



# Appendix P

## Description

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Troon Analysis of Viability for the Woodmere Club, Troon Analysis of 9 Hole Private Golf Course and 235 Homes for the Woodmere Club





## Analysis of Viability for the Woodmere Club

Troon Management manages the Woodmere Club, along with over 500 other golf properties worldwide. In this capacity, it provides the general management services and prepares and reviews all financial reports for the club. The analysis below is based on firsthand knowledge of the operational and financial issues at the Woodmere Club as well as Troon's delegate expertise and experience at the other golf properties that they manage. A description of Troon's qualifications is provided at the end of this analysis.

### Background

The Woodmere Club was established in 1912. The Club consists of an 18-hole golf course, above ground swimming complex, 6 Har-Tru tennis courts and a clubhouse. At one time, The Woodmere Club was the pre-eminent Club on the South Shore with membership of over 300 full golf members and a waiting list. Unfortunately, due to the decline of golf, the Club had a steep decline in membership in the last 5 years and in 2017 it sold itself to Titan Golf. Titan Golf hired Troon, the largest Golf Course and Club management company in the world, to operate the club.

Since taking over ownership of the Club, Titan has significantly reduced dues in an attempt to stop the attrition of members. In 2017, while reducing dues from \$25,000 to \$12,000, the club added almost 50 new members. Currently the two other area Equity owned clubs Seawane Country Club and Inwood Country Club have full Membership dues of \$26,000 and \$18,000, respectively. After taking over the club and increasing membership due to the below market dues, membership in the club had declined again with a loss of almost 15% of members for the 2020 Season. Even with membership costs more than 30%-50% percent below area clubs, obtaining new members has been difficult. To date, Titan has lost over \$4,000,000 operating the Club and more than \$2,000,000 for Fiscal Year 2018. Titan Golf has informed the current membership of Woodmere that it intends to close golf, tennis and pool operations at the Woodmere Club in November 2020 due to mounting losses.

### Viability Analysis

In the private country club business, membership dues are the primary revenue source. The economics of the paid services such as Food and Beverage and golf cart rental do not provide significant operating margins, nor absolute gross profit Dollars. Therefore, dues revenue is the main source of income to pay for overhead and payroll. Unlike a Food & Beverage department where expenses can run north of 60% and yield no profits, membership dues flow straight through to the bottom line. Industry leaders and analysts such as Troon Management and Club Management Association of America, maintain that Full Member Equivalent (Total Dues Revenue/ Full Dues Rate in a current Fiscal Year) is a key benchmark in keeping a club viable based on fundamental and concurrent expenses associated with a private country club. The national average of full Golf Equivalent for private clubs in the United States is currently 461



## Analysis of Viability for the Woodmere Club

according to the Club Managers Association of America. This indicator becomes even more relevant when operating a Food & Beverage-centric club such as Woodmere as the inherent expectations and restaurant losses can exceed \$400k annually. Unfortunately, with fewer than 150 Full Member Equivalents Woodmere has become unsustainable. The projected losses for Fiscal Year 2019 are over \$2,200,000.

An additional issue related to the viability of Woodmere is the deferred capital expenditures. The golf course infrastructure has been neglected for decades. 3-, 5- & 10-year rehabilitation capital expenses are typically scheduled for a healthy club and golf course. This generally includes irrigation lines, drainage, aesthetics such as golf cart paths, property boundaries and easements and even turf transitions to cope with a changing environment and membership expectations. These projects have historically been ignored at Woodmere and the deferred maintenance has caused significant maintenance and turf health issues. There is little to no functional irrigation in many areas on the golf course and most of the drainage lines have now been inhibited by tree roots and debris. These issues have created a perennial battle against disease, and has adversely affected playability during the warmer summer/seasonal months as the property holds water attributing to poor growing conditions. Proposals to fix these fundamental issues exceed \$1mm, not including the loss of revenue (See Exhibit A).

The clubhouse has had significant roof leaks and the cost of a new roof will exceed \$100,000. The HVAC units need to be replaced at an average cost of \$15k per unit.

