

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:

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

Dual Process of Negotiated and Public Sale – In the public's interest the City will negotiate numerous terms and conditions that ensure the property remains a public golf course and available for public recreational use with the current operator. The City will also continue to negotiate a sales price with the current operator. Subsequent to the close of negotiations with the current operator the City will engage in a public request for proposal process intended to identify any legitimate investors or golf course operators willing to buy the property at a potentially higher price under the same terms and conditions.

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 appraiser employed multiple approaches to value with results ranging from \$1.315 million to \$3.55 million. The appraiser noted that the value of the property is negatively impacted by covenants and conditions protecting the public's interest and requiring that the property be used as a public golf course or for public recreational purposes. The appraisal concluded that the City's interest in the property is valued at \$1.2 million. The full appraisal is available on the City's website.

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 proposed sale of public land and make findings on whether the proposed 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. The Council will make a negotiated sales agreement public at the earliest date possible.

May and June, 2011 – The City will advertise an open RFP process with minimum terms established by the negotiated sales agreement with the current lessee. A Second Open Public Meeting will be scheduled some time in June after the RFP process has been completed.

For additional information contact:

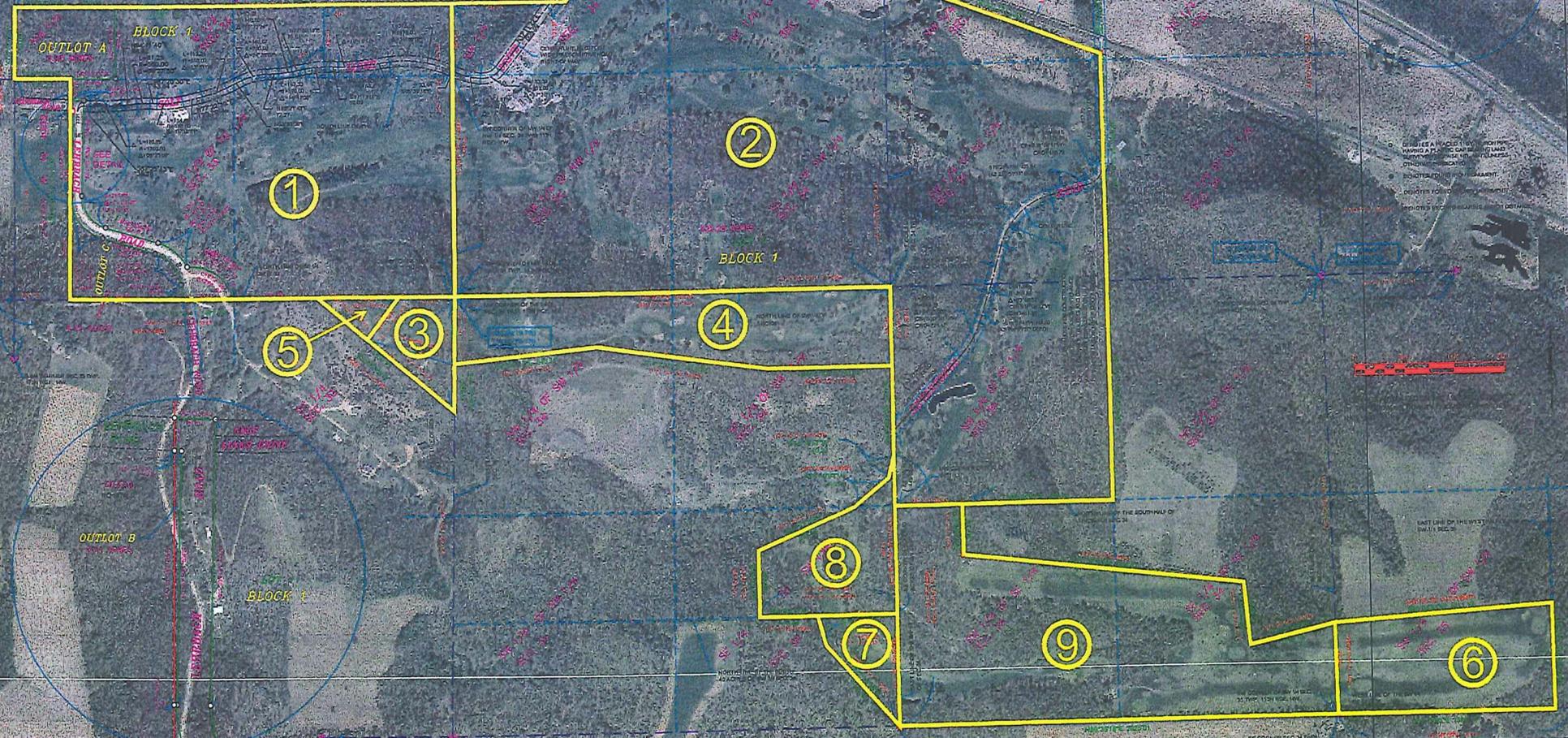
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ROADWAY, DRAINAGE AND UTILITIES AGREEMENT
GRANTOR - STATE OF MINNESOTA
GRANTEE - CITY OF RED WING

MISSISSIPPI NATIONAL GOLF LINKS

PARCELS ACQUIRED BY CITY FOR
MISSISSIPPI NATIONAL GOLF LINKS



ROADWAY DRAINAGE AND UTILITIES EASEMENT
GRANTOR - STATE OF MINNESOTA
GRANTEE - CITY OF RED WING

SORIN BLUFF AND GOLF LINKS DRIVE
TO BE RETAINED BY THE CITY OF RED WING

MAP SHOWING PARCELS TO BE
RETAINED AND CONVEYED

LEHRBACH ROAD, OUTLOT B AND OUTLOT C
TO BE RETAINED BY THE CITY OF RED WING

TRANSFERRED TO ADJACENT PROPERTY OWNER

425.28 ACRES
LOT 1
BLOCK 1

OUTLOT B
0.11 ACRES

LOT 1
BLOCK 1

