



**CITY OF SOUTH PASADENA
SPECIAL JOINT MEETING OF THE CITY COUNCIL
AND THE AD HOC CITY LEASED RECREATIONAL
FACILITIES COMMITTEE**

AGENDA

WEDNESDAY, SEPTEMBER 6, 2023, AT 6:01 P.M.

**AMEDEE O. "DICK" RICHARDS JR. COUNCIL CHAMBERS
1424 MISSION STREET, SOUTH PASADENA, CA 91030**

TELECONFERENCE LOCATION

**MONTEREY MARRIOTT HOTEL
CONFERENCE MEETING ROOM
350 CALLE PRINCIPAL, MONTEREY, CA, USA, 93940**

South Pasadena City Council Statement of Civility

As your elected governing board, we will treat each other, members of the public, and City employees with patience, civility, and courtesy as a model of the same behavior we wish to reflect in South Pasadena for the conduct of all City business and community participation. The decisions made tonight will be for the benefit of the South Pasadena community and not for personal gain.

NOTICE ON PUBLIC PARTICIPATION & ACCESSIBILITY

The South Pasadena City Council Meeting will be conducted in-person from the Amedee O. "Dick" Richards, Jr. Council Chambers, located at 1424 Mission Street, South Pasadena, CA 91030 and the teleconference location. Pursuant to Assembly Bill 361 Government Code Section 54953, subdivision (e)(3), the City Council may conduct its meetings remotely and may be held via video conference.

Public participation may be made as follows:

- In Person – Council Chambers, 1424 Mission Street, South Pasadena, CA 91030 and the teleconference location.
- Live Broadcast via the City website – http://www.spectrumstream.com/streaming/south_pasadena/live.cfm
- Via Zoom – **Webinar ID: 825 9999 2830**
- Written Public Comment – written comment must be submitted by 12:00 p.m. the day of the meeting by emailing to ccpubliccomment@southpasadenaca.gov.
- Via Phone – +1-669-900-6833 and entering the Zoom Meeting ID listed above.

Meeting may be viewed at:

1. Go to the Zoom website, <https://zoom.us/join> and enter the Zoom Meeting information; or
2. Click on the following unique Zoom meeting link:
<https://us06web.zoom.us/j/82599992830> or
3. By calling: +1-669-900-6833 and entering the Zoom Meeting ID listed above; and viewing the meeting via http://www.spectrumstream.com/streaming/south_pasadena/live.cfm

CALL TO ORDER: Mayor Jon Primuth

ROLL CALL OF CITY COUNCIL: Mayor Jon Primuth

Mayor Pro Tem	Evelyn G. Zneimer
Councilmember	Jack Donovan
Councilmember	Michael A. Cacciotti
Councilmember	Janet Braun

ROLL CALL OF AD HOC COMMITTEE:

Commissioner	Michael Siegal
Commissioner	Rona Bortz
Commissioner	Fred Findley
Commissioner	Victoria Rocha
Commissioner	Albert Ocon

PUBLIC COMMENT GUIDELINES

The City Council welcomes public input. Members of the public may comment on the agendized items only. Members of the public will have three minutes to address the City Council, however, the Mayor and City Council may adjust the time allotted, as needed.

Public Comments received in writing will not be read aloud at the meeting, but will be part of the meeting record. Written public comments will be uploaded to the City website for public viewing under Additional Documents. When submitting a public comment, please make sure to include the following:

- 1) Name (optional), and
- 2) Agenda item you are submitting public comment on.
- 3) Submit by no later than 12:00 p.m., on the day of the City Council meeting. Correspondence received after this time will be distributed the following business day.

PLEASE NOTE: The Mayor may exercise the Chair's discretion, subject to the approval of the majority of the City Council, to adjust public comment time limit to less than three minutes, as needed.

Pursuant to State law, the City Council may not discuss or take action on issues not on the meeting agenda, except that members of the City Council or staff may briefly respond to statements made or questions posed by persons exercising public testimony rights (Government Code Section 54954.2). Staff may be asked to follow up on such items.

PUBLIC COMMENT

1. **PUBLIC COMMENT**

Public Comment will be limited to three minutes per speaker for the agendized items only.

ACTION/DISCUSSION

2. **RECEIVE AND FILE THE “ARROYO SECO GOLF COURSE MARKET SUPPORT AND FINANCIAL ANALYSIS REPORT”, DISCUSS AND PROVIDE DIRECTION, IF ANY, ON THE NEXT STEPS RELATED TO THE REPORT’S RECOMMENDATIONS AND CONSIDER THE DISSOLUTION OF THE CITY LEASED RECREATIONAL FACILITY AD HOC COMMITTEE**

Recommendation

It is recommended that the City Council:

1. Receive and file the “Arroyo Seco Golf Course Market Support and Financial Analysis Report” (Report);
2. Discuss and provide direction to staff regarding next steps, including development of a Master Plan for the Arroyo Seco Golf Course property; and
3. Consider the dissolution of the City Leased Recreational Facility Ad Hoc Committee.

ADJOURNMENT

FOR YOUR INFORMATION

FUTURE CITY COUNCIL MEETINGS


September 18, 2023	Special City Council Meeting	6:30 P.M.
September 27, 2023	Special City Council Meeting	7:00 P.M.
October 4, 2023	Regular City Council Meeting	7:00 P.M.

PUBLIC ACCESS TO AGENDA DOCUMENTS AND BROADCASTING OF MEETINGS

City Council meeting agenda packets, any agenda related documents, and additional documents are available online for public viewing on the City’s website:

www.southpasadenaca.gov/CityCouncilMeetings2022

ACCOMMODATIONS

 The City of South Pasadena wishes to make all of its public meetings accessible to the public. If special assistance is needed to participate in this meeting, please contact the City Clerk’s Division at (626) 403-7230 or cityclerk@southpasadenaca.gov. Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities. Notification at least 48 hours prior to the meeting will assist staff in assuring that reasonable arrangements can be made to provide accessibility to the meeting (28 CFR 35.102-35.104 ADA Title II).

CERTIFICATION OF POSTING

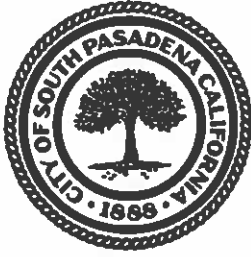
*I declare under penalty of perjury that I posted this notice of agenda for the meeting to be held on **September 6, 2023**, on the bulletin board in the courtyard of City Hall located at 1414 Mission Street, South Pasadena, CA 91030, and on the City website as required by law, on the date listed below.*

08-31-23

/S/

Date

Tiara Solorzano, Management Assistant



City Council Agenda Report

ITEM NO. 2

DATE: September 6, 2023

FROM: Arminé Chaparyan, City Manager *Ac*

PREPARED BY: Sheila Pautsch, Community Services Director

SUBJECT: **Receive and File the “Arroyo Seco Golf Course Market Support and Financial Analysis Report”, Discuss and Provide Direction, if any, on the Next Steps Related to the Report’s Recommendations and Consider the Dissolution of the City Leased Recreational Facility Ad Hoc Committee**

Recommendation

It is recommended that the City Council:

1. Receive and file the “Arroyo Seco Golf Course Market Support and Financial Analysis Report” (Report);
2. Discuss and provide direction to staff regarding next steps, including development of a Master Plan for the Arroyo Seco Golf Course property; and
3. Consider the dissolution of the City Leased Recreational Facility Ad Hoc Committee.

Executive Summary

In December 2021, the Community Services Department engaged consulting firm Pro Forma Advisors LLC (Pro Forma) to assist with the development of market analysis and projected operating performance of the Arroyo Seco Golf Course (Golf Course) restaurant. After review by the City Leased Recreational Facility Ad Hoc Committee (Committee), the Committee decided to expand the scope of Pro Forma’s analysis to the entire Golf Course facility. Pro Forma evaluated the entire facility through a report that included land use, market support, capital costs, and financial projections.

Based on the evaluation, a Market Support and Financial Analysis Report (Report) was presented and approved by the Committee which included the following:

- Full renovation of the golf course from the existing 18-hole par 3 course with a new 9-hole executive golf course
- Renovation of driving range incorporating Top Tracker technology
- Expand the 9-hole miniature golf course to a contemporary 18-hole miniature golf course
- Enhancing the food and beverage operations

In addition, the Report details how the enhancement of the Golf Course can lead to the generation of additional revenue and provides a summary of the capital costs.

Background

The Golf Course is an 18-hole par-3 golf course, which includes a driving range, clubhouse, and restaurant. The Golf Course was built and opened in 1955 and operated by the Lohman and Lane Families. Lohman and Lane held the lease for the facility with the City of South Pasadena (City) from its opening until June 2011. In July 2011, the City entered into a Management Agreement with Donovan Bros Golf, Inc. who are currently on a month-to-month agreement since April 2022.

The formation of the Committee was approved by the City Council in April 2021 to review existing terms of the City leased recreational facility agreements to develop proposed new terms for the negotiation of expiring agreements and assist with the creation of Requests for Proposals (RFP) for potential new operators. The Committee has met multiple times since August 2021 and worked with staff to complete the batting cages facility agreement negotiation with a new operator and the re-negotiation of the tennis facility operator’s agreement. The Committee explored the possibility of re-opening the restaurant after the closure due to COVID. An RFP was publicized for a Restaurant Consultant to assist in the market analysis, financial pro forma, and best use of the restaurant along with an RFP for a new operator. The City received the following proposals:

Consultant	Proposed Amount	Location
Pro Forma Advisors LLC	\$19,770	Los Angeles, CA
MCC Hospitality Group	\$8,000	Pasadena, CA
Fessel International	\$21,895	Sierra Madre, CA

Pro Forma Advisors LLC (Pro Forma) was hired as the restaurant consultant in December 2021.

As part of the process in analyzing the best restaurant use, the Principal of Pro Forma, Gene Krekorian (Krekorian) had various meetings with the Committee. Pro Forma also reviewed the current Golf Course facility financials and toured the facilities among other tasks. Thereafter, Pro Forma completed its market analysis and projected operating performance which included the options for food and beverage facilities along with the financials.

Krekorian presented this report to the Committee in February 2022 which discussed the concept of creating a family-oriented food and beverage operation, with an emphasis on creating an appealing outdoor patio dining experience. The Committee liked the idea but also endorsed developing the food and beverage operations within the context of a conceptual master plan for the entire Golf Course property.

On June 15, 2022, Pro Forma’s scope of work was amended to include a land use plan, market support, conceptual redevelopment costs, and financial projections for the entire Golf Course facility. After several meetings with the Committee, Krekorian presented the Report at the February 1, 2023 Committee meeting. In addition to the Report, Pro Forma provided a memorandum with supplemental information regarding the “next steps” in the planning process for the implementation of the Report’s recommendations. The next steps are as follows:

- Prepare Project Master Plan
- Development Cost Estimates
- Explore Funding Options
- Conduct an Environmental Study
- Select Project Manager
- Final Design
- Initiate Phase 1 Project Construction

The Committee received the Report and are recommending for the City Council to consider a Master Plan and full renovation of the golf course facility in two phases. Phase 1 would address the driving range, miniature golf, clubhouse, and restaurant renovation including expansion, and additional parking. Phase 2 would be the full renovation of the 18-hole, 3 par to a 9-hole executive length layout and maintenance yard which would start three to five years after completion of Phase 1.

Analysis

With the Report now completed, including a summary of the next steps, Staff is seeking feedback from the City Council. The Committee in reaching its decision to recommend the preparation of a Master Plan and consider full renovation of the Golf Course, visited various golf courses and driving ranges such as Glen Oaks Golf Course in Glendora to observe different options and enhanced facilities to determine what might best fit in the Arroyo Seco setting.

A popular enhancement is Top Golf, or a modified version called Top Tracer, which is a ball-tracking technology. Top Tracer has become the industry standard in golf entertainment. Almansor Golf Course in Alhambra, Glen Oaks Golf Course in Glendora, Griffith Park Driving Range, and Rancho Park Golf Course both in Los Angeles have installed Top Tracer to embrace and enhance the golf experience. Top Golf has recently opened in El Segundo and is currently being built in Montebello. After touring other facilities, the Committee endorsed the idea of developing the food and beverage operation within the context of a master plan for the entire property. The restaurant should be compatible with the long-range vision for the golf course, driving range, and miniature golf attraction. As stated in the Report, it is proposed that the renovation of the Golf Course would occur in two phases.

