net gain of 0.5 public courses in the primary market area and 0.5 new private courses. In the secondary market, net, the supply of public courses will remain the same at 15.5 public courses and no new private courses added. Overall, in the total market area there will be a gain of 0.5 public facilities for a total for 29.0 public courses and an addition of 0.5 private courses for a total of 19.0 private courses. This analysis is based on the assumption that all planned and proposed courses will be built. Considering the difficulty in constructing new courses, this assumption will add a very conservative aspect to the supply and demand projections.

#### COMPARISON OF GOLF DEMANDS WITH SUPPLY

As mentioned in the introduction, two approaches in projecting golf course demand are used. This first approach is simplistic in nature

Table IV-6

PROJECTED SUPPLY OF GOLF COURSES  
1993

	Primary Market		Secondary Market		Total Market	
	Public	Private	Public	Private	Public	Private
Existing Courses:	13.0	11.0	15.5	7.5	28.5	18.5
Expected to Convert:	-1.5	0.0	-3.0	0.0	-4.5	0.0
Expected to Open (excluding proposed course):	<u>+2.0</u>	<u>+0.5</u>	<u>+3.0</u>	<u>0.0</u>	<u>+5.0</u>	<u>+0.5</u>
Expected Supply (excluding proposed course):	13.5	11.5	15.5	7.5	29.0	19.0
Proposed Course:	<u>1.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>	<u>0.0</u>
Expected Supply (with proposed course):	14.5	11.5	15.5	7.5	30.0	19.0

and utilizes population to golf course ratios. A second approach incorporates population, incidence of play and participation rates.

### Population/Golf Course Ratios

One indicator of golf course market conditions is population to golf course ratios. Population/golf course standards and ratios vary widely depending on the type of area (urban, rural, resort), income levels, population densities, age characteristics, inventory of courses, climate and other factors.

The inventory of golf courses within the State of California is presented in Table IV-7, showing the total number of 18-hole equivalent courses as well as the number of 18-hole regulation courses for 1976, 1981, 1984, and 1988. As indicated, 47 regulation courses have been added statewide since 1976, only 11 of which were public courses. At the same time, approximately 5 million people took up residence in California. The National Golf Foundation reported that in mid-1987, 8 courses were under construction in California, with another 20 in some stage of course planning/design.

Table IV-8 relates population to golf ratios for total and regulation private and public courses in the state. The increasing ratio of population per golf course over time demonstrates that the number of new courses has not kept pace with population growth. Also, many courses have been removed.

Table IV-9 presents comparative population to regulation golf course ratios for San Mateo County and San Francisco County as well as the primary and total market area, and the state. In the State of California, the ratio of population to total regulation courses is 49,150 people per

Table IV-7

INVENTORY OF GOLF FACILITIES IN CALIFORNIA  
(18-Hole Equivalents)

	<u>1976</u>	<u>1981</u>	<u>1984</u>	<u>1988</u>	Differ -ence (1976- <u>1988</u> )
Regulation:					
Private	205.0	221.5	234.5	241.0	36.0
Public	<u>299.0</u>	<u>302.0</u>	<u>301.0</u>	<u>310.0</u>	<u>11.0</u>
TOTAL:	504.0	523.5	535.5	551.0	47.0
All Facilities:					
Private	230	251	263	NA <sup>1</sup>	33 <sup>2</sup>
Public	<u>421</u>	<u>424</u>	<u>423</u>	<u>NA<sup>1</sup></u>	<u>2<sup>2</sup></u>
TOTAL:	651	675	686	NA <sup>1</sup>	NA <sup>2</sup>

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<sup>1</sup> Data reported for 1988 was inconsistent with the method of reporting in the previous years. Therefore, data for 1988 was not included.

<sup>2</sup> The period from 1976 to 1984 was used since consistent data for 1988 was not available.

Source: National Golf Foundation, and Economics Research Associates.

Table IV-8

POPULATION FOR GOLF COURSE FACILITY RELATIONSHIP  
IN CALIFORNIA

	Population per Golf Course (Thousands)			
	<u>1976</u>	<u>1981</u>	<u>1984</u>	<u>1988</u>
Regulation:				
Private	106.1	108.5	109.0	112.3
Public	<u>72.7</u>	<u>79.6</u>	<u>84.9</u>	<u>87.3</u>
TOTAL:	43.2	45.9	47.7	49.1
All Facilities:				
Private	83.0	83.5	87.8	NA <sup>1</sup>
Public	<u>42.1</u>	<u>47.0</u>	<u>50.6</u>	<u>NA<sup>1</sup></u>
TOTAL:	27.9	30.1	32.1	NA <sup>1</sup>

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<sup>1</sup> Data reported for 1987 was inconsistent with previous reporting.

Source: Economics Research Associates.

Table IV-9

COMPARATIVE POPULATION TO REGULATION  
GOLF COURSE RATIOS IN 1988

	<u>San Mateo County</u>	<u>San Francisco County</u>	<u>Primary Market Area</u>	<u>Total Market Area</u>	<u>State of California<sup>1</sup></u>
<u>NUMBER OF COURSES:</u>					
Regulation Courses:					
Public/semi-private	4.5+	2.5	9.5	21.5	310.0
Private	<u>7.0</u>	<u>3.0</u>	<u>11.0</u>	<u>18.5</u>	<u>241.0</u>
Subtotal:	11.5	5.5	20.5	40.0	551.0
POPULATION (000):	619.5	734.0	1,088.1	3,169.6	27,080.8
<u>POPULATION PER COURSE:</u>					
Regulation:					
Public/semi-private	137,700	293,600	114,500	147,420	87,350
Private	<u>88,500</u>	<u>244,700</u>	<u>98,920</u>	<u>171,330</u>	<u>112,365</u>
TOTAL:	53,870	133,454	53,100	79,240	49,150

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<sup>1</sup> Beginning of 1988.

course while the ratio of population to public regulation courses is 87,350 people per course. The market area, however, listed a much higher ratio with 79,240 people per total regulation course and 147,420 people per public regulation course. San Mateo and San Francisco Counties showed exceptionally high population to golf course ratios especially for public courses. San Mateo County has 137,700 residents per public regulation course while San Francisco County has 293,600 residents per public regulation course.

Given the already high population to public regulation golf course ratios in the Bay Area, the trend of high ratios is expected to continue based on projected population growth and anticipated limited supply.

	<u>Population to Public Regulation Golf Course Ratios</u>		
	<u>1980</u>	<u>1988</u>	<u>1993</u>
San Mateo Co.	117,450	137,700	126,800
San Fran. Co.	271,600	293,600	301,700
Primary Market	114,300	114,600	124,500
Total Market	125,500	147,400	143,400
California	76,200	87,300	96,700

1/ Excludes the Proposed Course.

The 1993 projected ratio takes into account the regulation courses expected to go out of operation and newly developed courses. ERA expects the remaining 9 holes at Cypress Hills and the Fairway Glen Golf Course in Santa Clara to go out of operation in the market area by 1993. Parkway and Thunderbird are also expected to close by 1993; however, since they are not regulation courses, they are not included in this analysis. Within this same time frame, the two new public courses in Half Moon Bay are expected to open, one being the addition to the already existing Ocean Colony course. Because this course will be almost exclusively for guests of the hotel that is also being built on the property, it is not included in the

above analysis. In addition, three public courses in the secondary market, Fremont, Silver Creek, and Coyote Creek, are expected to be completed, although this is by no means a certainty. However, continued population growth will cause population to golf course ratios to remain high. Given this most conservative scenario, golf course demand will continue to be higher than supply.

In the scenario where the proposed subject course is constructed, ratios in 1993 will remain high with 105,700 persons per public regulation course in San Mateo County and 137,400 persons per public regulation course in the total market area.

PROJECTION OF GOLF COURSE NEED

Population to Golf Course Ratios Approach

The National Golf Foundation develops population to golf course ratios on a metropolitan, state, and national level. These ratios for the beginning of 1988 are presented below:

	Population per All <u>Courses</u>	Population/ Public <u>Courses</u>	Population per Public <u>Regulation Course</u>
Total U.S.	23,300	39,100	--
California	38,600	64,100	87,350

To determine level of demand, total population is divided by a suitable population to golf course ratio. Using a conservative approach, ERA will use the highest ratio shown, that of California. A projection of public regulation golf course demand follows.



	<u>1993 Population</u>	<u>Population/ Public Regulation Course</u>	<u>Public Regulation Course Demand</u>
San Mateo Co.	634,301	87,350	7.2
San Fran. Co.	754,297	87,350	8.6
Primary Market	1,120,400	87,350	12.8
Total Market	2,178,000	87,350	37.8

This analysis indicates that in San Mateo County, seven regulation public courses will be in demand by 1993. With current estimates of 5.0 courses, excluding the subject course, in the county in 1993, there will be a need for 2.0 additional courses. In San Francisco County, nine public regulation courses are projected to be in demand by 1993. Current estimates of only 2.5 public regulation courses indicate a need for 6.5 additional courses by 1993. Overall, in the primary market area 13 public regulation courses will be in demand by 1993. Current estimates of supply for the primary market is 10.0 regulation courses, excluding the subject course indicating that at least three regulation courses will be in demand by 1993. In terms of the total market, 38 new public courses will be demanded by 1993. A current estimate of supply is 24.0 regulation courses indicating a need for 15 additional courses.

By using a very conservative methodology, it is obvious that within both market areas, demand for golf courses is ahead of supply. This presents a very strong case for construction of the proposed course.

## PROJECTION OF PUBLIC GOLF COURSE NEED:

### Golf Participation Approach

To determine the level of demand for golf courses using the participation approach, several factors must be analyzed. These factors were discussed in previous portions of this section.

- o Incidence of golf participation, as indicated by the National Golf Foundation (NGF), is 9.7 percent nationally and 10.7 percent in the western region. The NGF survey based on income statistics suggests that with a mean household income in the market area of \$60,000, incidence of participation is 14 to 15 percent. As shown previously, incidence levels rise dramatically with income and age. As aging of the population continues and income levels continue to rise in real terms, incidence rates will continue to rise. On the other hand, the lack of adequate golf facilities is undoubtedly reducing participation simply by lack of opportunity. Taking a conservative approach, ERA believes a reasonable incidence rate to be at least 12.0 percent in 1993.
  
- o National Golf Foundation (NGF) statistics show 67 percent of all rounds are played on public courses. It is the opinion of ERA that a reasonable proportion of total rounds in the market area played on public courses is 65 percent.
  
- o The NGF statistics show that the average golfer plays 19.4 rounds per year, and the public golfer plays fewer rounds with an average being 16.8 rounds. However, the national statistics

incorporate many area where weather conditions allow for only a partial operating season. Therefore, potential average annual rounds in the Bay Area, where golf is available year around, is likely to be higher. It is ERA's opinion, then, that a more appropriate average is 20 rounds per year.

