

# Meadowlark Golf Course

Dave Chennault

9/18/25

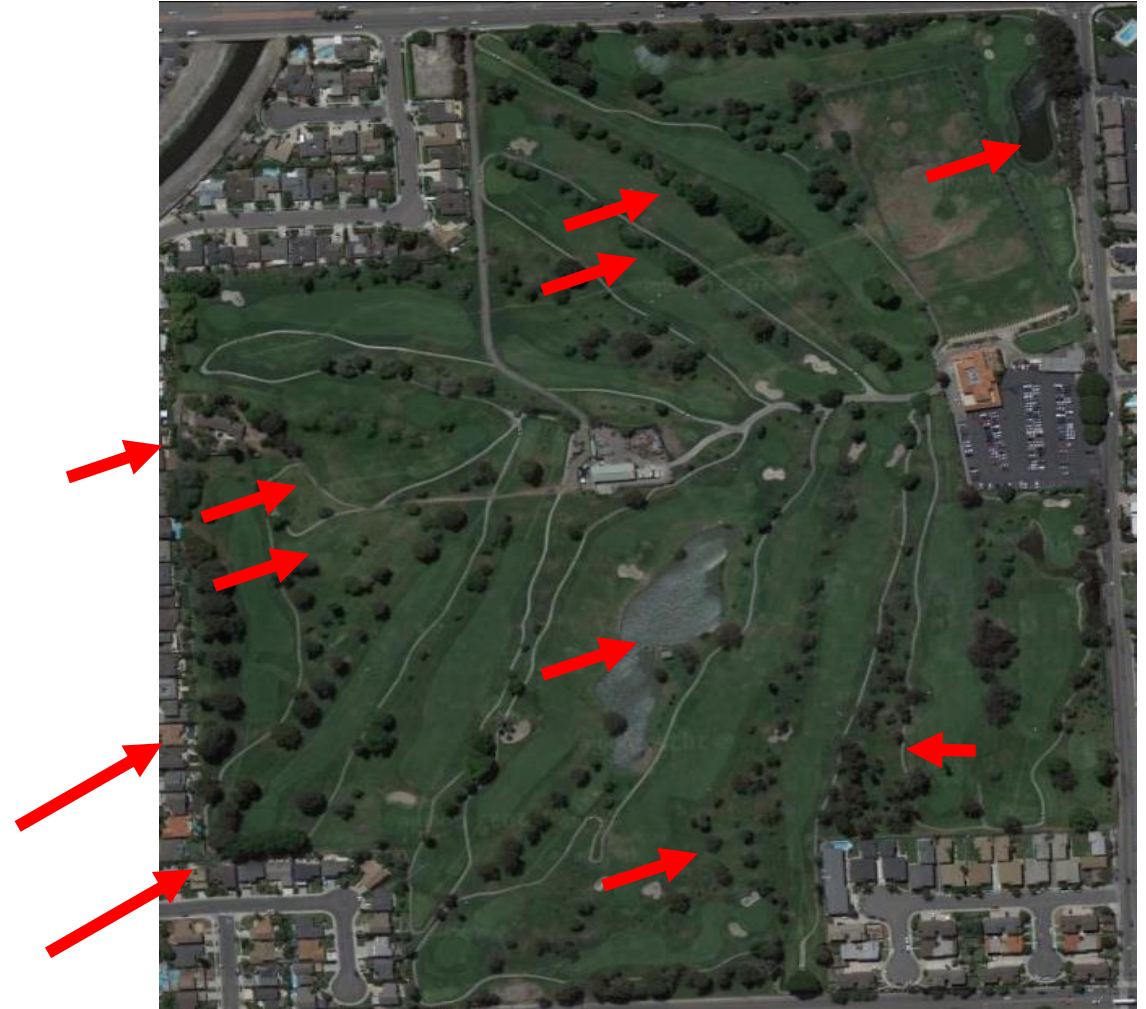
# Overview and Objective

- This presentation contains 3 areas of focus
  - Poor Maintenance
  - Flooding Issues
  - Late Fees unpaid for over 1 year and city has done nothing to collect
    - Arcis currently owes the city over \$360K in late fees
- Requests
  - Hire Golf Architect to review current design and suggest options for the city going forward
    - Cost is \$50K
  - Serve Arcis with a 30 day notice to pay outstanding late penalty or evict them from the premises
- There are many more issues regarding Meadowlark – this is just a subset for discussion today

