

MINUTES OF THE FINANCE BOARD SPECIAL MEETING HELD AT BELLEAIR TOWN HALL ON JANUARY 2, 2014 AT 4:00 P.M.

MEMBERS PRESENT: Thomas Olson, Chairman
Dan Hartshorne, Vice Chairman
Ernest Whittle
John Prevas
Mary Griffith
Tom Lokey
Tom Kurey

MEMBERS ABSENT: None

OTHERS PRESENT: JP Murphy
Micah Maxwell Town Manager
Mayor Katica, Commission Advisor

Quorum present on roll call with Mr. Olson presiding. Meeting was called to order at 4:00 P.M.

CITIZEN'S COMMENTS

There were no citizen's comments.

RECOMMENDATION OF AWARD OF CONTRACT-BELLEVIEW BLITMORE GOLF COURSE

Mr. Olson provided a brief review of the Invitation to Negotiate for the Belleview Biltmore golf course for lease or purchase; spoke about the time frame for submitting the proposals; stated that the matter before the finance board today was simply which of the bids did it recommend to the town commission.

Town manager Micah Maxwell stated that there were two paths listed in the summary sheet; stated that one was the lease path and the second was the purchase path; stated that there were two proposals for purchase; that one from Green golf Partners and one from Belleview Biltmore Partners; that the Green golf Partners was for \$3.4 million with 10% down; stated that the remaining amount would be seller financed over a 20 year period with interest based on LIBOR; that the second option was from Belleview Biltmore Partners with a \$3.5 million bid with seller financing for the 1st year at 6.5%; that the issue with that bid was related its contingency as it related to the purchase and moving forward with the Belleview Biltmore property; that there was to date, no knowledge as to when that might occur; that in terms of the two proposals for purchase, financially the Belleview Biltmore Partners proposal was better financially, but it did not score as well for various purposes; that one reason was that the contingency for hotel; stated that of the Green Golf Partner's proposals, their lease proposal was more attractive; stated that in terms of the purchase proposals, staff would not recommend moving forward with either of the purchase proposals.

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Mr. Prevas inquired about the Belleview Biltmore Partners group.

Mr. Maxwell spoke about the four lease proposals and the formula used as applied to each of the proposals; Club Pro Golf bid 10% which equated to \$230,000 at 2.3 million dollars; Green Golf Partners had a combination of a lease payment and a payment based on gross revenue; that the lease payment originally was discussed at \$96,000 and then at the gross revenue there would be a 7% of gross revenues if there was a number achieved over \$4.0 million dollars; that at 5% if the gross revenues were between \$2.0 million and \$3.9 million; that below \$1.999 million, it would be 3% of gross revenues; that it would equate to about \$211,000.; stated that Clearwater Golf Club bid 3% of gross revenue; that they had a floor of \$60,000; that the fourth proposal was Cypress Golf Management which did not bring forth any hard numbers; that the proposal was very broad; that staff was looking for numbers in that situation; that the committee did score each of the bid proposals based on number of items; that Green Golf Partners achieved an average of 79; Club Pro received an average of 48; Clearwater Golf Club received an average of 34; stated that they began discussions with Green Golf Partners; that the committee looked at changing the structure; that originally it was 5% of anything over gross; that the \$96,000 in actual lease payments proposed was increased to up to \$160,000.00 in 4 quarterly payments; that everything above \$1.6 million the town would receive 6.5% of gross revenue; that there was more protection with that structure; that there was some discussion with Club Pro; that the committee felt that moving forward with a lease with Green Golf Partners was the correct decision; that based on the town's experience with GGP, the committee had the best confidence with Green Golf Partners with the dollar revenue numbers that they could bring in to the club; spoke about the potential gross revenues.

Mr. Olson inquired as to the recommendation of staff and the committee; stated that staff's recommendation was located on the last page of the summary; stated that there was several lease points listed; that the lease would be for a 10 year lease term and to build up the revenue so that at an eventual sale point, the golf course would look more attractive.

Mr. Maxwell reviewed the major lease points with the board; stated that there was a change for non-renewal time of at least 365 days; that it was changed to a year and one-half; that number five listed in the points was that GGP would expend a minimum of \$500,000 on town approved capital improvements over the life of the 10 years and an additional \$500,000 if the lease was renewed; that there was a 6th term not listed under the major lease points; that it was an early termination clause; spoke about the early termination clause.

