CITY OF OAKLAND
AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2008 APR 24 PM 5:47

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Audree V. Jones Taylor
DATE: May 6, 2008

RE: Supplemental Report and Resolution Authorizing the City Administrator to Execute (1) The Third Supplemental Agreement to the Lease between the Port and the City and (2) the First Amendment to the Sublease between the City and Oakland Golf LLC, which Both Set Forth the Following Modifications Regarding the Operation of Metropolitan Golf Links: Up To Five Years of Rent Relief Conditional on City Council Approval For Each Subsequent Year, In The Projected Amount of No More Than $1 Million, Resulting in a Loss of Anticipated Revenue to the Golf Enterprise Fund of No More Than $500,000 over the Five Year Period and Other Changes to the Sublease Including Deletion of Real Property to Accommodate the Bay Trail, Hiring, Rent Credits, Use of Facilities by the City, Navigational Aides, and Administrative Dates of the Sublease

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SUMMARY

At the April 22, 2008 Life Enrichment Committee meeting, the Committee members requested that staff provide additional information regarding the following items related to the proposed amendment to the City's Sublease with Oakland Golf LLC for the management of the Metropolitan Golf Links:

- Current trends in the golf market and golf industry for the Bay Area and nationwide;
- Data on Oakland Golf LLC's hiring for Metropolitan Golf Links;
- Data on the number of participants for Junior golf programs and youth participation at Metropolitan Golf Links; and
- An outline of the process by which the Office of Parks & Recreation will reserve Metropolitan Golf Links facilities for the proposed 2 annual tournaments and 12 annual events.

In addition, the Committee requested that the resolution be revised to provide additional detailed recitals regarding:

- A restatement of the requirement that City Council approve any agreements, subagreements, or subleases entered into by Oakland Golf LLC ;
- The contract requirement for monitoring the Ethnicity and Gender of Oakland Golf LLC employees at Metropolitan Golf Links;
- The University of California at Berkeley (UC Berkeley) Practice Facility Non-Disturbance Clause;
- Youth usage of the UC Berkeley Practice Facility;

- the deletion of two sections concerning rent credits; and
- Changing the effective date of the adjustments to minimum rent to July 1st, to align with the City's fiscal year.

The Committee also altered the "Minimum Rent" section of the proposed Sublease Amendment, to require that the five year "Rent Relief" request to be brought to the City Council for reauthorization annually.

FISCAL IMPACT

The revised proposal for Rent Relief for Oakland Golf would result in reduced revenue to the City's Golf Enterprise Fund (3200) of approximately $100,000 in FY 2008-09, up to a maximum of $500,000 over the five year period. Under the revised resolution, the request for rent relief will be required to be submitted for City Council reauthorization each year. There is no negative impact to the City of Oakland's General Purpose Fund. The loss in revenue will impact the amount of funding available for Metropolitan Golf capital projects.

Under the current agreement, it is anticipated that Oakland Golf LLC will pay annual rent of approximately $430,000 in calendar year 2008, which is based on a combination of Minimum Rent ($523,000), Percentage Rent, and allowable rent credits. In addition to Minimum Rent, Oakland Golf is to pay Percentage Rent for golf-related activities (green fees, pull carts, power golf carts, and range), food and beverage sales, retail sales, and services (pro shop, instruction, equipment rentals, pay phones, newspaper racks, and other operations). This rent is divided between the Port of Oakland and City of Oakland, such that the City's would be $216,000 in calendar year 2008. The proposed amendment would reduce the City's share of rent by approximately $92,000 in calendar year 2008.

BACKGROUND

The Sublease with Oakland Golf was negotiated from 1999-2001, and was executed in August 2001, at the height of the golf market "boom." The course opened for play in April, 2003. The property has not been an economic success, largely due to a soft golf market.

According to a report by the National Golf Foundation regarding the City of Alameda's Chuck Corica Golf Course, most area municipal operators report activity levels that are down by about 30% since peaking in the 1990s, a trend largely attributed to heightened competition (reports can be found on the NGF website at: www.ngf.org). Los Lagos (San Jose) and Callippe Preserve (Pleasanton) are the newest entrants into the area municipal golf market, and both are high quality facilities that have had immediate market impact. The greater Bay Area also features a highly competitive daily fee golf market, which has also experienced a decrease in average rounds played of about 20% to 30% since the late 1990s.

To-date, Oakland Golf, LLC has invested approximately $9.5 million in Metropolitan Golf Links, of which $7 million is a bank loan. According to a report commissioned by Oakland Golf (attached as Attachment A), the sublease rent structure is the "highest ground lease payments in California, if not the nation." In addition, the report states that the performance of CourseCo reflects maximization of the current market opportunities, and expenses can not be reduced further without materially affecting property performance."

Additional articles related to the difficulties facing the golf industry are attached to this report.

KEY ISSUES AND IMPACTS

The Committee members requested additional information regarding the demographics of the employees at Metropolitan Golf Links. Summary tables are included in this report as Attachment E. In 2008, 48 percent of employees are Oakland residents. Twenty-seven percent are African-American; 38 percent are Latino; 27 percent are Caucasian; three percent are Asian.

The Committee also requested information regarding youth programming at Metropolitan. The table below provides information regarding the youth programs and teams that are active at Metropolitan Golf Links.

Junior Usage of Metro in 2007			
Organization	**Students**	**Weeks/Events**	**Total Usage**
Oakland Turfgrass Education Initiative	30	10	300
Elmhurst Golf Team	6	16	96
ACE kids golf	10	16	160
Junior Tournaments	40	3	120
Spanish Speaking Unity Council	12	4	48
Holy Names University	6	25	150
University of California	16	25	400
East Bay YMCA	40	2	80
Oakland High	6	6	36
Castlemont Golf Team	6	16	96
Piedmont Golf Team	10	16	160
Bishop O Dowd Boys/Girls	24	16	384
Laney College	4	20	80
Chabot College	4	20	80
Metro Jr. Golf Program	50	48	2400
Total	**264**		**4,590**

The Committee requested information regarding how the Office of Parks & Recreation will coordinate the use of Metropolitan facilities. Metropolitan Golf Course understands and agrees that the Office of Parks & Recreation will utilize Metropolitan banquet facilities 12 times per year for events, and the Metropolitan Golf Links two times per year for tournaments. The City shall provide 60 days written notice to Metropolitan when applicable of such use, and the Office of Parks & Recreation in turn shall request a three-month calendar of events to avoid conflicts in schedule. The intent of this sublease amendment is to generate additional revenue for the City's General Purpose Fund and as an offset to the reduced rent to the Golf Enterprise Fund. Office of Parks & Recreation Central Reservations staff will manage the reservation process similar to other shared space (e.g. Jack London Aquatic Center, Dunsmuir House). Details of the reservation process will be finalized with Metropolitan Golf Links and the Office of Parks & Recreation Central Reservations Unit.

SUSTAINABLE OPPORTUNITIES

Economic: Metropolitan Golf Links creates sales tax revenue through green fees, cart rental, food and beverage and by drawing visitors to Oakland who might also make purchases at other nearby businesses.

Environmental: Metropolitan Golf Links is a fully-certified Audubon International Cooperative Sanctuary. CourseCo is the first golf management firm to receive the Governors award for economic and environmental leadership for sustainable practices.

Social Equity: The Metropolitan Golf Link's Oakland Turfgrass Education Initiative (OTEI) is a nonprofit that exposes 80 -100 Oakland youth each year to turfgrass management with the objective of helping youth create career paths into industries not currently offered to urban youth. In addition, Metropolitan Golf Link's Junior Golf Program offers free golf equipment and lessons to children ages 6 - 17.

DISABILITY AND SENIOR CITIZEN ACCESS

Metropolitan Golf Links conforms to the requirements of the Americans with Disabilities Act, the Older American Act, and other applicable laws, including having an ADA accessible golf cart available on site.

RECOMMENDATION(S) AND RATIONALE

Staff recommends that Council approve the resolution authorizing the City Administrator to amend Oakland Golf 's Sublease to operate the Metropolitan Golf Links, providing Oakland Golf with Reduced Minimum Rent for a one-year time period, with authority to review and reauthorize the "rent relief" period for up to an additional four years. The resolution will also authorize the Third Supplemental Agreement between the City of Oakland and Port of Oakland.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that Council adopt a resolution to authorize the City Administrator to execute the First Amendment to the Sublease between the City of Oakland and Oakland Golf LLC, and the Third Supplemental Agreement to the Lease between the City of Oakland and Port of Oakland.

Respectfully submitted,

Audree V. Jones-Taylor
Director, Office of Parks & Recreation

Prepared by:
Deborah Spaulding, Administrative & Fiscal Manager

APPROVED AND FORWARDED TO THE
LIFE ENRICHMENT COMMITTEE:

OFFICE OF THE CITY ADMINISTRATOR

Attachments:

A. Economics Research Associates Evaluation of Lease Terms Metropolitan Golf Links
B. "The Green Blues," *San Francisco Chronicle,* Susan Fornoff, March 19, 2006
C. "Golfers are the Winners as Industry Cup Runneth Over with Courses," *MarketWatch.* Andrea Coombes. July 18, 2007.
D. "How Golf Went Off Course," *The Wall Street Journal Online.* John Paul Newport. April 2, 2007.
E. Metropolitan Golf Links Hiring Statistics
F. Revised First Amendment to Sublease and Operating Agreement between City of Oakland and Oakland Golf LLC

Attachment A

ERA

Economics Research Associates

EVALUATION OF LEASE TERMS
METROPOLITAN GOLF LINKS
OAKLAND, CALIFORNIA

MARCH 2006

ERA PROJECT NO. 16335

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METROPOLITAN GOLF LINKS

EXECUTIVE SUMMARY

Metropolitan Golf Links was completed and opened for play in April, 2003. The facility includes a Johnny Miller championship, 18-hole golf course, a large practice area and driving range and a clubhouse with banquet rooms. The course and related components are regarded as high-quality and have been very well received by the general golfing public as well as Oakland golfers. In addition, the golf course has provided a variety of other benefits to the Oakland community, including the highly acclaimed Oakland Turfgrass Education Initiative.

Unfortunately, however, the property has not been an economic success largely due to softness in the golf market both nationally and regionally. For reasons that are not entirely clear, fewer golfers are playing golf and, to make matters worse, more golf courses are being built, which is only exacerbating the imbalance between supply and demand. This trend has been ongoing for the last three or four years and there is no indication that it will reverse itself in the foreseeable future, if ever. As a result, many Bay Area golf courses are experiencing severe financial pressures.

Metropolitan Golf Links is no exception. Although initially projected by the City/Port/consultants to do 70,000 rounds per year, Metropolitan will do only 55,000 in 2005. Because of the heavy fixed costs involved in running a golf course, these missing rounds essentially represent the "profit' that the operator had hoped to generate. But after three difficult years, it is clear that the profit is not, and will not be there. Operating losses for the first several years aggregate in excess of $1 million and these losses are projected to continue indefinitely. Unfortunately, continuing to operate Metropolitan Golf Links in the red is not a viable option and, therefore, an alternative solution must be found.

To date, the developer/operator of Metropolitan Golf Links has invested in excess of $9 million in the project of which approximately $2 million represents cash investment and $7 million is represented by a loan from Wells Fargo Bank. The facility currently does not generate sufficient net income to pay Wells Fargo, let alone a return on the very substantial cash investment made by the operator.

Having analyzed the situation in some detail, it appears that the only solution to avoid a default situation with Wells Fargo and to create a long-term viable operation is to restructure the Lease to allow the operator to continue to operate the property and over time recoup its investment. By reducing the amount of rent the operator is required to pay the City/Port, sufficient net cash flow becomes available to pay the bank and produce a modest return to the operator.

Attached is a Pro Forma which shows a restructured Lease that allows the existing operator to continue to operate the golf course, pay Wells Fargo, pay reduced rent to the City and Port, and earn a modest return on its original investment. This restructured Lease also provides the operator with the reserves to maintain the property in a quality manner, reinvest to the extent necessary and provides a realistic incentive to recoup its investment over time.

The developer/operator has retained the consulting firm of Economics Research Associates (ERA) to review the market, operations and economics of Metropolitan Golf Links to provide independent, third-party direction on restoring economic viability to Metropolitan Golf Links from the perspective of the operator/tenant as well as the City and Port as landlord. ERA is a highly-respected national economic consulting firm with a specialty in golf courses. It provides services to both private golf course operators as well as municipal golf course owners. They expect to have a complete report available in January and will share this with the City at that time.

CourseCo is very proud of Metropolitan Golf Links and its contributions to the economic and recreational needs of Oakland. We look forward to working with the City/Port to restructure the Lease and restore economic viability over the long term for this important community asset.

INTRODUCTION

Metropolitan Golf Links is an 18-hole regulation length public golf course developed on property adjoining Oakland International Airport in Oakland, California. The course, opened in April 2003, was designed by golf architects Fred Bliss and Johnny Miller, and developed on the site of the former City of Oakland Galbraith Municipal Golf Course. The new course was developed on a ground sublease from the City of Oakland by Oakland Golf LLC, which also maintains, operates, and manages the course. The land is owned by the Port of Oakland and leased to the City of Oakland which, in turn, subleases the property to Oakland Golf LLC. The golf complex consists of the 18-hole regulation length golf course, a large practice area and driving range, a clubhouse and banquet room, and other support facilities.

The sublease agreement, negotiated in the 1999-2001 period, was consummated in August 2001. The term of the agreement is 25 years, with three five (5) year extensions at the option of Oakland Golf LLC. Importantly, the lease negotiations occurred at the peak of the national and Bay Area golf market.

Between 2001 and 2003, Oakland Golf LLC completed about $9.5 million in capital improvements. This construction effort coincided with an unanticipated sharp downtown in the Bay Area golf market. The market softness primarily resulted from a receding Bay Area economy, coupled with the cumulative effects of unprecedented expansion of the public golf course inventory which began in the mid-1990s, and unexpected reductions in underlying golf demand which most analysts attribute to changing recreational preferences and other factors adversely influencing the demand for golf.

The combination of a very soft Bay Area golf market and the financial burden of a major capital investment at Metropolitan Golf Links has undermined the economic viability of Oakland Golf LLC's investment. In response to the deteriorating economics of the lease agreement, Oakland Golf LLC retained Economics Research Associates (ERA) to conduct an independent assessment of the economics of Metropolitan Golf Links' operations and Oakland Golf LLC's ability to sustain management and operation of the complex under current lease terms. The following report presents ERA's analysis and conclusions relating to Metropolitan Golf Links' economics and supportable rent structure.

Economics Research Associates (ERA) is a diversified consulting firm founded in 1958 which provides a wide range of research services in economics, finance, and market analysis. The firm maintains the largest and most experienced golf economics consulting practice in the U.S. ERA's clients include municipalities, other public agencies, public/ private joint ventures, private developers, financial institutions, and golf course operators. ERA's assignments in the golf industry include market evaluations, financial analysis, management/operational audits, clubhouse evaluations, appraisals, and evaluations of facility lease arrangements. ERA, with offices in San Francisco, Los Angeles, San Diego, Chicago, New York, Washington DC, and London, conducts approximately 50 golf-related assignments a year, with approximately one half of these services provided to the public sector.

ERA has conducted well over 100 golf assignments in the San Francisco Bay Area, representing over 30 public agencies in the region. The firm has extensive historical and current knowledge of Bay Area golf market conditions and trends.

Every reasonable effort has been made in order that the data contained in this study reflect the most accurate and timely information possible as of January 2006, the date when primary research was collected for this study, and it is believed to be reliable. This study is based on estimates, assumptions, and other information developed by Economics Research Associates from its independent research effort, general knowledge of the golf industry, and consultations with client representatives and the golf industry. No responsibility is assumed for inaccuracies in reporting by the client, its agents and representatives, or any other data source used in preparing this study. No warranty or representation is made by Economics Research Associates that any of the projected values or results in this study will actually be achieved.

SUMMARY

- Oakland Golf LLC has invested about $9.5 million in developing Metropolitan Golf Links, a municipal golf course serving the East Bay.

- The ground lease between Oakland Golf LLC and the City of Oakland calls for the minimum annual rent to escalate to $500,000 by the fourth operating year. Percentage rent, if greater than the minimum, would be paid based on an amount equal to 15 percent, increasing steadily to 27.5 percent, of golf gross revenue over the agreement term.

- The lease agreement was negotiated at the peak of the golf industry when expectations of growth in population and profitability were unrealistic and unsustainable. The rent structure calls for the highest <u>ground</u> lease payments in California, if not the nation.

