

Business Evaluation of Preliminary Capital Plan for Delray Beach Golf Club

Prepared For:

City of Delray Beach, FL
Suzanne Fisher, Director of Parks & Recreation
50 NW 1st Avenue
Delray Beach, FL 33344

Prepared By:



501 N. Highway A1a
Jupiter, FL 33477
(561) 744-6006

November, 2017

**Business Evaluation of Preliminary Capital Plan for
Delray Beach Golf Club**

Table of Contents

GENERAL LIMITING CONDITIONS	1
INTRODUCTION & PURPOSE.....	1
EXECUTIVE SUMMARY	3
Introduction & Purpose	3
National Golf Industry Overview	4
Key Trends in Demand	4
Golf Course Supply	4
Other Measures of Health	5
Local / Regional Market	5
Defining the Delray Beach GC Primary Trade Area	5
Demographic and Economic Factors	6
Local and Regional Golf Supply and Demand Indicators	7
Delray Beach Golf Club Competitive Market	8
Comparison of Area Municipal Golf Operations	9
Renovation Case Studies	10
Preliminary Improvement Plan for DBGC	10
Framework for Identifying Appropriate Improvements	10
Recommended Improvements	11
Preliminary Cost Estimate	14
Recommended Market Positioning	14
Maintenance Budget & Equipment	15
Clubhouse Issue	15
Financial Impact of Improvements	16
Market Opportunity Conclusion	16
Cash Flow Model Assuming Recommended Improvements	18
Summary Statement	19
SITUATION ANALYSIS	20
Overview	20
Location	20
History	20
Current Scorecard	22
Administration and On-Site Management	22
Management Agreement	22
Staffing	23
Current Pricing / Market Positioning	23
NGF Observations on Current Pricing	23
Recent Operating Results	24
Summary Findings	24
Current Conditions Assessment	25
Golf Course Evaluation Process & Purpose	25

Playability/Strategy & Aesthetics.....	25
Golf Course Component Assessment	26
Infrastructure	28
GOLF MARKET OVERVIEW.....	31
National Golf Industry Overview.....	31
Key Trends in Demand.....	31
Golf Course Supply	31
Other Measures of Health.....	32
Local / Regional Market.....	33
Defining the Delray Beach GC Primary Trade Area	33
Demographic Analysis	33
Key Climate and Economic Factors	34
Estimated Local Market Demand	36
Local Golf Supply	38
Delray Beach Golf Club Competitive Market.....	39
Key Competitors – Pricing Comparison and Activity Levels	40
Key Findings – Competitive Market	43
Comparison of Area Municipal Golf Operations	44
Summary Renovation Case Studies.....	45
External Factors Summary.....	49
PRELIMINARY IMPROVEMENT PLAN FOR DBGC	51
Identifying Appropriate Improvements.....	51
General Framework for Upgrade Recommendations	52
Preliminary Improvement Plan for Delray Beach GC	53
Recommended Improvements	53
Preliminary Cost Estimates	56
NGF-Recommended Pricing / Market Positioning.....	56
Maintenance Budget & Equipment.....	57
Clubhouse Issue	58
FINANCIAL IMPACT OF IMPROVEMENTS.....	59
Market Opportunity Conclusion	59
Support for Projections.....	59
Potential Threats / Mitigating Factors Relative to Projections	60
Cash Flow Model Assuming Recommended Improvements	60
Base Assumptions	61
Activity, Revenue and Expense Assumptions	61
Cash Flow Projections – Year 1 – Year 5 (Post-Renovation)	63
Financial Model Results	63
Delray Beach Golf Club – 5-Year Pro Forma (Post-Renovation)	64
APPENDICES.....	65
Appendix A – Delray Beach Golf Club Staffing	66

Appendix B – DBGC Green Fee Rates.....	67
Appendix C – DBGC Operating Results – FY 2013 – FY 2016	68
Appendix D – Golf Course Expected Life Cycle.....	70
Appendix E – National Rounds Played Report.....	71
Appendix F – Golf & The Millennial Generation.....	73
Appendix G – Local Demographic, Demand and Supply Data	74
Appendix H – Area Municipal Golf Operating Comparison	77

General Limiting Conditions

This report is based on information that was current as of summer 2017. The assessment is based on conditions at the time of the analysis (e.g., economic and market conditions) and significant changes in those conditions may affect the relevance of the assessment. Because future events and circumstances, many of which cannot be predicted as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by NGF Consulting that any of the projected values or results contained in this study will actually be achieved.

Although we believe that the expectations in this report are reasonable, any or all of the estimates contained herein could prove to be incorrect. To the extent possible, the NGF has attempted to verify and confirm all estimates and assumptions used in this analysis. However, some assumptions may not materialize as a result of known or unknown risks and/or unanticipated events. Consequently, actual results achieved by any new golf facility during the period covered by NGF projections may vary from our estimates and these variations may be material. As such, the National Golf Foundation accepts no liability in relation to the estimates provided herein.

To protect you and other clients, and to assure that the research results of NGF Consulting's work will continue to be accepted as objective and impartial by the business community, it is understood that our fee for the undertaking of this project is in no way dependent upon the specific conclusions reached or the nature of the advice given by us in our report to the City of Delray Beach.

Every reasonable effort will be exerted in order that the data contained in the written report reflects the most accurate and timely information possible, and is believed to be reliable. However, no responsibility will be assumed for inaccuracies in reporting by the client, client's agents, or any other data source used in preparing the report.

The client agrees that the report is not to be used in conjunction with any public or private offering of debt or equity securities or to otherwise induce investment without the prior written consent of NGF Consulting which may be conditioned upon client agreeing to pay an additional fee in an amount to be reasonably determined by NGF Consulting.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Introduction & Purpose

The City of Delray Beach, Florida (“City”) retained National Golf Foundation Consulting (“NGF” or “NGFC”) to provide planning and evaluation services for Delray Beach Golf Club (“Delray Beach GC” or “DBGC”), which is owned by the City. The golf course has a rich history, dating back to its original opening in 1926, and has undergone a series of additions, reconfigurations and other improvements during its long history.

The City has commissioned several reports over the last several years, including a conceptual improvement plan by Sanford Golf Design (“Sanford Golf” or “SGD”). The reason for the current study by NGFC is the City’s desire to address deferred maintenance and capital needs of DBGC and restore the golf course to a place of prominence in the local and regional golf markets. DBGC is currently positioned as a low-to-mid market public access golf course in one of the most active golf markets in the United States. Despite some course conditioning issues exacerbated by infrastructure limitations (e.g., irrigation system) and natural aging of assets, the facility has been one of the stronger performers in the local public golf market in terms of rounds volume and net operating income.

Delray Beach Golf Club is a highly valued asset by City officials, staff and residents alike. NGF Consulting saw its role for this engagement as twofold: (1) to identify consensus findings on the improvements that are required at DBGC to bring it back to a position where it is once again a ‘must play’ regional public course capable of sustaining itself economically for the long term.; and (2) to project the incremental net income that will result from improvements so that the City can have a clearer vision of how much of the cost of the required capital improvements can be borne by user fees, and how much by other City funding sources.

This independent evaluation is intended to provide City of Delray Beach with a roadmap and vision for Delray Beach Golf Club for the near-term and long-term horizons. This document comprises a summary report of key NGF findings and recommendations, and includes:

- ▶ Preliminary list of recommended improvements
- ▶ Thorough market analysis comprising demographic & economic profile, golf supply and demand indicators, and thorough competitive review
- ▶ Market opportunity conclusions about potential to grow market share and/or fees after facility improvements
- ▶ Fee analysis and recommendation for Delray Beach GC pricing/market positioning post-renovation
- ▶ NGF’s preliminary use projections and 5-year net-operating income projections assuming recommended capital upgrades
- ▶ Estimate of level of investment (i.e., debt) that the incremental net revenues (net user fees) will pay for

The study effort was managed by NGF Director of Consulting Ed Getherall, with assistance from Senior Director of Consulting Richard Singer and Consulting Administrator Jodi Reilly. NGF's activities conducted in completion of this report included:

- ▶ Meetings with:
 - City's Parks & Recreation Director and two members of City Commission
 - JCD Sports Group principals, including the CEO and Director of Operations
 - Key DBGC staff, including the General Manager, Head Golf Professional/Director of Golf, Superintendent and Food & Beverage Manager
 - Representatives of the Men's Golf Association (MGA) and Ladies Golf Association (LGA)
 - Facility tour, including clubhouse, golf course, driving range and maintenance yard.
- ▶ Review of previous consultants' reports prepared by Sanford Golf Design ("Sanford Golf" or "SGD"), the USGA Course Consulting Service ("USGA"), Burrows Turfgrass Services, and the Pignato Group Golf Irrigation Consultants (latter two consultants working as subconsultants to SGCD).
- ▶ Golf market analysis and research
- ▶ Analysis of recent Delray Beach GC financial performance
- ▶ Review of key Delray Beach / central/southern Palm Beach County economic drivers

Executive Summary

This section comprises NGF Consulting's summary of key findings, recommendations, and financial analyses related to the proposed capital improvement plan for Delray Beach Golf Club, based on our review in the fall of 2017. The Executive Summary includes a condensed version of our golf market overview (national and local) and competitive analysis, a summary of the proposed improvement plan for DBGC, recommendations regarding market positioning post-restoration, and key findings from our analysis of the financial implications of implementing the proposed improvement plan.

The assessment of current golf course conditions (supported largely from reports and input provided by Sanford Golf Design, Burrows Turfgrass Services, Pignato Group Golf Irrigation Consultants, the USGA Course Consulting Service, and JCD Sports), summary course history, discussion of recent financial performance, support exhibits & materials, and more extensive narrative relative to findings and recommendations are included in the body of the report and Appendices.

INTRODUCTION & PURPOSE

The City of Delray Beach retained National Golf Foundation Consulting to provide planning and evaluation services for Delray Beach Golf Club in advance of planned major facility improvements. The impetus for the current study is the City's desire to address deferred maintenance and capital needs of DBGC and restore the golf course to a place of prominence in the local and regional golf markets. DBGC is currently positioned as a low-to-mid market public access golf course in one of the most active golf markets in the United States. Despite some course conditioning issues exacerbated by infrastructure limitations (e.g., irrigation system) and natural aging of assets, the facility has been one of the stronger performers in the local public golf market in terms of rounds volume and net operating income.

NGF Consulting saw its role for this engagement as twofold: (1) to identify consensus findings on the improvements that are required at DBGC to bring it back to a position where it is once again a 'must play' regional public course capable of sustaining itself economically for the long term.; and (2) to project the incremental net income that will result from improvements so that the City can have a clearer vision of how much of the cost of the required capital improvements can be borne by user fees.

This independent evaluation is intended to provide City with a roadmap and vision for its golf asset. This document comprises a summary report of key NGF findings and recommendations, including:

- ▶ Preliminary list of recommended improvements
- ▶ Thorough market analysis comprising demographic & economic profile, golf supply and demand indicators, and thorough competitive review
- ▶ Market opportunity conclusions about potential to grow market share and/or fees after facility improvements
- ▶ Fee analysis and recommendation for Delray Beach GC market positioning post-renovation
- ▶ NGF's preliminary use projections and 5-year net-operating income projections assuming recommended capital upgrades
- ▶ Estimate of level of investment (i.e., debt) that the incremental net revenues (net user fees) will pay for

Below, NGF Consulting provides a summary of key "external" factors that characterize the trade area in which Delray Beach Golf Club operates, including NGF's macro perspective of the U.S. golf industry. On

a local/regional basis, the overview includes basic demographic measures that have the potential to affect the economic performance of the golf facility, as well as an analysis of supply and demand indicators in the public golf market.

NATIONAL GOLF INDUSTRY OVERVIEW

While socio-demographic, financial and cultural headwinds certainly persist for golf, the industry continued its macro trend toward stabilization in 2015-2016. The game remains popular and is fortunate to have a deep well of interested prospects. While golf's pay-for-play green fee revenues and other spending will always be vulnerable to outside forces such as weather and the economy, its chief challenge remains *getting more of those non-golfers who express interest in playing ('latent demand') to actually give golf a try, and converting more beginners into committed participants*. Still, some socioeconomic and demographic trends continue to present challenges for golf operators. For instance, golf is having trouble attracting and retaining young adults (i.e., Millennials), though this segment continues to account for a large percentage of annual play and spending.

Key Trends in Demand

- ▶ **Participation** - The national golfer number (participation) continues to show some net attrition, primarily among occasional/less committed golfers. Overall, NGF survey research indicates that in 2016 there were 23.8 million people in the U.S. that played at least one round of golf in the prior year, about ±1.2 million fewer than in 2012. However, the vast majority of "core" golfers remain in the game.
- ▶ **Rounds Played 2016-17 / Looking Ahead** – Nationally, year-to-date rounds played are down 2% through September 2017, at least partially attributable to weather events (source Golf Datatech – see [Appendix D](#)). For Florida overall, rounds were down only 0.4%, despite a nearly 19% decline in September (Hurricane Irma). *However, for Palm Beach County, YTD rounds are up about 14% through September.* (The Miami-Ft. Lauderdale market was up by about 1%).
- ▶ **Baby Boomer Effect** – As Baby Boomers age and retire over the next 15 years, we expect to see a measurable increase in total rounds played in the U.S. Boomers - born between 1946 and 1964 - are currently 53 to 72 years old. About 6 million of them are golfers; that's about 1/4 of all golfers, and they currently play about 1/3 of all rounds. Boomers started turning 65 in 2011, and already 1 million+ golfing Boomers have reached retirement age. The Social Security Administration reports that 10,000 or more Boomers retire every day. And ~300,000 Boomer golfers will turn 65 each year for the next 15 years. Retired Boomers (age 65+) play about twice as much as younger, non-retired Boomers (40 rounds vs 21 rounds).

Golf Course Supply

The correction in golf course supply continued in 2016 at a level comparable with the previous several years. According to NGF data, since the market correction in golf course supply began in 2006, there has been a cumulative net reduction of golf courses equivalent to 5.9%. For perspective, golf supply grew by 44% in the previous 20 years (1986-2005). Closures continue to be disproportionately high among 'value' priced (peak green + cart fee below \$40) facilities; in 2016, nearly 70% of closures fell in this category.

Many golf courses shutter due to competitive dynamics; increasingly, however, golf courses – especially in geographies where developable land is at a premium – are closing because residential or commercial is a much "higher and better use". This phenomenon has been particularly acute in Palm Beach and Broward Counties, as 16 golf courses (12.5 eighteen hole equivalents) have closed in Palm Beach County and 15 have closed in Broward (13 18H-EQ) since 2006. Few markets in the country have lost as many

golf holes during that time. This move toward supply/demand equilibrium is expected to continue for several years, and should positively impact an improved Delray Beach Golf Club.

Other Measures of Health

Other perhaps equally important metrics to consider when measuring the health and trajectory of golf include:

- **Investment in Facilities:** Investment in major renovation projects has replaced new construction as the largest source of U.S. golf course development activity. NGF tracked just under 1,000 major renovations completed since 2006, representing at least \$3 billion. New development activity also remains in the pipeline, with NGF tracking 37 facilities currently under construction and another 55 in planning stages as of the autumn of 2017.
- **Engagement:** Several years ago NGF developed a scale to gauge engagement/ passion for golf. NGF annual golfer survey research indicates that the number of engaged golfers has remained steady at 20 to 21 million for the past four years. But the proportion of engaged golfers has increased from 78% to 85% over this period. These engaged golfers are responsible for ±95% of rounds played and equipment spend. Those more engaged are significantly more likely to continue playing.
- **Increasing Diversity:** The junior golf population remains relatively stable at 2.9 million and continues to show a transformation in diversity. One-third of golfers age 6-17 are females, up from 17% in 1995 (in sum, 24% of all golfers are women). Also, 27% of junior golfers are non-Caucasian, up from only 6% in 1995. A similar trend is observed among young adult (18-34) or Millennial golfers, of which 29% are female and 24% non-Caucasian. The highest diversity is among beginning golfers, at 34% female and 32% non-Caucasian.
- **Beginners:** The number of beginners rose to a record 2.5 million in 2016, surpassing the record set in 2000 when Tiger Woods was in his prime and drawing newcomers to the game in unprecedented numbers. Since 2011, the compound annual growth rate (CAGR) in beginners is an impressive 10.8%.
- **Off-Course Participation:** Driven primarily by the popularity and growth of Topgolf, a non-traditional form of golf entertainment, there were an estimated 20 million off-course (involves only those activities that involve hitting a ball with a golf club) participants in 2016, about 40% of whom did not play on a golf course.

LOCAL / REGIONAL MARKET

To assess current activity levels and potential market opportunities, it is helpful to examine local economic and demographic factors that have the potential to impact rounds played and fee tolerances. This overview will include an analysis of the area's demographics, as well as a brief discussion of local economic factors that can impact demand for golf. In the second part of this section we provide an overview of key golf market demand and supply indicators, as well as an analysis of the competitive market for DBGC.

Defining the Delray Beach GC Primary Trade Area

Based on factors discussed in the report, NGF expects that the majority of demand for Delray Beach GC to come from Delray Beach and surrounding communities generally within a 10-mile range of the course. This market stretches east to the coast, north to the Lantana/Lake Worth area, south to the Boca Raton/Deerfield Beach area, and to communities west of the Florida Turnpike, both north and south. Of course, some demand will also come from outside this primary trade area, *which should expand if DBGC is restored and become more of a 'destination' or must-play golf course.*

Demographic and Economic Factors

Below, we summarize key demographic and economic factors, including population density, median age, and median household income trends, that have the potential to affect demand for golf in the local market. GF observations include:

- ▶ There are an estimated 198,000 people living within 5 miles of Delray Beach GC, 592,000 within 10 miles, and more than 1.12 million residing within 15 miles. Annual population growth rates in the local markets are projected to be nearly twice the national rate of growth between 2016 and 2021. Overall, the 10-mile primary trade area is expected to add about 45,000 net new residents in the next five years.
- ▶ The Median Ages in the submarkets around DBGC are among the highest in the nation, indicative of the area's popularity with retirees. For instance, the 5-mile trade area shows a median age of 58.1 years, compared to the national median of 38 years. In general, the propensity to play golf with greater frequency increases with age, making older markets more attractive to golf facility operators, all factors being equal.
- ▶ At \$57,000, Median Household Income in the 10-mile market is modestly higher than the national median of \$56,106. Median incomes are suppressed somewhat by the high number of retirees. In general, higher income residents are more likely to participate in golf, and they play more frequently than lower income residents.
- ▶ Delray and the surrounding region include a full range of activities to attract residents, seasonal residents and tourists, including beaches, golf, fishing, pleasure boating, culture, and nightlife. The county has about 1.4 million residents, supplemented by more than 7 million annual visitors and a high number of seasonal. As such, the NGF expects that demand for DBGC will continue to be supplemented by non-city residents and winter season participation from the large visitor market to the area.
- ▶ Most or all of the Downtown district, comprising the neighborhoods of "The Ave" (Atlantic Avenue), "SOFA" (South of Atlantic), "The Set" (West Atlantic), "Pineapple Grove", "US1", and "Beachside", is located within about 1.5 miles to 2.5 miles from Delray Beach Golf Club. "Downtown" now extends west to I-95 and east to the beaches; the north-south boundaries extend roughly two blocks north and south of Atlantic Avenue.
- ▶ Tourists and business travelers should comprise a key target market for Delray Beach GC, especially if it is improved as planned. Palm Beach County had a total of 17,616 hotel rooms in 2016, including some new properties opened in 2016 in proximity to Delray Beach (HI Express Boynton Beach, Hyatt Place Boca + Marriott TP Suites in Boynton Beach). Additional properties, including the Mandarin Oriental Boca and Aloft Hotel Delray (planned for city's trendy "South of Atlantic" district), are set to open in 2017-19. Other key facts about area tourism.

Local and Regional Golf Supply and Demand Indicators

Below is a summary of key findings regarding the public golf supply/demand dynamic in Delray Beach GC's primary trade area.

Demand

- ▶ The permanent population in the DBGC market has age and income characteristics that tend to coincide with higher-than-average participation in golf. This is reflected in golf demand indices that show 7% to 14% higher participation and 40% higher rounds played per golfer in the primary 10-mile market area.
- ▶ One in four households in the 5- and 10-mile markets have median incomes about \$100,000, while more than 8% have incomes above \$200,000. These high-income households represent a key "sweet spot" for high golf participation and activity, though some of these households will be home to private club golfers:
- ▶ The NGF estimates about 41,400 golfing households, plus an additional 5,000+ seasonal households, in the 10-mile market around DBGC. Golf demand from these permanent and seasonal golfers is supplemented by the large number of area visitors; together, these demand components are capable of supporting a large market of golf facilities.
- ▶ NGF's Demand Model shows that the golf courses in this market ring are hosting more than 2.3 million rounds annually, including strong demand from non-residents, especially winter visitors. The 4.7 million rounds played in Palm Beach County represent about 10.7% of all golf rounds played in Florida, further documenting the strength and importance of this golf market, and the potential of a significantly improved DBGC to gain market share upon reopening.
- ▶ Population growth is expected to add about 1,500+ golfing households to the 10-mile primary market by 2021, at the same time that golf course supply continues to drop.
- ▶ Area visitors contribute significantly to golf course activity in the region. Based on current golf participation rates, the estimate for potential tourist golf rounds that are coming to Palm Beach County is ±1 million rounds annually. Given its location and proximity to area lodging properties and attractions – especially Downtown Delray and the beaches - DBGC should be reasonably expected to draw significant golf activity from transients and seasonal residents. ***This ability should be greatly augmented if facility improvements result in a restoration of the property and a new reputation as a "destination" golf course.***

Supply

- ▶ Ratio analysis based on national benchmarks shows that all three market rings and Palm Beach County are over-supplied; for example, in the 10-mile market, there are about 48% fewer households available to support each 18 holes of golf compared to the national benchmark. However, the local market is much closer to the national benchmark for **public** supply. Also, the supply-demand ratios do not reflect seasonal households and area visitors, which contribute significantly to area golf demand, especially during peak season.
- ▶ Only three of the 17 public facilities in the 10-mile market are at an NGF-defined 'premium' price point (>\$70 peak riding fee), and one of those – Polo Trace – is expected to close and be repurposed as housing. NGF believes that DBGC will have a very good chance at moving into the premium price category (at least for non-residents) if major facility improvements are implemented, and the relative lack of high quality competitors should bode well for the renovated facility.

- ▶ The net change in golf holes shows the recent contraction of supply in this market area. The NGF estimates that, as of December 31, 2016, a net of 171 holes were closed in the 10-mile DBGC market since 2011, the equivalent of 9.5 18-hole golf courses. This is consistent with broader national trend of golf course contraction as a reaction to several factors (declining demand, better use for property, etc.).
- ▶ The NGF database shows no new golf course projects under development within 10 miles of DBGC, though renovations and upgrades continue throughout Palm Beach County overall, especially to private golf facilities located inside gated communities. Locally, the Champ course at Boca Dunes G&CC is being upgraded, ***and the proposed Boca National Golf Club will be a key competitor to an improved DBGC if the Greater Boca Raton Beach & Park District is able to close on the purchase of the Ocean Breeze GC (Boca Teeca) site.***

Delray Beach Golf Club Competitive Market

NGF reviewed the public access golf market in which Delray Beach GC operates, with a focus on key competitors (and potential competitors if Delray Beach is improved) identified through NGF market research and input from City staff, Delray Beach GC management, and area golf operators. Key findings follow (more detail in body of report).

- ▶ Based on NGF observations, discussions with DBGC and JCD staff, and interviews with area golf operators, NGF has identified the facilities in the table below as the chief competitors to DBGC. Facilities such as Deer Creek and Westchester G&CC are primarily competitors during the off season (when fees are compressed) and for tournaments.