Using projected population growth in the market areas, Table IV-10 and Table IV-11 present a basic model of public golf demand for 1993. This model suggests that by 1993, there will be a demand for 2.7 million rounds in the primary market area. ERA estimates that approximately 65 percent of these total demanded rounds, or 1.7 million rounds will be from public play. Based on current levels of play and anticipated supply, ERA estimates that the existing courses will be able to support around 908,000 public rounds. This leaves an unmet demand of 839,000 public rounds in the primary market area.

In the secondary market, demand also remains out of line with supply with demand estimated to be approximately 5.3 million total rounds, of which 65% or 3.4 million rounds will be from public play. The existing courses in 1993 should be able to support 1,450,000 public rounds which leaves an unmet demand of 1,900,000 public rounds in the secondary market.

Estimated demand for San Mateo County and San Francisco County specifically is also shown. San Mateo County is projected to have a demand for 1.5 million rounds in 1993 based on population growth and incidence of participation levels. Of these rounds, 989,300 will be for public play. With only 383,000 rounds estimated to be supplied by the existing golf courses in 1993, there will be an unmet demand of 606,000 rounds in San Mateo County alone. Similarly, in San Francisco County, a total of 1.8 million rounds will be demanded in 1993. Of these rounds, 1.2 million will be for public play. The total number of rounds expected to be supplied by

Table IV-10

## PROJECTED DEMAND FOR COURSES IN 1993

	<u>San Mateo County</u>	<u>San Francisco County</u>	Primary Market Area	Secondary Market Area	Total Market Area
Population	634,300	754,300	1,120,400	2,178,000	3,298,400
x Individual Incidence of Participation	12%	12%	12%	12%	12%
- Number Participating	76,100	90,500	134,450	261,360	395,800
% Average Annual Rounds	20	20	20	20	20
- TOTAL ANNUAL ROUNDS IN DEMAND:	1,522,000	1,810,320	2,688,960	5,227,200	7,916,160

Source: Economics Research Associates.

Table IV-11

## PROJECTED DEMAND FOR PUBLIC COURSE IN 1993

	<u>San Mateo County</u>	<u>San Francisco County</u>	<u>Primary Market Area</u>	<u>Secondary Market Area</u>	<u>Total Market Area</u>
Total Annual Rounds Demanded:	1,522,000	1,810,300	2,688,960	5,227,200	7,916,160
Percent Public Play:	<u>65%</u>	<u>65%</u>	<u>65%</u>	<u>65%</u>	<u>65%</u>
Total Public Rounds Demanded:	<u>989,300</u>	<u>1,176,700</u>	<u>1,747,800</u>	<u>3,397,700</u>	<u>5,145,500</u>
Total Public Rounds Supplied:	383,000	330,000	908,000	1,410,000	2,318,000
Unmet Demand:	606,300	846,700	839,000	1,987,700	2,326,700
Proposed Course Capacity Annual Rounds:	90,000	90,000	90,000	90,000	90,000
Percent Needed Capture	14.9%	10.6%	10.7%	4.5%	3.2%
Percent Player Origin:			85%	15%	100%
Annual Rounds by Market Area:			76,500	13,500	90,000
Needed Capture of Unmet Demand:			9.1%	0.7%	3.2%

Source: Economics Research Associates.

existing courses is only 330,000, leaving an unmet demand of 846,700 rounds of public golf.

Using a full capacity estimate of 90,000 annual rounds, the proposed course would only have to capture 10.7% of the primary market's unmet demand to fill this entire capacity. Even if the course relied on demand from just San Mateo County, only 15% of the unmet demand in the county would have to be captured. Based on current origins of players, if the proposed course received 85% of its players from the primary market and the remaining 15% of its players from the secondary market, only 9.1% of the primary market unmet demand and less than 1% of the secondary market unmet demand would have to be captured to support 90,000 annual rounds.

Given the prime location, easy access off I-280, and the fact that most communities in the market are within a 30-45 minute drive, ERA believes the proposed course will have no difficulty capturing the necessary portion of unmet demand to support the course at full capacity. In summary, based on both straight population to golf course ratios, and the above analysis, demand for an 18-hole golf course at the proposed site is very strong.

## SECTION V

### DEVELOPMENTAL AND OPERATIONAL CONSIDERATIONS

This section presents an overview of development and operational arrangements that might be considered by San Mateo County for the proposed golf course. It is assumed that ownership of the land selected for development will remain with the public entities involved. In line with this assumption, the objectives and alternatives for private and public participation are considered. A review of key "Next Steps" concludes this section.

#### PRELIMINARY IMPLEMENTATION PROGRAM

In order to evaluate development, operation and implementation options, a synopsis of the primary objectives for developing a new golf course, both from the County's and the operator's point of view, are outlined below. Both points of view must be balanced in negotiation and final contract in order to insure a workable and successful arrangement.

#### San Mateo County's Objectives:

- o To provide a high quality recreational amenity to serve San Mateo County as well as San Francisco County residents and the strong regional demand for golf. Additional facilities which may be desired by the local community (Banquet Facilities, Tennis, Swimming Pool) should not be required but may be included if projected to be economically and environmentally sound.
  
- o To construct the course at a minimal financial risk to the County through the recommended use of a ground lease.

- o To the extent reasonable, the golf course should generate some revenue to the County to compensate for the value of the land and to off-set mitigation costs if appropriate.
- o To provide a fairly priced golf amenity by maintaining reasonable market-rate green fees and by allowing reasonable discounts to seniors and possibly to San Mateo County and San Francisco County residents as well.

Developer/Operator's Objectives:

- o To receive an adequate return on investment and compensation for taking the risk on the project. The operator of the course should be shielded to the extent possible from damages due to acts of nature.
- o To be assured to the extent possible of timely processing of approvals and permits, given the time element associated with the cost of funds once the investment into the planning, construction and financing for the project begins.

Given these considerations, developmental and operational alternatives are discussed below.

TRENDS IN PRIVATIZATION OF GOLF COURSES

Over the last decade, a trend has developed toward the privatization of publicly owned golf course operations. There are several underlying reasons for this trend. Since Proposition 13, local governments in California have been forced to eliminate subsidies of golf facilities. Recreation amenities



in general lost a great deal of priority in budget decisions. Public agencies began to evaluate ways to either reduce their role in providing these services or to improve the economics of public golf courses. Private industry has responded by the growth of private corporations specifically designed to develop, operate and maintain public golf facilities. The driving force behind the private sector's interest in the improvement in the economics of public golf courses, which is generally attributable to the following factors.

- o Increasingly favorable demographics resulting from aging of the population, increasing household income, increasing participation by women and increasing interest by younger age groups.
- o Rapidly increasing revenue potential resulting from green fees and cart fees escalating faster than operating expenses as well as an increasing demand for carts and tournament play.
- o Increasing awareness of profit potential, improved marketing, and increased use of outside professional management.
- o Constraints on the supply of golf due to high land and construction costs, and obstructions at the local level.

Private corporations expanding into the golf industry range from those with national presence such as the American Golf Corporation and CCA-Silbord to regional companies such as the Golfco and Mike Rawitser in San Jose.

#### CURRENT OWNERSHIP AND OPERATION OF PUBLIC MARKET AREA COURSES

As illustrated in Table V-1, public courses in the market area have a mixture of public and private ownership. Of the 20 public regulation courses, six are privately owned and 14 are publicly owned.

Table V-1

SURVEY OF REGULATION PUBLIC GOLF COURSE OWNERSHIP AND OPERATION

<u>COURSE NAME</u>	<u>LAND OWNER</u>	<u>GREEN FEES</u>	<u>CONCESSIONS</u>	<u>MAINTENANCE</u>	<u>LEASING ARRANGEMENTS</u>
<u>San Mateo County</u>					
Crystal Springs	S. F. Water District	Private	Private	Private	Ground lease to Elias Leider.
Half Moon Bay Golf Links	Private (Ocean Colony)	Private	Private	Private	
San Mateo	City	City	Private	City	
Sharp Park	City of San Francisco	Private	Private	Private	Leased to Joan Lantz.
<u>Santa Clara County</u>					
Oakridge	Private	Private	Private	Private	
Palo Alto	City of Palo Alto	City	Private	City	Brad Lozares leases pro shop. Separate food and beverage concessionaire.
Pleasant Hills	Private (Henry Duino)	Private	Private	Private	
Riverside	Private (Oceanic Properties)	Private	Private	Private	
San Jose Municipal	City of San Jose	Private	Private	Private	Mike Rawitser Golf Shop turnkey leases.
Santa Clara Municipal	City of Santa Clara	Semi-private	Semi-private	Semi-private	Leased by Sports and Open Space Authority.

Table V-1

SURVEY OF REGULATION PUBLIC GOLF COURSE OWNERSHIP AND OPERATION  
(Continued)

<u>COURSE NAME</u>	<u>LAND OWNER</u>	<u>GREEN FEES</u>	<u>CONCESSIONS</u>	<u>MAINTENANCE</u>	<u>LEASING ARRANGEMENTS</u>
<u>Santa Clara County (Continued)</u>					
Santa Teresa	Santa Clara County	Private	Private	Private	Mike Rawitser leases all operations and maintenance.
Shoreline	City of Mountain View	Private	Private	Private	Pope and Associates turnkey operator.
Spring Valley	County of Santa Clara	Private	Private	Private	Ray Anderson Leases all operations.
Sunnyvale Municipal	City of Sunnyvale	City	Private	Private	Art Wilson leases pro shop, passes through green fees. Restaurant lease separate. Course to break even.
Fairway Glen	City of Santa Clara	Private	Private	Private	Ground Lease to American Golf Corp.
Tularcitos	Private	Private	Private	Private	
<u>San Francisco County</u>					
Lincoln Park	City of San Francisco	City	Private	City	Proshop leased to California Golf Center; restaurant also privately leased.
Harding Park	City of San Francisco	City	Private	City	Concessions run by California Golf Associates
<u>Alameda County</u>					
Skywest	City of Hayward	Semi-Private	Semi-Private	Semi-Private	Leased by Recreation District which is part of the City
Willow Park	Private	Private	Private	Private	Coffee shop leased out privately

Source: Economics Research Associates

In the case of the publicly-owned courses, private operators have taken over many of the course operations in the market area. Concessions at all the publicly-owned courses are now privately operated (the Sports and Open Space Authority in Santa Clara and the Recreation District in Hayward are semi-private agencies) and all but four publicly-owned courses (Lincoln Park, Palo Alto, Harding Park, San Mateo) have private maintenance operations. Six of the fourteen publicly-owned courses have green fees passed directly through to the city as opposed to receiving a percentage rent of proceeds from the private operator. In any case, private pro shop operators collect green fees as part of the pro-shop operations.