- Coincident with the golf course construction, the Bay Area public golf market softened considerably, such that annual play has reached only about 75 percent of levels forecast by the Port of Oakland's and the City's golf consultants at the time the lease agreement between Oakland Golf and the City of Oakland was negotiated in 1999-2000.

- The current performance of Oakland Golf's manager, CourseCo, appears to reflect maximization of current market opportunities, and expenses cannot be reduced further without materially affecting property performance.

- Despite capturing a reasonable share of the region's golf play, Metropolitan's financial performance in the first three years of operation has not been sufficient to fully fund its rent and debt service obligations.

- Assuming the Bay Area golf market begins to firm, annual play at Metropolitan is projected to gradually increase from 54,200 rounds in 2005 to a stabilized level of 62,000 rounds in 2010. Based on these projections, under the existing lease terms, financial losses of $350,000 to $700,00 per year are forecast over the next 20 years, totaling more than $15 million over the term of the lease.

- Economic viability can only be achieved through substantive lease modifications, primarily a reduction in minimum rent and a restructuring of percentage rent.

- The following rent structure would allow Oakland Golf LLC to fund debt service obligations with nominal, if any, return to invested equity capital:

Years	Minimum Annual Rent	Percentage Rent: Greens Fees/ Carts/ Range	Percentage Rent: Food & Beverage, Merchandise, Other
2006-2015	$100,000	5.0%	4.0%
2016-2020	200,000	7.5%	4.0%
2021-2025	300,000	7.5%	4.0%
2026-2030	400,000	10.0%	4.0%
2031+	500,000	10.0%	4.0%

- The rent structure also should allow the City to participate significantly in revenues which exceed the baseline projections. The most equitable structure employed by most public agencies is to impose a rent surcharge on revenues which are above the level that provides a minimum return to the lessee. In the case of Metropolitan Golf Links, for example, a rent surcharge of 10 percent of gross golf revenue (greens, carts, and range) exceeding $3.2 million and 20 percent exceeding $3.7 million per year would be reasonable. The surcharge revenue thresholds typically are adjusted for inflation to accommodate increases in lessee operating expenses. These surcharges would allow the City to remain whole if, at some point in the future, revenues meet original projection levels while preventing any potential windfall gains by the lessee.

METROPOLITAN GOLF LINKS LEASE SUMMARY

Oakland Golf LLC prepared its proposal to the City of Oakland for development and operation of Metropolitan Golf Links (former site of Lew F. Galbraith Golf Course) during late 2000 and early 2001, which led to the lease agreement between the two parties in August 2001. The Port of Oakland owns the golf property, leasing it to the City of Oakland which, in turn, subleases it to Oakland Golf LLC.

A funding and development agreement is an integral part of the sublease agreement. The total cost of the golf course development was approximately $14 million, of which $9.5 million was funded by Oakland Golf LLC and $4.5 million by the City and Port of Oakland.

The economic terms of the sublease agreement are summarized below:

Lease Date	August 24, 2001
Term Commencement (opening of course)	April 1, 2003
Term	25 years
Expiration	May 31, 2028
Options (Lessee's)	Three 5-year extensions

Minimum Annual Base Rent:

Year 1	$100,000
Year 2	300,000
Year 3	400,000
Year 4	500,000
Year 5+	500,000[1]

[1]Greater of $500,000 or 80% of the average annual percentage rent paid in the three preceding years.

Percentage Rent:

	Percentage of Golf Revenue			
Year	Golf Related	Merchandise	F&B	Golf Instruction/ Other Misc.
1- 2	---	---	---	---
3- 5	15.0%	4.0%	4.0%	4.0%
6-10	17.5	4.0	4.0	4.0
11-15	20.0	4.0	4.0	4.0
16-20	22.5	4.0	4.0	4.0
21-25	25.0	4.0	4.0	4.0
26+	27.5	4.0	4.0	4.0

Note: The rent obligation is the greater of the minimum base rent or sum of percentage rents.

Capital Improvement Program (CIP) Reserve (percent of golf-related gross revenue):

Year	Percent of Total Gross Revenue
1-2	---
3-4	2.0%
5+	4.0

One-half the CIP payment is credited against the rent obligation.

The sublease is a triple-net agreement, with Oakland Golf LLC responsible for all taxes, insurance, and property maintenance, including the cost of irrigation water and all other utilities.

HISTORICAL OPERATIONS

Metropolitan Golf Links (Metropolitan) is an 18-hole regulation length golf facility located adjacent to Oakland International Airport in Oakland, California. Metropolitan, opened in April 2003, was redeveloped on the former site of the City's Lew Galbraith Municipal Golf Course. The course is a 7,015-yard, par 72 layout designed by golf architects Fred Bliss and Johnny Miller. The golf complex includes the 18-hole course, a 37-tee station golf practice range (no lights), a 6,500-square-foot clubhouse, and other support facilities. Storage for a fleet of 80 carts is contained in a freestanding 4,000-square-foot structure located between the clubhouse and practice range. A 4,000-square-foot golf maintenance building is located directly northwest of the clubhouse. The golf course is operated by CourseCo, a professional golf course management company which operates and manages 12 golf courses in the State of California.

Greens Fees

Greens fees at Metropolitan, excluding cart, for the period 2003-2005 are shown below:

Greens Fees
(excluding cart)

	Residents			Non-Residents		
Year	Monday-Thursday	Friday	Saturday/Sunday	Monday-Thursday	Friday	Saturday/Sunday
2003	$28	$50	$60	$38	$50	$60
2004	$28	$50	$60	$38	$50	$60
2005	$30	$50	$60	$40	$50	$60

Current greens fees, excluding cart, by type of play are summarized as follows:

	Greens Fees (excluding cart)	
	Residents	Non-Residents
Monday-Thursday		
Regular	$30	$40
Senior	---	35[1]
Junior	---	15
9-Hole	16	16
Twilight	21	25
Super-Twilight	16	20
Friday		
Regular	$50	$50
Senior	---	35[1]
Junior	---	15
9-Hole	16	21
Twilight	30	37
Super-Twilight	25	30
Saturday-Sunday		
Regular	$60	$60
Junior	---	20
9-Hole	21	25
Twilight	30	37
Super-Twilight	25	30

[1]Includes cart.

Cart fees are $15 per player for 18-hole rounds and $10 per player for twilight and 9-hole play.

Annual Play

Annual play at Metropolitan since its opening in April 2003 is summarized as follows:

	Annual Play	
Year	Actual	12-Month Annualized
2003 (9 months)	33,892	47,500
2004	54,839	54,839
2005	54,197	54,197

Play by month for the 2004-2005 period is shown in Exhibit 1.

Annual gross revenue, by department, for the 2003-2005 period is shown in Exhibit 2. Note that 2003 is a 9-month period.

Annual gross revenue for 2005 is summarized below:

Department	Gross Revenue ($000)	Revenue per Round[1]
Greens	$2,053.3	$37.89
Carts	273.1	5.04
Range	288.3	5.32
Merchandise	222.6	4.11
Food & Beverage	560.5	10.34
Miscellaneous	117.8	2.17
Total	$3,515.7	$64.87

[1]Based on 54,197 rounds for specified period.

Exhibit 2 also shows annual net operating income for the 2003-2005, with the expenses displayed in more detail in Exhibit 3.

Net operating income is expressed before rent, debt service, contribution to the capital improvement reserve fund, and income taxes. As shown, annual net income for 2004 and 2005 is reported in the $600,000-$650,000 range.

National Golf Market

Nationwide, golf play increased steadily between the mid-1980s and 2000. As shown below, during this period, the total number of annual rounds played nationally increased at an average rate of 2.1 percent per year. Golf balls sold, perhaps the best indicator of play, increased at a similar rate (2.5% per year). This unprecedented growth in golf play was due to a number of factors including an increase in the number of golfers, the increasing importance of golf-oriented real estate, expansion of the golf tourism industry, and one of the longest economic expansions in the nation's history.

INDICATORS OF NATIONAL GOLF DEMAND
1985-2005

Year	Rounds (millions)	Number of Golfers (millions)*	Participation Rate	Golf Ball Sales (millions of dozens)
1985	365	17.5	10.2	36.0
1990	400	27.8	13.5	42.0
1995	420	25.0	11.6	46.0
2000	518	26.7	11.7	52.2
2001	518	25.8	11.9	50.0
2002	502	26.2	12.2	46.7
2003	495	30.4	12.4	43.4
2004	499	n.a.	n.a.	44.3
2005	500	n.a.	n.a.	43.6

	Average Annual Growth Rate			
Period	Rounds	Number of Golfers	Participation Rate	Golf Ball Sales (millions of dozens)
1985-1990	1.8%	9.7	---	3.1
1990-1995	1.0	(2.1)	---	1.8
1995-2000	3.6	1.3	---	2.6
2000-2002	(1.6)	5.1	---	(5.4)
2002-2005	(0.1)	3.1[1]	---	(2.3)

*Twelve years or older.

Source: National Golf Foundation.

Since 2001, however, golf play (demand) has declined substantially. The National Golf Foundation reports that since 2001, annual rounds have declined by 7 percent. Golf ball sales, however, have declined by nearly 17 percent since their peak in 2000. The golf participation rate (percentage of the population over age 12 playing golf at least once per year), after rising steadily through 1997, has generally plateaued, and average rounds played per golfer has fallen off sharply.

The increase in golf demand and the popularity of golf-related housing development during the 1990s stimulated extraordinary expansion of the national golf course inventory, as summarized below:

Year	Average Annual Courses Added	Total Golf Courses	Average Annual Percent Increase
	Number of Golf Courses[1] – U.S.		
1990	---	11,105.0	---
2000	311	14,221.0	2.5%
2005	192	15,183.5	1.3%

[1]18-hole equivalents.

Source: National Golf Foundation and Economics Research Associates.

Thus, over the 1990-2004 period, the inventory of golf courses in the United States increased by 35 percent, while the U.S. population registered only a 19 percent gain, and golf demand (play) increased only 25 percent, over this same period.

The extraordinary increase in the national supply of golf facilities coupled with stagnating demand in recent years has resulted in significant weakness in the golf industry. Nearly every major golf market in the country has experienced softening conditions since 2000, manifest by reductions in individual golf course play levels and golf revenues, leading to industry economic difficulties, consolidation and, a rapid acceleration of financial failures.

San Francisco Bay Area Golf Market Overview

Historically, the Bay Area golf market has been very strong with most golf courses operating at close to full effective capacity and sustaining greens fee increases well above general price inflation. Since the late-1990s, however, this market has softened considerably in response to a number of changing conditions:

- The sharp downturn in the Bay Area economy between 2001 and 2003.
- The dramatic increase in the supply of public golf courses in the region.
- Development of high-end daily-fee golf courses located within East Bay and South Bay master-planned golf communities, justified by housing economics rather than golf market conditions.
- Fundamental changes in lifestyle and entertainment/recreation pursuits affecting the demand for golf.

Consequently, in the face of flat or declining demand growth, increases in supply have resulted in downward pressure on rounds, rates, and operating margins at virtually energy course in the region.

Comparative data for the State of California and the San Francisco Bay Area which shows population to public golf course ratios for the years 1990 and 2005 is presented in Exhibit 4. Over the 1990-2005 period, the Bay Area public golf course inventory has expanded by 44 percent compared with 18 percent for the State of California. Bay Area population has increased only 17 percent over this time frame resulting in a substantial decline of nearly 20 percent in the population per golf course such that the gap in this ratio for the state as a whole and the Bay Area has narrowed considerably.

Exhibit 5 presents a list of the new public golf courses that have entered the Bay Area regional market since 1990. As shown, there are 28 new public golf facilities. In addition, a large number of existing courses have been substantially renovated during this same time period, resulting in added competitive pressures.

Golf fees (greens, carts, range and annual play levels for Metropolitan and the other nearby East Bay public golf courses are compared in Exhibit 6. The greens fees structure at Metropolitan, which offers City of Oakland resident and non-residential rates, is competitive with the high cost courses in the area (Tilden Park and Monarch Bay), and substantially exceeds the entry level courses serving the market. Exhibit 7 compares Metropolitan greens fees and play levels with the set of high-end daily fee facilities serving the region.

Total annual greens fee and cart revenue (the product of annual play and greens/cart fees) at Metropolitan is consistent with most of the high-quality daily fee facilities serving the market.

As noted earlier, the golf market has receded significantly over recent years. This downward trend is clearly evidenced by play levels at selected public golf courses which compete directly with Metropolitan:

Golf Course	1995	2000	2005
Metropolitan	---	---	55,000
Chuck Corica (45 holes)	240,000	220,000	152,000
Monarch Bay (18-hole)	75,000	75,000	55,000
Tilden Park	85,000	82,000	70,000
Skywest	96,000	95,000	75,000
Presidio	---	76,000	65,000
Harding Park	90,000	84,000	74,000

The outlook for the Bay Area golf market is uncertain at this time, although it appears highly unlikely that conditions will return to their peak levels of the mid- to late-1990s in the foreseeable future. Weather adjusted, play in 2005 at most Bay Area courses approximated 2004 levels despite the solid economic recovery of the Bay Area economy. Most golf industry analysts now believe that the positive effects of the aging population (golf participation and frequency of play generally increase with age) will be offset by shifts in summer preferences for recreation and home golf participation. While golf is unlikely to go the way of the tennis industry, it is undergoing fundamental changes in its economic makeup.

GROUND LEASE COMPARABLES

The Metropolitan Golf Links lease is effectively a "ground" lease, not a "facility" lease. The primary factor distinguishing a ground lease is that most, if not all, the capital improvements are constructed and funded by the lessee. By comparison, under a facility lease, the lessee leases already developed improvements, with minimum or no capital improvement obligation. Exhibit 8 presents a summary of lease terms for the five most recent public agency ground lease transactions involving 18-hole regular-length courses in California, covering the 1994-2005 period. Historically, the economics of golf course development have allowed ground lease payments in the range of 10 percent gross revenue in strong golf markets, with some higher rates in extraordinary market situations, and often less in weaker markets. During the peak 1995-2000 golf period, there was one exceptionally high-ground lease negotiated in Orange County (Strawberry Farms), one of the strongest golf markets in the country.

Under the Strawberry Farms lease, percentage rents on golf revenues (greens, carts and range) increase steadily from 5 percent in the first 3 years to 7.5 percent in Years 4 and 5, 10 percent in Years 6-10, 15 percent in Years 11-20, ultimately reaching 25 percent. The Metropolitan lease mirrors this transaction, but was even more aggressive, particularly with regard to the minimum rent. There was no precedent for the Metropolitan transaction, and there has not been any transaction negotiated since that even approaches these terms.

Alternatively, the Metropolitan lease, with an adjustment to translate amortization of invested capital to a rent equivalent, can be compared with facility leases. Typically, in strong California golf markets, facility leases which involve minimal lease capital, call for rents of 30-35 percent on golf (Greens, carts, range) revenue, and 5-8 percent on merchandise and food and beverage sales. Amortization of the approximate $9.5 million Oakland Golf LLC investment at an 8 percent cost of capital and 30-year amortization period is equal to about $975,000 per year, equal to about 37 percent of 2005 golf revenue at Metropolitan. Thus, even with no rent included, the rent equivalent at Metropolitan exceeds even the highest percentage ground rents paid on California municipal facility leases.

IMPROVING NET OPERATING INCOME

Some modest improvement of Metropolitan Golf Links revenues is anticipated as the Bay Area economy continues its recovery and there are fewer additions to the golf courses serving the market area. However, the well documented decline in the underlying fundamental demand for golf will dampen demand in the overall public golf market and growth opportunities for Metropolitan and other area courses.

The projections reflect solid, steady improvement in revenues as play is projected to increase gradually from 54,200 in 2005 to 62,000 rounds by 2010. While increases beyond this level are possible, such increases are highly speculative. Current greens fees at Metropolitan appear to be at market levels such that any fee increases would likely be fully offset by reduction in play levels.

Operating expenses (maintenance, golf operations, and general and administrative expenses) are at or below comparable courses (see Exhibit 9). Reduction in these expenses most likely would result in deteriorating course conditions, deferred maintenance, and lower golf service levels, and would be counter-productive to maintaining, much less increasing, market share.

