



Edwin M. Lee, Mayor
Philip A. Ginsburg, General Manager

Date: October 16, 2014
To: Recreation and Park Commission
From: Philip A. Ginsburg, General Manager
Dana Ketcham, Interim Director of Property
Through: Tom Hart
Subject: Harding Park Golf Course

Agenda Item Wording:

Discussion and possible action to approve a resolution recommending that the Board of Supervisors approve the Fourth Amendment to the Master Tournament Agreement with the PGA TOUR, Inc., for the use of Harding Park Golf Course.

Background:

On April 19, 2002, the City entered into a Master Tournament Agreement ("Agreement") with the PGA TOUR, Inc. ("PGA TOUR") to bring high profile professional golf tournaments to the renovated Harding Park Golf Course ("Harding"). The Agreement has been amended three times; first on April 1, 2004 again on May 1, 2007 and then on May 8, 2012. This proposed Fourth Amendment, like the preceding three, addresses necessary scheduling changes and, if approved, will extend the Agreement by four years.

The Agreement, as amended, currently states the PGA TOUR will hold up to nine tournaments at Harding over a 16-year period ending January 1, 2021. The proposed Fourth Amendment increases the possible number of tournaments to eleven and extends the length of the Agreement four years through 2025. The 2015 WGC-Cadillac Match Play Championship and the 2025 President's Cup are required events in the Fourth Amendment and each carry a cancellation fee clause which will result in a payment to the City of \$1,000,000 if not played.

The facility fees for the proposed events have been set so that the Department will recoup all extraordinary expenses for preparation of the events as well as any revenue the course is expected to lose as a result of the course being closed to public play during the events. For the 2015 WGC-Cadillac Match Play Championship and the possible next four events, the Department can be reimbursed by up to \$1,100,000 per event. The corresponding reimbursement cap for the President's Cup is \$1,375,000. All facility fees are subject to CPI. In addition to the facility fee, the City has an opportunity to receive a participation fee equaling 6.66% of any Gross Operating Revenues exceeding \$10,000,000 per event. (The threshold for the participation fee is set at a lower level of \$8,000,000 for Championship and Championship Tour events.)

A comparison of the events listed in the Third Amendment and as proposed in the Fourth Amendment is as follows:

<u>Third Amendment</u>		<u>Fourth Amendment (proposed)</u>	
2005	American Express Championship (<i>held</i>)	2005	American Express Championship (<i>held</i>)
2009	The Presidents Cup (<i>held</i>)	2009	The Presidents Cup (<i>held</i>)
2010	Charles Schwab Championship (<i>held</i>)	2010	Charles Schwab Championship (<i>held</i>)
2011	Charles Schwab Championship (<i>held</i>)	2011	Charles Schwab Championship (<i>held</i>)
2013	Charles Schwab Championship (<i>held</i>)	2013	Charles Schwab Championship (<i>held</i>)
2015	Charles Schwab Championship, Champions Tour Event, or \$500K Payment (<i>not held, payment made</i>) ¹	2015	WGC-Cadillac Match Play Championship
2016	PGA TOUR Playoff Event	2016-18	Up to 3 Events at TOUR's option: WGC Event, PGA TOUR Playoff Event, PGA TOUR tournament, Championship, or Championship Tour event
2017-19¹	One event at TOUR's option: PGA TOUR Playoff Event, World Golf Championship, or The Presidents Cup	2021-23	One event at TOUR's option: WGC Event, PGA TOUR Playoff Event, PGA TOUR tournament, Championship, a Champions Tour event
2021¹	The Presidents Cup (TOUR's option)	2025	The Presidents Cup

¹ The 2015 Charles Schwab event carried a cancellation penalty of \$500,000. In consideration of bringing the WGC-Cadillac Match Play Championship in 2015 and the TOUR's assistance in facilitating the discussions for bringing the PGA Championship to Harding in 2020, the cancellation fee was reduced to \$400,000. \$200,000 of that was paid in 2013 as a contribution to a greens renovation project completed in March 2014. \$200,000 will be paid prior to December 31, 2015 as specified in the Third Amendment.

Recommendation:

Department management and staff recommend approval of a resolution recommending that the Board of Supervisors approve the Fourth Amendment to Master Tournament Agreement with the PGA TOUR, Inc., for the use of Harding Park Golf Course as the site for anticipated events listed above.

Financial Impact:

It is estimated that the Department will realize up to \$6,875,000 from facility fees associated with the events listed in the proposed Fourth Amendment to the Master Tournament Agreement with the PGA TOUR in order to reimburse the Department for expenses related to these events. Any possible participation fees would be additional revenue. In addition, these events increase demand for use of Harding and accordingly increase our revenues.

Supported By:

Department Management and Staff
PGA TOUR, Inc.
San Francisco Public Golf Alliance

Opposed By:

Unknown

Posted at Harding Park Golf Course