

Deputy City Manager's Office Report to
SPC on Community and Protective Services
2018 May 08

ISC: UNRESTRICTED
CPS2019-0475

Golf Course Real Estate and Development Feasibility Assessment

EXECUTIVE SUMMARY

At the One Calgary budget discussions (C2018-1158) in November 2018, Council directed Administration to prepare a plan for a Real Estate and Development Assessment which may include decommissioning, repurposing and/or divesting of public golf course(s) for reinvestment in the remaining golf amenities to sustain the overall operations of public golf courses in Calgary, and report back by May 2019.

The intent of this report is to provide Administration's recommendation to proceed with a two stage plan to advance and complete a real estate assessment on The City's golf course lands and look for any additional direction from Council on the plan. In Stage 1, Administration is proposing a preliminary assessment of The City's golf course land assets. This will be brought back to Council no later than Q1 2020. The results of Stage 1 will also include the scope, schedule and anticipated costs for Stage 2 of the work plan.

Included in this report is the Feasibility Assessment Matrix that has been developed for Stage 1 (Attachment 1), which provides the criteria by which Administration will assess the real estate potential of The City's golf course land assets. Stage 2 will commence once the results and recommendations of the Stage 1 Feasibility Assessment have been presented to Council. The results of Stage 1 and Administration's recommendations will help Council provide the necessary direction on which courses should be included in a more comprehensive analysis in Stage 2 which will then assess the opportunities, constraints, impacts of decommissioning, repurposing, and/or divesting of The City's golf course land assets. This would include any recommendation on capital contributions as a result of potential or partial dispositions of golf course lands.

As additional background, Administration has also provided the *Golf Course Sustainability Work Plan Initiatives towards Net Zero*, (Attachment 2) which details the options Golf Course Operations (GCO) is pursuing to break even. The options in the plan aim to move GCO towards net zero operations by 2022, while pursuing opportunities to generate additional income.

It is important to note that subject to Council approval of these recommendations, Administration will be undertaking two separate work plans to achieve financial sustainability for The City's golf courses. Exploration of redevelopment and land options are being pursued by Real Estate and Development Services (RE&DS) while Recreation is undertaking the GCO Sustainability Work Plan. It is expected that when Administration brings forward the real estate assessment results of Stage 2, this could include some integration with potential options and initiatives that would be part of GCO's future Golf Course Sustainability Work Plan.

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ADMINISTRATION RECOMMENDATION:

That the Standing Policy Committee on Community and Protective Services recommends that Council:

1. Adopt the recommendation to proceed with Stage 1 of the proposed plan for a Real Estate and Development Assessment, leveraging The City's internal expertise to conduct an initial assessment of all golf course properties and return no later than Q1 2020 with a recommendation on which properties should be included in Stage 2 of the analysis. The plan for Stage 2 will include Administration's recommendation on which golf course lands require further analysis as well as recommendations on timeline, scheduling and costs for Stage 2; and
2. Not include McCall Lake Golf Course in any development assessments given a Redevelopment Feasibility Study was completed on McCall Lake Golf Course in 2014, and the recent investment and improvements to the course in 2018-2019.

PREVIOUS COUNCIL DIRECTION / POLICY

At the One Calgary budget discussions (C2018-1158) in November 2018, Council directed Administration to prepare a plan for a Real Estate and Development Assessment which may include decommissioning, repurposing and/or divesting of public golf course(s) for reinvestment in the remaining golf amenities to sustain the overall operations of public golf courses in Calgary, and report back by May 2019.

BACKGROUND

The City of Calgary, through the Recreation Golf Course Operations (GCO) division operates eight municipal courses and three driving ranges at six locations. Municipal golf courses provide affordable recreation opportunities, house corporate infrastructure (storm ponds, utility corridors), and have been part of the aesthetic, leisure and sport landscape in Calgary for over 100 years.

