



# WASHOE COUNTY

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## STAFF REPORT

BOARD MEETING DATE: May 12, 2009

**DATE:** May 4, 2009  
**TO:** Board of County Commissioners  
**FROM:** Dave Childs, Assistant County Manager  
328-2010, [dchilds@washoecounty.us](mailto:dchilds@washoecounty.us)

**SUBJECT:** Accept staff report and possible action and direction regarding issues relating to Northgate Golf Course including but not limited to an update on the appraisal of the property; identification of possible sources of matching funds for an anticipated application for SQ-1 Open Space Acquisition funding; status of Reno City Council discussion on their participation in property maintenance; and a decision on whether to operate the property as a golf course. (Commissioner Districts 1 and 5)

### SUMMARY:

At their meeting on April 21 the BCC looked at the possibility of an application for the current round of State Question 1 (SQ-1) funding for the possible acquisition of the Northgate Golf Course as open space. With the application deadline being the week of April 27, staff was not able to secure a confirmed non-profit sponsor as required for the grant application and, more importantly, staff was unable to identify a firm source for the 50% match to the grant which was also required to be identified as part of the grant application. As a result, the application was deferred until the next round of funding for Fall, 2009. The additional time provides the opportunity to work with the neighbors to the property, and with the City of Reno, to identify options for matching funds and to find a non-profit sponsor for the grant application.

At that meeting, the BCC directed staff to return on May 12 to give a status update relating to getting the property appraised, options for matching funds for a SQ-1 application in the fall and a decision by the BCC regarding whether there is interest on the County's part to operate Northgate as a public golf course.

### **Appraisal**

Staff is arranging for the appraisal of the property, which is required as part of any funding process within the SQ-1 grant program for open space acquisition. It is anticipated that the appraisal will take approximately four to six weeks to complete and will cost between \$7,000 and \$15,000. The appraisal will be conducted by a licensed appraiser, pursuant to SQ-1 requirements. The results of the appraisal will help clarify the amount of the SQ-1 grant application, and more importantly, the amount of match that would be needed to accomplish the possible conversion of the property to open space. Establishing the appraised value will also assist with the conversation that we have with the owners, the City of Reno and the neighbors as we move forward in the effort to facilitate an acceptable outcome to the current situation.

AGENDA ITEM # 23

*County priorities: Preserve and enhance our quality of life, and improve regional collaboration.*

**PREVIOUS ACTION:**

**September 10, 1985** (85-1135) Accepted deed of land for golf course to be constructed and operated by the Reno-Sparks Convention/Visitors Authority.

**June 17, 1986** (86-576) Change from RJB Development to Reno/Sparks Convention Visitors Authority

**September 23, 1986** (86-980) Water Sale Agreement with SPPC for provision of water, approval to finalize document and execution thereof

**July 21, 1987** (87-804) Water Rights Deed for 150 acre feet of water rights purchased by Reno-Sparks Convention Authority from the City of Reno accepted.

**July 28, 1987** (87-808) Water rights/utility service- Northgate Golf Course Clubhouse

**September 25, 1990** (90-1066) Temporary transfer of water rights from Courthouse well to be used to supply water to Northgate.

**March 10, 1992** (92-248) Grant of Easement-Nevada Bell

**March 9, 1993** (93-242) Quit Claim deed returning land to R & B Development

**May 11, 1999** (99-431) Direct staff to research the water rights ownership, the lands ownership, possible enterprise fund buyout.

**September 16, 2003** (03-1044) Ordered that the policy positions related to the possible sale of Wildcreek and Northgate golf courses as set forth in the memorandum from Michelle Poché dated September 16, 2003, and placed on file with the County Clerk, be approved with the following amendments: the first bullet point would add to the end of the sentence "or of any intent to cease golf operations on either course"; the fourth bullet point would include language concerning deed restrictions; and the sixth bullet point would read "Washoe County remains interested in exploring with the owners of the other four publicly owned golf courses in the Truckee Meadows region, and other concerned parties who may be helpful, the feasibility of alternative management options." It was further ordered that staff be directed to explore with the RSCVA and other concerned parties the options for preserving public use and open space on both properties in the event that golf use is discontinued.

