



WASHOE COUNTY

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STAFF REPORT
BOARD MEETING DATE: March 3, 2009

DATE: February 20, 2009

TO: Board of County Commissioners

FROM: Dave Childs, Assistant County Manager
 328-2010 dchilds@washoecounty.us

THRU: Katy Simon, County Manager

SUBJECT: Acknowledge status report on Northgate Golf Course and possible direction to staff—Manager. (Commission Districts 1 and 5.)

SUMMARY

Acknowledge status report on Northgate Golf Course and possible direction to staff as to next steps in the process involving the reversionary clause on the property and any action related to the status of the subject parcel.

County Priorities: Improve regional collaboration.

BACKGROUND

Back in 1985 Washoe County accepted a deed to the property at the current location of the Northgate Golf Course (NGC). In accepting that deed, the County was acting on behalf of the Reno-Sparks Convention and Visitors Authority (RSCVA) because, pursuant to Nevada Revised Statutes (NRS), Washoe County was required to hold title to any property and to issue any debt on behalf of RSCVA.

In this case, by donating the land it was the intent of RJB Development to have an 18-hole championship golf course with a clubhouse, a 9-hole golf course and a driving range constructed and operated on the property which was originally about 247.8 acres in size. The deed to the property did **not** include water rights but the deed did include a reversionary clause which provided the following relating to the reversion of the property back to RJB:

Now, therefore, the Party of the First Part does hereby donate, grant and convey to Party of the Second Part, all right title and interest in and to that certain real property...*so long as the Party of the Second Part uses the Subject Property for an 18-hole championship golf course together with a clubhouse, driving range, and related facilities, and a 9-hole executive golf course, both of which shall be opened to the public, which golf course shall be named "The Northgate Golf Course", and so long as the Party of the Second Part maintains exclusive ownership of the Subject Property.*

RSCVA did construct the named improvements with the exception of the 9-hole executive course. As a result, in about 1992 at the request of RJB, that portion of the property related to the unconstructed 9-hole course was quit-claim deeded back to them by action of the Washoe County Board of County Commissioners.

A few years ago, RSCVA adopted a Strategic Plan related to the Northgate Golf Course. As part of that plan, and in partnership with the City of Reno and Washoe County they explored several options relating to the operation of the 5 public golf courses located in the Truckee Meadows. That process did not produce any viable proposals to operate NGC. Therefore, in accordance with their Strategic Plan, RSCVA determined that rather than continuing to lose \$500,000 per year in the operations of NGC it was in their best interest to cease operations. That decision was transmitted to Washoe County in January.

Pursuant to the decision by RSCVA we received a letter from John Frankovich on behalf of RJB stating that if Washoe County does not intend to operate the course, the driving range and the clubhouse as a public golf course, that the heirs to the RJB Trust wish to implement the reversionary clause in the deed and would like the County execute a quit-claim deed to the subject property. He requested a decision by March 31 so that the heirs could move forward in exploring their options for the property. That letter is attached.

The situation before the BCC today has two key elements:

The first is that unless the property is operated as a public golf course, the property must revert back to RJB.

There are a number of reasons why Washoe County is not in a position to operate this golf course:

- RSCVA's history of annual operating losses about \$500,000 annually is unlikely to be significantly improved upon if Washoe County or Reno were to operate NGC.
- An exhaustive RFP process last year did not generate any viable proposals that would allow for profitability if the course were contracted out to a private operator.
- RSCVA and Washoe County have removed their respective shares of the water rights from the NGC. In order to have the needed water to operate the course this season it would be necessary to replace RSCVA's portion of the water rights (about 240 acre-feet), which would cost several millions of dollars. Washoe County's portion of the water rights (just over 200 acre-feet) is committed to the Nevada Land Conservancy for at least the upcoming growing season.
- A report completed by ERA in December 2004 indicated that the Truckee Meadows has an excess of public golf holes. This oversupply has contributed to the struggle for profitability at all 5 public courses. Further, it highlights the difficulties that RSCVA has had with Northgate Golf Course, which is arguably the most difficult of the five to be able to operate profitably.

