



## Proposed Sale of Mississippi National Golf Links: Commonly Asked Questions

### 1. **Why is the City considering the sale of the municipally owned Mississippi National Golf Links?**

Current economic and budget realities are the primary reasons the City Council is considering the sale of the property.

Economic and Budget Realities. The City Council has publically discussed the means of increasing revenues or reducing expenditures to address broad economic and budget realities for a number of years. In recent years, economic and budget realities have escalated in severity as a result of the Great Recession, revenue volatility, state policy decisions, reductions in state-paid local government aids, changes in the City's tax base, decreased property valuations and a growing anti-tax sentiment. Currently the City's revenue base, measured in real dollars, has decreased by 16% since 2002 necessitating changes to city services. The municipally owned golf course is one of many programs and services that the City Council is reevaluating in the wake of significant economic and budget realities.

Budget Strategies. The City Council has approached the current economic and budgetary realities in a sound, rational and systematic fashion. The City Council recognizes the fragile nature of the local economic recovery and the economic impact that a property tax increase would have on local residents and the business community. As such, the City Council has purposefully focused its efforts on reducing expenditures and programs in areas intended to have the

least impact on City services and the opportunities available to the public.

Viability of Golf Course Operations. The City Council is considering the sale of the property as a strategy for keeping the golf course open for continued public use, viable and operational in a very competitive marketplace. Since Mississippi National Golf Links was developed in the 1980s, and expanded in the 1990s, the economics of golf have experienced fundamental changes. The proliferation of golf courses combined with national and local economic conditions and a reduction in rounds played have collectively had a dramatic impact on golf's economics and its sustainability and continued viability. There is no guarantee that the current golf course will continue to operate in the future. The proposed sale of the golf course, with a number of conditions and restrictions, would retain the public interest in the property and allow the golf course lessee to refinance current debt and manage the operations free of lease restrictions thereby putting the golf course operations on a firmer fiscal foundation. The proposed sale would contribute to ensuring the property's continued use as a public golf course and public recreational destination.

**2. How has the City responded to the budget and economic realities?**

The City Council remains fully committed to making sound, sustainable, long-term fiscal decisions necessary to address the City's fiscal health and the economic and budget realities. As a means of addressing the significant budgetary challenges the City Council is focusing on evaluating any and all opportunities to reduce expenditures in areas intended to have the least impact on service delivery and opportunities available to the public.

At the current time the City's revenue base, measured in real dollars, has decreased by 16% since 2002 necessitating changes to city services. Over the past years the City Council has made many difficult decisions to address the current economic and budget realities. These decisions have resulted in an eleven percent (11%) reduction in city staffing which have had an impact on numerous city services and have made it increasingly difficult to continue to meet responsibilities associated with the golf course.

Previous decisions necessary to balance economic and budget realities have already impacted numerous services including the following.

- Public safety services including a reduction of 3 full-time police officers, a reduction in police patrol services, school liaison police services, parking enforcement and other proactive policing activities.
- Street services including street maintenance, snow plowing, street lighting, and street sweeping.
- Critical public infrastructure and equipment renewal, replacement, improvement and maintenance.
- Park maintenance services including mowing, cleaning, prepping facilities and beautification projects.
- Proactive city code enforcement services related to weed, junk and animal control.
- Community communications services including the City's newsletter and Channel 6 programming.
- Recreational opportunities including;
  - The swimming pool season and hours.
  - The number of outdoor ice skating rinks.
  - Summer recreation programming.
- Cemetery mowing and beautification projects.
- The Library book budget.

One option amongst many that are currently being carefully evaluated as a result of the current economic and budget realities is the sale of the golf course. Such a sale would reduce the City's expenditures by approximately \$1,600,000 over the next 10 years, reduce property tax subsidies of the golf activities and reduce pressures to increase property taxes.

With the proposed sale, the golf course would continue to operate as a public golf course and be available for use by residents and visitors for other recreational purposes as it always has been. In short, the sale of the property would adhere to the budget strategy of purposefully focusing efforts to reduce expenditures in areas intended to have the least impact on City services and the opportunities available to the public. A sale would not result in a service level

change or a reduction in the recreational opportunities available to the public. In fact, the sale would permit additional recreational opportunities such as winter sledding at the current practice range.