Lastly, with the completion of the facility agreements with South Pasadena Batting Cages and I-tennis, along with recommendations regarding the Report, the Committee has accomplished its tasks. Accordingly, it is recommended that City Council consider the dissolution of the Committee.

Alternatives

City Council may also consider the following alternatives while considering the recommendation of the Committee in addition to any other alternatives that may be discussed among the Council:

1. Maintain the status quo by keeping the facility as-is.
2. Prepare and implement an RFP to re-open the restaurant facility only.
3. Proceed and execute an RFP for a Master Plan of the Golf Course facility.
4. Prepare an RFP for a potential new operator of the Golf Course facility.

Depending on the City Council’s direction, the following applies to the above alternatives.

1. RFP for Restaurant Operator	\$10,000 - \$15,000
2. RFP for Master Plan	\$10,000 - \$15,000
3. Execution of Master Plan	\$100,000 - \$150,000
4. RFP for a new facility operator	\$10,000 - \$15,000

Fiscal Impact

To date, there has been a total of \$19,770 in consultant fees allocated for this study. As of June 30, 2023, the Arroyo Seco Golf Course fund has approximately \$1,669,062 (Account number 295-0000-0000-1000-000). There are no funds appropriated for this project.

Key Performance Indicators and Strategic Plan

This item is in line with the Adopted 2021-2026 Strategic Plan Section 2d, Redevelopment of Recreational Facilities.

Commission Review and Recommendation

This item was reviewed by the City Leased Recreational Facility Ad Hoc Committee at its February 1, 2023, meeting. The Committee’s recommendation is that the Report move forward to the City Council for discussion, including a discussion regarding the next steps listed above in this staff report.

Attachment:

1. Arroyo Seco Golf Course Market Support and Financial Report
2. Memo of Additional Information to Report Regarding Next Steps

ATTACHMENT 1

Arroyo Seco Golf Course Market Support and Financial Report

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Pro Forma
Advisors LLC

Market Support & Financial Analysis Arroyo Seco Golf Course

South Pasadena, California

Prepared by: **Pro Forma Advisors LLC**

Prepared for: **City of South Pasadena**

November 2022

PFA ID: 11-527-1

I. Introduction

The City of South Pasadena is considering full renovation of its Arroyo Seco golf complex. The project concept calls for replacing the existing 18-hole par-3 course with a new 9-hole executive golf course, along with renovation of the practice range which would allow incorporating TopTracer technology on about 25 of the 30 tee stations. As well, utilizing the existing 9-hole miniature golf course site, along with the putting and chipping greens, provides an opportunity for development of a “contemporary” 18-hole miniature golf course on an approximate .7-acre site. Lastly, the major improvement in recreational components at Arroyo Seco provides an opportunity to substantially modify and enhance the food and beverage function at the course.

Replacing the existing 18-hole par-3 course with a 9-hole executive golf course offers several advantages. First, the existing course is in need of extensive capital improvements. These improvements will be costly, but will not materially enhance the product or improve performance. Second, executive length golf courses, with several par-4 holes, appeal to a much broader market than 18-hole par-3 courses primarily due to the redundancy of eighteen par-3 holes. Moreover, conversion of the 18-hole par-3 to a 9-hole executive course would free-up 1-2 acres which will be needed for additional convenient parking.

Introduction of TopTracer technology on golf practice ranges has been extremely successful, expanding the market and substantially increasing practice range revenue. It is relatively new electronic technology which tracks and evaluates golf ball travel through the instant processing of shot data, and provides an opportunity to create virtual entertainment and games for individuals and groups.

Including miniature golf at public access golf courses also has proven to be both synergistic and profitable. Miniature golf provides recreational entertainment to a broad market, with particular appeal to families. A miniature golf component at a golf course is particularly profitable because the marginal miniature golf operating and maintenance expenses are relatively nominal since staff is already in place for the golf operation.

The restaurant at Arroyo Seco, which is generally in poor condition, has been closed for several years. Improvements in the recreational components at Arroyo Seco would create an opportunity to generate sufficient food and beverage revenue to achieve viability of this element, as well as enhancing the overall guest experience at the Arroyo Seco complex.

As part of the planning and decision-making process, the City retained Pro Forma Advisors LLC, an independent land use economics consulting firm specializing in commercial recreation, to evaluate the potential impact of redeveloping the golf course, introducing TopTracer technology on the practice range, and expanding the miniature golf family entertainment attraction at Arroyo Seco Golf Course. As well, the impact of these improved recreational components on food and beverage activity is assessed.

The following memorandum report provides a description of these project components. A brief overview of the new golf technology, documentation of the experience/performance at selected existing practice facilities offering TopTracer technology and family miniature golf is provided, and projections for each of the Arroyo

Seco recreational elements are presented. A brief summary of findings is presented below, with documentation and analysis provided in subsequent sections of the report.

II. Summary of Findings

The City of South Pasadena is conducting a preliminary evaluation of the full renovation of its Arroyo Seco Golf Course complex. The existing project consists of an 18-hole par-3 golf course, 34-tee station golf practice range, 9-hole miniature golf course, and a clubhouse/restaurant complex. The following presents a summary of key findings of this preliminary market and financial assessment, with analysis and documentation contained in subsequent sections of the report.

Background

- ▶ All of the recreational components and overall infrastructure at Arroyo Seco generally are in poor condition, and in need of extensive capital improvements. The clubhouse restaurant has been closed for several years due its poor condition and insufficient on-site demand. Despite its poor condition, the Arroyo Seco complex has been able to operate at better than breakeven in recent years, in part due to the beneficial impact of COVID-19 on outdoor recreational participation.
- ▶ Arroyo Seco enjoys a desirable location in a strong market, with limited competitive recreational facilities. There appears to be an opportunity to contemporize the complex, achieve economic sustainability and, at the same time, offer residents and visitors to the complex a high quality entertainment experience.
- ▶ There is an emerging trend in the golf industry to broaden the market by introducing recreational elements which appeal to families and non-traditional golfers. TopGolf and other products which integrate golf and family entertainment have been extraordinarily successful, and are transforming the golf industry.
- ▶ There appears to be an excellent opportunity at Arroyo Seco to upgrade its facilities and introduce TopTracer at its golf practice range, enhance and expand the miniature golf course to an 18-hole attraction, and substantially upgrade its clubhouse/restaurant complex.
- ▶ These improvements will significantly increase attendance and revenue at the property. In turn, this will require 75 to 100 additional parking spaces (currently there are 135 spaces). This parking will require an additional acre, which appears only available with a reduction in the number of holes on the existing par-3 golf course, or conversion to a 9-hole executive golf course.
- ▶ There are several reasons which favor conversion of the existing course to a 9-hole executive length routing (six par-3 and three par-4 holes):
 - The existing course is in need of substantial capital improvements, including its irrigation system and golf course features (greens, tees, bunkers);

- A 9-hole executive golf course, featuring a mix of par-3 and par-4 holes, will broaden the market appeal, resulting in increased play at a similar rate structure, and providing an enhanced golf experience;
- Conversion of the golf course to an executive 9-hole routing will free up an acre or more for additional needed parking at the complex.

Land Use Plan

- ▶ The proposed land use plan is designed to create a family golf-oriented recreation venue at Arroyo Seco integrating recreation, food and beverage and entertainment elements. The concept combines a contemporary 9-hole executive golf course, 30 climate-controlled outdoor practice range bays equipped with TopTracer technology, an 18-hole mini-golf course, food and beverage indoor/outdoor facilities featuring fire pits, multiple T.V. screens, and staging area for live entertainment, additional parking and other contemporary golf entertainment products.
- ▶ The plan reflects a reduction in the golf course land area from about 19.6 acres to 17.5 acres, with the surplus land utilized for additional parking and larger buffer areas. As noted, the golf course would be converted from an 18-hole par-3 layout (1,960 yards, par 54) to a 9-hole executive layout (1,800 yards, par 30). The new course would satisfy contemporary design standards to minimize concerns with errant golf balls, and offer natural turf tees and other attractive golf course features.
- ▶ A land use summary of the proposed renovation plan for Arroyo Seco is presented below:

Table II-1: Arroyo Seco Golf Course Land Use Distribution		
Element	Net Acres	
	Existing	Proposed
Golf Course	19.6	17.5
Maintenance Yard	0.5	0.7
Miniature Golf	0.3	0.7
Practice Range	5.0	5.0
Clubhouse	0.4	0.6
Practice Putting/Chipping Area	0.3	---
Parking	0.7	2.0
Circulation/Buffer Area	1.0	1.3
Total	27.8	27.8

- ▶ In an effort to reduce the initial capital cost, phasing the project development appears to be reasonable and appropriate. The clubhouse/staging area improvements, practice range renovation, and miniature golf expansion components likely would be addressed in the first redevelopment phase. In addition, additional parking would be needed in the first phase to accommodate the increased attendance levels at the complex. As previously noted, 75 to 100 additional parking spaces, requiring about one acre of land, would be necessary to support the projected attendance at the facility.
- ▶ Conversion of the golf course from an 18-hole par-3 to a 9-hole executive layout, and redevelopment of the golf course maintenance yard, can be deferred. However, some Phase I modifications to the existing course would be required in order to free-up at least one acre for the additional parking needed for Phase I. Most likely, this would be accomplished by reducing the golf course in Phase I from its current 18-hole layout to a 15-hole routing. Operation of the 15-hole course would occur until Phase II is initiated.

Market Support

- ▶ Arroyo Seco operates in a strong primary market area (20-minute drive time) with a population of 1.13 million, and a median household income level of \$78,700 per year. Extending the market area from a 20-minute drive time to a 30-minute drive time adds another 2.07 million population, albeit at a somewhat lower median household income of \$64,200 per year.
- ▶ The existing 18-hole par-3 golf course has generated an average of about 45,000 rounds per year over the past 5-10 years, with an average greens fee of \$16.80 in 2022. Market experience suggests that a contemporary 9-hole executive golf course can generate about 60,000 rounds annually (including about 6,000 replay rounds) at an average greens fee of approximately \$18.00.
- ▶ Introducing TopTracer technology to golf practice ranges across the country has been extraordinarily successful. This technology has expanded the market substantially beyond traditional golfers, offering an entertainment experience for non-golfers. Market experience indicates that practice range revenue per tee station with TopTracer technology has doubled or tripled, with a nominal increase in operating expenses. Moreover, more participants, along with much higher per capita spending on food and beverage, has sharply enhanced food and beverage revenue volume and profitability at these golf complexes.
- ▶ With most of the tee stations at Arroyo Seco equipped with TopTracer technology, driving range annual gross revenue is expected to increase from about \$500,000 currently to \$1.2 million.
- ▶ Arroyo Seco currently has a 9-hole miniature golf course developed on a one-third acre site. By today's standards, the miniature golf course is extremely basic, and in relatively poor condition. Despite this, the miniature golf course has generated over \$200,000 annually in gross revenue, with nominal offsetting expense.

- ▶ Miniature golf appeals to a broad range of participants, with particular appeal to families. The presence of miniature golf courses at traditional golf complexes has proven to substantially improve overall complex economics. Since most of the expenses related to operation and maintenance of the miniature golf course attraction are already provided through the golf operation, **marginal** miniature golf course expenses are nominal.
- ▶ An 18-hole miniature golf course at Arroyo Seco is expected to more than double revenue production, with limited offsetting expenses. Similar to the TopTracer users, with an 18-hole miniature golf experience, players would produce substantial support for the food and beverage operation at Arroyo Seco.
- ▶ Improvements in the recreational components at Arroyo Seco would create an opportunity to generate sufficient food and beverage revenue to achieve viability of this element, as well as enhancing the overall guest experience at the Arroyo Seco complex.
- ▶ Financial projections for the food and beverage component at Arroyo Seco assume a 9-hole executive length golf course, 30-tee state-of-the-art practice range, and 18-hole miniature golf course are in-place, operating during the day and in the evenings through about 9:00 p.m. The food and beverage projections are based on per capita expenditures which reflect a contemporary indoor/outdoor dining experience, with extensive outside patio areas featuring a defined entry and seating area, high quality patio flooring, shade coverings/umbrellas, heaters, fire pits, multiple television screens, and attractive furniture.
- ▶ Based on typical per capita food and beverage expenditures at recreational attractions similar to those proposed at Arroyo Seco, food and beverage annual gross revenue is projected at approximately \$1.48 million. This volume includes some outside spending from market area residents and employees, accounting for about 20 percent of total revenue.