- The extreme budget situation faced by Washoe County has resulted in significant service cuts in all areas of County operations over the past 24 months. To date, those cuts have totaled over \$60 million and the FY 09-10 County budget could require an additional \$40 million or more in budget cuts. Taking on an additional golf course operation with a history of significant operating losses would not be a prudent fiscal decision at this time.

The second issue follows directly on the heels of any decision not to operate NGC which leads to the invoking of the reversionary clause.

Namely, the residents adjacent to this property have enjoyed the proximity of a golf course and its sense of open space as a visual amenity for many years. There may be interest among those property owners to preserve the property as open-space rather than seeing it developed for residential homes or some other use. This raises several questions.

- What is the County's role in this issue?
- Given the extreme budget situation of Washoe County are there any funding options even remotely possible related to acquisition and ongoing maintenance of this property for open-space purposes?
- What, if any, is the appetite of the RJB trust to donate all or a portion of the land for open space or a park?
- What tools might be available for the neighbors themselves if they wish to acquire the property as an open-space amenity?
- What development proposals might RJB be considering that would be viable in this difficult housing climate or which might be staged to occur in the future as the economy rebounds?
- What zoning and planning issues might need to be considered by the City of Reno relative to any of RJB's plans for the property?

Clearly, these questions are important ones and the staff would welcome any guidance from the BCC as to how to proceed.

At a minimum, staff believes that holding an informational meeting with the neighbors is appropriate. Staff would recommend that it be held jointly with the City of Reno and that it would be appropriate to hold that meeting sometime in mid-March (possibly March 19) in order to allow time for adequate notice and also to allow time for staff members in Reno and Washoe County to gather the answers to the questions raised above. Based on the above information, staff requests direction from the BCC as to how to proceed in light of the issues raised relative to this property and the County's role.

FISCAL IMPACT:

There are no specific fiscal impacts in providing guidance to staff on this issue, but there could be fiscal implications if a decision is made to operate the course or to own/operate the property as open space. Those impacts would be identified at a future date based on the direction of the BCC.

RECOMMENDATION:

Acknowledge status report on Northgate Golf Course and possible direction to staff-- Manager. (Commission Districts 1 and 5.)

POSSIBLE MOTION:

If the recommendation is accepted, the possible motion will be to acknowledge and accept the status report on Northgate Golf Course and give direction to staff.

**Three-Year Operation History for the
Five Public Golf Courses in the Truckee Meadows**

Sierra Sage Golf Course

	FY 07-08	FY 06-07	FY 05-06
Round of play	24,173	27,613	23,292
Operating Revenue	\$541,672	\$609,377	\$526,358
Operating Expense	\$763,589	\$858,610	\$815,418
Operating Profit/Loss	(\$221,917)	(\$249,233)	(\$289,060)
Bond Debt/Indirect Costs/Depreciation	\$241,960	\$239,322	\$241,117
Total Cash Outlay	(\$463,877)	(\$488,555)	(\$530,177)

Washoe Golf Course

	FY 07-08	FY 06-07	FY 05-06
Round of play	40,358	43,971	38,204
Operating Revenue	\$1,040,828	\$1,142,571	\$1,136,605
Operating Expense	\$826,829	\$806,669	\$875,914
Operating Profit/Loss	\$213,999	\$335,902	\$260,691
Bond Debt/Indirect Costs/Depreciation	\$83,040	\$85,678	\$83,883
Total Cash Outlay	\$130,959	\$250,224	\$176,808

Northgate Golf Course

	FY 07-08	FY 06-07	FY 05-06
Round of play	19,543	18,761	16,663
Operating Revenue	\$837,453	\$837,621	\$787,489
Operating Expense	\$1,343,984	\$1,291,755	\$1,274,799
Operating Profit/Loss	(\$506,531)	(\$454,134)	(\$487,310)
Bond Debt/Indirect Costs/Depreciation	\$0	\$0	\$0
Total Cash Outlay	(\$506,531)	(\$454,134)	(\$487,310)

