

**BELLEAIR FINANCE BOARD  
SPECIAL MEETING  
NOTICE**

**Date:** December 31, 2014

**TO:** Thomas Olson, Chairman  
Daniel H. Hartshorne, Vice Chairman  
Mary Griffith  
Ernest Whittle  
Tom Lokey  
John Prevas  
Tom Kurey  
  
Gary H. Katica, Commission Advisor  
Richard Cristini, Advisor

There will be a special meeting of the **Belleair Finance Board on Thursday, January 2, 2014 at 4:00 p.m. in the Town Hall auditorium.**

Please plan to attend. In the event you are unable to attend this meeting, please notify the Town Clerk's office at 588-3769 Ext. 214 or 312.

**Your attendance is very important!**

The following agenda items are provided for your consideration:

1. Recommendation of Award of Contract- Belleview Biltmore Golf Course

Documents: [GOLF LEASE SUMMARY.DOCX](#), [SUMMARY FOR GOLF CLUB.DOCX](#)

2. Other Business
3. Commission Advisor Report
4. Adjournment

\*\* To be distributed.  
\* Previously distributed.

Copy to: Micah Maxwell, Town Manager  
Donna Carlen, Town Clerk  
JP Murphy, Assistant Town Manager

# Summary

To: Finance Board  
From: Micah Maxwell, Town Manager  
Subject: Sale/Lease of the Belleview Biltmore Golf Course  
Date: 12/31/2013

---

**Summary:** The town is has reviewed the invitation to negotiate submittals for the golf course and has provided information on both scenarios.

**Previous Board Action:** None

**Background/Problem Discussion:** The town currently In 2013 the Town of Belleair purchased the Belleview Biltmore Golf Club from BB Golf with the goal of restricting development rights on the course for the long term, and finding suitable a suitable entity for the long term operation of the golf course through lease, sale, or management agreement.

**Alternatives/Options:**

- I. 10 Year lease with Green Golf Partners
- II. Sale of Property to Belleview Biltmore Partners, contingent on purchase of hotel property
- III. Reject all bids and enter into a management agreement.

**Financial Implications:**

- I. GGP Lease - \$160,000 in lease payments plus 6.5% of all revenue over \$1,600,000. Also \$500,000 in capital improvements over the 10 year period.
- II. \$3,500,000 financed over 1 year at 6.5%
- III. Unknown

**Proposed Motion:** I move that the finance board recommend to the commission that they enter into a sale/lease agreement with \_\_\_\_\_.

## Summary

In 2013 the Town of Belleair purchased the Belleview Biltmore Golf Club from BB Golf with the goal of restricting development rights on the course for the long term, and finding a suitable entity for the long term operation of the golf course through lease, sale, or management agreement. This is a review of the town's responses for that long term operator of the course and is being presented to the town's finance board and town commission for direction on moving forward with either the top lease option, from Green Golf Partners, or the number two purchase option, from Belleview Biltmore Partners.

## Methodology

On December 5, 2013 the town clerk opened 6 bids for the invitation to negotiate. Four of those submittals were leases, while the other two were both sales. Below is a breakdown of the lease submittals.

Bidder	Revenues based on lease payments	Revenues based on Gross Revenue	Calculation based on \$2,300,000 gross revenue
Club Pro Golf Group	0	10% Gross Revenue	\$ 230,000.00
Green Golf Partners	\$96,000	7% of Gross Revenues if over \$4,000,000, 5% of Gross Revenues if between \$2,000,000 and \$3,999,999, and 3% of Gross Revenues if below \$2,000,000	\$ 211,000.00
Clearwater Golf Club	0	3% Gross Revenue,	\$ 69,000.00
Cypress Golf Management	NA	NA	NA

Below is a breakdown of the purchase submittals

Bidder	Terms
Green Golf Partners	\$3,400,000 with 10% down and \$50,000 in escrow. Remaining amount to be seller financed with a 20 year payback, interest based on LIBOR. Closing costs split 50/50 with a 30 day due diligence period
Belleview Biltmore Partners	\$3,500,000 with seller financing for the first year at 6.5%, deal is contingent on BBP's purchase of the Belleview Biltmore Hotel

After the opening, a group consisting of finance board member Tom Kurey, Assistant Town Manager JP Murphy, Town Attorney David Ottinger, and Town Manager Micah Maxwell rated the bids based on the following:

- 1) Fiscal Impact: 40 Points
  - a) Amount: 20 Points
  - b) Terms: 20 Points
- 2) Capital Investment (reviewed for lease only): 25 Points
- 3) Financial Status of Offeror: 20 Points
- 4) Other Factors: 15 Points

## Lease Review

The lease scoring results of the review committee is listed below:

Proposal Type	Lease			
Participants	Cypress Golf Management	Club Pro Golf Group, LLC	Green Golf Partners, LLC	Greg McClimans
Reviewer 1	0/100	50/100	68/100	30/100
Reviewer 2	0/100	50/100	86/100	40/100
Reviewer 3	0/100	45/100	80/100	35/100
Reviewer 4	0/100	47/100	82/100	32/100
<b>Average Points</b>	<b>0</b>	<b>48</b>	<b>79</b>	<b>34</b>
<b>Average Percent</b>	<b>0</b>	<b>48%</b>	<b>79%</b>	<b>34%</b>

Based on the scores, the staff opted to negotiate directly with Green Golf Partners to try and come up with a workable lease; also Micah Maxwell touched base with the second lease option, Club Pro Golf Group (CPGG), to ask some questions about their proposal. In the course of the negotiations with Green Golf Partners (GGP), the town and GGP agreed to a structure change that had minor impacts to the original revenue amounts to the town, but eased some concerns the sliding scale structure by pushing the bulk of the revenues to a flat quarterly payment which equates annually to \$160,000.

