



September 28-30, 2015
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Repositioning & Repurposing Your Golf Facility

Van Tengberg, John Brown, Larry Hirsh, Ron Carciere



FOLEY & LARDNER LLP



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Repositioning Your Golf Facility

Economic Reality in the Post “Golf Boom”
Era

Speaker

John A Brown Jr
PGA Master Professional
Chairman & CEO
Brown Golf Management,
LLC



Let's Set the Stage

- ❖ Total number of golf courses in the U.S. was 16,052 in 2005 with the number dropping to the current 15,275 number
- ❖ Approx. 11,775 open to the public & 3,500 private
- ❖ Of these courses 10-15% (conservatively) are in serious financial trouble
- ❖ Number of Americans playing golf has dropped from a high of 30 million in 2005 to approx. 24 million today
- ❖ Many of these troubled facilities are turning to 3rd party management, with many of the private clubs opening to the public
- ❖ Denim is still not allowed at 60% of the private clubs in the country
- ❖ Cargo shorts are not allowed at 45 % of the private clubs & 16% do not allow cell phones
- ❖ 30% of private clubs are still restrictive to women
- ❖ 60% of private clubs limit tee times for kids
- ❖ 69% of private clubs ban the rally cap (Hat backwards)

Let's Set the Stage, Cont.

- ❖ 65% of private clubs raised dues by 2% or more this year
- ❖ 47% of private clubs fund cap x through a capital dues assessment
- ❖ Median Capital Investment at a private club in 2014 was 7% of gross revenue
- ❖ 70% of private clubs had a net F&B loss in 2014
- ❖ Median Healthcare Expense is 6% of total club payroll
- ❖ 60% of private clubs experienced growth in Junior memberships last year
- ❖ 74% of ALL GOLFERS felt pace of play was very important to enjoyment more important than price
- ❖ If you don't know all of the information about the demographic that lives within 15 minutes of your facility you have no chance

Our Problems

- ❖ Since 2001 over 1,400 golf courses have closed due to economic hardship
- ❖ The golf course development boom of the 90's was built purely on speculation. It was falsely believed that retiring baby boomers would drastically increase the demand for golf. 400 courses a year were built during this time and the growth in players never materialized
- ❖ The economic down turn has forced many of these BABY Boomers to continue working and in many cases even working longer hours weekly, thereby reducing available recreational time by some estimates as much as 2.5 hours per day
- ❖ Total rounds played have dropped 15-20% over the last twenty years
- ❖ It appears we are still over built by up to 2,000 courses nationwide

Reposition your golf course for success

❖ Reposition Definition:

- 1) To change the position of
- 2) To change the image, by revising marketing strategies in an effort to increase sales



It won't be easy but it is possible

One Successful Example for Brown Golf

- ❖ We took over Colonial January 1, 2012. Colonial was a semi-private facility that had two owners. It was former private equity country club that was sold to the current owners three years prior.
- ❖ The club operated at a \$350K loss in 2011 using a concept of high end semi-private. Selling memberships for around \$350 per month, and trying to sell \$75 plus greens fees. However, the club limited this availability until after 12pm on the weekends. The revenues annually were about 2.6 million of which 59% of those revenues covered labor of \$1,534,000 in 2011.
- ❖ We immediately reconstructed the organizational structure of the club. Through analyzing all areas:
 - o Wages
 - o Health Insurance
 - o Staffing
- ❖ The first year labor reduction went from 59% to 43% of our annual revenues.
- ❖ We grew revenues through an aggressive hybrid semi-private model, which was different then the “elitist” model the club used previously (the club really didn’t want supplemental public play)
 - o Membership Dues stayed in place and did not drop. We offered our complimentary lesson program to provide value for the membership.
 - o We immediately offered tee times whenever we had availability. Instead of restriction our tee sheet we setup a “fill in system”. Members could book tee times 14 days out, the public could book tee times 5 days out. We repriced our public tee times from \$34 to \$55 dollars using a tiered pricing system throughout the week (Prices varied based on time and time of the week).
 - o We ran a market competitive analysis to see what rate we should charge and how we should setup the tiers
 - o We aggressively offered membership promotions to:
 - § Highlight our new complimentary lesson program
 - § Offered great opportunities for prospective members to join with friends.
- ❖ We always tried to have a new prospect join with friends. And, our programs were geared around that.
 - o Annual revenues in your one grew to 2.9 million dollars and we were able to maintain a 43% labor percentage for a total labor of just under \$1,250,000. The clubs profitability grew \$700,000 and we ended year one with a profit of \$350,000k. 95% of the turnaround was based on labor efficiency, and growing golf green’s fee & carts fees (I would mention that a dollar in carts & greens fees is like 10 in F&B when it comes to net bottom line impact)

