



# Update on Gus Wortham Golf Rehabilitation and Houston Botanic Garden

Quality of Life Committee

June 25, 2014



## General Background - Golf

- Golf has lost 5 million players in the last decade
  - Particularly pronounced in 18-40 and younger age groups
  - About 100-200 golf courses nationwide close annually; 8 straight years more courses have closed than opened
  - Several Houston area courses closed and sold
- City Municipal courses follow same trends
  - Memorial and Hermann Park have had consistent modest growth
  - Other courses have experienced some ongoing declines
- Costs of managing golf courses continue to escalate
  - City municipal courses benefit from free water
  - Annual operating expenses have increased 2-4% per year
- Positive cash flow at Memorial sustains other courses – are we “cannibalizing” Memorial longer term?
- Administration considering policy restricting Memorial income to Memorial expenditures



## General Background - Botanic Gardens

- Several national Botanic Gardens have demonstrated significant tourist and community interest
  - Dallas/St. Louis/Chicago/Atlanta are benchmarks
  - Demonstrated attendance at 300,000 – 900,000 annually
  - Focus has been on education of students, the public and research
- While many have municipal support, the trend has been for privatized operations
  - Some incorporate Arboretums, others separate them
  - Similar to Houston Zoo model
- Evidence of other best practices supports Botanic Garden on Mass Transit line





## Gus Wortham Trends

- Golf course has suffered fall in number of rounds since 2008
  - Current estimate will be number of rounds will fall below 30,000 in FY 14
  - At current levels less than 80 rounds per day
- Profit/loss of the golf course has continued to fall
  - Current estimate is loss of (\$122,000) in FY 2014
  - Projected loss of (\$134,000) in FY 2015
  - All profit/loss make no provision for future capital needs and major future expenses
- Golf course suffers from lack of driving range and concession revenue, even with those revenues, significant increase in rounds played needed to sustain
- Golf course depends on low greens fees and there are concerns of further loss in play with increase in greens fees (which would be necessary to maintain and sustain a renovated course)
- Increase in Gus Wortham could come at the expense of Memorial and Hermann Park play
  - Impact of convention related players uncertain



## Glenbrook Park Trends

- Golf course has suffered fall in number of rounds
  - Current estimate for FY14 is 16,000 rounds, down from 23,000 in FY10 and 40,000 in FY05
  - At current levels less than 50 rounds per day are played
  - No provisions have been made in profit/loss for future capital needs and major future expenses
  - Expect number of rounds also to be quite sensitive to greens fees
- Course currently outsourced to operator and contract expires in November 2015





# Economic Impact of Golf Course vs. Botanic Garden

- Greater Houston Partnership (GHP) was asked to prepare detailed economic impact of Botanic Garden on Houston economy
  - Estimate is a one time impact of \$93m; 375 direct jobs and 438 indirect jobs (perhaps spread over period of construction)
  - Estimate is an ongoing annual impact of \$19.6m - \$24.4 m; includes estimate for visitors of \$9.9m annually
- Greater East End Management District (GEEMD) was asked to evaluate impact of golf vs. Botanic Garden at Gus Wortham (assumes improved golf at Glenbrook)
  - Estimate is overall greater impact with Botanic Garden at Gus Wortham vs. golf at Gus Wortham is a range of \$2.4 - \$10.6 million
  - GEEMD also points out expect more impact on local business with a Botanic Garden at Gus Wortham



## Basic Requirements of Rehabilitated Gus Wortham Golf Course or Botanic Garden

- Corporate 501(c)3 structure needed for either golf course or Botanic Garden to ensure on going viable “contract”
- Fundraising goals to be date specific and ratable and are not “back-end” loaded at the end of the proposed contract; default if contract is not met
- City will continue ownership of site and offer long term lease. The City will not be responsible for any capital investment. Existing “green space” must be maintained.
- City will not be responsible for financial performance of either a golf course or a botanic garden. Green fees/entry fees and other business revenues must support the operations.
- Publically accessible facilities will be available at either venue
- City will review all construction plans and approve basic rules
- City will have audit rights of ongoing operations





## Basic Approach to Evaluating Alternatives

	Option	Concerns
Approach A	<ul style="list-style-type: none"> <li>• Offer option on GWGC for golf rehabilitation</li> <li>• Offer option on Glenbrook for Botanic Garden</li> <li>• Have hard fund raising targets for each</li> </ul>	<ul style="list-style-type: none"> <li>• Botanic Garden has indicated very modest interest in Glenbrook</li> <li>• What recourse is available if fundraising targets not met?</li> </ul>
Approach B <b>(preferred approach)</b>	<ul style="list-style-type: none"> <li>• Give priority to Gus Wortham Golf rehabilitation</li> <li>• Offer option of Botanic Garden at Glenbrook, with back-up option to Botanic Garden at Gus Wortham if funding for golf rehabilitation fails</li> </ul>	<ul style="list-style-type: none"> <li>• Likely viable case contractually</li> <li>• Will require very specific fundraising targets and deliverables; default of clauses need to be very specific</li> </ul>
Approach C	<ul style="list-style-type: none"> <li>• Defer decisions until fundraising meets specific targets</li> <li>• First “fundraiser” gets option at GWGC to rehabilitate course or build Botanic Garden</li> </ul>	<ul style="list-style-type: none"> <li>• Fundraising without a committed site for either option is unlikely to be successful</li> </ul>
Approach D	<ul style="list-style-type: none"> <li>• Contract for a Botanic Garden at Gus Wortham</li> </ul>	<ul style="list-style-type: none"> <li>• Economic evaluations are subject to uncertainties</li> <li>• Would still need to create fundraising targets</li> <li>• Likely to leave many concerned we didn’t give one final opportunity to save “historic golf course”</li> </ul>