BASELINE FINANCIAL PROJECTIONS

Annual financial projections for Metropolitan Golf Links over the 2006-2043 period are presented in Exhibit 10. The principal factors and assumptions underlying the projections include:

- Annual rounds increase steadily from 54,200 in 2006, to a stabilized level of 62,000 in 2010.
- The average greens fee remains at $37.50 per round for 2006 and 2007, escalating by 2.0 percent per year through 2010, and 3.0 percent thereafter.
- Other operating revenues per round of golf remain at 2005 levels, plus inflation escalations of 3.0 percent.
- Operating expenses remain near 2005 levels, plus annual 3 percent escalations.
- A management fee is included at 5.0 percent of gross revenue.
- Capital improvement program replacement reserve contributions by Metropolitan Golf Links equal 2.0 percent of gross revenue for 2006, increasing to 4.0 percent thereafter (one half the contribution is credited against rent).
- Annual debt service relating to the $7.0 million existing long-term debt liabilities is approximately $562,000 per year for the 2006-2010 period. The $6.25 million principal remaining at year-end 2010 is assumed to be refinanced at 9.0 percent interest over 20 years ($675,000 annual debt service).
- Oakland Golf LLC equity capital, including negative retained earnings, currently is approximately $2.5 million.
- Projections are prepared based on the current rent structure to the City of Oakland (see Exhibit 11).

As shown in Exhibit 10, financial losses (negative net cash flow) of $350,000 to $700,000 per year are incurred through the balance of the least term, totaling over $15 million, after rent payments and debt service.

MODIFIED RENT STRUCTURE

The following modified rent structure would allow Oakland Golf LLC to fund rent and debt service obligations:

Period	Annual Minimum Rent	Percentage Rent Golf[1]	Percentage Rent Other[2]
2006-2015	$100,000	5.0%	4.0%
2016-2020	200,000	7.5%	4.0%
2021-2025	300,000	7.5%	4.0%
2026-2030	400,000	10.0%	4.0%
2031+	500,000	10.0%	4.0%

[1]Greens, carts, and range.
[2]Merchandise, food and beverage, rentals, other.

Based on this revised rent structure, financial projections are presented over the balance of the lease term in Exhibit 12. These projections indicate that over the 2006-2030 period, rent and debt service are fully funded, with nominal cash flow accruing to Oakland Golf LLC. Upon full amortization of the development loan in 2030, additional cash flow accrues to Oakland Golf.

Overall, the return on Oakland Golf Group LLC's invested equity capital is calculated at 5.9 percent, significantly below the 15 percent target return required for a golf development of this type.

The rent structure also should allow the City to participate significantly in revenues which exceed the baseline projections. The most equitable structure employed by most public agencies is to impose a rent surcharge on revenues which are above the level that provides a minimum return to the lessee. In the case of Metropolitan Golf Club, for example, a rent surcharge of 10 percent of gross golf revenue (greens, carts, and range) exceeding $3.2 million and 20 percent exceeding $3.7 million per year would be reasonable. The surcharge revenue thresholds typically are adjusted for inflation to accommodate increases in lessee operating expenses. These surcharges would allow the City to remain whole if, at some point in the future, revenues meet original projection levels while preventing any potential windfall gains by the lessee.

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Exhibit 1

METROPOLITAN GOLF LINKS
Rounds by Month

Month	2004	2005
January	4,173	3,784
February	4,128	3,766
March	5,406	5,440
April	5,196	5,122
May	5,135	4,621
June	4,842	4,655
July	5,353	5,476
August	4,477	5,123
September	4,698	4,760
October	4,274	4,418
November	3,824	4,059
December	3,333	2,963
Total	54,839	54,197

#16335

Exhibit 2

METROPOLITAN GOLF LINKS NET OPERATING INCOME BEFORE RENT, DEBT SERVICE, AND CAPITAL IMPROVEMENTS 2003-2005 (Thousands of Dollars)

	2003 (9 Months)	2004	2005
Gross Revenue			
Greens Fees	$1,354.4	$2,015.2	$2,053.3
Carts	205.0	300.7	273.1
Range	51.3	303.2	288.3
Merchandise	90.0	201.2	222.7
Food and Beverage	129.3	451.8	560.5
Other[1]	15.0	44.1	41.6
Total	$1,715.7	$3,316.2	$3,439.5
Cost of Sales			
Merchandise	53.0	142.1	141.8
Food and Beverage	43.0	143.4	143.3
Total	$ 96.0	$ 285.4	$ 285.1
Gross Operating Profit	$1,749.0	$3,030.8	$3,154.4
Operating Expenses			
Maintenance	645.9	908.7	798.8
Golf Operations	330.1	462.1	383.0
Clubhouse Undistributed	10.0	44.1	35.8
Food and Beverage	107.8	275.8	224.5
General and Administrative	501.6	707.1	636.3
Total	$1,595.4	$2,397.8	$2,078.4
Net Operating Income	$ 153.6	$ 633.0	$ 617.5

[1] Includes net lessons revenue.

#16335

Exhibit 3

METROPOLITAN GOLF LINKS NET OPERATING EXPENSES
2003-2005
(Thousands of Dollars)

Item	2003 (9 Months)	2004	2005
Maintenance			
Payroll and Benefits	$ 375.3	$ 469.1	$ 485.0
Services and Supplies	200.1	195.7	218.9
Water and Utilities	70.5	75.6	83.5
Equipment	---	168.3	170.7
Total	$ 645.9	$ 908.7	$ 958.1
Golf Operations			
Payroll and Benefits	203.7	307.6	295.8
Cart Expenses	25.5	22.2	23.0
Cart Lease	31.7	77.0	56.9
Range Expenses	19.9	19.3	13.8
Services and Supplies	39.3	36.0	60.6
Total	$ 320.1	$ 462.1	$ 450.1
Clubhouse	$ 30.0	$ 44.1	$ 43.1
Food and Benefits			
Payroll and Benefits	92.7	216.5	225.1
Services and Supplies	15.1	59.3	57.0
Total	$ 107.8	$ 275.8	$ 282.1
General and Administrative			
Payroll and Benefits	118.4	154.4	178.1
Insurance	13.3	35.9	30.6
Marketing/Promo/Advertising	83.7	100.1	119.4
Property Taxes	---	7.2	6.9
Credit Card	28.0	32.9	47.0
Services and Supplies	146.7	194.4	173.6
Management Fee	101.5	182.2	193.7
Total	$ 491.6	$ 707.1	$ 749.3
Total	$1,595.4	$2,397.8	$2,482.7

Exhibit 4

COMPARISON OF POPULATION TO GOLF COURSE RATIOS
State of California and San Francisco Bay Area
1990-2005

Year	Population (millions)		Number of Public Access Golf Courses[1]		Population per 18-Hole Golf Course	
	Bay Area	California	Bay Area	California	Bay Area	California
1990	6.02	29.34	63	330	95,600	88,900
2005	7.09	36.81	91	485	77,900	75,800
Increase (Decrease)						
Number	1.07	7.47	28	155	(17,700)	(13,100)
Percent	17.7%	25.5%	44.4%	46.9%	(18.5%)	(14.8%)

[1] 18-hole equivalents regulation-length courses.

Exhibit 5

DISTRIBUTION OF NEW PUBLIC-ACCESS GOLF COURSES BY TYPE, SINCE 1990
NINE COUNTY SAN FRANCISCO BAY AREA 1/

Course Name, Location	# of Holes	Year Opened	Golf Course Architect	Course Positioning	Golf Community?
Rancho Solano, Fairfield	18	1990	Gary Roger Baird	Mid-Market	Yes
Adobe Creek, Petaluma	18	1990	R.T. Jones II	Upscale	Yes
Oakhurst, Clayton	18	1990	Ron Fream	High-End	Yes
Paradise Valley, Fairfield	18	1993	R.M. Graves	Mid-Market	No
Blue Rock Springs East, Vallejo	18	1993	R.M. Graves	Mid-Market	No
Brentwood, Brentwood	27	1994	Ted Robinson	Upper Mid-Mkt	Yes
McInnis Park, San Rafael	9	1994	Fred Bliss	Mid-Market	No
Hiddenbrooke, Vallejo	18	1995	Arnold Palmer	High-End	Yes
Rio Vista, Rio Vista	18	1996	Ted Robinson	Upper Mid-Mkt	Yes
Poppy Ridge, Livermore	27	1996	Rees Jones	Upper Mid-Mkt	No
San Juan Oaks, Hollister	18	1997	Couples / Bates	Upscale	Yes
Ocean Course, Half Moon Bay	18	1997	Arthur Hills	High-End	Yes
Rooster Run, Petaluma	18	1998	Fred Bliss	Mid-Market	No
Cinnabar Hills, San Jose	27	1998	John Harbottle	High-End	No
Wente Vineyards, Livermore	18	1998	Greg Norman	High-End	Yes
Eagle Ridge, Gilroy	18	1999	Miller / Fream	High-End	Yes
Coyote Creek, San Jose	18	1999	Jack Nicklaus	High-End	No
Mission Hills, Hayward	9	1999	NA	Mid-Market	No
The Bridges, San Ramon	18	1999	Millar / Graves	High-End	Yes
Mare Island, Vallejo	18	2000	Robin Nelson	Mid-Market	Yes
StoneTree, Novato	18	2000	Miller/Tatum/Bliss	High-End	Yes
Roddy Ranch, Antioch	18	2000	J. Michael Poellot	Upper Mid-Mkt	Yes
Shadow Lakes, Brentwood	18	2001	Gary Roger Baird	Upper Mid-Mkt	Yes
Las Lagos, San Jose	18	2002	J. Michael Poellot	Mid-Market	No
Deer Ridge, Brentwood	18	2003	NA	Upper Mid-Mkt	Yes
Dublin Ranch, Dublin	18	2003	Knott, Brooks, Linn	Upper Mid-Mkt	Yes
Metropolitan, Oakland	18	2003	Johnny Miller	Upper Mid-Mkt	No
Callippe Preserve, Pleasanton	18	2005	JMP Golf Design	Upper Mid-Mkt	No
New Courses (18-H Equivalents)	28.5				17.0
% New Courses in Golf Communities					61%
Total Public Golf Course Supply	91.0				
New Courses as % of Total Supply	31%				

1/ San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa, Solano, Napa, Sonoma, and Marin Counties
Source: *Economics Research Associates*

Exhibit 6

SUMMARY OF FEES AT SELECT 18-HOLE PUBLIC GOLF COURSES IN THE EAST BAY

18-HOLE COURSE:	L. Chabot	Skywest	C. Corica	Tilden Park	Mon. Bay	Metropol.
Monday - Thursday						
Regular Resident	$22	$24	$23	$32	$27	$30
Regular Non-Resident	$26	$28	$30	$32	$32	$40
Senior Resident	$17	$18	$18	-	$20	$35
Senior Non-Resident	$17	$21	$23	-	$27	$35
Junior Resident	$5	$10	$1	$5	$10	$15
Junior Non-Resident	$5	$10	$8	$5	$10	$15
Twilight Resident	$15	$19	$18	$23	$20	$21
Twilight Non-Resident	$18	$19	$23	$23	$22	$25
Late Twilight Resident	-	$19	$13	$16	$15	$16
Late Twilight Non-Resident	-	$19	$16	$16	$15	$20
Early Bird 9, Resident	-	$15	$16	$16	$15	$16
Early Bird 9, Non-Resident	-	$15	$20	$16	$15	$16
9 Holes, Resident	-	$17	-	-	-	$16
9 Holes, Non-Resident	-	$19	-	-	-	$16
Friday:						
Regular Resident	$22	$24	$27	$47	$27	$30 / $50 1/
Regular Non-Resident	$22	$28	$35	$47	$32	$50
Senior Resident	$17	$18	-	-	$27	$35
Senior Non-Resident	$17	$21	-	-	$27	$35
Junior Resident	-	$10	-	$5	$10	$15
Junior Non-Resident	-	$10	-	$5	$10	$15
Twilight Resident	$20	$19	$19	$25	$20	$30
Twilight Non-Resident	$30	$19	$25	$25	$22	$37
Late Twilight Resident	-	$19	$14	$16	$15	$25
Late Twilight Non-Resident	-	$19	$18	$16	$15	$30
9 Holes, Resident	-	$24	-	-	-	$16
9 Holes, Non-Resident	-	$28	-	-	-	$21
Weekends and Holidays:						
Regular Resident	$30	$33	$27	$55	$35 2/	$60
Regular Non-Resident	$37	$37	$35	$55	$55	$60
Twilight Resident	$20	$19	$19	$29	$27	$30
Twilight Non-Resident	$30	$19	$25	$29	$29	$37
Late Twilight Resident	-	$19	$14	$16	$19	$25
Late Twilight Non-Resident	-	$19	$18	$16	$19	$30
Early Bird 9, Resident	-	$19	$18	$23	$19	$21
Early Bird 9, Non-Resident	-	$19	$23	$23	$19	$25
9 Holes, Resident	-	$22	-	-	-	$21
9 Holes, Non-Resident	-	$24	-	-	-	$25

1/ $30 rate offered before 10am

2/ Available before 7:30am and after 12 pm

Exhibit 6 (Continued)
SUMMARY OF FEES AT SELECTED PUBLIC GOLF COURSES IN THE EAST BAY

	L. Chabot	Skywest	C. Corica	Tilden Park	Mon. Bay	Metropol.
9-Hole Course?	Yes	No	Yes	No	Yes	No
9-H Course Par / Yardage	27 / 1040	-	27 / 1133	-	30 / 1734	-
9-HOLE COURSE RATES:						
Regular Weekday	$8	-	$9	-	$14	-
Regular Weekend	$8	-	$11	-	$18	-
Senior Weekday	-	-	$7	-	$10	-
Senior Weekend	-	-	-	-	-	-
Replay Weekday	-	-	$7	-	$6	-
Replay Weekend	-	-	$7	-	$8	-
Senior Weekday Replay	-	-	$6	-	-	-
Senior Weekend Replay	-	-	-	-	-	-
Junior Resident	$4	-	$1	-	$5	-
Junior Non-Resident	$4	-	$4	-	$5	-
CARTS (PER PERSON):						
Regular Cart	$13	$14	$14	$15	$13	$15
Twilight Cart	-	$14	$14	$11	$10	$15
Senior Weekday Cart	-	$12	$11	-	-	-
Single Rider	$15	$14	$18	$15	$13	$15
MONTHLY PASSES:						
Resident	-	-	$100	-	-	-
Resident Senior	-	-	$85	$80	-	-
Non-Resident	-	-	130 + $3/Rd	$80	-	-
RANGE BALLS:						
Small	$4 (35)	$5 (50)	$4 (33)	$5 (45)	$5 (40)	$4 (25)
Medium	$6 (60)	$8 (100)	$6 (66)	$7 (63)	$8 (90)	$8 (80)
Large	-	$10 (150)	$8 (99)	$9 (93)	$10 (130)	$10 (100)
Avg. Price / Ball						
Small	$0.11	$0.10	$0.12	$0.11	$0.13	$0.15
Medium	$0.10	$0.08	$0.09	$0.11	$0.09	$0.10
Large	-	$0.07	$0.08	$0.10	$0.08	$0.10
Annual Rounds	50,000		152,000	73,000	130,000	55,000

1/ Regular Cart: $13 per person, Twilight Cart: $10 per person
Source: Individual Facilities 12/2005

Exhibit 7
OVERVIEW OF UPSCALE, PUBLIC-ACCESS GOLF COURSES IN THE BAY AREA

			No.		Approx.		Greens Fees				Approx.
Facility Name	Location	Year Opened	of Holes	Course Architect	Clubhouse Size (sq.ft.)	Cart Fees	18-Hole WD	18-Hole WE	Twilight WD	Twilight WE	Annual Rounds*
Metropolitan	Oakland	2003	18	Bliss/Miller	6,500	$15	$30/$40[1]	$60	$21/$25[1]	$30/$37[1]	54,200
Presidio	San Francisco	1895	18	R. Johnstone	13,000	$18	$42/$78[1]	$77/$90[1]	$32	$52	65,000
Harding Park	San Francisco	2004	18	PGA Tour	12,000 (u/c)	$13	$33/$78[1]	$46/$90[1]	$24/$57[1]	$32/$68[1]	74,000
Ocean Course	Half Moon Bay	1997	18	Arthur Hills	8,500	Incl.	$125	$145	$75	$90	35,000
Links Course	Half Moon Bay	1973	18	Arnold Palmer	Shared bldg.	Incl.	$125	$145	$75	$90	35,000
Wente Vineyds.	Livermore	1998	18	Greg Norman	5,000	Incl.	$ 75	$ 95	$45	$55	40,000
Poppy Ridge	Livermore	1996	27	Rees Jones	10,000	$14	$ 56	$ 78	$26	$38	45,000
Canyon Lakes	San Ramon	1987	18	Ted Robinson	7,000	Incl.	$55/$65[2]	$ 80	$40	$40	40,000
The Bridges	San Ramon	1999	18	Miller/Graves	14,000	Incl.	$ 75	$ 95	$55	$75	35,000
Hiddenbrooke	Vallejo	1995	18	Arnold Palmer	14,000	Incl.	$65/$75[3]	$95/$85[4]	$45/$55[3]	$75/$65[4]	33,000
Silverado	Napa	'55/'67	36	R.T. Jones II	4,400	Incl.	$155	$155	$85	$85	40,000
Chardonnay	Napa	1987	18	Algie Pulley	17,000	Incl.	$ 55	$ 80	$45	$55	35,000
Bodega Harbour	Bodega Bay	1977	18	R.T. Jones II	5,000	Incl.	$60/$75[3]	$ 90	$45/$55[3]	$65	30,000
Stone Tree	Novato	2000	18	Miller/Fream	21,000	Incl.	$ 85	$115	$55	$85	36,000
Cinnabar Hills	San Jose	1998	27	John Harbottle	15,000	Incl.	$ 80	$100	$57	$77	47,000
Coyote Creek	San Jose	1999	36	Jack Nicklaus	12,000	Incl.	$76/$86[3]	$ 99	$56/$61[3]	$66	42,500
Eagle Ridge	Gilroy	1999	18	Miller/Fream	16,000	$18	$ 65	$ 90	$40	$55	42,000
San Juan Oaks	San Juan Bautista	1996	18	Couples/Bates	19,000	$16	$ 55	$ 80	$30	$40	36,000
Callippe Preserve	Pleasanton	2005	18	Brian Costelf	7,400	$13	$36/$42[1]	$51/$60[1]	$22/$26[1]	$33/$39[1]	55,000[5]

*Per 18 holes.
[1]Resident/nonresident.
[2]*Monday-Tuesday/Wednesday-Thursday.*
[3]Monday-Thursday/Friday.
[4]Saturday/Sunday.
[5]Projected Year 1.