#### PRIVATE VERSUS PUBLIC DEVELOPMENT

One of the most critical road-blocks to developing a public golf course is the availability of financing. Many public agencies have surplus land but lack the financial resources or desire to fund a golf course. Moreover, relative to other types of recreation, golf is perceived as a "rich man's" game and receives relatively low priority in budgeting decisions. Nevertheless, many communities are experiencing a strong demand for recreation, including golf due to growth or demographic shifts. One recent trend is for public agencies without available capital resources to turn to private enterprises to develop municipal golf courses. However, because of escalating costs, coupled with the fact that golf courses have a long construction and "green-up" periods and often low play in the initial years, a fair return on investment for private enterprises is usually possible only in strong markets. Depending on the situation and particular arrangement, both public and private development each have certain advantages.

### Advantages in Private Financing/Construction

The most obvious advantage of private development is the transfer of financial risk associated with a major capital outlay from public hands to a private entity. In the case of private financing and development, the public will receive a high quality recreational amenity at relatively little cost and usually little risk, without diverting the financial resources of the parks department. In addition, the contracting and procurement process typically is greatly reduced for private firms thereby allowing more efficient development of the course.

If the private developer remains after completion of the course to operate and manage the facility, the planning and construction of the project may likely be carried out in a more efficient and careful manner because the private developer has a long-term interest in the success of the course. However, careful design, construction management and quality control must be built into any agreement and the integrity of the developer/operator must be assured.

### Advantages in Public Financing/Construction

The primary advantage to public financing is the availability of lower cost financing instruments to public entities. Most public agencies have financing options at tax-exempt interest rates below commercial market rates. If available, these instruments usually take the form of "certificates of participation" (COP's) or revenue bonds. Debt service is funded from the net income generated by the course although the public agencies general fund generally provides security to the bondholders. In this case, financing terms, including up to five years of capitalized interest, are more flexible than with conventional financing. In addition, through the use of COP's, the public agency is not required to use a "bid" competition in selecting a golf

developer with can justify the time and cost of adequate pre-development considerations.

### PRIVATE VERSUS PUBLIC OPERATIONS/MAINTENANCE

There are varying degrees in privatization within operation and maintenance responsibilities. There are three main area where privatization occurs: food and beverage, maintenance, and pro-shop. In almost all cases of municipal courses in the Bay Area, the food and beverage concessions and pro-shop operations are leased to a private entity. It is also common that maintenance of the course is privately contracted but in some cases, the municipality remains responsible for maintenance duties. Maintenance contracts may be based on a fixed fee or percent of gross revenue basis.

### Advantages to Private Operations/Maintenance

Private operators are significantly more cost efficient than public agencies primarily due to lower wage and benefit costs and the utilization of part-time and temporary workers. Administrative charges at public agencies may also add significant cost to publicly run courses. In some situations, a private operator has saved as much as \$100,000 - \$200,000 a year on labor and administration costs alone. In addition, a private operator can quickly respond to emergencies resulting from weather, drainage, or other unforeseen circumstances. Moreover, private operators are more likely to do maintenance when necessary rather than when the budget allows. As a result, private operators in general keep the course in better condition recognizing that long-term benefits of preventive maintenance. Nonetheless, detailed maintenance standards and quality controls must be included in any agreement. Green fees must be allowed to increase (in a controlled manner) over time to allow for adequate funds for maintaining the course.

### Advantages to Public Operations/Maintenance

The most significant advantage to public maintenance and operations is that the county retains full control over the course. Any amount of private involvement requires that at least some control be given up by the public agency. Although this fact has generally not been problematic, in some instances poor controls have led to spiraling green fees resulting in dissatisfied resident golfers.

In general, any arrangement involving a mixture of private and public entities, problems in control and responsibility can arise. However, many of the shortfalls in private development and operation of a public golf course can be offset by careful negotiation, establishing a good working relationship and a mutual understanding of each party's needs and objectives. Although the County may be financially responsible in the event that a private developer or operator fails, most likely the increased value of the improved asset will more than offset any loss to the County. In any case, another operator can easily be contracted to take over operation of the course.

### COMPARATIVE LEASE ANALYSIS

Most public/private ventures include a variety of arrangements and terms since operator and ownership philosophies differ with every course. For instance, both the San Jose Municipal and Sunnyvale Municipal pro shops operate as major golf supply retail outlets and major profit centers. Both pro shops generate very high sales volumes with slightly lower profit margins. Lease arrangements for both the pro shops reflect incentives for high sales volume.

In general, terms of lease and percentage rents reflect capital improvement requirements. The more capital improvements, the longer the term

and lower the percentage rent. Renovation of the club house is commonly part of the capital improvement program. In addition, green fee increases for private concessionaires must go through an approval process. Usually, the concessionaire must show green fees in comparable public golf courses. If comparable green fees are found to be higher, fee increases are generally granted.

An approach to a public-private joint venture is a ground-lease of public land to a private entity for both development and operation of a public golf course. This approach was used on a number of situation in the 1960's and early 1970's and has recently resurfaced. The land is generally leased for a long term, sufficient to obtain financing, during which time the private developer pays rent typically set at a small percentage of gross revenue. Once the term of the lease expires, the course reverts in its entirety to the public agency. Because of the strong golf market in the Bay Area, a ground-lease arrangement is particularly attractive to both the public and private entities involved. For this reason, ERA recommends a ground lease arrangement for the proposed golf course in San Mateo County.

#### Ground Lease Comparables

ERA interviewed golf course owners and operators throughout California to identify ground lease comparables. Of the few comparables identified, none were opened in the last decade but the majority were developed in the 1960's and early 1970's (see Table V-2). The following general points were observed.

- o The term of lease varied between 26 and 40 years.
- o Minimum annual rents are often initially low due to long green up periods and low initial play. However, minimum rents do increase with time.



Table V-2

SELECTED CHARACTERISTICS OF GOLF COURSE GROUND LEASES

<b>GOLF COURSE LOCATION:</b>	Birch Hills Brea Orange	El Prado Chino Riverside	Mile Square Fountain Valley Orange	Imperial Golf Course Brea Orange	San Bernardino Golf Club San Bernardino San Bernardino	Sunol Valley Sunol Alameda	Crystal Springs Burlingame San Mateo
<b>COUNTY:</b>	Orange	Riverside	Orange	Orange	San Bernardino	Alameda	San Mateo
<b>LESSOR:</b>	Union Oil	Riverside County	Orange County	Union Oil	City of San Bernardino/	S.F. Water District	S.F. Water Dist.
<b>LEASEE:</b>	Birch Hill	El Prado Golf Course	Mile Square	Imperial Golf Course	J.G. Golfing Enterprises	Sunol Valley	Elias Leider
<b>GOLF COURSE TYPE:</b>	18-hole exec.	36-hole reg.	18-hole reg.	18-hole reg.	14-hole reg.	36-hole reg.	18-hole reg.
<b>COURSE LENGTH:</b>	3,549	6,450/6,729	6,387	6,332	5,483	6,400	6,500
<b>PAR:</b>	59	72/72	72	72	70	72	72
<b>PARCEL SIZE (ACRES):</b>	50	250	120	115	102	280	204
<b>LEASE TERM:</b>	30 years	40 years	30 years	30 years	35 years	36 years	23 years
<b>INITIAL YEAR:</b>	1974	1975	1968	1968	1978	1965	1955
<b>OPTION TERM:</b>	---	20 years	---	---	---	6 years	None
<b>MINIMUM ANNUAL RENT:</b>	Year 1 \$ 1,000	\$12,000	\$12,000	\$ 1,000	\$11,200	\$12,000	\$7,000
	Year 2 5,400	12,000	12,000	5,400	11,200	12,000	7,000
	Year 3 7,200	12,000	12,000	7,200	11,200	12,000	7,000
	Year 4 12,000	12,000	12,000	12,000	11,200	12,000	7,000
	Year 5 12,000	12,000	12,000	12,000	11,200	12,000	7,000
	Year 6-10 12,000	12,000	12,000	12,000	15,200	12,000	7,000
	Stabilized(year)	19,800(Year 1)	12,000	19,800 (Year 1)	27,600 (Year 20)	12,000	7,000

Table V-2

SELECTED CHARACTERISTICS OF GOLF COURSE GROUND LEASES  
(Continued)

GOLF COURSE:	Birch Hills	El Prado	Mile Square	Imperial Golf Course	San Bernardino Golf Club	Sunol Valley	Crystal Springs
<b>PERCENTAGE RENTS:</b>							
(Greens/Carts/Range)							
Year 1	7%	5x1/	7%	7%	7.2%	10%	10%
Year 2	7	5	8	7	7.2	10	10
Year 3	8	5	9	8	7.2	10	10
Year 4	10	5	10	10	7.2	10	10
Year 5	10	5	12	10	8.7	10	10
Year 6-10	15	5	12	10	7.2	10	10
Year 11-20	18	9	14	18	9.2	10	10
Year 21-30	18	14	18	12	12.7	10	10
Year 31-40	--	10	--	--	12.7	10%	--
Year 41-60	--	12	--	--	--	--	--
<b>PERCENTAGE RENTS:</b>							
(food/liquor)							
Year 1-10	0%/5%	0%/4%	3%/4%	0%/4%	3%/7.2%	8.25%/8.25%	7.5%/7.5%
Year 11 +	0%/8%	0%/4%	3%/4%	0%/5%	3%/7.2%	8.25%/8.25%	7.5%/7.5%
<b>PERCENTAGE RENTS:</b>							
(Pro Shop)							
Year 1 +	0%	0%	3%	0%	3%	10%	10%

1/ Excludes carts and ranges revenues.

Source: Economics Research Associates

- o Percentage rents are consistent. High revenue sources (green fees, cart rental and driving ranges) receive percentages starting at seven percent in year 1 and rising to 10 to 18 percent in year 20. The two Bay Area courses are fixed at 10 percent.
- o Quite often, no percentage rents are charged for pro shop or food concessions. However, the Bay Area courses levy a 7 to 8 percent rent.
- o Liquor sales, which have a higher profit margin, attract a four to nine percent rent.

In each of the surveyed courses, the land was provided at no cost and since five courses were constructed on raw land, no extraordinary site preparation costs were incurred. Since these courses opened, real construction costs have soared; therefore, a current ground lease would need to be adjusted to account for higher construction costs to the private developer. A brief discussion of both the Sunol Valley and Crystal Springs courses follow.