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REPOSITIONING YOUR GOLF COURSE

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

September 28, 2015
LaQuinta, CA



www.golfprop.com



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- A man in a blue and white polo shirt, a white vest with a small logo, dark trousers, and a cap stands on a grassy golf course. He is holding a golf club. In the background, there is a large green golf course with a sand trap, a path, and some buildings in the distance under a cloudy sky.
- S W O T
 - Demographics Analysis
 - Market Analysis
 - The Property
 - Operational Review
 - Conclusions

SWOT Analysis - Golf Property Analysts

ABC GOLF CLUB

Criteria

Advantages of facilities?
Competitive advantages?
Resources, Assets, People?
Membership/Customer Base?
Financial reserves, likely returns?
Marketing - reach, distribution, awareness?
Innovative aspects?
Location and geographical?
Price, value, quality?
Awards/Recognitions?
Technology/Communications?
Cultural, attitudinal, behavioral?
Tools/Equipment?
Reputation/Market Perception?
Historical Performance?
Depth of Market & Competition?

Strengths

Weaknesses

Criteria

Disadvantages of facilities?
Competitive disadvantages?
Resources, Assets, People?
Membership/Customer Base?
Financial reserves, likely returns?
Marketing - reach, distribution, awareness?
Innovative aspects?
Location and geographical?
Price, value, quality?
Awards/Recognitions/Criticisms?
Technology/Communications?
Cultural, attitudinal, behavioral?
Tools/Equipment?
Reputation/Market Perception?
Historical Performance?
Depth of Market & Competition?

Criteria

Market developments?
Competitors' vulnerabilities?
Industry or lifestyle trends?
Technology development and innovation?
Global/Market influences?
New markets, vertical, horizontal?
Niche target markets?
Additions/Upgrades to Facilities/Programs?
Marketing?
Information and research?
Partnerships, agencies, distribution?

Opportunities

Threats

Criteria

Political effects?
Legislative effects?
Environmental effects?
IT developments?
Competitor intentions - various?
Market demand?
New technologies, services, ideas?
Vital contracts and partners?
Sustaining internal capabilities?
Obstacles faced?
Insurmountable weaknesses?
Property Constraints?
Loss of key staff?
Sustainable financial backing?
Economy - home, abroad?
Seasonality, weather effects?
Capital Needs?

Market Profile			
River Downs			
1900 River Downs Dr, Finksburg, Maryland, 21048			
Rings: 5, 15, 25 mile radii			
	5 miles	15 miles	25 miles
Population Summary			
2010 Total Population	24,959	438,911	1,887,533
2013 Total Population	24,947	443,008	1,903,477
2018 Total Population	25,067	452,000	1,946,061
2013-2018 Annual Rate	0.10%	0.40%	0.44%
Household Summary			
2010 Households	9,199	168,466	732,391
2010 Average Household Size	2.71	2.56	2.51
2013 Households	9,220	170,066	739,737
2013 Average Household Size	2.70	2.56	2.50
2018 Households	9,297	173,667	756,861
2018 Average Household Size	2.69	2.56	2.50
2013-2018 Annual Rate	0.17%	0.42%	0.46%
Median Household Income			
2013	\$94,098	\$76,449	\$60,827
2018	\$107,139	\$89,396	\$74,830
Median Home Value			
2013	\$329,933	\$296,547	\$261,242
2018	\$415,373	\$370,629	\$321,708
Median Age			
2013	45.5	41.1	38.7
2018	46.5	41.6	39.2