Exhibit 8

SELECTED CHARACTERISTICS OF GOLF COURSE GROUND LEASES

Course Location	The Vineyard Escondido	Strawberry Farms Irvine	Auld Golf Course Chula Vista	Rustic Canyon Moorpark	Metropolitan Golf Links Oakland
Lessor	City of Escondido	Irvine Ranch Water District	Otay Water District	County of Ventura	City of Oakland
Lessee	Cobblestone Golf	Doug DeCinces	Pacific Link	Highlands Group	Oakland Golf LLC
Golf Course Type	18-hole	18-hole regulation	18-hole regulation	18-hole	18-hole
Course Length	6,400	6,600+	6,600+	6,500+	6,900
Par	72	72	72	72	72
Parcel Size (acres)	120	190	200	120	150
Lease Term	35 years	40 years	40 years	35 years	25 years
Initial Year	1994	1996	1998	1994	2001
Option Term	---	---	Two 5-year	---	Three 5-year
Minimum Annual Rent					
Year 1	None	$150,000	$ 50,000	$ 48,000[1]	$100,000
Year 2		$150,000	$ 75,000	$ 96,000	$300,000
Year 3		$150,000	$ 90,000	$192,000	$400,000
Year 4		$150,000	$120,000	$192,000	$500,000
Year 5		$150,000	(CPI adjusted)	$192,000	$500,000[4]
Year 6-10				$192,000	$500,000[4]
Stabilized (year)				---[2]	$500,000[4]
Percentage Rents (greens/carts/range)					
Year 1	0.0%	5.0%	0%	10/20/10%	---
Year 2	3.0%	5.0%	3%	10/20/10%	---
Year 3	4.0%	5.0%	3%	10/20/10%	15.0%
Year 4	5.0%	7.5%	3%	10/20/10%	15.0%
Year 5	6.0%	7.5%	3%	10/20/10%	15.0%
Year 6-10	8.0%	10.0%	5%	10/20/10%	17.5%
Year 11-20	10.0%	15.0%	10%	10/20/10%	20.0-22.5%
Year 21-30	15.0%	20.0%	15%	10/20/10%	25.0-27.5%
Year 31-40	15.0%	25.0%	20%	10/20/10%	27.5%
Year 41-60	---	---	---	10/20/10%	---
Percentage Rents (food/liquor)					
Year 1-10	---[3]	7.5%	3%	5%	4%
Year 11+	10%	7.5%	3%	5%	4%
Percentage Rents (pro shop)					
Year 1-10	---[3]	5.0%	3%	5%	4%
Year 11+	5%	5.0%	3%	5%	4%

[1]Construction year. [2]Adjusted to 80% of prior 5-year average. [3]Years 1-3 — 0%; Years 4-10 — 5%. [4]Adjusted to 80% of prior three years.

Source: Economics Research Associates.

#16335

Exhibit 9

COMPARATIVE 18-HOLE GOLF COURSE OPERATING EXPENSES[1]

	Metropolitan 2005	Metropolitan 2006	A	B	C	D
Course Maintenance						
Payroll & Benefits	$ 485	$ 530	$ 550	$ 650	$ 550	$ 530
Services & Supplies	219	225	175	225	220	210
Utilities	84	85	200	75	300	310
Maintenance Equipment	171	170	100	150	100	90
Total	$ 958	$1,010	$1,025	$1,100	$1,170	$1,140
Golf Operations						
Payroll & Benefits	$ 296	$ 300	$ 250	$ 350	$ 200	$ 205
Cart Leasing	57	65	75	80	75	80
Cart Operation	23	25	70	60	75	80
Range	14	20	25	30	40	40
Services & Supplies	61	50	40	40	45	50
Total	$ 450	$ 460	$ 460	$ 560	$ 435	$ 455
Undistributed Clubhouse	$ 43	$ 43	$ 50	$ 85	$ 200	$ 200
General & Administrative						
Payroll & Benefits	$ 178	$ 160	$ 195	$ 225	$ 175	$ 200
Insurance	31	35	55	40	50	60
Property Taxes	7	75	70	75	305	250
Promo & Advertising	119	100	90	70	100	100
Services & Supplies	220	230	130	160	150	160
Management Fee	194	180	150	---	120	150
Total	$ 749	$ 780	$ 690	$ 570	$ 900	$ 920
Total	$2,200	$2,295	$2,225	$2,315	$2,705	$2,715
Capital Improvement Reserve	70	150	---	---	---	---
Total	$2,270	$2,445	$2,225	$2,315	$2,705	$2,715

[1]Excludes Food & Beverage.

Source: Economics Research Associates.

Exhibit 10
METROPOLITAN GOLF CLUB BASELINE PRO FORMA
(In Current $000s)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual Rounds	58,000	59,000	60,000	61,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62.000	63.000	62,000	62.000
Revenue																			
Greens Fees	$2,175	$2,213	$2,295	$2,380	$2,467	$2,541	$2,618	$2,696	$2,777	$2,860	$2.946	$3,034	$3,126	$3,219	$3.316	$3.415	$3.518	$3,623	$3.732
Cart Fees	290	304	318	333	349	359	370	381	393	404	417	429	442	455	469	483	497	512	528
Merchandise	232	243	255	267	279	287	296	305	314	324	333	343	354	364	375	386	398	410	422
Driving Range	308	318	329	340	351	362	373	384	395	407	419	432	445	458	472	486	501	516	531
Food and Beverage																			
Daily Golfers	290	304	318	333	349	359	370	381	393	404	417	429	442	455	469	483	497	512	528
Special Events	350	361	530	656	675	696	716	738	760	783	806	831	855	881	908	935	963	992	1,021
Other	58	61	64	67	70	72	74	76	79	81	83	86	88	91	94	97	99	102	106
Total Gross Revenue	$3,703.	$3,803	$4,109	$4,375	$4,540	$4,677	$4,817	$4,962	$5,110	$5,264	$5.422	$5,584	$5,752	$5.924	$6,102	$6,285	$6.474	$6,668	$6,868
Less: Cost of Sales																			
Merchandise	151	158	166	173	181	187	192	198	204	210	217	223	230	237	244	251	259	266	274
Food and Beverage	205	213	272	316	328	338	348	358	369	380	391	403	415	428	440	454	467	481	496
Subtotal Cost of Sales	356	371	437	490	509	524	540	556	573	590	608	626	645	664	684	705	726	748	770
Total Revenue	$3,347	$3.432	$3,672	$3,885	$4,031	$4.152	$4,277	$4,405	$4,537	$4.673	$4,814	$4,958	$5,107	$5,260	$5,418	$5,580	$5,748	$5,920	$6,098
Operating Expenses																			
Course Maintenance	$1,010	$1.040	$1,072	$1.104	$1,137	$1,171	$1,206	$1,242	$1,279	$1,318	$1,357	$1,398	$1,440	$1,483	$1.528	$1,574	$1.621	$1,669	$1.719
Golf Operations	460	474	488	503	518	533	549	566	583	600	618	637	656	676	696	717	738	760	783
F&B Operations	352	365	467	544	563	580	598	616	634	653	673	693	714	735	757	780	803	827	852
Clubhouse Undistributed	45	46	48	49	51	52	54	55	57	59	60	62	64	66	68	70	72	74	77
General & Administrative	780	802	825	849	874	899	925	951	979	1,007	1,036	1,066	1,096	1,128	1,161	1,194	1,228	1,264	1.300
Total Operating Expenses	2,647	2,728	2,900	3,049	3,142	3,235	3,331	3,430	3,532	3,637	3,744	3,856	3,970	4,088	4,209	4,334	4,463	4,595	4,732
Net Operating Income	$700	$704	$773	$837	$889	$917	$946	$975	$1,006	$1,037	$1,069	$1,102	$1,137	$1,172	$1,209	$1,246	$1.285	$1,325	$1.366
Capital Improvement Fund	55	113	118	122	127	130	134	138	143	147	151	156	160	165	170	175	181	186	192
Debt Service	562	562	562	562	562	675	675	675	675	675	675	675	675	675	675	675	675	675	675
Net Rent	472	443	503	526	546	562	579	683	704	725	746	769	892	919	946	975	1.004	1,150	1,185
Net Cash Flow	($389)	($415)	($410)	($373)	($345)	($451)	($443)	($521)	($516)	($510)	($503)	($497)	($591)	($587)	($583)	($579)	($575)	($687)	($686)

Exhibit 10
METROPOLITAN GOLF CLUB BASELINE PRO FORMA
(In Current $000s)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
ual Rounds	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
enue										
reens Fees	$3,844	$3,959	$4,078	$4,200	$4,326	$4,456	$4,590	$4,728	$4,869	$5,016
art Fees	544	560	577	594	612	630	649	669	689	709
Merchandise	435	448	461	475	489	504	519	535	551	567
riving Range	547	564	580	598	616	634	653	673	693	714
ood and Beverage										
Daily Golfers	544	560	577	594	612	630	649	669	689	709
Special Events	1,052	1,084	1,116	1,150	1,184	1,220	1,256	1,294	1,333	1,373
ther	109	112	115	119	122	126	130	134	138	142
otal Gross Revenue	$7,074	$7,286	$7,505	$7,730	$7,962	$8,201	$8,447	$8,700	$8,961	$9,230
s: Cost of Sales										
Merchandise	283	291	300	309	318	328	338	348	358	369
ood and Beverage	511	526	542	558	575	592	610	628	647	666
ubtotal Cost of Sales	793	817	842	867	893	920	947	976	1,005	1,035
tal Revenue	$6,281	$6,469	$6,663	$6,863	$7,069	$7,281	$7,499	$7,724	$7,956	$8,195
erating Expenses										
ourse Maintenance	$1,771	$1,824	$1,879	$1,935	$1,993	$2,053	$2,115	$2,178	$2,244	$2,311
olf Operations	807	831	856	881	908	935	963	992	1,022	1,052
F&B Operations	878	904	931	959	988	1,017	1,048	1,079	1,112	1,145
lubhouse Undistributed	79	81	84	86	89	91	94	97	100	103
General & Administrative	1,338	1,377	1,417	1,458	1,500	1,543	1,588	1,634	1,681	1,730
Total Operating Expenses	4,872	5,017	5,166	5,319	5,477	5,640	5,808	5,980	6,158	6,341
t Operating Income	$1,408	$1,452	$1,497	$1,544	$1,591	$1,641	$1,692	$1,744	$1,798	$1,854
pital Improvement Fund	197	203	209	216	222	229	236	243	250	258
bt Service	675	675	675	675	675	675	-	-	-	-
t Rent	1,221	1,257	1,295	1,469	1,513	1,558	1,605	1,653	1,702	1,753
t Cash Flow	($685)	($683)	($682)	($816)	($818)	($821)	($149)	($152)	($154)	($157)

	2035	2036	2037	2038	2039	2040	2041	2042	2043
ual Rounds	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
enue									
reens Fees	$5,166	$5,321	$5,481	$5,645	$5,814	$5,989	$6,168	$6,354	$6,544
art Fees	731	752	775	798	822	847	872	898	925
Merchandise	584	602	620	639	658	678	698	719	740
riving Range	735	757	780	803	828	852	878	904	931
ood and Beverage									
Daily Golfers	731	752	775	798	822	847	872	898	925
Special Events	1,414	1,456	1,500	1,545	1,591	1,639	1,688	1,739	1,791
ther	146	150	155	160	164	169	174	180	185
otal Gross Revenue	$9,507	$9,792	$10,086	$10,388	$10,700	$11,021	$11,352	$11,692	$12,043
s: Cost of Sales									
Merchandise	380	391	403	415	428	440	454	467	481
ood and Beverage	686	707	728	750	772	796	819	844	869
ubtotal Cost of Sales	1,066	1,098	1,131	1,165	1,200	1,236	1,273	1,311	1,351
tal Revenue	$8,441	$8,694	$8,955	$9,223	$9,500	$9,785	$10,079	$10,381	$10,692
erating Expenses									
ourse Maintenance	$2,380	$2,452	$2,525	$2,601	$2,679	$2,759	$2,842	$2,927	$3,015
olf Operations	1,084	1,117	1,150	1,185	1,220	1,257	1,294	1,333	1,373
F&B Operations	1,179	1,215	1,251	1,289	1,327	1,367	1,408	1,451	1,494
lubhouse Undistributed	106	109	113	116	119	123	127	130	134
General & Administrative	1,780	1,832	1,885	1,940	1,996	2,054	2,113	2,175	2,238
Total Operating Expenses	6,530	6,724	6,924	7,130	7,342	7,560	7,785	8,016	8,255
t Operating Income	$1,911	$1,970	$2,031	$2,094	$2,158	$2,225	$2,294	$2,365	$2,438
pital Improvement Fund	265	273	281	290	299	308	317	326	336
bt Service	-	-	-	-	-	-	-	-	-
t Rent	1,806	1,860	1,916	1,974	2,033	2,094	2,157	2,221	2,288
t Cash Flow	($160)	($163)	($167)	($170)	($173)	($176)	($179)	($183)	($186)

Exhibit 11

METROPOLITAN GOLF CLUB - EXISTING RENT STRUCTURE

(In Current $000s)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
et Operating Income	$700	$704	$773	$837	$889	$917	$946	$975	$1,006	$1,037
apital Improvement Fund	55	113	118	122	127	130	134	138	143	147
otal Cash Flow Available										
r Debt Service & Rent	$645	$591	$655	$715	$763	$787	$811	$837	$863	$890
ebt Service	562	562	562	562	562	675	675	675	675	675
et Cash Flow, Before Rent	$83	$29	$93	$153	$201	$112	$136	$162	$188	$215
ent										
inimum	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500
ercentage										
Golf-Related	15.0%	15.0%	17.5%	17.5%	17.5%	17.5%	17.5%	20.0%	20.0%	20.0%
Merchandise	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Food & Beverage	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Other	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
ent Amount										
Golf-Related	$416	$425	$515	$534	$554	$571	$588	$692	$713	$734
Merchandise	9	10	10	11	11	11	12	12	13	13
Food & Beverage	26	27	34	40	41	42	43	45	46	47
Other	2	2	3	3	3	3	3	3	3	3
otal Percentage Rent	$453	$464	$562	$587	$609	$627	$646	$752	$775	$798
ent to City	$500	$500	$562	$587	$609	$627	$646	$752	$775	$798
ess: CIP credit	28	57	59	61	63	65	67	69	71	73
et Rent	$472	$443	$503	$526	$546	$562	$579	$683	$704	$725

