



# The Economics of Golf Course Improvements

Laurence A. Hirsh, CRE, MAI, SGA, FRICS

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# Club's Mission

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***“To be the finest  
family-oriented  
country club in  
the region”***



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# Purpose of Plan

- ❑ Achieve Club Mission
- ❑ To set a direction for the expeditious economic revival and long term vitality of the club
- ❑ Serve as consistent “blueprint” for club’s long range future for future boards and management to follow



# Club Strengths

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- ❑ **Golf Course/Condition**
- ❑ **Tennis Courts**
- ❑ **Clubhouse (Exterior)**
- ❑ **Staff (some)**
- ❑ **Location**





# Club Weaknesses

- **Image**
  - Members/Staff/Community think we're going under
- **Facilities**
- **Management of Club**
  - Confidence in Board
  - Governance
  - Board Procedures
  - Communications
- **Lack of Direction**
- **Sports Club Issue**



# Club Goals - Golf

- **Excellent Course Conditions**
- **uncrowded tee availability**
  - Do we really need tee times?
- **equal access for women members**
- **unrestricted walking for members**
- **Continual course enhancements and upgrades**
- **establishment of a full-size comprehensive practice facility**

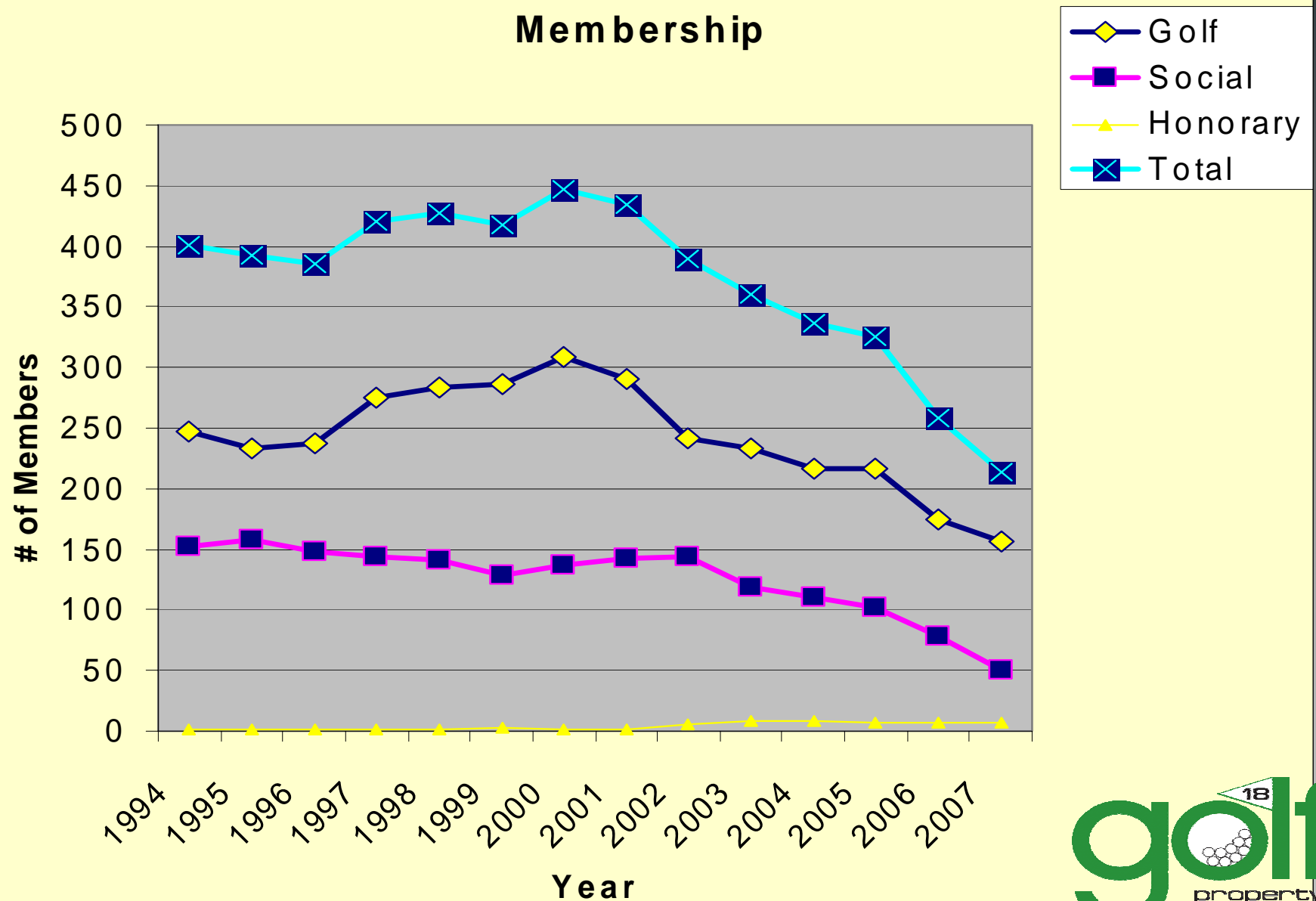


# Capital Investment

- **Phase I (2009) – Practice Facility - \$500K**
- **Phase II (2011) - Clubhouse - \$800K**
  - HVAC
  - Carpet
  - Paint
  - Fitness
  - Equipment
  - Other
- **Phase III (2012)– Course Improvements - \$700K**
- **ANNOUNCE NOW & Commit!**



## Membership



# Why Decline?

- ❑ **Poor Course Conditions prior to Scott**
- ❑ **Evolution of Club Culture**
- ❑ **Decline in interest by Jewish community**
- ❑ **Limited Marketing by Club**
- ❑ **Lousy Food & Beverage**