Capital Cost

- ▶ A summary of **“conceptual”** cost estimates, expressed in constant 2022 dollars, for the full renovation of the Arroyo Seco complex have been prepared. These estimates are based on current market experience for similar project components to those proposed at Arroyo Seco and general cost guidelines.
- ▶ In an effort to reduce the initial capital cost, phasing a portion of the costs appears to be appropriate. The clubhouse/staging area improvements, practice range renovation, and miniature golf expansion components likely would represent the first redevelopment phase. In addition, additional parking would be needed in Phase I to accommodate the increase attendance levels at the complex.
- ▶ Conversion of the golf course from an 18-hole par-3 to a 9-hole executive layout, and redevelopment of the golf course maintenance yard, can be deferred to Phase II. However, some modifications to the

existing course would be required in Phase I in order to free-up at least one acre for additional parking. Most likely, this would be accomplished by reducing the golf course from its current 18-hole layout to a 15-hole routing.

- ▶ Phase II of the project would consist of converting the modified 15-hole par-3 course to a new 9-hole executive length course, and redeveloping the maintenance yard. With completion of Phase II, full utilization and revenue potential of all of the Arroyo Seco components would be realized.
- ▶ Arroyo Seco conceptual redevelopment costs under a phasing program are presented in Table II-2. As indicated, the Phase I costs total about \$6.2 million, with Phase II costs at about \$4.62 million. Total costs, expressed in constant 2022 dollars, under the phased program would be slightly higher than the costs incurred under a non-phased development program. Clearly, through a phased approach, the **initial** investment in the project would be reduced significantly from over \$10 million to \$6.2 million.

Table II-2: Arroyo Seco Conceptual Redevelopment Cost by Phase
 (constant 2022 dollars)

Component	Phase I	Phase II	Total
Demolition/Site Preparation	\$150,000	\$150,000	\$300,000
Modification of 18-Hole Par-3 Golf Course (15 holes)	500,000	---	500,000
Executive 9-Hole Golf Course (17 acres)	---	3,000,000	3,000,000
Maintenance Yard	---	500,000	500,000
Miniature Golf Course (18 holes)	1,000,000	---	1,000,000
Practice Range Improvements	1,000,000	---	1,000,000
Clubhouse/Patio Renovation/Expansion (5,000 sq. ft. @\$400)	2,000,000	---	2,000,000
Parking (100 spaces @ \$2,500)	250,000	---	250,000
Soft Costs (@15%)	735,000	547,500	1,282,500
Contingency (@10%)	<u>563,500</u>	<u>419,750</u>	<u>983,250</u>
Total	\$6,198,500	\$4,617,250	\$10,815,750

Financial Projections

- ▶ Stable year financial projections for each of the principal recreational components at Arroyo Seco, along with food and beverage activity, have been prepared. The financial projections are rolled-up into a projectwide stable year forecast, as shown in Table II-3. Projections are presented for the Phase I

**Table II-3: Arroyo Seco Projected Projectwide Stable Year Net Operating
(constant 2022 dollars)**

	Phase I	Total Project
EBITDA Contributions		
Golf Course	\$7,500	\$350,000
Practice Range	793,000	793,000
Miniature Golf	423,400	423,400
Food & Beverage	272,700	371,450
Other (advertising, sponsorships, equip rentals, other)	20,000	25,000
Total EBITDA Contributions	\$1,516,600	\$1,962,850
General & Administrative/Projectwide Expenses		
Management Staff--Payroll & Benefits	\$225,000	\$225,000
Common Area/Parking Maintenance Expenses	100,000	100,000
Institutional Advertising	60,000	60,000
Property Taxes	---	---
Legal & Accounting	50,000	50,000
Other Services & Supplies	75,000	75,000
Management Fees (@4% of gross revenue)	152,100	177,900
Total G & A/Projectwide Expenses	\$662,100	\$687,900
EBITDA	\$854,500	\$1,274,950

project components, and the total project (Phases I and II) reflecting the new 9-hole executive length golf course.

- ▶ The stable year net EBITDA (earnings before interest, taxes, depreciation, and amortization) contribution of the four project components totals \$1,516,600 for the Phase I project components, and \$1,962,850 for the total project (EBITDA Contributions).
- ▶ Projectwide general and administrative expenses, and common area unallocated maintenance expenses, are deducted, yielding stable year net operating income, expressed as EBITDA for the entire project. As shown, for Phase I, these projectwide expenses totaling \$662,100 per year are deducted, yielding stable year projectwide EBITDA of \$854,500. For the total project (Phases I and II combined),

projectwide expenses totaling \$687,900 are deducted, resulting in projectwide EBITDA of \$1,274,950. Again, the values are expressed in constant 2022 dollars.

- ▶ The Phase I direct unleveraged return on investment (Phase I EBITDA divided by Phase I capital cost) is calculated at 13.8 percent. The direct return on investment for the total project is calculated at 11.8 percent.
- ▶ While these returns satisfy basic economic investment criteria, the returns are substantially greater when the **incremental** net income of the project is compared with the **incremental** capital cost of the redevelopment. That is, projected annual net income compares with current levels of \$200,000 to \$300,000, and the capital cost estimates compare with status quo obligations of as much as \$3 to \$4 million. Thus, the **incremental** return on investment compared with the status quo approaches 15 percent for the total project.

III. Land Use Plan

The following section presents a land use plan for the full renovation of the existing Arroyo Seco golf complex, located in South Pasadena, California. The plan involves replacement of the existing 18-hole par-3 golf course with a 9-hole executive layout, a substantial upgrade and expansion of the mini-golf and golf practice range elements, and major renovation of the existing clubhouse/food & beverage operation and staging area. The proposed plan reflects current market trends and conditions, with the objective of creating an economically sustainable asset, and improving the overall recreation experience for residents and visitors to the course.

Effectively, the plan is designed to create a family golf-oriented entertainment venue at Arroyo Seco integrating recreation, food and beverage and entertainment elements. Influenced by the success of TopGolf Entertainment Group's single-level concept which combines climate-controlled outdoor hitting bays equipped with TopTracer technology and a diverse casual food and beverage product, Arroyo Seco would offer an appealing family oriented destination.

Land Use Program

A land use summary of the proposed renovation plan for Arroyo Seco is presented in Table III-1. Also shown is the existing land use distribution by principal area/function. Essentially, the proposed plan (including additional parking) reflects a reduction in the golf course land area from about 19.6 acres to 17.5 acres, with the surplus land utilized for additional parking. As noted, the golf course would be converted from an 18-hole par-3 layout (1,960 yards, par 54) to a 9-hole executive layout (1,800 yards, par 30). The new course would satisfy contemporary design standards to minimize concerns with errant golf balls, and offer natural turf tees and other attractive golf course features.

A brief description of the principal elements of the plan is presented below.

Golf Course: The existing 18-hole lighted par-3 Arroyo Seco Golf Course is 1,960 yards (average 108 yards per hole). The course, opened in 1955, is developed on a parcel of about 19.6 acres. Due to aging infrastructure, and in an effort to broaden the market appeal for the golf product, the land use program includes replacing the existing layout with a newly constructed 9-hole executive length golf course. The executive course would feature six par-3 (average 140 yards) and three par-4 holes (average 320 yards), yielding a total length of 1,800 yards. The course would be night lighted, and developed on a net parcel of 17.5 acres.

Maintenance Yard: The existing maintenance yard, developed on an approximate 0.5 acre site, is in extremely poor condition and requires full replacement. Development of a new yard on a 0.7 acre parcel with convenient access to the project entry road and golf course is proposed. A metal frame building of about 4,000 square feet would be constructed, with outside storage for materials and supplies.

Table III-1: Arroyo Seco Golf Course Land Use Distribution		
Element	Net Acres	
	Existing	Proposed
Golf Course	19.6	17.5
Maintenance Yard	0.5	0.7
Miniature Golf	0.3	0.7
Practice Range	5.0	5.0
Clubhouse	0.4	0.6
Practice Putting/Chipping Area	0.3	---
Parking	0.7	2.0
Circulation/Buffer Area	1.0	1.3
Total	27.8	27.8

Miniature Golf: A contemporary outdoor lighted miniature golf attraction would be developed on a 0.7 acre site, which would encompass the existing miniature golf course (0.3 acres) and practice putting/pitching area (0.3 acres). The lighted miniature golf course would include 18 holes and would carry a traditional South Pasadena theme, or possibly feature a more contemporary attraction similar to Tiger Woods PopStroke miniature golf product. The golf practice putting green and pitching/chipping area would not be replaced.

Golf Practice Range: The existing lighted range offers 34 artificial turf tees. The tee line does not have a shade cover, and the landing area is in poor condition. The range would be fully renovated, and upgraded to include about 30 wider tees, of which 25 tees would be equipped with a TopTracer product, leaving five tees without TopTracer. The entire tee line would be covered, and feature electronic monitoring screens, ball tracking technology, quality LED lighting, and furniture for guest seating and consumption of food and beverage during their recreation experience. The landing area would be improved with artificial turf, high quality lighting, and a series of target areas.

Clubhouse/Staging Area: The existing clubhouse contains two buildings with combined area of approximately 4,500 square feet, separated by a central breezeway. In addition, there is a freestanding conference room building with about 1,600 square feet located between the clubhouse building and the practice range tee line. The existing clubhouse and staging area are developed on about 0.4 acres. The new land use plan envisions a clubhouse complex on a .6 acre site which would contain a small golf starter/shop area, kitchen, restrooms, modest size restaurant with 50-60 indoor seats, and outdoor patio with about 75-100 seats. The building, including restaurant, kitchen, small pro shop/starting area, and restrooms, would be in the 3,500-4,000 square foot range.

The focus of the proposed food and beverage program would be on the outdoor patio area which would offer an attractive entertainment environment with a defined entry, attractive shade cover/umbrellas, state-of-the-art lighting, heaters, fire pits, television screens, quality furniture, and music/entertainment. The outdoor area would be designed for direct viewing of the golf practice range and the miniature golf complex.

Parking: Arroyo Seco currently has approximately 135 parking spaces on approximately 1.2 acres. The new program would require about 100 additional spaces, or a total of about 235 spaces on a little over 2.0 acres. The program would require conversion of about one acre of the existing golf course land area to additional parking use. This additional parking would be more convenient than the existing surplus parking.

Circulation/Buffer Areas: There currently is a small amount of area designated for circulation and buffer zones, estimated at about 1.3 acres. A similar acreage allocation is deemed reasonable for the new land use plan.

IV. Market Support

The following section presents data and other information relating to the various recreational components contained in the Arroyo Seco renovation program. Based on this information, performance for each of the Arroyo Seco recreational elements is projected.

Executive 9-Hole Golf Course

The existing Arroyo Seco Golf Course is an 18-hole par-3 layout with a length of 1,960 yards. Eighteen hole par-3 golf courses are unusual, as they draw from a relatively limited market and offer redundancy. There is only one other 18-hole par-3 golf course in Southern California--the City of Long Beach's Recreation Park 18-hole golf course.

Annual play on the Arroyo Seco par-3 golf course over the FY2012-FY2022 period is reported as follows:

Table IV-1: Arroyo Seco Historical Golf Course Rounds	
Fiscal Year	Rounds
2012	44,391
2013	40,519
2014	45,302
2015	39,825
2016	39,362
2017	39,085
2018	40,753
2019	40,879
2020	37,194*
2021	60,763
2022	43,923*
* Course closed for two months during the year.	

Play in FY2021 and FY2022 was favorably impacted by the presence of COVID-19.

Regular greens fees currently are \$21 weekdays and \$23 weekends (there is a \$6 surcharge for night play).

The average greens fee in FY2022 was \$16.80 per round, reflecting discounted senior and junior rates.

Given the need for extensive improvements at the existing 18-hole Arroyo Seco par-3 golf course, required additional parking to serve greater attendance at the complex, and benefits of broadening golf market appeal at the Arroyo Seco course, converting the 18-hole par-3 course to a 9-hole executive length layout is under consideration. A 9-hole executive course, comprised of six par-3 and three par-4 holes would require about one acre less than the existing course occupies.

