Consideration to Lease a Portion of The Lakes Facility for a TopGolf Operation

November 5th, 2013
Presentation Agenda

• Public Input/Stakeholder Engagement
• Summary of Public Input - Addressing Concerns
• Results of Input/Concerns
• Parties to the Agreement
• Next Steps and Tentative Schedule
• Terms of the Agreement
• Project Benefits
• Financial Condition/Analysis
Public Input/Stakeholder Engagement

- 8/21/12 – City Council directs staff to seek input regarding a potential TopGolf operation
- 8/29 – Golf Course Subcommittee
- 9/13 – ES Chamber of Commerce
- 9/18 – Golf Industry Stakeholders
- 9/19 – Recreation and Park Commission
- 9/25 – Kiwanis Club

- 10/3 – Golf Course Subcommittee (progress update)
- 10/4 – Rotary
- 10/11 – Planning Commission
- 10/11 - Economic Development Advisory Council
- 11/8 – ES Chamber of Commerce (endorsement/support)
- 12/5/12 – G/C Subcommittee (findings/analysis of input)
- Other stakeholder input sessions with individual City Council members
Summary of Public Input – Addressing Concerns

- Alcohol-related concerns
  - Is TG a Night-club?
  - Will there be increases in alcohol-related incidents?
  - Does TG serve alcohol?

- Course modifications
  - Would g/c close/go away?
  - Does the putting green, chipping area and sand trap get lost?
  - Can the par 4’s be retained?
  - Will there be reduced access to facility?

- Lack of Community Involvement – Why was the community not involved in this decision?
  - 10 public/stakeholder meetings and other less formal efforts conducted to date
  - Opportunity for public input in Environmental/Entitlement process
Summary of Public Input – Addressing Concerns

- **TG Operational Concerns**
  - Would costs significantly increase?
  - Does TG accommodate for children?
  - Would the driving range amenity remain available?
  - Would golfers retain the ability to warm up by hitting at the range?

- **Accommodations for Golf pros**
  - lessons and programs
  - How many golf pros would remain onsite?
  - What are the physical size of hitting stations – Are they sufficient size for small groups/lessons?
  - Can teaching pros use multiple stations for lessons/groups?
## Crime Statistics Analysis

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>Non-Alcohol</td>
<td>Alcohol-related</td>
<td>Total Incidents</td>
</tr>
<tr>
<td>El Segundo - The Lakes</td>
<td>10</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>TG - Allen, TX*</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>TG - Dallas, TX</td>
<td>9</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>TG - Alexandria, VA</td>
<td>N/P</td>
<td>N/P</td>
<td>N/P</td>
</tr>
</tbody>
</table>

* = This data spans from 7/11 - 9/12 (14 month period - same period TG measured number of visits for this location to be 300,000)

N/A = Facility not operational until May 2011

N/P = data not provided by local law enforcement agency
Results of Input/Concerns

• ESPD analysis of other TopGolf facilities demonstrated no increases in alcohol-related incidents (previous slide)
Results of Input/Concerns

• Developer has created 3 additional conceptual site plans – addressing:
  – The inclusion of a putting green, sand trap and chipping area
  – Providing for versions that include zero, 1, 2 and 3 par 4’s for the existing course
  – Agreement provides for a minimum of two par 4 holes with intention of lengthening course to secure a USGA Course and Slope Rating
Results of Input/Concerns

- Accessibility concerns have been mitigated by increasing parking and designated parking for golf course

- TopGolf’s proposed facility will complement the existing youth programs
  - Continue and expand youth programs
  - Designate specific times and areas of facility for programs
  - Provide for more competitive experience
Results of Input/Concerns

• TopGolf facility is a driving range first – can be used for warming up
  – Included in agreement to provide for a portion of the facility to be open when golf course is open to be used for warming up

• Competitive pricing
  – Youth program agreements similar to existing operation
  – Reduced pricing for family and youth times
  – Targeted discounts for youth, seniors, military and other promotions
  – Resident discounts will be available and can be combined (i.e. Resident 10%, Senior 10% total discount is 20%)
Results of Input/Concerns