- ❑ **Fragmented and Fractured Management Structure**
- ❑ **Perception that Club is not “friendly”**
- ❑ **Perception of Failure**
- ❑ **Potential for Assessments/Increasing Cost**





# Club Mission – Membership



- *Establish goals for maximum number of members based on club members habits and consistent with an overall ability to achieve the mission of the club - Suggest 275 golf members*
- *set fees accordingly to provide for services @ high level (competitive with but slightly higher than other clubs)*
- *publish these goals and establish dates for achieving goals*
- **STABILITY**

# Club Mission – Membership

- ❑ *Associate Members – Encourage conversion to full membership*
- ❑ *Relationship between improvements & new members*
- ❑ *Encourage membership by incentives to join now:*
  - Establish Initiation tied to improvements
- ❑ Use our assets – 149 shares
- ❑ Stabilize w/ “good” (stable) members – Get rid of destructive members
- ❑ Encourage Young Members



# Club Mission – Food & Beverage

- ❑ *Less Board intrusion*
- ❑ *HIGHEST Quality provisions*
- ❑ *BEST Service*
- ❑ *financially viable “format”*
  - Smaller Menu
  - Where is opportunity
- ❑ *appropriate for the various occasions encountered.*
- ❑ Still needs work
- ❑ **GET THE MESSAGE OUT!**



# Revenues & Expenses

- **Declining Revenues**
  - **Declining Membership**
  - **Declining Use**
  - **Declining Outside Revenues**
  - **Declining Profit Centers**
- **Increasing Expenses**
  - **Services**
  - **Staffing**
  - **Maintenance**
  - **Capital Improvements (Need a Plan)**





# Goals?

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- ❑ **Commit to High Quality/Value**
- ❑ **Family Friendly**
- ❑ **A place for Business**
- ❑ **Market our Advantages & Assets**
- ❑ **Commit to Improvements to make Club “The Best it can Be”**
- ❑ **Get the message out EFFECTIVELY**