**3. What are some of the principles and conditions that the City will require in the process of considering a sale of the golf course that ensure the public interest is protected?**

There are a significant number of critical principles and conditions that must be met in the public's interest for any potential sale to be considered. A number of these principles follow.

Continued Use as a Public Golf Course – First and foremost, the property must remain a public golf course. The City would sell the property with existing and additional use restrictions thereby ensuring the property will continue to be used as a public golf course. The use restriction would be renewed to ensure the facility remains a public golf course every thirty (30) years as required by law.

Continued Public Recreational Use of the Property - The City will ensure that all the current public recreational uses continue.

- Reversion clauses in any proposed sale will require any property no longer used as a public golf course in the future revert back to the City thereby ensuring continued use of the property for public recreational purposes.
- The City will not sell property located north of the existing Golf Links Drive (Sorins Bluff – Memorial Park). Therefore, the sale of the golf course would not change any of the current public recreational facilities and opportunities available on the bluff such as hiking trails, mountain biking trails, cross country skiing trails and snow shoeing trails. City ownership and control of this area will afford additional public recreational opportunities including use of the property as a winter sledding destination.
- The City will plat the existing street known as Golf Links Drive and only sell property south of the roadway. The City would maintain the street and other drainage and utility easements

for future needs. Property on the north side of Golf Links Drive, including the driving range, will continue to be owned by the City. The existing driving range and golf cart paths will continue to be used as they always have been. Improvements and maintenance of the driving range, cart path, and other accessory facilities will be the responsibility of the easement holder; not the City.

- The City has groomed public cross country ski trails on the golf course south of Golf Links Drive. A requirement of any proposed sale would include that the buyer convey easements or license agreements to the City that permit perpetual public access to all the winter cross country skiing activities.
- The City would also continue to maintain and provide public parking facilities to ensure easy public access to the recreational facilities and recreational opportunities at the golf course.

*Additional Requirements Protecting the Public's Interest –*

- If the property is subsequently resold the City will require a right of first refusal on the sale thereby ensuring continued public recreational use of the property.
- If at a subsequent sale the City Council does not exercise its right of first refusal, conditions and use restrictions requiring the property be used for public golf and recreational uses will continue thereby further ensuring continued public recreational use of the property. Further, the City will require that the public share in the proceeds of the sale if the property increases in value.
- The property acquired from the State of Minnesota in 1977 by the City was conveyed by the State with the strict condition that the property be used for recreational purposes. This restriction will continue to remain in effect thereby even further ensuring continued public recreational use of the property.
- Additional parcels acquired by the City after 1977 which were used to expand the public golf course have use restrictions on

them. These use restrictions will remain in effect thereby even further ensuring continued public recreational use of the property.

- The golf course is zoned Agriculture Conservation which is a restrictive zoning classification that does not permit development of the property for residential purposes or other similar purposes. This zoning further assists in ensuring continued public recreational use of the property.
- The City's Comprehensive Plan requires the golf course to remain Open Space. This requirement further assists in ensuring continued public recreational use of the property.

**4. What is the history and background about the golf course and its development?**

Referendum History – Two referendums were conducted in 1977. The April 5, 1977 referendum question asked: “Shall the City of Red Wing be permitted to sell general obligation bonds to finance the acquisition and construction of an eighteen hole municipal golf course; total bonds to be sold not to exceed \$1,100,000?” The results were 1,976 – Yes; 1,993 – No; the question failed. A second referendum was held on October 4, 1977. The question read: “Shall the City of Red Wing issue its general obligation bonds in the amount of \$950,000 for the purpose of financing the construction of an 18 hole municipal golf course on land that is presently owned by the City?” The results were: 1,871 – Yes; 2,525 – No; the question failed. The Golf Course question was voted on again on November 6, 1984 as an advisory question. This time the question read: “Shall the City of Red Wing construct an 18-hole municipal golf course on land presently owned by the City if said construction can be funded solely by the use of City unappropriated general funds and federal revenue sharing funds?” The results were 4,997 – Yes; 2,178 – No; 65 blank/spoiled ballots. The 1984 vote was solely meant to provide the City Council with an indication that the public supported the construction of the golf course. As the 1984 action was solely advisory it does not restrict any proposed conveyance of Mississippi National.

