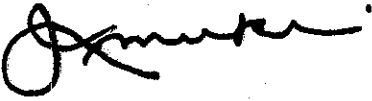


**FOR INFORMATION ONLY**

CITY OF LOS ANGELES  
Department of Recreation and Parks

March 3, 2004

**TO:** BOARD OF RECREATION AND PARK COMMISSIONERS

**FROM:** JON KIRK MUKRI   
General Manager

**SUBJECT:** LOS ANGELES WORLD AIRPORT (LAWA) GOLF COURSE BRIEFING

Staff last provided an informational report to the Board regarding the Department of Recreation and Parks (RAP) assuming operations of LAWA golf courses in Van Nuys and Westchester on November 5, 2003. At that time the Board was informed of our intent to conduct an economic feasibility analysis and to pursue discussions with golf course member clubs to garner support for such a proposal.

**VAN NUYS GOLF COURSE.**

Economics Research Associates (ERA) has completed an Analysis of Market Support and Economic Performance for the Van Nuys Golf Course. Assistant General Manager Jim Combs, Golf Manager John Mallon and several members of the Golf Advisory Committee (GAC) have also met with officers of three of the four active golf clubs at Van Nuys golf course.

The analysis conducted by ERA found Van Nuys Golf Course ideally located in the underserved San Fernando Valley. The analysis finds that Par 3/executive length courses such as Van Nuys "...are effectively the incubator for the golf industry" serving juniors, beginning golfers and seniors. Van Nuys Golf Course would offer RAP an excellent opportunity to implement golf programs. The facility has adequate parking and all amenities for beginning and intermediate level golfers as well as opportunities to expand programs.

ERA reports that the current operator received an estimated \$283,000 in profit after paying the LAWA an estimated \$585,000 in rent for 2003. No investment of capital for needed improvements has been made over the past four years. The current operator is on a month to month tenancy.

A capital investment of between \$2,000,000 - \$4,000,000 would be required to address deferred maintenance and infrastructure needs while retaining the facility in its present configuration. Improvements to restrooms and parking areas are of immediate concern to the member clubs. Other needs such as the irrigation system and miniature golf facility should be addressed. Following improvements, fees would remain the same for Seniors, lowered for Juniors and be

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increased to market rates for regular play. Based on the assumption that RAP would propose operating Van Nuys Golf Course for a \$1.00/per year lease from LAWA (similar to Hansen and Sepulveda courses on Army Corps property), ERA projects a Net Operating Income of \$371,000 to \$621,000 depending upon the management alternative selected. If a \$1.00/per year lease from LAWA is assumed, under any of the four management options, the Van Nuys operations would be attractive financially, as well as programmatically.

There are four active Van Nuys Golf Course men's and women's clubs. Staff and representatives of the Golf Advisory Committee met with three of the four clubs. Both men's club representatives expressed their support for Recreation and Parks operation of the facility. The Van Nuys Women's golf club expressed their concern that the City would increase their prices, change their access, and possibly eliminate their annual club event where they are permitted to bring food onto the premises.

Club officers expressed their appreciation that RAP staff took the time to meet and listen to their concerns and needs. Both men's clubs indicated that the current operator was not responsive to letters they submitted regarding operational problems. Staff committed to keep them apprised of our progress and to engage a larger segment of the membership in future meetings.

On February 10<sup>th</sup>, 2004, the Commerce, Energy and Natural Resources Committee requested that LAWA and Recreation and Parks report on the Van Nuys RFP. The Committee Chair expressed concern about the lack of capital improvements at the facility and the delay in releasing an RFP. LAWA staff explained that the current month to month lease stemmed from only one proposal being submitted during the last RFP process. The Committee asked the Golf Manager if RAP had an interest in operating the Van Nuys Golf Course. The Golf Manager explained that the Board of Recreation and Park Commissioners had directed a feasibility study which was at that time, in process. The Golf Manager also indicated RAP planned to meet with the golfing community at Van Nuys. The committee chair voiced his support for Recreation and Parks' operation if the Board of Recreation and Park Commissioners decided to operate Van Nuys. Committee Chair Tony Cardenas asked if it was possible to speed up the process to under two months and inform them of the schedule.