From 1995 to 2012, Golf Course Operations (GCO) was a self-supporting entity in both operating and capital. Over the 17-year period, golf contributed \$3.6 million to the Corporation and funded \$14 million in capital projects through pay-as-you-go and debt financing (inclusive of principal and interest). However, due to operational and capital funding challenges, Council changed GCO mandate to align with other Recreation services that are tax supported. As such, between 2013 and 2017, Golf received an average of seven per cent in tax support (\$700,000 per year).

The goal for GCO is to work towards break even and zero tax support annually. To achieve this, Council approved the Golf Course Sustainability Work Plan in 2015. The options being undertaken to become net zero by 2022 are included in Attachment 2.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

To respond effectively to the motion arising from the One Calgary budget deliberations Administration will undertake a parallel process (to the Golf Sustainability Work Plan) to determine the real estate potential at each municipal golf course, and provide those results to Council no later than Q1 2020.

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Stage 1 - Golf Course Feasibility Matrix

The work in Stage 1 will determine development potential, site opportunities, limitations and risks at each of the municipal golf courses. This will be done by using a Feasibility Assessment Matrix (Attachment 1), whereby each course is screened through a variety of criteria. As shown in the Feasibility Matrix, Stage 1 will include a historical review, an environmental review and analysis of existing servicing infrastructure, planning and policy considerations and current golf operations review. However, any recommendations on capital contributions as a result of potential or partial dispositions of golf course lands will be part of the Stage 2 analysis.

This screening process will provide an objective analysis of the golf course properties and aid in identifying which golf course(s) may have further real estate or land development potential.

Stage 1 only includes Administration time and staff resources, primarily RE&DS and GCO staffing (plus nominal disbursements, i.e. – Land Title searches, encumbrances, etc.) and would be funded out of the Real Estate Reserve. No outside consulting costs are anticipated to be required and Administration will report back to Council no later than Q1 2020. Stage 1 will conclude with Administration presenting our recommendations to Council on which golf properties should proceed to Stage 2 of the analysis.

Stage 2 – Real Estate Option Analysis

Stage 2 will consist of a thorough analysis of the golf course(s) that Stage 1 has screened as being *potentially* suitable for decommissioning, repurposing, reconfiguring and/or divesting. Administration anticipates that this stage will require hiring of consultants to aid with cost benefit analysis, possible field programs, conceptual planning options, technical analysis/design, appraisals, market studies, feasibility studies that would aid Administration in the real estate and redevelopment assessment and possible options for proceed sales towards Golf's capital needs based on further consultation with GCO.

Administration will provide a cost estimate for Stage 2, along with scope, timing and Full Time Employee (FTE) requirements when we report back prior to the end of Q1 2020. Administration notes that Stage 2 is unfunded and would be seeking direction from Council on the funding source for this portion of work.

The scope of analysis for individual golf course properties may vary, and therefore cost and timing associated with the analysis of each property may differ. Administration will also consult with other business units (as required) during Stage 2 to complete a full analysis. Please see Attachment 3 for an illustration of the proposed work plan.

McCall Lake Golf Course

Administration is recommending that McCall Lake Golf Course not be included in this work plan. The course is slated for re-opening in 2019 following the Council approved capital upgrades of \$6.7 million from the Sport Facility Renewal program. Additionally, substantial work in 2014 was undertaken to assess the re-development potential of McCall Lake. It was concluded at that time, (See Attachment 4) that it was not feasible to divest of McCall Lake. It is Administration's recommendation that given the recent investment and improvements that have taken place at McCall Lake Golf Course, that it be excluded from further analysis at this time.

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Stakeholder Engagement, Research and Communication

No public stakeholder engagement is planned as part of Stage 1, but Administration will work with other business units as required to undertake research in Stage 1. Administration will provide recommendations on public engagement for Stage 2 when Stage 1 results are presented to Council.

Strategic Alignment

The work program proposed in this report aligns with Council's priorities to build: A City of Inspiring Neighbourhoods; a Healthy and Green City; and a Well-Run City.

The *Recreation Master Plan* and the *Sport for Life Policy* describe The City's commitment to affordable, accessible and comprehensive recreation and open space opportunities and programs.