The condition of Golf Course has decreased dramatically under Arcis management starting in 2012



2025 (Present)



2013



# 15<sup>th</sup> Tee Box – Present Day



# Key Damage and Losses

- Note heavy loss of trees
  - Chris Cole is aware of this issue
  - Agreement calls for a 1 to 1 replacement and this has not been enforced
  - Dramatic increase liability for city due to lack of protection for home owners and golfers
  - Numerous broken home windows and windshields for residents near the golf course
- Note pond scum in present image in both ponds
- Note loss of home on the golf course in 2013 image (left center) that city has not been compensated for
- Note general condition – course looks terrible
- Arcis only has 3 grounds crew when there should be many more (estimate 15-20)
- Arcis appears to be “running out the clock” and extracting maximum profits and minimizing any upkeep or maintenance expenses – lease ends 2/5/28



# Flooding

- Golf course does not drain properly in winter
  - Massive flooding in winter
  - Loss of revenue due to inability to play course
  - Loss in rent for city due to revenue sharing formula for rent
  - Huge liability for city for home damage of homes along the golf course



15<sup>th</sup> Fairway Near Homes





14<sup>th</sup> Green and 15<sup>th</sup> Fairway Near Homes – 2/14/23

Note the Stream coming down the hill from overflow of irrigation pond on top of hill.





14<sup>th</sup> Green and 15<sup>th</sup> Fairway Near Homes – 1/10/23

Note the Streams coming down the hill from overflow of irrigation pond on top of hill.