The most requested and busy tee times for Golf Clubs are Weekends from 7:45am to 10am. These tee times can account for more than 70% of the play on a given day. The club has suddenly been cited by The Village of Lawrence for beginning property maintenance prior to 8:00am. The Town of Hempstead and Village of Woodburgh have given warnings to the Club as well. If the Club is not permitted to conduct maintenance prior to 8:00 am, it would not operate within industry norms and would not be able to serve its members during the times of highest demand. The recent actions of these municipalities has created issues with how the Club services its full dues paying members. The effects of the recent citations will exacerbate losses as the Club will need to create a second shift of maintenance workers to work in the evening. This second crew could cost over \$100,000 in additional expenses, which would be added to the already \$2,200,000 in losses projected for 2020.

Finally, the New York City & State minimum wage mandate will have a staggering effect on the Woodmere Club over the next 2 years. The increase in the state minimum wage will cause more than \$200,000 in additional losses annually. Ninety percent of a club's service team are paid hourly wages. With a 30% increase in minimum wage over the ownership tenure of Titan Golf, this model becomes unsustainable without significant revenue increases. This financial consideration will be on top of the aforementioned projected losses.

### Conclusion:

There is no avenue for The Woodmere Club becoming economically viable or sustainable. We believe that steady membership attrition will continue due to the aging out of members as well as the inevitable recruitment to other clubs. Even at the current levels the club loses over \$2,200,000 annually. In



## Analysis of Viability for the Woodmere Club

Troon's opinion, there is no viable, fiscally-responsible option for ownership other than to close the Woodmere Club at the end of the 2020 season.

### About TROON:

Troon is comprised of six primary brands committed to providing best in class hospitality and club management services: Troon Golf; responsible for operations of our daily fee and resort facilities; Troon Prive, specializing in operating individually owned and member-owned private clubs; Troon International, management services for all club types beyond the Americas; Honours Golf; a collection of daily fee and private clubs strategically located in the Southeast; OB Sports, the leader in boutique-style club management solutions; and Green Golf Partners, Midwest-based daily fee and private clubs.

In addition to club management services, Troon is equipped with innovative brands beyond golf to fully support our client's needs: **CADDIEMASTER**, the world's premier provider of caddie management services; True Club Solutions, offering real world solutions through a menu of customizable advisory services; Cliff Drysdale Tennis, leader in tennis management for resorts and private clubs; and RealFood, specializing in building guest and members experiences within the food and beverage industry.

These brands are supported by 275+ experienced corporate leaders based throughout 11 regional offices, with expertise in Club Operations, Agronomy, Food & Beverage, Membership Sales & Marketing, Daily Fee Sales & Marketing, Human Resources, Procurement, Finance & Accounting, Design & Development, Risk Management, Information Technology and Legal.

These resources, combined with our experience operating a myriad of private, daily fee, and resort operations in 45+ states and 30+ countries, have given Troon the opportunity to develop the strategies and talent that allow our clients to excel in the competitive world of golf and club operations.





## **Analysis of Viability of 9 Hole Private Golf Course with 235 Homes for the Woodmere Club**

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### **Background**

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Since taking over ownership of the Club, Titan has significantly reduced dues in an attempt to stop the attrition of members. In 2017, while reducing dues from \$25,000 to \$12,000, the club added almost 50 new members. Currently the two other area Equity owned clubs Seawane Country Club and Inwood Country Club have full Membership dues of \$26,000 and \$18,000, respectively. After taking over the club and increasing membership by offering extraordinary value, membership in the club has declined again with a loss of almost 15% of members for the 2020 Season. Even with membership costs more than 30%-50% percent below area clubs, obtaining new members has been difficult. To date, Titan has lost over \$4,000,000 operating the Club and more than \$2,000,000 for Fiscal Year 2018. Titan Golf has informed the current membership of Woodmere that it intends to close golf, tennis and pool operations at the Woodmere Club in November 2020 due to mounting losses.

