



CITY OF ANN ARBOR, MICHIGAN

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Community Services Area

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December 22, 2010

Mr. Chris Mile, President
Lake Country Distributing dba Miles of Golf
3113 Carpenter Road
Ypsilanti, MI 48197

Subject: RFP No. 762, Development and Delivery of Recreational Golf Opportunities at Huron Hills Golf Course

Dear Mr. Mile:

Thank you for presenting your proposal for the development and delivery of recreational golf opportunities at Huron Hills Golf Course to the Selection Committee and general public on Friday, December 3rd, 2010. I appreciate the time and effort that you and your team invested in developing the proposal. However the Selection Committee has recommended to me, and I am in agreement with their recommendation, that the City not pursue your proposal as presented.

The City has decided not to proceed with your proposal based upon following key factors:

- After further review and analysis, the City feels that the risk attached to the issuance of a \$3 million bond for the construction of the facility that your proposal calls for is not commensurate with potential financial benefits. Fixed costs for the City such as personnel and retiree health care are not factored in your projected savings, hence the actual savings, if any, would be very minimal.
- The stated purpose of the RFP included conduciveness to entry level golfers along with the accessibility and affordability of recreational golf opportunities. However, the core focus of your operation appears to be retail, with the golf course playing a minor element in your proposal.
- Appendix J of your Financial Proposal, the Miles of Golf Forecast, shows total revenues growing from \$4.2 to \$5.8 million dollars between 2011 and 2020. 75% of this projection is from retail sales and only 7 to 10% is from golf course operations. Such a disparity between projected retail and golf revenues suggests that the focus of your proposal is expanding your retail at the City parkland rather than golf. Such a use of the City parkland is unacceptable.
- Revenue projections for the golf course portion of the proposal seem overly aggressive. Your proposal states that ten percent of revenues in excess of \$575,000 would be paid to the City. However, your projected revenues do not reach the threshold of \$575,000 ever. Hence, the City would never receive any revenues.

There is no question that you and your organization are highly professional and passionate regarding the game of golf and the outcome of Huron Hills Golf Course. The City does not think that the financial risk of this proposal is balanced by the potential reward, nor does the use of parkland for a business as heavily focused on retail revenue as appropriate. Therefore, the City is not pursuing your proposal.

Sincerely,

Sumedh Bahl
Community Services Area Administrator