The new executive golf course would be a par-30 layout, measuring 1,800 yards from the regulation length tees. The course would have natural turf tees and would be lighted for night play.

A nine hole executive length course would be expected to generate somewhat more play than the 18-hole par-3 course because it would cater to a broader range of golfers, while supporting a similar rate structure. The experience of selected Southern California 9-hole executive length courses provides some perspective regarding play levels and revenue potential. Table IV-2 presents selected characteristics of a series of public access 9-hole executive length golf courses operating in Southern California.

The following observations are offered:

- ▶ Course length for the courses surveyed ranges from 1,060 yards at the Lakes in El Segundo to 2,582 yards at Penmar in Santa Monica, with most in the range of 1,600 to 1,800 yards;
- ▶ Depending on the length and layout, five to seven holes are par-3 and two to four are par-4, with most courses offering a par-30 or par-31 course;
- ▶ Some of the courses are developed in conjunction with a golf driving range;
- ▶ Several courses are lighted for night play;
- ▶ Annual play levels range widely from 55,000 to 90,000 rounds, with an average of about 65,000 rounds at the golf courses surveyed;
- ▶ Standard weekday greens fees typically are in the \$16 to \$18 range, with weekend rates at \$18 to \$22. Normally, there are discounts for residents, seniors, and juniors, and replay rates generally are discounted;
- ▶ The weighted average greens fees for the 9-hole executive golf courses shown typically falls in the \$16 to \$17 range;
- ▶ Replay rates at the 9-hole courses ranges from about 5 percent to 15 percent of golfers;
- ▶ Some of the courses (generally the longer layouts) offer power carts, although utilization is very low.

Table IV-2: Selected Characteristics of Regional 9-Hole Executive Golf Courses				
Course Location	Bixby Village Long Beach	The Lakes El Segundo	Penmar Venice	Rec Park-9 Long Beach
Course Type	Executive	Executive	Executive	Executive
Operator	Bixby Village	Donovan Bros.	City of LA	American Golf
Number of Holes	9	9	9	9
Par	30	29	33	31
Lighted	no	yes	no	no
Length (yards)	1,795	1,060	2,582	1,865
Practice Range	no	no	no	no
# of Tees	---	---	---	---
Lighted	---	---	---	---
Greens Fees (R/NR)				
Weekday				
Regular	\$18.00	\$25.00/\$15.00	\$18.00	\$30.25/\$16.00
Senior	12.00	19.00/13.00	11.00	---/12.00
Replay	15.00	15.00	12.00	15.00
Weekend				
Regular	\$22.00	\$32.00/\$18.00	\$23.00	\$33.50/\$19.50
Senior	---	---	16.00	---
Replay	---	---	10.00	18.00
Est. Avg Greens	\$16.00	\$19.00	\$17.50	\$17.50
Annual Rds (starts)	60,000	50,000	90,000	65,000
Percent Replay	15%	15%	5%	5%
Cart Fee per Player	\$8.00	---	\$9	\$10.00
Cart Utilization	20%	---	5%	5%

Table IV-2 (continued): Selected Characteristics of Regional 9-Hole Executive Golf Courses			
Course	Roosevelt	Rancho Duarte	Ironwood
Location	Los Angeles	Duarte	Cerritos
Course Type	Executive	Executive	Executive
Operator	City of L.A.	Rancho Duarte	City of Cerritos
Number of Holes	9	9	9
Par	33	31	29
Lighted	no	no	no
Length (yards)	2,478	1,635	1,468
Practice Range	no	yes	yes
# of Tees	---	30	25
Lighted	---	yes	yes
Greens Fees (R/NR)			
Weekday			
Regular	\$16.00	\$16.00	\$13.00/\$11.00
Senior	9.50	13.50	9.00/8.00
Replay	10.00	7.00	---
Weekend			
Regular	\$20.50	18.00	\$15.50/\$12.00
Senior	13.00	---	---
Replay	11.00	7.00	---
Est. Avg Greens	\$14.50	\$14.00	\$12.50
Annual Rds (starts)	70,000	55,000	60,000
Percent Replay	5%	10%	10%
Cart Fee per Player	\$9	\$9.00	---
Cart Utilization	5%	5%	---

Annual stabilized play for the 9-hole night lighted executive length golf course at Arroyo Seco is projected as follows:

Table IV-3: Projected Annual Golf Rounds		
	Current 18-Hole Par-3^{1/}	9-Hole Excutive
9-Hole	---	54,000
18-Hole	44,200	6,000 ^{2/}
Total	44,200	60,000
^{1/} . Represents average annual play level over the FY2016-FY2022 period. ^{2/} . Golfers replaying 9-hole course.		

The average greens fee for the new executive 9-hole golf course is projected at \$18.00 per round, up from the current level of \$16.80 per round. No power carts would be available.

Miniature Golf

Arroyo Seco currently has a 9-hole miniature golf course developed on a one-third acre site. By today's standards, the miniature golf course is extremely basic, and in relatively poor condition. The annual number of rounds played at Arroyo Seco over the past 10 years is reported as follows:

Table IV-4: Arroyo Seco Historical Mini-Golf Rounds	
Fiscal Year	Rounds
2012	23,457
2013	26,542
2014	27,870
2015	27,117
2016	28,320
2017	31,026
2018	35,392
2019	40,470
2020	37,282
2021	38,373
2022	24,127*

* Course closed for two months of the year.

Current pricing is \$11.00 per player over the age of 5 (no discounting for seniors or juniors), with a replay fee of \$6.00 per player. In prior years, some discounting for seniors and juniors was offered. Annual miniature golf gross revenue for the past three years is as follows (attendance in FY2020 and FY2021 was adversely impacted by facility closure during several months of the year):

Table IV-5: Historical Mini-Golf Gross Revenue			
	FY2020	FY2021	FY2022
Annual Gross Revenue	\$156,822	\$183,833	\$207,631
Number of Rounds	37,282	38,373	24,127
Average Revenue per Round	\$4.21	\$4.75	\$8.61

Over the past 10-20 years, the miniature golf industry generally has been stagnant with about 100-150 courses added annually across the U.S. in recent years, offset by a similar number of course closures. Growth in the industry has been constrained for several reasons. First, it is very difficult to secure well located sites at an affordable cost. Many existing miniature golf courses effectively are “land banks” which are ultimately converted to residential and commercial uses. Second, the rapid emergence of competition from alternative forms of entertainment, such as digital and in-home entertainment options, are increasingly

taking the place of location-based entertainment. The industry has stagnated despite the fact that the amount of time that Americans spend on leisure and sports has increased over the past ten years.

Most miniature golf courses closed for a period during the initial stages of COVID-19, which resulted in additional hardships for operators. However, since the initial phase of the pandemic, there has been a beneficial impact on participation resulting from COVID-19, although the impact has been much smaller than that related to the golf industry.

Despite industry stagnation, the concept of miniature golf at Arroyo Seco has appeal:

- ▶ Miniature golf has been successfully developed at several public golf facilities in the State, including the subject Arroyo Seco Golf Course, Del Mar Golf Center in San Diego County, and Mcinnis Park Golf Center in San Rafael. The mini-golf courses at these facilities serve as a secondary attraction to the golf course or driving range component.
- ▶ Arroyo Seco presently offers an 18-hole par-3 golf course and practice range which are compatible with additional family recreation attractions such as miniature golf.
- ▶ Generally, miniature golf can produce strong economic returns on modest capital investment. In Southern California, the high cost of land represents a major barrier to entry for this type of recreational activity. As such, to the extent that land is available at low or no cost at Arroyo Seco, the economics are increasingly attractive.
- ▶ Integration of a traditional mini-golf product with the existing golf course/practice range, where operating staff can jointly oversee the existing golf course and practice range as well as miniature golf course, results in extraordinary operating and maintenance efficiencies.
- ▶ Investment in a miniature golf attraction at Arroyo Seco is minimized due to the availability of existing parking and support facilities such as the clubhouse.

The primary market from which a miniature golf complex would draw support is approximately the area within a 20-minute drive time. The demographics of this area, with a population of 1.13 million, and a median household income level of \$78,700 per year, are reasonably strong. Extending the market area from a 20-minute drive time to a 30-minute drive time adds another 2.07 million population, albeit at a somewhat lower median household income of \$64,200 per year.

The only existing miniature golf attraction within the primary or secondary market area is the 9-hole miniature golf course located at the 18-hole par-3 Arroyo Seco Golf Course (subject property). Despite being a poorly designed and maintained facility which has very limited appeal, the Arroyo Seco mini-golf course generates \$200,000 per year in gross revenue for the complex, with only nominal operating expenses. It should be noted, though still in a preliminary planning stage, the Rose Bowl is considering development of a mini-golf course complex, along with other improvements at their Brookside 36-hole golf complex. This development would potentially compete with a miniature golf course at Arroyo Seco.

As noted, in addition to the Arroyo Seco miniature golf course, there are two traditional golf practice facilities in the State which also offer miniature golf--the Del Mar Golf Center in San Diego County, and Mcinnis Park Golf Center in San Rafael, just north of San Francisco (see Table IV-6). Managers at these centers report that the mini-golf component appeals to a different clientele than the traditional golfer, but is complementary. The managers also report that the mini-golf component performs well with nominal marginal operation and maintenance expense, and investment costs have been recovered in a period of as little as two-to-three years. Utilization at these facilities has increased slightly over the past several years, with revenues increasing to a greater degree due to sharp increases in pricing during this period. It should be noted that most facilities in California were closed for several months, or longer, in 2020 due to COVID-19 restrictions.

Based on the site and location attributes of the Arroyo Seco miniature golf course, experience of similar type facilities, the characteristics of the Arroyo Seco primary market area and current and future competition, potential stable year attendance and utilization projections at the Arroyo Seco proposed 18-hole miniature golf complex are shown in Table IV-7. Again, the Rose Bowl is evaluating the addition of two 18-hole miniature golf courses at their 36-hole Brookside Golf Course as part of a partial course redesign and expansion of their golf practice range. It is unclear at this time whether the miniature golf element will be implemented. As such, projections vary according to whether Brookside Golf Course at the Rose Bowl does or does not proceed with their 36-hole miniature golf project.

Table IV-6: Selected Characteristics of Miniature Golf Courses at Golf Centers			
	Arroyo Seco	Del Mar Golf Center	Mcinnis Park
Location	South Pasadena	Del Mar	San Rafael
Golf Course/Practice Range	Arroyo Seco Golf Course	Del Mar Golf Center	Mcinnis Park Golf Center
Number of Mini-Golf Courses	one 9-hole	two 18-hole	one 18-hole
Lighted	Yes	Yes	Yes
Owner/Operator	City of South Pasadena/ Donovan Bros	Del Mar Golf Center	Mcinnis Park Associates
Primary Market Population	1,136,500	620,000	170,000
Pricing (first round/replays)			
Adults	\$10.00/\$5.00	\$9.50/\$4.50	\$11.00/\$9.00
Seniors (65+)	10.00/5.00	7.50/3.50	9.00/9.00
Children (5-12)	10.00/5.00	7.50/3.50	9.00/9.00
Estimated Annual Attendance	21,000	42,000	20,000
Estimated Rounds	28,000 (9-hole)	54,500	26,000
Rounds/18-Hole course	28,000	27,250	26,000
Replay Percentage	40%	30%	30%
Annual Gross Revenue			
Miniature Golf Only	\$225,000	\$450,000	\$215,000
Multi-Use Pass	---	---	---
Total	\$225,000	\$450,000	\$215,000
Average Revenue per Attendee	\$8.00	\$10.70	\$10.75
Other Facilities	-18-hole par-3 golf course -Golf Driving Range -Small clubhouse	-Golf driving range -Snack Bar	--9-hole exec golf course. -golf driving range. -batting cages -restaurant/clubhouse

Table IV-7: Arroyo Seco Mini-Golf Projected Attendance		
	With Brookside	Without Brookside
Primary Market Area Population	1,136,500	1,136,500
Estimated Penetration Rate	3.0%	4.0%
Annual Attendance	34,095	45,460
Estimated Replay Percentage	25%	25%
Annual Rounds	42,620	56,810

The supportable pricing structure (2022 dollars) for the 18-hole miniature golf course at Arroyo Seco is projected as follows.

