

OTAY WATER DISTRICT
SPECIAL MEETING OF THE BOARD OF DIRECTORS
DISTRICT BOARDROOM

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA

WEDNESDAY
APRIL 11, 2018
3:30 P.M

AGENDA

1. ROLL CALL
2. PLEDGE OF ALLEGIANCE
3. APPROVAL OF AGENDA
4. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA
5. DISCUSSION DISPOSITION OF SALT CREEK GOLF COURSE

RECESS TO CLOSED SESSION

6. **CLOSED SESSION**

CONFERENCE WITH REAL PROPERTY NEGOTIATORS pursuant to California Government Code section 54956.8

Property: SALT CREEK GOLF COURSE
525 HUNTE PARKWAY
CHULA VISTA, CA 91914

Agency negotiator: General Counsel

Under negotiation: Disposition of Property

RETURN TO OPEN SESSION

7. REPORT ON ANY ACTIONS TAKEN IN CLOSED SESSION. THE BOARD MAY ALSO TAKE ACTION ON ANY ITEMS POSTED IN CLOSED SESSION
8. ADJOURNMENT

All items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

The Agenda, and any attachments containing written information, are available at the District's website at www.otaywater.gov. Written changes to any items to be considered at the open meeting, or to any attachments, will be posted on the District's website. Copies of the Agenda and all attachments are also available through the District Secretary by contacting her at (619) 670-2280.

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the District Secretary at 670-2280 at least 24 hours prior to the meeting.

Certification of Posting

I certify that on April 9, 2018, I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 24 hours in advance of the special meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on April 9, 2018.

/s/ Tita Ramos-Krogman, Sr. Confidential Executive Secretary

AGENDA ITEM 5



STAFF REPORT

TYPE MEETING:	Special Board Meeting	MEETING DATE:	April 11, 2018
		PROJECT:	DIV. NO. All
SUBMITTED BY:	Joseph R. Beachem, Chief Financial Officer		
APPROVED BY:	<input checked="" type="checkbox"/> Joseph R. Beachem, Chief Financial Officer <input checked="" type="checkbox"/> Mark Watton, General Manager		
SUBJECT:	Accept Staff's Recommendation to Expend No Funds to Maintain the Salt Creek Golf Course		

GENERAL MANAGER'S RECOMMENDATION:

That the District expends no funds to maintain the Salt Creek Golf course.

PURPOSE:

To direct staff to expend no funds to maintain the Salt Creek Golf course.

ANALYSIS:

Time Frame: While a lease of the property would require less time to finalize, staff has verified that a leasehold interest in a golf course property has little or no value (See Attachment A). Without the viability of a lease, and without the need to hold this land, the District should be using a time frame of a minimum of many months up to a year or more to determine the future use of this property.

Greens: Based on the likely extended timeframe to evaluate and finalize the use and sale of the property, the cost to maintain the greens for approximately 7 months is expected to exceed the cost to restore the greens at a later date. This is based on estimated costs to restore the greens of \$38,725, and a monthly cost to maintain the greens of \$5,333. These estimates are provided by a Licensed Agronomist (See Attachment B).

Fairways and Tees: Again, it is likely that the extended timeframe of the evaluation of the use and sale of the property makes the

maintenance of the fairways a speculative investment. Based on an estimate provided by a licensed Agronomist, the cost to maintain the fairways is \$9,333 per month (See Attachment B). Pumping costs add an additional \$4,000 a month. The District would also need to manage the invasive species that would thrive with watering. The District maintains a Habitat Management Area (HMA) immediately next to the golf course. The quality of the HMA would be put in jeopardy with the unmanaged growth of the invasive species. This is expected to cost as much as \$5,000 a month bringing the total estimated monthly maintenance up to \$18,333. The cost to restore the fairways at a later date is \$167,200 (See Attachment B). Therefore, the cost to maintain the fairways and tees would exceed the cost to restore them after 9 months. Again, it is likely that the extended timeframe makes this a financial burden to the ratepayers.

Water Costs: Water costs are considered to be minimal in this calculation as the District currently has a take or pay contract that is not being exceeded.