# The Market

Golf Club		Initiation Fee	Single Dues	Family Dues	Golfing Members	# Rounds	Assessments	Rds. Per Member
HBG	West Shore CC	\$ 15,000		\$ 4,800	425	23,000		54
	Carlisle CC	\$ 3,500	\$ 3,009	\$ 3,840	350	32,000	\$620 annual	91
	CC of Harrisburg	\$ 2,000	\$ 4,020	\$ 6,040	344	22,000		64
	Colonia ICC	\$ -	\$ 4,380	\$ 5,046	250	23,500	\$720 annual	94
	Blue Ridge CC	\$ -	\$ 3,000	\$ 5,900	156	18,500	(incl.)	119
	Hershey CC	\$ 12,000	\$ 4,032	\$ 5,484	600	48,000		80
Lanc/Leb 25=30 mi. E/SE	Lebanon CC	\$ 2,500	\$ 3,480	\$ 4,380		24,000	\$660 annual	
	Lancaster CC	\$ 26,000	\$ 4,800	\$ 6,400	525	29,000		55
	Bent Creek CC	\$ 15,000		\$ 8,133	284	18,000		63
	Conestoga CC	\$ -	\$ 3,912	\$ 5,532	365	37,000		101
	Media Heights CC	\$ 500	\$ 2,400	\$ 3,600	242	18,500		76
York 25 mi. S	CC of York	\$ 20,500	\$ 3,900	\$ 4,260	580	25,000		43
	Out Door CC of York	\$ 12,000	\$ 3,336	\$ 3,336		30,000	\$564 annual	
Reading 40-50 mi. E	Berkshire CC	\$ 7,500	\$ 4,800	\$ 4,800	380	24,000		63
	Heidelberg CC	\$ 2,250	\$ 3,360	\$ 3,935		20,000		
	Reading CC	\$ -	\$ 1,995					
	Moselem Springs GC	\$ 9,000	\$ 4,200	\$ 5,250	380	13,500		36
	Le dger ock GC	\$ 37,000	\$ 5,500	\$ 6,500	153	7,000		46
W/B - Scranton 110 - 135 mi. NE	Huntsville GC	\$ 6,000	\$ 4,600		400	13,000		33
	Glenmaura National GC	\$ 30,000		\$ 5,430	487	18,500		38
	Wyoming Valley CC	\$ 5,000	\$ 2,772	\$ 3,484	400	25,000		63
	Irem Temple CC	\$ 2,700	\$ 1,500	\$ 1,950	360	30,000		83
	Fox Hill CC					30,000		
	CC of Scranton	\$ 20,000		\$ 3,348	470	27,000	\$ 1,116.00	57
	Glen Oak CC	\$ 12,500	\$ 3,650	\$ 4,530		17,000		
	Valley CC	\$ 5,000	\$ 2,760	\$ 3,072	320	14,000	\$300 annual	44

# Membership

## □ What are we selling?

- Facilities
- VALUE
- Programs
- Services
- People
- PLAN
- Experience/Lifestyle



# Membership

- **How many do we want?**
  - **Goals**
    - Facilities - Capacity
    - Desires of Membership
    - Activity
  - **Pricing**
    - Stability
    - Realistic to fund Ops.
    - Consistent with Goals
    - Higher than competition but closer



# Membership

- **Goals**
  - **Members who left –  
Go after them  
personally**
  - **Jewish Community –  
a captive audience**
  - **Stability**
  - **Restore Prestige**
  - **Aggressive Committee  
& Members**
  - **AVOID “Deal du  
Jour”**





# Conclusions - Membership

## Membership Development Plan

- ❑ Analysis of ideal number of members
- ❑ Mktg. program – Professional assistance should be engaged.
- ❑ Member involvement program (ambassadors, welcoming letters, etc.) – do it aggressively but subtly
- ❑ Sponsorship and admission process **REQUIRED** (restore value in membership)
- ❑ Make Club known as a friendly place. **PROACTIVELY** – Dismiss some members





# Conclusions - Facilities

- ❑ Continue drainage improvements
- ❑ **Plan and Commit to Practice Facility Development**
- ❑ **Plan for Bunker, Tee and Green rebuilding as necessary**
- ❑ Develop Equipment Schedule and Replacement Plan
- ❑ Schedule Clubhouse renovations & Decorations as necessary
- ❑ Plan for Furniture Fixtures and Equipment as necessary