Key DBGC Competitors	
Municipal Courses	Daily Fee Facilities
Boca Raton Municipal GC	Atlantic National Golf Club
Links at Boynton Beach	Boca Greens Country Club
Osprey Point GC	Deer Creek Golf Club
Southwinds Golf Course	Westchester G&CC

- ▶ Atlantic National is a high quality facility that was renovated in 2011 with new greens, fairways and bunkers. The club is currently a tier above DBGC but will become more of a direct competitor if proposed improvements to the subject take place. Overall, as our earlier supply analysis revealed, there is a relative lack of ‘premier’ public golf offerings within 10 miles, and one of the higher quality daily fee operations – Polo Trace – will shortly be exiting the market.
- ▶ While Boca Raton Muni will be closing for housing development, the proposed high quality Boca National Golf Club at the closed Ocean Breeze GC site – just four miles south of DBGC - will be a key competitor for the subject facility, and another impetus for the City to implement major improvements at DBGC.
- ▶ Other recent or proposed changes that have impacted the dynamics of the local golf market include: the closings of Villa Del Ray Golf Club (‘value’ 18H daily fee golf course; instruction is still available); the proposed closing of Polo Trace (higher-end 18H daily fee) by spring 2018; the closure in spring 2016 of the private Sherbrooke G&CC in Lake Worth; and Links at Boynton Beach redoing greens earlier this year. Further south, Crystal Lake CC in Pompano Beach is also expected to close for housing.
- ▶ Total rounds activity among golf courses in this market has declined since a recent peak around 2008, and the long term peak around 1999-2000, but appears to have stabilized on a weather-

adjusted basis over the last several years. Rounds activity was about 41,500 per 18 holes for the reporting facilities (Boca Muni 9H excluded), with Cypress Creek and Lake Worth Muni at the low end at about 35,000 rounds (rebounded to 39,286 in FY 17), Osprey Point most active (64,700 rounds per 18) and the subject DBGC second most active at 59,000+ rounds.

- ▶ As NGF Consulting has observed in many other markets, newer golf courses (e.g., Osprey Point, Park Ridge, Plantation Preserve) and those that have invested in improvements (Atlantic National, Palm Beach Par 3, Jacaranda GC in Plantation) - seem to have fared the best in this regional market, while those that have deferred capital improvements and everyday course maintenance such as Lake Worth Muni (re-sodded greens about 5 years back, but the improvement was not successful) and Cypress Creek have seen declining demand and financial performance. This latter scenario fits the profile of many of the golf courses that have closed in Palm Beach, Broward and Miami-Dade Counties since the early 2000s.
- ▶ Green fees (cart inclusive) among the competitive set had some variation, with higher fee facilities Deer Creek at \$120 prime time (morning) rack rate in season, Atlantic National, Boca Greens and Westchester G&CC at roughly \$75 to \$80 peak season, and a group of facilities, including DBGC, at between \$48 and \$63 at peak.
- ▶ In addition to seasonal price breaks, market competitors offer discounted rates through either frequent player/loyalty programs, web specials, and/or eclubs. Discounting is also available through various programs such as CanAm and PGA GolfPass, as well as through third party tee time providers like Golfnow. Considering all of the various discounts, even the highest quality public golf courses in this market will see green + cart fees fall as low as ±\$30 for a peak weekend morning round in summer.

Comparison of Area Municipal Golf Operations

As part of this study, NGF Consulting surveyed area municipal golf operations to do a comparison across of some basic operating metrics for FY 2016. Key findings relating to DBGC's performance, pricing, etc. compared to this subset of Palm Beach County/ northern Broward County municipal golf operations follow. The summary table can be found in [Appendix G](#).

Key NGF findings:

- ▶ DBGC placed in the mid-range of the subject facilities on peak season prime time green fees, which ranged from a low of \$45 on the Pompano Beach GC 'Palms' course to \$75 at Pembroke Lakes GC. Other muni courses priced at the high end of the spectrum were Pompano Beach GC's 'Pines' (Greg Norman Signature), and Palm Beach County's Osprey Point (\$63) and Boca Raton Muni (\$62).
- ▶ Golf revenue per round, which equals green, cart, and member fees divided by total rounds, was highest at Pembroke Lakes GC (renovation in last decade), at just over \$42 for 2016. Second highest was Osprey Point, which averaged over \$35.50 on 97,000 rounds, generating nearly \$3.5 million in golf revenue. The rest of the reporting subject golf courses fell in a relatively tight range, from \$23.46 at West Palm Beach GC to \$30.68 at Pompano Beach GC. DBGC fell in the middle of this range, at \$26.36.
- ▶ With more than 59,000 rounds played in FY 16, DBGC was the second most active municipal golf course in terms of rounds played per 18 holes (trailing only Osprey Point's 64,667 per 18HEQ).
- ▶ Other than four Palm Beach County golf facilities, Delray Beach Golf Club was the only of the subject munis to generate an operational profit in FY 16, netting \$290,000 before depreciation, capital & debt charges, and transfers.

- ▶ With \$3.13 million in total operating revenue, DBGC trailed only Osprey Point on this measure. However, we note that this is largely influenced by the extensive food & beverage operation at DBGC, as Osprey generates a very high level of green/cart fee revenues.
- ▶ Likewise, DBGC is at the top of the subject facilities in terms of total operating expenses (excluding Pompano Beach GC, which had some extraordinary expense items such as \$613,508 in City Admin / Overhead and FAA land rent of \$156,378) due to the large scale food & beverage operation.

Renovation Case Studies

In the body of the report, NGF Consulting presents case studies of renovations at municipal golf courses in south Florida over the past 10+ years. We have provided examples of ones that have been successes, as well as a few that have not had the desired effect on demand and/or net revenues. We note that every case is unique and that increases in net revenues and ROI do not tell the whole story in the case of golf course renovations. For instance, a renovation or restoration project may be aimed more at preventing further declines in rounds / revenues (the “death spiral”) than at increasing rate and/or volume of play. Also, some assets simply must be replaced once they reach the end of the useful life (e.g., irrigation system, drainage system) if a golf course is to stay in business, and an ROI cannot be directly attributed to such projects.

Finally, measurable financial improvements after a renovation do not capture the “cost of doing nothing” or continuing a Band-Aid or triage type approach to improvements. As one local example, Lake Worth Municipal Golf Course has seen rounds (from a recent peak of 60,000 in FY 09 to 34,554 in FY 16) and revenues (peak of \$2.19 million in FY 07 to \$891,000 in FY 16) plunge over the last decade due to deferred maintenance and lack of capital improvements. Even if in decent condition, golf courses run the risk of losing market share and revenues if they do not “keep up with joneses”. For example, Southwinds, Boca Municipal and others have lost rounds over the last decade to newer facilities such as Osprey Point and Park Ridge.

PRELIMINARY IMPROVEMENT PLAN FOR DBGC

In the body of the report we summarize what NGF and previous consultants, including Sanford Golf Design, believe are major facility deficiencies that contribute toward poor golf course conditioning, significantly detract from the golfer experience, and prevent DBGC from competing at a higher price point and gaining more market share. Below, we present the components of an improvement Master Plan that is based on consensus opinions from NGF, Sanford Golf Design, and JCD Sports, including the on-course superintendents from both DBGC and Southwinds GC.

NGF expects that the City will issue an RFP for design services, under the auspices of which will come all of the recommended improvements (perhaps excluding the maintenance building). ***Though each responding architect will have their own ideas about how to improve DBGC, we believe that the RFP responses will largely represent “variations on a theme” relative to the global improvement recommendations summarized in this section.***

Framework for Identifying Appropriate Improvements

In consideration of our due diligence, including review of the Sanford Golf Design and USGA reports, NGF has identified improvements under the premise that the City wants to address deferred capital improvement needs related to golf course components that are inefficient and/or constrain revenues because they are near or beyond the end of their useful life. Goals are twofold: (1) to prevent a downward trajectory in rounds and net revenues (the cost of doing nothing) that would result from continuing with ‘band aid’ approach to improvements as assets continue to deteriorate; (2) to restore the historic legacy of

Delray Beach Golf Club and improve the overall product so that the facility can increase market share, enhance revenue centers, and raise price points (esp. among non-resident golfers).

NGF Consulting evaluated potential capital improvements for DBGC in the context that proposed changes must logically and specifically demonstrate the ability to restore the golf course and improve economic results by some combination of:

- ▶ Increasing net revenues by restoring the golf course to a place of prominence in the local/regional public golf marketplace.
- ▶ Improving the ease and efficiency of golf course maintenance (though overall budget will likely increase due to desire to preserve the assets and maintain elevated market position).

Our goal with respect to identifying the most appropriate improvements is to provide the City with realistic expectations with regard to the investment we believe is necessary to best achieve several important objectives, including:

- ▶ Restore the historic legacy of Delray Beach Golf Club
- ▶ Address “mission-critical” deferred maintenance and capital items
- ▶ Greatly enhance the golfer experience at DBGC
- ▶ Elevate the market positioning of the golf facility so that it can increase price point, market share, and net revenues
- ▶ Contribute as much as possible to the annual debt service that will result from undertaking the improvement plan

Based on the above discussion and the analyses in this NGF report and previous consultants’ reports, following is a list of the capital improvements that Sanford Golf Design, NGF Consulting (with input from JCD management and on-course staff) believe would be most effective for Delray Beach Golf Club in terms of addressing deferred maintenance and infrastructure needs, while restoring, repositioning and rebranding the facility to a regional “must play” golf course that will be able to build market share and net revenues.

Recommended Improvements

Playability, Strategy & Aesthetics

- ▶ Expose and supplement the native landscape, while at the same time reducing maintained turf area in the deep rough, thus limiting the irrigated area, fertilizers and pesticide use.
- ▶ Mr. Sanford concludes that “there is tremendous opportunity to ‘restore’ the golf course based on the original strategic design of Ross and Wilson with minor modifications to meet modern standards”.
- ▶ Restoration of Ross/Wilson intent and strategy may appeal to many golf enthusiasts, and the enhanced playability and strategy should appeal to the majority of golfers of all types. This element of the renovation should be a key component of the new marketing campaign.

Greens Reconstruction

- ▶ Existing green contours do not reflect that of Ross or Wilson design. Also, age of greens and amount of contaminated areas leads to recommendation that greens be reconstructed with USGA specified construction method.
- ▶ New greens should be maintained applying USGA protocols after re-opening.

Sand Bunker Restoration and Reduction

- ▶ Sanford Golf Design recommends that the bunkers be reshaped, drained, new “G-Angle” bunker sand installed and sand compacted to a 4” depth for consistent playability.
- ▶ Bunkers should be reduced in size (some removed), locations/shapes revised, and green complexes renovated to reflect the original architects’ strategic style and intent.

Tee Leveling/Expansion

- ▶ Tee boxes should be rebuilt to provide level surfaces and provide ample space, improve the playability/strategy of the golf course, and allow for healthy turf conditions.
- ▶ Advanced technology now allows players to hit the ball further, so adding new or expanded back tees to lengthen the course to 7,000+ yards.
- ▶ Some holes would also benefit from the addition of a forward tee for shorter hitters and for player development purposes.

Fairway Regrassing & Contouring

- ▶ To restore the course to the original designs, fairways should be stripped and reshaped according to restore the Ross/Wilson strategic design and bunker placement.
- ▶ Sanford Golf Design suggests Celebration or 419 Bermuda grasses (very adaptable to existing soils) for planting in fairways.

Roughs

- ▶ Reduce the managed turf area, resulting in savings in water consumption, fertilizer usage, pesticide applications and mowing. Labor and resources now spent on these areas can be transferred to more critical primary play areas such as greens, tees, bunkers and fairways.
- ▶ As noted by Mr. Sanford, “this approach makes the golf course more environmentally friendly, sustainable in the long term and will also improve the aesthetics. Native ground covers such as pine straw, mulch or crushed limestone can be used in the non-irrigated areas.”

Clean up of Trees / Brush / Understory

- ▶ All the exotic vegetation should be eradicated to reduce shade and allow the native plant material to thrive. New native landscape plantings should be installed to replace/supplement these cleared areas, and a program to maintain the native vegetation should be included as a part of the maintenance practices.
- ▶ Mature native trees should be preserved to the extent possible, so long as they do not interfere with air flow or strategy.

Cart Paths

- ▶ Sanford Golf recommends that the improvement Master Plan include new, minimum eight-foot (8') wide, continuous “soft” cart paths throughout the golf course. To provide an enhanced level of aesthetics the material should be crushed concrete or Coquina-like material.
- ▶ Also, there are several areas around the golf course where circulation of carts and maintenance equipment can be improved by re-routing the cart paths and with the addition new paths.

Irrigation System

- ▶ As Pignato Group noted in its report, the irrigation system at DBGC could theoretically continue to be “band aided” for a number of years, resulting in continued problems with the turf quality, lower maintenance efficiency, and higher annual repair costs. However, assuming the City undertakes the other major elements of the proposed Master Plan for

improvements, NGF recommends that the irrigation system be replaced, upgrading to current technology, water conservation control, and standards.

Drainage

- ▶ Poorly drained areas on holes #10, #11 and #12 should be considered for plating with 6" of sandy material and reshaped to surface drain to a series of catch basins to maintain healthy turfgrass and dryer/more playable conditions.

Practice Facilities

- ▶ Push the range tee back (north) and reorient the range away from the homes to the west. Target greens with varying lengths would be added to the range, and positioned in such a way as to create a de facto 'short course' that could be used for player development and other special event programming (e.g., weekly closest to the pin contests).
- ▶ Develop a quality short game complex north of the range tee in an underutilized part of the golf course. The putting green would be relocated closer to the first tee.
- ▶ NGF believes that an improved practice facility will aid in the overall rebranding of DBGC (or further justify raising the price point), enhance player development and other programming, and increase revenues. In addition to increasing the overall desirability of DBGC for golfers playing a round, an enhanced practice facility with short game area should also result directly in more revenue resulting from practice-only customers, especially from the immediate neighborhoods and from impulse drive-by travelers on Atlantic Avenue.

Ponds/Canals

- ▶ The pond between holes #1 and #2 is a lined pond irrigation source for the golf course that has an effluent connection in the northeast corner that runs north to Atlantic Ave. This could be used as a backup system if the effluent water source is down.
- ▶ Lake banks need to be repaired so the liner does not further deteriorate due to UV light exposure.
- ▶ The irrigation pump station should be screened with plantings.
- ▶ The former pond between holes #11 and #12 has become an unsightly/overgrown dry retention area and should be reviewed by an engineer and redesigned to meet current storage requirements.
- ▶ This area where the canal cuts into hole #6 should be cleaned out and, if possible, filled in. Canal edge should be reviewed by an engineer and recommendations made accordingly.

Bridges

- ▶ The existing bridge appears to be in relatively good condition but should be inspected by a structural engineer to determine the useful life expectancy.
- ▶ The City should consider widening/replacing the south bridge, as there is two-way traffic routed over the bridge, but the bridge is wide enough only for one-way traffic and is not wide enough for maintenance equipment to cross.

Maintenance Area & On-course Shelters

- ▶ Ideally, and depending on funding considerations, the existing maintenance structure should be razed and a new facility designed that will appropriately accommodate mechanical equipment & tools, chemical/fertilizer storage, soil bins, wash down area, parking, proper access for deliveries, fueling, etc. Along with the recommendation to fund a new maintenance equipment fleet (see below), the new facility must be able to adequately store this equipment, sheltering it from the elements and extending the useful life. A typical modern maintenance facility requires ±1.5 acres.

- ▶ Though perhaps not “mission-critical”, if the City is to invest in DBGC with the intent of elevating the facility’s market profile, overall quality level, and golfer perceptions, NGF and Sanford Golf Design recommend that these dilapidated structures be removed and the existing comfort stations be retrofitted to have a dual purpose as a rain shelter.

Preliminary Cost Estimate

Preparing cost estimates for implementation of the recommended improvements was beyond the scope of the NGF study. However, after reviewing Sanford Golf Design’s initial estimates from spring 2016, we believe the City should plan on spending \pm \$5.5 to \$6 million on the total golf course renovation, including soft costs, grow-in, and replacement of the irrigation system, but *excluding a new maintenance building and new maintenance equipment*.

The recommended improvements and attendant cost estimates are intended only as a guideline. We fully expect that respondents to a potential RFP for course improvement/design services, working in conjunction with the City, will present their own conceptual plans with attendant cost estimates.

NGF has observed golf construction prices have increased by \pm 20% in the last two years, depending on factors such as geographic region, prevailing wage laws, etc. Our best guess is that they will continue to rise with inflation over the next several years. It is impossible to precisely estimate potential costs for improvements to Delray Beach GC at this time, due to:

- ▶ Conceptual Plan, but no final design
- ▶ No defined schedule for improvements
- ▶ Inflation and/or changes to material prices, labor conditions
- ▶ Changes to the scope of work or time frames, and other factors.

Recommended Market Positioning

NGFC has come up with pricing/market positioning recommendations for Delray Beach Golf Club based on a number of factors, including:

- ▶ The expected value proposition of DBGC after proposed improvement plan is completed
- ▶ The results of our analysis of market demographic, economic, and golf supply-demand metrics
- ▶ Interviews with area golf operators and others with knowledge of the local golf market
- ▶ The competitive environment, including current and prospective price/value proposition of DBGC relative to key competitors; and,
- ▶ The City’s goals with respect to maintaining affordable golf for city residents

NGF expects that the improved DBGC will continue to have differential green fees for city residents and non-residents, with a larger gap than exists currently. ***Based on our analyses, NGF recommends peak winter season prime time weekday/weekend 18-hole green fees of \$67/\$77 for non-residents and \$55/\$60 for city residents. Off season peak fees are proposed at \$35/\$37 for non-residents and \$32/\$34 for residents.*** Discounted rates will continue to apply for time of day (e.g., first afternoon break arounds noon, twilight), juniors, seniors, etc.

This preliminary recommended pricing repositions Delray Beach GC from a ‘standard’ or mid-market public golf course to a mid-to-high end facility in the context of this local public golf market, positioned between clubs such as Osprey Point and Boca Muni (expected to close) and higher-fee clubs such as Deer Creek and Polo Trace (expected to close). The new pricing will bring non-resident pricing similar to that of local daily fee clubs such as Atlantic National Golf Club, Atlantis Country Club, and the proposed

Boca National Golf Club (based on preliminary recommended pricing), while raising resident rates only moderately. *Of course, the market position will be ultimately be affected by the outcome of facility improvements and the City's objectives.*

NGF concluded that permits appeared to be priced at an appropriate multiple of daily fee rates, based on comparative revenue earned for permit rounds (including cart revenues) vs. daily fee rounds. The table below shows the proposed new permit pricing, based on the current multiple and new proposed peak daily fee pricing for each category. Though we propose that multiples remain same as current, management may want to establish the policy that large full-field tournaments (e.g., shotgun/double shotgun) take precedence occasionally over weekday morning league play, which comprises many permit holders.

Delray Beach GC Proposed Rates				
Category	Current Multiple*	Proposed Peak Green Fee	New Permit Fee	Current Permit Fee
Single Resident	25	\$60	\$1,500	\$1,250
Family Resident	37	\$60	\$2,220	\$1,900
Single Non-Resident	29	\$77	\$2,230	\$1,550
Family Non-Resident	41	\$77	\$3,160	\$2,200
*Multiple of highest applicable daily fee rate in-season.				

To help establish new market positioning, a marketing campaign should begin prior to opening, to include press releases about the elements of the renovation/restoration (including Donald Ross and Dick Wilson themes), progress, and news about the grand reopening event. Potential campaign themes could be along the lines of “Delray Beach Golf Club – an historic golf course with a brand new face”, “Delray Beach Golf Club – come play the beautifully restored championship layout”, or “Newly restored Delray Beach Golf Club, a must-play in south Florida golf”.

Maintenance Budget & Equipment

If the City makes the decision to spend multiple millions of dollars to address physical shortcomings of DBGC and reposition the club in the market, NGF strongly recommend that the City also provide the operator with the necessary resources to preserve the newly enhanced assets. *NGF believes that the current spending (~ \$760,000 actual in FY 16; ±\$820,000 FY 18 budget) will be insufficient to maintain an improved golf course at a high level, and may very well put the new assets at risk of deteriorating quickly.* NGF projects, based on the proposed quality of product and market positioning of DBGC, that an annual maintenance budget of between \$1 million and \$1.1 million (excluding any capital lease of maintenance equipment) will be appropriate for this enhanced and repositioned property, even assuming more efficient maintenance due to the proposed new irrigation system and other course improvements.

Similarly, as we note in the report, previous consultants' assessments concluded that most of the equipment at DBGC is old and frequently in need of repair. NGF recommends that a new equipment package be considered if DBGC is to compete as anything other than a ‘value’ golf course. We estimate that a new equipment package for DBGC will cost between \$750,000 to \$900,000 if purchased outright, or about ± \$225K annually if leased, depending on terms.

Clubhouse Issue

Though not part of the scope of this study, potential physical and/or operational changes to the golf clubhouse at DBGC were a topic of discussion during NGF's meetings with City staff, JCD staff and two Commission members. The City currently plans to “harden” the existing building for the purpose of turning the building into a secondary Emergency Operations Center (EOC).

NGF recommends the City further study the clubhouse issue to identify any potential opportunities that can be taken advantage of concurrent with the hardening, including reprogramming of some elements and potentially even issuing an RFI/RFP for leasing the food & beverage operation to a private entity. While JCD has obviously done a terrific job managing food & beverage and generating profits, a private operator could perhaps partially bear the costs related to physical modifications and take on the risk associated with operations.

Potential improvements to the golf clubhouse include programming more space dedicated to golfers wanting to enjoy food & beverage before, during and after their rounds. (i.e., expanded bar/grill area). An enhanced and reprogrammed building could also make DBGC more competitive for larger corporate/charity golf outings, induce more golfers to stay after their round of golf for food & beverage, and even grow the already successful banquet/catering business

FINANCIAL IMPACT OF IMPROVEMENTS

In this section NGF provides a basic cash flow model to estimate the impact of implementing the recommended Master Plan for Improvements at Delray Beach Golf Club, relative to additional rounds played, increased average rate, and incremental net operating revenues. In this section, we provide estimates of performance based on a set of assumptions that may or may not become reality. We feel that these projections represent a “fair estimate” of performance for the improved and restored golf course based on our overall analysis of the subject golf course, market, and expected operational plan for DBGC

Market Opportunity Conclusion

The following bullets summarize what NGF views as the key justifications for our projections based on our understanding of the demand drivers for DBGC.

Support for Projections

- ▶ Growing resident and seasonal resident population in the Delray Beach/southern Palm Beach County market, with demographic profile that is predictive of strong golf demand. Strong and diversified local economy, low unemployment, and many large employers, office/business parks, and lodging properties from which to draw golf demand.
- ▶ **Favorable location:** The site is accessible and convenient for a fairly wide geographic area. DBGC enjoys proximity to all of the downtown neighborhoods, especially the very popular east Atlantic Ave. Residential communities of various sizes stretch westward, both north and south of Atlantic Ave., all the way to the Florida Turnpike and beyond to Lyons Rd. and SR 7. Proximity to area lodging properties and attractions – especially Downtown Delray and the beaches – should spur significant golf activity from transients and seasonal residents. ***This ability should be greatly augmented if facility improvements result in a restoration of the property and a new reputation as a “destination” golf course.***
- ▶ The overall golf demand/supply balance in the local DBGC market is becoming more favorable to existing public golf operators is improving with the recent (and continuing) golf course closures, increasing population and lack of new courses in planning. Next up for closure are Boca Raton Muni and Polo Trace in Delray Beach, which would have been a key competitor to a restored DBGC. Population growth is expected to add about 1,500+ golfing households to the 10-mile primary market by 2021.
- ▶ There is a relative lack of ‘premier’ public golf offerings within 10 miles, and one of the higher quality daily fee operations – Polo Trace – will shortly be exiting the market. NGF believes the relative lack of high quality public golf courses in the local market offers a restored Delray Beach Golf Club an opportunity to gain both market share and a higher average green fee, especially for non-residents.