**March 3, 2009** Acknowledge status report on Northgate Golf Course and possible discussion to staff.

**April 14, 2009** Discussion and possible adoption of a timeline for actions regarding Northgate Golf Course, pursuant to an agreement with RJB Development; and possible direction to staff.

**April 21, 2009** BCC directed staff to return on May 12 to give a status update relating to getting the property appraised, options for matching funds for a SQ-1 application in the fall and a

decision by the BCC regarding whether there is interest on the County's part to operate Northgate as a public golf course.

**BACKGROUND:**

At the April 21 BCC meeting, staff was directed to return on May 12 with an action item relating to a decision by the BCC as to whether the County would operate Northgate as a golf course. Statements by Board members at previous BCC meetings have indicated that the Commission does not intend to continue operating the property as a golf course, but no official decision has yet been made by the BCC as a whole. Because there has been interest expressed by some residents in attempting to preserve Northgate as a golf course, it was the desire of the BCC to take an official position so that there is no misunderstanding as to the intentions of the County in this regard.

The BCC has clarified for the record that the County's role in the future of Northgate is the result of a section of state law that required that the County hold title to the land on behalf of RSCVA and that the County's role with the property is merely incidental as a result of that part of the state statutes.

The expressed intention and direction to staff from the BCC to date has been to act in the role of facilitator to explore options for the ultimate use of the property given the fact that with the closure of the golf course by RSCVA the property must, therefore, revert back to RJB development and its heirs. Commissioners Breternitz and Weber have committed to work with the neighbors, RJB and the City of Reno to explore options that would result in preserving the property from a scenario of full development which would otherwise be sought by RJB development.

On the issue of operation as a golf course, the reverter clause requires that the property be operated as an 18-hole championship public golf course with a driving range and a clubhouse. With the closure of the course by RSCVA, the clubhouse currently has no equipment in the pro shop or in the food and beverage section of the building and no furniture. The building is currently an empty shell. Furthermore, there are no golf carts, no maintenance equipment and the pumps and all of the controllers for the irrigation system have been removed. All of this equipment was the property of RSCVA and has either been transferred for use at Wildcreek Golf Course or sold at auction.

In addition, water rights were removed from the property to assure that there was no question as to ownership of those rights at the point that the property reverted back to RJB development. The property did not initially come with water rights. RSCVA purchased and provided about 240 acre-feet of water for the operation of the course and Washoe County purchased about 205 acre-feet back in 1985 for about \$100 per acre-foot and made those water rights available for use at Northgate. The water rights have been transferred to the Nevada Land Conservancy (NLC) for them to hold on behalf of RSCVA and Washoe County. The agreement with NLC provides that in exchange for them holding the water rights, they are entitled to use the water for beneficial use during each growing season that they hold the rights. The County or RSCVA can get their respective rights transferred back to them as follows. If notice is given before February 1 of a given year, the rights would then be transferred back at the end of that growing season (November). RSCVA gave notice in late January of 2009 that they would like their water rights

transferred back to them and they will therefore get those water rights in November of 2009. If Washoe County desires its water rights returned in November of 2010, the County has until January 31, 2010 to make that request. Furthermore, in the initial decision to transfer the water rights to NLC, the BCC indicated that these rights are needed by the County as part of the total amount of water rights needed to satisfy the legal requirements under the Truckee River Operating Agreement (TROA). That agreement provides that Reno, Sparks and Washoe County need to provide 6700 acre-feet of water to the Pyramid Lake Tribe to satisfy the requirements of the agreement. At this point, it appears that Washoe County is about 1000 acre-feet short of the water required to satisfy TROA. These 204 acre-feet are needed to do that and the cost of the additional 800 acre-feet could end up costing the county as much as \$12 million to \$16 million (based on costs of water rights ranging from \$15,000 to \$20,000 per acre-foot. With the County facing a \$47 million shortfall on top of this legal commitment under TROA, it is clear that maintaining these rights is critical to the County's financial position.