This flooding took months to dry



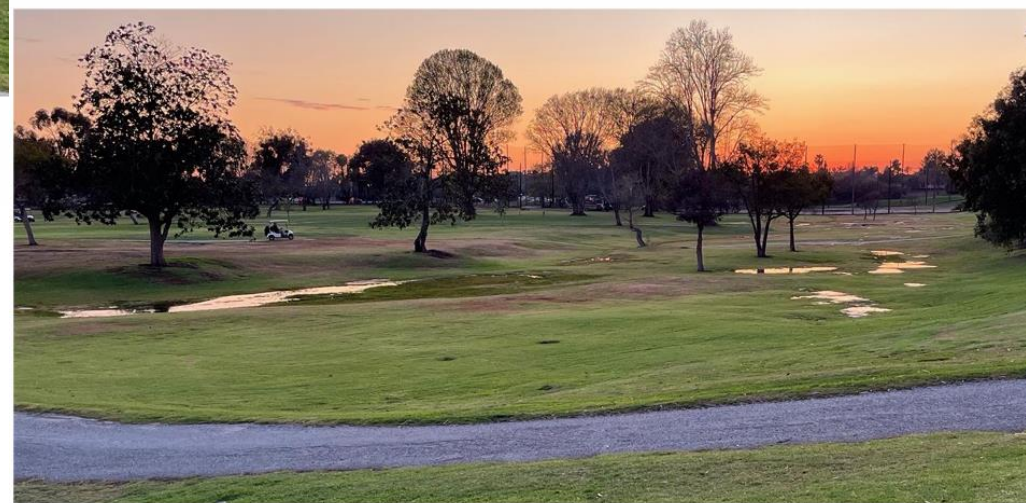


14<sup>th</sup> Green and 15<sup>th</sup> Fairway Near Homes 2-6-24





1/27/25 – 12<sup>th</sup> Fairway – Area Overview



1/27/25 – 9<sup>th</sup> and 10<sup>th</sup> Fairway – Area Overview





1/28/25 – 9<sup>th</sup> and 10<sup>th</sup> Area Overview – Note Flooding





1/28/25 – Driving Range – Area Overview – Flooded and Packed



# Lease Rent and Late Fee Section - \$363,068.63 Due

- Davis Farr reviewed revenue and rent payments between 1/1/2019 and 12/31/23
- Davis Farr found significant late fees due of \$400,970 and unpaid rent of \$12,998 with a total due of \$413,968 for late fees and unpaid rent between 1/1/2019 and 12/31/23
- Arcis currently owes the following in late fees unpaid to the city
  - \$294,519 Billed and unpaid and due per Davis Farr Rent review 2018 – 2023
  - \$68,544.68 Late fees 2024 not billed and needs review by 3<sup>rd</sup> party
- See invoice from City on 7/15/24 for the unpaid rent and late fees to Arcis for late fees next page and Arcis Response on the following page



CITY OF  
HUNTINGTON BEACH

Sunny Han | Chief Financial Officer

July 15, 2024

VIA EMAIL AND REGULAR MAIL

Arcis Golf  
Attn: Jennifer Sawyer, VP Accounting, Controller  
8343 Douglas Ave., Ste. 200  
Dallas, TX 75225

SUBJECT: Lease Concession Agreed-Upon Procedures Report

Dear Ms. Sawyer:

The Agreed-Upon Procedures Report of the Arcis Golf, dba Meadowlark Golf Course (Meadowlark) with regards to the lease between the City of Huntington Beach (City) and Meadowlark was completed as of June 28, 2024 by the independent audit firm Davis Farr, LLP. The Agreed-Upon Procedures (AUP) performed were in accordance with Section 11 of the lease agreement dated July 6, 1992, for the period January 1, 2019 through December 31, 2023.

The review of your records determined there was a discrepancy in revenues reported to the City. The Total Operating Lease revenue reported is \$23,648,017; however, the actual revenues earned during the period totaled \$23,688,224. This difference generated an outstanding lease balance due of \$12,998. Additionally, Various fixed and variable rent payments due during the January 1, 2019 through December 31, 2023 review period were not submitted timely and incurred late penalties totaling \$400,970. The overall total due to the City is \$413,968.

Copies of the draft report and related total outstanding amount due to the City were provided for your review and comment on May 28, 2024 and June 19, 2024. Attached is a copy of the final report and an invoice of the amount due.

We expect payment in full by August 14, 2024; otherwise, penalties will continue to accrue in accordance to the lease terms.

If you have any questions, please feel free to contact me at sunny.han@surfcity-hb.org.

Sincerely,

Sunny Han  
Chief Financial Officer

Enclosure:  
Arcis Golf – Agreed-Upon Procedure Report



City of Huntington Beach  
Accounts Receivable  
PO BOX 711  
Huntington Beach, CA 92648-0711  
[www.huntingtonbeachca.gov/payments](http://www.huntingtonbeachca.gov/payments)

INVOICE

Date: 07/15/2024  
Account: 41084  
Page: Page 1 of 1

BILLING ADDRESS:

ARCIS GOLF  
ATTN JENNIFER SAWYER  
8343 DOUGLAS AVE STE 200  
DALLAS TX 75225-5887

CUSTOMER ADDRESS:

MEADOWLARK GOLF COURSE - ARCIS  
16782 GRAHAM ST  
HUNTINGTON BEACH CA 92649-3754

Invoice Date	Number	Type	Item	Due Date	Remark	Amount
07/15/2024	619916	Miscellaneous	001	08/14/2024	LAND LEASE - AUP RESULT	\$12,998.00
			002	08/14/2024	LAND LEASE - AUP LATE CHARGE	\$400,970.00

Payment Stub Please detach at perforation and return this stub with your payment to ensure timely credit to your account. Do not staple or clip payment. Please do not send cash.

FOR PAYMENT  
QUESTIONS CALL 714-374-1554  
or 714-374-5389

FOR PAYMENT OPTIONS,  
GO TO ACCOUNTS RECEIVABLE RETURN WITH PAYMENT  
[www.huntingtonbeachca.gov/payments](http://www.huntingtonbeachca.gov/payments) DUE BY: 08/14/2024

For billing questions call:

False Alarm Fees 714-960-8805  
Fire Inspection/Permits 714-536-5411  
HazMat Incidents 714-374-1561  
Storm Water Permits 714-536-5431  
All Other Receivables 714-374-1554

Payments can be made online. Go to  
[www.huntingtonbeachca.gov/payments](http://www.huntingtonbeachca.gov/payments)  
for payment options.