- ▶ Proven favorable performance of existing public golf courses in the region, including the subject DBGC and other municipally-owned golf courses in Boynton Beach, Boca Raton (Osprey Point, Southwinds), and Pembroke Pines that have produced strong rounds activity at an average golf revenue per round of \$35 or more. Examples include:
 - Osprey Point GC – This 27-hole municipal golf facility owned by Palm Beach County is hosting over 97,000 rounds with average golf revenue per round over \$35.50. The peak winter green fee is \$63.00. Staff reports that the facility is close to capacity in winter and is having to turn away players. Total net operating income in FY2016 was a very strong, at more than \$1.9 million.
 - Pembroke Lakes GC - This 18-hole municipal golf facility owned by Pembroke Pines hosted 43,613 rounds in FY 2016 despite excessive rainfall in late 2015 and early 2016. The average golf revenue per round was \$42.12 for the year, and \$49.40 for the December – March winter season.
- ▶ As NGF Consulting has observed in many other markets, newer golf courses (e.g., Osprey Point, Park Ridge, Plantation Preserve) and those that have invested in improvements (Atlantic National, Palm Beach Par 3, Jacaranda GC in Plantation) - seem to have fared the best in this regional market, while those that have deferred capital improvements and everyday course maintenance such as Lake Worth Muni and Cypress Creek have seen declining demand and financial performance.
- ▶ NGF survey research reveals as many as 86,000 non-golfers interested in taking up the game within 10 miles of DBGC. The proposed improved and expanded practice facilities at the club should facilitate more active programming aimed at inviting and “onboarding” prospective new golfers.

Potential Threats / Mitigating Factors Relative to Projections

While the NGF finds considerable evidence to support strong rounds and revenue growth from a major renovation of DBGC, there are mitigating factors that could constrain rounds and net revenue performance. These include:

- ▶ Though Boca Raton Municipal Golf Course will be closing, the potential positive effect in terms of increased market share for DBGC may be greatly mitigated should the Greater Boca Raton Beach & Park District develop Boca National Golf Club at the old Ocean Breeze GC site (Boca Teeca) as planned.
- ▶ Regional or national economic recession – previous recessions have negatively impacted the performance of public golf courses.
- ▶ Population growth is smaller than projected, and/or demographic shifts unfavorable to golf participation occur.
- ▶ Continued overall decline in golf participation – recent trends show declines in golf participation, especially among the younger generation.
- ▶ Water availability/cost – Water for irrigation is the “life blood” of a golf course operation, and anything that impacts the availability or cost of water will impact the golf facility operation.
- ▶ Yearly weather variations (e.g., Hurricanes Matthew and Irma) can make the difference between operating in the black or in the red in any given year.

Cash Flow Model Assuming Recommended Improvements

NGF has created a five-year pro forma that illustrates what we think Delray Beach GC would look like from a net cash flow perspective, assuming the improvements identified previously are completed and that the City increases the maintenance budget so that the club can operate at a higher price point, with fewer discounted rounds. ***In the cash flow model, the primary factors driving increased rounds played and higher average daily rate are the increased quality of the overall golf experience, including enhanced aesthetics and restoration of the original architects' strategy and intent for the layouts.***

We note that another consideration, which is not captured by the financial model, is the potential “cost of doing nothing or only nominal improvements”. Due to aging infrastructure and other factors discussed in this report, such as the improvement of competing market facilities, we believe that the financial condition of Delray Beach GC will ultimately enter a downward trajectory without significant improvements.

Finally, in preparing our estimates of future performance, the NGF team has made several assumptions for input variables and external market conditions. We recognize that this estimate is prepared in 2017 for a golf facility that may not reopen before 2019 or even later. As such, the NGF estimates are made using current (2017) inputs and current market conditions. All financial estimates are prepared in 2017 dollars. A summary of NGF assumptions are detailed below:

Base Assumptions

The NGF rounds, revenue and expense estimates have been crafted in consideration of the current and expected (e.g., population growth, golf supply-demand balance) market conditions over the course of the five-year subject period. Projections for rounds and revenues assume continued operation under skilled fee-for-service third party management and successful completion of the recommended capital improvement plan (or moderate variation thereof proposed by a successful bidder to an RFP). We have also assumed continued operation with the current clubhouse structure, though the City may consider both programmatic and operational changes concurrent with its “hardening” of the current building.

Specific assumptions regarding revenue and expense projections are contained in the body of the report. Other basic assumptions:

- ▶ The overall economic condition remains stable, without any sizable increase or decrease in the Delray Beach/southern Palm Beach County area economy, employment, or visitation.
- ▶ DBGC will operate with a high standard for customer service and conditions, placing the facility in the upper-middle range of public golf courses in the greater Delray Beach market area.
- ▶ DBGC will continue to operate with a traditional mix of revenue centers common in public-access golf, with the predominance of golf activity derived from daily fee customers, supplemented by a significant food & beverage operation (both restaurant and catering/banquet).

Cash Flow Projections – Year 1 – Year 5 (Post-Renovation)

Utilizing the above assumptions and activity/revenue/expense estimates, NGF Consulting has prepared a pro forma for the first five years of operation after the renovation/restoration is completed. The resulting cash flow model is shown in the report, with summary results presented below. All operating revenue and expense figures are expressed in 2017 dollars and have been rounded to the nearest \$100 for simplicity.

Financial Model Results

The results of the NGF Consulting financial projections for Delray Beach Golf Club, assuming completion of the recommended improvement plan and increased maintenance budget, show total gross operating revenue of about \$3.59 million in Year 1. Based on cost of sales and operating expense

assumptions, Year 1 net operating income (NOI) is projected to be about \$492,000. When projected stabilized play of 65,000 rounds is reached in Year 3, gross revenues are expected to reach ~\$3.99 million, with NOI reaching a stabilized level of ±\$697,000.

The projected stabilized NOI represents an improvement of about \$323,000 over the average actual results from FY 13 through FY 17. We note that the projected expenses have been assumed to include all costs required to run the golf and clubhouse operation *on site*, and do not include other “below-the-line” expenses that may be required such as additional City overhead, depreciation or capital cost reduction (debt service). As such, what we refer to as NOI may be more accurately described as EBITDA (earnings before interest, taxes, depreciation and amortization).

Based on the *incremental* EBITDA and the financing terms shown in the table (term and required coverage held steady at 15 years and 85%, respectively, while interest rate sensitivity is shown for 1.5%, 2.0% and 2.5%), the amount of the required investment that NGF projects will be covered by incremental net user fees (plus some non-golf revenue sources such as tower rents) ranges from about \$3.4 million to \$3.7 million.

Earlier we noted very preliminary cost estimates, based on discussions with Sanford Golf Design, of ± \$5.5 to \$6 million on the total golf course renovation, including soft costs, grow-in, and replacement of the irrigation system, but *excluding a new maintenance building and new maintenance equipment*.

Therefore, if these cost estimates and City-supplied financing terms are within range, incremental net user fees will cover about ±60% of the cost of the renovation, excluding improvements to the maintenance area and new equipment.

SUMMARY STATEMENT

Delray Beach Golf Course is an historic and very important community amenity that, while still offering a reasonable golf experience and overall value for the fee charged, now suffers from years of deferred maintenance and capital improvements, aging infrastructure, and a haphazard approach to improvements over the decades that has detracted from the original strategy and character of the Ross and Wilson golf course routings. The course now exhibits a generally “tired” appearance, and has fallen behind some other regional public golf offerings that have improved their facilities and golfer experience.

Lack of investment has resulted in many ‘mission-critical’ issues at DBGC that negatively affect golfer experience and constrain net revenues. Though rounds played have been holding steady in recent years and the facility remains profitable from an operating standpoint (excluding “below the line” expenses such as depreciation, capital, etc.), there may be a significant “cost of doing nothing” as assets continue to age and deteriorate, and maintenance budgets fail to keep up, eventually resulting in declining rounds and revenues.

NGF Consulting believes that several factors, as summarized above, offer Delray Beach Golf Club an excellent opportunity to gain both market share and a higher average green fee after completion of the restoration as summarized in this report. Later in the report, NGF will summarize the proposed major elements of a renovation or restoration of Delray Beach Golf Course, and discuss the market impact and financial implications of implementing the recommended Master Plan.

Situation Analysis

In this section, NGF provides a summary overview of Delray Beach Golf Club, based on NGF's review in the fall of 2017, which included: facility tour; review of other consultants' reports, including Sanford Golf Design and the USGA Green Section, Southeast Region; meetings with City staff and officials; and meetings with JCD Golf management and DBGC on-site key staff. This summary situation analysis comprises:

- ▶ Brief recap of the history of Delray Beach GC.
- ▶ Summary of DBGC administration & management structure.
- ▶ Description of current pricing/market positioning.
- ▶ Analysis of recent financial results.
- ▶ Evaluation of current conditions and preliminary findings related to capital improvement needs (the primary focus of this report), based on NGF's facility tour, meetings with DBGC maintenance staff, and previously prepared consultants' reports.

OVERVIEW

Location

The subject Delray Beach Golf Club is located just west of I-95 and south of Atlantic Blvd. on Highland Avenue. This 'core' golf course's footprint runs southward from Atlantic Ave. to Lowson Blvd. There is some perimeter residential primarily on the southwest (Homewood Blvd.), south (Lowson), and southeast (SW 20th Ct.) borders of the property, while a drainage canal bisects much of the golf course.

Surrounding land uses in the immediate area are favorable for golf (and food & beverage/event) participation - primarily residential, with some commercial elements eastward past the canal toward the Congress Ave. and I-95 corridors. The DBGC also enjoys proximity to the downtown neighborhoods, especially the very popular east Atlantic Ave. area. Residential communities of various sizes (some including golf) stretch westward, both north and south of Atlantic Ave., all the way to the Florida Turnpike and beyond to Lyons Rd. and SR 7.

History

The golf course has been a very important component of the City's Parks and Recreation Department for many years, and has been a valuable community amenity for more than 90 years. The City obviously values the golf course not only for its history and potential for economic return (both direct and indirect), but also because it provides recreational enjoyment and programming for various community members such as families, juniors, and both beginning & experienced golfers. Additionally, NGF research has shown that a high quality, affordable municipal golf course can be a key amenity that both individuals and businesses choose when they consider relocation.

Excerpt from Sanford Golf Design's Site Evaluation and Master Plan (spring 2016):

"From the very beginning, Delray Beach Golf Club gained distinction in many circles because of its original design by the legendary golf course architect Donald Ross. The City of Delray Beach purchased land for the course in 1923 and a nine hole course was officially opened in 1926. During the 1930's the course was home to renown golf course architect Dick Wilson who served as the club pro and greenskeeper until it was forced to close during World War II. After reopening in 1945, City leaders voted to add a second nine holes (today's front 9) and opened it in 1950. These additional holes did not

conform to the Ross Routing Plan. Our research, based on conversation with those involved with golf course at that time, revealed the second nine was designed by another prominent architect, Dick Wilson.

In the 1950's touring professionals, such as Tommy Amour, and celebrities, such as Jackie Gleason, would stop over in Delray to play the excellent Ross/Wilson-designed layout. As Betty Jameson, LPGA Hall of Fame member and long-time Delray resident, recalls, "It was accurate in measurement, had excellent fairways and exceptional drainage." In fact, it was listed as one of the top ten courses in the country at the time! As word spread, more and more players and club professionals began "hanging" at Delray Beach Golf Course.

Based on the original Donald Ross Routing Plan (see image) from the Tufts Archives there are 6 'Ross' routed holes still in existence but the original strategy has been lost. According to the book 'The Architects of Golf' by Geoffrey Cornish and Ron Whiten a third 9 (NLE) was designed by Red Lawrence and opened in 1962. Based on Palm Beach County historic aerials the Lawrence holes were convert into a commercial development in the early 1980's. Also in 1962 Robert Bruce Harris remodeled the other 18-holes, which included shifting several holes, revising the strategic design and the use of larger oval bunkers that still exists today."

GOLF COURSE DEVELOPMENT TIMELINE

1923	City of Delray Beach purchased the land.
1926	Nine Donald Ross holes opened (current back 9).
1942-45	Course closed due to World War II.
1950	An additional nine holes (current front 9) opened creating an 18-hole golf course. Research indicates this design was completed by Dick Wilson.
1959	Bunkers were renovated.
1962	An additional nine holes designed by Red Lawrence opened creating a 27- hole golf complex. Existing 18-holes were remodeled by Robert Bruce Harris featuring large oval bunkers, revised strategy and re-routed golf holes.
1981	The Lawrence nine holes closed and the golf course reverted back to 18-holes. Land was developed into a commercial property.
1992	18-hole renovation completed with architect Karl Litton. Greens rebuilt, bunkers rebuilt, course re-grassed and new cart paths.
2000	Tree removal on front 9.
2002	Turf was removed from well areas, lake adjacent to hole 1 was expanded, greens rebuilt to USGA specifications, and minor renovation to the golf course by Ward Northrup.
2005	The golf course suffered significant damage from multiple hurricanes. Large trees were removed and bunkers were rebuilt.

For more detailed history of Delray Beach Golf Club and its two seminal architects, please refer to separate attached report prepared by Sanford Golf Design in spring 2016.

Current Scorecard

The scorecard for DBGC is presented below. The course has four sets of tees, ranging from 5,189 yards to 6,907 yards. Later in the report we will present recommendations regarding the potential lengthening of the golf course, as well as the addition of a forward tee on some holes to make the course more manageable by beginning golfers and/or shorter hitters.

Delray Beach Golf Club Scorecard											
Tee	1	2	3	4	5	6	7	8	9	Out	Rating/Slope
Gold	542	401	199	451	362	183	419	392	528	3477	72.2/119
Blue	517	374	157	418	329	162	390	375	491	3213	69.6/111
Green	472	339	137	348	309	132	370	338	462	2910	67.0/110
White	423	296	230	337	265	124	321	324	396	2606	68.4/111
Par	5	4	3	4	4	3	4	4	5	36	

Tee	10	11	12	13	14	15	16	17	18	In	Total
Gold	401	373	461	225	347	508	433	165	417	3430	6907
Blue	374	346	500	188	331	490	389	141	388	3147	6360
Green	354	301	460	163	315	467	344	111	363	2878	5788
White	333	256	407	137	305	412	307	82	344	2583	5189
Par	4	4	5	3	4	5	4	3	4	36	72

ADMINISTRATION AND ON-SITE MANAGEMENT

Delray Beach Golf Club is operated as an Enterprise Fund by the City of Delray Beach, meaning user fees are expected to cover operating expenses without taxpayer (General Fund) support. The City's Parks & Recreation Department and its Director oversee the operation, reporting to the City Manager's office. The City Commission has final approval on operational issues such as proposed fees, extension of management agreement, etc.

Management Agreement

In terms of on-site management, Delray Beach GC and Lakeview GC have long been managed via a private management services agreement with BJCE, Inc. (AKA 'JCD Sports Group') an independent golf management operator based in south Florida. The current agreement extension was established May 1, 2017 and runs through April 30, 2019, with two one-year renewal options.

The City pays a not-to-exceed amount of \$140,000 per year for management services for the work actually performed and completed. BJCE, Inc. may be entitled to additional payments by the City based on the following profit sharing structure:

- ▶ Up to \$25,000 profit – profit sharing incentive = 0% of net profit
- ▶ \$25,001 - \$50,000 profit – profit sharing incentive = 15% of net profit
- ▶ \$50,001 - \$75,000 profit –profit sharing incentive = 20% of net profit
- ▶ \$75,000 and up profit – profit sharing incentive = 25% of net profit

These payments are contingent on BJCE meeting specified performance measures. The profit/loss sharing structure is based on net income vs. expenses (profit) and cannot exceed the amount of \$50,000 per year. If the combined net income of the golf courses does not exceed the expenses for the specified one-year period, BJCE will pay the City an amount equal to 25% of the loss up to maximum of \$50,000 per year.

Staffing

On-site staffing for DBGC is summarized in Appendix A. Key full-time positions include the Food & Beverage Manager (is also acting General Manager), Director of Golf (PGA Head Golf Professional), Superintendent, Assistant Superintendent, Catering Manager and Restaurant Manager. Additionally, JCD's Superintendent at Southwinds Golf Course provides consultation and a second set of eyes if issues arise at DBGC.

CURRENT PRICING / MARKET POSITIONING

Summary peak and off season green fee, permit and range pricing for DBGC is illustrated in the tables in Appendix B. Later in the report, we will make recommendations regarding daily fee pricing for the peak season January through April period and off season April through November period, along with recommended changes to the permit program pricing. Key observations regarding current pricing follow.

NGF Observations on Current Pricing

- ▶ In FY 17, prime time (morning) peak season green fees were \$52 weekdays and \$54 weekends for non-residents, and \$49/\$51 for Delray Beach residents. Corresponding off season rates were \$30/\$32 and \$28/\$30 for non-residents and residents, respectively. Permit prices (cart fees of \$18.50 + tax additional) ranged from \$1,250 for single residents, to \$2,200 for family non-residents.
- ▶ As we will see later in the report in our analysis of the competitive market, NGF believes that DBGC's 'rack' pricing is appropriate given the value offered. We believe it is wise that management has not priced the facility, based on its current condition and market rates, closer to the \$65 maximum approved by Council. Management seems to have struck appropriate balance between rate and volume, allowing it to maintain some of the higher activity levels at public golf courses in this market.
- ▶ Based on information given to NGF by the City, we calculated an average daily rate (ADR), equivalent to all daily green fee revenues divided by total daily fee rounds, of about \$26 for FY 16. This number is reflective of the various time of day, time of year, Warrior Card, and other forms of discounting available to market golfers for DBGC. For comparison, Boca Muni, with a peak rate of \$62, had an ADR of about \$28.50 (Champ course), Links at Boynton (peak \$52; ADR \$30 on Champ course), and Osprey Point (\$35.50 on peak rate of \$63).
- ▶ Often we find that seasonal or annual permits/passes at municipal golf courses are priced at too severe a discount (i.e., too low a break-even number of rounds), resulting in some holders paying very low effective rates for their rounds. At DBGC, the average rate (including cart revenues and assuming 20% of prepaid revenue is accounted for by Warrior cards) in FY 16 for permit rounds was actually higher than the ADR for daily fee rounds, at about \$29.50.
- ▶ This latter point is important in the context of maximizing revenues, given that many permit holders reportedly take up prime time morning tee times that could otherwise be filled with daily fee players. For instance, both the MGA (40-80 players regularly tee off on Wednesdays year-round at 7:30 am) and LGA (60-70 players on Thursday mornings in peak season) comprise a high percentage of permit holders. *Devoting these prime times may become a revenue constraint after major golf course improvements, as the DBGC morning times could be highly marketable to tournament organizers. (Currently, DBGC hosts very few tournaments, and none in season).*
- ▶ NGF will discuss recommended rates assuming an improved product later in the report. In general, we expect that there will be higher rack rates and higher permit fees (with non-residents absorbing more of increase), less reliance on discounting, and a higher volume of tournament rounds (hopefully during traditionally slower weekday periods) and during off-season.

RECENT OPERATING RESULTS

NGF analyzed revenue and expense statements for Delray Beach Golf Club for the period of FY 2013 through FY 2016 (FY 17 not available). In FY 16, the club generated about 50% of its total operating revenues from green/cart/permit fees, and about 43% from food & beverage (catering + restaurant). Other operating revenue sources include driving range, merchandise, and miscellaneous sales/rentals. Facility revenues also include non-operating items such as rents (tower rental + broadcasting of ~\$28,000), sales & comp loss fixed asset, and an 'intergovernmental' line item that totals ±\$2,000 each year.

Below, NGF summarizes key findings regarding the financial results of DBGC for the FY 13 through FY 16 time period (see summary tables in [Appendix C](#)).

Summary Findings

- ▶ Total rounds played for Delray Beach GC have been remarkably consistent, ranging roughly between 57,000 (FY 14) and 59,000 (FY 16). Preliminary unaudited results for FY 17 indicate a moderate decrease to about 56,000 rounds, at least partially attributable to lost days in September 2017 due to Hurricane Irma. Rounds played by permit holders as a percentage of total peaked at just over 7,000 in FY 14, or about 12.4% of total rounds. Permit rounds have subsequently declined significantly, to 4,413 in FY 16 (7.5% of total).
- ▶ Total operating revenues, including some non-traditional miscellaneous revenues that go to the golf ledger (e.g., tower rents), increased from \$3.02 million in FY 13 to \$3.16 million in FY 16, an increase of 5%. Total revenue per round over the last three years has ranged from \$53.49 in FY 16 to \$54.42 in FY 15.
- ▶ Prepaid green fees (includes both permits and Warrior/Super Warrior Cards, as well as permit holder cart fees) have decreased from just under \$195,000 in FY 14 to \$144,401 in FY16, a drop of 26%. Still, golf revenue (defined by NGF as green + cart + permit dues) per round has been steady over the four-year period, ranging from \$26.27 in FY 13 to \$27.04 in FY 16. *This speaks to the difficulty of raising rates in a highly competitive market, especially when there are deferred maintenance and capital needs.*
- ▶ In terms of other revenue centers, driving range income went up by nearly \$36,000 between FY 14 and FY 16, or nearly a 33% increase. On a per round basis, the increase was \$0.55. Merchandise sales increased by 30% over the four-year period, a boost of \$0.41 per round.
- ▶ Total food & beverage revenues have held generally consistent at between \$1.285 million and \$1.35 million over the four-year period. However, after cost of sales and other expenses, the profit of the F&B operation more than doubled between FY 13 and FY 15, to \$218,000. The gross margin also nearly doubled during that time, from 8.3% to 16.2. Both net profit and net margin fell modestly in FY 16.
- ▶ DBGC's total operating expense budget (excludes cost of sales) increased by 4.7% in FY 2016, to \$2.39 million. We note that variances from year to year may include some one-time or extraordinary expenses. Over the four-year period between FY 13 and FY 16, expenses increased by about \$141,000. Maintenance expense rose by 15.8% during that time and accounted for more than 70% of the overall budget increase. Part of this is due to natural inflation, but other factors include the increased inefficiency of maintaining a golf course with deferred maintenance and capital needs, as well as aging infrastructure.
- ▶ Total facility net operating income (does not include capital spending, debt service, depreciation on expense side, or non-golf revenue items such as inter-City transfers, tower rents/broadcasting, sale of assets on revenue side) has ranged from a low of ~\$241,000 in FY 14 to a high of ~\$442,000 in FY 15. NOI declined by ~\$120,000, or about 27%, in FY 16.

CURRENT CONDITIONS ASSESSMENT

The assessment of current golf facility conditions at DBGC is based on NGFC's tour of the facility in October 2017, discussions with JCD management and the on-site Superintendent, and our review of consultants' reports previously commissioned by the City. The referenced reports comprised: a March 2016 Site Evaluation and Master Plan by Sanford Golf Design of Jupiter, FL (working with agronomist Burrows Turfgrass Services and irrigation specialist The Pignato Group); and an April 2017 report from the USGA Course Consulting Service that focused on "problematic greens".