Calgary's *Municipal Development Plan* is built on seven goals that directly influence the work program in this report. Those goals are: Prosperous economy, a Compact city, Great Communities, Good urban design, Connecting the city, Greening the city, and Managing growth and change.

Social, Environmental, Economic (External)

RE&DS is committed to stewarding the Corporation's real property assets to maximize the financial and overarching community benefits for all Calgarians. By balancing the social, environmental and economic factors in land development, we ensure decisions are made that optimize the value of land for Calgarians. Of note, Golf course activity represents an economically prudent use of green space by generating economic activity in comparison to maintenance expenses of a passive park space.

Social

Municipal golf courses provide a platform for recreational opportunities. Aside from golf, the lands can be used in all four seasons for a spectrum of passive and active outdoor events. Golf courses contribute to physical activity and provide spaces for individuals to be active/social and increase their health and well-being.

Environmental

Golf courses provide Calgary with large open spaces, while accommodating utility infrastructure (i.e. stormwater). The courses provide natural areas and are a reprieve from the built environment, offering needed space for uses like wildlife corridors (and habitat), flight pathways and urban wetlands. The municipal land is within established communities, contributing to Calgary's urban forest and often adjacent to natural features such as the Bow River.

Economic

The economic benefit of redeveloping City-owned lands can add value to the surrounding community and increase the tax base for The City. Depending on the location, retail and commercial uses may be applicable, which would facilitate new employment opportunities. This work program, along with the GCO Sustainability work plan, will strive to eliminate operational tax support for The City's golf operations.

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Financial Capacity

Current and Future Operating Budget:

Stage 1 of the work program is being undertaken by the Corporation and therefore no external costs will be incurred. By leveraging Administration's internal expertise, we are making efficient use of City resources. Minor costs associated with Land Title searches or other disbursements will be funded out of the Real Estate Reserve. Staff time and expenditures will be tracked and may be recoverable as a cost of a potential sale.

Stage 2 costs are unknown at this time. When Administration reports back on Stage 1, the recommendations will include a work plan and expected costs to complete Stage 2.

Current and Future Capital Budget:

There are no capital costs for this report.

Risk Assessment

Municipal golf courses comprise approximately 750 acres of land within Calgary. This land is within established communities, and often adjacent to significant natural features (i.e. Bow River). Exploration into redevelopment of existing recreation and open space is an extremely sensitive matter. In addition to public opinion, Administration has identified the following risks:

- Course(s) brought forward for further assessment after Stage 1, may not be decommissioned, repurposed or divested of, once the more indepth analysis is undertaken in Stage 2.
- Stage 2 may require significant financial and staff resources depending on the number of courses that require further analysis. Funding for Stage 2 has not been determined at this time.
- Stage 2 may take a significant amount of time to complete depending on the number of courses that are recommended for further analysis after Stage 1. For example, a Biophysical Impact Assessment (BIA) can take four seasons of field reporting to properly assess the environmental conditions on a parcel of land.
- Stakeholder engagement in Stage 2 of the analysis, especially for those golf courses with wetlands and near river valleys, may require consultation from the Province and/or First Nations.
- Golf Courses are categorized as natural infrastructure which is one of the pillars of the *Resilient Calgary* strategy. Any development of these assets is not likely to align with the Future of Natural Infrastructure being proposed by this strategy.

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REASON(S) FOR RECOMMENDATION(S):

The real estate assessment work plan is an effective way to analyze both land potential and limitations at Calgary Golf Courses.

The assessment work plan is staged, with input opportunities from Committee and Council. This ensures cost effectiveness and strategic direction along the way.

McCall Lake has received significant upgrades for 2019 and has already been screened for development potential (2014). Administration recommends excluding it from this work plan.

ATTACHMENT(S)

1. Attachment 1 – Feasibility Assessment Matrix
2. Attachment 2 – Golf Course Sustainability Work Plan – Break Even Options
3. Attachment 3 – Work Plan Illustration
4. Attachment 4 – McCall Lake Feasibility Study and Update