Summary: Based on the evaluation performed, the benefit of irrigation is speculative and the cost of irrigation exceeds the possible benefit given a relatively long timeframe before the land use or sale is determined. It is understood that in the event that the land is sold, and the new owner of the land does not maintain the golf course, the costs associated with the watering of the golf course would have produced no value to offset the cost of irrigation.

FISCAL IMPACT: Joseph Beachem, Chief Financial Officer

Accepting the recommendation reduces costs and financial risk for the District. The amount of the savings, as explained above, depends on the final use of the property and the timeframe to finalize the use or sale.

STRATEGIC GOAL:

Sound financial management of the District.

LEGAL IMPACT:

Undetermined at this time.

Attachments:

- A) Letter from Jeffrey Woolson Dated 4-9-2018
- B) Letter from Nicholas Spardy Dated 4-10-2018

COMMERCIAL REAL ESTATE SERVICES

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April 9, 2018

Mr. Mark Watton, General Manager
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

RE: SALT CREEK GOLF COURSE

Dear Mark:

This letter is intended to memorialize a conversation I had with Joe Beachem today about the Salt Creek Golf Course having little or no value as a leasehold property.

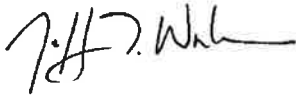
As you know, I've sold Salt Creek Golf Course twice. The first time I represented the bank who foreclosed on the loan from the original developer in March 2006. The property sold for only \$4 million yet golf course cost over \$20 million to build. Even at that price, the buyer, Will Gustafson, an experienced golf course operator and developer, knew he had to repurpose a portion of the golf course to add residential which would not only justify the price but also add a demand generator to support the golf course due to the high cost of the rent and water. Those plans were never finalized and Gustafson lost the property to his lender and I sold it a second time in March 2012 for only \$1.2 million. The buyer this time was Pacific Hospitality (Bill McWethy), another experienced operator/developer. Pacific Hospitality also recognized the need for residential but like Gustafson, was never able to realize those plans.

I've sold over 100 golf course properties since 1993 and I've seen many trends (www.cbre.com/golfandresort). The biggest trend right now is the repurposing of golf courses into a higher and better uses due to the oversupply of golf courses combined with the declining interest in the sport itself. Salt Creek's highest and best use would be a golf course with limited clustered residential however as a leasehold, this is evidently not possible as evidenced by three failed owners. The fact that it is a leasehold is not only detrimental to redevelopment but it also hurts future value as most buyers of golf courses in Southern California are not interested in buying a leasehold golf course. Leasehold properties trade at significant discounts compared to fee owned properties.

I hope this letter adds clarity to your situation. Please call if you have any questions.

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Best regards,

A handwritten signature in black ink, appearing to read "Jeff T. Woolson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jeffrey T. Woolson
Managing Director
Executive Vice President
760.438.8530
jeff.woolson@cbre.com



April 10, 2018

TO: Joe Beachem
JoeB@otaywater.gov

Mr. Beachem,

It was a pleasure speaking with you today. Here is the information you requested:

Credentials:

National Certified Agronomist – CPAg #10636
Certified Crop Advisor – CCA #10636
Pest Control Advisor – PCA #71290
Qualified Applicator License – QAL #96942
Turf & Soil Instructor, Cuyamaca College
Advisory Board – Cuyamaca College
Golf Consultant to La Jolla CC, Del Mar CC, San Diego CC, JC Golf, The Farms, Titleist Test Facility,
Southern CA Turf Complex, and others

Site Assessment: April 6, 2018 1:30pm Salt Creek

I physically walked four different fairways and three tee complexes. The turf species is hybrid bermuda. These areas had a solid turf stand, and due to the previous rains had good color and vigor. Bermudagrass is a warm season turf that has underground modified shoots (rhizomes) and above ground modified shoots (stolons), which provide significant carbohydrate storage. Because of these storage components, the turf has a very good drought tolerance, wear tolerance, and is very hardy.

