

REPORT OF GENERAL MANAGER

NO. 05-34

DATE February 2, 2005

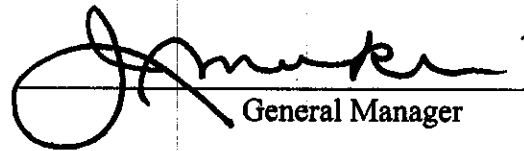
CD 6

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: ENCINO-BALBOA GOLF COURSE (SEPULVEDA GOLF COMPLEX) -  
AWARD OF THE OPERATION OF THE GOLF PROFESSIONAL AND  
DRIVING RANGE CONCESSION

H. Fujita \_\_\_\_\_  
J. Kolb \_\_\_\_\_  
K. Chan \_\_\_\_\_

F. Mok \_\_\_\_\_  
G. Stigle \_\_\_\_\_  
J. Combs \_\_\_\_\_

  
\_\_\_\_\_  
General Manager

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

Withdrawn \_\_\_\_\_

RECOMMENDATION:

That the Board:

- 1) Award the Sepulveda Golf Professional Concession to Highlands Golf, LLC (Highlands);
- 2) Waive the late submission by Highlands of the nondiscrimination declaration and ethnic composition of workforce form as an informality pursuant to Charter Section 371;
- 3) Approve the proposed ten-year concession agreement, substantially in the form on file in the Board Office, for the operation of the Golf Professional and Driving Range Concession at the Encino-Balboa Golf Course (Sepulveda Golf Complex), subject to approval of the Mayor, City Council, United States Army, Corps of Engineers, and approval of the City Attorney as to form;
- 4) Direct the Board Secretary to transmit the proposed agreement to the Mayor in accordance with Executive Directive No. 16, and concurrently to the United States Army, Corps of Engineers, and to the City Attorney for review as to form; and,
- 5) Authorize the Board President and Secretary to execute the agreement upon receipt of necessary approvals.

SUMMARY:

On January 17, 2001, the Board directed that staff prepare a Request for Proposals (RFP) for the Sepulveda Golf Complex Professional Concession (Board Report No. 01-13), which includes

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operation of the driving range, pro shop, and lessons service. This Concession has been operated on a revocable interim permit since February 2001. An RFP was approved by the Board on April 7, 2004, and released on May 17, 2004 in order to execute a ten-year agreement which would allow the concessionaire to make much needed capital improvements to the concession, including extensive renovation of the driving range, pro shop, and range shop.

In response to the RFP, proposals were received on July 13, 2004 from the following six firms:

- GolfLinks Consulting, Inc. ("Golf Links") – Turf-grass experts teaming with JS Golf & Leisure, Inc.
- Golf L.A. Partners, LLC ("Golf LA") – Current operators of the Woodley Lakes Golf Pro Concession
- Highlands Golf, LLC ("Highlands") – Operators of the Rustic Canyon Golf Course in Moorpark, California
- Ready Golf Centers ("Ready Golf") – Current interim operator at the Sepulveda Golf Complex
- Sepulveda Golf Ventures ("Sepulveda") – A newly-formed joint venture
- Valley Golf ("Valley Golf") – A newly-formed joint venture

A preliminary review of the proposals indicated that all proposers have varying expertise in several aspects of golf course construction and operations, including architecture, turf and greens expertise, marketing, financial soundness, golf instruction, and pro shop operation. Although each demonstrated strengths in various areas, the Department's challenge was to select an operator with the best combination of expertise to successfully renovate and operate this concession. The criteria for selecting the best proposer, as stated in the RFP, were:

- Qualifications and experience applicable to the golf service business
- Proven performance and quality of current comparable operations
- Capital Improvements; appropriateness, reflection of entrepreneurship, monetary value
- Rental terms offered
- Vision for concession, including business plan and marketing
- Documented financial ability to perform as proposed

To assist with formulating a recommendation, staff convened a panel (identified in the Attachment), chosen partly upon input from the golfing community and for their golf management or contracts expertise, to review the proposals and interview the proposers. After the interviews, staff instructed the panel to rank the proposals according to each of the evaluation criteria listed in the RFP and to award points to the proposals based on their ranking. Panelists assigned all categories equal weight; ties in rank in any one category were not allowed. The panel ranked Sepulveda and Highlands highest, with 44 and 42 points respectively (see Attachment).

Subsequent to the panel's ranking, staff continued their analysis of the proposals to determine which represented the best prospective concessionaire for this agreement. Both Sepulveda and Highlands included plans for all capital improvements as required by the RFP. Where possible, staff visited golf courses currently operated by proposers to evaluate their ability to successfully operate a golf

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course and driving range. Trade and financial references were checked as appropriate. Staff concurred with the panel's findings that these two proposers were the top contenders.