Wildcreek Golf Course

	FY 07-08	FY 06-07	FY 05-06
Round of play	58,130	62,496	54,153
Operating Revenue	\$2,091,505	\$2,190,126	\$2,088,130
Operating Expense	\$2,326,313	\$2,216,102	\$2,151,111
Operating Profit/Loss	(\$234,808)	(\$25,976)	(\$62,981)
Bond Debt/Indirect Costs/Depreciation	\$0	\$0	\$0
Total Cash Outlay	(\$234,808)	(\$25,976)	(\$62,981)

Rosewood Lake Golf Course

	FY 07-08	FY 06-07	FY 05-06
Round of play		41,071	33,864
Operating Revenue	\$1,054,204	\$1,043,400	\$1,066,441
Operating Expense	\$1,196,600	\$1,151,063	\$1,409,468
Operating Profit/Loss	(\$142,396)	(\$107,663)	(\$343,027)
Bond Debt/Indirect Costs/Depreciation	\$387,350	\$411,604	\$432,268
Total Cash Outlay	(\$529,746)	(\$519,267)	(\$775,295)



MCDONALD·CARANO·WILSON LLP

John Frankovich
jfrankovich@mcdonaldcarano.com

Reply to: Reno

February 4, 2009



Katy Simon
Washoe County Manager
1001 E. 9th Street
Reno, NV 89512

Re: *Northgate Golf Course*

Dear Katy:

This letter is submitted on behalf of R.J.B. Development Company (RJB) which holds the right of reverter on the Northgate Golf Course. This reverter is a result of an agreement entered into between RJB and Reno Sparks Convention & Visitors Authority (RSCVA) in 1985. The property was conveyed to Washoe County by Gift Deed because the RSCVA is not authorized to own property.

Pursuant to the terms of the Gift Deed recorded September 27, 1985, the RSCVA was required to build, operate and maintain a public 18 hole championship golf course together with a club house, driving range and related facilities on the property conveyed by RJB. If the golf course is not so maintained and operated, title to the property reverts to RJB.

The initial Gift Deed also required the construction of a 9 hole executive course on certain identified property with the specific condition that if it was not constructed within six years, the title to that portion of the property would revert to RJB. As you are probably aware, the 9 hole executive course was not constructed and, subsequently, the RSCVA, by and through Washoe County, quit claimed that portion of the property back to RJB.





On January 22, 2009, the RSCVA Board of Directors voted to permanently cease operations at the Northgate Golf Course. By letter dated January 22, 2009, to you, the RSCVA gave formal notice to Washoe County of the RSCVA's decision to permanently cease operations at the Northgate Golf Course.

Since the County holds title to this property, it is necessary for the County to take some action to either continue the golf course operations in accordance with the terms of the Gift Deed or to reconvey the property to RJB by Quit Claim Deed as was done in the past relating to the executive golf course property.

The current status of the property raises questions relating to liability, property taxes and insurance. Thus, it is important that the title to the property be determined as soon as possible

RJB is owned by the Robert J. Beaumont Testamentary Trust. This Trust has been in place for approximately 20 years and is for the benefit of the four children of Mr. Beaumont. Most of the assets from the Trust have been disposed of and distributed to the beneficiaries over the past 20 years. The Northgate Golf Course property would be the principal remaining asset of the Trust. The Trustees of the Trust have a fiduciary obligation to make the Trust assets productive and, therefore, it is important to RJB that the status of the Northgate Golf Course property be resolved expeditiously.

While RJB is agreeable to allowing the County a reasonable period of time to address the ownership issues with respect to the Northgate Golf Course property, these issues must be resolved soon. It is, therefore, requested on behalf of RJB that the County make a determination as to whether it intends to continue to operate the golf course in accordance with the Gift Deed on or before March 31, 2009, and if not, whether the County would agree to quit claim its interest to RJB so as to clear up the issues relating to the ownership of the property.

If you have any questions or need any additional information regarding this matter, please feel free to contact me.