• Community Involvement
  – Over 10 public forum presentations (some televised) and other business outreach regarding TopGolf
  – Continued opportunity for public involvement in the entitlement and CEQA process
  – TopGolf provides for an annual per facility marketing budget of $300,000 for:
    • Charitable events
    • Community fundraising
    • Business/corporate teambuilding
    • Community events
Results of Input/Concerns

Community Involvement

– Local developer engaged to manage project long term
– Seek local contractors for construction/maintenance
– Hire/retain existing personnel – inside track to existing employees
Parties to the Agreement

- City of El Segundo
- Centercal Properties ES, LLC
- 30 West Pershing (REIT)
- TopGolf
What would be the placement for TopGolf?
Configuration 3 – 2 Par 4’s and over the lakes

**Mod 1:** Absorb hole number 1 and convert to parking

**Mod 2:** Create new hole number 3; located over the pond

**Mod 3:** Modify hole number 4 tee box to retain par 4

**Mod 4:** Modify hole number 9 into a 230 yard par 4
Putting Green, Sand Trap and Chipping Area
Configuration 4 – 3 Par 4’s and over the lakes

Mod 1: Create new tee box for hole number 1 (next to starter)
Mod 2: Convert hole number 2 to par 4
Mod 3: Create new hole number 3; located over the pond
Mod 4: Modify hole number 9 into a 230 yard par 4
Selection of Golf Course Site Plan

- City Council to decide on a methodology for involving stakeholders and members of the community in the final design process at a future date
Construction/Closure Timing

• Estimated closure time:
  – Golf Course (4-6 months)
    • Increased parking
    • Course modifications
    • New pro-shop/food and beverage facility
  – Driving Range/TopGolf (7-8 months)
    • Construct new TopGolf facility
Next Steps and Tentative Schedule

November 2013 – City Council approval of the Due Diligence and Ground Lease Agreement – *facility remains open*

December 2013 – December 2014 – Due diligence, review and approval of g/c design; zoning/planning and CEQA document final plan review; and building permits and construction contracts executed – *facility remains open*

January 2015 – October 2015 – Construction of improvements to g/c and new TopGolf facility – *driving range closed/course expected to reopen prior to TopGolf completion*
Terms of the Agreement

• Ground lease with initial term of 20 years with 6 – 5 year options
  – At the end of the term, improvements revert back to the City

• Lease rate is $425,000/year for the first five years. 10% increase during year 6 and thereafter on five year intervals

• Rent during construction - $18,000/mo (first 10 months of construction) – convert to fixed rent after or upon TopGolf opening
Terms of the Agreement (cont.)

• Limitations of use – TopGolf facility shall be constructed and operated similar to the Austin Texas facility

• Golf Course Improvements –
  – Construction of a larger parking lot
  – Course modifications to accommodate loss of course (which include stretching existing greens)
  – Hole three will be redesigned to incorporate the existing lake into round play
  – Add additional obstacles along hole number 8
  – Construct a new, smaller and more efficient clubhouse
Terms of the Agreement (cont.)

• Operational conditions –
  – TopGolf facility to open when The Lakes opens to accommodate early morning course play (6 a.m.)
  – Resident and cumulative discount pricing (i.e. resident AND senior)
  – Continued youth programming – Areas of Understanding document (discussed later – R. Starr)
  – Seven Year minimum TopGolf operation provision (continuous operation or default trigger is possible)
Project Benefits

Greater accessibility –

– Hitting bays will increase from roughly 50-60 to approximately 90-100

– TopGolf facilities will appeal to a broader range of patrons in addition to traditional driving range use

– Increase public awareness of facility

Permanent job creation –

– TopGolf facility will add approximately 100-120 full time, benefited jobs and 60-80 part time jobs – netting a positive 150-190 jobs
Project Benefits

• Business Community Amenity –
  – TopGolf facility is very consistent with desired community amenities for the high technology and creative industry workforce
  – Provides for corporate meeting space and offsite teambuilding