Make checks payable to the:  
City of Huntington Beach

ACCOUNT: 41084

Please pay total amount due \$ 413,968.00

ARCIS GOLF  
ATTN JENNIFER SAWYER  
8343 DOUGLAS AVE STE 200  
DALLAS TX 75225-5887

|||||  
CITY OF HUNTINGTON BEACH  
ACCOUNTS RECEIVABLE  
PO BOX 711  
HUNTINGTON BEACH, CA 92648-0711



00413968006199160410845



# Arcis Response to Invoice for Late Fees on 7/15/24

**From:** Scott Siddons <[ssiddons@arcisgolf.com](mailto:ssiddons@arcisgolf.com)>

**Sent:** Thursday, August 15, 2024 2:07 PM

**To:** Han, Sunny <[Sunny.Han@surfcity-hb.org](mailto:Sunny.Han@surfcity-hb.org)>

**Cc:** Jennifer Sawyer <[jsawyer@arcisgolf.com](mailto:jsawyer@arcisgolf.com)>; Keiko Kozak <[kkozak@arcisgolf.com](mailto:kkozak@arcisgolf.com)>

**Subject:** RE: Agreed-Upon Procedures engagement results

Sunny,

Per our discussion the other day I wanted to provide you with our proposal to resolve the rent audit. As you know, we contest the City's calculation of the late fees and penalties related to the late payment of rent during the audit period. We do not contest the amount of rent the audit found owing from the end of the four year term (\$12,998). However, we find the \$400,970 assessed in late fees to be excessive.

I have attached a spreadsheet showing what we believe should be paid. In short, we believe the proper measure of late fees and penalties should reflect a one-time 10% late fee as liquidated damages to the city for each month we did not pay minimum rent and/or percentage rent timely. We also took out the late penalties on the minimum rent payments from August of 2021 until April of 2022 due to the fact that the communication from the City regarding the Covid rent abatements was unclear and did not notify us of when minimum rents resumed. A fact you admitted to us during our call. When the City finally contacted us we worked to resolve the payment of these minimum rents that culminated in us making a large payment in April of 2022 for these months.

As a result, we are offering the total sum of \$114,449 to resolve all claims of the City related to rent payments during the audit period. This sum consists of the \$12,998 in rent found due by the audit and late fees on minimum rent in the amount of \$48,745 and late fees on percentage rent of \$57,705. Details in the attached spreadsheet.

We do not believe the contract or California law support charging the late penalty multiple times for the same rent payment. See below for the legal reasons supporting our position:

- California courts have held that late fees and interest are liquidated damages under California law and are therefore

governed by California Civil Code Section 1671(b). As such, any late fees and interest proposed to be assessed by a lessor against a lessee under a lease must represent a *reasonable estimate* of the damages suffered by the lessor. We do not believe the City's calculation of late fees and interest is a *reasonable estimate* of the damages suffered by the City. Therefore, if we are forced to do so, we would seek to invalidate fees and fees on this basis; and

- California courts have recognized a general principle commonly recognized in other states that a lessee may rely upon a lessor's conduct or actions in ignoring and/or not enforcing certain provisions in a lease agreement. This "course of performance" by a party to a lease constitutes what amounts to a lease amendment and may be relied upon by the other party. We believe that the City's failure to invoice us or provide any other notice of any late fees or penalties during the audit period constitutes a "course of performance" that Arcis rightfully and properly relied upon; and

- California courts have held that compounded interest may not be collected unless the underlying document expressly provides for interest to be compounded. This rule applies regardless of the terminology used to describe the obligation. The manner in which the City calculates late fees arguably can be characterized as compounded interest (even though they are called late fees by the City). Since compounded interest is not expressly authorized under the lease agreement, these charges would also be invalid under California law.