Based on this framework, following is a summary of identified major deficiencies prevent Delray Beach Golf Club from presenting a higher quality golf experience to the public, gaining market share, competing at a higher price point, and operating more efficiently overall. Later in the report, we will summarize recommended solutions from Sanford Golf Design and/or NGF Consulting that should. Later in the report, NGF will summarize the proposed improvement plan for DBGC and analyze the financial implications of these improvements, including potential increases in net operating revenues and the extent to which increase net income from operations will pay for the expected cost of improvements (i.e., annual debt service).

Golf Course Evaluation Process & Purpose

NGF Consulting evaluated the golf course by touring the facility, interviewing staff and reviewing previously referenced consultants' reports about the facility. No in-depth inspections were performed. The NGF summary of conditions and improvement needs is intended to provide a consensus opinion on existing general conditions and 'mission-critical' improvement needs of Delray Beach Golf Course, with the intent of helping guide the City make key decisions related to investment in the golf facility based on prioritized needs.

The fundamental purpose of providing the assessment of golf facility conditions and evaluation of asset/infrastructure relative to remaining useful life is to provide the City with sufficient information to make informed decisions on the following aspects of the golf facility:

- ▶ Deficiencies that need to be addressed for the facility to produce positive, and sustainable, economic returns for the City, and a high quality experience for area golfers
- ▶ Creation of an Improvement Master Plan to remedy identified deficiencies
- ▶ Recommended steps to move forward

Playability/Strategy & Aesthetics

As Sanford Golf Design noted in their report, *"the idea of a strategically designed course should be such that the high handicap players can overcome the obstacles through the placement of the tees with each player recognizing their own capabilities and choosing the appropriate tee for their abilities. By choosing the correct tee, each player puts himself or herself in position to play the golf hole according to the strategic design"*. While Both Donald Ross and Dick Wilson adhered to these strategic fundamentals throughout their careers and, several renovations and many other haphazard one-off modifications over the decades have resulted in a golf course that has only a tenuous link the original designs of the Ross (current back 9) and Wilson (current front 9) layouts.

The aesthetics and scenery of a golf course, as borne out by tens of thousands of responses to NGF golfers surveys implemented at courses all over the country, are very important to golfers, regardless of skill level. NGF concurs with Sanford Golf and other experts we've spoken to that there are many aesthetic elements of DBGC that can be upgraded to improve its visual appeal and character. For example, sand bunkers are formless with little character or consistency, and many are poorly placed relative to how the accompanying hole should be played. Also, greens and surrounds, as well as fairways, present a generally bland, uninteresting and 'tired' appearance.

Additionally, the golf course suffers from a lack of proper arbor care and general maintenance of understory and other vegetation (esp. exotic). Overgrown areas are visually unattractive, and can contribute to lost balls/pace of play issues. More important, they constrain proper airflow, creating an atmosphere conducive to turfgrass pathogens, an increased use of pesticides, and increased overall maintenance costs.

Golf Course Component Assessment

Following is a summary of DBGC's current condition, based on the framework presented above, broken down by component.

Greens

Greens and putting surface quality are consistently ranked by public golfers as the top factor in choosing a public golf course to frequent. Sanford Golf's report notes that the greens were built to USGA specifications and grassed with Tif-Eagle in 2002, meaning the drainage infrastructure is now +/-15 years old, approaching the minimum age of their expected useful life (see ASGCA Life Cycle Chart in Appendix D) in Florida. Additionally, the green contours do not reflect the original designs of Mr. Ross and Mr. Wilson, and greens have been flattened out and decreased in size over the years (ave. = 5,000 sf), which is normal due to mowing and the encroachment of the turfgrass around the greens.

While the greens at DBGC at the time of the NGF visit were generally functional, consultants' reports indicate that contaminated grasses on many greens will be a growing concern. The USGA report noted that "the combination of mature greens, heavy organic matter build-up and reduced drainage, coupled with irrigation limitations, collectively limits the performance and consistency of the putting greens". At the time of the USGA consultants' visit in the spring of 2017, maintenance staff was also trying to manage a "heavy nematode infestation".

In terms of green surrounds, areas where mowers cannot reach are being maintained only intermittently. Also, NGF observed areas with poor coverage, reportedly due to some golfers routinely driving their carts up onto the surrounds.

Fairways

Fairways at DBGC are a mixture of hybrid and common bermudagrass, and there is a notable difference in color and growth patterns. Each type has different stages of growth, color and density at various times of the year. Though conditions may have improved since the winter 2016 assessment by Burrows Turfgrass, overall fairway turf coverage is fair to poor due to insufficient fertilizer applications, inadequate irrigation coverage and the variety of turfgrass types. The USGA's spring 2017 report also noted that some areas have higher buildups of organic matter, resulting in poor drainage during heavy rain events. Finally, weeds are observed throughout and Goosegrass infestation was also present during the spring 2017 inspection.

Rough

Most areas of the roughs do not have irrigation coverage, and turfgrass quality suffers accordingly. NGF and Sanford Golf Design have identified the maintained rough areas as a potential area of maintenance cost savings, as many are generally out of play. Removal of some of this turf would reduce the managed turf area, resulting in savings in water consumption, fertilizer usage, pesticide applications and mowing. An additional benefit is that labor and resources now spent on these areas can be transferred to more critical primary play areas such as greens, tees, bunkers and fairways.

As noted by Mr. Sanford, "this approach makes the golf course more environmentally friendly, sustainable in the long term and will also improve the aesthetics. Native ground covers such as pine straw, mulch or crushed limestone can be used in the non-irrigated areas."

Tees

DBGC has four sets of tees overall. The back ('Gold') tee at DBGC plays to 6,907 yards, with forward ('White') tees of 5,189. (Some holes have more forward red tee markers in the fairway turf). The tee boxes were in fair condition during the time of the NGF visit in October 2017, with some areas having poor coverage, bare areas and/or weeds. Lack of sufficient irrigation coverage, and shade from surrounding trees on some complexes, contribute to poor turf quality in some areas. Additionally, most of the tees at DBGC are uneven and require leveling and expansion, as there is insufficient tee space (+/-90,000 sf) to accommodate the volume of play (250+ rounds per day) on busiest peak season days.

Sand Bunkers

Sand bunkers are traditionally one of the attractions of a high quality golf course, and Both Donald Ross and Dick Wilson understood that bunkers were a critical strategic component to any golf course. However, after several renovations and other course modifications over the years, Delray Beach Golf Course now has 72 bunkers totaling 188,200 sf - far exceeding industry average the industry average of 80,000 sf (source: Sanford Golf), resulting in a large variance from the original design intent and greater maintenance costs.

All of the sand bunkers on the course have lost their original shape and the sand has been compromised due to wind, erosion, and intrusion of native soil. As is typical, the bunkers have grown over the years due to the constant edging by the maintenance crews. Green side bunkers at DBGC tend to be higher than the putting surface (not in keeping with either Ross or Wilson designs), as sand has built up over time on the greenside edge of these bunkers. Bunker grass faces are weak and thin due to the variety of grasses, and lack of fertilizer and irrigation coverage. Finally, the course has only one bunker rake machine for the entire course.

Trees / Brush / Understory

In many areas, tree growth has gotten out of hand and become invasive due to lack of an arbor plan. Understory and shrub type vegetation is so dense in some places that it blocks air movement and views. There are many large areas overgrown with nuisance species such as Brazilian Pepper, Australian Pine and Melaleuca.

Practice Facilities

The existing range tee is short in length, oversized in width, and somewhat oriented towards the homes to the west. During the winter months, when the turfgrass isn't growing as much, the tee surface is heavily damaged. The current maximum distance is 250 yards from the front of the tee box to the back of the range (only 195 yards along the east side). The range also lacks target greens, which golfers prefer hitting to in order to judge distance of balls struck. The chipping green is not located near the practice facilities and is undersized.

Maintenance Building & On-course Shelters

A maintenance facility that is capable of supporting a high quality public golf course will be critical if Delray Beach Golf Course is to realize the maximum return on its proposed investment in the golf course. While NGF did not conduct a formal inspection of the maintenance facility and on-course structures during our facility tour, it is evident that the maintenance facility is too small and in poor condition. Additionally, there is little room for equipment storage, no breakroom for employees, only one small bathroom, and inadequate work space for the mechanics. (We cannot attest to any potential structural or safety issues).

Sanford Golf Design pointed out other limitations of the existing facility:

“The existing maintenance facility is antiquated and undersized. The current delivery process is difficult and inefficient. Maintenance deliveries are in conflict with food and beverage deliveries to the clubhouse and oftentimes materials have to be staged at the clubhouse because delivery trucks can't traverse the bridge/road to the maintenance facility, creating an undesirable situation and operational issues around the clubhouse”.

Maintenance Equipment and Annual Maintenance Budget

As was the case with vertical structures, the NGF scope did not include formal inspection or inventory of golf course maintenance equipment. However, we again largely concur with previous consultants' assessments, including Burrows Turfgrass Services, regarding equipment needs and required annual budget if the City is to spend millions of dollars on course improvements with the idea of repositioning Delray Beach Golf Course in the local market.

DBGC is currently being maintained as a 'value' public golf course due to a number of condition- and irrigation-related issues. Another contributing factor is that most of the equipment at DBGC – owned outright by the City - is old and frequently in need of repair. NGF recommends that a new equipment package be considered if DBGC is to compete as anything other than a 'value' golf course. According to Burrows, a new equipment package for DBGC will cost between \$750,000 to \$900,000 if purchased outright. If the City chooses to lease the same package, NGF estimates the annual lease payment to be ± \$225K, depending on lease terms. (Type, quantity and quality of equipment needed depends on factors such as maintainable acreage, market position, and course-specific factors such as number/nature of sand bunkers, quality/coverage of irrigation, volume of play, etc.).

In terms of the overall operating budget, because of the size and challenges that the property presents, NGF believes that the current spending (~ \$760,000 actual in FY 16; ±\$820,000 FY 18 budget) will be insufficient to maintain an improved golf course at a high level, and may very well put the new assets at risk of deteriorating quickly. The cost of many materials needed to maintain golf courses has increased over the past few years; NGF projects, based on the proposed quality of product and market positioning of DBGC, that an annual maintenance budget of between \$1 million and \$1.1 million will be appropriate for this property (excluding any capital lease of maintenance equipment), even assuming more efficient maintenance due to the proposed new irrigation system and other course improvements.

Infrastructure

NGF surveys consistently show that golfers rate good maintenance conditions as the most crucial factor in choosing a place to play (other factors equal, such as distance from home, fees, overall value, etc.). Suitable infrastructure is required to maintain the golf course properly and to support the enjoyment of a round of golf. Thus, our discussion below focuses on findings and recommendations relative to improving course infrastructure, possibly easing maintenance tasks, reducing costs, and giving the superintendent and maintenance staff the required tools to reliably create great conditions and reduce potential for disastrous turf loss.

Key elements include *Irrigation, Drainage, Ponds/Canals, Cart Paths, and Bridges*.

Irrigation

Note: The following summary is paraphrased from Pignato Group's study within the overall Sanford Golf Design March 2016 report to City. Please see separate attached report for supporting narrative on irrigation system current conditions.

"The irrigation system at Delray Beach GC is not up to the standards set in the golf industry over the past 20 years. The overall coverage may have been acceptable for a Municipal course back then; however, today's golf courses – both municipal and private - require a more prescriptive application of water and has to meet the acceptable standards and regulations in today's industry".

By installing a modern system, the golf course would benefit in the following ways:

- ▶ Flow characteristics of the irrigation system would greatly enhance the look and playability of the golf course.
- ▶ Individual and segregated head control would allow greater management of the turf and reduce water use.
- ▶ A properly sized mainline would shrink the water time window and reduce the electrical cost to operate the system.
- ▶ Having a uniform sprinkler head style throughout the course would eliminate excess water waste and encourage healthier turf.
- ▶ New pipe has increased wall thickness, which reduces failures and removes exposure to potentially damaging effects to the golf course.
- ▶ Lastly, placing sprinkler heads on consistent spacing and with regards for turf needs would allow greater watering effectiveness. Low wet areas and high localized dry spots would be negated by removing the need to waste water in one area to satisfy another.

"Today, irrigation systems have become site management tools. They are integrated with liquid fertilizer systems which allows for quality turf establishment far from the center of a fairway. With the technology that is available today, Delray Beach GC could install a system that segregates all areas of the golf course, irrigate the entire golf course in 4-6 hours, and provide the very best in playing conditions that the site and climate would allow".

Drainage

The old civil engineering rule that the three most important design elements are "drainage, drainage, and drainage" applies to golf courses. Golfers can play on brown turf better than they can tolerate soggy soils. Benefits of good drainage include:

- ▶ Better playing surfaces/maintenance conditions (always golfer's top priority)
- ▶ Minimize downtime - fewer lost play days and cart restrictions
- ▶ Higher capacity = increased revenues
- ▶ Better reputation:
 - Wet feet soon drive golfers away to better draining courses
 - Word of cancelled rounds, tournaments and outings spreads quickly
 - Well drained courses always make a good first impression

Sanford Golf Design's 2016 on-site evaluation revealed that most of the golf course is built in sandy soils common to South Florida, and thus drains well. However, Sanford notes that "portions of holes #10, #11 and #12 tend to be higher in organic material and heavier soil. The original drainage concept was raised tees, fairways, greens to surface drain runoff into out-of-play areas". NGF believes it's always important to correct drainage problems, especially near cart paths (main circulation route, seen by nearly every golfer) and in critical player areas, like fairways, tees and greens. Also, for turf health, repeated submergence is problematic, and golf course drainage pipe and inlets should be sized to limit ponding.

Ponds/Canal

Note: Following narrative directly from Sanford Golf Design's March 2016 report to City:

"The only existing pond on the property is located between existing holes #1 and #2. This is a lined pond irrigation source for the golf course that has an effluent connection in the northeast corner that runs north to Atlantic Ave. There is also a small pump located on the canal near the existing first hole with a transfer pipe to fill the irrigation pond with fresh water. This could be used as a backup system if the effluent water source is down.

The liner is 13 years old and is less than halfway through its life expectancy; however, the liner has become exposed and subjected to UV light, which can greatly reduce its life expectancy. Lake banks need to be repaired so liner is not exposed.

The irrigation pump station is situated to the east of the pond above the first hole. The pump station is not an aesthetic asset and should be screened with plantings. In 1995 there was a pond in between holes #11 and #12, but over time surrounding drainage patterns changed, the City wells have drawn down the surrounding water table, and the pond has become an unsightly/overgrown dry retention area. The former pond should be reviewed by an engineer and redesigned to meet current storage requirements.

Where the canal cuts into hole #6 has become overgrown non-desirable aquatics. This area should be cleaned out and if possible filled in to eliminate the stagnation that occurred in the past. Canal edge should be reviewed by an engineer and recommendations made accordingly".

Cart Paths

The existing cart paths are approximately six feet (6') wide and do not comprise a full continuous, loop system as is preferred at nearly all public golf courses. The paths are asphalt, which have a typical life span of 5 to 10 years.

Bridges

Note: Following narrative directly from Sanford Golf Design's March 2016 report to City:

The existing bridge appears to be in relatively good condition but should be inspected by a structural engineer to determine the useful life expectancy. However, the width of the south bridge is an issue. There is two-way traffic routed over the bridge, but the bridge is only wide enough one-way traffic. It is also not wide enough for maintenance equipment to traverse. For these reasons the City should consider widening/replacing the bridge.

Golf Market Overview

Below, NGF Consulting provides a summary of key “external” factors that characterize the trade area in which Delray Beach Golf Club operates, including NGF’s macro perspective of the U.S. golf industry. On a local/regional basis, the overview includes basic demographic measures that have the potential to affect the economic performance of the golf facility, as well as an analysis of supply and demand indicators in the public golf market.

NATIONAL GOLF INDUSTRY OVERVIEW

While socio-demographic, financial and cultural headwinds certainly persist for golf, the industry continued its macro trend toward stabilization in 2015-2016. The game remains popular and is fortunate to have a deep well of interested prospects. While golf’s pay-for-play green fee revenues and other spending will always be vulnerable to outside forces such as weather and the economy, its chief challenge remains *getting more of those non-golfers who express interest in playing (‘latent demand’) to actually give golf a try, and converting more beginners into committed participants.*

Still, some socioeconomic and demographic trends continue to present challenges for golf operators. For instance, golf is having trouble attracting and retaining young adults (i.e., Millennials); though this segment continues to account for a large percentage of annual play and spending, factors such as debt and competing recreational activities have suppressed golf demand from this segment. The smartest, best-managed and most innovative golf facilities will win market share and have the best opportunity for growth.

Key Trends in Demand

- **Participation** - The national golfer number (participation) continues to show some net attrition, primarily among occasional/less committed golfers. Overall, NGF survey research indicates that in 2016 there were 23.8 million people in the U.S. that played at least one round of golf in the prior year, about ± 1.2 million fewer than in 2012. However, the vast majority of “core” golfers remain in the game.
- ▶ **Rounds Played 2016-17 / Looking Ahead** – Nationally, year-to-date rounds played are down 2% through September 2017, at least partially attributable to weather events (source Golf Datatech – see [Appendix E](#)). For Florida overall, rounds were down only 0.4%, despite a nearly 19% decline in September (Hurricane Irma). ***However, for Palm Beach County, YTD rounds are up about 14% through September.*** (The Miami-Ft. Lauderdale market was up by about 1%).
- **Baby Boomer Effect** – As Baby Boomers age and retire over the next 15 years, we expect to see a measurable increase in total rounds played in the U.S. Boomers - born between 1946 and 1964 - are currently 53 to 72 years old. About 6 million of them are golfers; that’s about 1/4 of all golfers, and they currently play about 1/3 of all rounds. Boomers started turning 65 in 2011, and already 1 million+ golfing Boomers have reached retirement age. The Social Security Administration reports that 10,000 or more Boomers retire every day. And ~300,000 Boomer golfers will turn 65 each year for the next 15 years. Retired Boomers (age 65+) play about twice as much as younger, non-retired Boomers (40 rounds vs 21 rounds).

Golf Course Supply

The correction in golf course supply continued in 2016 at a level comparable with the previous several years. According to NGF data, since the market correction in golf course supply began in 2006, there has

been a cumulative net reduction of golf courses equivalent to 5.9%. For perspective, golf supply grew by 44% in the previous 20 years (1986-2005). Closures continue to be disproportionately high among 'value' priced (peak green + cart fee below \$40) facilities; in 2016, nearly 70% of closures fell in this category.

Many golf courses shutter due to competitive dynamics; increasingly, however, golf courses – especially in geographies where developable land is at a premium – are closing because residential or commercial is a much “higher and better use”. This phenomenon has been particularly acute in Palm Beach and Broward Counties, as 16 golf courses (12.5 eighteen hole equivalents) have closed in Palm Beach County and 15 have closed in Broward (13 18H-EQ) since 2006. Few markets in the country have lost as many golf holes during that time. This move toward supply/demand equilibrium is expected to continue for several years, and should positively impact an improved Delray Beach Golf Club.

Other Measures of Health

Other perhaps equally important metrics to consider when measuring the health and trajectory of golf include:

- **Investment in Facilities:** Investment in major renovation projects has replaced new construction as the largest source of U.S. golf course development activity. NGF tracked just under 1,000 major renovations completed since 2006, representing at least \$3 billion. New development activity also remains in the pipeline, with NGF tracking 37 facilities currently under construction and another 55 in planning stages as of the autumn of 2017.
- **Engagement:** Several years ago NGF developed a scale to gauge engagement/ passion for golf. NGF annual golfer survey research indicates that the number of engaged golfers has remained steady at 20 to 21 million for the past four years. But the proportion of engaged golfers has increased from 78% to 85% over this period. These engaged golfers are responsible for ±95% of rounds played and equipment spend. Those more engaged are significantly more likely to continue playing.
- **Increasing Diversity:** The junior golf population remains relatively stable at 2.9 million and continues to show a transformation in diversity. One-third of golfers age 6-17 are females, up from 17% in 1995 (in sum, 24% of all golfers are women). Also, 27% of junior golfers are non-Caucasian, up from only 6% in 1995. A similar trend is observed among young adult (18-34) or Millennial golfers, of which 29% are female and 24% non-Caucasian. The highest diversity is among beginning golfers, at 34% female and 32% non-Caucasian.
- **Beginners:** The number of beginners rose to a record 2.5 million in 2016, surpassing the record set in 2000 when Tiger Woods was in his prime and drawing newcomers to the game in unprecedented numbers. Since 2011, the compound annual growth rate (CAGR) in beginners is an impressive 10.8%.
- **Off-Course Participation:** Driven primarily by the popularity and growth of Topgolf, a non-traditional form of golf entertainment, there were an estimated 20 million off-course (involves only those activities that involve hitting a ball with a golf club) participants in 2016, about 40% of whom did not play on a golf course.

Latent Demand: Overall interest in playing golf remains very high. NGF survey research indicates that the number of non-golfers who say they are “very interested” in taking up golf has doubled over the last five years, growing at a CAGR of nearly 15% and now totaling 12.8 million people. There are an additional 27.8 million non-golfers who say they’re “somewhat interested” in taking up the game. Together, these two cohorts represent about 1.7 prospects for every existing golfer

While socio-demographic, financial and cultural headwinds certainly persist for golf, the industry continued its macro trend toward stabilization in the 2015-2017 period. The game remains popular and is fortunate to have a deep well of interested prospects. While golf’s pay-for-play green fee revenues and

other spending will always be vulnerable to outside forces such as weather and the economy, its chief challenge remains *getting more of those non-golfers who express interest in playing ('latent demand') to actually give golf a try, and converting more beginners into committed participants.*

Still, some socioeconomic and demographic trends continue to present challenges for golf operators. For instance, golf is having trouble attracting and retaining young adults (i.e., Millennials – see [Appendix F](#)); though this segment continues to account for a large percentage of annual play and spending, factors such as debt and competing recreational activities have suppressed golf demand from this segment. The smartest, best-managed and most innovative golf facilities will win market share and have the best opportunity for growth.

LOCAL / REGIONAL MARKET

To assess current activity levels and potential market opportunities to increase both rounds and fees for a potentially renovated Delray Beach Golf Club, the environment in which the facility operates must be understood. Therefore, it is helpful to examine local economic and demographic factors that have the potential to impact rounds played and fee tolerances. This overview will include an analysis of the area's demographics, as well as a brief discussion of local economic factors that can impact demand for golf. In the second part of this section we provide an overview of key golf market demand and supply indicators, as well as an analysis of the competitive market for DBGC.

Defining the Delray Beach GC Primary Trade Area

A number of factors assist in determining the expected market area for a golf facility. In addition to the quantity, quality, and nature of existing competitive facilities in the area, the availability of highway and major thoroughfare infrastructure, traffic patterns, economic and demographic factors, and the propensity for golfers to travel to play golf all play a role in establishing the primary market area for a golf facility. NGF research shows that golfers are willing to travel up to 30 minutes to regularly play their favorite golf courses, and occasionally longer to play “luxury” rounds at higher quality courses.

Based on these factors, as well as our knowledge of this market, interviews with area golf operators, and the distribution of public golf course supply in the Delray Beach/southern Palm Beach County area, NGF expects that the majority of demand for Delray Beach GC to come from Delray Beach and surrounding communities generally within a 10-mile range of the course. This market stretches east to the coast, north to the Lantana/Lake Worth area, south to the Boca Raton/Deerfield Beach area, and to communities west of the Florida Turnpike, both north and south. Of course, some demand will also come from outside this primary trade area, *which should expand if DBGC is restored and become more of a 'destination' or must-play golf course.*

Demographic Analysis

Below, we summarize the population, median age, and median household income trends for the 5-, 10-, and 15-mile markets around Delray Beach Golf Club. Following these summary points is a brief discussion of the local economy. The tables in [Appendix G](#) summarize key demographic measures and trends that relate to golf participation. NGF observations include:

- There are an estimated 198,000 people living within 5 miles of Delray Beach GC, 592,000 within 10 miles, and more than 1.12 million residing within 15 miles. Annual population growth rates in the local markets are projected to be nearly twice the national rate of growth between 2016 and 2021. Overall, the 10-mile primary trade area is expected to add about 45,000 net new residents in the next five years.
- The Median Ages in the submarkets around DBGC are among the highest in the nation, indicative of the area's popularity with retirees. For instance, the 5-mile trade area shows a

median age of 58.1 years, compared to the national median of 38 years. The median age for the 10-mile market is 50. In general, the propensity to play golf with greater frequency increases with age, making older markets more attractive to golf facility operators, all factors being equal.