#### Sunol Valley Golf Course

The Sunol Valley Golf and Recreation Company entered a ground lease agreement with the San Francisco Water Department in 1965 to construct a golf course and related facilities in Sunol, California. The original term of lease was 22 years. However, by 1969 it became apparent that the term of lease was too short to amortize development costs. Therefore in 1969 the lease was renegotiated to extend the term to 35 years, ending in 1991.

For the first 10 years of operation, the course experienced a great deal of financial difficulty since at this time the Sunol area was very rural. Recently, with growth in the San Ramon and Pleasanton Valley, Sunol is profitable and generating over \$200,000 worth of ground lease revenue to the district. Over the years there have been several complications and lawsuits over items in the lease agreement. Those complications stem largely from loosely worded contract language. The District retained no control over green fees and the operator is capable of charging what the market will bear.

#### Crystal Springs Golf Course

In 1955, Elias Leider entered into a ground lease agreement with the San Francisco Water Department to construct a golf course and related facilities in watershed land in Burlingame. The initial term of lease was 12 years and was renegotiated in 1965 to 30 years. This extension of term was compensation for expanded clubhouse and parking facilities. In 1972, the lease was again extended 23 years, expiring in 1995.

In general, operation of the course has been financially successful with the course currently generating over \$150,000 a year in revenue to the District. Again, problems and lawsuits have occurred largely due to loosely worded contract language. The Department retains no control over green fees which has resulted in a semi-private course charging \$35 per round. The green fees have also been increased to reduce the level of play on the course.

#### Advantages and Disadvantages to Ground Leases

The primary advantage to a ground lease over other options is that it is a relatively simple approach. Nevertheless, since lease terms often exceed 30 years, it is important that both parties plan carefully and negotiate skillfully. There is a relatively small risk to the public agency assuming

the financial health of the developer/operator is investigated and monitored. The developer receives the land at no cost and the long term lease allows enough time to generate a reasonable return on investment and attract investment capital. Moreover, since the discounted reversionary value of the course is relatively minimal, it should not play a critical role in negotiations. As mentioned, lease payments are tied to gross revenue and generally held low in the first years of operation until golf play builds to above break-even levels.

One of the general disadvantages to this approach over other arrangements is its dependance on a strong golf market; however, this is not a problem in the Bay Area and particularly in the subject market area where golf demand is extremely strong. Nevertheless, the public agency losses a great deal of control over operations and clearly a mutual trusting and working relationship must be established. Due to the long term of the lease, public agencies must be strong negotiators.

#### KEY "NEXT STEPS"

There are several key next steps to implement the development of the San Mateo County municipal golf course.

#### 1) Statement by Board of Supervisors

ERA believes it would be very helpful to asses the commitment of the Board of Supervisors to build a municipal golf course at the Southern Watershed Site. This would be a policy statement to guide negotiations with the San Francisco Water Department and empower the Parks and Recreation Department to continue design and implementation once the property is secured.

#### 2) Secure Use of Southern Watershed Site

The County must have a long-term agreement with the City of San Francisco and the San Francisco Water Department for use of the site as a municipal golf course. Since the course will be built on Water District land, the golf course, in effect, will be a joint effort between the two counties with San Mateo developing the course and San Francisco supplying the land. San Francisco residents can benefit from the course by allowing the use of San Francisco resident discount cards on the new course. In addition, any net profits from the course could be split between the two counties. We recommend any direct lease payments be avoided. The joint development of this public facility is another example of the strong relationship between the two counties and regional cooperation in addressing recreational needs.

3) Detailed Engineering and Design

Architectural (both golf course and clubhouse) and engineering consultants must be selected and detailed engineering and designs made. The request for proposals should be sent out immediately after the property is secured.

4) Decision on Public/Private Participation

A decision must be made as to the extent of public and private participation in this venture.

5) Bid for Development and Operation

Once a decision is made as to the extent of private participation, a bid package should be prepared and sent out indicating the type of development, designer, objectives, projected financial statements etc. Once bids are returned, one firm should be selected and detailed negotiations and contract

prepared.

The above steps are the basic initial steps that must be undertaken to begin the development process.

## SECTION VI

### FINANCIAL ANALYSIS AND CASH FLOW PROJECTIONS

The economics of public golf course have changed dramatically over the last 20 years. On the one hand, developing municipal courses has become more difficult as construction costs have risen sharply and large tracts of land within urban areas have become unavailable at affordable prices. In addition, legislation such as California Proposition 13 has cut funds for capital intensive recreational activities. However, on an operating basis, public golf course economics have improved significantly. In recent years, green fees have risen faster than operating and maintenance costs. In addition, the total number of players has grown, in particular seniors who can play at off-peak hours. Therefore, while the economics of golf course construction and land costs have deteriorated, the operating economics have improved. This shift in economics suggests that increased operating profits may be able to offset higher development costs in strong markets as long as land costs are negligible or available through a land lease.

In this section, a financial analysis is performed to determine the economic feasibility of the golf course proposed by San Mateo County to be built on San Francisco Watershed land. The primary objective of the financial analysis is to determine the level of net profit and corresponding internal rate of return generated by the golf course which would be available to the County and/or the developer/operator of the course. Based on these results, minimum green fee requirements are examined.

The following analysis separately tests the financial feasibility of each development plan A, B, and C. A detailed description of each plan is included in Appendix 1 of this report. Each case is run assuming private development and operation in the form of a ground lease. Then, using plan B



as a base case, a sensitivity analysis is performed varying the number of annual rounds. Lastly, the scenario of assuming public financing (through an issuance of Certificates of Participation) and public operation is also tested using plan B as a base case.

Below is a thorough review of all input assumptions which are the critical aspect of the analysis. Detailed financial statements of both the private and public development/operations for the Plan B development program are presented at the end of this section.

### INPUT ASSUMPTIONS

There are nine categories of inputs, starting with the general assumptions. All of the following assumptions are presented in the corresponding tables (as indicated) which are located at the end of the section. All assumptions, with the exception of per capita cart fees, are assumed to be the same for each development concept A, B, and C. It is felt that because of the particularly strong market for golf in the area, differences in each of the concepts (i.e. course length, layout, etc...) will not significantly impact annual rounds, green fees, and the majority of other assumptions below.

#### General Assumptions

- o Construction of the project is assumed for the purposes of this analysis to begin in late 1990 and will be completed by Spring 1992. A six to eight month green-up period will bring the opening date to January 1993. Following this study, environmental and other approvals as well as lease negotiations may be required.

- o All permits, approvals, and licenses will be granted at reasonable cost and on a timely basis.
- o The inflation rate will remain constant for construction costs, revenue, and expenses at 5.0% per year.

Annual Rounds (see Table VI-1)

- o ERA projects sufficient demand to generate 80,000 rounds of play. This level of play is somewhat below levels achieved at other municipal courses in the area but generally higher than area daily fee courses. The average number of rounds at a range of comparable courses in the area is 89,000 as shown below:

	<u>1988 Annual Rounds</u>
San Mateo Municipal	100,000
Palo Alto Municipal	108,000
Santa Clara Municipal	96,000
Crystal Springs	60,000
DeLaVeaga (Santa Cruz)	<u>83,000</u>
Average	89,000

However, the financial repercussions of varying the number of rounds are examined.

- o Due to the strong demand as indicated in Section IV and historic acceptance patterns of comparable new courses, rounds are expected to build up quickly, reaching a stabilized level of 80,000 annual rounds by the third year of operation (1995).
- o The distribution of rounds is based on experience at comparable courses. On weekend days, this is equivalent to roughly eight minutes between starts.

Green Fee Revenues (See Table VI-2 and VI-3)

- o It is assumed that San Mateo County will offer a discount program to residents of San Mateo and San Francisco Counties and to senior citizens. The resident discount program presented in this analysis is based on the current San Francisco County resident card program which gives residents a \$2 discount on the weekdays and a \$4 discount on the weekends with the purchase of a \$20 resident card good for one year. Approximately 30% of total rounds per year are expected to utilize this resident discount. The senior discount is based on comparable courses that offer senior discount green fees ranging from 30%-50% below standard daily green fees. In this analysis, discounted senior fees are offered on the weekdays only and are expected to make up 30% of all rounds during the weekday.
  
- o A reasonable green fee structure for the proposed course is presented in Table VI-2 and is based on a comparison standard rates at comparable courses in the area as follows:

	1988/89	
	<u>18 hole rates</u>	
	<u>Weekend</u>	<u>Weekday</u>
San Mateo Municipal	\$10.00	\$8.00
Palo Alto Municipal	\$14.00	\$10.00
Santa Clara Municipal	\$18.00	\$12.00
Crystal Springs	\$35.00	\$30.00
DeLaVeaga (Santa Cruz)	<u>\$21.00</u>	<u>\$15.75</u>
Average	\$19.50	\$15.00

These rates equate to approximately \$23.00/\$18.00 for standard rates and \$19.00/\$16.00 for resident rates in 1993 dollars, the year the course is assumed to open. Although ERA feels that the green fees in Table VI-2 are reasonable for the proposed course,

in the following analysis minimum green fee requirements are examined based on minimal financial results.

- o Green fees are assumed to increase every year in accordance to the assumed inflation rate of 5%.

Other Revenues (see Table VI-3)

- o Cart fees in 1989 dollars for 18 holes are estimated at \$15.00 per person for 18 holes ( \$18.00 in 1993 dollars) and \$10.00 per person for a 9-hole round (\$12.00 in 1993 dollars). These rates are based on current fees for comparable courses and are presented on a per capita basis assuming two persons per cart. ERA estimates that 85% of cart rentals will be at the 18-hole rate and 15% at the 9-hole rate. In development cases A and B there is moderate elevation gain and it is assumed that 50% of all players will rent carts which calculates to a \$3.64 per capita rate (\$4.62 in 1993 dollars). Case C calls for a substantial amount of contours and elevation gain. Therefore, in the case C scenario it is estimated that 60% of all players will rent a golf cart which calculates to a \$4.36 rate (\$5.30 in 1993 dollars).
- o The pro shop is envisioned as a resort-style shop selling high quality merchandise. Assuming 80,000 annual rounds, an estimate of pro shop gross sales is approximately \$300,000 per year in 1993 dollars which equates to a \$3.75 per capita. A 70% Cost of Sales (COS) is applied to this gross revenue amount.
- o A medium size driving range is assumed to generate a strong revenue of \$150,000 per year in 1993 dollars. This equates to

approximately \$1.90 per capita. The driving range is not assumed to be night-lighted.

- o A bar and grill, as opposed to a full restaurant, is assumed. Based on comparables in the Bay Area, gross sales of approximately \$200,000 or \$2.50 per capita in 1993 dollars is estimated. However, it is assumed that food and beverage operations will be subleased to a concessionaire and therefore, only 7% of gross revenue will be returned to the course.