The proposal outlined above represents a reasonable and fair calculation of the amounts owing by Arcis to the City and are consistent with California law. Our goal and objective is simply to arrive at a resolution that is fair and reasonable to both parties. However, if the City continues to pursue remedies that are not permissible under California law, then we will have no choice but to pursue all of our rights and remedies.

Please direct your response to the undersigned and feel free to contact me if you have any questions



## Scott Siddons

General Counsel

8343 Douglas Ave., Ste. 200  
Dallas, TX 75225

Office: (214) 722-6021  
[ssiddons@arcisgolf.com](mailto:ssiddons@arcisgolf.com)  
[arcisgolf.com](http://arcisgolf.com)

Connect With Us:



## • Points to consider

- Claim the penalty is not reasonable is spurious – lease is clear on late payment penalty (see next page)
- Claim Arcis did not pay because they were not billed is spurious – agreement calls for monthly rent payment
- 10% Penalty each month is simple and not compound – attorney needs to review definition of simple versus compound interest
- Arcis simply paid a 1-time 10% late fee

# Rent and Late Fee Section of Lease

## 8. RENT

In addition to the rent specified in Exhibit "B", LESSEE shall pay an annual rent in an amount that will be the greater of either (i) the minimum rental payment as set forth below, or (ii) a rent based upon percentages of gross revenue as set forth below.

8.1 Minimum Rent. LESSEE will pay to LESSOR an annual minimum rent thirty (30) days in arrears in equal monthly installments on the following schedule:

Years 1-2	\$175,000.00 (\$14,583.33 per month)
Years 3-10	\$300,000.00 (\$25,000.00 per month)
Years 11-18	\$500,000.00 (\$41,666.67 per month)
Years 19-25	75% of the average of actual percentage rent during Years 11-18
Option Period	75% of the average of actual percentage rent during Years 19-25

8.2 Percentage Rent. In any Lease Year in which the amount of Percentage Rent set forth below exceeds the Minimum Rent specified in subsection 8.1, LESSEE shall pay to LESSOR Percentage Rent based upon the following formula:

Twenty-five percent (25%) of gross revenue from greens fees, cart rentals, driving range fees;  
Four percent (4%) of sales of the golf professional's shop;  
Ten percent (10%) of food and beverage sales, including liquor; and  
Twenty-five percent (25%) of non-food, banquet room rentals.

8.3 Late Payment Charge. If any payment of rent or any other sum due is not received on or postmarked as of the due date, a late charge of ten percent (10%) of the payment due will

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be added to the payment obligation and the total sum shall be immediately due and payable to LESSOR. An additional charge of ten percent (10%) of said payment, excluding late charges, shall accrue for each additional month that said payment remains unpaid; provided, however, that in the event that LESSEE contests the obligation to pay a sum allegedly due and it is ultimately determined that the sum is not owed, LESSEE shall not be required to pay late charges pursuant to this subsection.



# Late Payment Received for 1/1/2018 – 12/31/23

- Arcis was billed \$413,968 on 7/15/24 and has only paid \$119,449 on 8/21/24
  - The payment of \$119,449 represents the following
    - Rent Due of \$12,998
    - \$48,745 late fees on minimum rent
    - \$57,705 late fees variable percent
  - Arcis only paid 10% late fee regardless of how many months late they were
- Arcis is now 13 months past due on the balance of \$294,519
- NOTE - There is no additional late penalty once rent is paid however late fees already assessed are still due but do not increase once original rent is paid

Meadowlark									
Customer Number	Document Number	Invoice Date	Due Date	Receipt Date	Gross Amount	Payment Amount	Open On As Of Date	Combined Amount On As Of Date	Unapplied Cash
41084 - MEADOWLARK GOLF COURSE - ARCIS	619916	7/15/2024	8/14/2024		413,968.00		294,519.00	294,519.00	
41084 - MEADOWLARK GOLF COURSE - ARCIS	619916	7/15/2024	8/14/2024	8/21/2024		-119,449.00			
41084 - MEADOWLARK GOLF COURSE - ARCIS	507747	8/21/2024	8/21/2024		-119,449.00		0.00	0.00	
Total 41084 - MEADOWLARK GOLF COURSE - ARCIS					294,519.00	-119,449.00	294,519.00	294,519.00	0.00
MAIN TOTAL:					294,519.00	-119,449.00	294,519.00	294,519.00	0.00