- At \$57,000, Median Household Income in the 10-mile market is modestly higher than the national median of \$56,106. Median incomes are suppressed somewhat by the high number of retirees. In general, higher income residents are more likely to participate in golf, and they play more frequently than lower income residents.

Key Climate and Economic Factors

Following are some key observations about climatic and economic characteristics of the Delray Beach/Palm Beach County area that have the potential to affect demand for golf.

Climate

As with any outdoor recreation, golf demand is impacted by weather. NGF data estimates that almost all golf is played with temperatures between 50 and 90 degrees Fahrenheit. Understanding local weather patterns helps determine the number of golf playable days. Golf is a year-round activity in Delray Beach, but time-of-day is a significant issue. In the peak of summer, temperatures routinely exceed 90 degrees in the middle of the day, leaving a smaller window for early morning demand that can limit activity. In addition, precipitation is heavier in the summer (69% of precipitation is between May and October). The following table presents a summary of monthly weather data for the Delray Beach area based on 50-year recorded trends:

Climatological Data					
Month	Temperatures			Precipitation Inches	Average Length of Day (Hours)
	Average	High	Low		
Annual	75.9	82	69	60	94.5
January	67	75	59	2.6	5.2
February	69	76	62	2.6	4.4
March	71	78	65	4.5	5.8
April	75	81	68	3.3	6.9
May	78	85	72	5	7
June	82	87	76	8.7	9.1
July	83	89	77	6.1	9.7
August	83	89	77	6.5	9.6
September	82	87	76	9	12.8
October	79	84	73	6.2	12.6
November	74	80	68	3.4	5.3
December	69	76	20	2.1	6.1
Source: Weatherbase.com, Pompano Beach, FL					

Delray Beach / Palm Beach County Overview

Sources: Various local and online sources; City of Delray Beach; BLS; Census Bureau

With an estimated population of about 67,000, Delray Beach is the fourth largest city in Palm Beach County. This market area remains very popular with retirees and other transplants, as it features all the main South Florida attractions while offering less population density and congestion than some areas further south (esp. Miami-Dade and Broward counties). Delray and the surrounding region include a full range of activities to attract residents, seasonal residents and tourists, including beaches, golf, fishing, pleasure boating, culture, and nightlife. The county has about 1.4 million residents, supplemented by the high number of seasonal (winter-only) residents that populate the area's housing units. As such, the NGF expects that demand for DBGC will continue to be supplemented by non-city residents and winter season participation from the large visitor market to the area.

The City of Delray Beach economy is driven by its proximity to South Florida beaches, the attraction of tourists and seasonal residents, its extremely popular downtown (East Atlantic Ave.) and relatively low unemployment (4.0% as of April 2017). A summary of key findings and data related to the Delray area economy that have direct impact on the golf club is noted below:

- ▶ Located in southeastern Palm Beach County, north of Boca Raton and south of Boynton Beach, the Delray Beach has a population of 67,371 (2016 Census-based estimate). The large unincorporated area west of the city limits comprises many planned developments, including gated communities and a number of golf courses. Many of these affluent communities, often referred to collectively as "West Delray" are large enough to be designated as census-designated places and possess a Delray Beach postal address despite technically lying outside the city limits.
- ▶ Delray Beach, known as "*Florida's Village by the Sea*," includes 3 miles of Atlantic Ocean beaches. The city was recently awarded "Best of the Road - Most Fun Small Town in America" by Rand McNally & USA Today.
- ▶ Delray Beach is a diverse, vibrant community that is attracting and growing businesses and companies of all sizes. More companies are choosing Delray Beach for their startup enterprises, regional offices and corporate headquarters, taking advantage of a rich culture of innovation and track record of success. The largest employers located in Delray Beach include:
 - Delray Beach Medical Center – 1,600 employees
 - Palm Beach County School District (1,034)
 - Lifespace Communities (873)
 - City of Delray Beach (813)
 - Publix Supermarkets (720)
- ▶ Delray Beach has two Interstate 95 exchanges and is located roughly halfway between two major regional airports – Palm Beach International and Ft. Lauderdale/Hollywood International. Each of these airports has full service from all major carriers to all major hub airports, and hosts in excess of 6.2 million passengers each year.
- ▶ Most or all of the Downtown district, comprising the neighborhoods of "The Ave" (Atlantic Avenue), "SOFA" (South of Atlantic), "The Set" (West Atlantic), "Pineapple Grove", "US1", and "Beachside", is located within about 1.5 miles to 2.5 miles from Delray Beach Golf Club. "Downtown" now extends west to I-95 and east to the beaches; the north-south boundaries extend roughly two blocks north and south of Atlantic Avenue.
- ▶ Tourists and business travelers should comprise a key target market for Delray Beach GC, especially if it is improved as planned. Palm Beach County had a total of 17,616 hotel rooms in 2016, including some new properties opened in 2016 in proximity to Delray Beach (HI Express Boynton Beach, Hyatt Place Boca + Marriott TP Suites in Boynton Beach).

Additional properties, including the Mandarin Oriental Boca and Aloft Hotel Delray (planned for city's trendy "South of Atlantic" district), are set to open in 2017-19. Other key facts about area tourism:

- A new report from the Palm Beach County Tourist Development Council measures the economic impact of the 7.2 million people who visited Palm Beach County in 2016, up 4.3% over 2015. Visitors spent \$7.0 billion, and created about 80,000 tourism-related jobs. A significant portion of this visitation and spending is in Delray Beach.
- An estimated 4.4 million hotel room nights were sold in the county in 2016 out of a total potential inventory of 6.0 million room nights (73% annual occupancy). The average daily rate (ADR) for all hotel nights in Palm Beach County in 2016 was \$155.10, indicating a high-end clientele (likely strong golf participation). An additional \$85 million in revenue was reported from time-share or temporary stays at non-hotel condominiums.

Estimated Local Market Demand

The table below details basic golf market data indicating the magnitude of the local golf demand (additional support data in [Appendix G](#)). We note that much of this data is based on the permanent resident population, and is not reflective of the retiree, seasonal resident and visitor populations in the market area.

Summary of Market Indicators	2-mile	5-mile	10-mile	15-mile	U.S.
Golfers					
Number of Golfing Households	2,837	14,164	41,419	68,081	17,094,500
Seasonal Golfing Households	295	2,194	5,077	7,192	737,636
Rounds Potential (resident golfers)	92,464	519,433	1,390,002	2,162,805	465,791,320
Estimated Rounds (in-market supply)	178,557	1,156,789	2,314,699	3,314,111	465,791,320
Latent Demand/Interested Non-Golfers	8,647	29,914	85,711	156,754	37,346,480
Projected Golfing Households (2021)	2,908	14,515	42,986	70,913	17,802,020
Golf Indices					
Golf Participation Index	83	107	114	107	100
Golf Rounds Activity Index	100	144	140	124	100

Source: Tactician, Inc. and NGF Consulting.

- The permanent population in the DBGC market has age and income characteristics that tend to coincide with higher-than-average participation in golf. This is reflected in golf demand indices that show 7% to 14% higher participation and 40% higher rounds played per golfer in the primary 10-mile market area.
- One in four households in the 5- and 10-mile markets have median incomes about \$100,000, while more than 8% have incomes above \$200,000. These high-income households represent a key "sweet spot" for high golf participation and activity, though some of these households will be home to private club golfers:

Higher Income Households	2-Mile Ring		5-Mile Ring		10-Mile Ring		15-Mile Ring	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
No. of Households over \$100,000 Income	4,369	18.4%	24,149	25.0%	71,020	26.9%	114,213	24.7%
No. of Households over \$200,000 Income	929	3.9%	8,190	8.5%	21,311	8.1%	32,545	7.0%

- ▶ The NGF estimates about 41,400 golfing households, plus an additional 5,000+ seasonal households, in the 10-mile market around DBGC. There are more about 68,000 golfing households and 7,200 seasonal golfing households in the 15-mile ring from the golf club site. Golf demand from these permanent and seasonal golfers is supplemented by the large number of area visitors; together, these demand components are capable of supporting a large market of golf facilities.
- ▶ NGF's Demand Model shows that residents in the 10-mile ring could demand about 1.4 million rounds of golf annually. However, the golf courses in this market ring are hosting more than 2.3 million rounds annually, indicating a strong demand from non-residents, especially winter visitors. The 4.7 million rounds played in Palm Beach County represent about 10.7% of all golf rounds played in Florida, further documenting the strength and importance of this golf market, and the potential of a significantly improved DBGC to gain market share upon reopening.
- ▶ Population growth is expected to add about 1,500+ golfing households to the 10-mile primary market by 2021, at the same time that golf course supply continues to drop. Additionally, the area also shows a high level of latent demand, with about 86,000 non-golfers in the 10-mile ring expressing interest in becoming golfers (more below).

Visitor Golf Demand

Area visitors (7.2 million to PB County in 2016) contribute significantly to golf course activity in the region. NGF research shows that roughly one-third of all golfers participate in the activity while traveling, playing 0.557 rounds per day of travel. Based on current golf participation rates, the estimate for potential tourist golf rounds that are coming to Palm Beach County is ± 1 million rounds annually. Given its location and proximity to area lodging properties and attractions – especially Downtown Delray and the beaches - DBGC should be reasonably expected to draw significant golf activity from transients and seasonal residents. ***This ability should be greatly augmented if facility improvements result in a restoration of the property and a new reputation as a “destination” golf course.***

Latent Demand

People who express an interest in playing golf but have not yet started include former golfers and those who have never tried. The demographic profile of latent demand tends to be more female and younger than the population as a whole. Surveys show these golf-interested non-golfers cite several barriers to entry in golf, including the cost and social aspects (no one to play with). The latent demand population is comparable to the golfer population, and NGF estimates as many as 86,000 interested non-golfers within 10 miles of DBGC. Given golf's tenuous participation situation, all golf courses should have active programming aimed at inviting and “onboarding” prospective new golfers.

Corporate / Organizational Market Demand

As we saw earlier in this section, the Delray Beach/southern Palm Beach County area is home to a numerous employers of various sizes attracting an in-migration to the area during business hours. These employers are potential customers, along with groups such as civic & fraternal organizations and churches, for organized activities such as outings and leagues, as well as for corporate meetings (breakfasts, etc.) and banquets. These types of activities are an important supplement to daily fee rounds for public golf courses, especially in today's hypercompetitive golf markets.

Local Golf Supply

The table below summarizes golf course supply by type in the subject markets. The last module of the table comprises demand/supply indices, numbers that act as a proxy for facility oversupply or undersupply, relative to the US benchmark (US = 100).

Delray Beach Golf Club	2-mile	5-mile	10-mile	15-mile	U.S.
Golf Supply					
Golf Facilities					
Total	4	25	52	72	15,204
Public	3	7	17	31	11,388
Public: Daily Fee	1	5	11	18	8,906
Public: Municipal	2	2	6	13	2,482
Private	1	18	35	41	3,816
Public Golf Facilities by Price Point					
Premium (>\$70)	0	1	3	6	1,363
Standard (\$40-\$70)	1	3	9	19	4,013
Value (<\$40)	2	3	5	6	6,012
Golf Holes					
Total	72	612	1,188	1,629	257,193
Public	54	171	351	639	187,614
Public: Daily Fee	18	135	234	360	146,124
Public: Municipal	36	36	117	279	41,490
Private	18	441	837	990	69,579
Non-Regulation (Executive & Par-3)	36	144	198	261	21,348
Golfing Household Indices					
Total	59	34	52	62	100
Public	57	90	128	116	100
Private	63	13	20	28	100
Premium (>\$70)	0	140	136	112	100
Standard (\$40-\$70)	72	79	91	73	100
Value (<\$40)	36	90	210	287	100

NGF observations regarding key golf supply measures for the local market:

- ▶ There are 52 total golf facilities (includes 17 public, 6 of which are municipal) in DBGC's primary 10-mile trade area, and 72 total facilities (31 public/13 municipal) within 15 miles. The proportion of public courses (33%) in the primary market is much lower than the total U.S. where 75% of all golf courses are open and available to the public.
- ▶ Ratio analysis based on national benchmarks shows that all three market rings and Palm Beach County are over-supplied; for example, in the 10-mile market, there are about 48% fewer households available to support each 18 holes of golf compared to the national benchmark. However, the local market is much closer to the national benchmark for **public** supply. Also, the supply-demand ratios do not reflect seasonal households and area visitors, which contribute significantly to area golf demand, especially during peak season.
- ▶ Only three of the 17 public facilities in the 10-mile market are at an NGF-defined 'premium' price point (>\$70 peak riding fee), and one of those – Polo Trace – is expected to close and be repurposed as housing. NGF believes that DBGC will have a very good chance at moving into the premium price category (at least for non-residents) if major facility improvements are

implemented, and the relative lack of high quality competitors should bode well for the renovated facility.

- ▶ The net change in golf holes shows the recent contraction of supply in this market area. The NGF estimates that, as of December 31, 2016, a net of 171 holes were closed in the 10-mile DBGC market since 2011, the equivalent of 9.5 18-hole golf courses (may reflect one or more facilities closed for renovation at year-end). This is consistent with broader national trend of golf course contraction as a reaction to several factors (declining demand, better use for property, etc.).
- ▶ The NGF database shows no new golf course projects under development within 10 miles of DBGC, though renovations and upgrades continue throughout Palm Beach County overall, especially to private golf facilities located inside gated communities. Locally, the Champ course at Boca Dunes G&CC is being upgraded, ***and the proposed Boca National Golf Club will be a key competitor to an improved DBGC if the Greater Boca Raton Beach & Park District is able to close on the purchase of the Ocean Breeze GC (Boca Teeca) site.***

DELRAY BEACH GOLF CLUB COMPETITIVE MARKET

Based on the current and expected (post-renovation) market positioning of DBGC, NGF identified a subset of primary and secondary competitors for the golf facility. These facilities were chosen based on factors such as price point, location, type (18-hole or greater public regulation length only) and amenities offered, and comprise both municipal and privately owned daily fee operations:

Municipal Golf Facilities	Daily Fee Golf Facilities
Boca Raton Municipal Golf Course	Atlantic National Golf Club
Lake Worth Municipal Golf Course	Atlantis Country Club
Southwinds Golf Course	Boca Greens Country Club
Osprey Point Golf Course	Cypress Creek Country Club
The Links At Boynton Beach	Deer Creek Golf Club
	Westchester Golf & Country Club

This list was not meant to be exhaustive or to account for all of the potential public golf competition to DBGC. For instance, secondary competitors such as the Club at Winston Trails, Palm Beach National, Forest Oaks (all in Lake Worth), and Pompano Beach Golf Course are not represented here. We have also not included Polo Trace in Delray, which is an off-season competitor to DBGC, but is reported to be closing by the end of April 2018. A map illustrating the relative locations of DBGC and its primary competitors is shown below. Following the map, we provide summary operating information for these key competitors, as well as key findings regarding the competitive market.

Competitive Facility Location Map

Below is a map of showing the relative locations of Delray Beach Golf Club and the chosen subset of primary and secondary public access competitive golf facilities. Following the map, NGF shows summary operating information for key competitors.



Key Competitors – Pricing Comparison and Activity Levels

The following tables provide summary information for DBGCC and a selection of primary and secondary competitive golf facilities.

Delray Beach G&CC Primary Competitors – Summary Information

Golf Facility	Location	Type	Year Open	Par / Slope	Front Tee / Back Tee	Location Relative to DBGC
Delray Beach Golf Club	Delray Beach	18H-MU	1923	72 / 121	5,189 / 6,907	-
Atlantic National Golf Club	Lake Worth	18-DF	1985	71 / 130	5,301 / 6,519	10.4 miles
Atlantis Country Club	Atlantis	18-DF	1972	72 / 137	5,242 / 6,610	10.2 miles
Boca Greens Country Club	Boca Raton	18H-DF	1980	72 / 133	5,459 / 7,026	8.3 miles
Boca Raton Municipal Golf Course	Boca Raton	27H-MU	1982			7.3 miles
Championship		18H-Reg		72 / 126	5,206 / 6,714	
Executive		9H-Exec.		30 / -	1,877	
Cypress Creek Country Club	Boynton Beach	18H-DF	1998	72 / 128	4,773 / 6,531	6 miles
Deer Creek Golf Club	Deerfield Beach	18H-DF	1971	72 / 133	4,180 / 7,050	9.5 miles
Lake Worth Municipal Golf Course	Lake Worth	18H-MU	1925	70 / 116	4,285 / 6,184	12.3 miles
The Links At Boynton Beach	Boynton Beach	27H-MU	1984			7.8 miles
Championship Course		18H		71 / 124	4,643 / 6,292	
Family Course		9H		30 / 102	802 / 1,940	
Osprey Point Golf Course	Boca Raton	27H-MU	2010			11.1 miles
Raven/Hawk				72 /	4,923 / 6,742	
Raven/Falcon				72 /	4,914 / 6,786	
Falcon/Hawk				72 /	4,855 / 6,668	
Southwinds Golf Course	Boca Raton	18H-MU	1977	70 / 127	4,453 / 6,018	7 miles
Westchester Golf & Country Club	Boynton Beach	45H-DF	1988			4.1 miles
Westchester Course		18H Par 3		54 /	1,341	
Gold/Red Course		9H		72 / 128	4,808 / 6,657	
Red/Blue Course		9H		72 / 132	4,758 / 6,772	
Blue/Gold Course		9H		72 / 131	4,628 / 6,735	

1. Air miles from subject site, rounded to half-mile; actual driving distances will likely be greater.

Type: DF – Daily Fee; MU – Municipal;

Summary Pricing – Primary and Secondary Competitors

Golf Facility	18-H Prime Winter Season Green & Cart Fee (WD/WE)	18-H Off-Prime Winter Green & Cart Fee (WD/WE)	18-H Prime Summer Green & Cart Fee (WD/WE)	18-H Off-Prime Summer Green & Cart Fee (WD/WE)	Membership or Annual Permit Fees	Summer Membership	2016 Rounds	Discount Programs
Delray Beach Golf Club	\$52/\$54	\$48/\$49	Open-12:30pm \$30/\$32	12:30p-3pm \$23/\$25	R - \$1,250/\$1,900 NR - \$1,550/\$2,200	DNA	59,120	Warrior Cards
Atlantic National Golf Club ¹	Daily \$80	Daily \$65	\$45/\$55	\$35/\$40	DNA	DNA	N/A	PGA GolfPass Summer Loyalty Pgm.
Atlantis Country Club	Daily \$79	Daily \$69	\$49/\$49	\$39/\$39	NR - \$1,500 +\$25 cart NR - \$4,500/\$6,500 (all inclusive) R - w/ own cart \$3,000	DNA	47,000	Canam Golf PGA GolfPass
Boca Greens Country Club ¹	\$55/\$75	\$35/\$48	\$40/\$45	\$24/\$35	\$3,500/\$5,300	N/A	N/A	Players Card Canam Golf
Boca Raton Municipal GC	\$46/\$50 (resident) \$58/\$62 (non-res)	\$36/\$38 (resident) \$44/\$48 (non-res)	\$38/\$38*	11am-3pm \$29/\$29*	DNA	DNA	18R - 51,259 9E - 22,253	Canam Golf PGA GolfPass
Cypress Creek Country Club	Daily \$59	Daily \$45	Daily \$29.95	Daily \$21	Basic \$799 + cart/walk fee per round All inclusive \$3,299	DNA	35,000	PGA GolfPass Freq. Player Card
Deer Creek Golf Club	\$105/\$120	\$50/\$50	\$50/\$75	Daily \$45	(<age 40) \$3,450 \$3,950/\$7,600 +\$26 cart fee	May 1 -Oct 31 \$395 +\$23 cart fee	N/A	PGA Golf Pass
Lake Worth Municipal Golf Course	\$45/\$55	\$35/\$45	Oct 1-Nov 30 \$40/\$40 May 1-Sept. 30 \$30/\$30	Oct 1-Nov 30 \$35/\$35 May 1-Sept. 30 \$25/\$25	R - \$2,575 NR - \$3,038	May 1- Sept 30 \$400 + \$20 cart fee per round	34,554	Frequent Player Card
The Links @ Boynton Beach	Daily \$52	Daily \$40	Daily \$27	Daily \$22	Nov. 2017- April 2018 \$2,700	Extend through summer for additional \$600	18R - 42,000 9E - 18,000	Links Club Card PGA Golf Pass Canam Golf
Osprey Point Golf Course	\$61/\$63	\$55/\$57	\$36/\$42	11:30am-2pm \$30.50/\$36.00	DNA	DNA	93,538	Frequent Player Card PBC Golf Passport ² May-Dec \$145 Jan-April \$230 Canam Golf
Southwinds Golf Course	\$46/\$48	\$36/\$38	\$44.50/\$46 FPC \$35.50/\$37	11:30-3pm \$35/\$40 FPC \$28/\$32	DNA	DNA	50,448	Frequent Player Card PGA Golf Pass Canam Golf
Westchester Golf & CC ²	~\$70 Daily	~\$55 Daily	\$40/\$42	\$36/\$38	\$2,675/\$4,815 + \$25 cart	Any 4 months \$1338/\$1980 + \$25 cart fees	N/A	Canam Golf PGA Golf Pass

Note: Off-Prime represents earliest afternoon rate and does not reflect twilight rates, with exception of Deer Creek (no early afternoon advertised)

1. Rates do not include tax

2. Based on online dynamic pricing

3. Includes coupon for an 18-hole round and small bucket of balls at each of the four PBC courses.

4. Prices are advertised Florida resident rates. Online dynamic pricing have discounted rates.

N/A - Information not available DNA - Does not apply WD - Weekday WE - Weekend R- Resident NR - Non-Resident

Key Findings – Competitive Market

A summary of general findings regarding the competitive market for DBGC:

- ▶ Based on NGF observations, discussions with DBGC and JCD staff, and interviews with area golf operators, NGF has identified the facilities in the table below as the chief competitors to DBGC. Facilities such as Deer Creek and Westchester G&CC are primarily competitors during the off season (when fees are compressed) and for tournaments.