Operating Expenses (See Table VI-4)

- o Operating expenses are relatively fixed (other than 5.0% inflation) even prior to reaching the stabilized year in 1995.
- o Since food and beverage revenue to the golf course is based only on the percentage paid to the golf course by a concessionaire, no expenses in the food and beverage department are assumed. However, pro-shop payroll is included in the operating expenses.
- o Water expenses and utilities are estimated based on information from other courses in the area. Actual costs will be based on a specific rate contract. The estimates assume that a significant discount on water rates will be negotiated. However, the actual costs could be somewhat higher depending on the actual contract arrangement and water source.
- o Slightly higher payroll/benefits and administration expenses are assumed under the scenario of public operation of the course given the requirements of government employees. However, slightly lower insurance and legal expenses are assumed.

Initial Construction and Development Costs (See Table VI-5 and Appendix 1)

- o ERA used golf course construction and development costs for each of the three cases as provided by Robert Trent Jones II (see Appendix 1). ERA has not independently confirmed these development costs. Civil or mechanical engineering, importation of topsoil, and lake lining costs are not included. Golf architect fees, and utilities costs are included in other costs below.
- o As shown in Appendix 1, the development costs for each of the three cases do not vary much. The longer length of concept A served to increase topsoil, irrigation, fairway development and tree planting costs which offset the higher grading costs in concepts B and C. In addition, because concept C involves significant elevation gain, it is assumed more players will rent carts. The resulting increase in cart fees helps to offset the higher development fees for concept C.
- o All other initial costs are estimated by San Mateo County and ERA and include all on-site development costs directly related to the clubhouse, maintenance building, parking, and other infrastructure/utilities as well as all start-up and soft costs and contingencies. Development costs do not include mitigation or off-site costs or the construction of bridges, tunnels, culverts and roads.
- o Clubhouse costs of \$1.2 million are based on a 4,500 square foot building including a pro shop, bar and grill, starter booth, restrooms, office and a 7,000 square foot maintenance building. Parking lot costs are not included.

General Pro-forma Assumptions (see Table VI-8 and VI-10)

- o The pro-forma covers 11 years of operation (1993-2003) plus three years of construction (1990-92). However, future values of net operating revenue are realized in 2003.
- o All cash flow and corresponding valuation and internal rate of return calculations are on a pre-tax basis only.
- o Since capital costs are amortized over time, no depreciation is accounted for on a pre-tax basis, However, a replacement reserve is included as an operating cost.

Private Financing/Ground Lease Assumptions (see Table VI-6 and Tables A2-1 through A2-4 in Appendix 2)

Lease Terms

- o A ground lease arrangement is assumed. The length of the lease for this analysis is assumed to be 35 years (1990-2025) excluding option periods.
- o Minimum percentage lease terms and overage lease payment requirements used in this analysis are presented in Table VI-6. The cash flow analysis includes a cash flow to the private developer/operator as well as a cash flow stream to the county in the form of ground lease payments.

## Private Financing

- o An analysis using conventional financing is assumed. Terms and rates for conventional financing are listed in Table VI-6.
- o A total project cost plus contingencies is spread out over the initial three year period (1990-92). Developer equity of 20% of the total project cost is subtracted from this total amount. The remaining balance is assumed to be financed through a series of construction loans at 14% interest rate. In 1993, when the course opens, the construction loan amounts outstanding including principal and interest are assumed to be rolled into a permanent 25 year loan at 12% interest. Annual debt service is calculated based on these terms.
- o The pro-form includes only eleven years of operation (1993-2003). In order to capture the value of the course to the private operator during the remainder of the 35 year lease period (2004-2025) a remaining value is calculated by capitalizing the Net Operating Income in year 2003 using a 15% capitalization rate. From this figure, the remaining loan balance in year 2003 is deducted to obtain a net remaining value of the course to the operator through the end of the lease.
- o The remaining value to the County through the end of the lease period is calculated by capitalizing the ground lease payment in the year 2003 at a 12% capitalization rate. At the end of the lease (year 2025), the golf course will be reverted back to the County unless another lease is renewed. The terminal value of the course to the County after the initial lease expires is calculated



by capitalizing (cap rate = 12%) the net operating profit in year 2025 after the lease period and discounting it by a rate of 8%.

Public Financing Assumptions (see Table VI-7 and Tables A2-5 through A2-8 in Appendix 2)

- o Public Financing is shown for plan B only. It assumes the total development costs to be financed through a bond issue in the form of Certificates of Participation. All terms and rates are shown in Table VI-7.
- o Issue costs and a reserve fund are included in the par value of the issue. The reserve fund is then assumed to be invested at a conservative rate of 5% per year.
- o Two years of capitalized interest are included in the par value of the issue in light of the low levels of operating profit in the initial years of operation.
- o Future value of the course after the thirteen years of operation shown is captured by capitalizing Net Operating Income in year 13 (2003) by a 12% capitalization rate. From this figure, the remaining principal balance of the bond issue is subtracted and the current reserve fund amount is added. A 3% commission rate is applied to obtain the net terminal value of the course.

RESULTS OF PRELIMINARY FINANCIAL ANALYSIS

Table VI-8 presents a summary of cash flow for a thirteen year time period (1990-2003). Development concept B is used as a base case example and a ground lease with a private developer/operator is assumed. Both a pre-tax cash flow to the developer/operator and to the County are shown. The pre-tax

cash flow to the operator is a result of Net Operating Income less debt service (\$791,000 per year) and developer equity contributions. (\$1.3 million over the first three years). The pre-tax cash flow to the operator does not become significant until 1995, the third full year of operation, generating approximately \$242,000 in net cash. Cash flow steadily rises thereafter as a stabilized number of annual rounds (80,000) is achieved. Cumulative cash flow does not turn positive until year seven (1999) indicating that at this time the course has paid back its initial investment according to this analysis (not including the opportunity cost of money).

The pre-tax cash flow to the County is based on ground-lease payments made to the County by the operator. These payments grow steadily as the revenue proceeds from the course increase.

Table VI-9 presents Net Present Value (NPV) and Internal Rate of Return (IRR) calculations both to the operator and to the County based on pre-tax cash flow. The NPV of the golf course to the operator for the full 35 year lease period ranges from \$2.1 million at an 8% discount rate to \$38,000 at a 20% discount rate. The IRR for the project on a pre-tax basis calculates to be 20.6% which is considered to be an adequate return on private investment given the nature of the project. The pre-tax cash flow to the County through the 35 year lease period ranges from \$0.8 million (8% discount rate) to \$0.2 million (20% discount rate). However, including the terminal value of the course after the lease expires, the NPV ranges from \$2.5 million (8% discount rate) to \$0.6 million (20% discount rate).

#### Comparison of Development Concepts

In addition to the above analysis for development concept B, similar cash flow and NPV/IRR analyses have been performed for the golf course

development concepts A and C. The results for comparison purposes are presented below:

	Total Develop. Costs	Pre-tax		
		Operator IRR (35 Years)	Operator NPV @10%	County @15%
Concept A	\$6.54M	20.8%	\$2.0M	\$1.1M
Concept B	\$6.56M	20.6%	\$2.0M	\$1.1M
Concept C	\$6.71M	22.3%	\$2.1M	\$1.2M

Because development costs for each of the three concepts do not significantly differ and because input assumptions (except for per capita cart fees) were held constant across all three cases, the financial results for each concept are essentially equal. Each concept results in an adequate pre-tax return to the private operator as well as allowing for significant proceeds to the County. As to which concept would be the best option for the proposed course is not obvious from a financial perspective but will likely depend on a variety of factors including the ability to acquire the various parcels of land and the corresponding array of environmental concerns. It is the opinion of ERA that, from a purely marketing standpoint Concept A would be the preferred plan given its slightly lower initial development costs and the longer length and superior layout of the course. Concept C is the least marketable concept (see appendix for more detail).

### Sensitivity Analyses

Given that each of the golf course concepts are viable from a financial standpoint, minimum green fee requirements and the financial repercussions of varying the number of annual rounds expected have been examined.

Minimum green fee requirements based on the lowest green fees that can be charged and still result in a minimal return (15%) to the operator are presented below.

	18-hole Minimum Green Fee Requirements (Weekend/Weekday)	
	1989 \$	1993 \$
	Standard	\$17.50/\$14.00
Resident	\$13.50/\$12.00	\$16.50/\$14.50
Senior	-- /\$8.50	-- /\$10.50

This analysis assumes that the number of rounds remains at 80,000. The financial viability of the project is quite sensitive to green fee assumptions and therefore, the minimum green fees are only slightly less than those which ERA considers to be reasonable based on other comparable courses (as previously presented).

The financial impact of both lowering and increasing the number of annual rounds expected was then tested. The results are shown below:

<u># of Annual Rounds</u>	<u>Operator IRR (35 years)</u>	<u>County NPV @ 10% disc. rate</u>
90,000	30.1%	\$2.6M
80,000	20.6%	\$2.0M
70,000	6.2%	\$1.6M

As shown, the financial performance of the course is also quite sensitive to the number of rounds. Lowering the rounds by only 10,000 to 70,000 rounds per year results in an inadequate return on investment of 6% for the private operator. The proceeds to the County are also negatively affected although not as significantly as the ground lease payments to the County still calculate to a moderate NPV of \$1.6 million. This is due to the minimum rent requirements and by the lack of initial up-front money paid out by the County. This sensitivity analysis is an example of how a ground lease arrangement can

shield the County from some of the financial repercussions of poor performance or unforeseen circumstances.

Public Financing/Operations Alternative

Table VI-10 presents a cash flow analysis for concept plan B assuming public financing instead of private financing as previously presented. The public financing is through a bond issue using Certificates of Participation (COP). In this example, a COP rate of 7.5% is used. The total amount of initial development costs are assumed to be financed with no up-front capital. Since this analysis assumes that the County will operate the course, payroll and benefit operating costs have been increased in light of government employee requirements. Because there is no private operator, the County receives all proceeds from the course but must pay out debt service on the COP issue. For the first two years of operation (1993-1994) proceeds from the course are not enough to cover debt service so two years of capitalized interest have been included in the par value of the issue. However, after year 2 (1994) as the level of play reaches its stabilized 80,000 annual rounds, Net Operating Income is greater than debt service and a positive cash flow results.

Using concept B as a base case, the NPV calculations from this analysis using a 7.5%, 8.5%, and 9.5% COP rate are compared with NPV results from the analysis assuming private financing/ground lease.