Mr. Olson stated that the two proposals to purchase the golf course were contingent upon the town taking back the paper and the risk; inquired if there was anyone on the board to have additional conversation about selling the property or should the members concentrate solely on the staff recommendation of a major lease.

Ms. Griffith inquired about selling the property during the term of the lease.

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Mr. Maxwell stated that if there was a purchaser during the lease term, the purchaser would continue the lease; that the lease would be sold with the property if that was their option; stated that the early termination clause could come into play; that that the termination clause would not specify whether it would be paid by the 3rd party or the town; that it would be in the purchase sale agreement between those two parties.

Mr. Kurey stated that he did not feel that any of the purchase offers, were given the fact that the town was to hold the paper, were worth the risk; stated that if the town was to enter into a lease or management agreement as far as he was concern, the golf course was for sale from day one; that the agreement should be structured so that the golf course can be sold immediately if a good offer had been presented.

Discussion ensued regarding the early termination clause; regarding the Club Pro Partners; regarding the maintenance and cart paths.

Lil Cromer, 4 Belleview Blvd., inquire about the town's involvement with the lease company during the 10 year lease regarding employees; inquired about any audits.

Mr. Maxwell stated that staff wanted to limit the interaction with the lease company as much as possible; stated that it would be primarily with the annual audits; that it was one of the reasons that we went with a higher lease number instead of a percentage number.

Michael Soronen, 116th St., Seminole expressed his concerns regarding the current company that was leasing the golf club; stated that going with a local group would be a better means; spoke in favor of going with Club Pro Partners, which had previously been with the club for 12 years.

Mr. Olson stated that the board had a recommendation from staff; stated that a motion to approve staff's recommendation would be in order.

Mr. Prevas moved to approve staff's recommendation. Motion was seconded by Ms. Griffith.

Discussion:

Mr. Kurey stated that he felt that the approval of the lease agreement was moving too quickly and it seemed to him that they were in a rush to do the lease; stated that they were still getting terms at the 11th hour; stated that he was not saying that they should not go with GGP or sign a lease; that he felt that the board needed a little more information; expressed his concerns with the early termination clause; stated that that the Town of Belleair was a very small community and it would be bearing a significant amount of risk in owning the golf course; spoke about unknown risks of the contract; stated that they had not done enough due diligence on the agreement; stated that asking for a vote now was premature; that staff and the board should be take more time to look at the agreement.

Mr. Olson stated that the commission asked the board to reach a decision as to the potential sale or lease of the golf club; that the board needed to bring back to the commission that intent; stated that since the board had decided that selling the golf course under the terms and conditions of the two proposals did not make any sense due to the risk to the town; that the recommendation of staff was to go with a lease with Green Golf Partners.

Mr. Hartshorne expressed his concerns regarding the advertising of the "Invitation to Negotiate"; stated that he agreed with Mr. Kurey that we must be very careful to understand the lease better than can be done now at the board meeting.

Mr. Lokey inquired as to the length of the current lease agreement.

Mr. Maxwell stated that the current lease agreement had expired.

Mr. Prevas stated that he was in favor of going with the lease with Green Golf Partners; stated that reason was that Green Golf Partners was a known entity and had done reasonably well over the 10 month period; that the main benefit of a lease was the fact that it gave the town time to develop a perspective on the value of the land; that the town may find themselves sitting on a valuable resource in the next 5 to 10 years; that we should turn to our town attorney to make sure that the agreement was in our best interest.

Ms. Griffith stated that she agreed with Mr. Kurey regarding knowing the specific risks; that she did agree with going with the lease like Mr. Prevas stated; that she too agreed that the value of the property would rise; that she would like to support Mr. Kurey; that we should really know those risks.

Mr. Kurey stated that all he was asking for was some additional time so that they may do a little more due diligence; that he felt that by approving the lease and going ahead with it, when we do not have knowledge of all of the provisions and understand what the risks were, that he did not think it was advisable.

Discussion ensued regarding approving a 10 year lease; regarding the content of the lease; regarding deferring to the attorney to make sure that the town was protected when developing the terms of the lease.

Mr. Olson spoke about the procedures for advertising a RFP or invitation to negotiate; stated that the town must follow the legal requirements and publish it accordingly; stated that the property did not have much of a sales attraction because of the gross revenues; that when the gross revenues were higher, the eventual purchase price would be higher; that it would make sense to increase those gross revenues; that in speaking for GGP, we have had 10 months experience with them; spoke about a trust relationship; stated that we must rely on the town attorney and the staff and commission; that after ruling out a sale of the property, the lease seems to be the only way to go.