Key DBGC Competitors	
Municipal Courses	Daily Fee Facilities
Boca Raton Municipal GC	Atlantic National Golf Club
Links at Boynton Beach	Boca Greens Country Club
Osprey Point GC	Deer Creek Golf Club
Southwinds Golf Course	Westchester G&CC

- ▶ Atlantic National (formerly Grand Lacuna) is a high quality facility that was renovated in 2011 with new greens, fairways and bunkers. The club is currently a tier above DBGC but will become more of a direct competitor if proposed improvements to the subject take place. Overall, as our earlier supply analysis revealed, there is a relative lack of ‘premier’ public golf offerings within 10 miles, and one of the higher quality daily fee operations – Polo Trace – will shortly be exiting the market.
- ▶ While Boca Raton Muni will be closing for housing development, the proposed high quality Boca National Golf Club at the closed Ocean Breeze GC site – just four miles south of DBGC - will be a key competitor for the subject facility, and another impetus for the City to implement major improvements at DBGC.
- ▶ Other recent or proposed changes that have impacted the dynamics of the local golf market include: the closings of Villa Del Ray Golf Club (‘value’ 18H daily fee golf course; instruction is still available); the proposed closing of Polo Trace (higher-end 18H daily fee) by spring 2018; the closure in spring 2016 of the private Sherbrooke G&CC in Lake Worth; and Links at Boynton Beach redoing greens earlier this year. Further south, Crystal Lake CC in Pompano Beach is also expected to close for housing.
- ▶ Total rounds activity among golf courses in this market has declined since a recent peak around 2008, and the long term peak around 1999-2000, but appears to have stabilized on a weather-adjusted basis over the last several years. Rounds activity was about 41,500 per 18 holes for the reporting facilities (Boca Muni 9H excluded), with Cypress Creek and Lake Worth Muni at the low end at about 35,000 rounds (rebounded to 39,286 in FY 17), Osprey Point most active (64,700 rounds per 18) and the subject DBGC second most active at 59,000+ rounds.
- ▶ As NGF Consulting has observed in many other markets, newer golf courses (e.g., Osprey Point, Park Ridge, Plantation Preserve) and those that have invested in improvements (Atlantic National, Palm Beach Par 3, Jacaranda GC in Plantation) - seem to have fared the best in this regional market, while those that have deferred capital improvements and everyday course maintenance such as Lake Worth Muni (resodded greens about 5 years back, but the improvement was not successful) and Cypress Creek have seen declining demand and financial performance. This latter scenario fits the profile of many of the golf courses that have closed in Palm Beach, Broward and Miami-Dade Counties since the early 2000s.

- ▶ Green fees (cart inclusive) among the competitive set had some variation, with higher fee facilities Deer Creek at \$120 prime time (morning) rack rate in season, Atlantic National, Boca Greens and Westchester G&CC at roughly \$75 to \$80 peak season, and a group of facilities, including DBGC, at between \$48 and \$63 at peak.
- ▶ The south Florida market is highly seasonal with fee reductions in the shoulder (spring / fall) seasons and severe discounts in the hot May through October period. In addition to seasonal price breaks, market competitors offer discounted rates through either frequent player/loyalty programs, web specials, and/or eclubs. Discounting is also available through various programs such as CanAm and PGA GolfPass, as well as through third party tee time providers like Golfnow. Considering all of the various discounts, even the highest quality public golf courses in this market will see green + cart fees fall as low as ±\$30 for a peak weekend morning round in summer.
- ▶ There are a wide variety of pre-paid green fee arrangements at public golf courses in the market, ranging in price from Cypress Creek's \$799 (+ cart) single annual membership, to DBGC's \$1,250/\$1,550 (+ cart) annual permit, to the annual all-inclusive family membership at Atlantis CC for \$6,500. Westchester G&CC also offers a \$6,200+ all-inclusive November-April membership for husband/wife. There are also several "summer" (May-October) memberships, including Deer Creek's package for \$395 + \$23 cart fee.

Comparison of Area Municipal Golf Operations

As part of this study, NGF Consulting surveyed area municipal golf operations to do a comparison across of some basic operating metrics for FY 2016. Key findings relating to DBGC's performance, pricing, etc. compared to this subset of Palm Beach County/ northern Broward County municipal golf operations follow. We feel that the numbers are instructive, as they provide basic parameters for operating expectations of mid-level public golf courses in this market. The sources for this information are municipal CAFRs and data supplied directly by municipal and/or golf course staff. The total sample set comprises 11 facilities (13 18H EQ courses); all data is for FY 16. The summary table can be found in Appendix H.

Key NGF findings:

- ▶ DBGC placed in the mid-range of the subject facilities on peak season prime time green fees, which ranged from a low of \$45 on the Pompano Beach GC 'Palms' course to \$75 at Pembroke Lakes GC. Other muni courses priced at the high end of the spectrum were Pompano Beach GC's 'Pines' (Greg Norman Signature), and Palm Beach County's Osprey Point (\$63) and Boca Raton Muni (\$62).
- ▶ Golf revenue per round, which equals green, cart, and member fees divided by total rounds, was highest at Pembroke Lakes GC (renovation in last decade), at just over \$42 for 2016. Second highest was Osprey Point, which averaged over \$35.50 on 97,000 rounds, generating nearly \$3.5 million in golf revenue. The rest of the reporting subject golf courses fell in a relatively tight range, from \$23.46 at West Palm Beach GC to \$30.68 at Pompano Beach GC. DBGC fell in the middle of this range, at \$26.36.
- ▶ With more than 59,000 rounds played in FY 16, DBGC was the second most active municipal golf course in terms of rounds played per 18 holes (trailing only Osprey Point's 64,667 per 18HEQ).
- ▶ Other than four Palm Beach County golf facilities, Delray Beach Golf Club was the only of the subject munis to generate an operational profit in FY 16, netting \$290,000 before depreciation, capital & debt charges, and transfers.

- ▶ With \$3.13 million in total operating revenue, DBGC trailed only Osprey Point on this measure. However, we note that this is largely influenced by the extensive food & beverage operation at DBGC, as Osprey generates a very high level of green/cart fee revenues.
- ▶ Likewise, DBGC is at the top of the subject facilities in terms of total operating expenses (excluding Pompano Beach GC, which had some extraordinary expense items such as \$613,508 in City Admin / Overhead and FAA land rent of \$156,378) due to the large scale food & beverage operation.

Summary Renovation Case Studies

Below, NGF Consulting presents case studies of renovations at municipal golf courses in south Florida over the past 10+ years. We have provided examples of ones that have been successes, as well as a few that have not had the desired effect on demand and/or net revenues. We note that every case is unique and that increases in net revenues and ROI do not tell the whole story in the case of golf course renovations. For instance, a renovation or restoration project may be aimed more at preventing further declines in rounds / revenues (the “death spiral”) than at increasing rate and/or volume of play. Also, some assets simply must be replaced once they reach the end of the useful life (e.g., irrigation system, drainage system) if a golf course is to stay in business, and an ROI cannot be directly attributed to such projects.

Finally, measurable financial improvements after a renovation do not capture the “cost of doing nothing” or continuing a Band-Aid or triage type approach to improvements. As one local example, Lake Worth Municipal Golf Course has seen rounds (from a recent peak of 60,000 in FY 09 to 34,554 in FY 16) and revenues (peak of \$2.19 million in FY 07 to \$891,000 in FY 16) plunge over the last decade due to deferred maintenance and lack of capital improvements. Even if in decent condition, golf courses run the risk of losing market share and revenues if they do not “keep up with joneses”. For example, Southwinds, Boca Municipal and others have lost rounds over the last decade to newer facilities such as Osprey Point and Park Ridge.

Pompano Beach Golf Course

Pompano Beach Golf Course comprises two 18-hole golf courses – the Palms and (formerly) the Pines. Both golf courses were designed by Bruce Devlin and Robert von Hagge and opened in 1954. There are several private entities responsible for different elements of on-site operations, including the pro shop, Galuppi’s Restaurant (long-term lease), and a private golf course maintenance company. The City collects 100% of golf revenues (green/cart/range).

In mid-2010 a request for letters of interest to redesign / rehabilitate 18 holes and design irrigation on all 36 holes at Pompano Beach GC was issued. The project “to redesign/ rehabilitate the City property and create one signature course, replace irrigation on the Pines Course and modify irrigation on the Palms course” was ultimately awarded to Greg Norman Golf Course Design. The project commenced in early April 2012 with a total price tag of about \$3.9 million, including design fee, funded out of the designated Capital Improvement Fund (CIP). The renovation included installation of Celebration Bermuda fairways and TifEagle greens.

Pompano Beach GC, hosted 90,000 to 95,000 total rounds annually prior to the renovation (both rounds and revenues had fallen precipitously from its peak), and generated about \$2.3 million in operating revenue to the City in FY 2010, when it had a net loss of nearly \$900,000 after expenses (including ~\$400,000 for water, \$320,000 general fund charge for overhead, \$200,000 rent to FAA, and \$350,000+ in depreciation).

PBGC was reintroduced to the market on January 1, 2013 - with the Pines Course now known as the *Greg Norman Signature Course* - at a higher price point. The city did not receive the lift that was expected from the renovation, as rounds remained in the low 90,000s immediately after the renovation and have subsequently fallen to 77,000 rounds in FY 16. The total operating loss has grown to about \$1.05 million;

however, we note the *continued extraordinary expense structure that now includes just under \$1 million in City Admin/Overhead and Depreciation charges alone.*

The facility has reportedly not benefitted as much as it should have from the Signature Greg Norman Design due to factors such as maintenance condition and lack of marketing (even lacks a dedicated website), as well as some uncontrollable external factors, such as the changing demographic profile of the Pompano Beach area. *Still, average green + cart revenue per round has increased from just over \$23 prior to the renovation to about \$31 as of FY 16.*

Miami Beach Golf Club

Miami Beach Golf Club, which is owned by the City of Miami Beach and operated under management agreement, enjoyed a significant revitalization after a \$10 million renovation in the early 2000s. The facelift to the former Bayshore Golf Course, which was a relatively low fee course in poor condition, included a new clubhouse. The new building helped the club do a tremendous volume of tournament business – as high as 15,000 at their peak (including group rounds from hotels; club has a full-time dedicated tournament coordinator to facilitate events).

As a result of the renovation, Miami Beach GC was able to more than double its peak season non-resident green fee to \$200+ (all inclusive), while maintaining corresponding resident rates at \$80 to \$90. The upcoming season's peak non-resident green fees will be \$225. After the renovation, Miami Beach GC was a visually attractive, impeccably maintained, and highly amenitized facility, though it was considered by some low handicap golfers to be unchallenging. For MBGC, hotel and convention business typically accounts for about 50% of winter season play, so recent re-construction of the Miami Beach Convention Center has led to a recent downturn in rounds and average rate. Still, management reports that the facility's average daily rate is about \$110 - down from its peak but certainly the highest among municipal golf clubs in south Florida.

Pembroke Lakes Golf Club

The 18-hole Pembroke Lakes Golf Club, owned by the City of Pembroke Pines, reopened to the public in December 2007 after undergoing a \$7+ million dollar renovation. Improvements for the John Sanford Design golf course included:

- ▶ New Paspalum Supreme turf
- ▶ New drainage system
- ▶ New lakes on holes #2, #13 and #16
- ▶ Coquina waste bunkers
- ▶ Rebuilt and additional tee boxes
- ▶ Enlarged practice area with chipping green and practice bunker

PLGC's management company reported that the facility benefitted greatly from the renovation, turning a consistent money loser into a golf course that was in "beautiful condition" and consistently generated a ±\$250K to \$300K annual operating profit on about 46,000 to 50,000 rounds, whereas the course traditionally lost money on operations prior to the renovation. Pembroke Lakes saw the most benefit in terms of average daily rate (ADR), which rose from the mid \$30s to the mid \$40s (\$42.12 in FY 16). Still, Pembroke Lakes' operational profit was not sufficient to cover the entire annual debt service, and the club also reported a small operational deficit in FY 16, as rounds fell to below 44,000. (The debt tied to the construction will be paid off in about 4 to 5 years).

Palm Beach Par 3

Designed by world renowned golf course architect, Dick Wilson and his apprentice Joe Lee, the Palm Beach Par 3 was built by Michael Phipps and opened for play in 1961. The annual LPGA Pro-Am event for 20 pros was held there from 1983 until 2000. The course was privately owned until the Town of Palm Beach purchased it for \$5 million in 1973.

The course was recently renovated and redesigned in 2009 by Hall of Fame golfer Raymond Floyd, a project funded by the Par 3 Foundation. A clubhouse overlooking the ocean was added in January 2014, partially funded by the Town. The refurbished course has been touted twice by Golf Digest as "*The Best Par 3 in the U.S.*" Golf Magazine has also bestowed its Number One Rating to the course (second place went to the short course at Augusta National). Finally, it has been listed among Golf Range Magazine's *Top 25 Short Courses in America* for the two years there has been a poll. Winter green fees top out at \$52 + \$17.50 for cart (residents get \$2.50 discount on riding carts and 9-hole rates).

NGF was told that, prior to the renovation of Palm Beach Par 3, the course was generating rounds played of about 20,000, with an operating loss of about \$200,000. The course reopened in late November 2009 and has been doing well since. Part of an enterprise fund that includes the Town's docks and tennis courts, PB Par 3 hosted 37,000 rounds in FY 17 (despite Hurricane Matthew at beginning of fiscal year and Irma at the end), with \$1.6 million in gross golf revenues and \$1.4 million in total operating expenses, including about \$207,000 in debt service tied to the clubhouse construction. Food & beverage lease payment revenues of about \$500,000 (Town receives 10.5% of gross) bring total operating revenues to about \$2.1 million; with \$1.6 total operating expenses, the facility netted about \$500,000 in FY 17.

When NGF spoke to the General Manager at Palm Beach Par 3, he indicated great satisfaction with the results of the renovation and would, in hindsight, change only the size of the clubhouse, as the venue is too small for events such as weddings and the kitchen is undersized based on demand.

West Palm Beach Golf Course (formerly 'Country Club')

This historic Dick Wilson track opened in 1947 and was soon to host the 'West Palm Beach Open Invitational', a yearly PGA tournament, won by the likes of Arnold Palmer, Gardner Dickinson, and Gay Brewer. The course was highly rated nationally at one time in the 1980's. Mark McCumber's 7-month restoration was completed in 2009. WPBGC reopened to very mixed reviews in November 2009 (many golfers disliked the amount of sand throughout the golf course). The golf clubhouse was razed in 2012 due to deteriorating condition.

The city's CAFR indicates that in FY 08 - the last full year prior to renovation - WPBGC generated nearly \$2.2 million in total revenue and net operating income of about \$243,000 *after* depreciation. Post-renovation, total operating revenues have declined from \$1.6 million in FY 10 to between \$1.5 million and \$1.52 million in FY 14, FY 15, and FY 16. Total rounds played in FY 16 were just over 52,000. After generating a net operating loss of \$221,000 in FY 10, the operating budget for the course was reduced in subsequent years, and the course generated a net operating income of \$162,000 (*before* depreciation) in FY 12, declining each year to just under \$58,000 in FY 15. The city's CAFR indicated an operating loss, before depreciation, of \$96,110.

The cost and method of funding for the project was not available at this writing, but it is evident that the golf operation is losing substantial money after yearly capital outlays, interest charges, and repayments to the General Fund are taken into account. Included a \$1.5 million advance was made from the General Fund to the Golf Fund in 2009, payable over a 15-year period.

NGF has been told that the full benefit of the renovation has not been realized due to several factors, including: lack of market acceptance of the restored golf course; insufficient maintenance budget; the fact that a planned clubhouse was never built to replace the one that was razed; and, at least recently, problems with the irrigation system that was replaced during the 2009 restoration. The course is currently

suffering the effects of the defective irrigation system, which has contributed to poor overall maintenance conditions. (A fix for the irrigation system is expected by early 2018). The city is now seeking private interests to renovate the golf course, add a clubhouse and repurpose part of the property into a mixed-use development; two finalists for the reuse Master Plan.

Plantation Preserve Golf Course

The first Plantation Golf Club, constructed in 1950, was built to stimulate interest in Plantation and to encourage the Broward County Commission to extend Broward Boulevard farther west. Robert F. “Red” Lawrence designed the course and it became an integral part of the community. The golf course and clubhouse underwent only minor renovations through the years, and subsequently closed in 1998 (clubhouse razed in 2000) after years of losing money.

The City of Plantation purchased the then-fallow golf course land in 2001 using state, county and local funds. The plan was to preserve and protect the historically significant site, and to restore the golf course and surrounding land to its original Everglades-inspired condition. The City’s design team and golf course architect Michael Smelek developed a unique concept that comprises a park, open to the public, within the grounds of the golf course.

Since opening in 2006 (estimated construction cost \$8 million), the 18-hole Plantation Preserve has been a hit with area golfers, consistently generating between \$3.7 million and \$4.1 million (2008) in total revenues over the last decade. ***In FY 16, net operating income was \$106,000, after a \$722,000 charge for depreciation.*** Annual interest charges in FY 16 were about \$140,000, and total remaining debt is less than \$700,000.

Plantation Preserve has a three-tiered pricing strategy, broken down by city residents, Florida residents, and out-of-state residents, with the latter two groups paying a premium to help subsidize affordable golf for Plantation residents. For example, upcoming winter rates will be \$59 weekday prime time and \$79 weekend prime time for residents, \$89/\$99 for Florida residents, and \$99/\$109 for non-state residents. These fees are some of the highest in the regional public market.

Davie Golf Club (formerly Arrowhead Golf Course)

The original Arrowhead Golf Course was purchased by the Town of Davie from the Florida State Department of Transportation in 2011, renovated for approximately \$4.6 million and reopened in November 2011 as 18-hole Davie Golf Club, which is leased to a private management company. The club, which has operated out of a run-down trailer since its reopening, has experienced a downward trend in play since opening. Most recently, rounds have declined from 35,700 in 2014 to 32,047 in 2016.

Davie Golf Club, a low-to-mid fee provider in the local public golf market, has also seen average daily rates trending down, and will be reducing peak fees this winter from previous years. The club has strong demand from Canadian golfers, and suffered last year due to a relatively warm winter up north and the strong U.S. Dollar vs. Canadian Dollar. From a big picture perspective, demand for the golf course has been suppressed due to the lack of a clubhouse and the difficulty of the golf course (slope = 135 from back tees), including wildly undulating greens.

During 2016, further improvements were made to the course ***in an attempt to reverse the decline in play***, including re-sodding of all fairways with new Paspalum grass in the spring. During the summer, all tee boxes were re-sodded with Paspalum and the practice range was completely re-sodded, and new concrete pads and premier mats added. Also, tee-to-green coquina cart paths were installed on all 18 holes. Tee to fairway coquina rock chutes were installed on holes #11, 14, 16, and 18 for a smoother transition off the tee, and to reduce turf wear in these areas, and unpopular bunkers were eliminated. Finally, the city currently has an RFP out for a permanent clubhouse design.

Palm Beach Gardens Golf Course (Sandhill Crane)

The 6-month renovation of the former PBGGC took place during the last four months of FY 13 and the first two months of FY 14. The project greatly mitigated some difficulties that the course experienced over its 20+ year lifespan. For example, turf conditions were improved with Celebration fairways and Tif-Eagle greens), drainage was improved to increase “playable” days, a new irrigation system was installed, and shaping was modified. The overall result was a golf course that is more playable, can be open on more days and has better overall visual appeal than what had been present in the past.

The golf program for Palm Beach Gardens is organized as a Special Revenue Fund, which is a growing form of operational structure in municipal golf as it allows the course to retain some of its net earnings for improvement projects, but allows for larger-scale upgrades (like the recent renovation) to be funded via the General Fund. The city has direct control of the operation and all golf course employees are city employees (except F & B).

In FY 12, the last full fiscal year prior to renovation, PBGGC hosted 39,107 rounds and generated a net operating income of about \$35,000 on ~\$1.5 million in total revenue. Rounds had been steady for the prior three-year period at between 39,000 and 42,000. The average daily rate was \$29.22. Since re-opening the course after renovation in late 2013, the facility has increased total rounds and total revenue, and the course has been able to generate a higher average rate with less fee discounting (more detail on recent financials in Final Report).

The city continues to invest in Sandhill Crane, with a new 22,000 sf clubhouse due to open in December 2017. The old clubhouse’s small size limited merchandise sales and F&B capacity, and was not programmed efficiency for operations. Restrooms were small and sub-standard, and the facility did not have any type of real kitchen. The new 2-level clubhouse will include a 70-seat restaurant, 200-capacity banquet room, pre-function space, and daily lockers. Current planned improvements include a \$1 million indoor golf training center, fitness center, maintenance barn, and cart barn.

EXTERNAL FACTORS SUMMARY

Despite some recent course closures and generally stagnant rounds played, golf remains a very important part of the local lifestyle, and an attraction for seasonal residents and tourists in the greater Delray Beach/southern Palm Beach County market. Due to factors such as the prime location off of Atlantic Avenue and proximity to I-95 and Downtown Delray, as well as the relative lack of high quality public golf courses in the immediate area, NGF expects that DBGC would be well positioned to increase both market share and average rate if the proposed facility improvements are implemented. Still, there are a lot of golf courses – both public and private - to service golf demand, so any improvements will have to go hand-in-hand with aggressive marketing and direct selling campaigns to maximize awareness, trial and loyalty for the improved DBGC.

Other key findings from NGF’s market analysis include:

- ▶ While the Palm Beach County / southern Florida public golf market suffered significant declines in average activity levels over the first decade of the 2000s, the market has rebounded in the last 3 or 4 years. Average rounds per 18 holes are still well below their peak of the late 1990s, but remain among the highest in the country.
- ▶ The Delray Beach area economy is strong, driven by several large public and private employers and a thriving service industry that benefits from millions of annual visitors to the area. NGF estimates that the golfers among the 7+ million visitors that come to Palm Beach County each year demanding 1.0 million or more rounds of golf annually. Golf demand from these visitors are an integral supplement to permanent resident play at DBGC; with an improved product, the club may be able to successfully sustain a larger differential between

non-resident and resident fees, a key to sustaining golf operations and preserving affordable golf for city residents.

- As NGF has documented for this project and other recent southern Palm Beach County work, there are a number of factors relative to the local economy and the overall golf demand-supply balance that are indicative of a stabilized public golf market in the Delray/Boca Raton/eastern Palm Beach County area. Overall trends – especially for facilities that offer a desirable, high quality golf experience and appropriate price/value proposition – bode well for the potential success of a renovated Delray Beach Golf Club:

- Demographic profile in Delray Beach/southeast Palm Beach County that is favorable for high golf participation.
- Strong area economy, driven by many large employers, a strong service industry, retirees with discretionary time and money, and a robust tourist trade. Winter visitors and seasonal residents strongly bolster golf demand during the winter/early spring, allowing for higher green fees that can be changed during the 4-month peak season, when 50% or more of annual rounds may be played at the strongest performing public golf courses.
- Existing public golf courses, such as the subject DBGC, Osprey Point, and the other Palm Beach County municipal golf courses (Park Ridge, Okeeteelee, Southwinds) have proven records of high rounds activity and net revenues.
- The overall golf demand/supply balance in the local DBGC market is becoming more favorable to existing public golf operators improving with the recent (and continuing) golf course closures, increasing population and lack of new courses in planning. Next up for closure are Boca Raton Municipal Golf Course and Polo Trace in Delray Beach, which would have been a key competitor to a restored DBGC. (The positive effect of these closures will be mitigated should the Greater Boca Raton Beach & Park District develop Boca National Golf Club at the old Ocean Breeze GC site as planned).

Finally, all golf facilities face some external factors beyond their control. First, a high fixed expense structure and operating expenses that tend to rise more rapidly than revenues (e.g., ability to raise fees is constrained); this dynamic appears to be particularly acute with rising water costs. Second, while golf participation appears to more popular than ever with younger children, the activity – at least in its traditional 18-hole (plus sometimes the 19th hole) format, is losing appeal with a segment of younger adults, a trend that will continue to challenge golf courses suffering demand attrition from older players.