# Practice Range - Benefit

## Practice Range Economics - Annual Benefit (\$500,000)

<b>Cost</b>			<b>\$ 68,929.70</b>	<b>Net Gain/Loss</b>
<b>New Members @ Total Exp.</b>	\$ 8,000.00	10	\$ 80,000.00	\$ 21,856.24
	\$ 8,000.00	15	\$ 120,000.00	\$ 61,856.24
	\$ 8,000.00	25	\$ 200,000.00	\$ 141,856.24
<b>New Members @ Dues.</b>	\$ 5,500.00	10	\$ 55,000.00	\$ (13,929.70)
	\$ 5,500.00	15	\$ 82,500.00	\$ 13,570.30
	\$ 4,500.00	25	\$ 112,500.00	\$ 43,570.30
<b>Additional Club Use by current Members</b>		2%	\$ 1,000,000.00	\$20,000.00
		5%	\$ 1,000,000.00	\$50,000.00
		10%	\$ 1,000,000.00	\$100,000.00

# Practice Range - Cost

Practice Range Economics - Cost				
<b>Cost</b>		\$ 500,000.00	\$ 500,000.00	\$ 500,000.00
<b>Interest Rate</b>		7%	7%	7%
<b>Amortization</b>		<b>15.00</b>	<b>10.00</b>	<b>5.00</b>
<b>Monthly Payment</b>		\$4,494.14	\$5,805.42	\$9,900.60
<b>Annual Debt Service</b>		<b>\$ 53,929.70</b>	<b>\$ 69,665.09</b>	<b>\$ 118,807.19</b>
<b>Additional Maintenance</b>		\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
<b>Golf Balls</b>		\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
<b>Total Annual Cost</b>		<b>\$ 68,929.70</b>	<b>\$ 84,665.09</b>	<b>\$ 133,807.19</b>
<b>Cost Per Member (Annual) @</b>	210 members	\$ 328.24	\$ 403.17	\$ 637.18
	225 members	\$ 306.35	\$ 376.29	\$ 594.70
	250 members	\$ 275.72	\$ 338.66	\$ 535.23
	275 members	\$ 250.65	\$ 307.87	\$ 486.57
	285 members	\$ 241.86	\$ 297.07	\$ 469.50
<b>New Members necessary to pay @</b>	\$ 4,000	14.54	17.68	27.51
(with no additional expense to existing members)	\$ 5,000	11.63	14.15	22.01
	\$ 6,000	9.69	11.79	18.34
	\$ 8,000	7.27	8.84	13.76
	\$ 10,000	5.81	7.07	11.00



# Cash Flow Analysis

	2008	2009	2010	2011	2012	2013
MEMBERSHIP ASSUMPTIONS	2%					
"Heritage"						
Beginning	151	151	161	176	191	201
Additions	0	25	30	30	30	20
Resignations	0	15	15	15	20	20
Ending	151	161	176	191	201	201
Average	151	156	168	183	196	201
Associate						
Beginning	35	20	35	70	75	75
Additions	0	35	50	25	25	25
Recalled Memberships	15	20	15	20	25	25
Ending	20	35	70	75	75	75
Average	27	27	52	72	75	75
Social						
Beginning	25	30	49	64	75	75
Additions	10	25	20	20	20	20
Resignations	5	6	5	9	20	20
Ending	30	49	64	75	75	75
Average	27	39	56	69	75	75
Honorary						
Beginning	7	6	7	8	8	8
Additions	1	1	1	1	2	3
Resignations	2	0	0	1	2	3
Ending	6	7	8	8	8	8
Average	6	6	7	8	8	8
TOTAL AVERAGE CC MEMBERSHIPS	211	228	283	332	354	359
MEMBERSHIP DUES & Assessments	Increasing @ 4.0%					
Heritage	\$5,700	\$5,928	\$6,165	\$6,412	\$6,668	\$6,935
Associate	\$3,000	\$3,120	\$3,245	\$3,375	\$3,510	\$3,650
Social	\$1,200	\$1,248	\$1,298	\$1,350	\$1,404	\$1,460
Honorary	\$0	\$0	\$0	\$0	\$0	\$0