To determine the best of these top proposers, staff's overall assessment focused on evaluating them according to key criteria considered the most important for a successful operation at this particular facility. Accordingly, staff placed greater weight in the areas of qualifications, proven performance, capital improvements, and rental terms. Highlands and Sepulveda ranked high in these categories; however, staff viewed Highlands' proposal higher and more appropriate for the facility.

### **Qualifications and Experience:**

While all proposers possess experience in the golf industry, the panel ranked Highlands highest for their qualifications in several key areas, such as their management's twenty-plus years of golf management expertise; experience in creating and maintaining an award-winning driving range; their wide variety of programs; their friendly, inviting customer service philosophy; and their strong golf background in both their management and ownership. Sepulveda's management team ranked second for their superb marketing, managing, and instruction experience as well as strong financial backing. Staff concurs with the panel evaluation in this category and ranks Highlands at the top.

### **Proven Performance and Quality of Current Comparable Operations:**

Ranking under this category was much closer, but consistent with qualification and experience. Panel members again assigned Highlands the top rank partly for their recent experience in building and operating the award-winning Rustic Canyon Golf Course in Moorpark. Sepulveda ranked second. Staff again concurs with the panel's ranking of Highlands at the top rank.

### **Capital Improvements: Appropriateness, Reflection of Entrepreneurship, Monetary Value**

Ready Golf and Valley Golf scored highest for their thorough presentation of their capital improvements. Valley Golf ranked highest for their \$1.6 million pledge which includes a new 300-yard two-tiered driving range with 84 tee stations, and construction of a new range and snack building. The panel agreed that Valley Golf had a strong presentation and thoughtful consideration of all possible aspects of service and safety presented by their golf course architect.

Ready Golf proposed approximately \$1.2 million in capital improvements and \$332,830 in optional improvements. The required improvements proposed include grading of the range and artificial turf, a tee line of 58 stalls, a ball containment system, and renovation of the existing range shop. Proposed improvements for the pro shop include new paint, flooring, fixtures, and a 200-square foot expansion of the retail space. Ready Golf also proposed optional improvements which include the installation of an 18-hole putting course and an unsolicited proposal to assume the food service in the snack shop immediately adjacent to the range shop.

With improvements valued at just under \$1.2 million, the panel ranked Highlands third based on dollar value. The proposed improvements include artificial turf; new poles, netting, and tee dividers for ball containment; natural grass tees to be used by students and instructors; a new natural green and large sand bunker constructed behind the tee line; and a new 18-hole practice putting course.

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Improvements to the Pro shop include new paint, carpeting, custom wood slat wall, new counter, lighting and moveable display units.

Although the panel considered Valley Golf's two-tiered range concept as being the highest value capital improvement, staff does not concur that this would be an appropriate capital improvement in this facility, given the limited number of parking spaces and other limitations at the facility. Highlands' proposal, however, appears to conform appropriately to the facility and be capable of completion in short order.

**Rental Terms Offered:**

All offered rental payments as a percentage of gross receipts from the driving range and a separate percentage for the pro shop and lessons service. Highlands ranked highest as they proposed 38% (years 1-5) and 40% (years 6-10) of driving range sales and 5% from pro shop and lessons. While each of the other proposers offered varying percentages based on either achieved levels of gross receipts or escalating percentage over a period of time, the panel concluded that Highlands shows the best return for the City and has the track record to suggest that the rental proposed is realistic. For comparison purposes, staff compared rental terms offered by determining the total amount of rent that would be paid over the term of the agreement, assuming average annual revenue identical to that of the last five years. The amounts are as follows:

	Over ten years:	Over fifteen years:
Highlands	\$2,780,596	\$4,170,898
Golf Links	\$2,746,896	\$4,120,385
Sepulveda	\$2,492,694	\$3,739,078
Valley	\$2,212,637	\$3,318,989
Golf LA	\$2,019,125	\$3,028,718
Ready Golf	\$1,908,386	\$2,862,607

The panel ranked Golf Links lower because the proposer raised concerns during the proposal process about rental renegotiations during the term of their agreement, should they be unable to meet their required rental payments, and thus panel members determined that their proposed rental may be unrealistic. Therefore, Highlands and Sepulveda scored highest in this category. The panel concluded that, based on their projections, their keen understanding and thorough discussion of golf operations, and given the revenue potential of this facility after renovation, their proposed rental amounts, while high compared to the others, appear realistic. Staff concurs with rankings in this category and agrees that Highland's rental terms will provide the best return for the City.