# Key Terms for Rehabilitated Gus Wortham Golf Course

City of Houston Proposal	GWGC Task Force Proposal	Acceptance
<p><b>Commitment to fundraise:</b></p> <ul style="list-style-type: none"> <li>• \$5m by 1/1/15</li> <li>• \$10m by 7/1/15</li> <li>• \$15m by 10/1/15</li> </ul>	<p>Funds will be placed in either a 501(c)3 with the Houston Parks Board or with a mutually-agreed upon third party fiduciary</p> <p>If they have not raised \$10m within 18 months after approval by Council, Council may cancel the process and all donations returned.</p> <p>Upon approval Mayor Parker will announce her unequivocal support for implementing the Wortham Master Plan</p>	<p>Not acceptable. GWGCTF has previously agreed to proposed good faith targets.</p> <p>The Mayor has no role in fundraising for either project</p>
<p><b>Design, project management and construction of the renovated golf course will be the responsibility of the Conservancy</b></p>	<p>Mutually agreed third party designated for design, project management and construction of the renovated golf course</p>	<p>Possible. Further definition needed</p>
<p><b>Operations of the golf course</b> will be the financial responsibility of the Conservancy</p>	<p>Task Force will not be responsible for management and maintenance of the course upon completion. City will not reduce maintenance levels during fundraising process</p>	<p>Not acceptable unless city concludes finances of the Course be self supporting</p>
<p><b>Public amenities</b> - Clubhouse and restaurant available for use by the community at “normal” rates</p>	<p>Clubhouse and restaurant available for rent by the community</p>	<p>Acceptable</p>





# Key Terms for Houston Botanic Garden – Glenbrook Golf Course Site Option

City of Houston Proposal	Botanic Garden	Acceptance
<p><b>Commitment to fundraise:</b></p> <ul style="list-style-type: none"> <li>• Option exercised November 2015 to January 1, 2017</li> <li>• \$5m raised to exercise option</li> <li>• \$10m raised within 12 months of option exercised</li> <li>• \$20m raised within 18 months of option exercised (site then available)</li> </ul>	<p>Commitment to fundraise:</p> <ul style="list-style-type: none"> <li>• Option exercised November 2015 to January 1, 2017</li> <li>• \$5m raised 6 months after option exercised</li> <li>• \$8m raised within 12 months after option exercised</li> <li>• \$20m raised within 24 months after option exercised (site then available)</li> </ul>	<p>Further definition needed. Dates dependent on success/failure of GWGC rehabilitation option.</p>
<p><b>Design, project schedule and construction of Botanic Garden</b> - will be the responsibility of the Botanic Garden Conservancy</p>	<p>Agreed</p>	<p>Acceptable</p>
<p><b>Operations of the Botanic Garden:</b> Financial responsibility of the Botanic Garden Conservancy</p>	<p>Agreed</p>	<p>Acceptable</p>
<p><b>Public amenities available:</b> Restaurant and gardens for public use</p>	<p>Agreed</p>	<p>Acceptable</p>





## Key Terms for Houston Botanic Garden Gus Wortham Site (only after “golf default”)

City of Houston Proposal	Botanic Garden	Acceptance
<p><b>Commitment to fundraise:</b></p> <ul style="list-style-type: none"> <li>• Option exercised only after contract default on golf course</li> <li>• \$5m raised 6 months after option exercised.</li> <li>• \$10m raised within 12 months of option exercised</li> <li>• \$20m raised within 18 months of option exercised (site then available)</li> </ul>	<p>Commitment to fundraise:</p> <ul style="list-style-type: none"> <li>• Option exercised 90 days after default</li> <li>• \$5m raised 6 months after option exercised</li> <li>• \$8m raised within 12 months after option exercised</li> <li>• \$20m raised within 24 months after option exercised (site then available)</li> </ul>	Needs further definition
<p><b>Design, project schedule and construction of Botanic Garden - Responsibility of the Botanic Garden Conservancy</b></p>	Agreed	Acceptable
<p><b>Operations of Botanic Gardens:</b> Operations are the financial responsibility of the Botanic Garden Conservancy</p>	Agreed	Acceptable
<p><b>Public amenities available:</b> Restaurant and gardens for public use</p>	Agreed	Acceptable
<p><b>Public park created:</b> 25 acres with defined amenities needed</p>	Agreed	Needs further definition





## Conclusions

- Significant term sheet changes required for Golf Course Conservancy to rehabilitate Gus Wortham
  - Need to accept concept on specific funding targets
  - Must accept financial operating responsibility or conditions acceptable to the city
  - No clear progress yet achieved on these two principals
- Botanic Garden negotiations have focused on an “option” – in order to define a possible site and begin planning work
  - Contract terms are reasonably “close” for the Glenbrook site but significant concerns on fundraising potential at this site and Botanic Garden has indicated only modest interest
  - Contract terms are reasonably “close” for the Gus Wortham site – if default occurs by the Golf Course Conservancy
  - Still work to do





## Next Steps

- Believe schedule and deadlines need to be established
- Propose target of July 11 for “best and final” offer from both the Golf Course Conservancy and the Botanic Garden Conservancy
  - If able to achieve terms with Golf Course Conservancy by this date we will bring contracts for both Golf Course Conservancy and option contract for Botanic Garden at Glenbrook Park and “default contract” at Gus Wortham in July
  - If unable to achieve agreement by then with the Golf Course Conservancy we will bring acceptable contract for Botanic Garden at Gus Wortham in July for Council consideration