Mr. Kurey stated that staff should talk with some experts with golf course leases; stated that there should be more input from other parties in order to understand lease terms.

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Mr. Olson stated that the legal document enforcing this idea was not in our purview; that it was the town commission and town attorney's purview; that the details of the lease was not what the board was all about; that the board was to take an idea that was presented to us and decide if it had financial merit and could present to the town commission an opportunity to move forward; that the risks can never be quantified; stated that the property was not sellable at this time; that the best option was to drive the gross profits and increase the potential sale of the property; that the rest of the details should be left up to the commission and to the town attorneys.

Mr. Kurey stated that understanding the financial risk were absolutely a financial detail that the board should be concerned with; stated that he would like to have more detail on the specifics of the lease so that they could be able to make a decision on the lease points.

Discussion ensued regarding the lease document; regarding the board reviewing the final lease document before recommendation to the commission; regarding Mr. Kurey's involvement with the selection committee and the lease arrangements.

Mr. Maxwell stated that the board was being asked whether they agreed with the major deal points; that what was being asked of the commission was that did they agree with the major deal points, and would the commission authorize staff and the attorney to approve or not approve the final agreement.

David Ottinger, town attorney, stated that Mr. Kurey was right in that they were a little in the dark about the details of the lease agreement; stated that in good faith, there was an obligation; spoke about the time frame with getting the ITN out to bid; stated that the general frame work of the lease was that lessee would take over all responsibility for operating the course and the maintenance of the facilities; that it would be the tenants responsibly to maintain the course and take the risk; spoke about insurance; stated that you have to look at this as a landlord tenant situation with a building; there will be a prevision for a termination of default if they do not perform their obligations; that then the town can terminate the lease.

Discussion ensued regarding damages regarding default; regarding the lease having a provision for an early termination; regarding not having a provision of right of first refusal.

Mr. Maxwell stated that a right of first refusal would not be in the lease agreement.

Mr. Kurey inquired as to whether Green Golf Partners wanted the finance board or commission to make a decision today or in two weeks or a month.

Matt McItee, president and principal majority owner of Green Golf Partners, 2560 W . Argyle, stated that in terms of the timing, that he had to looked at this as a business and to understand the seasonality; that there are a number of people that have not renewed their memberships; that GGP has operated in good faith and have been a good partner and kept its promises; that they have not been able to give an answer to those members with what the outcome would be with the golf

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course; that because of that, they have withheld their memberships; that GGP have proven that they will work with the town every step of the way; that the majority of the business was from December to April; stated that his recommendation was that they want to start off on the right foot, so if it was time the town wanted then it would be so; that as a businessman, the sooner it was set in stone the better; that every employees at a golf course in the state of Florida are hourly employees and need their jobs; that the possibility of uncertainty was not good for them; that they will continue to do what was needed and will live with the town's decision whether it was us or someone else; stated that he has three municipal lease which total more than 40 years; that he has never had one that had such a strong intent to sell the golf course; that it did scare him to invest some of his own money and time and make significant capital improvements to a facility when you are so adamant about selling; that he was willing to continue to be a partner with the Town of Belleair; a partnership was the only way for this to work where both parties felt that are being treated fairly.

Mr. Kurey spoke about the risks of owning a golf course for Belleair; stated that he thought that the other municipalities that own a course were larger than the Town of Belleair; that once the board gets to see the final lease and we know the additional terms, that it should not take a significant amount of time to get that done.

Mr. Olson stated that he would call and end to the discussion and call a vote in a moment; stated that if he was shown a lease and given three weeks to read it, he would not be in any better or worse shape to vote for the concept than he was now; that the concept was what was valid and it was what should be recommend to the commission; that the commission can deal with the details and that was where the board should rely on the town attorney and chief staff.

Vote on the motion was taken. Ayes: Prevas, Whittle and Olson; Nays: Lokey, Hartshorne, Griffith and Kurey. Motion was defeated by a 4 to 3 vote.

Mr. Maxwell stated that the vote by the board had occurred and there was not a recommendation to the commission; that the item goes forward to the commission; that they may or may not ask that it come back to this board.

ADJOURNMENT

There being no further business to come before the board the meeting was adjourned in due form at 5:20 PM.

Approved: 2/20/2014