## Cash Flow Analysis

	2008	2009	2010	2011	2012	2013
<b>DUES &amp; ASSESSMENTS REVENUE</b>						
Heritage	\$860,700	\$924,768	\$1,035,740	\$1,173,346	\$1,306,966	\$1,393,919
Associate	\$81,000	\$84,240	\$168,730	\$242,971	\$263,218	\$273,747
Social	\$32,400	\$48,672	\$72,684	\$93,139	\$105,287	\$109,499
Honorary	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTAL DUES REVENUE</b>	<b>\$974,100</b>	<b>\$1,057,680</b>	<b>\$1,277,153</b>	<b>\$1,509,455</b>	<b>\$1,675,471</b>	<b>\$1,777,165</b>
<b>INITIATION FEES</b>						
Heritage	\$0	\$1,500	\$2,500	\$5,000	\$5,000	\$5,000
Associate	\$0	\$250	\$500	\$1,000	\$1,000	\$1,000
Social	\$0	\$0	\$0	\$0	\$0	\$0
Honorary	\$0	\$0	\$0	\$0	\$0	\$0

Not Included in Cash Flows

### Blue Ridge Country Club Discounted Cash Flow Analysis Page 2

<b>Annual Rounds</b>		<b>17,808</b>	<b>18,238</b>	<b>21,420</b>	<b>24,430</b>	<b>25,806</b>	<b>26,236</b>
<b>Member Rounds</b>	<b>80</b>	<b>14,240</b>	<b>14,640</b>	<b>17,600</b>	<b>20,400</b>	<b>21,680</b>	<b>22,080</b>
<b>Guest Rounds</b>	<b>6</b>	<b>1,068</b>	<b>1,098</b>	<b>1,320</b>	<b>1,530</b>	<b>1,626</b>	<b>1,656</b>
<b>Other Rounds</b>		<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>
<b>Cart Rounds</b>	<b>70%</b>	<b>12,466</b>	<b>12,767</b>	<b>14,994</b>	<b>17,101</b>	<b>18,064</b>	<b>18,365</b>
<b>OPERATING REVENUE</b>		<b>Increasing @ 2.5%</b>					
<b>Membership Dues</b>		<b>\$974,100</b>	<b>\$1,057,680</b>	<b>\$1,277,153</b>	<b>\$1,509,455</b>	<b>\$1,675,471</b>	<b>\$1,777,165</b>
Average Guest Fees		\$45.00	\$46.13	\$47.28	\$48.46	\$49.67	\$50.91
<b>Guest Fees</b>		<b>\$48,060</b>	<b>\$50,645</b>	<b>\$62,407</b>	<b>\$74,144</b>	<b>\$80,766</b>	<b>\$84,313</b>
Average Cart Fee		\$19.00	\$19.48	\$19.96	\$20.46	\$20.97	\$21.50
<b>Cart Fees</b>		<b>\$236,846</b>	<b>\$248,630</b>	<b>\$299,308</b>	<b>\$349,902</b>	<b>\$378,850</b>	<b>\$394,792</b>
Food & Bev Rev/Member		\$1,200	\$1,230	\$1,261	\$1,292	\$1,325	\$1,358
<b>Food &amp; Beverage Revenue</b>		<b>\$253,200</b>	<b>\$280,440</b>	<b>\$356,792</b>	<b>\$429,033</b>	<b>\$468,900</b>	<b>\$487,411</b>
Other Revenue/Member		\$500	\$513	\$525	\$538	\$552	\$566
<b>Other Revenue</b>		<b>\$105,500</b>	<b>\$116,850</b>	<b>\$148,663</b>	<b>\$178,764</b>	<b>\$195,375</b>	<b>\$203,088</b>
<b>Gross Operating Revenue</b>		<b>\$1,617,706</b>	<b>\$1,754,245</b>	<b>\$2,144,324</b>	<b>\$2,541,298</b>	<b>\$2,799,362</b>	<b>\$2,946,768</b>
Revenue/Member		\$7,667	\$7,694	\$7,577	\$7,655	\$7,908	\$8,208
Revenue per Golf Mbr. (All)		\$9,088	\$9,586	\$9,747	\$9,966	\$10,330	\$10,677