# Additional late fees due for late rent payment 2024

- \$68,544.68 Additional late fees for 2024 - This has not been billed to Arcis
  - This needs validation by outside examiner
  - Yellow box is how many months late – red box is late fee due and not billed

2024		January	February	March	April	May	June*	July	August	September	October	November	December
Reported To City by Arcis													
Rent		\$94,612.75	\$68,304.83	\$96,946.93	\$110,417.23	\$127,112.85	\$135,727.76	\$136,901.72	\$131,878.17	\$115,903.97	\$106,599.19	\$105,339.67	\$96,832.17
Base		\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00	\$44,314.00
Variable		\$50,298.75	\$23,990.83	\$52,632.93	\$65,103.23	\$82,798.85	\$91,413.76	\$92,581.72	\$87,564.17	\$71,589.97	\$62,285.19	\$61,025.67	\$52,518.17
Payments													
Base	Amount Paid - Journal Entry	\$ 44,314.00	\$44,314.00	\$ 44,314.00	\$ 44,314.00	\$ 44,314.00	\$ 44,314.00	\$ 44,314.00	\$ 44,314.00	\$ 44,314.00	\$ 44,314.00	\$ 44,314.00	\$ 44,314.00
	Due Date	1/31/2024	2/28/2024	3/31/2024	4/30/2024	5/31/2024	6/30/2024	7/31/2024	8/31/2024	9/30/2024	10/31/2024	11/30/2024	12/31/2024
	Months Late						1		1	1	2	1	1
	Late Fee Due						\$ 4,431.40		\$ 4,431.40	\$ 4,431.40	\$ 8,862.80	\$ 4,431.40	\$ 4,431.40
	Date Paid In City Journal	1/17/2024	2/14/2024	3/12/2024	4/9/2024	5/14/2023	7/8/2024	7/17/2024	9/4/2024	10/23/2024	12/2/2024	12/3/2024	1/7/2025
	Cash Journal ID	25	29	32	33	35	38	39	44	49	52	53	56
Variable	Amount Paid - Journal Entry	\$ 50,298.75	\$26,325.01	\$ 52,632.93	\$ 65,103.23	\$ 82,798.85	\$ 91,413.76	\$ 92,581.72	\$ 87,564.17	\$ 71,589.97	\$ 62,285.19	\$ 61,025.67	
	Due Date	2/28/2024	3/31/2024	4/30/2024	5/31/2024	6/30/2024	7/31/2024	8/31/2024	9/30/2024	10/31/2024	11/30/2024	12/31/2024	1/31/2025
	Months Late	1	1				1				1		
	Late Fee Due	\$ 5,029.88	\$ 2,399.08				\$ 861.49				\$ 6,228.52		
	Date Paid In City Journal	3/5/2024	4/23/2024	3/5/24 and 4/23/24	5/28/2024	6/18/2024	8/8/2024	8/21/2024	9/24/2024	10/17/2024	12/19/2024	12/19/2024	1/21/2025
	Cash Journal ID	30	34	31 and 34 partial	36	37	40,41,45	43	47	48	54	55	59

Amount Due	
Late Fees Not Reported by Arcis 10/23 - 2 months	
Not Paid until 2/6/24 - Payment was late variable and Water Payment March 2024	
\$66,283 X 10 % late fee per month X 2 months additional Late fees	
\$ 13,256.60	Late Fee for 10/23 Variable not billed by Davis Farr for 2 months in 2024
\$ 44,677.28	Late Fees January - August 2024 ( without Variable payment in August)
\$ 25,702.12	March 1-3, 2020 \$4,431.40. 58 months late at 10% a month
<b>\$ 83,636.00</b>	Amount Due Now in Addition to Davis Far Billing
\$ 15,091.32	Late Fees paid in 2024
<b>\$ 68,544.68</b>	Total Still Due