Golf Course Phased Development – In 1985, rather than construct and operate the golf course itself, the City determined that the best option was to enter into a public/private partnership with an experienced golf course developer and manager. The first agreement with the current operator was entered into on December 6, 1985 to construct, maintain, and operate the first 18 holes of the golf course. That phase of the development was completed on the property that the City acquired from the State of Minnesota and is shown on the attached map as parcels labeled (1) and (2). In 1990, the parties modified the lease in order to construct an additional 9 holes on property that the current operator arranged for purchase by the City of Red Wing. Those parcels are shown on the attached map labeled (3), (4), and (5). In March of 1998 the parties again modified the agreement for the purpose of constructing an additional 9 holes on the golf course. Again, the operator arranged for the acquisition of parcels (6), (7), (8), and (9) and these parcels were sold to the City. In 1998, the City issued a Taxable Golf Course Revenue Bond in the amount of \$1.7 million to finance this acquisition and construction of the last 9 holes.

The debt service funding for repayment of this bond originates exclusively from revenues generated by the golf course – no property tax proceeds are used for debt service nor is the taxpayer liable for the debt. In return for the operator's involvement in the acquiring, constructing, and investing in the additions to the golf course, each of the lease amendments extended the terms of the lease. In 2008, as a result of economic conditions, the proliferation of golf courses and a decrease in the number of golfers the City and the operator faced significant challenges that placed the continued operation of the golf course at risk. To facilitate ensuring the golf course remained open and available to the public the City and operator negotiated an amended lease agreement that extended the term of the lease to 2038 and established a comprehensive list of City capital improvement obligations and operator rents.

Property Acquisition and Public Investment – The golf course was developed in stages and is made up of nine separate parcels totaling 417 acres. Total city’s investments are shown in the following table:

| <b>City Investment in Mississippi National Golf Links</b>           |        |             |
|---|--------|-------------|
| Land Acquisition  | Acres  | Expenditure |
| Parcel #1 and Parcel #2<br>Surplus Property Acquired From State     | 301.55 | \$132,700   |
| Parcel #3 With Exception<br>Mississippi National Golf Links, Inc.   | 5.03   | \$1         |
| Parcel #3 Exception<br>Boyd and Betty Hanson & MNGL, Inc.           | *      | \$1         |
| Parcel #4<br>SG Interiors, Inc.                                     | 23.98  | \$15,630    |
| Parcel #5<br>Byron and Audrey Banitt                                | 1.4    | \$1         |
| Parcel #6<br>Michael and Sandra Zimmermann                          | 17.49  | \$314,720** |
| Parcel #7<br>Donald and Lois Veith                                  | 4.17   |             |
| Parcel #8<br>USG  | 10.87  |             |
| Parcel #9<br>Bradley and Suzanne Jagusch                            | 52.70  |             |
| Total Land Acquisition  | 417.19 | \$463,053   |
| Investment in Depreciable Golf Course<br>Improvements (1985 – 2010) |        | \$2,934,594 |
| Total Investment in Land and Depreciable<br>Improvements            |        | \$3,397,647 |
|   |        |             |

\*Parcel #3 Exception acreage included in Parcel #3 With Exception

\*\*This acquisition was paid from the \$1.7 million revenue bond

## **5. What process will the City use to sell the property?**

The City will employ conventional methods consistent with statutory authority and prior practice to sell any property. The process, consistent with prior practice, will afford public opportunities for input and dialogue.

Negotiated Sale –A long-term lease currently exists with the operator as a result of the public/private partnership which brought the golf course into existence and which has provided for its continuance. The operator has made substantial investments in the property's development and as a result currently operates the golf course with lease rights through 2038. A sale of the property would not extinguish the current lease rights which exist until 2038. The lease rights, coupled with the previously discussed conditions of sale that protect the public's interest and significantly restrict the use of the property, severely limit the number of potential investors interested in the property. Based on a lack of investors coming forward when renegotiating the lease in 2008, the probability of identifying investors in the property at this time are remote. Given these significant factors, the practical approach to selling the property is through a negotiated sale process that protects the public's interest in the continued public use of the property.