Given the above factors, the cost to Washoe County of reopening Northgate this season would include finding water rights, acquiring golf carts, food and beverage equipment, furniture and fixtures for the pro shop and seating areas, installation of new controllers and heads for the irrigation systems and pumps. Because of major deferred maintenance of the property there would also be other expenditures required to bring the course up to proper playability standards. In addition, professional staff would need to be hired and trained for all aspects of the golf operations (pro shop, food & beverage and course maintenance). This, of course, could be accomplished through a management contract, but that process would take 60 days or longer in order to meet legal requirements for contracting by the County.

At the same time, Washoe County is in the midst of a major restructuring and downsizing effort in order to cut General Fund expenditures for FY2009-10 by \$47 million. This effort will require reductions of 36% to the County's Library System and Regional Parks and Open Space System in addition to significant cuts already made in last year's budget. It means a 28% cut in Public Works, Finance, Human Resources, Community Development, etc. and proportional cuts in social services, courts, jails and the sheriff. In light of these cuts and the recent decision by the BCC to close the Sierra Sage golf course, it is not in keeping with the County's downsizing strategy to expend a considerable amount of cash to open a golf course when the County has taken action to close another course at the same time.

It should also be noted that the historical financial operating figures for Sierra Sage have been better in recent years than Northgate, but both have shown consistent operating losses. Northgate has traditionally incurred an operating loss of approximately \$500,000 per year.

There is a group of golfers who believe that the course could be operated on a break-even or profitable basis. In response to similar suggestion in the past several years, the City of Reno, Washoe County and the RSCVA issued requests for proposals last year to see if an outside operator could be found who could operate one or more of the courses profitably. The result of that RFP was that numerous proposals were received both from local operators and also from well-known national golf course operation entities and, with the exception of Washoe Golf Course and possibly Wildcreek, none of the proposals was able to provide profitable operations for Sierra Sage, Northgate or Rosewood golf courses. The golf proponents suggest that the indication of depreciation on the financial statements for Northgate should be ignore, but that is proper accounting procedure in accordance with government accounting principles and is how

funding is generated for capital maintenance of the course, so it cannot be ignored without future impact on the course and the general fund of the operating entity.

Washoe County staff has spoken with Reno staff regarding their interest in operating Northgate as a golf course, and although the City Council has not taken a formal position on that question, it is clear that the City is also in a challenging financial position and that as with the County, taking on a new golf course operation would not be appropriate given the major downsizing efforts that the entities are facing.

To that end, it is important to reiterate the County's stated goal relative to Northgate. That is, to facilitate discussions among the parties to attempt to preserve the property from wholesale residential development. A couple of possible approaches might be 1) preserving part of the property from development in partnership with RJB, Reno and the neighbors with some level of funding coming from the abutting neighbors, or 2) preserving all of the property from development through the utilization of open space grants and assistance from the neighbors and the City of Reno relative to some portion of the matching funds.

The option of Washoe County operating the course as a public golf operation or contracting for that operation based on the results of recent RFP's and the current situation of the property is not feasible in the current economic crisis faced by the County.

#### **FISCAL IMPACT:**

As was discussed at the April 21 meeting of the BCC, the application for funding in the next round of SQ-1 open space grants is November 30 with a projected award date of January 30, 2010. Between now and November 30, a firm source of matching funds must be identified.

Although staff is not prepared to report on details of possible funding sources at the May 12 meeting of the Board of County Commissioners, several options for funding the required match will be pursued and information brought back to the BCC for consideration at a later date. There is adequate time to do this prior to the funding deadline and input from Reno, the neighbors and RJB will be important in helping to identify possibilities. What follows is a higher-level view of current possibilities being considered.

One proposed source of funds for part of the required 50% match could be funds available through Washoe County Question 1 (WC-1) funding. These are voter-approved funds authorized in 2000, based on an adopted list of projects. Using these funds would require that the list of approved projects be revised by the BCC with concurrence by the City of Reno and the City of Sparks; this action could be impacted by voter concerns about revising the project list. This process could take a few months but could be completed in time for the application deadline. Although the exact amount of funds that could be made available to match the SQ-1 grant is not known at this time, a rough estimate is that it might provide for something less than about half of the required match based on current estimates of the acquisition cost for the Northgate Golf Course property. If SQ-1 funds are used for acquisition, there is question as to whether the funds could be used to acquire the property on which the clubhouse and parking lot are located. If the intent is to use that portion of the land for something other than open space then some other arrangements for funding that portion of the acquisition would need to be made.