## Cash Flow Analysis

				2008	2009	2010	2011	2012	2013
<b>Expenses</b>									
<b>Departmental Costs &amp; Expenses</b>				<i>Increasing at 3.5%</i>					
Maintenance				\$600,000	\$621,000	\$642,735	\$665,231	\$688,514	\$712,612
Carts				\$60,000	\$62,100	\$64,274	\$66,523	\$68,851	\$71,261
Food & Beverage COGS	30%			\$75,960	\$84,132	\$107,038	\$128,710	\$140,670	\$146,223
Food & Beverage Expenses	65%			\$164,580	\$182,286	\$231,915	\$278,872	\$304,785	\$316,817
<b>Undistributed Expenses</b>									
General & Administrative	16.0%			\$258,833	\$280,679	\$343,092	\$406,608	\$447,898	\$471,483
Management	4.0%			\$64,708	\$70,170	\$85,773	\$101,652	\$111,974	\$117,871
Membership Development	5.0%			\$80,885	\$87,712	\$107,216	\$127,065	\$139,968	\$147,338
Professional Fees	1.0%			\$16,177	\$17,542	\$21,443	\$25,413	\$27,994	\$29,468
Utilities				\$100,000	\$103,500	\$107,123	\$110,872	\$114,752	\$118,769
Repairs & Maintenance	2.5%			\$40,443	\$43,856	\$53,608	\$63,532	\$69,984	\$73,669
<b>Fixed Expenses</b>									
Real Estate Taxes				\$80,000	\$82,800	\$85,698	\$88,697	\$91,802	\$95,015
Insurance				\$65,000	\$67,275	\$69,630	\$72,067	\$74,589	\$77,200
Reserves for Replacement	3.0%			\$48,531	\$52,627	\$64,330	\$76,239	\$83,981	\$88,403
<b>Total Expenses</b>				<b>\$1,655,118</b>	<b>\$1,755,680</b>	<b>\$1,983,873</b>	<b>\$2,211,480</b>	<b>\$2,365,762</b>	<b>\$2,466,128</b>
<b>EBIDAT</b>				<b>(\$37,411)</b>	<b>(\$1,435)</b>	<b>\$160,451</b>	<b>\$329,818</b>	<b>\$433,600</b>	<b>\$480,640</b>
<b>Debt Service</b>	\$	2,400,000.00	7% 20 yrs.	<b>(\$223,286)</b>	<b>(\$223,286)</b>	<b>(\$223,286)</b>	<b>(\$223,286)</b>	<b>(\$223,286)</b>	<b>(\$223,286)</b>
<b>Phase I</b>	\$	500,000.00	7% 20 yrs.		<b>(\$46,518)</b>	<b>(\$46,518)</b>	<b>(\$46,518)</b>	<b>(\$46,518)</b>	<b>(\$46,518)</b>
<b>Phase II</b>	\$	800,000.00	7% 20 yrs.				<b>(\$74,429)</b>	<b>(\$74,429)</b>	<b>(\$74,429)</b>
<b>Phase III</b>	\$	700,000.00	7% 20 yrs.					<b>(\$65,125)</b>	<b>(\$65,125)</b>
<b>Cash Flow</b>				<b>(\$260,697)</b>	<b>(\$271,239)</b>	<b>(\$109,353)</b>	<b>(\$14,415)</b>	<b>\$24,242</b>	<b>\$71,282</b>
<b>Cumulative Cash Flow</b>				<b>(\$260,697)</b>	<b>(\$531,937)</b>	<b>(\$641,290)</b>	<b>(\$655,704)</b>	<b>(\$631,462)</b>	<b>(\$560,180)</b>

# The “Low Cost” Alternative (as per bank submission)

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- ❑ Dues **GO DOWN?**(as costs keep increasing)
- ❑ **Needs too many members (300+)**
  - We were VERY crowded at that level in 2000
- ❑ Requires More Outings
  - Still w/ no practice range for members
  - Do we even know we can get more?
- ❑ No plan to convert “associates” to full membership
- ❑ Never reaches positive cash flow
  - The “hole” gets deeper

# Semi- Private

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- ❑ 200 “members”
- ❑ 10,000 outside rounds
- ❑ 30,000+ rounds @ stabilization
- ❑ Long Term negative cash flow

“It’s unwise to pay too much, but it’s worse to pay too little. When you pay too much, you lose a little money- that is all. When you pay too little, you sometimes lose everything, because the thing you bought was incapable of doing the thing it was bought to do. The common law of business balance prohibits paying a little and getting a lot- it can’t be done. If you deal with the lowest bidder, it is well to add something for the risk you run, and, if you do that, you will have enough to pay for something better.”

- John Ruskin (1819-1900)



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