LAWA staff was directed to report back on how soon it would take to get a new RFP released and also to seek a legal opinion on whether the facility could be turned over to RAP under a MOU.

On February 24, 2004, the Commerce, Energy, and Natural Resources Committee asked LAWA and RAP for an update. LAWA reported that the City Attorney advised that RAP would need to operate the Van Nuys golf facility with all City employees in order for LAWA to enter a MOU. The LAWA Director of Governmental Affairs reported that under such arrangement, LAWA

would require all revenues be paid to LAWA and they would reimburse RAP for operating expenses.

The Committee asked the RAP Golf Manager if we could enter such an MOU. The Golf Manager responded that typically some aspects of our operation are concessioned and at a minimum in this instance, we would concession the food and beverage operation. All three committee members spoke of the large number of vacancies in the Department and of the ongoing hiring freeze.

The Golf Manager reported that the President of the Board of Recreation and Park Commissioners was interested in expediting our feasibility analysis. A preliminary report would be made to the Board on March 3, 2004. Further, that the financial feasibility was completed and we are continuing to meet with club members. The Committee was interested in the fact that RAP was meeting with the clubs and asked what was different this time around. The Golf Manager informed them that a) no capital investment has been made over the past 4 years, and b) the two men's clubs feel the current operators are not responsive to their requests.

As a result of the foregoing Committee discussion and limitations regarding a joint LAWA/RAP MOU, and the timeframe for issuing an RFP, LAWA was directed to prepare an RFP within the next 60 days and report back to the Committee. The Committee asked RAP to report back at the same time as to our interest in responding to the RFP based on a decision from the Board.

Staff is interested in proposing on the LAWA RFP for Van Nuys for programmatic reasons but only under the right financial terms and conditions. Once the RFP is issued, staff will analyze the terms and conditions and present the findings to the Board for final determination.

The Golf Advisory Committee (GAC) was informed that the Department is exploring the feasibility of operating the Van Nuys golf course. The GAC was briefed on February 23, regarding the details of this informational report and possible use of Golf Surcharge Funds, should a proposal go forward.

#### **WESTCHESTER GOLF COURSE.**

At the February 10 and 24 Committee meetings, there were no discussions of pursuing an RFP for Westchester by either the Committee or by LAWA. However, the Department has sent a letter to LAWA expressing RAP's interest in operating the Westchester Golf facility and inquiring about their plans to issue an RFP. Based on the February 24, 2004, report to the Commerce, Energy and Natural Resource Committee, regarding the Van Nuys RFP, LAWA would be required to issue an RFP for operation of the Westchester golf facility.

ERA has completed an Analysis of Market Support and Economic Performance for the Westchester Golf Course. At this time Westchester is a 15-hole short course but the Department

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is interested in operating it as an 18-hole executive style course. The ERA analysis estimates a cost of between \$8.5 and \$12.5 million needed to redevelop Westchester. To redevelop Westchester into an 18-hole executive golf course would require the use of a 20 acre parcel adjacent to the present course which is owned by LAWA. ERA reports that following redevelopment of an 18-hole executive style golf course and driving range the facility would earn between \$920,000 and \$1,367,000 per year in Net Operating Income before debt repayment.

We are presently awaiting a response from LAWA regarding their plans on issuing an RFP. After our review of the current ERA financial analysis, staff has determined that the required improvements and operations of the LAWA Westchester golf facility could be financially infeasible. However, we would be interested in reviewing any RFP to determine whether the terms and conditions would be favorable for the Department to respond to the RFP and operate the facility. Should we find that LAWA will be issuing an RFP, we would conduct the same community involvement as is being conducted with Van Nuys member clubs.

As new information becomes available, we will continue to provide reports to the Board regarding the LAWA golf course properties.

This report prepared by John L. Mallon II, Golf Manager