Very truly yours,


JOHN FRANKOVICH

JF/keh

cc: David Childs
Paul Lipparelli
Ellen Oppenheim

Northgate Golf Course

039-151-31

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GIFT DEED

THIS DEED AND CONVEYANCE is made and entered into this 27th day of September, 1985, by and between R.J.B. DEVELOPMENT CO., a Nevada Corporation, Party of the First Part, and COUNTY OF WASHOE, POLITICAL SUBDIVISION OF THE STATE OF NEVADA, Party of the Second Part,

W I T N E S S E T H:

WHEREAS, the Party of the First Part is the owner of certain real property situate in the County of Washoe, State of Nevada, and more particularly described hereinafter, and

WHEREAS, the Party of the First Part is desirous of bestowing upon said Party of the Second Part the real property hereinafter described as a gift for the purposes set forth herein.

NOW, THEREFORE, the Party of the First Part does hereby donate, grant and convey to Party of the Second Part, all right title and interest in and to that certain real property situate, lying and being in the County of Washoe, State of Nevada, constituting approximately 247.8 acres more particularly described in Exhibit "A" attached hereto and made a part hereof as if set out in full herein, (hereinafter referred to as the Subject Property) so long as the Party of the Second Part uses the Subject Property for an 18-hole championship golf course together with a clubhouse, driving range, and related facilities and a 9-hole executive golf course, both of which shall be opened to the public, which golf course shall be named "The Northgate Golf Course", and so long as the Party of the Second Part maintains exclusive ownership of the Subject Property.

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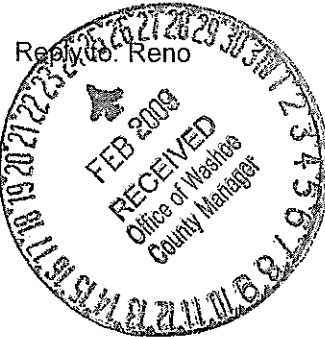
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MCDONALD, CALAND, WILSON, BERGIN,
FRANKOVICH & HIGGS
ATTORNEYS AT LAW
RENO, NEVADA 89508-2670
QR/3/dc



McDONALD·CARANO·WILSON

John Frankovich
jfrankovich@mcdonaldcarano.com



February 20, 2009

Katy Simon
Washoe County Manager
1001 E. 9th Street
Reno, NV 89512

Re: *Northgate Golf Course*

Dear Katy:

I am writing to follow up on our recent telephone conversation relating to R.J.B. Development Company's (RJB) position on Northgate Golf Course, in light of the RSCVA's decision to permanently close the golf course. Specifically, you inquired as to whether RJB is in a position to donate the property to a public agency or, in the alternative, whether RJB would consider a sale of the property and at what price.

As I indicated in my previous conversation, RJB is owned by the Robert J. Beaumont Testamentary Trust. This Trust has been in effect for over 20 years and has few remaining assets. The Northgate Golf Course constitutes the major remaining asset of the Trust. The Trustees of the Trust have a fiduciary obligation to the Beneficiaries to make the Trust assets productive. The Beneficiaries have clearly indicated their desire to sell RJB's interest in the golf course at the best available price for the purpose of distribution. Therefore, RJB is not in a position to donate the property.

RJB is interested in selling the property. Any such transaction would be subject to the approval of the Beneficiaries and the District Court having jurisdiction over the Trust. The current market conditions are far from ideal for an appraisal and sale of real estate. However, RJB would be willing to enter into an agreement with the County or other governmental agency for the sale of the golf course property at the fair market value as determined by a qualified appraiser, but not for a price less than \$4.5 million. RJB would also be willing to accept terms for the payment of the purchase price.

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Katy Simon
Washoe County Manager
February 20, 2009
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RJB has been approached by a number of parties expressing an interest in this property. It is, therefore, imperative that the County's interest in the property be determined expeditiously. RJB would be willing to enter into negotiations with the County so long as the County has agreed to the acquisition of the property on the above terms within 60 days from the date of this letter. Again, any agreement would be subject to Court approval.

If you have any questions or need any additional information regarding this matter, please feel free to contact me.

Very truly yours,

A handwritten signature in cursive script that reads "John Frankovich".

JOHN FRANKOVICH

JF/keh

cc: Mel Blum
Jerry Block
Jim Bordycott
Susan Schlerfs