If, in fact, WC-1 funds could be allocated for a little under half of the required match, it seems feasible and appropriate that we work with the property owners in the immediate neighborhood and the City of Reno to explore additional options such as: the establishment of a Special Assessment District (SAD) through the City of Reno, or by developing a process through the homeowners associations to create an assessment of the residents that would pay for some portion of the match. In addition, in the spirit of partnership, the Board may wish to direct that staff approach the City of Reno to see if they have any resources that they could identify as part of a collaborative effort to respond to this situation. Perhaps the County could commit to WC-1 funding for half of the match and the neighbors and Reno could split the other half of the match. These discussions will take place in the coming weeks and staff will provide periodic reports as talks progress.

**RECOMMENDATION:**

Staff recommends that the Board of County Commissioners accept staff report and possible action and direction regarding issues relating to Northgate Golf Course including but not limited to an update on the appraisal of the property; identification of possible sources of matching funds for an anticipated application for SQ-1 Open Space Acquisition funding; status of Reno City Council discussion on their participation in property maintenance; and a decision on whether to operate the property as a golf course.

**POSSIBLE MOTION:**

Should the Board agree with staff's recommendation, a possible motion would be:

“Motion to accept staff report and possible action and direction regarding issues relating to Northgate Golf Course including but not limited to an update on the appraisal of the property; identification of possible sources of matching funds for an anticipated application for SQ-1 Open Space Acquisition funding; status of Reno City Council discussion on their participation in property maintenance; and a decision on whether to operate the property as a golf course.

# Save Northgate Golf Course

Washoe County Commission Chambers  
1001 East 9<sup>th</sup> Street  
Reno, Nevada

Tuesday, May 12<sup>th</sup> at 10:00 a.m.

For more information: William Kandaras, 775-741-9718

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# savenorthgate.ning.com

May 9, 2009

To all our Northgate friends and neighbors:

It has come to our attention that there will be a County Commission meeting on May 12<sup>th</sup> at 10:00 a.m. at the County Commission chambers at 1001 East 9<sup>th</sup> Street where Northgate Golf Course will be discussed. The item is #23 on the agenda and reads, as follows:

“Accept staff report and possible action and direction regarding issues relating to Northgate Golf Course, including, but not limited to, an update on the appraisal of the property; identification of possible sources of matching funds for an anticipated application for SQ-1 Open Space Acquisition funding; status of Reno City Council discussion on their participation in property maintenance; and a decision on whether to operate the property as a golf course.”

Note: The county has established a website at <http://www.co.washoe.us/mgrsoff/northgate.html>.

If you have not read all of the information on <http://www.savenorthgate.ning.com> entitled, “This may be the plan to save Northgate,” posted by William Kandaras, it is attached here. All county commissioners will have all of this information. We believe Mike Mazzaferri, a well known golf professional in Reno, can save the golf course and run the course to break even.

We believe that it is imperative that all of you that are interested in saving Northgate attend the meeting and/or contact your county commissioners prior to the meeting stating your feelings as to the necessity to save Northgate Golf Course.

Once again, they can be reached at the following numbers:

Robert Larkin and John Breternitz, 775-328-2000

David Humke, Kitty Jung, and Bonnie Weber, 775-328-2008

You can also email them at [www.co.washoe.nv.us/bcc/bios.html](http://www.co.washoe.nv.us/bcc/bios.html)

We believe that we need a strong showing of committed individuals at the County Commission meeting on Tuesday morning in order to impress upon them that the community wants Northgate Golf Course saved.

