



President's Day

The Economics of Club Improvements

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

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Club Improvement Economics

- ❑ **Planning**
- ❑ **Project Feasibility**
- ❑ **Project Financing**
- ❑ **Implementation**



Planning a Project

- ☐ Needs – Members
- ☐ Needs – Facilities
- ☐ Wishes
- ☐ Competition
- ☐ Deferred Maintenance
- ☐ Property Limitations
- ☐ Cost
- ☐ Financing
- ☐ Future Maintenance – Sinking Fund/Reserves
- ☐ Get PROFESSIONAL HELP!



Estimating Costs

- ☐ Architect's Plan
- ☐ Bids
- ☐ Paper Napkin
- ☐ What the other club spent down the street
- ☐ GCBA
- ☐ Clubhouse Architects
- ☐ Land Planner
- ☐ Realistic about needs



Feasibility

- ☐ Will it attract Members?
- ☐ Will existing Members Pay More?
- ☐ Will Existing Members use club more?
- ☐ Will Operating Cost Increase? Capital Reserve?
- ☐ Time to Complete & Disruption?
- ☐ Can Members Leave During Project?



Project Financing - Two Kinds of Clubs

- ❑ Those clubs with an “owner” mentality that simply assess the members for the cost of a project and pay for it.
- ❑ Those clubs with a “customer” mentality who want to defer payment to the next generation by incurring debt financing for any project.
- ❑ Is financing available?
- ❑ Will members accept an assessment?
- ❑ Will board require an assessment?



The following case study was derived from a real-life situation of a club considering certain capital improvements as part of a long range plan.



Club's Mission

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



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

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



Club Weaknesses

- ❑ **Image**
 - Members/Staff/Community think the club will fail
- ❑ **Facilities**
- ❑ **Management of Club**
 - Confidence in Board
 - Governance
 - Board Procedures
 - Communications



Lack of Direction
Sports Club Issue



Club Goals - Golf

- ❑ **Excellent Course Conditions**
- ❑ **Member Access**
- ❑ **equal access for women members**
- ❑ **unrestricted walking for members**
- ❑ **Continual course enhancements and upgrades**
- ❑ **establishment of a full-size comprehensive practice facility**