	2016	2017	2018	2019	2020	2021	2022	2023	2024
et Operating Income	$1,069	$1,102	$1,137	$1,172	$1,209	$1,246	$1,285	$1,325	$1,366
apital Improvement Fund	151	156	160	165	170	175	181	186	192
otal Cash Flow Available									
r Debt Service & Rent	$918	$947	$976	$1,007	$1,038	$1,071	$1,104	$1,139	$1,174
ebt Service	675	675	675	675	675	675	675	675	675
et Cash Flow, Before Rent	$243	$272	$301	$332	$363	$396	$429	$464	$499
ent									
inimum	$500	$500	$500	$500	$500	$500	$500	$500	$500
ercentage									
Golf-Related	20.0%	20.0%	22.5%	22.5%	22.5%	22.5%	22.5%	25.0%	25.0%
Merchandise	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Food & Beverage	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Other	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
ent Amount									
Golf-Related	$756	$779	$903	$930	$958	$986	$1,016	$1,163	$1,198
Merchandise	13	14	14	15	15	15	16	16	17
Food & Beverage	49	50	52	53	55	57	58	60	62
Other	3	3	4	4	4	4	4	4	4
otal Percentage Rent	$822	$847	$972	$1,002	$1,032	$1,063	$1,094	$1,244	$1,281
ent to City	$822	$847	$972	$1,002	$1,032	$1,063	$1,094	$1,244	$1,281
ess: CIP credit	76	78	80	83	85	88	90	93	96
et Rent	$746	$769	$892	$919	$946	$975	$1,004	$1,150	$1,185

Exhibit 11

METROPOLITAN GOLF CLUB - EXISTING RENT STRUCTURE

(In Current $000s)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
: Operating Income	$1,408	$1,452	$1,497	$1,544	$1,591	$1,641	$1,692	$1,744	$1,798	$1,854	$1,911	$1,970	$2,031	$2,094	$2,158	$2,225	$2,294	$2,365	$2,438
ital Improvement Fund	197	203	209	216	222	229	236	243	250	258	265	273	281	290	299	308	317	326	336
al Cash Flow Available																			
Debt Service & Rent	$1,211	$1,249	$1,288	$1,328	$1,369	$1,412	$1,456	$1,501	$1,548	$1,596	$1,646	$1,697	$1,750	$1,804	$1,860	$1,918	$1,977	$2,038	$2,102
ot Service	675	675	675	675	675	675	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow, Before Rent	$536	$574	$613	$653	$694	$737	$1,456	$1,501	$1,548	$1,596	$1,646	$1,697	$1,750	$1,804	$1,860	$1,918	$1,977	$2,038	$2,102
nt																			
nimum	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500
centage																			
Golf-Related	25.0%	25.0%	25.0%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%
Merchandise	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Food & Beverage	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Other	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
nt Amount																			
Golf-Related	$1,234	$1,271	$1,309	$1,483	$1,527	$1,573	$1,620	$1,669	$1,719	$1,771	$1,824	$1,878	$1,935	$1,993	$2,053	$2,114	$2,178	$2,243	$2,310
Merchandise	17	18	18	19	20	20	21	21	22	23	23	24	25	26	26	27	28	29	30
Food & Beverage	64	66	68	70	72	74	76	78	81	83	86	88	91	94	97	99	102	105	109
Other	4	4	5	5	5	5	5	5	6	6	6	6	6	6	7	7	7	7	7
tal Percentage Rent	$1,319	$1,359	$1,400	$1,576	$1,624	$1,672	$1,723	$1,774	$1,827	$1,882	$1,939	$1,997	$2,057	$2,119	$2,182	$2,248	$2,315	$2,384	$2,456
nt to City	$1,319	$1,359	$1,400	$1,576	$1,624	$1,672	$1,723	$1,774	$1,827	$1,882	$1,939	$1,997	$2,057	$2,119	$2,182	$2,248	$2,315	$2,384	$2,456
ss: CIP credit	99	102	105	108	111	114	118	121	125	129	133	137	141	145	149	154	158	163	168
t Rent	$1,221	$1,257	$1,295	$1,469	$1,513	$1,558	$1,605	$1,653	$1,702	$1,753	$1,806	$1,860	$1,916	$1,974	$2,033	$2,094	$2,157	$2,221	$2,288

Exhibit 12

METROPOLITAN GOLF CLUB PRO FORMA WITH MODIFIED RENT

(In Current $000s)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Annual Rounds	58,000	59,000	60,000	61,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
Revenue																			
Greens Fees	$2,175	$2,213	$2,295	$2,380	$2,467	$2,541	$2,618	$2,696	$2,777	$2,860	$2,946	$3,034	$3,126	$3,219	$3,316	$3,415	$3,518	$3,623	$3,732
Cart Fees	290	304	318	333	349	359	370	381	393	404	417	429	442	455	469	483	497	512	528
Merchandise	232	243	255	267	279	287	296	305	314	324	333	343	354	364	375	386	398	410	422
Driving Range	308	318	329	340	351	362	373	384	395	407	419	432	445	458	472	486	501	516	531
Food and Beverage																			
Daily Golfers	290	304	318	333	349	359	370	381	393	404	417	429	442	455	469	483	497	512	528
Special Events	350	361	530	656	675	696	716	738	760	783	806	831	855	881	908	935	963	992	1,021
Other	58	61	64	67	70	72	74	76	79	81	83	86	88	91	94	97	99	102	106
Total Gross Revenue	$3,703	$3,803	$4,109	$4,375	$4,540	$4,677	$4,817	$4,962	$5,110	$5,264	$5,422	$5,584	$5,752	$5,924	$6,102	$6,285	$6,474	$6,668	$6,868
Less: Cost of Sales																			
Merchandise	151	158	166	173	181	187	192	198	204	210	217	223	230	237	244	251	259	266	274
Food and Beverage	205	213	272	316	328	338	348	358	369	380	391	403	415	428	440	454	467	481	496
Subtotal Cost of Sales	356	371	437	490	509	524	540	556	573	590	608	626	645	664	684	705	726	748	770
Total Revenue	$3,347	$3,432	$3,672	$3,885	$4,031	$4,152	$4,277	$4,405	$4,537	$4,673	$4,814	$4,958	$5,107	$5,260	$5,418	$5,580	$5,748	$5,920	$6,098
Operating Expenses																			
Course Maintenance	$1,010	$1,040	$1,072	$1,104	$1,137	$1,171	$1,206	$1,242	$1,279	$1,318	$1,357	$1,398	$1,440	$1,483	$1,528	$1,574	$1,621	$1,669	$1,719
Golf Operations	460	474	488	503	518	533	549	566	583	600	618	637	656	676	696	717	738	760	783
F&B Operations	352	365	467	544	563	580	598	616	634	653	673	693	714	735	757	780	803	827	852
Clubhouse Undistributed	45	46	48	49	51	52	54	55	57	59	60	62	64	66	68	70	72	74	77
General & Administrative	780	802	825	849	874	899	925	951	979	1,007	1,036	1,066	1,096	1,128	1,161	1,194	1,228	1,264	1,300
Total Operating Expenses	2,647	2,728	2,900	3,049	3,142	3,235	3,331	3,430	3,532	3,637	3,744	3,856	3,970	4,088	4,209	4,334	4,463	4,595	4,732
Net Operating Income	$700	$704	$773	$837	$889	$917	$946	$975	$1,006	$1,037	$1,069	$1,102	$1,137	$1,172	$1,209	$1,246	$1,285	$1,325	$1,366
Capital Improvement Fund	55	113	118	122	127	130	134	138	143	147	151	156	160	165	170	175	181	186	192
Debt Service	562	562	562	562	562	675	675	675	675	675	675	675	675	675	675	675	675	675	675
Net Rent	148	124	135	144	150	154	159	164	169	174	274	282	290	299	308	317	327	336	347
Net Cash Flow	($65)	($95)	($42)	$8	$51	($43)	($23)	($2)	$19	$41	($31)	($10)	$11	$33	$55	$79	$103	$127	$153

Exhibit 12

METROPOLITAN GOLF CLUB PRO FORMA WITH MODIFIED RENT

(In Current $000s)

	2025	2026	2027	2028	2029	2030	2031	2032	2033
nual Rounds	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
venue									
Greens Fees	$3,844	$3,959	$4,078	$4,200	$4,326	$4,456	$4,590	$4,728	$4,869
Cart Fees	544	560	577	594	612	630	649	669	689
Merchandise	435	448	461	475	489	504	519	535	551
Driving Range	547	564	580	598	616	634	653	673	693
Food and Beverage									
Daily Golfers	544	560	577	594	612	630	649	669	689
Special Events	1,052	1,084	1,116	1,150	1,184	1,220	1,256	1,294	1,333
Other	109	112	115	119	122	126	130	134	138
Total Gross Revenue	$7,074	$7,286	$7,505	$7,730	$7,962	$8,201	$8,447	$8,700	$8,961
ss: Cost of Sales									
Merchandise	283	291	300	309	318	328	338	348	358
Food and Beverage	511	526	542	558	575	592	610	628	647
Subtotal Cost of Sales	793	817	842	867	893	920	947	976	1,005
tal Revenue	$6,281	$6,469	$6,663	$6,863	$7,069	$7,281	$7,499	$7,724	$7,956
erating Expenses									
Course Maintenance	$1,771	$1,824	$1,879	$1,935	$1,993	$2,053	$2,115	$2,178	$2,244
Golf Operations	807	831	856	881	908	935	963	992	1,022
F&B Operations	878	904	931	959	988	1,017	1,048	1,079	1,112
Clubhouse Undistributed	79	81	84	86	89	91	94	97	100
General & Administrative	1,338	1,377	1,417	1,458	1,500	1,543	1,588	1,634	1,681
Total Operating Expenses	4,872	5,017	5,166	5,319	5,477	5,640	5,808	5,980	6,158
et Operating Income	$1,408	$1,452	$1,497	$1,544	$1,591	$1,641	$1,692	$1,744	$1,798
pital Improvement Fund	197	203	209	216	222	229	236	243	250
ebt Service	675	675	675	675	675	675	-	-	-
et Rent	357	495	510	525	541	557	574	591	608
et Cash Flow	$179	$79	$103	$128	$154	$180	$882	$910	$939

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
nual Rounds	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000	62,000
venue										
Greens Fees	$5,016	$5,166	$5,321	$5,481	$5,645	$5,814	$5,989	$6,168	$6,354	$6,544
Cart Fees	709	731	752	775	798	822	847	872	898	925
Merchandise	567	584	602	620	639	658	678	698	719	740
Driving Range	714	735	757	780	803	828	852	878	904	931
Food and Beverage										
Daily Golfers	709	731	752	775	798	822	847	872	898	925
Special Events	1,373	1,414	1,456	1,500	1,545	1,591	1,639	1,688	1,739	1,791
Other	142	146	150	155	160	164	169	174	180	185
Total Gross Revenue	$9,230	$9,507	$9,792	$10,086	$10,388	$10,700	$11,021	$11,352	$11,692	$12,043
ss: Cost of Sales										
Merchandise	369	380	391	403	415	428	440	454	467	481
Food and Beverage	666	686	707	728	750	772	796	819	844	869
Subtotal Cost of Sales	1,035	1,066	1,098	1,131	1,165	1,200	1,236	1,273	1,311	1,351
tal Revenue	$8,195	$8,441	$8,694	$8,955	$9,223	$9,500	$9,785	$10,079	$10,381	$10,692
erating Expenses										
Course Maintenance	$2,311	$2,380	$2,452	$2,525	$2,601	$2,679	$2,759	$2,842	$2,927	$3,015
Golf Operations	1,052	1,084	1,117	1,150	1,185	1,220	1,257	1,294	1,333	1,373
F&B Operations	1,145	1,179	1,215	1,251	1,289	1,327	1,367	1,408	1,451	1,494
Clubhouse Undistributed	103	106	109	113	116	119	123	127	130	134
General & Administrative	1,730	1,780	1,832	1,885	1,940	1,996	2,054	2,113	2,175	2,238
Total Operating Expenses	6,341	6,530	6,724	6,924	7,130	7,342	7,560	7,785	8,016	8,255
et Operating Income	$1,854	$1,911	$1,970	$2,031	$2,094	$2,158	$2,225	$2,294	$2,365	$2,438
pital Improvement Fund	258	265	273	281	290	299	308	317	326	336
ebt Service	-	-	-	-	-	-	-	-	-	-
et Rent	627	646	665	685	705	727	748	771	794	818
et Cash Flow	$969	$1,000	$1,032	$1,065	$1,098	$1,133	$1,169	$1,206	$1,244	$1,284

Exhibit 13
METROPOLITAN GOLF CLUB - MODIFIED RENT STRUCTURE
(In Current $000s)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
t Operating Income	$700	$704	$773	$837	$889	$917	$946	$975	$1,006	$1,037	$1,069	$1,102	$1,137	$1,172	$1,209	$1,246	$1,285	$1,325	$1,366
pital Improvement Fund	55	113	118	122	127	130	134	138	143	147	151	156	160	165	170	175	181	186	192
tal Cash Flow Available																			
Debt Service & Rent	$645	$591	$655	$715	$763	$787	$811	$837	$863	$890	$918	$947	$976	$1,007	$1,038	$1,071	$1,104	$1,139	$1,174
bt Service	562	562	562	562	562	675	675	675	675	675	675	675	675	675	675	675	675	675	675
t Cash Flow, Before Rent	$83	$29	$93	$153	$201	$112	$136	$162	$188	$215	$243	$272	$301	$332	$363	$396	$429	$464	$499
nt																			
inimum	$100	$100	$100	$100	$100	$100	$100	$100	$100	$100	$200	$200	$200	$200	$200	$300	$300	$300	$300
rcentage																			
Golf-Related	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Merchandise	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Food & Beverage	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Other	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
nt Amount																			
Golf-Related	$139	$142	$147	$153	$158	$163	$168	$173	$178	$184	$284	$292	$301	$310	$319	$329	$339	$349	$359
Merchandise	9	10	10	11	11	11	12	12	13	13	13	14	14	15	15	15	16	16	17
Food & Beverage	26	27	34	40	41	42	43	45	46	47	49	50	52	53	55	57	58	60	62
Other	2	2	3	3	3	3	3	3	3	3	3	3	4	4	4	4	4	4	4
tal Percentage Rent	$176	$180	$194	$206	$213	$220	$226	$233	$240	$247	$349	$360	$371	$382	$393	$405	$417	$430	$442
ent to City	$176	$180	$194	$206	$213	$220	$226	$233	$240	$247	$349	$360	$371	$382	$393	$405	$417	$430	$442
ss: CIP credit	28	57	59	61	63	65	67	69	71	73	76	78	80	83	85	88	90	93	96
et Rent	$148	$124	$135	$144	$150	$154	$159	$164	$169	$174	$274	$282	$290	$299	$308	$317	$327	$336	$347

Exhibit 13
METROPOLITAN GOLF CLUB - MODIFIED RENT STRUCTURE
(In Current $000s)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
t Operating Income	$1,408	$1,452	$1,497	$1,544	$1,591	$1,641	$1,692	$1,744	$1,798	$1,854	$1,911	$1,970	$2,031	$2,094	$2,158	$2,225	$2,294	$2,365	$2,438
pital Improvement Fund	197	203	209	216	222	229	236	243	250	258	265	273	281	290	299	308	317	326	336
tal Cash Flow Available																			
Debt Service & Rent	$1,211	$1,249	$1,288	$1,328	$1,369	$1,412	$1,456	$1,501	$1,548	$1,596	$1,646	$1,697	$1,750	$1,804	$1,860	$1,918	$1,977	$2,038	$2,102
bt Service	675	675	675	675	675	675	-	-	-	-	-	-	-	-	-	-	-	-	-
t Cash Flow, Before Rent	$536	$574	$613	$653	$694	$737	$1,456	$1,501	$1,548	$1,596	$1,646	$1,697	$1,750	$1,804	$1,860	$1,918	$1,977	$2,038	$2,102
nt																			
nimum	$300	$400	$400	$400	$400	$400	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500
centage																			
Golf-Related	7.5%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Merchandise	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Food & Beverage	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Other	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
nt Amount																			
Golf-Related	$370	$508	$524	$539	$555	$572	$589	$607	$625	$644	$663	$683	$704	$725	$746	$769	$792	$816	$840
Merchandise	17	18	18	19	20	20	21	21	22	23	23	24	25	26	26	27	28	29	30
Food & Beverage	64	66	68	70	72	74	76	78	81	83	86	88	91	94	97	99	102	105	109
Other	4	4	5	5	5	5	5	5	6	6	6	6	6	6	7	7	7	7	7
tal Percentage Rent	$456	$596	$614	$633	$652	$671	$691	$712	$734	$756	$778	$802	$826	$850	$876	$902	$929	$957	$986
nt to City	$456	$596	$614	$633	$652	$671	$691	$712	$734	$756	$778	$802	$826	$850	$876	$902	$929	$957	$986
ss: CIP credit	99	102	105	108	111	114	118	121	125	129	133	137	141	145	149	154	158	163	168
t Rent	$357	$495	$510	$525	$541	$557	$574	$591	$608	$627	$646	$665	$685	$705	$727	$748	$771	$794	$818

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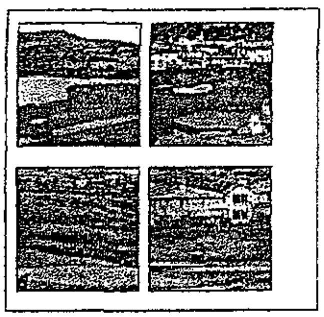
Golf Economics

San Francisco Chronicle

THE GREEN BLUES

Golf courses help get projects built and move houses but these days the game itself has become a hard sell

Susan Fornoff, Chronicle Staff Writer
Sunday, March 19, 2006



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There's love at first sight, when the developer can't take his eyes off of his glimmering green golf course, with nary a divot nor a pitch mark to mar the 200 acres of unadulterated real estate sex appeal.

