

Performance Audit of the City’s Management of Its Leased Golf Property Portfolio

Why OCA Did This Study

The City owns eight golf courses, totaling 868 acres of land, that are leased out to private and non-profit operators. In FY2024, these leased golf courses generated \$34 million in revenue for course operators, \$3.7 million of which was paid to the City in rent. Given the City’s average annual General Fund budget shortfall of approximately \$108 million from FY2026 through FY2031, maximizing lease revenue from the City’s golf courses could help address the deficit and protect critical City services.

The revenue from the leased golf courses supports essential General Fund services, such as public safety, parks, streets, and libraries, and supports the Water Fund, which helps offset ratepayers’ water bills. The golf courses are also intended to provide recreational opportunities for residents.

Therefore, we conducted a performance audit with the objective to determine whether the City is appropriately managing its leased golf property portfolio to maximize financial return or public benefit, including:

- Appraisals
- Revenue
- Public Benefit
- Transparency

What OCA Found

Finding 1: The City should collect and report performance data on its leased golf courses to assess lessee performance and maximize City revenue and public benefit.

- The City has historically **missed opportunities to increase revenues** from leased golf courses, with some course leases remaining in holdover for years. EDD is currently reviewing its golf lease portfolio to address its holdover leases.
- The City’s golf course leases do not include standard performance reporting requirements, while other municipalities have **performance reporting and monitoring requirements** and include capital improvements in their golf course lease agreements.
- **Capital improvement provisions are included inconsistently** across the City’s golf course leases and it is unclear if capital needs have been considered in every lease negotiation.
- The Parks and Recreation Department’s Golf Division collects and reports performance information for City-operated golf courses, **but leased golf courses are not included.**

Exhibit 8: The Percentage of Total Revenue That Lessees Pay to the City Varies Widely, Ranging from 1-25 Percent

Lessee	FY2025 Lessee Revenue	CY2024 Amount Lessee Paid to City**	Percent of Lessee Revenue Paid to City
Fairbanks Ranch Country Club	\$16,726,000	\$863,498	5%
Vineyard	\$5,768,653	\$654,906	11%
Mission Trails	\$4,960,821	\$1,114,170	22%
Tecolote Canyon	\$2,903,771	\$735,293	25%
Carlton Oaks	\$2,346,335	\$201,733	9%
Hodges	\$977,625	\$150,880	15%
Colina Park*	\$ 836,247	\$4,398	1%
Presidio	\$248,855	\$10,200	4%
Total	\$ 34,768,307	\$3,735,077	11%

Source: Fairbanks Ranch Country Club (The Bay Clubs Company, LLC); Vineyard (The City of Escondido); Mission Trails, Tecolote Canyon (American Golf Corporation); Carlton Oaks (Carlton Oaks Golf Club); Hodges (Pak and Park, LLC); Colina Park (Pro Kids Golf Academy, INC); and Presidio Hills (Justine D. Lee, an individual, d.b.a. Presidio Hills Golf Course).

As a result, City leaders and the public are unaware of leased course performance and opportunities to increase revenues and public benefit.

- The percentage of total **revenue that lessees pay to the City varies widely**, ranging from 1 percent to 25 percent, with higher lessee revenues not consistently corresponding with higher proportional returns to the City.
- The Fairbanks Ranch Country Club’s lease allows the City to reappraise and adjust rent in 2026, and the course’s financial performance indicates a reappraisal **could generate millions of dollars in additional General Fund revenues per year**.
- Reporting on performance and lease terms is essential to **identify performance trends and potential revenue opportunities**, and could be used by policymakers and City Management to **determine the highest and best use of the City’s lessee-operated golf properties**.

Finding 2: Lack of regular site inspections and ongoing holdovers put the City’s leased golf course properties at risk of property deterioration, reduced public benefit, and lost financial value.

- **Economic Development does not annually conduct site inspections on the City’s leased golf course properties** and has instead conducted inspections at an average interval of 3.4 years for its eight leased properties. The Golf Division stated that inspections should ideally be conducted at least every six months.
- Without regular inspections, the **value of the City’s leased golf courses could degrade rapidly**, which increases repair costs, weakens the City’s position during lease negotiations, and negatively impacts playability and revenue earning potential.
- The Golf Division’s City-operated golf courses are well maintained while **maintenance conditions for lessee-operated golf courses vary**.
- EDD uses a general inspection form to inspect all City-leased properties, including golf courses; however, **using a golf specific inspection form will assess golf-specific property conditions that affect a course’s condition and playability**.

- The City currently has four golf leases in holdover which may **lead the City to forego revenue by allowing lessees to pay less than fair market rent**.

Exhibit 16: The City’s Operated Golf Courses are Well Maintained While Maintenance Conditions for Lessee-Operated Courses Vary

Torrey Pines
(City-Operated)



Overall, auditors observed high quality course conditions including well-maintained grass, fairways, tees and bunkers.

Source: OCA generated based on property inspection reports for the Torrey Pines golf course.

What OCA Recommends

We made **7 recommendations to the Economic Development Department and to the Parks and Recreation Department**. Key recommendations include:

- **Ensure that new lease agreements for the City’s leased golf property portfolio require lessees to provide minimum performance reporting data to the City.**
- **Compile performance information and lease terms from the City’s golf course lessees and annually report lessee golf course performance in the annual Golf Business Plan Update.**
- **Conduct an appraisal of the Fairbanks Ranch Country Club to determine current fair market rent percentage rates** for the premises and adjust the percentage rates paid to the City by July 18, 2026.
- **Conduct site inspections of the City’s leased golf course properties at least annually** and report the overall conditions of these properties in its annual Golf Business Plan Update.

The departments agreed to all 7 recommendations.

For more information, contact Andy Hanau, City Auditor, at (619) 533-3165 or

cityauditor@sandiego.gov