### **9 Hole Private Golf Club Viability Analysis**

There are approximately 11,000 public courses in the United States. Less than 2000 of these courses are 9 Hole Golf courses according to the National Golf Foundation. Many of these courses are executive courses (shorter than regulation courses) or courses available within a club with a regulation 18-hole course.

The pricing of public courses in the area vary depending on whether the courses are 9hole vs 18-hole courses. There are 4 9- hole courses in Nassau County; North Woodmere, Bay Park, Christopher Morley Park and Cantiague Park. The fees for 9 holes range from \$9-\$28 on weekdays and \$9-34 for weekends. There are two 18 Hole public courses near the Woodmere Club; Lido Beach and Middle Bay. Lido beach



## **Analysis of Viability of 9 Hole Private Golf Course with 235 Homes for the Woodmere Club**

has rates of \$23 for weekday 9-Holes and \$26 for 9-Hole weekend golf. Middle Bay has a \$41 rate for 9-hole weekday golf and \$43 For 9-hole Weekend golf.

Based on the foregoing we have assumed that The Woodmere Club could obtain the same rates as Middle Bay, although this is the highest revenue assumption. Moreover, we have assumed that the course is utilized to its fullest and would have 11,000 rounds played year one; although we question whether there will be as much interest in a 9 hole Woodmere Club with two excellent 18-hole public courses nearby. Based on the above assumptions the course would lose over \$650,000 annually.

In terms of the creation of the 9Hole Course, there are a few fundamental issues. First, it is our understanding that the club will be closed in November 2020 and any decision regarding the future of the Woodmere Club will likely be in 2-4 years (assuming potential litigation). During the time that the club is closed there will be a significant deterioration of the condition of the golf course beyond what already exists naturally. We would assume the need to complete a renovation of the property upon return to operations.. The infrastructure of a golf course requires annual maintenance to sustain. This includes but is not limited to drainage, irrigation and most importantly the cultural practices. We also concur with previous architectural assessments of the Woodmere Club which state an increase in elevation to the golf course is imperative for its future survival. The land is already an extremely low area to sustain high level turf maintenance based on its proximity to the ocean, tidal disruptions, increase in sea levels, as well as the run-off from the surrounding area. Although we have not performed a formal assessment, prior discussions stated no less than a 2ft increase in elevation across most golf holes. In summation, the costs may be along the lines of building a new golf course which can cost millions of dollars. Moreover, the public course assumes the demolition of the clubhouse, pool, tennis courts and ancillary buildings.

The most requested and busiest tee times for Golf Clubs are Weekend mornings from 7:45am to 10am. These tee times may account for more than 70% of the play on a given day. The club has suddenly been cited by The Village of Lawrence for beginning property maintenance prior to 8:00am. The Town of Hempstead and Village of Woodsburgh have given warnings to the Club as well. If the Club is not permitted to conduct maintenance prior to 8:00 am, it would not operate within industry norms and would not be able to serve its members during the times of highest demand. The recent actions of these municipalities have created issues with how the Club services its full dues paying members. The effects of the recent citations will exacerbate losses as the Club will need to create a second shift of maintenance workers to work in the evening. This second crew could cost over \$50,000 in additional expenses, which would be added to the losses projected for 2020.

Finally, the New York City & State minimum wage mandate will have a staggering effect on the Woodmere Club over the next 2 years. The increase in the state minimum wage will cause more than \$75,000 in additional losses annually. Ninety percent of a club's service team are paid hourly wages. With a 30% increase in minimum wage over the ownership tenure of Titan Golf, this model becomes unsustainable without significant revenue increases. This financial consideration will be on top of the aforementioned projected loses.

Conclusion:





## **Analysis of Viability of 9 Hole Private Golf Course with 235 Homes for the Woodmere Club**

The Woodmere Club becoming economically viable or sustainable as an 18-hole golf course is unlikely. We believe that the reduction to a 9-hole golf course would be guaranteed to have an annual operating deficit. Moreover, there would need to be a significant capital expenditure necessary to create the 9-hole course and remove all of the current amenities. In managements opinion, a 9hole golf course is not viable in this scenario if profitability or neutral annual financials is the objective. We believe that the losses of a 9hole course would be significant.

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