While the scoring was not based solely on finances, I believe it is important to discuss the financial gap that exists between the first and second highest scorers, GGP and CPGG. In a lease calculation based on the same amount of revenues being produced, CPGG would actually net more than GGP bid assuming revenues. That being said, staff is more confident in GGP's ability to generate revenue than it is for CPGG. This is based on experience, both direct and indirect, that the town has had with GGP. GGP has worked with the town for 11 months, and despite being handcuffed by the town in some of the things they were allowed to do, it appears that we will bring in close to 2.3 million in this year. The town has also positive reviews from all of the golf clubs that GGP is currently working with, including government owned courses.

Obviously the town did not have the opportunity to see what CPGG would be able to generate in that time, but it is also not functional to do so. In review of the information provided, staff felt that the evident lack of experience specifically in running a golf course by the group does not provide the same level of confidence that they will succeed to the level GGP will, mostly because they are an unknown.

The principals do not currently nor have they recently run a course to this degree. While they have identified intent to bring on former GM Chuck Eade on as an employee, his status would have been more impactful as a principal in the ownership group. Staff feels that the decision should be made on the structure and the principals, not particular employees, because employees can change at a fairly rapid pace. Additionally, CPGG has identified that the golf pro revenue from the Shriver Golf Academy would be separate from the gross revenues calculated for the town's payment, which would seem to have some impact on gross revenue generation, and subsequently on the town's lease revenue income under the provided structure.

The combination of these factors brings staff to the conclusion that more confidence can be placed with GGP's ability to generate revenue than for CPGG. This moves us to a question of how much is that confidence worth as it relates to annual lease revenues and the long term impact of those revenues on a future sales price. Both GGP and CPGG identified an estimate of about \$2,300,000 estimated annual revenue. Because staff is more confident in GGP's capabilities, we will use the equitable annual revenue to the town number as a baseline, \$205,500. CPGG's annual revenue to the town number would need to be at least \$2,055,000 to match the GGP amount. Staff believes that this is a reasonable number to achieve, based on the appraisal estimate done when the town purchased the property (\$2,017,000). If we can assume that both parties can achieve these revenue levels, we must then factor in the impact of gross revenues on future valuations on the property. You may remember that the appraisal completed on the course when the town purchased the property in 2013, used the gross revenues from the course and applied a multiplier to those gross revenues to come up with the appraised value. That appraisal used an estimated gross revenue number generated by the appraiser (\$2,017,000). When we apply the multiplier formula used to generate the appraisal estimate to these estimated revenue scenarios, the result is as follows:

Bidder	Estimated Revenue	1.5 Multiplier	1.75 Multiplier	Average
CPGG	\$ 2,050,000.00	\$ 3,075,000.00	\$ 3,587,500.00	<b>\$ 3,331,250.00</b>
GGP	\$ 2,300,000.00	\$ 3,450,000.00	\$ 4,025,000.00	<b>\$ 3,737,500.00</b>

The staff assumptions would project the effect on the value of the course to be favored by GGP's bid by **\$406,250**.

Additionally, the GGP scenario provides for \$160,000 (78% at \$2,300,000) of its payment to the town to be made as quarterly lease payments, and not as a percentage of gross revenue. Staff sees this as a benefit from a revenue stability and fraud mitigation perspective. The purely revenue based structure obligates the town to increase oversight on operations to insure that revenues are flowing properly and the town is receiving its fair share. Additionally, use of that type of structure exclusively means that management decisions that town will not have control over, and does not want control over, could have major impact on the revenue stream. The town must still review golf course revenues in the GGP scenario, but because the vast majority of revenue is not based on the flow of revenue, the financial

impact of fraud is greatly reduced and the town's ability to more precisely budget on a year to year basis is enhanced.

## Purchase Review

The purchase scoring results of the review committee is listed below:

<b>Purchase</b>		
<b>Participants</b>	<b>Green Golf Partners, LLC</b>	<b>Bellevue Biltmore Partners, LLC</b>
Reviewer 1	38/75	25/75
Reviewer 2	40/75	30/75
Reviewer 3	45/75	35/75
Reviewer 4	44/75	52/75
<b>Average Points</b>	<b>42</b>	<b>36</b>
<b>Average Percent</b>	<b>56%</b>	<b>47%</b>

The purchase opportunities posed a different set of challenges to the decision making process. The town received 2 purchase bids, one from GGP and one from Bellevue Biltmore Partners (BBP). From a financial perspective, BBP was the more enticing of the two bids for all the reviewers; however, the concern for the review team was related to BBP's requirement that the purchase be contingent on BBP being able to close on the Bellevue Biltmore Hotel property. The GGP bid was not as financially beneficial to the town as the lease option presented by GGP, so staff did not spend much time discussing that bid with GGP.

In relation to the BBP bid, because staff is unaware of a timeline for separate transaction, a decision to move forward with any sale agreement with BBP is probably premature. That being said, inaction on the decision to lease or sale the property at this time would be coupled with a need to enter into discussions with the current operator (GGP) to review the expired management agreement, or engage an alternate service provider.



## Major Lease Points

- I. Town receives quarterly lease payments of \$40,000, totaling \$160,000 annually.
- II. Town receives 6.5% of all revenue generated over \$1,600,000
- III. Lease is for a 10 year term, and is renewed only if both parties agree
- IV. Notice of non-renewal will be at least 365 days prior to actual lease expiration
- V. GGP would expend minimum of \$500,000 on town approved capital improvements over the life of the 10 year lease and an additional \$500,000 if the lease is renewed.