

# The Master Plan as a Business Model

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# Club Improvement Economics

- Planning
- Project Feasibility
- Project Financing
- Implementation



# Planning a Project

- ❑ Consult other clubs
- ❑ Needs – Members (“put in member shoes, not only the club’s interests”)
- ❑ Needs – Facilities
- ❑ Needs - Staff
- ❑ Wishes
- ❑ Competition
- ❑ Deferred Maintenance/Deterioration
- ❑ Property Limitations
- ❑ Cost
- ❑ Financing
- ❑ Future Maintenance – Sinking Fund/Reserves
- ❑ Get PROFESSIONAL HELP! – Selecting Club Leadership
- ❑ Pro-Formas



# Policy Changes and Considerations

- ☐ Opening time
- ☐ Tee Time intervals
- ☐ Guest Policies
- ☐ Range usage
- ☐ Lost Revenues
- ☐ Labor Cost
- ☐ Impact on Caddies
- ☐ Cart usage and logistics
- ☐ Access to Range
- ☐ Bag Storage
- ☐ Member Events
- ☐ F & B
- ☐ Parking
- ☐ Golf Rules Changes
- ☐ Outings



# 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/Players?
- ☐ Will existing Members/Patrons Pay More?
- ☐ Will Existing Members/Patrons 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.
- ❑ For Profit clubs will need to show ability to pay back
- ❑ Is financing available?
- ❑ Will members accept an assessment?
- ❑ Will board require an assessment?



# Project Implementation – Doing It

- ❑ **Decisions – Sod vs. seed**
- ❑ **Timing**
- ❑ **Operational Issues**
- ❑ **Revenue Impact (39,744 rds in 2012, 28,000 YTD in 2013 proj. 32-33,000) shop down 25%-30%**
- ❑ **Expense Impact – nominally lower**
- ❑ **Employee Staff Impact - minimal**
- ❑ **Member Impact – inconvenience, if not 36 holes, dependent on reciprocal program**



# After Construction

- ❑ **New Procedures – Guest policies/reciprocals: Now only one 4-some accompanied. Increased rate. Limited 2 unaccompanied groups – reemphasize walking**
- ❑ **Maintenance – no carts on Wiss Year 1**
- ❑ **Impact on Club/Membership – membership at its strongest 625 up to 700 + 22/50 GIW**
- ❑ **Impact on Staff – Bag Drop, Range traffic**
- ❑ **Debt Service**





*The following case studies (2) are real life and actually happened*



# Reasons to Renovate

- ❑ Age of Facilities and Membership
- ❑ Leadership/Management
- ❑ Confidence
- ❑ Direction
- ❑ Ownership
- ❑ FUTURE



# Club Goals

- To Be Cost Competitive
- To be the Best in the market





# Philosophy

*Compete on Price*

*Get as many members As possible*



*Reduce Entrance Fee  
Temporarily  
Achieve Full  
Membership  
Stability and  
“Stewardship”*





# Practice Range - Benefit

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

<b>Cost</b>			<b>\$</b>	<b>68,929.70</b>	<b><u>Net Gain/Loss</u></b>
<b>New Members @ Total Exp.</b>	\$ 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
<b>New Members @ Dues.</b>	\$ 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
<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				
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



# What Happened

*The club never did any of the improvements and has lived on the edge since. Their strategy was to simply to wait for one of the other clubs to fail, which occurred. Quality has suffered, membership declined and member satisfaction has deteriorated. In May, 2012 the club was sold to the developer who bought the club down the street for \$17,000 PER ACRE. It must remain a club for at least 5 years and most think it's only a matter of time before it becomes a housing development.*