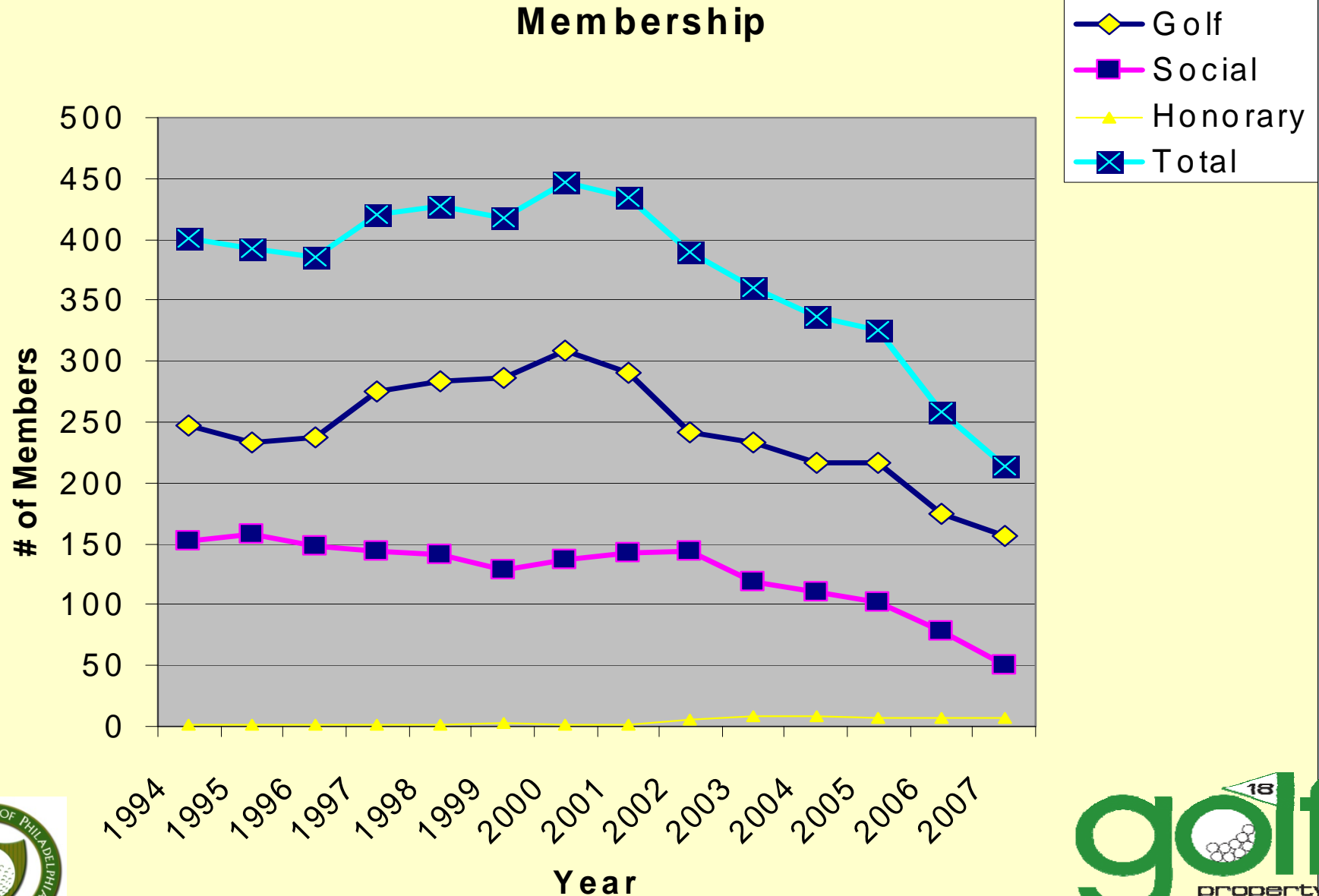


Capital Investment

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



Membership



Why Decline?

The Downward Spiral

- ❑ **Poor Course Conditions prior to S.F.**
- ❑ **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 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 (Pay me now or Pay me Later)**
 - **Capital Improvements (Need a Plan)**




Goals?

- ❑ **Commit to High Quality/Value**
- ❑ **Family Friendly**
- ❑ **A place for Business**
- ❑ **Market 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
1	A		\$ 15,000		\$ 4,800	425	23,000		54
	B		\$ 3,500	\$ 3,009	\$ 3,840	350	32,000	\$620 annual	91
	C		\$ 2,000	\$ 4,020	\$ 6,040	344	22,000		64
	D		\$ -	\$ 4,380	\$ 5,046	250	23,500	\$720 annual	94
	E		\$ -	\$ 3,000	\$ 5,900	156	18,500	(incl.)	119
	F		\$ 12,000	\$ 4,032	\$ 5,484	600	48,000		80
2	A		\$ 2,500	\$ 3,480	\$ 4,380		24,000	\$660 annual	
	B		\$ 26,000	\$ 4,800	\$ 6,400	525	29,000		55
	C		\$ 15,000		\$ 8,133	284	18,000		63
	D		\$ -	\$ 3,912	\$ 5,532	365	37,000		101
	E		\$ 500	\$ 2,400	\$ 3,600	242	18,500		76
3	A		\$ 20,500	\$ 3,900	\$ 4,260	580	25,000		43
	B		\$ 12,000	\$ 3,336	\$ 3,336		30,000	\$564 annual	
4	A		\$ 7,500	\$ 4,800	\$ 4,800	380	24,000		63
	B		\$ 2,250	\$ 3,360	\$ 3,935		20,000		
	C		\$ -	\$ 1,995					
	D		\$ 9,000	\$ 4,200	\$ 5,250	380	13,500		36
	E		\$ 37,000	\$ 5,500	\$ 6,500	153	7,000		46
5	A		\$ 6,000	\$ 4,600		400	13,000		33
	B		\$ 30,000		\$ 5,430	487	18,500		38
	C		\$ 5,000	\$ 2,772	\$ 3,484	400	25,000		63
	D		\$ 2,700	\$ 1,500	\$ 1,950	360	30,000		83
	E						30,000		
	F		\$ 20,000		\$ 3,348	470	27,000	\$ 1,116.00	57
	G		\$ 12,500	\$ 3,650	\$ 4,530		17,000		
	H		\$ 5,000	\$ 2,760	\$ 3,072	320	14,000	\$300 annual	44



Membership

■ What is the club selling?