• Economic Development Tool –
  – First location on the West Coast
  – Strong regional draw – expected to have sizable indirect impact on local retail and restaurant operators
  – Local businesses and staff can leverage the synergy of this up and coming concept for attraction efforts to town
Project Benefits

• Facility Improvement –
  – The facility will at least maintain the same number of Par 4’s
  – Add some obstacles and other challenges (incorporate water features into play)
  – Potentially reduce some inefficiencies in the existing course design to increase speed of play
  – Lengthen holes where possible to secure a USGA Course and Slope Rating
  – Construct a new clubhouse with a more efficient design that is expected to reduce expenses
  – Eliminate the expense of costly repairs necessary to address deferred maintenance
Golf Course Enterprise Fund

- Separate business activity in the City’s financial statements
- Provides services and goods to the general public
- Fees are charged to customers to cover the costs of the services and goods it provides
- Costs of services and goods include direct and indirect costs
- Self-supporting
# Financial Condition – Projected Year End FY 12/13

## Revenues –
- Food & Beverage: $270,000
- Beer & Wine: $8,000
- Pro Shop: $180,000
- G/C: $745,000
- Range: $715,000
- Lessons: $130,000

**Total Revenues**: $2,048,000

*Includes fee increases from May ‘13*

## Expenditures –
- Administration/Other Costs: $539,800
- Food & Beverage: $339,700
- Pro Shop: $192,000
- Course: $323,500
- Range: $160,000
- G & A (Direct): $432,300
- Lessons: $64,600

**Total Expenditures**: $2,051,900
Financial Condition – Projected Year End FY 12/13

Total Revenues*: $2,048,000
Total Expenditures: $2,051,900
Annual Projected Loss ($3,900)**

*Includes fee increases from May ’13
**Includes full debt repayment ($200,000), does not include depreciation expense
## Financial Analysis – Do Nothing Vs TopGolf

### TopGolf New Revenue:

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Ground Lease</td>
<td>$425,000</td>
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<tr>
<td>Sales Tax</td>
<td>$50,000</td>
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<tr>
<td>UUT</td>
<td>$15,000</td>
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<tr>
<td>Prop Tax</td>
<td>$13,000</td>
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<tr>
<td>BLT (net credit)</td>
<td>$14,615</td>
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<tr>
<td><strong>Net New Revenues</strong></td>
<td><strong>$517,615</strong></td>
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</tbody>
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## Financial Analysis – Do Nothing Vs TopGolf

<table>
<thead>
<tr>
<th>Savings/Efficiencies</th>
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</thead>
<tbody>
<tr>
<td>Management Fee Reduction:</td>
<td>$30,000</td>
</tr>
<tr>
<td>6% increase in Green Fees:</td>
<td>$44,700</td>
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<tr>
<td>Food &amp; Beverage Savings/Efficiencies:</td>
<td>$128,163</td>
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<tr>
<td>Pro Shop Savings/Efficiencies:</td>
<td>$49,999</td>
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<tr>
<td>Total Savings/Efficiencies:</td>
<td>$252,862</td>
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</tbody>
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*Assumptions: F&B, Pro Shop to break even and G&A apportioned by sales percent*
Fiscal Impact from TopGolf

Driving Range: $(404,084)
Lessons: $(37,992)
Total Fiscal Impact: $(442,076)

Assumptions based Projected Year End FY 12-13 Revenues and expenditures; percentage of G & A based upon sales
### Financial Analysis – Do Nothing Vs TopGolf

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
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<tbody>
<tr>
<td>Total New Revenues (w/TopGolf)</td>
<td>$517,615</td>
</tr>
<tr>
<td>Savings/Efficiencies</td>
<td>$252,862</td>
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<tr>
<td>Impact</td>
<td>($442,076)</td>
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<tr>
<td>Net Change</td>
<td>$328,401</td>
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<td>FY 12-13 Projected Loss</td>
<td>+ ($3,900)</td>
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<tr>
<td>Net Change Compared to Closeout Budget Cycle 12/13:</td>
<td>$332,301</td>
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