Sincerely,

William Kandaras, 775-741-9718

savenorthgate.ning.com

William J. Kandaras  
1790 Timaru Ct  
Reno, NV 89523

April 27, 2009

Dear Friends and Neighbors,

Many of us are very disappointed and perplexed with the closure of Northgate Golf Club. We hope that by providing you with the information in this letter, it will demonstrate why this property needs to remain open as a golf course. **It is not too late to save it.**

The RSCVA has operated Northgate since 1986. Over the last six years it has had to supplement the course an average of \$88,991 for cash flow losses (see attached financial recap) to continue operations. In January 2009, the RSCVA decided that it was no longer willing to continue to fund those losses. The land was originally deeded to Washoe County with the stipulation that it would remain an 18 hole championship golf course with practice facilities. When the RSCVA announced that it would no longer run the course, RJB Developers requested the return of the land. Since then, the Northwest community has tried, with the help of Dave Aiazzi, Reno City Council, John Breternitz and Bonnie Weber, Washoe County Commissioners, to figure out a way to purchase this land for \$4,500,000. However, we could not understand why people would be willing to pay \$4,500,000 for the land today when that amount of money could be used to supplement the RSCVA annual cash flow losses and keep the golf course funded for the next 50 years.

We believe that the most cost effective and prudent way to keep this gem from reverting back to RJB Developers is not to buy the land. It is to run it as a golf course ~ which is what it was intended to be. That would stop the transfer and keep it as open space. Washoe County already holds title to this land. By continuing the operations as a golf course, property values on the hundreds of homes on and around the golf course will not plummet. It is a proven fact that property values are higher when they are adjacent to a golf course. Lot premiums of \$10,000 to \$100,000 were paid by the residents for the privilege of having Northgate in their backyards.

### **Is it still possible?**

We contacted Mike Mazzaferri, a well known golf professional in this area. He has been the director of golf at Rosewood Lakes Golf Course, The Resort at Red Hawk, and Hidden Valley Country Club. He also helped start The First Tee program in Northern Nevada in an attempt to help teach the youth of our community the values associated with golf. Mike believes there is still time to save the course and that it will break even at worst! Mike has a management group that can operate this course, and he is interested in making a proposal to the County Commissioners to run Northgate (see attached letter).

Water rights are needed to make this happen. The course needs 300 acre feet of water annually. **The good news is that the county already has 205 acre feet of water allocated and marked for Northgate.** If those water rights are returned to the course only 95 acre feet of water are needed to make it possible to run this course at a break even rate. Any money spent by the county to make this happen would be more than offset by the taxes collected over subsequent years of increased value of the homes located around the course simply because the value of the homes did not drop due to course closure.

**The issue: now is time!!!**

The course needs water by May 15!! If the grass dies it would not be cost effective to reseed. Another great benefit to keeping this as a golf course is that it will employ five full time people and around fifty seasonal employees. In these hard economic times I am sure that all the elected officials will feel pride in helping put people to work.

**What you can do.**

1. Contact the officials listed below and let them know you are interested in this proposal.
2. Please print this information out and take it to your neighbors.
3. Join the save Northgate web site at [www.savenorthgate.ning.com](http://www.savenorthgate.ning.com)

The county commissioners can be reached at the following numbers:

- 775-328-2000
  1. Robert Larkin, 2. John Breternitz
- 775-328-2008
  1. David Humke, 2. Kitty Jung, 3. Bonnie Weber

You can also email the commissioners that this is the cheapest way to keep this property open! Their website is: [www.co.washoe.nv.us/bcc/bios.html](http://www.co.washoe.nv.us/bcc/bios.html)

Sincerely,

William



# PERFORMANCE GOLF

April 27, 2009

William Kandaras  
1790 Timaru Ct.  
Reno, NV 89523

Dear William,

As per our recent discussions, it's my opinion that it is feasible to run Northgate Golf Club as an ongoing public golf facility. Of course several things would have to happen to make it possible, but it's certainly not an insurmountable task. Voted by Golf Digest as one of the best new courses in the country in 1989 the golf course was highly regarded until drought set in. After several droughts the course never regained the original high standard of course condition it originally had and struggled financially until the recent closure.