Adults:	\$14.00 (\$8.00 replay)
Seniors (65+)	\$11.00 (\$6.50 replay)
Children (5-12)	\$10.00 (\$6.00 replay)
Under 5 years	Free (with purchase of an adult ticket)

Based on this pricing, estimated replay rounds, and selected promotional discounting at non-peak times, the average revenue per round is estimated at about \$10.00.

Annual gross revenue at Arroyo Seco is projected at \$426,200, assuming a miniature golf course at Brookside also enters the market, and \$568,100 if Brookside does not proceed with miniature golf.

In general, miniature golf is characterized as a relatively low maintenance, low operating expense enterprise. In situations where miniature golf is offered along with other primary components like a golf course or driving range, the miniature golf course can produce substantial incremental net income. Specifically, in situations where an operating and maintenance infrastructure is already in place, like at Arroyo Seco in South Pasadena, Del Mar Golf Center in San Diego County, and Mcinnis Park Golf Center in San Rafael, the **marginal** operating/maintenance expenses are very low. For example, in most instances collection of admission fees and the starting function can be fully provided by existing golf course/driving range attendants. Further, a maintenance staff is in-place for building and landscape maintenance. Thus, there is minimum marginal payroll expense with the addition of a miniature golf element. Similarly, most administrative and management functions are already in-place, and thus the addition of a miniature golf attraction would require little, if any, additional overhead expenses.

Due to the current established mini-golf attraction at Arroyo Seco, a very short ramp-up period of less than one year is anticipated prior to stabilization of miniature golf attendance.

Miniature golf patrons also would purchase food and beverages during their visit to Arroyo Seco. A general rule-of-thumb for attractions like this is that food and beverage expenditures total an amount equal to about 20 to 30 percent of the basic attraction expenditures. Depending on the extent and type of food and beverage offered, food and beverage gross revenue generated by patrons should range from \$100,000-\$150,000 per year.

While a traditional miniature golf course would be an attractive and financially successful component at Arroyo Seco, consideration may also be given to a newer miniature golf type product which has recently been introduced. PopStroke is a “technology-infused” golf entertainment concept featuring two high quality, Tiger Woods designed, 18-hole putting courses, a casual dining experience bar/grill with between 125 and 200 seats, an ice cream parlor, and other entertainment elements. At this time, there are three PopStroke facilities open in Fort Meyers, Port St. Lucie, and Sarasota, Florida, with facilities under development in Orlando, Tampa, Houston, Glendale (Arizona), and Delray (Florida). Facilities in Scottsdale, Arizona and Las Vegas, Nevada are in the planning stage. While no facilities have been targeted for California, this is a market that PopStroke has expressed interest in.

The typical PopStroke requires land area of 50,000 to 70,000 square feet, plus land for parking 60-80 vehicles (about two-thirds acre). Generally, PopStroke facilities are developed, owned and operated by the company. In most cases, facilities are developed on land leased from local landowners. At this time, the company does not offer franchise rights for the development of PopStroke facilities.

PopStroke contends that their product is geared for a broad market of all ages and skill levels, although it is clear that the product is more appealing to golfers than the traditional miniature golf course product. The company maintains that the entertainment product is positioned to serve families. There clearly are similarities with the TopGolf product. However, PopStroke is differentiated to the extent that virtually anyone can participate in miniature golf at PopStroke, while TopGolf is limited to only those participants who are comfortable swinging a regular golf club. Even so, PopStroke attracts more golfers than a traditional miniature golf course attraction. Importantly, like TopGolf, food and beverage opportunities at a PopStroke facility represent a very significant part of the overall experience.

PopStroke admission prices are \$20 for adults, \$15 for seniors, and \$12-\$16 for children, depending on age. Replay rounds are \$5. An all day pass is also available at \$25 for adults and \$18 for juniors. Hours of operation are from 10:00 a.m. to 11:00 p.m., seven days per week. The average length of stay is about two hours.

PopStroke has limited operating experience with the two existing facilities (Fort Meyers and Port St. Lucie) open less than two years. However, PopStroke claims these facilities have each generated between \$10 and \$14 million annually in total gross revenue. With an average per capita expenditure of about \$50, annual attendance at each facility is in the 200,000 to 250,000 range. Reportedly, revenues are generally evenly split between admission fees and food and beverage expenditures. These performance levels have not been

verified, and appear to be somewhat overstated based on the experience of TopGolf facilities and other high quality recreation/entertainment attractions.

It is important to emphasize that PopStroke facilities require 1.5 to 2.0 acres, plus parking for up to 100 cars. As such, it does not appear that there is sufficient surplus land area to satisfy parking requirements for the facility without substantial reduction of the golf course component at Arroyo Seco, which may preclude its consideration.

Golf Practice Range

The 34-tee station Arroyo Seco driving range is available to same-day and practicing golfers. The range is in fair condition, offering artificial turf tees. The range tee line does not have a shade cover, and the landing area is minimally maintained.

Current practice range pricing is as follows:

Bucket Size	Price	Price/ Ball
Small (40 balls)	\$10.00	\$0.250
Medium (70 balls)	13.00	0.186
Large (100 balls)	15.00	0.150

The existing 32-tee station range generated \$565,000 in annual gross revenue in FY2021 (\$17,650 per tee per year), when the range was open during the entire year, and was on pace to generate similar volume in FY2022 if the range had not been closed for four months due to wind damage to range fencing. Performance for these two years was substantially greater (40 percent) than FY2020, mostly attributable to the favorable impact of COVID-19 on golf participation. There has been some dissipation of the COVID-19 impact over the past 6 months, and most likely there will be some further impact. Nonetheless, without improvements, range gross revenue volume would be expected to stabilize at about \$500,000 per year (\$15,600 per tee per year).

Fiscal Year	Gross Revenue	Operating Period
2020	\$312,210	10 months
2021	564,930	12 months
2022	359,545	8 months

Introduction of TopTracer technology at golf practice ranges has favorably impacted performance at virtually all ranges. The technology allows golfers to use real time data to enhance their golf game. But more than merely serving the needs of traditional golfers trying to improve their skills, Top Tracer appeals to a much broader audience, offering a unique entertainment experience which is suited for all ages and skill levels. TopTracer driving range bays feature touch screen monitors that display the complete flight of the golf shot as well as valuable data such as ball speed, carry yardage, launch angle, and more. For an even more enhanced experience, users can download the TopTracer mobile application and get complete shot data sent directly to their cellular phone. The technology also facilitates golf “games” and competitions such as launch monitor, closest to the pin, long drive, and a points game, as well as allowing the golfer the ability to play virtual golf on more than a dozen golf courses.

The technology, known as ProTracer, was originally developed in 2006 by a Swedish company for television coverage of professional golf tournaments. In 2016, TopGolf acquired ProTracer, and modified technology for its application at traditional golf driving ranges. The technology was incorporated in TopGolf facilities beginning in 2007, and is now the driving technology for the 80 TopGolf centers across the country, with many more in the advanced planning stage.

There are currently 20 driving ranges in California which offer TopTracer, and several in planning, up from only 6 at the beginning of 2020. Existing ranges in Los Angeles County include Glen Oaks Golf Center in Glendora, El Caballero Country Club in Tarzana, Griffith Park in the east San Fernando Valley and Rancho Park in West Los Angeles. Alhambra Golf Course in Alhambra recently introduced TopTracer on 12 of its 36 total tees, and is in the process of adding TopTracer to a second level on its triple-deck driving range tees. Eventually, they plan to add it to their ground level as well, yielding a total of 36 TopTracer equipped bays.

There currently are ten driving ranges, including Arroyo Seco, located within, or on the periphery of, the primary market area, all of them part of a golf complex featuring a golf course driving range:

Table IV-10: Arroyo Seco Competitive Golf Practice Ranges			
Range	Location	Driving Distance from Brookside	Number of Tees
Arroyo Seco	South Pasadena	---	32
Brookside	Pasadena	4 miles	20
Alhambra	Alhambra	6 miles	36
Monterey Park	Monterey Park	7 miles	100
Altadena	Altadena	8 miles	20
Eaton Canyon	Altadena	9 miles	22
Shoal Canyon	Glendale	9 miles	40
Griffith Park	Los Angeles	10 miles	45
DeBell	Burbank	16 miles	20
Glen Oaks	Glendora	22 miles	35

As noted, TopTracer Range technology currently is offered at Griffith Park, which converted 10 of its 40 tee stations to TopTracer use in 2021, Alhambra Golf Course in Alhambra on 12 of its 36 tees, and at Glen Oaks Golf Course on 30 of its 35 tees in Glendora. As well, Brookside Golf Course at the Rose Bowl is evaluating the addition of TopTracer to an expanded driving range at the complex.

The primary market area for Arroyo Seco is defined as the 20-minute drive time from the golf course, assuming only moderate traffic. This area is well populated, with current population of 1.14 million, and moderately affluent with a median household income of just under \$80,000. The area's population is somewhat older than most other areas, with a median age of about 38.3. In general, these demographic characteristics are favorable with regard to market support for a TopTracer product at Arroyo Seco.

The experience of California golf practice ranges offering TopTracer Range technology has been analyzed and documented. This experience provides some indication of the potential for offering the TopTracer technology at Arroyo Seco.

There are twenty golf practice facilities in the State of California which presently feature TopTracer Range technology. The experience of six ranges provides an indication of the acceptance and potential of this product in the marketplace.

- ▶ Del Mar Golf Center, Del Mar, San Diego County, California
- ▶ Glen Oaks Golf & Learning Center, Glendora, Los Angeles County, California
- ▶ Mcinnis Park Golf Center, San Rafael, Marin County, California
- ▶ Dairy Creek, San Luis Obispo, San Luis Obispo County, California
- ▶ Twin Lakes Golf Course, Santa Barbara County, California
- ▶ Arrowood Country Club, San Diego County, California

A summary of the characteristics and operating performance for these six facilities is presented in Table IV-11.

Key findings from the survey of the existing California ranges which currently offer TopTracer technology include the following:

- ▶ Introduction of TopTracer at the ranges has resulted in a broadening of the market area and attraction of new, non-traditional recreational users. These users are much more entertainment oriented than the traditional golfer. The new users generally have a longer length of stay and higher food and beverage spending profile.
- ▶ Most ranges offering TopTracer in 2020 have converted most or all of their conventional tees to TopTracer technology over the past two years.
- ▶ The utilization and pricing at TopTracer facilities has increased sharply over the past two years, resulting in a substantial increase in revenue generated on TopTracer equipped tees. These increases are attributable to both the beneficial impact of COVID-19 on golf participation and the appeal of the TopTracer product.
- ▶ Utilization of TopTracer bays is highest on evenings during weekdays, and all day on weekends. Thus, the TopTracer bays are often used by practicing golfers during the non-peak periods and TopTracer users during peak periods.
- ▶ At many facilities, the TopTracer bays typically are designed to accommodate up to four users, but the average number of users per bay is about 1.5 persons.
- ▶ The performance of TopTracer bays is closely linked to the food and beverage service provided. Those facilities offering convenient (often with customer servers) food and beverage service have performed much better than those which do not offer this support amenity. Integrating a quality food and beverage product with TopTracer creates a very appealing entertainment experience.
- ▶ Pricing for TopTracer bays at the ranges surveyed varies considerable. Some ranges charge on an hourly basis, including the range balls. These prices generally are in the range of \$25 per hour at non-peak periods and \$35 per hour at peak times. Others charge \$10-\$15 per hour, plus the cost of range balls.

