

DURHAM



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CITY OF MEDICINE

**CITY OF DURHAM**  
*City Manager's Office*

## Memorandum

TO: Mayor and City Council  
FROM: Thomas J. Bonfield, City Manager   
DATE: November 3, 2011  
SUBJECT: **Transfer of Ownership of Hillandale Golf Course**

### **Executive Summary**

The City has been approached by SunTrust Bank, Trust Department, as trustee of the Durham Foundation – Hillandale Golf Course Fund, to accept, at no cost to the City, the deeds of ownership for the Hillandale Golf Course and an assignment of a lease with Amerazil Golf, LLC to manage and operate all aspects of the golf course. The Hillandale Golf Course has been managed by the trustee and its predecessors for many decades on behalf of the foundation. The original intention of the trust was for the property to remain as a public golf course or other public amenity. The trust is no longer interested in owning and overseeing the management of the golf course operation. The trust recently terminated a long-standing management agreement and entered into a new management agreement with Amerazil for a five year period with all revenues and costs associated with all aspects of the golf course the responsibility of the operator. At the end of the five year period the agreement can be amended or extended upon mutual agreement of the parties.

### **Recommendation**

That the City Council accept the transfer of ownership of the Hillandale Golf Course from the SunTrust Bank as trustee of the Durham Foundation – Hillandale Golf Course fund and the assignment of the management agreement with Amerazil Golf, LLC subject to the successful dissolution of the trust.

### **Background**

Earlier this year, SunTrust Bank as trustee of the Durham Foundation – Hillandale Golf Course approached the City with its interest to transfer the deeds to the Hillandale Golf Course to the City of Durham. In recent years assets in the trust have declined as the operation of the golf course required subsidies. The City engaged Spear Consultants Ltd., a recognized expert in the golf industry to review all aspects of the Hillandale Golf Course operation, including but not limited to, financial statements, management agreements, and course conditions. A copy of the final report issued by Spear is attached. In summary Spear believed the golf course operation was viable going forward without subsidy if certain capital improvements were made to the course itself and if the structure of the management and operations agreements were modified.

Since that time SunTrust announced its intentions to close the golf course at the end of October, 2011. In the intervening period SunTrust negotiated terminations of existing management agreements and entered into a new five year agreement with Amerazil Golf, LLC to operate all aspects of the golf operation and assume all risks associated with its operation. At the end of the five year period the agreement may be extended or modified at the express mutual consent of the owner and the operator. As a result of this new agreement, SunTrust announced in late October that it would not be closing the golf course at this time and confirmed its intentions to offer the properties and amenities to the City at no cost.

### **Issues and Analysis**

1. The Hillandale Golf Course has been an integral part of the City, and particularly the Watts Hospital Hillandale neighborhood for over fifty years and has been operated by the Trust. The layout of the course is significant in that many homes front or are adjacent resulting in higher property values.
2. While SunTrust has at least for now rescinded its earlier decision to close the golf course, leaving a future decision of this nature by a third party empty would have a negative impact on the neighborhood and property values. Additionally should the golf course be closed the costs associated with “re-starting” the operation could be costly.
3. The City Attorney’s Office is in receipt of and is reviewing the management agreement between SunTrust and Amerazil. While the City was not a participant in the management negotiations, SunTrust and Amerazil have represented that the management agreement to be assumed limits the owner’s (City) financial exposure while requiring the continued operation of a full golf course and related amenities in accordance with PGA standards of a golf course of this nature for a five year period. During this period the City can monitor its success and the performance of the operator, with full access to all financial records, and determine if continued operation in function and form is in the best interest of the community.

SunTrust and Amerazil have further represented that the management agreement does not place additional burdens or responsibilities on the City. These representations are an important basis in the recommendation to accept the transfer of ownership of the golf course and assignment of the management agreement. Should the Council wish to further consider the proposed transfer of ownership, the City Attorney’s office is prepared to address these representations and any other aspects of the management agreement.

4. Based on limited golf community feedback, the new management company represented by Carl Kimball, who has been associated with Hillandale for a number of years, appears highly competent and financially backed to meet the expectations and obligations contained in the management agreement.

**Alternatives**

If the City is not willing to accept ownership of the golf course and the assignment of the existing management agreement it could either reject the offer outright or request that terms of the management agreement be modified as a condition of acceptance. SunTrust has given no further direction as to its intention to close the golf course if the City does not accept the transfer of the asset.

**Financial Impacts**

No financial impacts to the City for five years after acceptance in accordance with existing management agreement. After five years financial impact is negotiable and dependent on City's continued interest in owning a golf course.

**SBDE Summary**

N/A

**Attachments**

1. Transmittal Letter from SunTrust
2. Hillandale Golf Course Management Agreement
3. Visitation and Review Report for Hillandale Golf Course