**Vision for Concession, Including Business Plan and Marketing:**

The panel scored current operator Ready Golf highest in this category for their excellent vision for this concession, which includes extensive and thorough plans for the driving range renovation, construction of a new 18-hole putting course, and strong marketing and service plans. Golf LA's aggressive email marketing plans, Highlands' pleasant, inviting, and convincing customer-service philosophy, and Sepulveda's firm understanding of the existing needs of this facility earned each of

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these the next highest ranking in this category. While the results in this category were close, staff agrees with the panel's ranking; however, staff assessment based on observing various operators on City courses gives more weight to qualifications and experience, proven performance, and quality over vision and business and marketing plans.

### **Documented Financial Ability to Perform as Proposed in the Form of Verified Financial Documents:**

Based on the information submitted with the proposals, panel members scored Sepulveda, Valley Golf, and Golf Links the top three rankings in this category as each of these proposers pledged personal assets to fund capital investments, rather than relying on commercial loans. Ready Golf and Golf LA pledged personal assets coupled with commercial loans, with Ready Golf scoring slightly higher as they demonstrated a clear understanding of the amount of funding needed for the proposed improvements. Highlands pledged to borrow commercially to fund capital improvements and ranked last in this category. However, based on staff's analysis of the data submitted, staff concludes that Highlands demonstrated sufficient resources and sound financial planning to fund the improvements and operation.

Proposers were required to submit as part of their proposal package an Affirmative Action Plan, to which all proposers complied. Included among the forms requested, in addition to the Plan, was a nondiscrimination declaration and a table in which proposers were to fill in the ethnic composition of their workforce, for informational purposes. Highlands, along with some other proposers, did not submit these forms with their proposal because they were not included on the website where all RFP forms were posted, but have since submitted them to the Department's concessions office. Staff has consulted the City Attorney who has advised that this late submission is a waivable informality pursuant to Charter Section 371. First, it does not allow the proposer to change any competitive terms of the proposal. Second, it does not allow the proposer to use the additional time to comply with the requirements; that is, the ethnic composition of the work force at the time the proposal was submitted is not enhanced by the late submission of this form. The purpose of these documents are to gather statistical information and to acknowledge the nondiscrimination requirement contained in City law, and does not have any bearing on choosing the best proposer for this concession. Therefore, staff is recommending that the Board waive as an informality Highlands' late submission of the nondiscrimination declaration and ethnic composition of workforce form.

### **Conclusion:**

Staff used the panel's recommendation, pursuant to the RFP, to formulate a final recommendation of award. To determine which of the two top proposers would be best for this operation, staff considered that the best operator should be the one ranking highest in the most categories, given that the variety of issues at this facility requires an operator with the widest variety of qualifications. According to the panel, Highlands ranked highest in three of the categories and demonstrated the strongest qualifications that are most appropriate to this facility, while Sepulveda scored highest in one category. Moreover, staff considers it beneficial that a concessionaire's owner or lead partner have an extensive background in the golf course industry. Despite Sepulveda's qualifications and

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financial capability, their owner does not have a golfing background, instead focusing his efforts on a multi-million dollar publicly traded company, while all the business endeavors of Highlands' owner are golf related and therefore Highlands would be more likely to further invest if needed during the life of the agreement. Staff believes these factors are crucial for establishing the best proposer for a successful golf concession operation. Therefore, upon consideration of the panel's input as well as these additional considerations, staff determined that Highlands is the best candidate to operate this concession and recommends them for award.

The Sepulveda Golf Complex is located in the Sepulveda Flood Control Basin and therefore the proposed Concession Agreement is subject to all terms and conditions of Recreational Lease No. DACW09-1-67-11 between the City and the United States Army, Corps of Engineers.

Report prepared by Anthony Sanchez, Management Analyst II, Administrative Resources Division.

ATTACHMENT

SEPULVEDA GOLF COMPLEX  
GOLF PROFESSIONAL CONCESSION  
REQUEST FOR PROPOSAL

RFP Review Panel and Ranking

The individuals on the panel were as follows:

- Art Barajas: General Manager, South Hills Country Club, West Covina
- Doug Colliflower: Operator of the Altadena and Eaton Canyon Golf Courses
- Steve Duron: Golf Operations Administrator, County of Los Angeles, Department of Parks and Recreation

The panel ranked the proposals as follows:

	Golf LA	Golf Links	Highlands	Ready Golf	Sepulveda	Valley
<b>Average points assigned by panel members:</b>						
Qualifications and Experience	7.67	3	9.33	5	8.33	0.67
Proven Performance	8	2	9	4.67	8.33	1
Vision for Concession	7.33	2	7.33	8.33	7.33	1.67
Financial Ability	3.67	8.33	1	5	10	6.33
Capital Improvements	4	4.67	5	8	3	9.67
Rent	5.67	5.33	10	2.33	7.33	2.67
<b>Total points assigned to each proposer: (Rounded to the nearest whole number)</b>						
<b>Total Points</b>	<b>36</b>	<b>25</b>	<b>42</b>	<b>33</b>	<b>44</b>	<b>22</b>