Preliminary Improvement Plan for DBGC

Earlier in the report we summarized what NGF and previous consultants, including Sanford Golf Design, believe are major facility deficiencies that contribute toward poor golf course conditioning, significantly detract from the golfer experience, and prevent DBGC from competing at a higher price point and gaining more market share. In this section, we present the components of an improvement Master Plan that is based on consensus opinions from NGF, Sanford Golf Design, and JCD Sports, including the on-course superintendents from both DBGC and Southwinds GC. NGF expects that the City will issue an RFP for design services, under the auspices of which will come all of the recommended improvements (perhaps excluding the maintenance building). ***Though each responding architect will have their own ideas about how to improve DBGC, we believe that the RFP responses will largely represent “variations on a theme” relative to the global improvement recommendations summarized in this section.***

IDENTIFYING APPROPRIATE IMPROVEMENTS

In consideration of our due diligence, including review of the Sanford Golf Design and USGA reports, NGF has identified improvements under the premise that the City wants to address deferred capital improvement needs related to golf course components that are inefficient and/or constrain revenues because they are near or beyond the end of their useful life. Goals are twofold: (1) to prevent a downward trajectory in rounds and net revenues (the cost of doing nothing) that would result from continuing with ‘band aid’ approach to improvements as assets continue to deteriorate; (2) to restore the historic legacy of Delray Beach Golf Club and improve the overall product so that the facility can increase market share, enhance revenue centers, and raise price points (esp. among non-resident golfers).

NGF Consulting evaluated potential capital improvements for DBGC in the context that proposed changes must logically and specifically demonstrate the ability to restore the golf course and improve economic results by some combination of:

- ▶ Increasing net revenues by restoring the golf course to a place of prominence in the local/regional public golf marketplace.
- ▶ Improving the ease and efficiency of golf course maintenance (though overall budget will likely increase due to desire to preserve the assets and maintain elevated market position).

Our goal with respect to identifying the most appropriate improvements is to provide the City with realistic expectations with regard to the investment we believe is necessary to best achieve several important objectives, including:

- ▶ Restore the historic legacy of Delray Beach Golf Club
- ▶ Address “mission-critical” deferred maintenance and capital items
- ▶ Greatly enhance the golfer experience at DBGC
- ▶ Elevate the market positioning of the golf facility so that it can increase price point, market share, and net revenues
- ▶ Contribute as much as possible to the annual debt service that will result from undertaking the improvement plan

General Framework for Upgrade Recommendations

Capital investment and renovation planning/saving for golf courses should begin shortly after opening, and continue as long as the course exists. Like structures, golf courses begin slow deterioration almost from the day they open. Golf courses require constant upkeep and periodic capital expenditure to maintain at least “status quo” functionality and appearance. Owners that avoid such work often find it’s a classic case of “pay me now or pay me (more) later”. (NGF recommends budgeting between 5-10% of annual adjusted gross revenues for capital expenditures).

In early years of golf course like, focus may be on completing desired or necessary construction elements that were deleted from the contractor’s bids in the name of budget, often including restrooms, full cart paths, small drainage, landscaping and fencing, and/or permanent clubhouse. Also, sand bunkers and practice tees can deteriorate quickly and may require attention. Inevitably, there comes a day when major capital improvements are required, usually within a 25-30 year lifespan, depending on quality and materials used in initial construction. The “*ASGCA Life Cycle*” chart (see [Appendix D](#)) shows typical life spans for golf course elements. However, each course is unique, and owners should rely on a qualified golf course architect to assist in master planning for future investments.

Renovations/major upgrades are generally prompted by one, or a combination of, these objectives:

- ▶ **Add** landscape and signage, full paths and/or curbs, paved parking, permanent restroom(s), maintenance or clubhouse, or other items left out of original construction for cost reasons.
- ▶ **Fix** existing physical plant just to remain functional, including replacing bunker sand or sodding spots of dead turf, correcting minor drainage problems, etc. as they occur.
- ▶ **Replace and/or Upgrade** to remain competitive, i.e., “Keep up with the Joneses”. The U.S. has seen a natural golf course supply correction since 2006, with the cumulative reduction of about 6% in the total supply. In the last several years, as demand and supply have come into more balance in many markets, we’ve seen an increasing pace of large-scale renovations of both public courses and private clubs seeking to become more competitive. Most golf courses can count on at least one nearby competitor rebuilding “a better mousetrap” (see renovation case study section of this report).
- ▶ **Transformative Changes/Upgrades** to fit current marketplace. Sometimes golf course owners find the opportunity to move up (or down) a position in the public market by making dramatic, image-changing renovations, and thus allowing significant revenue additions via round and price increases, new revenue centers, etc.

Substantially changing image and elevating a course usually involves total renovation, completed in ± 8-12 months. These types of large-scale improvements will sometimes involve rebranding or even renaming the golf course. Transformation usually provides the biggest boost in revenues, but perhaps at a level insufficient to pay off resulting debt service. Less robust improvements, involving fixing the most critical problems, such as improving green surfaces, adding cart paths, improving bunkers, etc., tend to yield smaller revenue increases but cost less.

Finding the best mix of proposed changes starts with evaluating renovation needs within in the context of the current condition, basic performance goals, and the potential of the improved golf course. Golf courses have three main components:

- ▶ Routing – Sets the footprint.
- ▶ Features – Create the “look, feel, and ambiance.”
- ▶ Infrastructure/Agronomy – Affects the owner’s ability to efficiently maintain.

Assuming rational customer behavior, whereby golfers respond positively to a better, higher value product offering, a quality renovation can and should improve business in any good local/regional golf market. The well-executed renovation properly allocates funds where they meet the general goal of adding revenue and/or decreasing operations cost. In general:

- ▶ Surface changes golfers see tend to raise revenues, as golfers typically seek the most beautiful, interesting, and new challenges and experiences.
- ▶ Subsurface or infrastructure improvements make maintenance easier and better, stabilizing operation costs. Because conditioning is usually the number one customer satisfaction driver in golf (tens of thousands of NGF *GolfSAT* surveys bear this out) these types of improvements can also result in increased play and revenues as well.

PRELIMINARY IMPROVEMENT PLAN FOR DELRAY BEACH GC

Based on the above discussion and the analyses in this NGF report and previous consultants' reports, following is a list of the capital improvements that Sanford Golf Design, NGF Consulting (with input from JCD management and on-course staff) believe would be most effective for Delray Beach Golf Club in terms of addressing deferred maintenance and infrastructure needs, while restoring, repositioning and rebranding the facility to a regional "must play" golf course that will be able to build market share and net revenues.

Recommended Improvements

Playability, Strategy & Aesthetics

- ▶ Expose and supplement the native landscape, while at the same time reducing maintained turf area in the deep rough, thus limiting the irrigated area, fertilizers and pesticide use.
- ▶ Mr. Sanford concludes that "there is tremendous opportunity to 'restore' the golf course based on the original strategic design of Ross and Wilson with minor modifications to meet modern standards".
- ▶ Restoration of Ross/Wilson intent and strategy may appeal to many golf enthusiasts, and the enhanced playability and strategy should appeal to the majority of golfers of all types. This element of the renovation should be a key component of the new marketing campaign.

Greens Reconstruction

- ▶ Existing green contours do not reflect that of Ross or Wilson design. Also, age of greens and amount of contaminated areas leads to recommendation that greens be reconstructed with USGA specified construction method.
- ▶ New greens should be maintained applying USGA protocols after re-opening.

Sand Bunker Restoration and Reduction

- ▶ Sanford Golf Design recommends that the bunkers be reshaped, drained, new "G-Angle" bunker sand installed and sand compacted to a 4" depth for consistent playability.
- ▶ Bunkers should be reduced in size (some removed), locations/shapes revised, and green complexes renovated to reflect the original architects' strategic style and intent.

Tee Leveling/Expansion

- ▶ Tee boxes should be rebuilt to provide level surfaces and provide ample space, improve the playability/strategy of the golf course, and allow for healthy turf conditions.

- ▶ Advanced technology now allows players to hit the ball further, so adding new or expanded back tees to lengthen the course to 7,000+ yards.
- ▶ Some holes would also benefit from the addition of a forward tee for shorter hitters and for player development purposes.

Fairway Regrassing & Contouring

- ▶ To restore the course to the original designs, fairways should be stripped and reshaped according to restore the Ross/Wilson strategic design and bunker placement.
- ▶ Sanford Golf Design suggests Celebration or 419 Bermuda grasses (very adaptable to existing soils) for planting in fairways.

Roughs

- ▶ Reduce the managed turf area, resulting in savings in water consumption, fertilizer usage, pesticide applications and mowing. Labor and resources now spent on these areas can be transferred to more critical primary play areas such as greens, tees, bunkers and fairways.
- ▶ As noted by Mr. Sanford, “this approach makes the golf course more environmentally friendly, sustainable in the long term and will also improve the aesthetics. Native ground covers such as pine straw, mulch or crushed limestone can be used in the non-irrigated areas.”

Clean up of Trees / Brush / Understory

- ▶ All the exotic vegetation should be eradicated to reduce shade and allow the native plant material to thrive. New native landscape plantings should be installed to replace/supplement these cleared areas, and a program to maintain the native vegetation should be included as a part of the maintenance practices.
- ▶ Mature native trees should be preserved to the extent possible, so long as they do not interfere with air flow or strategy.

Cart Paths

- ▶ Sanford Golf recommends that the improvement Master Plan include new, minimum eight-foot (8') wide, continuous “soft” cart paths throughout the golf course. To provide an enhanced level of aesthetics the material should be crushed concrete or Coquina-like material.
- ▶ Also, there are several areas around the golf course where circulation of carts and maintenance equipment can be improved by re-routing the cart paths and with the addition new paths.

Irrigation System

- ▶ As Pignato Group noted in its report, the irrigation system at DBGC could theoretically continue to be “band aided” for a number of years, resulting in continued problems with the turf quality, lower maintenance efficiency, and higher annual repair costs. However, assuming the City undertakes the other major elements of the proposed Master Plan for improvements, NGF recommends that the irrigation system be replaced, upgrading to current technology, water conservation control, and standards.

Drainage

- ▶ Poorly drained areas on holes #10, #11 and #12 should be considered for plating with 6" of sandy material and reshaped to surface drain to a series of catch basins to maintain healthy turfgrass and dryer/more playable conditions.

Practice Facilities

- ▶ Push the range tee back (north) and reorient the range away from the homes to the west. Target greens with varying lengths would be added to the range, and positioned in such a way as to create a de facto 'short course' that could be used for player development and other special event programming (e.g., weekly closest to the pin contests).
- ▶ Develop a quality short game complex north of the range tee in an underutilized part of the golf course. The putting green would be relocated closer to the first tee.
- ▶ NGF believes that an improved practice facility will aid in the overall rebranding of DBGC (or further justify raising the price point), enhance player development and other programming, and increase revenues. In addition to increasing the overall desirability of DBGC for golfers playing a round, an enhanced practice facility with short game area should also result directly in more revenue resulting from practice-only customers, especially from the immediate neighborhoods and from impulse drive-by travelers on Atlantic Avenue.

Ponds/Canals

- ▶ The pond between holes #1 and #2 is a lined pond irrigation source for the golf course that has an effluent connection in the northeast corner that runs north to Atlantic Ave. This could be used as a backup system if the effluent water source is down.
- ▶ Lake banks need to be repaired so the liner does not further deteriorate due to UV light exposure.
- ▶ The irrigation pump station should be screened with plantings.
- ▶ The former pond between holes #11 and #12 has become an unsightly/overgrown dry retention area and should be reviewed by an engineer and redesigned to meet current storage requirements.
- ▶ This area where the canal cuts into hole #6 should be cleaned out and, if possible, filled in. Canal edge should be reviewed by an engineer and recommendations made accordingly.

Bridges

- ▶ The existing bridge appears to be in relatively good condition but should be inspected by a structural engineer to determine the useful life expectancy.
- ▶ The City should consider widening/replacing the south bridge, as there is two-way traffic routed over the bridge, but the bridge is wide enough only for one-way traffic and is not wide enough for maintenance equipment to cross.

Maintenance Area & On-course Shelters

- ▶ Ideally, and depending on funding considerations, the existing maintenance structure should be razed and a new facility designed that will appropriately accommodate mechanical equipment & tools, chemical/fertilizer storage, soil bins, wash down area, parking, proper access for deliveries, fueling, etc. Along with the recommendation to fund a new maintenance equipment fleet (see below), the new facility must be able to adequately store this equipment, sheltering it from the elements and extending the useful life. A typical modern maintenance facility requires ±1.5 acres.
- ▶ Though perhaps not "mission-critical", if the City is to invest in DBGC with the intent of elevating the facility's market profile, overall quality level, and golfer perceptions, NGF and Sanford Golf Design recommend that these dilapidated structures be removed and the existing comfort stations be retrofitted to have a dual purpose as a rain shelter.

Preliminary Cost Estimates

Preparing cost estimates for implementation of the recommended improvements was beyond the scope of the NGF study. However, after reviewing Sanford Golf Design's initial estimates from spring 2016, we believe the City should plan on spending \pm \$5.5 to \$6 million on the total golf course renovation, including soft costs, grow-in, and replacement of the irrigation system, but *excluding a new maintenance building and new maintenance equipment*.

The recommended improvements and attendant cost estimates are intended only as a guideline. We fully expect that respondents to a potential RFP for course improvement/design services, working in conjunction with the City, will present their own conceptual plans with attendant cost estimates.

NGF has observed golf construction prices have increased by \pm 20% in the last two years, depending on factors such as geographic region, prevailing wage laws, etc. Our best guess is that they will continue to rise with inflation over the next several years. It is impossible to precisely estimate potential costs for improvements to Delray Beach GC at this time, due to:

- ▶ Conceptual Plan, but no final design
- ▶ No defined schedule for improvements
- ▶ Inflation and/or changes to material prices, labor conditions
- ▶ Changes to the scope of work or time frames, and other factors.

NGF-RECOMMENDED PRICING / MARKET POSITIONING

NGFC has come up with pricing/market positioning recommendations for Delray Beach Golf Club based on a number of factors, including:

- ▶ The expected value proposition of DBGC after proposed improvement plan is completed
- ▶ The results of our analysis of demographic, economic, and golf supply-demand metrics
- ▶ Interviews with area golf operators and others with knowledge of the local golf market
- ▶ The competitive environment, including current and prospective price/value proposition of DBGC relative to key competitors; and,
- ▶ The City's goals with respect to maintaining affordable golf for city residents

NGF expects that the improved DBGC will continue to have differential green fees for city residents and non-residents, with a larger gap than exists currently. ***Based on our analyses, NGF recommends peak winter season prime time weekday/weekend 18-hole green fees of \$67/\$77 for non-residents and \$55/\$60 for city residents. Off season peak fees are proposed at \$35/\$37 for non-residents and \$32/\$34 for residents.*** Discounted rates will continue to apply for time of day (e.g., first afternoon break arounds noon, twilight), juniors, seniors, etc.

Current Rates	
	WD/WE Prime morning
Current Winter Res	\$49/\$51
Current Winter Non-Res	\$52/\$54
Current Summer Res	\$28/\$30
Current Summer Non-Res	\$30/\$32
*	

Proposed Rates	
	WD/WE Prime Morning
Proposed Winter Res	\$55/\$60
Proposed Winter Non-Res	\$67/\$77
Proposed Summer Res	\$32/\$34
Proposed Summer Non-Res	\$35/\$37
*	

This preliminary recommended pricing repositions Delray Beach GC from a 'standard' or mid-market public golf course to a mid-to-high end facility in the context of this local public golf market, positioned between clubs such as Osprey Point and Boca Muni (expected to close) and higher-fee clubs such as Deer Creek and Polo Trace (expected to close). The new pricing will bring non-resident pricing similar to that of local daily fee clubs such as Atlantic National Golf Club, Atlantis Country Club, and the proposed Boca National Golf Club (based on preliminary recommended pricing), while raising resident rates only moderately. Of course, the market position will be ultimately be affected by the outcome of facility improvements and the City's objectives.

NGF earlier concluded that permits appeared to be priced at an appropriate multiple of daily fee rates, based on comparative revenue earned for permit rounds (including cart revenues) vs. daily fee rounds. The table below shows the proposed new permit pricing, based on the current multiple and new proposed peak daily fee pricing for each category. Though we propose that multiples remain same as current, management may want to establish the policy that large full-field tournaments (e.g., shotgun/double shotgun) take precedence occasionally over weekday morning league play, which comprises many permit holders.

Delray Beach GC Proposed Rates				
Category	Current Multiple*	Proposed Peak Green Fee	New Permit Fee	Current Permit Fee
Single Resident	25	\$60	\$1,500	\$1,250
Family Resident	37	\$60	\$2,220	\$1,900
Single Non-Resident	29	\$77	\$2,230	\$1,550
Family Non-Resident	41	\$77	\$3,160	\$2,200
*Multiple of highest applicable daily fee rate in-season.				

To help establish new market positioning, a marketing campaign should begin prior to opening, to include press releases about the elements of the renovation/restoration (including Donald Ross and Dick Wilson themes), progress, and news about the grand reopening event. Potential campaign themes could be along the lines of "Delray Beach Golf Club – an historic golf course with a brand new face", "Delray Beach Golf Club – come play the beautifully restored championship layout", or "Newly restored Delray Beach Golf Club, a must-play in south Florida golf".

MAINTENANCE BUDGET & EQUIPMENT

If the City makes the decision to spend multiple millions of dollars to address physical shortcomings of DBGC and reposition the club in the market, NGF strongly recommend that the City also provide the operator with the necessary resources to preserve the newly enhanced assets. As noted earlier in the report, *NGF believes that the current spending (~ \$760,000 actual in FY 16; ±\$820,000 FY 18 budget) will be insufficient to maintain an improved golf course at a high level, and may very well put the new assets at risk of deteriorating quickly.*

The cost of many materials needed to maintain golf courses has increased over the past few years; NGF projects, based on the proposed quality of product and market positioning of DBGC, that an annual maintenance budget of between \$1 million and \$1.1 million (excluding any capital lease of maintenance equipment) will be appropriate for this enhanced and repositioned property, even assuming more efficient maintenance due to the proposed new irrigation system and other course improvements.

Similarly, as noted earlier in the report, previous consultants' assessments concluded that most of the equipment at DBGC is old and frequently in need of repair. NGF recommends that a new equipment package be considered if DBGC is to compete as anything other than a 'value' golf course. We estimate that a new equipment package for DBGC will cost between \$750,000 to \$900,000 if purchased outright, or about ± \$225K annually if leased, depending on terms.

CLUBHOUSE ISSUE

Though not part of the scope of this study, potential physical and/or operational changes to the golf clubhouse at DBGC were a topic of discussion during NGF's meetings with City staff, JCD staff and two Commission members. The City currently plans to "harden" the existing building for the purpose of turning the building into a secondary Emergency Operations Center (EOC).

NGF recommends the City further study the clubhouse issue to identify any potential opportunities that can be taken advantage of concurrent with the hardening, including reprogramming of some elements and potentially even issuing an RFI/RFP for leasing the food & beverage operation to a private entity. While JCD has obviously done a terrific job managing food & beverage and generating profits, a private operator could perhaps partially bear the costs related to physical modifications and take on the risk associated with operations.

Potential improvements to the golf clubhouse include programming more space dedicated to golfers wanting to enjoy food & beverage before, during and after their rounds. (i.e., expanded bar/grill area). An enhanced and reprogrammed building could also make DBGC more competitive for larger corporate/charity golf outings, induce more golfers to stay after their round of golf for food & beverage, and even grow the already successful banquet/catering business.

Financial Impact of Improvements

In this section NGF provides a basic cash flow model to estimate the impact of implementing the recommended Master Plan for Improvements at Delray Beach Golf Club, relative to additional rounds played, increased average rate, and incremental net operating revenues. In this section, we provide estimates of performance based on a set of assumptions that may or may not become reality. We feel that these projections represent a “fair estimate” of performance for the improved and restored golf course based on our overall analysis of the subject golf course, market, and expected operational plan for DBGC

MARKET OPPORTUNITY CONCLUSION

In the next section, NGF provides financial projections for the first five years of the renovated Delray Beach Golf Club, based on the expected quality of the golf course and its support amenities, our comprehensive market analysis, the facility’s recommended market positioning, and other factors. The following bullets summarize what NGF views as the key justifications for our projections based on our understanding of the demand drivers for DBGC.

Support for Projections

- ▶ Growing resident and seasonal resident population in the Delray Beach/southern Palm Beach County market, with demographic profile that is predictive of strong golf demand. Strong and diversified local economy, low unemployment, and many large employers, office/business parks, and lodging properties from which to draw golf demand.
- ▶ **Favorable location:** The site is accessible and convenient for a fairly wide geographic area. DBGC enjoys proximity to all of the downtown neighborhoods, especially the very popular east Atlantic Ave. Residential communities of various sizes stretch westward, both north and south of Atlantic Ave., all the way to the Florida Turnpike and beyond to Lyons Rd. and SR 7. Proximity to area lodging properties and attractions – especially Downtown Delray and the beaches – should spur significant golf activity from transients and seasonal residents. ***This ability should be greatly augmented if facility improvements result in a restoration of the property and a new reputation as a “destination” golf course.***
- ▶ The overall golf demand/supply balance in the local DBGC market is becoming more favorable to existing public golf operators is improving with the recent (and continuing) golf course closures, increasing population and lack of new courses in planning. Next up for closure are Boca Raton Muni and Polo Trace in Delray Beach, which would have been a key competitor to a restored DBGC. Population growth is expected to add about 1,500+ golfing households to the 10-mile primary market by 2021.
- ▶ There is a relative lack of ‘premier’ public golf offerings within 10 miles, and one of the higher quality daily fee operations – Polo Trace – will shortly be exiting the market. NGF believes the relative lack of high quality public golf courses in the local market offers a restored Delray Beach Golf Club an opportunity to gain both market share and a higher average green fee, especially for non-residents.
- ▶ Proven favorable performance of existing public golf courses in the region, including the subject DBGC and other municipally-owned golf courses in Boynton Beach, Boca Raton (Osprey Point, Southwinds), and Pembroke Pines that have produced strong rounds activity at an average golf revenue per round of \$35 or more. Examples include:
 - Osprey Point GC – This 27-hole municipal golf facility owned by Palm Beach County is hosting over 97,000 rounds with average golf revenue per round over

\$35.50. The peak winter green fee is \$63.00. Staff reports that the facility is close to capacity in winter and is having to turn away players. Total net operating income in FY2016 was a very strong, at more than \$1.9 million.

- Pembroke Lakes GC - This 18-hole municipal golf facility owned by Pembroke Pines hosted 43,613 rounds in FY 2016 despite excessive rainfall in late 2015 and early 2016. The average golf revenue per round was \$42.12 for the year, and \$49.40 for the December – March winter season.
- ▶ As NGF Consulting has observed in many other markets, newer golf courses (e.g., Osprey Point, Park Ridge, Plantation Preserve) and those that have invested in improvements (Atlantic National, Palm Beach Par 3, Jacaranda GC in Plantation) - seem to have fared the best in this regional market, while those that have deferred capital improvements and everyday course maintenance such as Lake Worth Muni and Cypress Creek have seen declining demand and financial performance.
- ▶ NGF survey research reveals as many as 86,000 non-golfers interested in taking up the game within 10 miles of DBGC. The proposed improved and expanded practice facilities at the club should facilitate more active programming aimed at inviting and “onboarding” prospective new golfers.

Potential Threats / Mitigating Factors Relative to Projections

While the NGF finds considerable evidence to support strong rounds and revenue growth from a major renovation of DBGC, there are mitigating factors that could constrain rounds and net revenue performance. These include:

- ▶ Though Boca Raton Municipal Golf Course will be closing, the potential positive effect in terms of increased market share for DBGC may be greatly mitigated should the Greater Boca Raton Beach & Park District develop Boca National Golf Club at the old Ocean Breeze GC site (Boca Teeca) as planned.
- ▶ Regional or national economic recession – previous recessions have negatively impacted the performance of public golf courses.
- ▶ Population growth is smaller than projected, and/or demographic shifts unfavorable to golf participation occur.
- ▶ Continued overall decline in golf participation – recent trends show declines in golf participation, especially among the younger generation.
- ▶ Water availability/cost – Water for irrigation is the “life blood” of a golf course operation, and anything that impacts the availability or cost of water will impact the golf facility operation.
- ▶ Yearly weather variations (e.g., Hurricanes Matthew and Irma) can make the difference between operating in the black or in the red in any given year.