Discount Rate:	NPV Calculations (millions)					
	Private Financing			Public Financing		
	Opera- tor	County	Total	COP @7.5%	COP @8.5%	COP @9.5%
10%	\$1.5	\$2.0	\$3.5	\$3.8	\$3.1	\$2.6
12%	\$1.0	\$1.5	\$2.5	\$2.9	\$2.6	\$2.2
15%	\$0.5	\$1.1	\$1.6	\$2.3	\$2.0	\$1.7

As illustrated, the public financing option results in higher total NPV calculations than for private financing using a COP rate of 7.5% and 8.5%. This is due to the fact that no up-front capital is paid out and the total development cost is financed at a relatively low rate. In addition, the County receives all proceeds under the public financing option whereas only ground lease payments are received under the private financing/ground lease option. However, the private financing/ground lease option is less risky in that the County is not responsible for yearly debt payments and is assured of receiving a steady stream of minimum lease payments regardless of the financial performance of the course. In addition, the County does not have the concern and complication of actually having to operate and maintain the course. These points are especially important given the sensitivity of the financial performance of the course to the green fees charged and annual rounds achieved.

#### SUMMARY

Based on the various financial analyses conducted, ERA concludes that the proposed golf course is financially viable under all three development concepts. However, given Concept A's slightly lower development costs, longer length and superior layout, it is ERA's opinion that Concept A would be the preferred development if environmental and land acquisitions requirements can be met .

Minimum green fee requirements to make the project financially viable are reasonable and below average levels of fees charged at comparable courses in the area. However, the financial performance of the project is sensitive to green fees and particularly to the number of annual rounds achieved. Although the project is financially viable assuming 80,000 annual rounds,

which is below many other municipal courses in the area, decreasing the rounds to 70,000 makes the project financially feasible.

Although a private developer and operator of the course was assumed in the form of a ground lease, public financing and operations is also a viable option and could result in relatively strong proceeds to the County depending on financing rates. However, assuming a well thought-out ground lease arrangement is negotiated, there is less financial risk and an avoidance of operation and maintenance responsibilities in a ground lease arrangement. For this reason, it is its ERA's opinion that a ground lease is the more suitable option for San Mateo County.

#### DETAILED BACKUP FINANCIAL STATEMENTS

Detailed financial statements using development concept B as a base case are presented in Appendix 2 for both the private and the public financing scenarios. Tables included are listed below:

##### Private Financing/Ground Lease

Table A2-1	Cash Flow Summary
Table A2-2	Income and Expense Statement
Table A2-3	Financing and Future Values Cash Flow
Table A2-4	Detailed Development Costs

##### Public Financing

Table A2-5	Cash Flow Summary
Table A2-6	Income and Expense Statement
Table A2-7	Financing and Future Values Cash Flow
Table A2-8	Detailed Development Costs

case b  
ground lease

Table VI-1

SAN MATEO COUNTY GOLF COURSE FINANCIAL ANALYSIS  
INPUT ASSUMPTIONS

ANNUAL ROUNDS  
-----

	1993 -----	1994 -----	1995 on -----
18-hole weekday	35,100	37,050	39,000
18-hole weekend	20,700	21,850	23,000
9-hole weekday	11,700	12,350	13,000
9-hole weekend	4,500	4,750	5,000
Total Rounds	72,000	76,000	80,000
18-hole Rounds	63,900	67,450	71,000



SAN MATEO COUNTY GOLF COURSE FINANCIAL ANALYSIS  
INPUT ASSUMPTIONS

GREEN FEE STRUCTURE AND ASSUMPTIONS

	1989\$			Adjusted Rate /3		
	Annual Rounds 1/	Standard Rate	Resident Rate/2	Senior Rate	1989 \$	1993 \$
18-hole Weekday	39,000	\$15.00	\$13.00	\$9.00	\$12.60	\$15.32
18-hole Weekend	23,000	\$19.50	\$15.50	\$19.50	\$18.30	\$22.24
9-hole Weekday	13,000	\$9.00	\$7.00	\$5.50	\$7.35	\$8.93
9-hole Weekend	5,000	\$12.00	\$8.00	\$12.00	\$10.80	\$13.13
Weighted Average	80,000	\$15.13	\$12.43	\$11.64	\$13.27	\$16.13

- 1/ Stabilized Year.
- 2/ For San Mateo and San Fran. Co. Residents.  
Based on current San Francisco Resident Card Program
- 3/ Based on a mix of 40% Standard Rate, 30% Resident Rate,  
30% Senior Rate.

Source: Economics Research Associates

SAN MATEO COUNTY GOLF COURSE FINANCIAL ANALYSIS  
INPUT ASSUMPTIONS

REVENUES  
-----

	Adjusted Rate 1/ (1993 \$s)
Green Fees:	
18-hole weekday	\$15.32
18-hole weekend	\$22.24
9-hole weekday	\$8.93
9-hole weekend	\$13.13
Average	\$16.13
Other Revenue:	Per Capita Revenue (1993 \$s)
Cart Fees	\$4.62
Pro Shop	\$3.75
Driving Range	\$1.90
Snack Bar and Lounge	\$2.50
Percent of F&B to Course 2/	7.0%

1/ See Table VI-2 for detail.

2/ Revenue to County based on 7% of gross.

case b  
ground lease

Table VI-4

SAN MATEO COUNTY GOLF COURSE FINANCIAL ANALYSIS  
INPUT ASSUMPTIONS

OPERATING EXPENSES  
-----

	(1989 \$S)	(1993 \$S)
Course Maintenance		
Payroll & Benefits	\$225,000	\$273,489
Materials and Other	130,000	158,016
Utilities	100,000	121,551
Replacement Reserves	50,000	60,775
Subtotal	\$505,000	\$613,831
General & Administrative		
Payroll & Benefits	\$120,000	\$145,861
Insurance & Legal	50,000	60,775
Utilities	10,000	12,155
Taxes & Other	20,000	24,310
Miscellaneous	20,000	24,310
Subtotal	\$220,000	\$267,411
Driving Range	\$35,000	\$42,543
Cart Lease, Maint. and Labor	\$85,000	\$103,318
Pro Shop (percent of gross)	75.0%	

SAN MATEO COUNTY GOLF COURSE FINANCIAL ANALYSIS  
INPUT ASSUMPTIONS

DEVELOPMENT COSTS - CONCEPT B /1

	(1989 \$)	Portion Completed in:		
		1990	1991	1992
Golf Course Development				
Clearing	\$150		100.0%	
Topsoil Stripping/Replacement	220		80.0%	20.0%
Earthwork	550		80.0%	20.0%
Greens, Tees, Bunkers, Fairway Contouring	900		80.0%	20.0%
Irrigation	575		80.0%	20.0%
Fairway Development	175		60.0%	40.0%
Subsurface Drainage	200		60.0%	40.0%
Cart Paths (full length asphalt)	250		60.0%	40.0%
Bunker Sand	75		20.0%	80.0%
Tree Planting	130		60.0%	40.0%
TOTAL Golf Course	3,225			
Structures (Clubhouse, Maint. Bldg.)	1,200		20.0%	80.0%
Utilities				
Sewer	200		100.0%	
Water	100		100.0%	
Elec.	85		100.0%	
Phone	71		100.0%	
Maintenance Equipment	320			100.0%
Miscellaneous	50		50.0%	50.0%
Soft Costs				
Approvals	110	50.0%	50.0%	
Architect & Engineer	400	50.0%	25.0%	25.0%
Working Capital/Inventory	210			100.0%
Contingencies	597			
Total Development Costs	\$6,568			

/1 See appendix 1 for comparative development costs of concepts A,B, and C.

Source: Robert Trent Jones II and Economics Research Associates.

SAN MATEO COUNTY GOLF COURSE FINANCIAL ANALYSIS  
INPUT ASSUMPTIONS

GROUND LEASE TERMS  
-----

MINIMUM PERCENTAGE LEASE

	1993-97	1998-02	2003 on
	-----	-----	-----
Green Fees	1.0%	2.0%	5.0%
Cart Fees	1.0%	2.0%	5.0%
Driving Range	1.0%	2.0%	5.0%
Food and Beverage 1/	0.0%	10.0%	20.0%
Pro Shop	0.0%	0.0%	2.0%
Minimum Annual Rent	\$10,000	\$15,000	\$50,000

OVERAGE LEASE PAYMENTS

	1993-97	1998-02	2003 on
	-----	-----	-----
Gross Green and Cart Revenue Over (000):	\$2,100	\$2,600	\$3,000 2/
Percent Overage Rent	50.0%	50.0%	50.0%

PRIVATE FINANCING TERMS  
-----

Inflation Rate	5.0%
Inflation Index (1989 to 1993)	1.22
Private Conventional Financing	
Developer Equity	20.0%
County Upfront Capital	
Term of Loan	25 years
Construction Interest Rate	14.0%
Long-term Interest Rate	12.0%
Financing Points(% project cost)	3.0%
Cap. Rate Years 14-35 (operator)	15.0%
Cap. Rate Years 14-35 (County)	12.0%
Discount Rate (terminal value)	8.0%

1/ Revenue to County based on 7% of gross.

2/ To be indexed to increases in revenue.

SAN MATEO COUNTY GOLF COURSE FINANCIAL ANALYSIS  
INPUT ASSUMPTIONS

PUBLIC FINANCING ASSUMPTIONS  
-----

Inflation Rate	5.0%
Inflation Index (1989 to 1993)	1.22
Public Financing:	
Term of Bonds	25 years
Certificate of Participation	7.50%
Cost of issuance	5.5%
Const. Interest Income rate	5.0%
Reserve Fund Requirements	10.0% of issue amount
Reserve Fund Interest Rate	5.0%
# of years of Capitalized Interest	2
Capitalization Rate	12.0%
Sales Commission Rate	3.0%