Appraisal – An appraisal of the property, structures, and improvements has recently been completed by a professional appraiser with a depth of experience, a strong background and expertise in appraising golf courses and their operations. To ensure the prudent use of taxpayers' funds and to minimize expenses the City elected to share the cost of the appraisal with Associated Bank which also had a need for the appraisal. The appraisal serves as a rational basis for determining any potential sales price. The appraisal has not been made available to the public as of this writing because it contains confidential information that is protected by law. The City Attorney is currently redacting the information protected by law. This task is expected to be completed in the very near future and upon such the appraisal will be available to the public.

Timing - Current economic conditions do not make this the best time to be selling property and it is highly unlikely that the City Council would be investigating the feasibility and considering the sale if significant economic and budgetary realities were not in play. The City Council remains committed to protecting the public's recreational interest in the property and committed to protecting the public's fiscal interest by preserving future rights in this process.

Open Public Process – The City Council has considered the feasibility of selling the property in public discussions and forums for numerous years. The feasibility of a sale gained significant attention during the City's 2010 budget deliberations as a result of escalating economic and budgetary realities. The proposal was publically documented and addressed at numerous public City Council meetings and workshops that were televised to the community and in which public input was sought.

All City Council discussions, deliberations and actions regarding the proposed sale of the golf course have been publically documented, open to the public and televised to the community. The City Council has held no closed sessions regarding the consideration of the proposal or the proposal's feasibility.

The proposed sale was specifically addressed at numerous public meetings including the following.

- June 14, 2010. At this public City Council meeting the City Council considered the sale of the property as one of a number of strategic initiatives to address economic and budget realities.
- July 8, 2010. At this public budget workshop the City Council again considered selling the property.
- August 2010. The City conducted a telephone survey of Red Wing citizens in which 92% of the 318 respondents reported favoring selling Mississippi National Golf Links as a broader budget balancing strategy. Although the survey was not statistically representative, it clearly demonstrates a great deal of community wide support for selling the golf course as a broader budget balancing strategy.
- September 1, 2010. At this public budget workshop the City Council discussed a process for further consideration of the proposed sale. The City Council established a process

including authorizing a specific City Council member and city staff to participate in negotiations with the golf course operator and to proceed with a property appraisal.

- November 23, 2010. At this public budget workshop the City Council again discussed the feasibility of a sale
- December 27, 2010. At this public City Council meeting the City Council addressed the sale as a result of the Mayor's veto of the 2010 budget.
- February 14, 2011. At this public City Council meeting the City Attorney provided the City Council with confidential correspondence and the City Council again publically discussed the status of the proposed sale and provided city staff direction on how to proceed.

Public Meetings - The City Council has established a process and schedule for further consideration of the sale of the golf course which allows for substantive public involvement, as follows:

April 19, 2011 – Open Public Meeting at 5 PM in the City Council Chambers – first public meeting to discuss background information on the proposed sale of the golf course and hear presentation from the Save the MNGL

April 19, 2011 – Planning Commission Public Hearing at 7 PM in the Council Chambers – The Planning Commission will hold a public hearing to take testimony on the sale of public land and make findings on whether the sale is consistent with the Comprehensive Plan

April 25, 2011 – City Council Meeting – The City Council will go into closed session to review the negotiation strategy for selling Mississippi National Golf Links

May 9, 2011 – City Council Meeting at 7 PM in the Council Chambers – The proposed agreement will be included as a general business open agenda item and the proposed sales agreement will be available for the public

May 12, 2011 – Open Public Meeting at 7 PM in the Council Chambers – A second public meeting to discuss the terms of the

proposed sale agreement will be conducted and public comment taken

May 23, 2011 – City Council Meeting – This is the earliest date the Council would consider action on the proposed sale of Mississippi National Golf Links

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