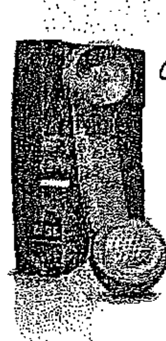
Then there's the honeymoon, when buyers hotly and heavily pursue pricey lots on and around the course.

And then there's the stage where many Bay Area real estate developers now find themselves -- a relationship that has them reaching deep into their vocabularies for diplomatic descriptions of the mate they once adored.

"Financial albatross would be too strong," said Chris Truebridge, division president of Shapell Homes, builder of houses and golf courses at the Bridges in San Ramon and Eagle Ridge in Gilroy. "But I don't have a lot of people knocking at my door saying, 'Can I buy your golf course?'"

"You end up with this boat anchor of a golf course," said Doug Krah, regional president of Standard Pacific, a partner with Shapell on Eagle Ridge. "I don't think any are making a profit right now. Maybe the old, old ones."

Maybe the profitable ones will contact us. Much easier to find are stories such as the one in the Feb. 18 editions of The Chronicle, which reported that San Francisco city golf courses, including the newly renovated and universally praised Harding Park, operated more than $500,000 in the hole in the 2004-05 fiscal year. In Napa,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a pretty, vineyard-lined 27-hole complex called Chardonnay went into bankruptcy and emerged under new ownership.

Same story in Antioch, where Roddy Ranch, a player-friendly and media-acclaimed golf course, couldn't sustain itself without homes on the property and went into bankruptcy, emerging in the hands of Black Mountain Development of Pleasanton and Pacific Coast Capital Partners of Sacramento with plans to eventually build 700 houses.

Ditto in the mountains of Plumas County, where a well-marketed and challenging golf course, aptly named the Dragon at Gold Mountain, landed in bankruptcy after the lots sold and the course and clubhouse couldn't make a go of it. Yet just up the road, a new course opened last summer, with developers Lowe Enterprises ga-ga over the possibilities of Grizzly Ranch, where private golf memberships are going for $50,000 and home sites start at $150,000.

Mike Mohler, the project manager, said the company prefers communities with plenty of amenities. "Would we have built a golf course without real estate? Probably not."

Probably most certainly not. The game that experienced a boom in popularity with the coming of Tiger Woods and the strong economy in the late 1990s is busting in the 21st century. Nationally, rounds declined by 3 percent in 2002 and 1.5 percent in 2003, bounced up by 0.7 percent in 2004 and dropped 0.1 percent in 2005, according to the National Golf Foundation.

The slump -- which the foundation blames on weather and the economy -- seemed even more pronounced, statistically, in the West. Combined with a golf course building boom at the height of Tigermania, the overall decline in rounds feels much steeper in the Bay Area.

"We now have 77 golf courses within an hour and a half of us," said Carmen Juarez, marketing director for Hiddenbrooke Golf Club, a daily-fee course in Vallejo. "That's a lot more competition than we had before the homes were built. When the course opened in 1995, there were 46."

At Hiddenbrooke, the golf course came first. The Japanese developers planned to add houses eventually and then make the course private. But houses came, and are still coming -- so many that the golf course is barely discernible to drivers heading toward the development -- and the course remained public, with special rates for homeowners. Last year, one of the home builders, Triad Communities, bought the course and clubhouse.

Through it all, the course remained pretty, challenging and well maintained, and the LPGA, the women's professional tour, played its year-end tournament there from 2000 through 2002. Yet play peaked in 1999-2000, with more than 33,000 rounds played. That number plummeted to just over 28,000 rounds by 2004-05, even though green fees dropped because of various promotions.

"What I'm seeing is that everybody's running very aggressive deals," said Hiddenbrooke director of golf Matt Ochs, who brought golfers out in February for golf and lunch at $50. "We need to stop building golf courses and we need to start growing golfers."

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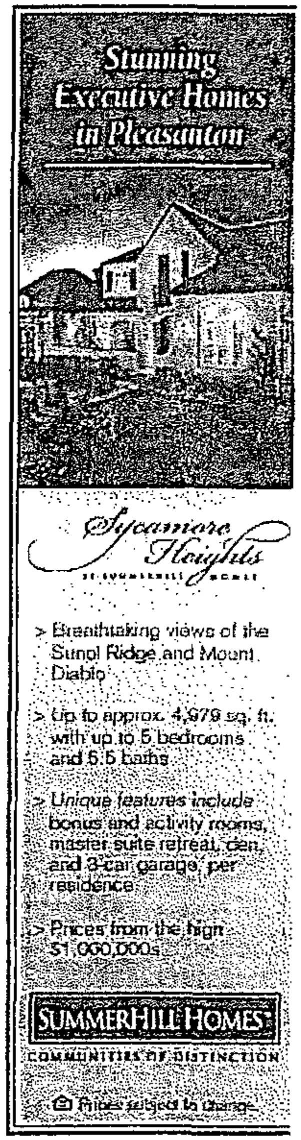

Even golfers agree there are two things wrong with the game: It's expensive and time-consuming to learn and play. Eighteen holes take a minimum of four hours; add the drive, the warm-up and the wind-down, and there goes the day. Green fees range from $23 to walk 18 at Castro Valley's Willow Park on a weekday to $180.20 with cart on a weekend at the seaside Half Moon Bay Golf Links at the Ritz Carlton. In the Bay Area, weekend golf costs more than $60 at all but the most budget-friendly municipal courses.

"The new course in Pleasanton has a $60 weekend green fee; ours is $95," said Truebridge of the Bridges. "If you're a senior or are on a budget, where are you going to go play? We're getting 43,000 to 45,000 rounds a year. I'd like that figure to be 50,000 to 55,000, yet I'd like to get the green fees over $110."

Add to fees the cost of lessons and equipment -- and the luxury of having the time the game takes to play -- and it's no wonder that homeowners are perfectly comfortable having a couple hundred golfers stroll by the backyard every day. It's not as if the visitors are going to jump the fence to take the patio furniture.

"Golf obviously adds value to real estate," Krah said. "People like living on a golf course and are willing to pay a premium to do that."

What about the cost to the developers? "Golf courses are a million dollars a hole, that's the round number," he calculated. "Directly, you get premiums back -- you can charge somebody an extra $50,000 to live on the golf course instead of having to stare at the neighbors."

So real estate sales can safely cover the golf course building costs. Now players have to cover the annual maintenance and staffing fees. And because the rule of thumb seems to be that residents will account for no more than 10 percent of the annual rounds, 90 percent of the players have to come from somewhere else.

The golf course's reputation with the media and players influences that, which is why the Tahoe Mountain Club is managing to fill Old Greenwood in Truckee even at $170 per round. East West Partners, developer of 99 home sites and 174 resort homes on the property, hired golf legend Jack Nicklaus to design the course on a gorgeous piece of land, guaranteeing great publicity and playability.

NBC announcer Johnny Miller put his signature on the Bridges, which had a dry creek bed on the property that couldn't be filled and thus has a reputation for being tough, the kind of place where players lose a lot of golf balls.

The bankrupt Dragon in Plumas County also came to be known as a golf ball gobbler. Just down the road, the player-pleasing Whitehawk Ranch Golf Course, designed by Dick Bailey, has been named the 20th-best golf course in California and is doing as much business as it can handle in the short May to October season.

"We celebrated our 10th anniversary last year with a rollback in the rates," said developer Marcia White, who lives near the eighth green. "The golf course has done well, and we built it on land where we don't have to worry about water. I think it had a huge impact on real estate sales."

If developers have a love-hate relationship with golf, White says, "then I haven't experienced the hate part yet." And it doesn't seem to have forever scarred Triad and Standard Pacific. They're working on a new development in Vacaville, Lagoon Valley, that has a golf course.

Not that they wanted one, say Krah and Triad Vice President Curt Johansen. They'd have been happy with plain, old, unflagged, unmowed open space instead, but yielded to pressure from city officials to put Vacaville on the links map. Golfing great Tom Kite will be the architect, Johansen said.

But this time around, he vows, the course will be private and paid for by the members.

E-mail Susan Fornoff at sfornoff@sfchronicle.com.

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Attachment C

= Golf industry economics

MarketWatch
July 18, 2007 Wednesday

Golfers are the winners as industry cup runneth over with courses

BYLINE: Andrea Coombes

LENGTH: 1611 words

SAN FRANCISCO -- A birdie's never been within easier reach for recreational golfers, at least in the financial sense.

A rush to build golf courses in the past decade is bumping up against a slump in attendance. As golf-course managers struggle for a way out of the flat-demand sand trap, golfers can take their pick of tee times and enjoy discounts and deals at many courses.

"Over the last five, six years the supply of golf courses has increased 2% to 3% a year while demand has been relatively slack," said Steve Skinner, president and chief operating officer of KemperSports, a Northbrook, Ill.-based golf management and development company.

"We're seeing some sign of growth in play and popularity of the game, but the biggest battle that the industry faces is absorbing all the golf courses that were built over the last 10 years," he said.

The fast pace of building started two decades ago, and was only ramped up by the economic boom of the mid-1990s. Back in the 1980s, "a trade group said if you build a course a day, you will not satisfy the latent, pent-up demand for rounds among the golfing public," said Jim Mendelson, a Chicago-based managing director with GE Real Estate, based in Norwalk, Conn.

Developers apparently took that dictate to heart. The golf-course building boom peaked in 2000, when the industry created more than 375 net new courses (that's total openings minus closures in 18-hole equivalents), according to the National Golf Foundation, a trade group.

Since then, developers have eased off. In 2006, for the first time in 60 years, golf-course closures outpaced openings, according to the NGF.

"As an industry, it's a shakeout period. It's a tougher market today than it was in the 1990s," said Jim Koppenhaver, president of Pellucid Corp., a Chicago-based research and consulting company focused on the golf industry. "You have to be a good operator today to be making money at this."

The industry's troubles mean greener fairways for golfers.

It's a "great time to be a golf consumer," Skinner said. "You have so many options, so many fine golf courses, and [some courses] are being aggressively priced."

Koppenhaver agreed. "You can play golf for a reasonable amount of money lots of places in the country with little or no advance notice." . . .

Another trend working against golf-course operators and in players' favor: An oversupply of courses is compounded by flat participation rates. New golfers are not flocking to the game.

About 29 million people ages 6 and older played at least one round of golf in 2006, a 2% decline from a year earlier, according to the NGF.

"In 2000, we had about 518 million rounds being played. After 9/11, it dropped to 500 million, and it's remained at about 500 million ever since," said Jim Kass, research director with the National Golf Foundation in Jupiter, Fla.

That leveling-off is partly due to companies reining in their travel and entertainment budgets, with fewer rounds played by business colleagues, he said.

And there are other factors.

"The age-old woes for golf are time and money," Kass said. "I'm working harder to keep my job in this economy and I'm spending more time with my kids than my parents did. The fact that golf has pretty much held its own, hasn't disappeared, is a testament to [the fact that it's] a pretty strong category for people."

Even the popularity of Tiger Woods, who defends his title this week in one of golf's premier events, the British Open, and untold numbers of youth- and women-focused programs at golf courses nationwide haven't driven participation rates that much higher in recent years.

About 5.5 million adult women played a round of golf in 2006. "Women are 22% of golfers and 51% of the U.S. population," Koppenhaver said. That says "screaming opportunity," he said.

"Yet we've been trying to get women in the game for the past 50 years, and women's contribution has been between 20% and 25% for that entire time," he said. "The fact that we can't figure it out over 20-some years says to me there's something more fundamentally at work here than 'we haven't been paying attention to women.'"

The NGF does report a 9% increase in kids playing in 2006, with 4.8 million 6- to 17-year-olds playing that year, up from 4.4 million a year earlier.

And plenty of operators are hoping the baby boomers will rescue them from the bunker. "There are 9 million baby boomer golfers who are heading into retirement so we expect rounds to increase substantially in the next 20 years," Kass said.

Others aren't so sure that's a hole-in-one.

"I think the jury's still out till they come through," Skinner said. "I don't think we can wait for the baby boomers to save the day. We need to build more young golfers, make it more attractive to women and minorities to play."

For consumers overall, the top three barriers these days are lack of time to play, the difficulty of learning the game, and high cost.

"It isn't an affordable game for a large portion of the population. Your start-up cost is a couple grand for equipment before you even get into it," Koppenhaver said.

Plus, some new courses during the building boom targeted elite golfers. "The mix ... was skewing towards courses that appeal to a small segment of the golfing population," Koppenhaver said.

"Everybody wanted to create the next Augusta National (the site of The Masters tournament in Augusta, Ga.). Their tendency was to build golf courses that people would write about. To do that you make it hard, you make it long, you make it difficult, and then you maintain it to standards that you could eat off the fairway," he said.

"For a couple million avid golfers, those are great conditions. For the other 20-some million normal golfers, we don't require those types of conditions and don't seek them out," he said.

Municipal golf courses have it both easier and harder. Cities competing against privately run public courses often flail, their bureaucracies moving too slowly to meet market challenges. But then, municipal courses usually enjoy city bail-outs when costs exceed revenues.

San Francisco, which owns six municipal courses, is currently debating how to deal with ongoing deficits. The city says its jewel, Harding Park, is losing money despite a costly renovation.

In San Francisco, the city hires private companies to manage most of the courses, but the city dictates course fees and the number of rounds non-residents can play, and limits marketing and other promotional efforts.

"It costs me $71 to produce a round at Harding," said Sean Sweeney, golf program director for San Francisco's Park and Recreation Department, which maintains the courses. But San Francisco residents pay just $46 for a round on Monday through Thursday and $59 on weekends, he said.

Other cities take a more hands-off approach. KemperSports, which contracts with San Francisco to manage Harding Park, has operated Chicago's municipal courses for 14 years.

"Within a year [of taking over], we turned a profit to the city," Skinner said. "We brought a lot of private-sector practices both on the marketing and improvements side. We started running them like a business," he said.

In Chattanooga, Tenn., a proposal to sell or lease the city's two struggling municipal courses led to a public outcry. Instead, the city's golf-park division cut costs by hiring more temporary workers. And it introduced a new annual pass with half-price course fees for frequent players, said Eddie Taylor, Chattanooga's golf director.

"We re-emphasized the annual pass and added a half-price pass and we advertised them fairly heavily," Taylor said.

Thanks to that marketing, plus a local public-fee course -- a competitor -- going private, and good weather, the two municipal courses enjoyed a 10% increase in rounds played in the past fiscal year, he said.

Meanwhile, Phoenix has five 18-hole and three 9-hole municipal courses, competing in a county which boasts more than 200 courses in all. The city's golf department recently hired a consultant to assess ways to increase rounds, said Bob Dionisio, a deputy director with the City of Phoenix Parks and Recreation Department.

Already, the city hired a marketing expert and the courses now offer more promotions, including times when children play free with an adult, plus night rounds at some courses and more leagues and tournaments, Dionisio said.

"In the last four or five years, we have been losing money," he said. "It's a very competitive and difficult environment right now."

Even private golf clubs face challenges, Koppenhaver said.