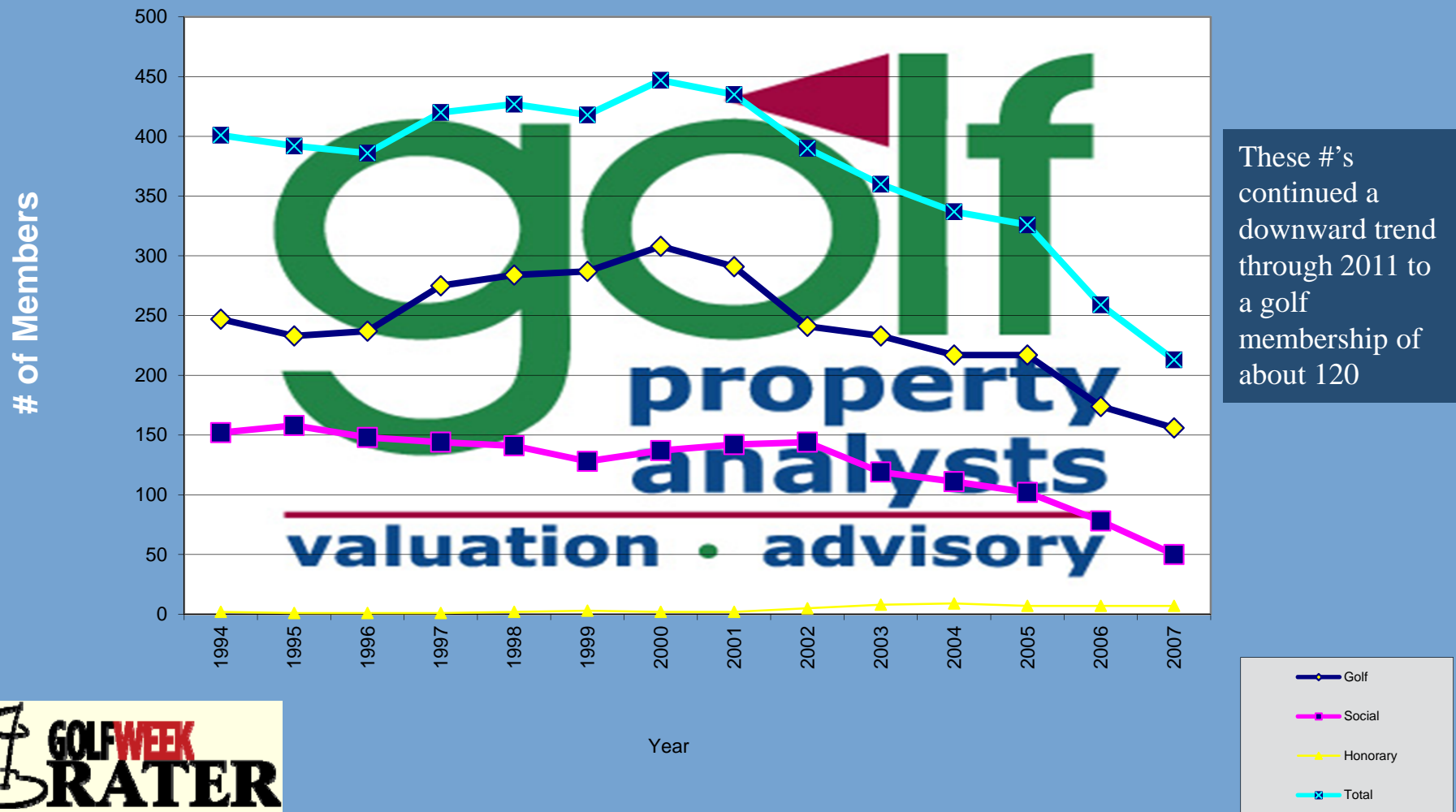
# What Happened?

The club embarked on a \$12.5 million renovation and restoration plan that passed with a 68% vote. They reduced entrance fees, assessed members and filled the club's golf membership before construction on the renovation for the golf course began. The plan was "sold" as a "*stewardship*" of the club and has clearly already been a success. The club did not rest on its laurels and is now set to succeed well into the future.





## Membership





## PCC Membership History





# QUESTIONS

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Presentation Available on  
Web @

<http://www.golfprop.com>





