



CITY COUNCIL AGENDA REPORT

To: Honorable Mayor and City Council Members
From: Kay Kuhlmann, Council Administrator
Agenda Item No.: 10.C Discussion on Possible Sale of Mississippi National Golf Links
Meeting Date: March 23, 2009

Action Requested Staff is requesting direction on whether to pursue this idea as a possible budget reduction effort.

Attachment Please see attached list of golf courses within a twenty mile radius.

Background In January, Council directed staff to prepare a list of possible ways to reduce the 2009 budget in light of the state's likely reduction in state aid to Red Wing. One of the ideas identified is the sale of property. Council discussed this at the March 4, 2009 budget workshop and agreed to discuss this option.

Before conducting a full research and report on how to proceed, staff has brought a brief preliminary report to the City Council to consider. You will see in the information below, that there is a significant savings to the City in both annual maintenance costs and in anticipated capital investments.

Discussion

In 2007 the city spent \$60,249 to maintain Mississippi National Golf Course. In 2008 that number increased to \$106,837. The 2009 budget is set at \$114,000 for maintenance. Projections indicated that by 2013 this number increases to \$123,700. These numbers are just for maintenance. In addition to these expenses, our 2009-2013 CIP, as adopted includes \$311,000 of expenditures for major improvements to this facility. The current lease does give us a means to get some of these capital costs back over a twenty year period, but we need to find the funds up front for these projects and we can only recoup 80% of these costs with no interest on our investment. When you add our maintenance costs and the projected CIP expenses for the next five years we will be spending nearly \$200,000 per year on this facility.

Golf is a recreational activity and in this area is driven by the private sector. Pricing and competition in the area from other privately owned golf courses decides the

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profitability of Mississippi National. The over building of courses in this area and the decline in the economy has impacted the golf industry negatively.

We have a new 30 year lease that is less than one year old. The lessee, Wendell Pittinger has stated he wants to sell his interest in Mississippi National and a year ago there was an interested party that wanted to buy the golf course. The party has stayed on to manage the course and may still be interested in owning the course.

There is a bond debt against which the city has no responsibility for repayment. Because of the debt on the property, the sale would have to be completed cooperatively with the leasee.

In a preliminary exploration with our City Attorney, we found no out right prohibition from selling the property. The City used Lawcon Grant funds to purchase some of the land in the area. Usually using grant dollars from the LAWCON fund prohibits the future sale of the property. After reviewing the current abstract for the property and the Lawcon Grant application with Eric Quiring from the Ratwick firm it was determined that the golf course could be sold. Here is a short summary of comments from the attorney.

"I have reviewed the materials regarding the Mississippi National Golf Course property. I agree that the Lawcon funds were used to purchase property adjacent to the Golf Course property and not for the Golf Course itself. As a result, the grant agreement does not impose any restrictions on the City's authority to sell the Golf Course property.

However, in reviewing the deeds conveying the various parcels of the Golf Course property to the City, I have noted a couple of issues.

1. The December 20, 1989 quit claim deed (document no. 333786) from USG Interiors, Inc. to the City (for 23.98 acres; PIN 556350020) contains a restriction that limits the City's ability to sell the parcel. The deed prohibits the City from selling the parcel unless USG is given the opportunity to repurchase it for \$15,630. The parcel could not be conveyed without a written waiver from USG waiving its right to repurchase the property.

2. The April 3, 1998 warranty deed (document no. 414311) from Donald and Lois Veith to the city (for 4.17 acres; PIN 556350050) contains a reversionary right. If the property ceases to be used as a golf course while Donald and Lois' are alive, the parcel reverts to them. This restriction could be dealt with by either restricting the use of the property for a golf course in any potential deed of the property or by seeking a waiver from the Veiths (if they are still alive).

Other than these two deed restrictions, there are also a few easements that would run with the land and USG Interiors retained mineral rights in another parcel it

conveyed to the City in 1998 (PIN 556350040). These issues would not limit the City's authority to sell, however.

Lastly, as you know, the property is being leased for the next 29 years or so. The Lease does not contain the right of the City to terminate in order to sell. As a result, the City would likely have to come to an agreement with the current lessee to terminate the lease."

From a staff perspective, selling this property we can significantly decrease our annual operating expenses. The timing of selling a golf course is not good and Council would have to think strategically about how to conduct the sale. Even with a discounted price, the savings in annual operating/maintenance costs would be realized.

Mississippi National is an asset to our community. It offers a great opportunity for recreation and a tremendous venue for parties, weddings and meetings. This facility brings tourists to town that will spend money in our local shops and restaurants. The question is can the City continue to spend \$200,000 per year of tax payer dollars to support this golf course with little hope of recovering any of the annual contribution or Capital costs until the termination of the lease in 2038.

Recommendation Staff believes the sale of Mississippi National is a viable option for reducing the operating budget in a sustainable manner. Council is asked to discuss this options and if in support, direct staff to discuss this option with Wendell Pittinger.

Golf Courses within 20 miles of Red Wing

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| 1. Red Wing Golf Club | Privately Owned |
| 2. Mount Frontenac Golf Course | Privately Owned |
| 3. Lake City Country Club | Privately Owned |
| 4. The Jewel Golf Course | Privately Owned |
| 5. Lake Pepin Golf Course | Privately Owned |
| 6. Zumbrota Golf Course | Privately Owned |
| 7. Cannon Falls Country Club | Privately Owned |
| 8. The Summit Golf Course | Privately Owned |
| 9. Gopher Hills Golf Course | Privately Owned |
| 10. Bellwood Oaks Golf Course | Privately Owned |
| 11. Hidden Greens Golf Course | Privately Owned |
| 12. Hastings Country Club | Privately Owned |
| 13. Emerald Greens Golf Course | Privately Owned |
| 14. Ellsworth Golf Club | Privately Owned |
| 15. Clifton Heights Golf Course | Privately Owned |
| 16. Clifton Hollow Golf Course | Privately Owned |
| 17. River Falls Golf Club | Privately Owned |
| 18. MISSISSIPPI NATIONAL GOLF LINKS | Publicly Owned |