TABLE VI-8: SAN MATEO COUNTY GOLF COURSE CASH FLOW SUMMARY

sum case b ground lease	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
inflation factor	5.0%	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.63	1.71	1.80	1.89	1.98	
(thousands of dollars)																
Revenues																
Green Fees					1,162	1,287	1,494	1,569	1,647	1,730	1,816	1,907	2,002	2,102	2,208	
Cart Fees					333	369	428	449	472	495	520	546	573	602	632	
Range Fees					137	152	168	176	185	194	204	214	225	236	248	
Food & Beverage					13	14	15	16	17	18	19	20	21	22	23	
Pro Shop					270	299	347	365	383	402	422	443	465	489	513	
Total Revenue					1,914	2,121	2,452	2,575	2,704	2,839	2,981	3,130	3,286	3,451	3,623	
Operating Expenses																
Maintenance					614	645	677	711	746	783	823	864	907	952	1,000	
General & Admin.					267	281	295	310	325	341	358	376	395	415	436	
Driving Range					43	45	47	49	52	54	57	60	63	66	69	
Cart Lease					103	108	120	126	132	138	145	153	160	168	177	
Pro Shop					203	224	260	273	287	302	317	332	349	367	385	
Ground Lease Payments					16	18	21	22	33	50	53	55	58	113	169	
Total Expenses					1,246	1,321	1,419	1,490	1,574	1,669	1,753	1,840	1,932	2,081	2,235	
Net Operating Income					668	800	1,033	1,084	1,129	1,170	1,228	1,290	1,354	1,370	1,388	
Project Cost and Financing																
Total Project Costs		255	3,455	2,808												
Developer Equity			770	579												
Permanent Loan				6,205												
Annual Debt Service					791	791	791	791	791	791	791	791	791	791	791	
Annual Pre-tax Cash Flow to operator			(770)	(579)	(123)	9	242	293	338	379	437	498	563	578	597	
Cumm. Pre-tax Cash Flow to operator			(770)	(1,349)	(1,472)	(1,464)	(1,222)	(929)	(590)	(212)	225	723	1,286	1,865	2,461	
Operator Value (35 years) 1/			(770)	(579)	(123)	9	242	293	338	379	437	498	563	578	5,066	
County Cash Flow (35 years)			0	0	16	18	21	22	33	50	53	55	58	113	1,650	
County Value (incl. terminal) 2/			0	0	16	18	21	22	33	50	53	55	58	113	6,876	

1/ Includes future value of lease period for years 14-35 (2004-2025)

2/ Ground lease payments plus future value of lease

npv  
 case b  
 ground lease

Table VI-9

NET PRESENT VALUE CALCULATIONS

Discount Rate -----	Operator	County	
	35-year Lease Period 1/ -----	35-year Lease Period 1/ -----	35-year Lease Period + Term. Value 2 -----
8.0%	\$2,068	\$767	\$2,547
9.0%	1,754	682	2,246
10.0%	1,479	607	1,984
12.0%	1,026	484	1,553
15.0%	534	348	1,086
20.0%	38	207	614
IRR=	20.6%	NA	NA

1/ Includes future value of lease payments Years 14-35.

2/ Includes terminal value of golf course after lease expires.

Source: Economics Research Associates



TABLE VI-10: SAN MATEO COUNTY GOLF COURSE CASH FLOW SUMMARY

sum  
case b  
Public Fin.

(Thousands of dollars)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
Inflation factor	5.0%	1.00	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.63	1.71	1.80	1.89	1.98
Revenues																
Green Fees					1,162	1,287	1,494	1,569	1,647	1,730	1,816	1,907	2,002	2,102	2,208	
Cart Fees					333	369	428	449	472	495	520	546	573	602	632	
Range Fees					137	152	168	176	185	194	204	214	225	236	248	
Food & Beverage					13	14	15	16	17	18	19	20	21	22	23	
Pro Shop					270	299	347	365	383	402	422	443	465	489	513	
Total Revenue					1,914	2,121	2,452	2,575	2,704	2,839	2,981	3,130	3,286	3,451	3,623	
Operating Expenses																
Maintenance					705	740	777	816	857	900	945	992	1,042	1,094	1,148	
General & Admin.					280	294	308	324	340	357	375	393	413	434	455	
Driving Range					43	45	47	49	52	54	57	60	63	66	69	
Cart Lease					103	108	120	126	132	138	145	153	160	168	177	
Pro Shop					203	224	260	273	287	302	317	332	349	367	385	
Total Expenses					1,333	1,411	1,512	1,588	1,667	1,751	1,838	1,930	2,027	2,128	2,235	
Net Operating Income					581	710	940	987	1,036	1,088	1,142	1,200	1,259	1,322	1,389	
CASH FLOW ANALYSIS:																
Outflows:																
Total Project Costs			3,710	2,808												
Debt Service			0	785	785	785	785	785	785	785	785	785	785	785	785	
Res. Fund/Issue Cost			1,356													
Inflows:																
Bond Proceeds			8,750													
Construction Interest Income			437													
NET Operating Income			0	0	581	710	940	987	1,036	1,088	1,142	1,200	1,259	1,322	1,389	
Total Source of Funds			9,187	0	581	710	940	987	1,036	1,088	1,142	1,200	1,259	1,322	1,389	
Annual Pre-tax Cash Flow			4,121	(3,593)	(204)	(75)	155	202	251	303	357	415	475	537	604	
County Value (incl. terminal value) 1/			4,121	(3,593)	(204)	(75)	155	202	251	303	357	415	475	537	604	
Cumm. Pre-tax Cash Flow			4,121	528	323	248	403	605	856	1,159	1,516	1,931	2,405	2,943	3,546	

1/ includes value of income stream after year 2003

**APPENDIX 1**  
**DETAIL OF DEVELOPMENT CONCEPT ALTERNATIVES**

## ROBERT TRENT JONES II

*Golf Course Design and Recreational Planning*

April 27, 1989

Mr. David Christi, Director  
Parks & Recreation Department  
County of San Mateo  
County Government Center  
Redwood City, California 94063

Re: Southern Watershed Golf Course Study

Dear Dave:

Enclosed please find Golf Course Concepts A, B and C for the "Southern Watershed Property." These three layouts reflect the discussions from our meeting held in your office the end of last month which directed us to study the golf potential of three different land configurations on the subject property. The three plans are separately described in the following paragraphs for your use in analyzing the layouts.

### Concept A (6,645 Yards, Par 72)

This concept features a "returning nine" layout, both nines being par 36 which return to a centrally located clubhouse site. This type of layout is most desirable from an operations standpoint particularly in a public facility, as options exist for allowing both nine hole play in early morning and late afternoon as well as starting players on both "nines" for tournaments, etc.

Access to the combined clubhouse and maintenance site is off of Canada Road near the Interstate 280 underpass. A practice range complete with a "chipping" green and practice bunkers is located west of the clubhouse site to allow hitting into the hillside valley.

Holes 1-9 play south from the clubhouse site bordering Interstate 280 with two par 5 holes to begin the round, thus assisting in getting the pace of play off to a good start. The course then traverses up the hillside to a potentially dramatic par 5 hole #6, then working back downhill to a par 3 hole #9 overlooking the clubhouse below. Although somewhat unconventional, this nine holes features three par 3's, three par 4's and 3 par 5's with a total length of 3,250 yards and a nice variety for the golfers.

Holes 10-18 play north from the clubhouse site and traverse under Canada Road via a proposed underpass to play holes 12 and 13 in the land adjacent to the east side of Canada Road. The golfers would then return through the same underpass after hole #13 to complete the "back nine" which traverses up onto the hillside, finding some fine finishing holes in #16-18. This nine holes is a "traditional" par 36 with two par 3's, two par 5's and 5 par 4's with a total length of 3,395 yards.

Three lakes are indicated on this layout which add visual interest and strategic challenge to the golf course as well as potentially serving as storage reservoirs for irrigation needs.

A prime consideration in analyzing this layout is that the golf course has been kept to the degree possible on the available gently rolling land which allows for both a walkable golf course as well as reduced earthmoving costs which are a prime component in the cost of construction. By using the land east of the Canada Road/Edgewood Road intersection to locate two golf holes, we were not only able to create an enjoyable, walkable, less costly course, but also a layout which becomes par 72 and of a total length of 6,645 yards. This length would be considered "regulation" by the golfing public and worthy of tournament play. However, it should be noted this total length of 6,646 yards is still enjoyable for the widest range of golfers, being not too short, but also not too long, as the "championship" courses of today often reach over 7,000 yards in length. Additionally, the two nine holes are fairly "balanced" in total length at 3,250 yards for holes 1-9 and 3,395 yards for holes 10-18 which assist in a sense of equality in the golfer's mind, not just leading to a sense of like or dislike of a particular nine holes based solely on length.

Concept B (6,245 Yards, Par 71)

This concept also features a "returning nine" layout as did Concept A to a centrally located clubhouse site. The primary difference is that par is reduced to 71 and the lengths is substantially less at 6,245 yards.

This has occurred primarily due to this layout not crossing into the land east of Canada Road. This layout confined itself on the north to the Canada/Edgewood intersection and the private access road which traverses west from that intersection.

Although "returning nines" have been achieved, there is a vast imbalance in the two nines, with holes 1-9 at 2,845 yards, par 35 and holes 10-18 at a traditional 3,400 yards, par 36.

As was the case with Concept A, the clubhouse site and maintenance facility are centrally located with access off Canada Road. A practice range is located west of the clubhouse site in the same hillside valley as used in Concept A.

Due to a reduction in the gently rolling "natural" golf terrain as used in Concept A, finishing holes 16, 17 and 18 are "carved" along the face of the hillside. Although this presents additional construction costs than Concept A with increased earthmoving, drainage, etc., it would provide for some dramatic finishing holes to the round of golf. After completion of hole 18, the golfers would be required to traverse downhill some 70 feet back to the clubhouse site.

Concept C (6,250 Yards, Par 71)

This concept confines itself to the land south of the drainage swale on the north end of the property. This is in response to the recommendations of Thomas Reid Associates who outlined this as potentially "sensitive." However, by restricting the golf course to the south of this area and with access to a clubhouse site limited to Canada Road, this layout does not allow for "returning nines" to the clubhouse, a limiting factor from an operation standpoint, and thus allows for only 18 hole play, all beginning from the first hole. Additionally, due to the restricted total land area, a number of holes (14-18) are forced up into the hillside, requiring not only extensive earthmoving, but also providing for such a wide variety of elevation changes that walking the golf course would prove prohibitive, thus forcing use of golf carts. The finishing holes, while potentially dramatic, require a downhill elevation change of 45 feet from #17 green to #18 tees and 100 feet from #18 green back to the clubhouse.

As was the case in Concept B, the total length is only 6,250 yards which is considered short by the golfing public in general. This could hamper the impression of the course's quality in the eyes of the players and is indeed too short to host tournaments, etc.

In summary, it is our opinion as your golf course architect that the County of San Mateo would best be served by pursuing the layout depicted in Concept A. This plan not only provides for the best golf course in terms of total length, par, balanced nines, returning nines, etc., but also would be the least costly to construct due to maximizing the use of gently rolling "natural" golf terrain, thus reducing earthwork and drainage costs. Additionally, this layout would be the most enjoyable to walk due to the more gentle terrain--a prime consideration in accommodating the needs of the golfers. In fact, Concept C, in

Mr. Dave Christi  
April 27, 1989  
Page 4

our opinion, would not be walkable at all by a large portion of the golfing public due to the substantial elevation changes which occur.

All of the concepts access the clubhouse from Canada Road in the same general location, and this needs to be reviewed by your engineers for feasibility as well as assessing the proposed clubhouse locations for sewer and other utility access.

