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Distinguished Clubs
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Sarasota Yacht Club Celebrates As A Distinguished Emerald Club

10 | PUBLISHER'S PERSPECTIVE
40 | ON THE FRONTLINES

60 | LEGAL MANAGEMENT
78 | WINNING STRATEGIES

L-R STANDING: SPENCER WAY, DOCKMASTER;
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Re-Capitalizing Your Club



LARRY HIRSH

In the ever-competitive world of private clubs, often the biggest challenge in “keeping up” is not simply whether or not improvements are essential to the future of the club, but how to pay for them.

Since few clubs have the cash on hand to handle it, they need to consider among several options:

- Assess the membership
- Re-finance with bank debt
- Sell club to a group of members
- Sell the club to a for profit owner.

Ask the following questions by completing a SWOT (strengths, weaknesses, opportunities, threats):

- What improvements are required and how much will they cost?
- How is the club positioned in the market with competitive clubs?
- Should improvements all be done at once or phased?
- Is the club an “owners” club or a “customers” club?
- What will be the impact on the club of the loss of use of facilities?
- Where will the club be positioned after the improvements?

Improvements: Many clubs struggle with two (or more) factions of members. The club’s golfers maintain that it’s the golf course that generates the majority of revenue for the club and that’s often the case.

However, at some clubs there can be an equal or greater number of non-golfers who often have the same voting power as the golfers. Accordingly, there’s a debate over where to spend a typically finite amount of available funds. At many clubs, each member (and often each board member) have personal agendas.

This debate can often be harmful to the club’s culture, fracture friendships and cause membership flight - either to other clubs or to alternative activities.

Market positioning: Part of the decision to select and prioritize improvements should come from an objective review of the club’s relative position in the market. Every club has a variety of strengths and weaknesses that make it unique. Accordingly, in order to identify the correct mar-

ket position for any given club, it’s critical to understand not only the club’s characteristics but also those of competing clubs in the marketplace.

Phasing: While each situation is different and the needs vary from club to club, a facilities analysis is critical to objectively and accurately determine a club’s needs and how best to achieve its goals. Phasing improvements can often be a *financial* vehicle for achieving a club’s improvement goals by identifying those upgrades that will generate members and revenue that will enable the club to economically justify the balance of the master plan.

Do these projects first and phase the balance of improvements as the club’s financial health improves, but be sure to commit to the improvements for the benefit of prospective members.

Owners or customers?: This is quite possibly the most significant question a club needs to both ask and answer. The club’s culture will ultimately determine its appetite for continued improvement.

Some clubs (large and small, expensive and not) have the philosophy that cost (and dues) control is of primary importance and will take just about any measure to maintain (or reduce) budgets and limit or avoid dues increases.

I call these types of clubs “customers” clubs, because even if they’re member-owned (and even if the membership is affluent) the membership is ultra-sensitive to dues increases and focuses more on the cost of membership than on the quality of facilities.

Conversely, there are (large and small, expensive and not) clubs that take a different approach, striving to be the best they can be and taking great pride in their clubs and facilities.

These “owners” clubs’ membership supports leadership that takes ownership in the facilities and approves upgrades and enhancements. These clubs (unlike the customer clubs) often think ahead to the next generation of members and to leaving them a better club than they found.

Project impact during construction: One often overlooked element of any club is the impact of renovations and upgrades on the operating cash flow of the club. While the desired end result of any project is usually that cash flow

side his club. If you are a tennis professional, you want to work for him!

Employee satisfaction and effectiveness are not static; they require vigilance. When you implement these turnover reduction methods, your contemporaries will be “green with envy.”

Football guru, the late Vince Lombardi made this point with his players by saying, “Perfection is not attainable, but if we chase perfection, we will catch excellence.” You, too, can have an excellent team! **BR**

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from Finance Committee | 46

will be enhanced, there is often a disruption that can significantly impact cash flow during construction.

End result - market positioning: Where will the club ultimately be positioned in the market when the project is complete? Every club has limits. For instance, if a golf course sits on a small site, there's little or no room for expansion to accommodate modern length and an ample practice facility, it's unlikely that the club will be able to compete with those clubs recognized as the market leaders, at least in golf.

However, those clubs with limited land resources and infrastructure may be able to add or upgrade other facilities that make it attractive to those not as serious about golf. If members perceive great value, they'll pay for it as long as there's good value.

OK, so the club has answered all these questions and now it's time to make decisions on how to move forward. How do they decide?

In some cases the choice is forced, because the membership is either unwilling or unable to pay the freight. The option of

selling the club to either a group of members or a for-profit operator is the best plan.

At other clubs, it often comes down to a question of control and desire to operate and a willingness to pay the bill, either now (assessment) or later (refinance). There are many clubs where club leadership looks forward to the responsibilities of operating the club and they are reluctant to let go.

The right decision for each club is different. It depends on the following items:

- Makeup of membership
- Stability of membership
- Appetite for assessments or debt
- Amount of investment required
- Existing debt
- Ability of club to self-operate effectively.

Once these questions are *objectively* and realistically answered, the recapitalization of the club can move forward. **BR**

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