"Today's consumer just isn't willing to pay the money for prestige and social networking," he said. That means private clubs are being forced to adapt, he said.

The private course "used to be the sanctuary for the male golfer, smoking a cigar, hanging out with the boys. Not today. You bring the wife, the kids. The wife has a workout facility, the kids have a pool," he said.

"The clubs that are primarily golf and there's nothing for the family, they're struggling," he said.

The golf industry goes "through cycles like the housing industry does," Koppenhaver said. "My sense is the golfer base and rounds will grow in the future. It's probably three to five years off."

Attachment D

: indust. Econ.

THE WALL STREET JOURNAL.
ONLINE

April 2, 2007
THE JOURNAL REPORT: GOLF

How Golf Went Off Course

The game has tried hard to draw new players. But it may have missed a bigger opportunity: getting more rounds out of its most avid golfers.

By JOHN PAUL NEWPORT

April 2, 2007; Page R1

It may be time for golf to rethink its approach to the green.

For the past several years, the major institutional components of golf have expended enormous energy and resources on getting new players to the course.

Trying to build on the phenomenal popularity of Tiger Woods, they have created a host of efforts directed at luring people who have never played before -- everything from training camps to celebrity-studded marketing campaigns to special facilities catering to new players.

In some sense, the efforts have been a success. Each year, three million newcomers try out the game. But in another sense, the efforts haven't worked as planned. Yes, three million people play golf for the first time each year. But about the same number quit.

What's more, the total number of rounds played declined in 2002 and 2003 and has not recovered much since, according to the records-keeping National Golf Foundation. Even more striking: Last year, for the first time in 60 years, more courses closed in the U.S. than opened.

That's bad news for the 600,000 people in the U.S. who make their living from golf -- everyone from equipment and apparel makers to real-estate moguls. So the game's movers and shakers have been doing a lot of soul searching to find ways to get golf growing again.

Now many of them are calling for a change in strategy. Worry less about attracting newcomers, they say, and pour more energy into improving the golf experience for those who are already at the course. Speed up play so that harried people can finish a round in a few hours. Cut green fees and other expenses. Give amateurs even more technologically advanced clubs to improve their game.

"Any practical business needs more time with its current customers than in wooing potential customers. It's a more efficient way of doing business," says Joe Steranka, the CEO of the Professional Golfers' Association of America, which represents 28,000 club pros and teachers.

Recruiting new players will remain a big part of the association's national-level job, but increasingly it's putting an emphasis on gathering statistics and compiling research on the "best practices" that its members can use at the facility level to retain existing players and improve their experience.

Huge Industry

To be sure, no one would characterize golf *overall* as being in trouble. The game has a vital image and is unmarred by scandal. Furthermore, 28 million people play the game in the U.S., and about half of them play often enough -- eight or more times a year -- to be what the National Golf Foundation considers "core players."

But golf is a huge business, and huge businesses, by their very nature, want to grow. The many arms of the industry -- let's call it Golf Inc. -- sell everything from clubs and balls to lessons, mowers, real estate and travel. Golf Inc.'s revenue, according to one widely circulated industry study from 2002, amounts to $60 billion a year.

And Golf Inc.'s growth has stalled. The number of core golfers is down 11% from its peak in 2000, before 9/11 put a crimp in golf travel and spending. That's enough to get many insiders rethinking the wisdom of focusing on newcomers instead of existing golfers.

Most of those efforts to lure new players stem from an industrywide initiative called Golf 20/20, which convened in 2000 and has held annual fall meetings ever since. The name comes from a rosy prediction: In the wake of Tiger Woods's astounding popularity, golf's guiding gurus envisioned the number of participants rising to 55 million by 2020 and annual rounds played doubling.

The highest-profile initiative is probably the PGA's Play Golf America program, which includes free lessons, a Web site that links to a network of facilities that cater to new players, and training for club pros on ways to make the game more accessible. There are also several efforts for junior players, such as First Tee, a program designed to bring less-advantaged kids primarily from urban environments into the game while providing life lessons.

Many of these efforts have seen some success. Last May, Play Golf America's Free Lesson Month drew 21% more participants than it did the year before, and more than two-fifths of them went on to sign up for a subsequent tee time. First Tee has grown to 274 facilities across the country.

In addition, girls are showing an interest in golf. The proportion of girls among players under 18 has almost doubled since 2000, to about 25%. In part this reflects the growing popularity of the LPGA Tour and its attractive cast of young players such as Paula Creamer and Natalie Gulbis.

But the fact is that these efforts are small compared with the base of existing golfers -- and they haven't been able to boost golfer-retention rates significantly. The retention rate for women is particularly poor. Since the late 1990s, women have taken up golf in unprecedented numbers. In recent years, about 40% of all new players have been female. But the total number of core women players has actually declined. According to the NGF, the number fell to 2.3 million in 2005 -- the latest year for which figures are available -- from 2.7 million in 2003.

Straight Down the Middle

A better place to look for growth may be core golfers. One commonly used benchmark in business is the so-called 80-20 rule: Eighty percent of revenue comes from the top 20% of customers. By that standard, golf has substantial room to grow from within. Avid golfers, defined by the National Golf Foundation as playing 25 or more rounds a year, constitute 23% of all players but generate only 63% of spending on fees and equipment.

"Increasing the 'buy rate' among existing consumer categories is much more efficient than attracting and retaining new demographics," says Jim Koppenhaver, a former marketing executive at Kraft Foods who now is the head of Pellucid Corp., a consultant to the golf industry.

Golf might do well to learn from the sport of horseracing. Starting about 10 years ago, racing officials made a concerted national marketing effort to attract a younger crowd. The hope was that the sport could re-create the excitement of the 1950s and 1960s, when crowds as large as 25,000 would show up on Thursday afternoons at urban tracks. "The idea was if they could just come up with the right slogan, 20-year-olds would drop their skateboards and come out to the track," says Steven Crist, the chairman and publisher of the Daily Racing Form.

But it didn't work. "Racing has always been an activity for slightly older people. It takes time and a certain amount of disposable income to play," Mr. Crist says. "The more enlightened people in racing now have given up making it the big story in the papers it was 50 years ago. The focus now is on improving growth where the players already are."

What would a similar strategy mean for golf? There are a number of issues that keep golfers who have the desire to play more often from doing so. The game is inherently difficult, and in recent years it has become more expensive. Two-income families face an ever-increasing time crunch. Fathers want to spend more time with their families.

Topping Mr. Koppenhaver's list of solutions is making the game easier to play. To him -- controversially -- that means creating new standards for clubs.

The U.S. Golf Association, golf's rule-making body in the U.S., imposes performance limits on clubs and balls to protect what it believes are the game's best traditions. Its stated purpose is to ensure that skill rather than technology remains the "dominant element of success throughout the game."

But in practice, the USGA's equipment regulations target elite players. The vast majority of amateurs can't swing well enough or consistently enough to even remotely threaten the integrity of the game.

Critics like Mr. Koppenhaver are calling for bifurcation -- a division of equipment into pro and amateur lines. Pros -- and possibly top-level amateurs -- would play with clubs and balls that conform to the current rules. But manufacturers would be unleashed to create clubs and balls for amateurs that flew farther and were more forgiving of duffers' mistakes. That would let players have more fun on the course -- and make them more likely to return.

"I don't play competitive golf, I don't have anything in common with Tiger Woods, I just want to have fun," says Mr. Koppenhaver. "So why not let me play with clubs that can help make that happen?"

An analogy to the ski industry is floating around golf circles these days: If there had been a USGA equivalent in skiing, critics say, there never would have been snowboards. "Ski-resort owners gradually dropped their resistance to snowboards when they saw how much fun people were having with them," Mr. Koppenhaver says. "They began to build areas with the extreme conditions that snowboarders wanted, both types of skiing now coexist, and the change probably saved that industry."

Bifurcation is not likely to happen anytime soon. A spokesman for the USGA says the organization remains firmly committed to one set of rules for everyone. Most manufacturers are also reluctant to advocate bifurcation, at least for now, in part because their marketing efforts depend on the emotional connection everyday golfers make when they use the same clubs as the tour pros.

But the idea of bifurcation seems to be gaining a bit of traction, and to some degree it already exists. Tour pros swing so consistently that they can be precisely fitted with top-line clubs and balls that give them a huge advantage over amateurs. It's a subject that is not likely to go away soon.

Speedy Leisure

Another solution is speeding up the time it takes to play golf. The old paradigm of spending all day Saturday and Sunday at the course, and maybe also one weekday afternoon, just doesn't fly much anymore.

Starting 10 years ago, efforts were made to create more high-end practice facilities, with realistic targets, short-game practice areas, nice amenities and sometimes affiliated par-three or shorter-than-standard "executive" courses. The concept was to make it possible for players to have a meaningful golf "experience" in just an hour or two. Many of these facilities have become economically viable, but alternative golf has not proved to be the silver-bullet solution that some had hoped for.

One idea making the rounds now is to build new regulation-length courses, or reconfigure old ones, in three six-hole loops rather than the traditional two nine-hole loops. That would provide players with the option of playing rounds of six holes, 12 holes or 18 holes, depending on how much time they have.

Another strategy, which the PGA is testing through experimental programs, is to encourage more two-ball play. In this method, a foursome divides into two teams of two. Then the teams compete using one ball each -- the partners take alternate shots -- which significantly speeds up the game. Special times need to be set aside at a course for twosome play to proceed.

Still another approach is simply marshaling the pace of play more aggressively. The Scott Lake course in western Michigan is among many across the U.S. that have had success promoting faster rounds -- 4½ hours, tops. If a group falls behind, a marshal will accompany it for several holes and, rather than folding his arms and glaring, offer friendly, helpful advice on how to speed up play. "A lot of slow golfers simply don't know how to play faster," Mr. Koppenhaver says.

Meanwhile, a handful of daily-fee courses certify players as "fast golfers" and allow only them to play during certain times, such as weekend mornings from 7 a.m. to 11 a.m.

Reducing costs could also boost the participation of core players. The gradual escalation in golf costs over the past few years has affected all segments of the market. To compete against the numerous new high-end courses, many formerly inexpensive municipal and daily-fee courses boosted their green fees, sometimes to reflect outlays for course improvements and other times just because they thought they could. For many players, the difference between paying $41 and $29 per round, including cart, is enough to make them cut back on rounds significantly.

A Booming Future

So, what are Golf Inc.'s chances of getting back on track? Not bad at all.

Revenue from the sale of clubs and balls has been trending upward slightly despite the flat participation statistics, thanks partly to ever more expensive, high-tech clubs. And the net loss of courses last year primarily reflects a necessary culling after an ill-advised building boom in the 1990s.

The biggest positive for golf in coming years is the retiring cohort of baby boomers. With more time on their hands to play and healthier bodies than their parents had, boomers alone should increase rounds played to more than 600 million by 2020 from roughly 500 million now, according to the National Golf Foundation.

That projection is based only on demographic growth; it doesn't take into account any potential improvements aimed at enticing golfers to play more rounds. If Golf Inc. learns to do a few important things better, it could see twice as much growth, says Joe Beditz, head of the NGF.

Golf Inc. might even accomplish what it's been trying to do all along -- bring in newcomers. Maybe someday golf will be so quick, economical and easy to learn that even most rank beginners will stick with it.

--Mr. Newport writes The Wall Street Journal's Golf Journal column.

Write to John Paul Newport at johnpaul.newport@wsj.com[8]

Attachment E - Metropolitan Golf Links Hiring Statistics 2008

	Position	Residence	Ethnicity	Gender	Oakland Res.	AA	Latino	Caucasian	Asian	Other
1	General Manager	Oakland	African American	Male	1	1				
2	F&B Manager	Dublin	Filipino	Male	0				1	
3	Golf Ops Manager	Alameda	Caucasian	Female	0			1		
4	Superintendent	Berkeley	Caucasian	Male	0			1		
5	Golf Shop Staff	Walnut Creek	Caucasian	Female	0			1		
6	Golf Shop Staff	San Leandro	Caucasian	Male	0			1		
7	Golf Shop Staff	Oakland	Caucasian	Male	1			1		
8	Golf Shop Staff	San Leandro	Caucasian	Male	0			1		
9	Golf Shop Staff	Oakland	Latino	Male	1		1			
10	Guest Services	Alameda	Caucasian	Male	0			1		
11	Guest Services	Oakland	African American	Male	1	1				
12	Guest Services	San Leandro	Caucasian	Male	0			1		
13	Guest Services	San Leandro	Latino	Male	0	1	1			
14	Guest Services	Oakland	Latino	Male	1		1			
15	Guest Services	San Leandro	Mixed	Male	0					
16	Guest Services	Oakland	Latino	Male	1		1			
17	Maintenance	Oakland	Latino	Male	1		1			
18	Maintenance	Hayward	Latino	Male	0		1			
19	Maintenance	Oakland	Latino	Male	1		1			
20	Maintenance	Hayward	Latino	Male	0		1			
21	Maintenance	Oakland	Latino	Male	1		1			
22	Maintenance	Oakland	Latino	Male	1		1			
23	Maintenance	Oakland	Latino	Male	1		1			
24	Maintenance	Alameda	Caucasian	Male	0			1		
25	Maintenance	Oakland	African American	Male	1	1				
26	Maintenance	Oakland	Latino	Male	1		1			
27	Maintenance	Oakland	African American	Male	1	1				
28	Mechanic	Richmond	Other	Male	0					1
29	Intern - School to Career	Oakland	Latino	Male	1		1			

Attachment E - Metropolitan Golf Links Hiring Statistics 2008

	Position	Residence	Ethnicity	Gender	Oakland Res.	AA	Latino	Caucasian	Asian	Other
30	Banquet Server	Lafayette	Caucasian	Female	0			1		
31	Banquet Server	San Leandro	Latino	Male	0		1			
32	Banquet Server	San Leandro	Latino	Female	0		1			
33	Banquet Server	Oakland	African American	Female	1	1				
34	Sales	Oakland	African American	Female	1	1				
35	Banquet Server	Oakland	African American	Female	1	1				
36	Pub	Hayward	Caucasian	Female	0			1		
37	Pub	Oakland	Caucasian	Male	1			1		
38	Sales	Richmond	Caucasian	Female	0			1		
39	Banquet Server	Oakland	African American	Female	1	1				
40	Cook	Berkeley	Caucasian	Female	0			1		
41	Cook	Berkeley	Latino	Female	0		1			
42	Dishwasher	Oakland	Latino	Male	1		1			
43	Cart Server	San Leandro	Asian	Female	0				1	
44	Dishwasher	San Leandro	Latino	Female	0		1			
45	Pub	Oakland	African American	Male	1	1				
46	Banquet Server	San Leandro	African American	Male	0	1				
47	Pub	San Leandro	Asian	Male	0				1	
48	Banquet Server	Hayward	African American	Female	0	1				
49	Banquet Server	Hayward	African American	Female	0	1				
50	Banquet Server	San Leandro	East Indian	Male	0					1
51	Pub	Oakland	African American	Female	1	1				
52	Cook	Oakland	Latino	Male	1		1			
53	Cook	Oakland	Latino	Male	1		1			
			TOTAL		25	14	20	14	3	2
	% of total				47%	26%	38%	26%	6%	4%

FIRST AMENDMENT
TO SUBLEASE AND OPERATING AGREEMENT

THIS FIRST AMENDMENT, dated for reference purposes as of ______________, 2008, is by and between the City of Oakland, a municipal corporation, acting by and through its City Council ("City") and Oakland Golf, LLC("Oakland Golf").

RECITALS

A. The Port of Oakland ("Port") is the lessor and City is the lessee under the Amended and Restated Galbraith Golf Course Lease dated March 16, 1999, as amended by the First Supplemental Agreement and Second Supplemental Agreement (collectively, the "Lease"), which sets forth the terms of leasing the real property (Premises).

B. City subleased the Premises, with Port's consent, to Oakland Golf pursuant to the Sublease and Operating Agreement, dated August 24, 2001 ("Sublease") for the purpose of developing and operating a public golf course ("Course").

C. Metropolitan Golf Links (name change from Galbraith), managed and operated by Oakland Golf, is the 18-hole regulation public golf course developed on the Premises.

D. At the request of Oakland Golf, staff from the City and Port developed this amendment that would provide partial rent relief to Oakland Golf in the amount of approximately $1 million over five years.

E. Without rent relief, Oakland Golf would be forced to reduce costs, which would lower maintenance standards at the Course.