All concepts propose eliminating the equestrian trail which currently parallels Interstate 280, primarily for safety reasons, and relocating it above the golf course along the western hills accessed from the current location on the south end of the subject property adjacent to Woodside.

We trust these plans will assist the County of San Mateo in assessing the golf potential of the "Southern Watershed Property" and that this will prove to be a step forward towards the realization of this long awaited facility for the golfers of San Mateo County. As always, we stand ready to assist you in making this dream a reality and look forward to your questions and comments.

Sincerely,

ROBERT TRENT JONES II

  
Gary D. Linn (r.k.)  
Design Associate

GDL:tak  
Enclosure

## BUDGET COST ANALYSIS

"Southern Watershed Property"  
San Mateo County

	Golf Course Concept		
	A	B	C
1. Clearing	125,000	150,000	175,000
2. Topsoil Stripping/ Replacement	240,000	220,000	220,000
3. Earthwork	500,000	550,000	650,000
4. Greens, Tees, Bunkers Fairway Contouring	900,000	900,000	900,000
5. Irrigation	620,000	575,000	580,000
6. Fairway Development	190,000	175,000	180,000
7. Subsurface Drainage	150,000	200,000	225,000
8. Cartpaths (full length asphalt)	250,000	250,000	250,000
9. Bunker Sand	75,000	75,000	75,000
10. Tree Planting	150,000	130,000	100,000
TOTAL	3,200,000	3,250,000	3,350,000

Note: Following items are not covered in this cost analysis.

1. Golf architects fees.
2. Civil or mechanical engineering.
3. Construction of buildings, structures, bridges, culverts, tunnels or roads.
4. Importation of topsoil if on-site not sufficient.
5. Lake lining if needed.
6. Construction of utilities upstream of golf course irrigation system pumping plant or any non-irrigation plumbing.

**APPENDIX 2**  
**DETAIL OF FINANCIAL ANALYSIS**



**PUBLIC FINANCING**

TABLE A2-1: SAN MATEO COUNTY GOLF COURSE CASH FLOW SUMMARY

sum case b ground lease	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
Inflation factor	5.0%	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.63	1.71	1.80	1.89	1.98	
(thousands of dollars)																
Revenues																
Green Fees					1,162	1,287	1,494	1,569	1,647	1,730	1,816	1,907	2,002	2,102	2,208	
Cart Fees					333	369	428	449	472	495	520	546	573	602	632	
Range Fees					137	152	168	176	185	194	204	214	225	236	248	
Food & Beverage					13	14	15	16	17	18	19	20	21	22	23	
Pro Shop					270	299	347	365	383	402	422	443	465	489	513	
Total Revenue					1,914	2,121	2,452	2,575	2,704	2,839	2,981	3,130	3,286	3,451	3,623	
Operating Expenses																
Maintenance					614	645	677	711	746	783	823	864	907	952	1,000	
General & Admin.					267	281	295	310	325	341	358	376	395	415	436	
Driving Range					43	45	47	49	52	54	57	60	63	66	69	
Cart Lease					103	108	120	126	132	138	145	153	160	168	177	
Pro Shop					203	224	260	273	287	302	317	332	349	367	385	
Ground Lease Payments					16	18	21	22	33	50	53	55	58	113	169	
Total Expenses					1,246	1,321	1,419	1,490	1,574	1,669	1,753	1,840	1,932	2,081	2,235	
Net Operating Income					668	800	1,033	1,084	1,129	1,170	1,228	1,290	1,354	1,370	1,388	
Project Cost and Financing																
Total Project Costs								255	3,455	2,808						
Developer Equity									770	579						
Permanent Loan										6,205						
Annual Debt Service																
Annual Pre-tax Cash Flow to operator																
Cumm. Pre-tax Cash Flow to operator																
Operator Value (35 years) 1/																
County Cash Flow (35 years)																
County Value (incl. terminal) 2/																

1/ Includes future value of lease period for years 14-35 (2004-2025)

2/ Ground lease payments plus future value of lease

TABLE A2-2: SAN MATEO COUNTY GOLF COURSE INCOME AND EXPENSE STATEMENT

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
inc															
case b															
ground lease															
inflation factor	5.0%	1.00	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.63	1.71	1.80	1.89
Annual Rounds					72,000	76,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Revenues															
Green Fees					1,162	1,287	1,494	1,569	1,647	1,730	1,816	1,907	2,002	2,102	2,208
Cart Fees					333	369	428	449	472	495	520	546	573	602	632
Range Fees					137	152	168	176	185	194	204	214	225	236	248
Food & Beverage					13	14	15	16	17	18	19	20	21	22	23
Pro Shop					270	299	347	365	383	402	422	443	465	489	513
Total Revenue					1,914	2,121	2,452	2,575	2,704	2,839	2,981	3,130	3,286	3,451	3,623
Operating Expenses															
Course Maintenance															
Payroll & Benefits					273	287	302	317	332	349	367	385	404	424	445
Materials & Other					158	166	174	183	192	202	212	222	233	245	257
Utilities					122	128	134	141	148	155	163	171	180	189	198
Replacement Reserves					61	64	67	70	74	78	81	86	90	94	99
General & Administrative															
Payroll & Benefits					146	153	161	169	177	186	195	205	216	226	238
Insurance & Legal					61	64	67	70	74	78	81	86	90	94	99
Utilities					12	13	13	14	15	16	16	17	18	19	20
Taxes & Other					24	26	27	28	30	31	33	34	36	38	40
Miscellaneous					24	26	27	28	30	31	33	34	36	38	40
Driving Range					43	45	47	49	52	54	57	60	63	66	69
Cart Lease					103	108	120	126	132	138	145	153	160	168	177
Pro Shop					203	224	260	273	287	302	317	332	349	367	385
Minimum Ground Lease Payments					16	18	21	22	23	23	50	55	58	61	169
Overage Lease Payments					0	0	0	0	9	0	0	0	0	52	0
Total Operating Expenses				0	1,246	1,321	1,419	1,490	1,574	1,669	1,753	1,840	1,932	2,081	2,235
Net Operating Income				0	668	800	1,033	1,084	1,129	1,170	1,228	1,290	1,354	1,370	1,388





**PRIVATE FINANCING**

TABLE A2-5: SAN MATEO COUNTY GOLF COURSE CASH FLOW SUMMARY

sum  
case b  
Public Fin.

(thousands of dollars)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
Inflation factor	5.0X	1.00	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.71	1.80	1.89	1.98	
Revenues																
Green Fees					1,162	1,287	1,494	1,569	1,647	1,730	1,816	1,907	2,002	2,102	2,208	
Cart Fees					333	369	428	449	472	495	520	546	573	602	632	
Range Fees					137	152	168	176	185	194	204	214	225	236	248	
Food & Beverage					13	14	15	16	17	18	19	20	21	22	23	
Pro Shop					270	299	347	365	383	402	422	443	465	489	513	
Total Revenue					1,914	2,121	2,452	2,575	2,704	2,839	2,981	3,130	3,286	3,451	3,623	
Operating Expenses																
Maintenance					705	740	777	816	857	900	945	992	1,042	1,094	1,148	
General & Admin.					280	294	308	324	340	357	375	393	413	434	455	
Driving Range					43	45	47	49	52	54	57	60	63	66	69	
Cart Lease					103	108	120	126	132	138	145	153	160	168	177	
Pro Shop					203	224	260	273	287	302	317	332	349	367	385	
Total Expenses					1,333	1,411	1,512	1,588	1,667	1,751	1,838	1,930	2,027	2,128	2,235	
Net Operating Income					581	710	940	987	1,036	1,088	1,142	1,200	1,259	1,322	1,389	
CASH FLOW ANALYSIS:																
Outflows:																
Total Project Costs								2,808								
Debt Service								785								
Res. Fund/Issue Cost																
Total								3,593								
Inflows:																
Bond Proceeds																
Construction Interest Income																
NET Operating Income																
Total Source of Funds																
Annual Pre-tax Cash Flow																
County Value (incl. terminal value) 1/																
Cumm. Pre-tax Cash Flow																

1/ Includes value of income stream after year 2003

TABLE A2-6: SAN MATEO COUNTY GOLF COURSE INCOME AND EXPENSE STATEMENT

inc  
case b  
Public Fin.

(thousands of dollars)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
inflation factor	1.00	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.63	1.71	1.80	1.89	1.98
5.0%	1.00	1.05	1.10	1.16	1.22	1.28	1.34	1.41	1.48	1.55	1.63	1.71	1.80	1.89	1.98
Annual Rounds	72,000	76,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Revenues															
Green Fees	1,162	1,287	1,494	1,569	1,647	1,730	1,816	1,907	2,002	2,102	2,208	2,302	2,402	2,502	2,608
Cart Fees	333	369	428	449	472	495	520	546	573	602	632	660	688	716	744
Range Fees	137	152	168	176	185	194	204	214	225	236	248	259	271	282	294
Food & Beverage	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
Pro Shop	270	299	347	365	383	402	422	443	465	489	513	537	561	585	609
Total Revenue	1,914	2,121	2,452	2,575	2,704	2,839	2,981	3,130	3,286	3,451	3,623	3,786	3,951	4,116	4,288
Operating Expenses															
Course Maintenance															
Payroll & Benefits	365	383	402	422	443	465	489	513	539	566	594	622	650	678	706
Materials & Other	158	166	174	183	192	202	212	222	233	245	257	269	283	297	311
Utilities	122	128	134	141	148	155	163	171	180	189	198	208	219	230	241
Replacement Reserves	61	64	67	70	74	78	81	86	90	94	99	104	109	114	119
General & Administrative	182	191	201	211	222	233	244	257	269	283	297	311	326	341	356
Payroll & Benefits	36	38	40	42	44	47	49	51	54	57	59	62	65	68	71
Insurance & Legal	12	13	13	14	15	16	16	17	18	19	20	21	22	23	24
Taxes & Other	24	26	27	28	30	31	33	34	36	38	40	42	44	46	48
Miscellaneous	24	26	27	28	30	31	33	34	36	38	40	42	44	46	48
Driving Range	43	45	47	49	52	54	57	60	63	66	69	72	75	78	81
Cart Lease	103	108	120	126	132	138	145	153	160	168	177	186	195	204	213
Pro Shop	203	224	260	273	287	302	317	332	349	367	385	402	420	438	456
Total Operating Expenses	0	1,333	1,411	1,512	1,588	1,667	1,751	1,838	1,930	2,027	2,128	2,235	2,348	2,461	2,575
Net Operating Income	0	581	710	940	987	1,036	1,142	1,200	1,259	1,322	1,389	1,457	1,526	1,595	1,664





