



CITY OF
**PALO
ALTO**

Parks and Recreation Commission Staff Report

Lead Department: Community Services

Meeting Date: May 27, 2025

Report #: 2505-4703

TITLE

Baylands Golf Links Update

RECOMMENDATION

This is an informational report on the City's owned Baylands Golf Links currently operated by OB Sports

BACKGROUND

In May 2018, the Palo Alto Municipal Golf Course re-opened as the Baylands Golf Links after a course renovation. The new course included a full reconfiguration of the 18-hole course layout to conform with a Baylands setting and some modification of practice facilities. Since re-opening, the course has been operated by a single golf management company providing course maintenance, golf practice and course play, and food and beverage service. Along with the course renovation, this is a change from prior operations of having three different service providers. With full service provided by a single golf management company, the course has experienced improvements in operations and customer service.

When the golf course re-opened, green fees were established with a range to accommodate dynamic pricing, where green fees fluctuate based on time of day, day of week, and demand. Green fees are also tiered with Palo Alto residency, Bay Area residency, visitor, and Links Card (loyalty program) rates. The combination of dynamic pricing, tiered pricing, and high demand since the COVID-19 pandemic has resulted in strong green fee revenue to support operating costs.

The golf course offers general public course play, tournament play, club play, and youth play. Course play is supplemented with practice facilities consisting of a driving range, putting green, chipping green, and a teaching lesson program. The course draws players regionally across several counties, with most players from Santa Clara, San Mateo, and San Francisco counties.

ANALYSIS

Course Performance

Baylands Golf Links continues to serve as a valued community and regional asset, offering a variety of programs and high-quality public golf experiences. Youth programming remains a key component, including participation by Palo Alto public high school golf teams, First Tee Silicon Valley, Youth on Course, and seasonal youth golf camps. These programs support boys and girls at all skill levels and are offered either by the city or in partnership with outside organizations, with reduced or subsidized fees available.

The table below summarizes financial performance at Baylands Golf Links from Fiscal Year 2019 through Fiscal Year 2024:

Table # 1				
Fiscal Year	Revenue in Millions	Expenses in Millions	Profit/(Loss) in Millions	Rounds of Golf
2019	\$3.4	\$3.7	(\$0.3)	54,619
2020	\$2.8	\$3.5	(\$0.7)	42,429
2021	\$5.1	\$4.0	\$1.1	63,352
2022	\$5.3	\$4.2	\$1.1	64,157
2023	\$5.0	\$3.8	\$1.2	56,314
2024	\$5.0	\$4.5	\$0.5	59,526

In Fiscal Year 2019, the operating loss is associated with incurring two debt service payments which consisted of a final payment on prior debt and payment for new debt issued for course renovations. For Fiscal Year 2020 the operating loss is due to course closure upon the onset of the COVID-19 pandemic and then restricted course play once the course reopened with single play only.

The golf course has demonstrated resilient performance since the initial impact of the COVID-19 pandemic, with strong rebounds in Fiscal Year 2021 and Fiscal Year 2022. Although performance dipped in Fiscal Year 2023 due to inclement weather and reduced demand, Fiscal Year 2024 saw an increase in total rounds of golf played. The course generated nearly \$5.0 million in revenue in Fiscal Year 2024, with over 59,500 rounds played and continued strength

in green fees and ancillary revenue.

In Fiscal Year 2024, player residency consisted of 39 percent from Palo Alto and 29 percent elsewhere within Santa Clara County. Additionally, 16 percent were from San Mateo County and 8 percent from the City and County of San Francisco. The remaining 8 percent of players were from outside our region.

Looking ahead, Fiscal Year 2025 is projected to see continued growth, with revenues expected to reach \$5.3 million and over 59,000 rounds of golf played. The average revenue per round has steadily increased since the course reopened, reflecting improved yield management, program offerings, and customer demand.

OB Sports continues to operate Baylands Golf Links under contract with the City through the end of Fiscal Year 2027. OB Sports is responsible for course maintenance, tee time management, instruction, golf shop sales, and practice facilities. They also operate the Bay Café under a separate lease agreement; therefore, food and beverage revenues are not included in the golf course's operating budget.