Operated prudently, the course could financially support itself if there were no debt service and it had an adequate "no fee" water supply. Pumping costs for water are a normal operational cost, but buying water on an annual basis would not be affordable.

Looking at the financials for Northgate, you'll notice that the average cash loss per year over the last six years has been \$88,991. Roughly speaking, if expenses stayed the same and revenues grew by 10% over that same period, the course would have cash flowed at a break even basis. Given the media attention and the large loss numbers the RSCVA has tossed around, you'd think the cash losses were in the millions.

If the debt and water issues were addressed, I'd be happy to prepare an operating proposal that would include all start up costs.

Sincerely

Mike Mazzaferri, PGA

**Recap of RSCVA Northgate Financials**  
**Year end is June 30th**

	Totals last 6 years	2008 Actual	2007 Actual	2006 Actual	2005 Actual	2004 Actual	2003 Actual
<b>Revenues</b>							
Green Fees 18 Hole	2,116,679	368,660	358,703	328,388	314,339	366,593	379,997
Memberships	450,305	70,525	75,265	78,115	73,750	79,950	72,700
Pro Shop	313,172	58,689	52,773	47,252	46,821	54,969	52,669
Miscellaneous & Lessons	44,625	7,561	9,779	5,545	8,477	7,043	6,220
Food & Beverage	663,415	98,490	110,924	98,662	107,771	115,511	132,058
Cart Rental	1,157,879	189,266	186,570	185,353	206,939	197,173	192,578
Driving Range	277,160	44,262	43,608	44,175	44,961	44,331	55,823
<b>Total Revenues</b>	<b>5,023,236</b>	<b>837,453</b>	<b>837,621</b>	<b>787,489</b>	<b>803,059</b>	<b>865,570</b>	<b>892,044</b>
<b>Expenses</b>							
Payroll & Related	3,190,969	565,330	553,975	561,068	462,633	507,439	540,523
Supplies & Services	2,353,004	432,365	402,094	371,316	379,627	365,713	401,890
Travel & Entertainment	130	-	-	-	130	-	-
Promotion & Advertising	12,274	1,023	5,505	1,735	858	2,851	301
Capital Outlay	807	-	-	-	-	-	807
<b>Depreciation</b>	<b>2,039,787</b>	<b>345,267</b>	<b>330,181</b>	<b>340,680</b>	<b>322,678</b>	<b>324,704</b>	<b>376,277</b>
<b>Total Expenses</b>	<b>7,596,971</b>	<b>1,343,985</b>	<b>1,291,755</b>	<b>1,274,799</b>	<b>1,165,926</b>	<b>1,200,707</b>	<b>1,319,798</b>
<b>Departmental Profit (Loss)</b>	<b>(2,573,735)</b>	<b>(506,532)</b>	<b>(454,134)</b>	<b>(487,309)</b>	<b>(362,868)</b>	<b>(335,138)</b>	<b>(427,754)</b>
<b>Margin Percentage</b>	-51.2%	-60.5%	-54.2%	-61.9%	-45%	-39%	-48%
<b>Statistics</b>							
Total Rounds	115,081	19,543	18,761	17,600	18,783	20,162	20,232
Total Revenue Per Round	\$39.74	\$39.24	\$40.64	\$40.31	42.75	42.93	44.09
Profit (Loss) Per Round	(\$22.36)	(\$25.92)	(\$24.21)	(\$27.69)	(19.32)	(16.62)	(21.14)
Net Cash Flow ~ Department loss + Depreciation	(533,948)	(161,265)	(123,953)	(146,629)	(40,190)	(10,433)	(51,477)
<b>Cash flow lost per round</b>	<b>\$ (4.64)</b>	<b>\$ (8.25)</b>	<b>\$ (6.61)</b>	<b>\$ (8.33)</b>	<b>\$ (2.14)</b>	<b>\$ (0.52)</b>	<b>\$ (2.54)</b>
<b>Average cash loss per year - last 6 years</b>	<b>(88,991)</b>						
<b>Average rounds per year - last 6 years</b>	<b>19,180</b>						

In 1996 Northgate hosted 31,000 rounds per the RSCVA