I walked four different greens. The greens are made up of two cool season grasses, creeping bentgrass and poa annua. The dominant turf as far as the coverage is poa annua. The greens were extremely drought stressed with significant turf decline and death. The bentgrass is healthier than the poa annua mainly because the bentgrass has above-ground modified shoots (stolons) again to store carbohydrates. The poa annua is a clumping turf and does not genetically exhibit the same traits. The roots are brown and shriveled in many areas of the green and, in some cases, having no white healthy roots.

I would estimate, because of the temperatures increasing, that the drought stress on the property will continue to worsen, especially without any irrigation or rain in the forecast. The genetic makeup of the hybrid bermuda will have a greater drought tolerance; and under the current situation will continue to be a viable plant for approximately three weeks; but an ongoing evaluation of the health could change this prediction to a shorter time period

The cool season turf species of creeping bentgrass and poa annua under the same conditions will decline and die at a more rapid pace. It can be expected that large portions of the greens and possibly total green surface will be dead prior to the upcoming weekend.



I address the replacement estimates as follows:

GREENS 130,000 sq ft (estimate)

Sod – creeping bentgrass *Dominant Plus*
Installed price per sq ft \$2.10/sq ft
 $130,000 \times \$2.10 = \underline{\$273,000}$ (not including removal of old material)

Seed - creeping bentgrass
Seed cost \$20/lb 2 lb/1,000 sq ft seeding rate
 $2 \times 130 = 260$ lbs of seed $\times \$20/\text{lb} = \underline{\$5,200}$
Fertilizer cost (8-16-16) \$75/bag
 $6 \text{ lbs}/1,000 \text{ ft}^2 \times 130 = 780$ lbs $\times 3$ applications
 $2,340$ lbs or 47 bags $\times \$75/\text{bag} = \underline{\$3,525}$

This is not factoring water costs. Labor cost for the three months to establish the seed to a puttable surface would be approximately \$10,000 per month $\times 3 = \$30,000$ (includes watering, fertilizing, mowing)

Total estimated cost of seeding: \$38,725 without water, sand topdressing or seed prep

TEES & FAIRWAYS 35 acres (estimate)

Sod - hybrid bermuda Tifway 419 Installed price per square foot \$.65/sq ft
 $\$.65 \times 43,560 = \$28,314/\text{acre} \times 35 = \underline{\$990,990}$
This does not include removal of old material

Seed - hybrid bermuda Princess 77
Seed cost \$25/lb 2 lb/1,000 ft² seeding rate
 $2 \times 43.5 = 87$ lbs $\times 35 = 3,045$ lbs $\times \$25/\text{lb} = \underline{\$76,125}$
Fertilizer cost (30-0-9) \$55/bag
 $5 \text{ lb}/1,000 \text{ ft}^2 \times 43.5 = 217$ lbs/acre $\times 35$ acre = 7,612 lbs
 153 bags $\times \$55/\text{bag} = \underline{\$8,415}$ for product
(40-0-5) \$38/bag
 $50 \text{ lb}/\text{acre} \times 35 = 1,750$ lb or 35 bags
 $35 \times \$38/\text{bag} = \$1,330 \times 2$ applications \$2,660
Total estimated cost of seed \$127,200

This does not include water. To seed, grow in, prep, maintain, and have ready for play in three months, labor would be approximately \$40,000



MAINTAIN CURRENT TURF

To maintain current turf if applicable, not playable for 3 months:

	*GREENS	FAIRWAYS/TEES
Irrigation	Minimum 4 times a week	Minimum 3 times a week
Mowing	Height of 1-1.5 inches 3 times/week	Height 2 inches 1 time/week
Fertilize	Cost \$1,000	Cost \$4,000
Labor	\$5,000/Mo. X 3 = \$15,000	\$8,000/Mo. = \$24,000
Total	\$16,000	\$28,000

*I do believe there could be further turf decline since my site visit and I believe there might be a need to seed into green. That would require another evaluation

Mr Beachem, these are solid estimates but understand that these are approximate. If you have any questions or need any further assistance please do not hesitate to contact me at 619-852-0424.

Nicholas R. Spardy
CPAg