Table IV-11: Selected Characteristics of California TopTracer Facilities			
	Del Mar Golf Center	Glen Oaks Golf Center	Mcinnis Park
Location	Del Mar	Glendora	San Rafael
Facilities	--practice range --mini-golf --snack bar	--9-hole par-3 course --practice range --Grill	--9-hole exec course --practice range --mini-golf/batting cage --restaurant
Practice Range Tees (total)	70	35	52
Number of Levels	one	one	two
Lighted	Yes	Yes	Yes
Number of TopTracer Bays	12	30	52
Year TopTracer Introduced	2017	2018/2021	2015/2020
Proposed Additional TT Bays	0	0	0
Pricing--Regular Range Balls			
Small	\$10.00 (45 balls)	---	\$6.00 (25 balls)
Medium	12.00 (75 balls)	\$9.00 (60 balls)	11.00 (50 balls)
Large	14.00 (105 balls)	11.00 (115 balls)	21.00 (100 balls)
Jumbo	17.00 (150 balls)	---	---
TopTracer Pricing	\$25/hour	\$5/hr non-peak; \$15/hr peak	No Charge
Balls Included	Yes (125 balls)	No	No
Annual Range Revenue			
TopTracer Bays	\$360,000	\$1,400,000	\$1,400,000
All Other Tees	<u>750,000</u>	<u>100,000</u>	---
Total	\$1,110,000	\$1,500,000	\$1,400,000
Average Annual Revenue/Tee			
TopTracer Bays	\$30,000	\$46,600	\$27,000
All Other Tees	12,930	20,000	---
Average--All Tees	15,600	42,850	27,000

Table IV-11 (continued): Selected Characteristics of California TopTracer Facilities			
	Dairy Creek	Twin Lakes	Arrowood
Location	San Luis Obispo	Goleta	Oceanside
Facilities	--9-hole reg Course --Clubhouse --Range	--9-hole Exec Course --Clubhouse --Range	--18-hole SP Club --Clubhouse -- Range
Practice Range Tees (total)	20	21	20
Number of Levels	1	1	1
Lighted	yes	yes	yes
Number of TopTracer Bays	10	21 (mobile app only)	10
Year TopTracer Introduced	2021	2021	2021
Proposed Additional TT Bays	none	convert to full TT technology	none
Pricing--Regular Range Balls			
Small	\$4.00 (30 balls)	\$8.00 (35 balls)	\$7.50 (40 balls)
Medium	8.00 (65 balls)	16.00 (80 balls)	10.00 (60 balls)
Large	12.00 (100 balls)	---	\$14.00 (90 balls)
Jumbo	---	24.00 (145 balls)	---
TopTracer Pricing	10:00-2:00 \$20/hr 2:00-5:00 \$30/hr 5:00-10:00 \$50/hr	included	Mon-Thurs, Fri-Sun before 3:00. \$24.00/hr Fri-Sun after 3:00 \$36.00/hr
Balls Included	yes	yes	yes
Annual Range Revenue			
TopTracer Bays	\$980,000	\$425,000	\$225,000
All Other Tees	<u>260,000</u>	---	<u>100,000</u>
Total	\$1,240,000	\$425,000	\$325,000
Average Annual Revenue/Tee			
TopTracer Bays	\$98,000	\$20,000	\$22,500
All Other Tees	26,000	---	10,000
Average--All Tees	\$62,000	\$20,000	\$16,250

- ▶ Some TopTracer facilities employ a differentiated pricing structure based on time of day and day of the week. For example, discounted prices may be charged at all times on Monday through Thursday, and on Friday before 3:00 p.m. Premium prices are charged on Friday evenings and all day Saturday and Sunday.
- ▶ The estimated TopTracer revenue volume for the ranges surveyed is shown in Table IV-12 below:

Table IV-12: Performance at Selected California TopTracer Ranges						
Range	City	County	Primary Market Area Population*	TopTracer Tees	TopTracer Revenue	Revenue/Tee/Year
Del Mar Golf Center	Del Mar	San Diego	888,740	12	\$360,000	\$30,000
Glen Oaks Golf Center	Glendora	Los Angeles	1,650,900	30	1,400,000	46,600
McCinnis Park Golf Center	San Leandro	Marin	186,130	52	1,400,000	27,000
Dairy Creek Golf Course	San Luis Ob	San Luis Ob	290,000	10	980,000	98,000
Twin Lakes Golf Course	Goleta	Santa Barb	425,000	21	425,000	20,000
Arrowood Golf Club	Oceanside	San Diego	330,000	10	225,000	22,500

* Defined as area within 20-minute drive time (minimal traffic congestion).

- ▶ TopTracer equipped tee stations at the ranges surveyed, on a per tee basis, generate substantially higher revenues than standard bays. The distribution of revenue at TopTracer ranges surveyed is shown in Table IV-13.

Table IV-13: Distribution of Revenue at Selected California TopTracer Ranges						
	Del Mar Golf Center	Glen Oaks Golf Center	Mcinnis Park	Dairy Creek	Twin Lakes	Arrowood
Tee Stations						
TopTracer	12	30	52	10	21	10
Other	58	5	---	10	---	10
Total	70	35	52	20	21	20
Annual Revenue						
TopTracer	\$360,000	\$1,400,000	\$1,400,000	\$980,000	\$425,000	\$225,000
Other	750,000	100,000	---	260,000	---	100,000
Total	\$1,110,000	\$1,500,000	\$1,400,000	\$1,240,000	\$425,000	\$325,000
Revenue/Tee						
TopTracer	\$30,000	\$46,600	\$27,000	\$98,000	\$20,000	\$22,500
Other	12,930	20,000	---	26,000	---	10,000
Average--All Tees	15,900	42,850	27,000	62,000	20,000	16,250

Financial projections for the golf practice range at Arroyo Seco are based on the market support data shown above, assuming the practice range is fully renovated and outfitted with TopTracer technology on 25 of 30 tee stations. The range would be night lighted, and feature a weather protected, covered tee line, with heaters, electronic monitors, television screens, comfortable furniture and other amenities to create a high quality entertainment experience. The landing area would be improved, and targets added in the landing area. It should be noted that the average width of TopTracer tee stations is about 12 feet, somewhat greater than conventional tees which are 9 to 10 feet in width.

Projections are based on about 60,000 individual users annually, with a per capita expenditure of \$15-\$17, yielding annual range gross revenue of \$1,000,000 (constant 2022 dollars) for the 25 TopTracer tees and \$125,000 for the 5 conventional tees, or \$1,125,000 per year. This volume compares with current driving range revenues in the range of \$500,000 per year. As shown in Table IV-14, these expenditures translate into \$40,000 per tee station per year for the 25 TopTracer equipped tees, and \$25,000 per tee station for the 5 conventional tees. Importantly, these projections reflect the introduction of TopTracer at the Alhambra Golf Course practice range, and assume that the Rose Bowl's Brookside course proceeds with plans to expand and equip their range with TopTracer technology.

Table IV-14: Practice Range Projected Stable Year Gross Revenue (constant 2022 dollars)		
	Annual Revenue	Revenue per Tee
Gross Revenue		
TopTracer Tees (25)	\$1,000,000	\$40,000
Other Tees (5)	125,000	25,000
Instruction (net rental income)	40,000	---
Total	\$1,165,000	---

Instruction net rental income assumes three instructors with access to the range at non-peak times. Tee rental (including range balls) is indicated at \$1,000-\$1,200 per instructor per month.

Food & Beverage

Market support for food and beverage activity is based on a fully renovated Arroyo Seco complex featuring a 9-hole executive length golf course, 30-tee state-of-the-art practice range equipped with TopTracer technology on 25 of 30 tee stations, and an 18-hole miniature golf course. Operating hours would extend from 7:00 A.M. through about 9:00 p.m., 7 days per week. Further, the projections are based on per capita expenditures which reflect a contemporary indoor/outdoor dining experience, with extensive outside patio

areas featuring a defined entry and seating area, high quality patio flooring, shade coverings/umbrellas, heaters, fire pits, multiple television screens, and attractive furniture.

At Arroyo Seco, food and beverage market support would be generated by same-day golfers, miniature golf players, practice range/TopTracer users, and general public patronage from market area residents and employees. It is important to note that projecting food and beverage revenue is challenging for a variety of reasons. While food and beverage activity is influenced by locational characteristics, the quality of the product is the most important factor in attracting customers. That is, many restaurants with a quality product succeed despite a weak location, and restaurants in a strong location often fail because of a marginal product. Moreover, for golf courses, in particular, the ability to attract restaurant patrons from the outside community who are not participating in recreational activities at the complex is highly variable.

Same-Day Golfers

Same-day golfer food and beverage expenditures at golf courses typically range widely from about \$3 to \$10 per round depending on the length of stay (type of golf course), market positioning, and food and beverage product offered. Given the relatively short experience related to a 9-hole executive golf course (averaging 1.5 to 2.0 hours), and assuming a quality product is offered, gross revenue for Arroyo Seco is projected at \$6.00 per round of golf, yielding annual gross revenue of \$360,000 per year (constant 2022 dollars).

Practice Range/TopTracer Users

The practice range users, and TopTracer patrons in particular, will represent the primary source of food and beverage spending at Arroyo Seco. The experience at Glen Oaks Golf & Learning Center in Glendora suggest practice range users (including TopTracer) can generate \$10 to \$12 in food and beverage revenue per user. For planning purposes, food and beverage spending at \$10 per practice range/TopTracer user (60,000 users) is projected, yielding total annual revenue of \$600,000 from this source (constant 2022 dollars).

Miniature Golf Players

Similarly, miniature golf players will provide an important source of support for food and beverage at Arroyo Seco. Miniature golf players generally include many young families, as well as group functions such as birthday parties and the like. The average length of stay for miniature golf players is about 1.5 hours, about the same as golfers playing the 9-hole executive golf course. Food and beverage expenditures equal to \$4.00 per round is projected, generating about \$225,000 in annual gross revenue (constant 2022 dollars).

Outside Public

In addition to on-site recreational user spending, some food and beverage patronage from the outside public (community residents and employees) would be expected. The magnitude of the outside public component will depend on the quality of the product and the entertainment content offered. For planning purposes, the

outside public food and beverage spending is projected to represent 20 percent of total food and beverage gross revenue at Arroyo Seco, equal to about \$300,000 in spending (constant 2022 dollars).

Total Food & Beverage Activity

A pro forma stable year gross revenue projection for the food and beverage operation at Arroyo Seco is presented in Table IV-15. The values are expressed in constant 2022 dollars. As shown, the food and beverage operation generates \$1,485,000 in annual gross revenue to the total project.

Table IV-15: Food & Beverage Projected Stable Year Gross Revenue (constant 2022 dollars)	
Gross Revenue	
Same-Day Golfers (60,000 rounds @\$6.00)	\$360,000
Miniature Golf Players (56,810 rounds @\$4.00)	225,000
Practice Range Patrons (60,000 users @\$10.00)	600,000
Outside Public (20 percent of total)	<u>300,000</u>
Total	\$1,485,000

V. Capital Cost

The following presents a summary of “**conceptual**” cost estimates, expressed in constant 2022 dollars, for the full renovation of the Arroyo Seco complex. These estimates are based on general current market experience relative to the proposed Arroyo Seco conceptual land use plan. While these cost estimates are deemed to provide the general magnitude of the costs associated with the proposed redevelopment program, it will be necessary to retain the services of a professional cost estimator to refine these costs based on the specific components and their individual characteristics.

Project Phasing

In an effort to reduce the initial capital cost, phasing a portion of the costs appears to be possible. The clubhouse/staging area improvements, practice range renovation, and miniature golf expansion components likely would represent the first redevelopment phase. In addition, additional parking would be needed in Phase I to accommodate the increase attendance levels at the complex. As previously noted, about 100 additional parking spaces, requiring about one acre of land, would be necessary to support the projected attendance to the facility.

Redevelopment of the golf course from an 18-hole par-3 to a 9-hole executive, and redevelopment of the golf course maintenance yard, can be deferred to Phase II. However, some modifications to the existing course would be required in Phase I in order to free-up at least one acre for additional Phase I parking. Most likely, this would be accomplished by reducing the golf course from its current 18-hole layout to a 15-hole routing. Clearly, this modification would diminish to some degree the performance, and revenue production, of the golf course during Phase I.

Then, Phase II of the project would consist of redeveloping the modified 15-hole par-3 course to a new 9-hole executive length course, and redeveloping the maintenance yard. With completion of Phase II, full utilization and revenue potential of all of the Arroyo Seco components would be realized.

Development cost

Arroyo Seco conceptual redevelopment costs under a phasing program are presented in Table V-1. As indicated, the Phase I costs total about \$6.2 million, with Phase II costs at about \$4.62 million. Total costs, expressed in constant 2022 dollars, under the phased program would be slightly higher than the costs incurred under a non-phased development program. Clearly, the initial investment in the project would be reduced significantly.