First Tee Partnership and Second Deck Study

On August 27, 2024¹ staff updated the Parks and Recreation Commission on discussions with the First Tee – Silicon Valley towards furthering a partnership. Since that time, the City has entered into a short-term facility use agreement with the First Tee - Silicon Valley, executed in October 2024 and provides the First Tee with facility access through February 2026.

Earlier this month, City staff met with First Tee and shared a draft term sheet outlining a proposal for a long-term partnership agreement. Once the terms are finalized and an agreement is developed, the Long-Term agreement will go to the City Council for approval to formalize the partnership and staff will amend the existing Management Agreement to incorporate impacts on the golf course operator.

In parallel, staff is re-engaging with the National Golf Foundation (NGF) to complete a second deck feasibility study. This study will evaluate the potential for a double-deck driving range at Baylands Golf Links and provide an updated pro forma based on current market conditions. The completed study will be presented at a future Parks and Recreation Commission meeting.

Mitigation

The City constructed the Municipal Golf Course Reconfiguration Project in 2016 and 2017 at the

¹ Parks and Recreation Commission, August 27, 2024; Agenda Item #4

<https://www.cityofpaloalto.org/files/assets/public/v/1/agendas-minutes-reports/agendas-minutes/parks-and-recreation-commission/agendas-minutes/2024-agendas-and-minutes/08/first-tee-update-to-prc-8-27-24.pdf>

Baylands Golf Links. The reconfiguration of the golf course resulted in both permanent and temporary impacts to wetlands and other waters of the United States and State.

To address these impacts, the project received regulatory permits from the Regional Water Quality Control Board (RWQCB) and the U.S. Army Corps of Engineers (USACE), and the U.S. Fish and Wildlife Service (USFWS) was consulted regarding potential effects on federally listed species. The approved Mitigation and Monitoring Plan (MMP), prepared by ICF International in 2016, outlined a total of 8.03 acres of wetland expansion (creation) and 0.42 acres of enhancement to existing wetlands. Of this total, the permits require at least 4.00 acres of wetland creation and 0.20 acres of enhancement as compensatory mitigation.

Since the project's completion, City staff has continued to coordinate with the State Water Board to ensure compliance with mitigation requirements and to advance the next steps toward long-term success of the mitigation areas.

In August 2024, the City submitted an Existing Conditions Report prepared by ecological consultants H.T. Harvey & Associates. The report assessed the status of the mitigation wetlands, evaluated them against the Year 5 Performance Criteria, and provided recommendations to bring each wetland group into compliance. As stated in the report, the five-year monitoring period will formally begin once the recommended corrective actions are implemented.

In December 2024, the City notified the State Water Board of its intent to conduct a jurisdictional wetland delineation. The City established a contract with H.T. Harvey & Associates to perform the wetland delineation which began in February 2025, consistent with the Existing Conditions Report's recommendation. The purpose of the delineation is to verify the extent of jurisdictional wetland acreage present and determine whether additional mitigation acreage is needed to meet permit conditions. The delineation is anticipated to be completed in July 2025 and will also inform whether any hydrological modifications are necessary to ensure the wetlands meet jurisdictional standards.

In parallel with these efforts, staff has coordinated with the golf course operator and maintenance staff to implement additional protective measures in and around the mitigation areas. These include the installation of more split rail fencing, improved signage, and educational materials aimed at golf course patrons. Additionally, a "local rule" has been adopted to allow stroke relief in cases where a golf ball lands in wetland habitat, discouraging entry into sensitive areas and supporting habitat protection.

FISCAL/RESOURCE IMPACT

Funding for golf operations is budgeted in the Community Services Department's General Fund budget which is annually reviewed and approved by the City Council. The golf budget² is contained within the department budget and published annually in the City's Adopted Operating Budget, inclusive of financial performance of prior years.

² Golf Fiscal Year 2025 Adopted Operating Budget;
https://www.paloalto.gov/files/assets/public/v/1/administrative-services/city-budgets/fy-2025-city-budget/adopted/palo-alto-adopted-operating-budget-book_final2.pdf#page=263