	5 miles	15 miles	25 miles
2013 Households by Income			
Household Income Base	9,220	170,066	739,716
<\$15,000	5.7%	7.1%	11.2%
\$15,000 - \$24,999	5.8%	5.2%	7.4%
\$25,000 - \$34,999	4.4%	7.1%	9.4%
\$35,000 - \$49,999	8.3%	12.3%	12.9%
\$50,000 - \$74,999	15.0%	17.2%	17.3%
\$75,000 - \$99,999	13.4%	14.0%	12.2%
\$100,000 - \$149,999	26.1%	20.2%	16.4%
\$150,000 - \$199,999	12.6%	9.0%	6.9%
\$200,000+	8.8%	7.9%	6.3%
Average Household Income	\$110,051	\$98,008	\$84,712
2018 Households by Income			
Household Income Base	9,297	173,667	756,840
<\$15,000	5.0%	6.7%	10.9%
\$15,000 - \$24,999	4.1%	4.0%	5.9%
\$25,000 - \$34,999	2.9%	5.2%	7.3%
\$35,000 - \$49,999	6.6%	10.8%	11.8%
\$50,000 - \$74,999	10.7%	13.3%	14.2%
\$75,000 - \$99,999	14.2%	15.5%	13.9%
\$100,000 - \$149,999	28.8%	22.7%	19.0%
\$150,000 - \$199,999	17.4%	12.8%	9.8%
\$200,000+	10.2%	9.1%	7.2%
Average Household Income	\$129,450	\$114,524	\$98,747

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2013 and 2018.

Club	Type/Holes	Greens Fees (18-holes)		Cart Fee	2013 Rounds
		Weekday	Weekend		
Oakmont Green Golf Club	DF/18	\$20.00	\$32.00	\$15.00	undisclosed
Waverly Woods Golf Club	DF/18	\$64.00	\$84.00	included	undisclosed
Diamond Ridge Golf Course	MU/18	\$31.00	\$39.00	\$14.00	50,000
Diamond Ridge - Woodlands	MU/18	\$54.00	\$74.00	included	38,000
Links at Challedon	DF/18	\$49.00	\$69.00	included	35,000
Rattlewood Golf Course	MU/18	\$24.95	\$49.95	\$10.00	32,000
Fox Hollow Golf Course	MU/18	\$31.00	\$39.00	\$14.00	45,000
South Hills Golf Club	DF/18	\$30.00	\$48.00	included	undisclosed
Greystone Golf Club	MU/18	\$59.00	\$79.00	included	35,000
Fairway Hills Golf Club	MU/18	\$35.00	\$41.00	\$18.00	30,000
Westwinds Golf Club	DF/18	\$39.00	\$49.00	included	15,000
The Timbers at Troy	DF/18	\$40.00	\$52.00	\$17.00	50,000
P.B. Dye Golf Club	DF/18	\$76.00	\$94.00	included	22,000
Whiskey Creek Golf Club	DF/18	\$62.00	\$114.00	included	25,000
Westminster National Golf Course	DF/18	\$19.00	\$32.00	\$14.00	35,000



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- Location
- Site
- Resources
- Access
- Condition
- Quality
- Advantages/Disadvantages

- Historical Performance
- Trends
- Satisfaction
- Staff
- Marketing

- Sell
- PR to SP
- SP to DF
- Renovate/Upgrade
- Pricing
- Add Facilities
- Expand Marketing

Repurposing When Repositioning is NOT an Option

- ❖ Redevelopment
- ❖ Transfer to Homeowner's Association
- ❖ Sell



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Redevelopment

❖ Assemble a Team of Experts

- Engineering
- Land Planning
- Legal
- Accounting
- Market Analyst



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Redevelopment

❖ The Most Feasible Alternate Use

- What is Physically Possible
- What is Legally Allowed
- What Alternate Use Would be Most Profitable
- Be Realistic in Your Expectations



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Redevelopment Example

❖ Empire Lakes GC

- Declining Income
- Transition to a Higher and Better Use



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Transfer to Homeowner's Association

❖ Benefits

- Save the Amenity for the Community
- Preserve Property Values
- Stabilize Cash Flow
- Make Needed Capital Improvements



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Transfer Example

❖ Trilogy @ Rio Vista

- Declining Revenue
- Deteriorating Condition
- Current Owner Threatening Closure
- Homeowner's Voted not to Buy



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Sell

- ❖ **Develop an Exit Strategy**
- ❖ **Assemble a Team of Experts**
 - Brokerage
 - Legal
 - Accounting
 - Market Analyst
- ❖ **Prepare the Property for Sale**



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Questions?

❖ Tell us what you would have done...



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