The conceptual cost estimate does not include several potentially significant items such as the cost/expense related to the closure of the existing complex for a period of at least one year, pre-opening start-up costs, and construction interest.

Table V-1: Arroyo Seco Conceptual Redevelopment Cost by Phase
 (constant 2022 dollars)

Component	Phase I	Phase II	Total
Demolition/Site Preparation	\$150,000	\$150,000	\$300,000
Modification of 18-Hole Par-3 Golf Course (15 holes)	500,000	---	500,000
Executive 9-Hole Golf Course (17 acres)	---	3,000,000	3,000,000
Maintenance Yard	---	500,000	500,000
Miniature Golf Course (18 holes)	1,000,000	---	1,000,000
Practice Range Improvements	1,000,000	---	1,000,000
Clubhouse/Patio Renovation/Expansion (5,000 sq. ft. @\$400)	2,000,000	---	2,000,000
Parking (100 spaces @ \$2,500)	250,000	---	250,000
Soft Costs (@15%)	735,000	547,500	1,282,500
Contingency (@10%)	<u>563,500</u>	<u>419,750</u>	<u>983,250</u>
Total	\$6,198,500	\$4,617,250	\$10,815,750

VI. Financial Projections

The following summarizes stable year pro forma financial projections for the principal elements of the project, including the golf course, practice range, miniature golf course, and food and beverage operation. All values are expressed in constant 2022 dollars.

Golf Course

Under the phasing program, the existing 18-hole par-3 golf course is reduced to a 15-hole par-3 layout in Phase I, with the removal of three holes allowing development of 100 additional parking spaces. Projected financial performance of the 15-hole par-3 course during Phase I of the project is shown in Table VI-1. As noted, the annual EBITDA (earnings before interest, taxes, depreciation and amortization) contribution of the golf course during Phase I is projected at only \$7,500. This contribution is projected before consideration of unallocated projectwide expenses and overhead such as on-site project management, common area maintenance, legal fees, accounting, offsite management fees and other indirect overhead expenses.

The financial projections for the Phase II 9-hole executive length, par-30, golf course measuring about 1,800 yards, are presented in Table VI-2. The golf course would be lighted for night use. Annual play is projected at 60,000 rounds (including 6,000 replay rounds), with a weighted average greens fee of \$18.00 per round. Power carts would not be available. Revenues for the new contemporary 9-hole golf course are sharply higher than the 15-hole par-3 course, while operating expenses are only moderately greater. As indicated, the annual EBITDA contribution is indicated at \$350,000.

Again, the operating expenses include only direct items related to the golf course component, and do not include projectwide management and other expenses. Effectively, EBITDA (earnings before interest, taxes, depreciation, and amortization) represents the net contribution of just the golf course to the overall project financial performance, before consideration of projectwide general and administrative and common area operating expenses. The values are expressed in constant 2022 dollars.

Table VI-1: Phase I 15-Hole Golf Course Projected Stable Year EBITDA Contribution (constant 2022 dollars)	
Gross Revenue	
Greens Fees (45,000 rounds @ \$15)	\$675,000
Merchandise (@\$2.00 per round)	<u>90,000</u>
Total	\$765,000
Cost of Sales (merchandise @ 75%)	<u>\$67,500</u>
Gross Operating Profit	\$697,500
Operating Expenses	
Course Maintenance	
Payroll & Benefits	\$250,000
Services & Supplies	85,000
Utilities	65,000
Maintenance Equipment Lease/Repl. Reserve	<u>35,000</u>
Subtotal	\$435,000
Golf Operations	
Payroll & Benefits	\$125,000
Services & Supplies	<u>10,000</u>
Subtotal	\$135,000
General & Administrative--Course Level	
Insurance	\$20,000
Promotion & Advertising	25,000
Services & Supplies	50,000
Credit Card Fees	<u>10,000</u>
Subtotal	\$105,000
Capital Improvement Reserve	<u>\$15,000</u>
Total Expenses	\$690,000
EBITDA Contribution	\$7,500

Table VI-2: Phase II 9-Hole Executive Golf Course Projected Stable Year EBITDA Contribution (constant 2022 dollars)	
Gross Revenue	
Greens Fees (60,000 rounds @ \$18)	\$1,080,000
Merchandise (@\$2.50 per round)	<u>150,000</u>
Total	\$1,230,000
Cost of Sales (merchandise @ 75%)	<u>\$112,000</u>
Gross Operating Profit	\$1,118,000
Operating Expenses	
Course Maintenance	
Payroll & Benefits	\$275,000
Services & Supplies	100,000
Utilities	70,000
Maintenance Equipment Lease/Repl. Reserve	<u>35,000</u>
Subtotal	\$480,000
Golf Operations	
Payroll & Benefits	\$125,000
Services & Supplies	<u>10,000</u>
Subtotal	\$135,000
General & Administrative--Course Level	
Insurance	\$20,000
Promotion & Advertising	25,000
Services & Supplies	50,000
Credit Card Fees	<u>18,000</u>
Subtotal	\$113,000
Capital Improvement Reserve	<u>\$40,000</u>
Total Expenses	\$768,000
EBITDA Contribution	\$350,000

Golf Practice Range

Similarly, the financial projections for the golf practice range are based on the market support data presented earlier. The projections assume the practice range is fully renovated, and outfitted with TopTracer technology on 25 of 30 tee stations. The range would be night lighted, and feature a weather protected, covered tee line, with heaters, electronic monitors, television screens, comfortable furniture and other amenities to create a high quality entertainment experience. The landing area would be improved, and targets added in the landing area.

Projections are based on TopTracer equipped tee stations generating \$40,000 per tee per year, and conventional tees \$25,000 per tee. Based on these factors, total stable year annual gross revenue is projected at \$1,125,000. Effectively, this translates into 55,000-60,000 individual users, with a per capita expenditure of \$17-\$19. A pro forma stable year projection for the golf practice range is presented in Table VI-3.

Importantly, the operating expenses include only direct items related to the golf practice range component, and do not include projectwide management and other expenses. Effectively, EBITDA (earnings before interest, taxes, depreciation, and amortization) represents the net contribution of just the golf practice range to the overall project financial performance, before consideration of projectwide general and administrative and common area operating expense. The values are expressed in constant 2022 dollars.

Also, it is important to note that the practice range expenses are substantially lower than a freestanding operation to the extent that much of the labor (and expense) necessary to operate the range is provided by the golf course operating and maintenance staff. This clearly benefits the economic performance of the practice range component.

As shown, the golf practice range contributes \$793,000 annually to the total project, before unallocated general and administrative/common area expenses. The contribution represents 68 percent of gross revenue generated by the range.

Table VI-3: Practice Range Projected Stable Year Operating Income (constant 2022 dollars)	
Gross Revenue	
TopTracer Tees (25 @ \$40,000)	\$1,000,000
Other Tees (5 @ \$25,000)	125,000
Instruction (net rental income)	<u>40,000</u>
Total	\$1,165,000
Operating Expenses	
Payroll & Benefits (range ball collection/attendants)	\$108,000
Golf Ball Replacement	40,000
TopTracer Royalty Fees	66,000
Repairs & Maintenance	24,000
Utilities	36,000
Insurance (property & liability)	25,000
Credit Card Fees	23,000
Other Services & Supplies	15,000
Capital Improvement Replacement Reserve	<u>35,000</u>
Total Expenses	\$372,000
EBITDA Contribution	\$793,000

Miniature Golf

The financial projections for the miniature golf course are based on the market support data presented earlier. The projections relate to the replacement of the existing basic 9-hole mini-golf course with a high quality 18-hole contemporary miniature golf course. The course would be night lighted, and provide a quality recreation experience for individuals and families.

Projections are based on 45,460 individual users, with a 25 percent replay rate. While the Rose Bowl in Pasadena is considering adding miniature golf at Brookside Golf Course, the utilization projections for Arroyo Seco assume that this project does **not** proceed. An average per capita expenditure of \$10 per round, including replays and promotional discounting, is projected. A pro forma stable year projection for the miniature golf course is presented in Table VI-4.

As with the other revenue generating components of the project, the operating expenses include only direct items related to the miniature golf component, and do not include projectwide management and other expenses. Effectively, EBITDA (earnings before interest, taxes, depreciation, and amortization) represents the net contribution of just the miniature golf course to the overall project financial performance, before consideration of projectwide general and administrative and common area operating expense. The values are expressed in constant 2022 dollars.

Also, as with the golf practice range, it is important to note that the miniature golf course expenses are substantially lower than a freestanding operation to the extent that much of the labor (and expense) necessary to operate the miniature golf component is provided by the golf course operating and maintenance staff. This clearly benefits the economic performance of the miniature golf component.

As shown, the miniature golf course contributes \$423,000 annually to the total project, before unallocated general and administrative/common area expenses. The contribution represents nearly 75 percent of gross revenue generated by the miniature golf component.

Table VI-4: Mini-Golf Projected Stable Year Operating Income (constant 2022 dollars)	
Gross Revenue (56,810 rounds @ \$10.00)	\$568,100
Operating Expenses	
Operations Payroll & Benefits ^{1/}	\$28,000
Contract Landscape/Other Maintenance	15,000
Utilities	15,000
Supplies	3,000
Promotion & Advertising	18,000
Insurance (property & liability)	6,000
Credit Card Fees	10,000
Other Services & Supplies	12,000
Capital Improvement Replacement Reserve	15,000
Management/Oversight Allocation (4% of gross)	<u>22,700</u>
Total Expenses	144,700
EBITDA Contribution	\$423,400
^{1/} Based on incremental staffing (4 hours per day at \$20 per hour)	

Food & Beverage

The financial projections for the food and beverage operation are based on the market support data presented earlier. The projections assume a 9-hole executive length golf course, 30-tee state-of-the-art practice range, and 18-hole miniature golf course are in-place, operating during the day and in the evenings through about 9:00 p.m. The projections are based on per capita expenditures which reflect a contemporary indoor/outdoor dining experience, with extensive outside patio areas featuring a defined entry and seating area, high quality patio flooring, shade coverings/umbrellas, heaters, fire pits, multiple television screens, and attractive furniture. A pro forma stable year projection for the food and beverage operation is presented in Table VI-5.

Importantly, the operating expenses include only direct items related to the food and beverage component, and do not include projectwide management and other expenses. Effectively, EBITDA (earnings before interest, taxes, depreciation, and amortization) represents the net contribution of just the food and beverage component to the overall project financial performance, before consideration of projectwide general and administrative and common area operating expense. The values are expressed in constant 2022 dollars.

As shown, the food and beverage operation contributes \$371,450 annually to the total project, before unallocated general and administrative/common area expenses. The contribution represents 25 percent of gross revenue generated by the food and beverage component.

**Table VI-5: Food & Beverage Projected Stable Year Operating Income
(constant 2022 dollars)**

	Phase I	Total Project
Gross Revenue		
Golfers (45,000 rds @\$4.00/60,000 rds @\$6.00)	\$180,000	\$360,000
Miniature Golf Players (56,810 rounds @\$4.00)	225,000	225,000
Practice Range Patrons (60,000 users @ \$10.00)	600,000	600,000
Outside Public (20 percent of total)	<u>300,000</u>	<u>300,000</u>
Total	\$1,305,000	\$1,485,000
Cost of Sales (@32%)	\$417,600	\$475,000
Gross Operating Profit	\$887,400	\$1,010,000
Operating Expenses		
Payroll & Benefits (@38%/35%)	\$495,900	\$519,750
Services & Supplies (@8%)	118,800	118,800
Total	\$614,700	\$638,550
EBITDA Contribution	\$272,700	\$371,450

Projectwide Financial Projections

The financial projections are rolled-up into a projectwide stable year forecast, as shown in Table VI-6. Projections are presented for the Phase I project components, and the total project (Phases I and II) reflecting the new 9-hole executive length golf course. As indicated, the net contributions from each component, before projectwide general and administrative expenses and common area maintenance costs, are summarized in the table. The stable year net contribution of the four project components totals \$1,516,600 for the Phase I project components, and \$1,962,850 for the total project (EBITDA Contributions).

Projectwide general and administrative expenses, and common area unallocated maintenance expenses, are deducted, yielding stable year net operating income, expressed as EBITDA (earnings before interest, taxes, depreciation, and amortization) for the entire project. As shown, for Phase I, these projectwide expenses totaling \$662,100 per year are deducted, yielding stable year projectwide EBITDA of \$854,500. For the total project (Phases I and II combined), projectwide expenses totaling \$687,900 are deducted, resulting in projectwide EBITDA of \$1,274,950. Again, the values are expressed in constant 2022 dollars.