- Facilities
- VALUE
- Programs
- Services
- People
- PLAN
- Experience/Lifestyle
FOR WHOLE
FAMILY



Membership

- ❑ **How many is too many?**
 - **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)

Cost			\$ 68,929.70	<u>Net Gain/Loss</u>
New Members @ Total Exp.	\$8,000.00	10	\$ 80,000.00	\$ 11,070.30
	\$8,000.00	15	\$ 120,000.00	\$ 51,070.30
	\$8,000.00	25	\$ 200,000.00	\$ 131,070.30
New Members @ Dues.	\$4,500.00	10	\$ 45,000.00	\$ (23,929.70)
	\$4,500.00	15	\$ 67,500.00	\$ (1,429.70)
	\$4,500.00	25	\$ 112,500.00	\$ 43,570.30
Additional Club Use by current Members		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				
Cost		\$ 500,000.00	\$ 500,000.00	\$ 500,000.00
Interest Rate		7%	7%	7%
Amortization		15.00	10.00	5.00
Monthly Payment		\$4,494.14	\$5,805.42	\$9,900.60
Annual Debt Service		\$ 53,929.70	\$ 69,665.09	\$ 118,807.19
Additional Maintenance		\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
Golf Balls		\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
Total Annual Cost		\$ 68,929.70	\$ 84,665.09	\$ 133,807.19
Cost Per Member (Annual) @	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
New Members necessary to pay @	\$ 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
<i>Ending</i>	151	161	176	191	201	201
<i>Average</i>	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
<i>Ending</i>	20	35	70	75	75	75
<i>Average</i>	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
<i>Ending</i>	30	49	64	75	75	75
<i>Average</i>	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
<i>Ending</i>	6	7	8	8	8	8
<i>Average</i>	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
DUES & ASSESSMENTS REVENUE						
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
TOTAL DUES REVENUE	\$974,100	\$1,057,680	\$1,277,153	\$1,509,455	\$1,675,471	\$1,777,165
INITIATION FEES						
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

Annual Rounds	17,808	18,238	21,420	24,430	25,806	26,236
Member Rounds	80	14,240	14,640	17,600	21,680	22,080
Guest Rounds	6	1,068	1,098	1,320	1,626	1,656
Other Rounds		2,500	2,500	2,500	2,500	2,500
Cart Rounds	70%	12,466	12,767	14,994	17,101	18,365
OPERATING REVENUE	<i>Increasing @ 2.5%</i>					
Membership Dues	\$974,100	\$1,057,680	\$1,277,153	\$1,509,455	\$1,675,471	\$1,777,165
Average Guest Fees	\$45.00	\$46.13	\$47.28	\$48.46	\$49.67	\$50.91
Guest Fees	\$48,060	\$50,645	\$62,407	\$74,144	\$80,766	\$84,313
Average Cart Fee	\$19.00	\$19.48	\$19.96	\$20.46	\$20.97	\$21.50
Cart Fees	\$236,846	\$248,630	\$299,308	\$349,902	\$378,850	\$394,792
Food & Bev Rev/Member	\$1,200	\$1,230	\$1,261	\$1,292	\$1,325	\$1,358
Food & Beverage Revenue	\$253,200	\$280,440	\$356,792	\$429,033	\$468,900	\$487,411
Other Revenue/Member	\$500	\$513	\$525	\$538	\$552	\$566
Other Revenue	\$105,500	\$116,850	\$148,663	\$178,764	\$195,375	\$203,088
Gross Operating Revenue	\$1,617,706	\$1,754,245	\$2,144,324	\$2,541,298	\$2,799,362	\$2,946,768
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
Expenses									
Departmental Costs & Expenses				Increasing at	3.5%				
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
Undistributed Expenses									
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
Fixed Expenses									
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
Total Expenses				\$1,655,118	\$1,755,680	\$1,983,873	\$2,211,480	\$2,365,762	\$2,466,128
EBIDAT				(\$37,411)	(\$1,435)	\$160,451	\$329,818	\$433,600	\$480,640
Debt Service	\$	2,400,000.00	7% 20 yrs.	(\$223,286)	(\$223,286)	(\$223,286)	(\$223,286)	(\$223,286)	(\$223,286)
Phase I	\$	500,000.00	7% 20 yrs.		(\$46,518)	(\$46,518)	(\$46,518)	(\$46,518)	(\$46,518)
Phase II	\$	800,000.00	7% 20 yrs.				(\$74,429)	(\$74,429)	(\$74,429)
Phase III	\$	700,000.00	7% 20 yrs.					(\$65,125)	(\$65,125)
Cash Flow				(\$260,697)	(\$271,239)	(\$109,353)	(\$14,415)	\$24,242	\$71,282
Cumulative Cash Flow				(\$260,697)	(\$531,937)	(\$641,290)	(\$655,704)	(\$631,462)	(\$560,180)

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

- ❑ 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

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



What Happened?

The club never did any of the improvements and has lived on the edge since. Their strategy has been simply to wait for one of the other clubs to fail, which occurred. Quality has suffered, membership has been on the decline and member satisfaction has deteriorated. The club may or may not survive but with discounted fees and diminished quality and limited membership stability.



“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)



QUESTIONS

Larry@golfprop.com

**Presentation Available on
Web @**

<http://www.golfprop.com>