F. Oakland Golf and the Regents of the University of California entered into an agreement through which UC Berkeley's Campus Intercollegiate Athletics Department (UC Berkeley) has constructed on a portion of the Course a new short-game practice facility, putting green, security fencing, and additional driving-range netting, for the exclusive use by UC Berkeley students, employees and guests during certain periods.

G. The Bay Trail is planned to provide pedestrian and bicycle access along the edge of the San Francisco Bay (the "Bay Trail").

H. A portion of the proposed Bay Trail in the vicinity of the Course requires approximately 10,000 square feet of land which is a portion of the premises currently subleased by the City to Oakland Golf.

I. City, with Port's consent, and Oakland Golf desire to amend the current Sublease to delete certain portions of land from the Sublease. The Parties desire to delete a portion of the land constituting the Subleased Premises from the Sublease in order to efficiently accommodate the proposed Bay Trail; and

J. City and Oakland Golf, with Port's consent, desire to amend additional sections of the current Sublease as specifically set forth below, including hiring, use of the Course by the City, use of the new UC Berkeley short-game practice facility, installation of new FAA lighting, rent credits, right to sublease or assign and the administrative dates of the Sublease.

NOW THEREFORE, in consideration of their mutual promises, the parties agree as follows:

1. Subleased Premises. In reliance on Port's agreement and responsibility to bear all costs as described in the succeeding paragraph, City and Oakland Golf agree to modify the Subleased Premises by deleting approximately 10,000 square feet, as described on Exhibit A-1 and depicted on Exhibit A-2 (both attached hereto and incorporated herein by reference) from the Subleased Premises (the "Deleted Premises").

Pursuant to the Third Supplemental Agreement to the Amended and Restated Lease, (Lease) dated __________, 2008 the Port agrees to bear all costs incurred to delete and remove certain land from the Subleased Premises, including but not limited to, costs of fencing between the Course and the Bay Trail and re-landscaping the Course adjacent to the Deleted Premises. Pursuant to the Third Supplemental Agreement to the Lease, the Port also agrees to be solely responsible for all costs incurred to improve the Deleted Premises, and agrees that neither City nor Oakland Golf will be required to share in the cost of developing or maintaining the Bay Trail on the Deleted Premises.

The modifications to the rental provisions in Section 6 of the current Sublease have not been modified due to the deletion of the Deleted Premises.

2. **Water**. Section 3(d) of the current Sublease authorizes Oakland Golf to take rent credits against costs of obtaining irrigation water, as per the Sublease Exhibit L "Reclaimed Water Agreement". Oakland Golf represented to City that it exercised the right to terminate the Reclaimed Water Agreement on behalf of City effective March 4, 2008.

Oakland Golf and City agree that commencing the first day of the month following the Effective Date of this First Amendment, Section 3(d) and Section 22 of the current Sublease shall be deleted in their entirety.

3. **Golf Tournament Facilities**. Section 3(e) of the current Sublease is amended by adding the following to the end of the section:

> Oakland Golf hereby agrees to allow City to use the Course at no cost for golf tournaments to be conducted by or under the auspices of City twice each year. Oakland Golf also agrees that City shall have the right to use the Club House at no cost to City for a maximum of twelve (12) times each year. City and Oakland Golf shall cooperate and make reasonable efforts to designate, and mutually agree upon, the dates of such uses by City."

4. **Minimum Rent**.

(a) Section 6(a) of the current Sublease is amended by the following: For a twelve (12) month period, Minimum Rent shall be reduced to fifty percent (50%) of the Minimum Rent otherwise payable pursuant to Section 6(a) of the Sublease (the "Relief Minimum Rent"). The twelve month period shall commence on the first day of the month following the Effective Date of this First Amendment (the "Relief Period"). The City Council shall review the fiscal situation of Oakland Golf LLC annually, and after review shall decide whether to extend the rent relief for another 12 months, up to a total of no more than four additional years (48 months). Upon the expiration of the Relief Period, the Minimum Rent shall be the amount payable pursuant to Section 6(a) of the current Sublease. Upon the expiration of the Relief Period, this Section 4(a) of this First Amendment is void and will have no force and effect.

(b) Section 6(a)(v) of the current Sublease is amended to change the date for calculating the increase Minimum Rent . The new date, pursuant to the First Amendment is July 1, 2008, and July 1 for the years thereafter.

5. **Percentage Rent**.

Section 6 (a) of the current Sublease is amended by the following: to provide that during the Relief Period, references to "Minimum Rent" for purposes of calculation and payment of Percentage Rent shall mean Minimum Rent without reference to Section 4(a) of this First Amendment.

6. **FAA's ILS/MALSR Lights**. Section 3 of the Sublease is hereby amended by adding the following subsection t):

> Oakland Golf hereby acknowledges and agrees that the Federal Aviation Administration ("FAA") has the right to enter upon the Subleased Premises to erect, install, maintain and operate airport navigational aids. Oakland Golf further acknowledges that the FAA plans to construct and operate (or fund the construction and operation of) an instrument landing system ("ILS") and medium-density approach lighting system and runway alignment indicator lights ("MALSR"), which will allow precision flight approaches by aircraft to Runway 27 Left at the Airport. As currently planned, the ILS will not be located on the Subleased Premises, whereas the MALSR will be located on the Subleased Premises. Oakland Golf agrees that it shall be required to adjust its operations, at no cost to Port, City or FAA, to accommodate the erection, installation, maintenance and operation of airport navigational aids on the Subleased Premises, including but not limited to, the proposed ILS and MALSR."

7. **CIP Fund**. Section 14 of the current Sublease is amended by adding the following:

(a) During the Relief Period, the percentage of Gross Revenues for each year required to be contributed to the CIP Fund, pursuant to Section 14(a) of the current Sublease, shall be reduced from four percent (4%) to two percent (2%).

(b) Upon the expiration of the Relief Period and for the remaining term of the Sublease thereafter, the percentage of Gross Revenue required to be contributed to the CIP Fund shall be three percent (3%).

(c) In the event that Oakland Golf exercises one or more of its options to extend the term of the Sublease, as provided in Section 4(a) of the current Sublease, the percentage of Gross Revenue required to be contributed to the CIP Fund during any option period shall be four percent (4%).

(d) Section 14(b) of the current Sublease, which provides that one-half of the contribution to the CIP fund shall be credited against rent due is deleted in its entirety.

8. **Hiring and Recruitment**

Section 3 (p) of the current Sublease is amended by adding the following:

(iv) In the recruitment or hiring and retention of employees or subcontractors, Oakland Golf shall undertake non-discriminatory and equal outreach efforts that include outreach to minorities and women and all other segments of Oakland's businesses and communities. Annually, Subleasee shall provide data regarding their workforce, including race and gender of each employee and his or her job title or function and the methodology used by Subleasee to hire and or contact the individual in question. All hiring data shall be submitted to the City's Contract Compliance Division.

9. **ASSIGNMENT**

Section 5 of the current Sublease is amended by the addition of the word "Council":

Except as otherwise provided below, Oakland Golf shall not assign this Sublease or the rights and entitlement granted hereunder, or sublet all or any portion of the Subleased Premises without the prior written consent of the City Council and Port, which consent shall not be unreasonably withheld.

10. **License Agreement for UC Berkeley New Short-Game Practice Facility**

Section 5 (b) (i) of the current Sublease is amended by adding the following:

(a) Regarding the Agreement between the Regents of the University of California as Licensee and Oakland Golf as Licensor for the construction and use of the Short-Game Practice Facility (the "License"), the Regents are subject to Section 6 herein, and to all other provisions of the Lease and this Amendment applicable to Oakland Golf. In the event the underlying Sublease is suspended, terminated or otherwise for any reason deemed invalid or unenforceable at any time prior to the scheduled expiration of the Sublease, so long as Licensee is not then in default pursuant to the License (beyond the expiration of any cure period, after notice), and City remains Lessee under the Amended and Restated Galbraith Golf Course Lease and amendments thereto, the License shall not be barred, terminated, cut off, or foreclosed, nor will the rights of Licensee be disturbed, and City shall assume Licensor's position including Licensor's rights and liabilities, responsibilities and obligations, as though City was the original Licensor. Licensee shall attorn to City, provided that City shall assume the obligations of Licensor hereunder.

(b) City shall have use of the new short-game practice facility for youth program instruction as offered by Metropolitan Golf Links except during the times when the facility is used for Cal Berkeley Team practices, as defined in the Agreement.

11. **Effective Date**. The Effective Date of this First Amendment shall be ________________.

12. All capitalized terms used herein and not defined shall have the meaning ascribed to such terms in the Sublease.

13. The modifications of the current Sublease are contained herein. All other sections of the current Sublease not modified or deleted herein are valid and continue to have full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be executed as of the day and year first above written.

CITY OF OAKLAND, a municipal corporation, acting by and through its City Council,

Dated: ____________

By:______________________________
Title:

Approved as to form and
legality this __ day of
________________, 2008.

____
City Attorney

Dated: ____________

OAKLAND GOLF LLC

Dated: ____________

By:______________________________
Title:

This First Amendment
is approved by the Port.

By:______________________________
Executive Director
of the Port of Oakland

EXHIBIT A-1

Legal Description of Deleted Premises

(Legal description is currently being developed by Port staff and will be complete prior to First Amendment being recorded.)

Attachment F

OFFICIAL BUSINESS
DOCUMENT REQUIRED TO BE RECORDED UNDER GOVERNMENT CODE SECTION 37393, AND ENTITLED TO FREE RECORDATION UNDER GOVERNMENT CODE SECTION 27383

RECORDED ON BEHALF OF AND WHEN RECORDED RETURN TO:

David L. Alexander
Port Attorney
Port of Oakland
530 Water Street, 4th Fl.
Oakland, CA 94607

DUPLICATE ORIGINAL
(For Recording)

FIRST

AMENDMENT

(Lease of Real Premises Located in City of Oakland, County of Alameda)

Between

CITY OF OAKLAND

And

OAKLAND GOLF, LLC

Dated

____________________ 2008

OFFICE OF THE CITY CLERK
OAKLAND

2008 APR 24 PM 5:47

Approved as to Form and Legality
Oakland City Attorney's Office

OAKLAND CITY COUNCIL

Resolution No. _________________ C.M.S.

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO EXECUTE (1) THE THIRD SUPPLEMENTAL AGREEMENT TO THE LEASE BETWEEN THE PORT AND THE CITY AND (2) THE FIRST AMENDMENT TO THE SUBLEASE, BETWEEN THE CITY AND OAKLAND GOLF LLC, WHICH BOTH SET FORTH THE FOLLOWING MODIFICATIONS REGARDING THE OPERATION OF METROPOLITAN GOLF LINKS: UP TO FIVE YEARS OF RENT RELIEF, CONDITIONAL ON CITY COUNCIL APPROVAL FOR EACH SUBSEQUENT YEAR, IN THE PROJECTED AMOUNT OF NO MORE THAN $1 MILLION, RESULTING IN A LOSS OF ANTICIPATED REVENUE TO THE GOLF ENTERPRISE FUND OF APPROXIMATELY NO MORE THAN $500,000 OVER THE FIVE YEAR PERIOD AND OTHER CHANGES TO THE SUBLEASE INCLUDING DELETION OF REAL PROPERTY TO ACCOMMODATE THE BAY TRAIL, HIRING, RENT CREDITS, USE OF FACILITIES BY CITY, NAVIGATIONAL AIDES, AND ADMINISTRATIVE DATES OF SUBLEASE.

WHEREAS, Metropolitan Golf Links is an 18-hole regulation public golf course developed on property owned by the adjoining Oakland International Airport and was designed on the site of the former City of Oakland Galbraith Municipal Golf Course("Premises"); and

WHEREAS, the Port of Oakland ("Port") is the lessor of that real property, and the City of Oakland ("City") is the lessee pursuant to the Amended and Restated Galbraith Golf Course Lease dated March 16, 1999 as amended by the First Supplemental Agreement and the Second Supplemental Agreement ("Lease"); and

WHEREAS, the City, with the Port's consent, in 2001, subleased the Premises to Oakland Golf LLC in an agreement entitled "Sublease and Operating Agreement" ("Sublease") for the purpose of operating and managing the Metropolitan Golf Links; and

WHEREAS, between 2001 and 2003, Oakland Golf LLC completed a $14 million capital improvement project at Metropolitan Golf Course; $9.5 million of which was funded by Oakland Golf LLC, and $4.5 million of which was funded by the Port and the City; and

WHEREAS, Oakland Golf LLC has requested a temporary reduction in its rent for Sublease years 6 through 10 in the total amount of approximately $1 million over the next five years in order to continue the economic viability of the enterprise; and

WHEREAS, *without rent relief*, Oakland Golf LLC *would be forced to cut costs, which* would lower maintenance standards at the course; and

WHEREAS, to accomplish the desired rent relief, it was necessary for the staff from the City and Port to modify and amend two separate documents: 1) the Third Supplemental Agreement to the Amended and Restated Lease between the Port and the City, and 2) the First Amendment to the Sublease and Operating Agreement between the City and Oakland Golf LLC, both of which are presented to the City Council for approval; and

WHEREAS, the City and Port desire to amend the Lease to delete a portion of the land constituting the Leased Premises from the Lease in order to efficiently accommodate the proposed Bay Trail; and

WHEREAS, the Bay Trail is planned to provide pedestrian and bicycle access along the edge of the San Francisco Bay; and

WHEREAS, the portion of the proposed Bay Trail in the vicinity of the Course requires approximately 10,000 square feet of land which is currently leased by the Port to the City and subleased by the City to Oakland Golf; and

WHEREAS, the City and Oakland Golf LLC, with the Port's consent, desire to restate the provision of the Sublease, regarding Oakland Golf LLC's obligation to actively recruit and hire Oakland residents *as monitored by Contract Compliance*; and

WHEREAS, the Parties desire to clarify the Sublease provision that Oakland Golf LLC shall not assign this Sublease, or sublet any portion of the Subleased Premises without the prior written consent of the City Council and Port; and

WHEREAS, Oakland Golf LLC and the Regents of the University of California ("U.C. Berkeley") have entered into a license agreement whereby Oakland Golf LLC has provided a portion of the golf course for the exclusive use of the UC Berkeley golf team for a short game practice facility, and has reserved other areas of the golf course for priority use by its golf team and that the City shall have use of the short-game practice facility for City of Oakland youth golf program instruction at all times as performed by Metropolitan Golf Links or agreed upon operator; and

WHEREAS, Oakland Golf LLC and U. C. Berkeley desire that should the Sublease between the City and Oakland Golf LLC be suspended or terminated for any reason, the rights of UC Berkeley as licensee of the short game practice facility shall be assumed by the City pursuant to a new agreement; and

WHEREAS, the City desires to use the course twice annually for golf tournaments and to use the clubhouse no more than 12 times each year for events and that the revenue from those events will accrue to the City's General Purpose Fund; and

WHEREAS, the Parties acknowledge that the Federal Aviation Administration (FAA) has the right to enter onto the course to erect, install, maintain and operate airport navigational aids; and

WHEREAS, the effective dates of the current Sublease are amended to be in alignment with the City's fiscal year, so that the increases in Minimum Rent will be effective commencing July1 for each year; and

WHEREAS, the two Sections concerning rent credits are deleted from the current Sublease: (1) "EBMUD Reclaimed Water Credits", which provided certain rent reductions based on the cost of obtaining irrigation water, and (2) "CIP (Capital Improvement Project) Rent Credit", which permitted rent credit against the contractual rent; now therefore be it

RESOLVED, that City Council accepts and approves and hereby authorizes the City Administrator to execute the Third Supplemental Agreement to the Amended and Restated Ground Lease, between the Port of Oakland and City, as presented to the City Council; and be it

FURTHER RESOLVED, that City Council accepts and approves and hereby authorizes the City Administrator to execute the First Amendment to the Sublease and Operating Agreement, between the City of Oakland and Oakland Golf LLC, as presented to the City Council; and be it

FURTHER RESOLVED, that the City Council agrees that the City may enter into an agreement with UC Berkeley for the short-game practice facility in the event that the Sublease is suspended or terminated prior to its expiration date; and be it

FURTHER RESOLVED: That the Office of the City Attorney has approved this resolution as to form and legality and a copy will be on file in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, ____________________, 2008

PASSED BY THE FOLLOWING VOTE:

AYES - BRUNNER, KERNIGHAN, NADEL, QUAN, BROOKS, REID, CHANG, AND PRESIDENT DE LA FUENTE

NOES –

ABSENT –

ABSTENTION –

ATTEST:

____
LATONDA SIMMONS
City Clerk and Clerk of the Council of
the City of Oakland, California