The Phase I direct unleveraged return on investment (Phase I EBITDA divided by Phase I capital cost) is calculated at 13.8 percent. The direct return on investment for the total project is calculated at 11.8 percent. While these returns satisfy basic economic investment criteria, the returns are substantially greater when the **incremental** net income of the project is compared with the **incremental** capital cost of the redevelopment. That is, projected annual net income compares with current levels of \$200,000 to \$300,000, and the capital cost estimates compare with status quo obligations of as much as \$3 to \$4 million. Thus, the **incremental** return on investment compared with the status quo approaches 15 percent for the total project.

**Table VI-6: Arroyo Seco Projected Projectwide Stable Year Net Operating
(constant 2022 dollars)**

	Phase I	Total Project
EBITDA Contributions		
Golf Course	\$7,500	\$350,000
Practice Range	793,000	793,000
Miniature Golf	423,400	423,400
Food & Beverage	272,700	371,450
Other (advertising, sponsorships, equip rentals, other)	20,000	25,000
Total EBITDA Contributions	\$1,516,600	\$1,962,850
General & Administrative/Projectwide Expenses		
Management Staff--Payroll & Benefits	\$225,000	\$225,000
Common Area/Parking Maintenance Expenses	100,000	100,000
Institutional Advertising	60,000	60,000
Property Taxes	---	---
Legal & Accounting	50,000	50,000
Other Services & Supplies	75,000	75,000
Management Fees (@4% of gross revenue)	152,100	177,900
Total Expenses	\$662,100	\$687,900
EBITDA	\$854,500	\$1,274,950

ATTACHMENT 2

Memo of Additional Information to Report Regarding Next Steps

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Pro Forma Advisors LLC

To: South Pasadena Recreation Leased Facilities Ad Hoc Committee
From: Pro Forma Advisors LLC
Date: February 3, 2023
Subject: Arroyo Seco Golf Course Redevelopment

The City of South Pasadena is considering full renovation of its Arroyo Seco golf complex. The project concept calls for replacing the existing 18-hole par-3 course with a new 9-hole executive golf course, along with renovation of the practice range which would allow incorporating TopTracer technology on about 25 of the 30 tee stations. As well, utilizing the existing 9-hole miniature golf course site, along with the putting and chipping greens, provides an opportunity for development of a “contemporary” 18-hole miniature golf course on an approximate .7-acre site. Lastly, the major improvement in recreational components at Arroyo Seco provides an opportunity to substantially modify and enhance the food and beverage function at the course.

Pro Forma Advisors LLC, serving as a consultant to the City of South Pasadena, prepared an analysis entitled “Market Support and Financial Analysis Arroyo Seco Golf Course” for the South Pasadena Recreation Leased Facilities Ad Hoc Committee in November 2022. The analysis presented preliminary findings regarding the redevelopment concept, market support findings for the project, and financial projections of project performance. The following memorandum is intended to provide supplementary information regarding “next steps” in the planning process, a preliminary timeline, and potential options for project development funding.

The preliminary plan for the redevelopment of Arroyo Seco calls for a two-phase process. Phase I would address the golf practice range, miniature golf attraction, and clubhouse/food and beverage complex. Minor modification of the golf course to allow for some additional Phase I parking would likely be required. Phase II would involve full reconstruction of the existing golf course, with conversion from an 18-hole par-3 to a 9-hole executive length layout.

Next Steps

A series of actions are necessary to complete the planning process for the project.

South Pasadena Recreation Leased Facilities Ad Hoc Committee Recommendation--The City’s Ad Hoc Committee should provide a recommendation to the South Pasadena City Council regarding the project concept and implementation process.



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City Council Approval--Direction from the South Pasadena City Council would be required to extend the planning process for the project. This action is not deemed to be approval of the project, but rather to initiate further advanced planning of the concept. The City Council would be provided with periodic updates regarding the project planning process.

Prepare Project Master Plan--The City would engage a qualified planning/architecture consultant to prepare a master plan for the project. Subconsultants likely would be required regarding the golf course layout/routing plan, parking and traffic impacts, and clubhouse redevelopment options. This process would establish the physical planning guidelines for the project, allocation of land areas for the various project components, access and parking, and development phasing.

Development Cost Estimates--Based on the master plan, development cost estimates should be prepared by a qualified cost estimation firm.

Explore Funding Options--A series of funding options for project development will be reviewed. The advantages and disadvantages of each option will be presented. The direction from City Council on the funding mechanism for the project will influence further steps in the process.

Conduct Environmental Studies--Required environmental and other impact studies would be conducted to finalize the planning process. The responsibility for such studies may depend on the funding mechanism for the project. These may be the responsibility of the City, private party, or public-private partnership.

Select Project Manager--A project manager representing the City's interest would be retained. Again, the responsibilities of the project manager would be influenced by the type of funding/development approach to implementing the project.

Final Design--Final design for the various components of the project would be completed. Once again, the funding plan and development entity would determine the parties responsible for this task.

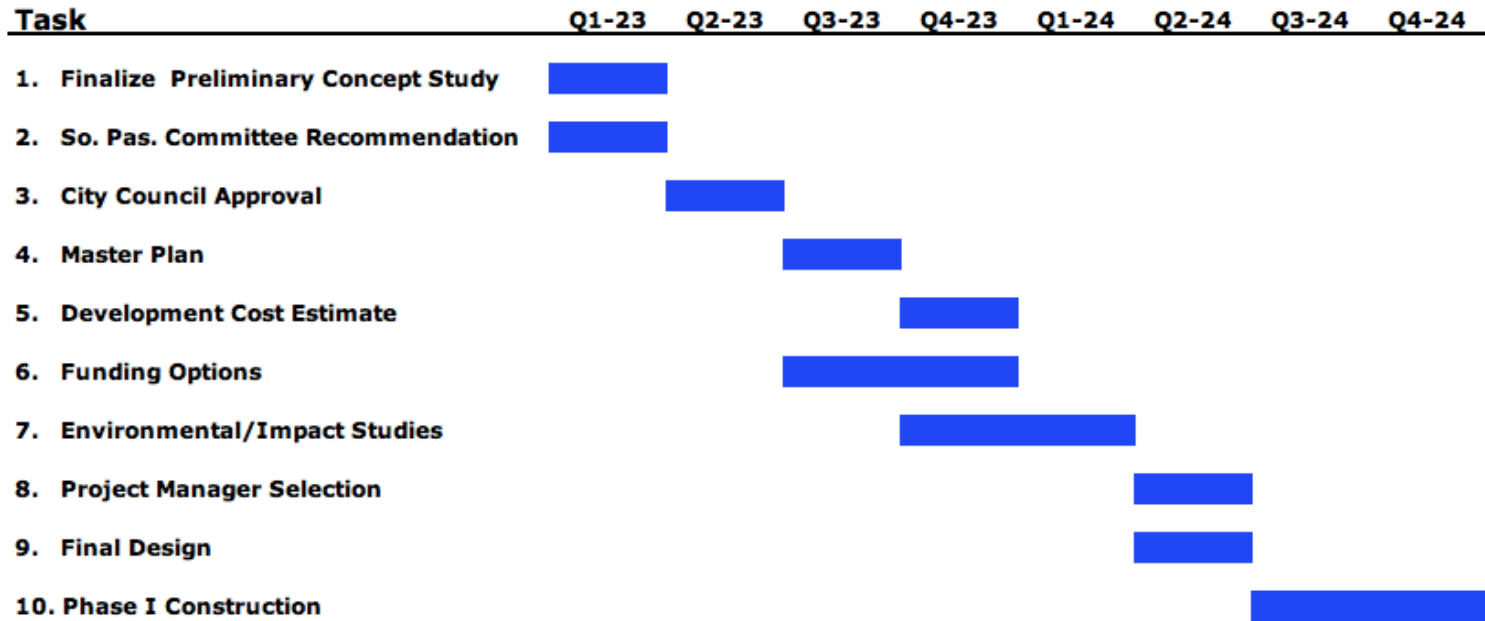
Initiate Phase I Project Construction--Upon completion of final design, construction of Phase I would commence.

Timeline

An illustrative timeline for the project is presented in Exhibit A. The timeline pertains to Phase I of the project only. Again, the tasks to be completed, and their timing, would be influenced by the City's approach to financing and developing the project. Commencement of Phase II would likely occur 3-5 years after the opening of Phase I.



Exhibit A: Arroyo Seco Golf Course Redevelopment Process Timeline





Funding Options

There are a number of funding options for the project, each having implications on the development process and operation of the facility. As well, each option offers distinct advantages and disadvantages from the perspective of the City. The following presents a basic description of each option, recognizing that the City should consult their public finance advisor in the process of selecting the preferable option.

The preliminary financial analysis of the project indicates that the project is economically viable, satisfying typical return on investment criteria. That is, initial projections suggest that the project would be economically self-sustaining, and would not require public subsidies.

City General Fund--To the extent that there is a willingness and capacity to rely on the General Fund to provide an inter-departmental loan, the City itself may represent one source of project funding. The principal advantage of this funding mechanism is that it would allow the City to retain maximum control of the process, with the project benefiting from relatively low cost of capital. However, there clearly are significant implications related to this funding mechanism, particularly as relates to the City's public funding credit rating, development risk, and potential use of the funds for alternative purposes. With City General Fund financing, the City could self-operate the project, or retain the services of a private sector management company. Leasing the completed facilities to a private sector operator most likely would not be allowed with respect to safe harbor provisions of the Internal Revenue Service.

Public Financing--Use of funds generated from tax-exempt public financing represents a common form of funding for public benefit projects, including municipal recreation facilities. Under this option, the City could elect to self-operate the project, or retain the services of a private sector management company. A service provider (management company) would be bound by the provisions of Internal Revenue Service Revenue Procedure 2017-13 with respect to reasonableness of the compensation, degree of control over the use of the managed property, responsibilities of the provider, form and structure of compensation, length of agreement term, among other issuer obligations.

In general, public financing requires that the compensation be reasonable, the issuer bears the risk of loss (both financially and property), a management agreement term no greater than 30 years or 80 percent of the expected life of the managed property, compensation which is not based on "net profits", and other provisions requiring the issuer to exercise a significant degree of control over the managed property.

The principal advantage of public financing is the low cost of capital due to the tax-exempt status granted the lender. Disadvantages include the potential impact on the City's credit rating (and subsequent cost of future borrowing) in the event of a default, and the inability of the City to insulate itself from potential operating losses if the project does not perform as well as predicted.



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Ground Lease/Private Capital--The City could elect to ground lease the property to a private sector developer/operator. The development entity would be required to commit equity and/or secure private development financing for the project. The private operator would develop and operate the project subject to a ground lease which could be structured in a number of ways. The ground lease could call for the greater of minimum rent versus a percentage of gross revenue. Generally, a ground lease of this nature would have a long term in order to allow the developer sufficient time to recover equity and amortize the debt on the property.

The principal advantages of this approach are that the development and operating risk is principally borne by the private developer/operator, and the full capabilities of the private sector in the development and operation of a complex project can be harnessed. The principal disadvantage is that the City would likely be required to relinquish substantial control in the development and operating process.

Public-Private Partnership--Subject to further investigation, it may be possible to fund the project utilizing a combination of private investment public financing. This may be particularly appropriate due to the anticipated phasing of the development. Phase I likely would be developed with the driving range, miniature golf, clubhouse and parking improvements, while Phase II would involve the redevelopment of the golf course as a new 9-hole executive layout.

Given the recommended phasing and the economics associated with the various elements of the project, developing Phase I of the project under a ground lease with private sector capital, and Phase II (the golf course) under a public financing approach, appears to have merit. The projected economics of Phase I are substantially superior to those associated with Phase II. As such, ground leasing Phase I to a private sector operator would likely be more feasible than both Phases of the project. Phase II, which involves the golf course redevelopment, would then be developed and funded by the City using public financing. Since the golf course economics are somewhat inferior to Phase I redeveloped components, amortization of the Phase II public debt would rely on golf course operating income along with a portion of Phase I ground lease payments as needed.

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