CASH FLOW MODEL ASSUMING RECOMMENDED IMPROVEMENTS

NGF has created a five-year pro forma that illustrates what we think Delray Beach GC would look like from a net cash flow perspective, assuming the improvements identified previously are completed and that the City increases the maintenance budget so that the club can operate at a higher price point, with fewer discounted rounds. ***In the cash flow model, the primary factors driving increased rounds played and higher average daily rate are the increased quality of the overall golf experience, including enhanced aesthetics and restoration of the original architects’ strategy and intent for the layouts.***

We note that another consideration, which is not captured by the financial model, is the potential “cost of doing nothing or only nominal improvements”. Due to aging infrastructure and other factors discussed in this report, such as the improvement of competing market facilities, we believe that the financial condition of Delray Beach GC will ultimately enter a downward trajectory without significant improvements.

Finally, in preparing our estimates of future performance, the NGF team has made several assumptions for input variables and external market conditions. We recognize that this estimate is prepared in 2017 for a golf facility that may not reopen before 2019 or even later. As such, the NGF estimates are made using current (2017) inputs and current market conditions. All financial estimates are prepared in 2017 dollars. A summary of NGF assumptions are detailed below:

Base Assumptions

The NGF rounds, revenue and expense estimates have been crafted in consideration of the current and expected (e.g., population growth, golf supply-demand balance) market conditions over the course of the five-year subject period. Projections for rounds and revenues assume continued operation under skilled fee-for-service third party management and successful completion of the recommended capital improvement plan (or moderate variation thereof proposed by a successful bidder to an RFP). We have also assumed continued operation with the current clubhouse structure, though the City may consider both programmatic and operational changes concurrent with its “hardening” of the current building.

Other basic assumptions:

- ▶ The overall economic condition remains stable, without any sizable increase or decrease in the Delray Beach/southern Palm Beach County area economy, employment, or visitation.
- ▶ DBGC will operate with a high standard for customer service and conditions, placing the facility in the upper-middle range of public golf courses in the greater Delray Beach market area.
- ▶ DBGC will continue to operate with a traditional mix of revenue centers common in public-access golf, with the predominance of golf activity derived from daily fee customers, supplemented by a significant food & beverage operation (both restaurant and catering/banquet).

Activity, Revenue and Expense Assumptions

The base assumptions in preparing the projected financial performance estimates cover several categories, including: total rounds activity; average green/cart/permit revenue per round; average revenue per round across other revenue centers (range, merchandise, food & beverage); cost of sales; and golf course maintenance, general & administrative, pro shop, & restaurant/catering expenses. All Year 1 numbers are presented as 2017 dollars for simplicity.

- ▶ NGF has used FY 2016 actual Delray Beach GC operating results as the base scenario. The cash flow model is presented as Year 1 – Year 5, post-renovation. No assumptions have been made regarding lost revenues during the time the course (or parts thereof) is either interrupted or closed for improvements.
- ▶ Delray Beach Golf Club is projected to host a total of 60,000 paid **rounds played** in the first full year post-renovation, modestly higher than what was achieved in FY 16. We project growth to stabilized play of 65,000 rounds by Year 3.

- ▶ Rounds projections assume the general mix of play as exists currently, but with relatively higher proportions of rack rate rounds and tournament/outing rounds, and a lower percentage of discounted/promotional rounds.
- ▶ Based on higher daily rates and permit fees, as well as less discounting, Delray Beach GC's **average daily rate** (green/cart/permit revenue per round) is projected to increase to \$31.25 in Year 1, an increase of about 18% over actual FY 16, but only about 11% than preliminary (unaudited) FY 17 figures provided to NGF. For context, Osprey Point GC achieved an average daily rate (ADR) of \$35.53 in FY 2016. The ADR is projected to grow by 2.5% annually through Year 5.
- ▶ Average Year 1 revenue per round in other revenue centers is projected as follows, with growth rates through Year 5:
 - Merchandise - \$2 per round, growing 2.5% per year.
 - Food & Beverage (restaurant only) - \$7.50 per round, growing at 2% annually.
 - Driving Range - \$2.50 per round, growing 2.5% annually. This represents an increase per round of about 34% over FY 16 actual, based on expected improvement to the practice area.
 - Miscellaneous (includes rentals, lessons, rents, intergovernmental, etc.) - \$1.60 per round, growing 2.5% annually.
- ▶ **Banquet/Catering** revenue is \$900,000 in Year 1, growing at 2% annually.
- ▶ **COGS: Merchandise** – 70% of sales. **Food & Beverage** – 30% of sales.
- ▶ **Golf Course Maintenance Expense** - Year 1 expense is estimated at \$1,000,000, compared to ~\$760,000 actual in FY 16 and ±\$820,000 FY 18 budget. NGF believes that \$1 million or more (2017 dollars) will be required to sufficiently maintain an improved golf course priced at an elevated market position, as well as prevent premature deterioration of the improved assets. Projected to grow at 3% annually.
- ▶ Year 1 **General & Administrative Expense** (includes human resources, bookkeeping, etc.) is estimated at \$500,000. G&A Expenses are projected to grow by 3% annually.
- ▶ Year 1 **Pro Shop Expense** (includes outside services) is estimated at \$360,000, growing by 3% annually.
- ▶ Year 1 **Food & Beverage Expense** (includes restaurant and banquet/catering, excluding cost of sales) is estimated at \$750,000, increasing by 3% annually.
- ▶ To provide an “apples to apples” comparison to recent historical numbers, NGF has not included a **Capital Improvement Set-Aside** line item in the expense budget. (NGF typically recommends that a public golf course set aside 5% or more of adjusted gross revenue each year for future capital needs).
- ▶ NGF has also not included a capital surcharge, though a temporary surcharge of an additional ±\$0.50 per round could be considered by the City to partially offset debt costs.

Cash Flow Projections – Year 1 – Year 5 (Post-Renovation)

Utilizing the above assumptions and activity/revenue/expense estimates, NGF Consulting has prepared a pro forma for the first five years of operation after the renovation/restoration is completed. The resulting cash flow model is shown in the table on the following page, with summary results presented below. All operating revenue and expense figures are expressed in 2017 dollars and have been rounded to the nearest \$100 for simplicity.

Financial Model Results

The results of the NGF Consulting financial projections for Delray Beach Golf Club, assuming completion of the recommended improvement plan and increased maintenance budget, show total gross operating revenue of about \$3.59 million in Year 1. Based on cost of sales and operating expense assumptions, Year 1 net operating income (NOI) is projected to be about \$492,000. When projected stabilized play of 65,000 rounds is reached in Year 3, gross revenues are expected to reach ~\$3.99 million, with NOI reaching a stabilized level of ±\$697,000.

The projected stabilized NOI represents an improvement of about \$323,000 over the average actual results from FY 13 through FY 17. We note that the projected expenses have been assumed to include all costs required to run the golf and clubhouse operation on site, and do not include other “below-the-line” expenses that may be required such as additional City overhead, depreciation or capital cost reduction (debt service). As such, what we refer to as NOI may be more accurately described as EBITDA (earnings before interest, taxes, depreciation and amortization).

Based on the *incremental* EBITDA and the financing terms shown in the table (term held steady at 15 years, using 85% of net incremental EBITDA assuming some debt coverage requirements, interest rate sensitivity for 1.5%, 2.0% and 2.5%), the amount of the required investment that NGF projects will be covered by incremental net user fees (plus some non-golf revenue sources such as tower rents) ranges from about \$3.4 million to \$3.7 million.

Earlier we noted very preliminary cost estimates, based on discussions with Sanford Golf Design, of ± \$5.5 to \$6 million on the total golf course renovation, including soft costs, grow-in, and replacement of the irrigation system, but *excluding a new maintenance building and new maintenance equipment*. ***Therefore, if these cost estimates and City-supplied financing terms are within range, incremental net user fees will cover about ±60% of the cost of the renovation, excluding improvements to the maintenance area and new equipment.***

Delray Beach Golf Club – 5-Year Pro Forma (Post-Renovation)

Delray Beach Golf Club					
Oper. Year (post-renovation)	Year 1	Year 2	Year 3	Year 4	Year 5
Total Paid Rounds	60,000	63,000	65,000	65,000	65,000
Revenues per Round					
Green + Cart Fees (incl. Permit)	\$31.25	\$32.03	\$32.83	\$33.65	\$34.49
Merchandise Sales	\$2.00	\$2.05	\$2.10	\$2.15	\$2.21
Driving Range	\$2.50	\$2.56	\$2.63	\$2.69	\$2.76
Food & Beverage (restaurant only)	\$7.50	\$7.65	\$7.80	\$7.96	\$8.12
Miscellaneous Revenue	\$1.60	\$1.64	\$1.68	\$1.72	\$1.77
Operating Revenues					
Green + Cart Fees (incl. Permit)	\$1,875,000	\$2,018,000	\$2,134,100	\$2,187,400	\$2,242,100
Merchandise Sales	\$120,000	\$129,200	\$136,600	\$140,000	\$143,500
Driving Range	\$150,000	\$161,400	\$170,700	\$175,000	\$179,400
Food & Beverage (Restaurant)	\$450,000	\$482,000	\$507,200	\$517,300	\$527,700
Banquet/Catering	\$900,000	\$918,000	\$936,400	\$955,100	\$974,200
Miscellaneous Revenue	\$96,000	\$103,300	\$109,300	\$112,000	\$114,800
Total Operating Revenues	\$3,591,000	\$3,811,900	\$3,994,300	\$4,086,800	\$4,181,700
Cost of Goods Sold					
Merchandise	\$84,000	\$90,400	\$95,600	\$98,000	\$100,500
Food & Beverage	\$405,000	\$420,000	\$433,100	\$441,700	\$450,600
Total COGS	\$489,000	\$510,400	\$528,700	\$539,700	\$551,100
Adjusted Gross Revenue	\$3,102,000	\$3,301,500	\$3,465,600	\$3,547,100	\$3,630,600
Operating Expenses					
General & Adm. (incl. mgmt. fee)	\$500,000	\$515,000	\$530,500	\$546,400	\$562,800
Pro Shop (incl. outside services)	\$360,000	\$370,800	\$381,900	\$393,400	\$405,200
Food & Beverage	\$750,000	\$772,500	\$795,700	\$819,600	\$844,200
Golf Course Maintenance	\$1,000,000	\$1,030,000	\$1,060,900	\$1,092,700	\$1,125,500
Total Operating Expenses	\$2,610,000	\$2,688,300	\$2,769,000	\$2,852,100	\$2,937,700
EBITDA	\$492,000	\$613,200	\$696,600	\$695,000	\$692,900
Average EBITDA 2013-2017	\$371,699	\$371,699	\$371,699	\$371,699	\$371,699
Incremental Net Income	\$120,301	\$241,501	\$324,901	\$323,301	\$321,201
Incr. net assuming 15% cov. req.	\$102,256	\$205,276	\$276,166	\$274,806	\$273,021
Financing:					
Term	15		15		15
Int. Rate	1.50%		2.00%		2.50%
Warranted Inv. (Year 3 - Stable)	\$3,684,945		\$3,548,528		\$3,419,314

Appendices

APPENDIX A – DELRAY BEACH GOLF & CC STAFFING

APPENDIX B – DELRAY BEACH GOLF & CC FEE CHARTS

APPENDIX C – DELRAY BEACH GOLF & CC FINANCIALS

APPENDIX D - GOLF COURSE ITEMS EXPECTED LIFE CYCLE

APPENDIX E – NATIONAL ROUNDS PLAYED REPORT

APPENDIX F – GOLF & THE MILLENNIAL GENERATION

APPENDIX G – LOCAL DEMOGRAPHIC, DEMAND, AND SUPPLY

APPENDIX H – DELRAY BEACH GOLF & CC PRIMARY COMPETITORS

APPENDIX A – DELRAY BEACH GOLF CLUB STAFFING

Delray Beach Golf Club Staff	
Administration	
HR	JCD Allocated
Controller	JCD Allocated
Bookkeeper	Full Time Salary
Receptionist	Full Time Salary
Pro Shop	
Director of Golf	Full Time Salary
Director Teaching	Salary
P-T Help	
Clerks	~110 hrs/week
Baggers	~105 hrs/week
Starter/Ranger/Range	~172 hrs/week
Course Maintenance	
Superintendent	Full Time Salary
Assistant Superintendent	Full Time Salary
P-T Help (including Mechanic)	10 employees
Food & Beverage	
F & B Manager	Full Time Salary
Catering Manager	Full Time Salary
Restaurant Manager	Full Time Salary
Chef	Full Time Salary
Cooks	
Prep Cooks/Dishwashers	~30 hours each
Dishwashers	2 employees 1 FT/1PT
Seasonal Kitchen Staff	
Bar/Servers/Bus/Maintenance	

APPENDIX B – DBGC GREEN FEE RATES

Delray Beach Golf Club Green Fee & Cart Rates – April – November			
	Non-Resident WD / WE	Delray Beach Resident WD / WE	Permit Holder WD / WE Cart
Until 12:30PM	\$30 / \$32	\$28 / \$30	\$18.50 / \$18.50
12:30PM-3PM	\$23 / \$25	\$22 / \$23	\$18.50 / \$18.50
3PM-4:30PM	\$19 / \$20	\$18 / \$18	\$10 / \$10
After 4:30PM	\$16 / \$16	\$16 / \$16	\$10 / \$10
Back 9 Special Open-8:30AM	\$16 / \$16	\$16 / \$16	\$16 / \$16
9 Holes after 1PM	\$18 / \$18	\$18 / \$18	\$18 / \$18

Delray Beach Golf Club Green Fee & Cart Rates – January - April			
	Non-Resident WD / WE	Delray Beach Resident WD / WE	Permit Holder WD / WE
Until 11:30 AM	\$52 / \$54	\$49 / \$51	\$18.50 / \$18.50
11:30 AM-2 PM	\$48 / \$49	\$45 / \$46	\$18.50 / \$18.50
1. All -inclusive permit holder includes: unlimited green, 7 day advance tee times; four complimentary guest passes; 6 baskets of range balls, 10% off merchandise in the pro shop and restaurant; special pricing during the summer; member pricing at Lakeview Golf Club and discounted bag storage. 2. Super Warrior Card includes: 25% discount on applicable rate and one complimentary round. 3. Warrior Card includes: 10% off shoulder and winter season rates and 20% off summer rates.			

Driving Range Fees			
	Small (35 balls)	Medium (70 balls)	Large (100 balls)
Driving Range Fees	\$5.00	\$9.00	\$13.00

Delray Beach Membership Rates			
	Annual Permit Holder¹	Super Warrior Card²	Warrior Card³
Single Resident Card Holder	\$1,250	\$475	\$80
Family Resident Card Holder	\$1,900	\$775	-
Single Non-Resident	\$1,550	\$575	\$80
Family Non-Resident	\$2,200	\$875	-
1. Permit includes: unlimited green, 7-day advance tee times; four complimentary guest passes; 6 baskets of range balls, 10% off merchandise in the pro shop and restaurant; special pricing during the summer; member pricing at Lakeview Golf Club and discounted bag storage. 2. Super Warrior Card includes: 25% discount on applicable rate and one complimentary round. 3. Warrior Card includes: 10% off shoulder and winter season rates and 20% off summer rates.			

APPENDIX C – DBGC OPERATING RESULTS – FY 2013 – FY 2016

Delray Beach Golf Club Operational Financials FY 2013 – FY 2016				
	FY 2013	FY 2014	FY 2015	FY 2016
Total Paid Rounds	58,334	56,638	57,957	59,120
Permit	6,487	7,044	5,133	4,413
Non-Permit	51,847	49,594	52,824	54,707
Revenues per Round				
Daily Green Fees	\$ 28.11	\$ 26.71	\$ 26.87	\$ 26.10
Prepaid (incl. permit, permit cart, Warrior)	\$ 13.43	\$ 27.66	\$ 31.56	\$ 32.72
Range Income	\$ 1.41	\$ 1.31	\$ 1.58	\$ 1.86
Sale of Merchandise	\$ 1.44	\$ 1.75	\$ 1.78	\$ 1.85
Catering F&B	\$ 15.21	\$ 15.54	\$ 15.60	\$ 15.24
Restaurant F&B	\$ 6.83	\$ 7.61	\$ 7.70	\$ 7.32
Misc.	\$ 0.44	\$ 0.61	\$ 0.58	\$ 0.62
Total	\$ 51.80	\$ 53.65	\$ 54.52	\$ 53.49
Operating Revenues				
Daily Green Fees	\$ 1,457,549	\$ 1,324,677	\$ 1,419,242	\$ 1,428,106
Pre-Paid Green Fees + Permit Carts ¹	\$ 87,146	\$ 194,829	\$ 162,011	\$ 144,401
Range Income	\$ 81,994	\$ 74,371	\$ 91,317	\$ 110,017
Sale of Merchandise	\$ 84,080	\$ 98,887	\$ 102,912	\$ 109,464
Catering F&B	\$ 887,032	\$ 879,975	\$ 904,368	\$ 900,989
Restaurant F&B	\$ 398,246	\$ 430,994	\$ 446,342	\$ 432,697
Misc.	\$ 25,936	\$ 34,783	\$ 33,555	\$ 36,572
Revenue Totals	\$ 3,021,982	\$ 3,038,517	\$ 3,159,747	\$ 3,162,245
Cost of Goods Sold				
Merchandise	\$ 56,872	\$ 79,547	\$ 71,193	\$ 75,927
Food & Beverage	\$ 380,256	\$ 386,768	\$ 360,596	\$ 370,436
Total COGS	\$ 437,128	\$ 466,315	\$ 431,789	\$ 446,363
Adjusted Gross Revenue	\$ 2,584,853	\$ 2,572,202	\$ 2,727,958	\$ 2,715,882
Operating Expenses				
Administration	\$ 468,508	\$ 481,407	\$ 474,994	\$ 507,837
Pro Shop	\$ 330,392	\$ 336,583	\$ 329,702	\$ 360,008
Maintenance	\$ 655,459	\$ 719,248	\$ 709,118	\$ 758,923
Restaurant	\$ 797,724	\$ 793,975	\$ 771,920	\$ 766,155
Expense Totals	\$ 2,252,083	\$ 2,331,213	\$ 2,285,734	\$ 2,392,923
Net Operating Income	\$ 332,770	\$ 240,990	\$ 442,224	\$ 322,958

1. In 2013 Permit Carts were not included in this total.

Delray Beach GC Food & Beverage Financials FY 2013 – FY 2016				
	FY 2013	FY 2014	FY 2015	FY 2016
Revenues				
Catering	\$ 887,032	\$ 879,975	\$ 904,368	\$ 900,989
Restaurant	\$ 398,246	\$ 430,994	\$ 446,342	\$ 432,697
Total Revenue	\$1,285,277	\$1,310,970	\$1,350,710	\$1,333,685
Expenses				
Cost of Sales	\$ 380,256	\$ 386,768	\$ 360,596	\$ 370,436
Restaurant	\$ 797,724	\$ 793,975	\$ 771,920	\$ 766,155
Total Expense	\$ 1,177,980	\$ 1,180,742	\$1,132,516	\$1,136,592
Net Income	\$ 107,297	\$ 130,227	\$ 218,194	\$ 197,094
Gross Margin	8.3%	9.9%	16.2%	14.8%

APPENDIX D – GOLF COURSE EXPECTED LIFE CYCLE

GOLF COURSE ITEMS EXPECTED LIFE CYCLE

HOW LONG SHOULD PARTS OF THE GOLF COURSE LAST?

No two golf courses are alike except for one thing: deferring replacement of key items can lead to greater expense in the future, as well as a drop in conditioning and player enjoyment. The following information represents a realistic timeline for each item's longevity.

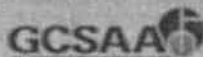
Component life spans can vary depending upon location of the golf course, quality of materials, original installation and past maintenance practices. The American Society of Golf Course Architects (ASGCA) encourages golf course leaders to work with an ASGCA member, superintendents and others to assess their course's components.

ITEM	YEARS
Greens (1)	15 – 30 years
Bunker Sand	8 – 7 years
Irrigation System	10 – 30 years
Irrigation Control System	10 – 15 years
Pump Station	15 – 20 years
Cart Paths – asphalt (2)	5 – 10 years (or longer)
Cart Paths – concrete	15 – 30 years (or longer)
Practice Range Tees	5 – 10 years
Tees	15 – 20 years
Corrugated Metal Pipes	15 – 30 years
Bunker Drainage Pipes (3)	5 – 10 years
Mulch	1 – 3 years
Grass (4)	Varies

NOTES: (1) Several factors can weigh into the decision to replace greens: accumulation of layers on the surface of the original construction, the desire to convert to new grasses and response to changes in the game from an architectural standpoint (like the interaction between green speed and hole locations). (2) Assumes on-going maintenance beginning 1 – 2 years after installation. (3) Typically replaced because the sand is being changed – while the machinery is there to change sand, it's often a good time to replace the drainage pipes as well. (4) As new grasses enter the marketplace – for example, those that are more drought and disease tolerant – replanting may be appropriate, depending upon the site.

ASGCA thanks those at the USGA Green Section, Golf Course Builders Association of America, Golf Course Superintendents Association of America and various suppliers for their assistance in compiling this information.

The materials presented on this chart have been reviewed by the following Allied Associations of Golf:



For more information, contact ASGCA at (262) 786-5960 or visit www.ASGCA.org

DATA COMPILED BY ASGCA, 125 NORTH EXECUTIVE DRIVE, SUITE 302, BROOKFIELD, WI 53005

APPENDIX E – NATIONAL ROUNDS PLAYED REPORT





National Golf Rounds Played Report

Page 2 of 2

SEPTEMBER 2017

	SEPT	YTD
PACIFIC	-6.7%	-6.3%
CA	0.4%	-4.5%
Los Angeles	-3.4%	-5.0%
Orange County	3.9%	2.8%
Palm Springs	11.3%	-1.5%
Sacramento	-4.3%	-14.7%
San Diego	4.9%	1.0%
San Francisco/Oakland	-10.7%	-8.7%
HI	10.3%	2.8%
OR	-8.7%	-8.4%
Portland	-12.8%	-13.0%
WA	-8.7%	-8.4%
Seattle	1.1%	8.3%
MOUNTAIN	-3.1%	-0.2%
AZ	-6.7%	-1.7%
Phoenix	-8.9%	-2.5%
CO	-6.4%	3.8%
Denver	-9.1%	0.7%
ID, WY, MT, UT	-6.6%	-1.8%
NM	-3.2%	2.1%
NV	5.2%	-0.3%
Las Vegas	13.0%	0.3%
WEST NORTH CENTRAL	8.0%	2.1%
IL	16.3%	5.0%
IN	-6.1%	-0.7%
MI	1.4%	-3.1%
Minneapolis/St. Paul	-2.0%	-3.5%
IA, MO	15.2%	5.0%
St. Louis	8.9%	1.3%
Kansas City	7.9%	3.8%

	SEPT	YTD
UNITED STATES	2.1%	-2.0%
PUBLIC ACCESS	2.2%	-2.8%
PRIVATE	1.9%	1.9%
EAST NORTH CENTRAL	8.3%	-2.9%
IL	5.0%	-0.9%
Chicago	7.1%	0.5%
IN	-1.5%	-6.4%
MI	8.0%	-3.1%
Detroit	8.4%	-3.0%
OH	12.5%	-2.7%
Cincinnati	34.8%	5.4%
Cleveland	12.8%	-4.2%
WI	15.7%	-0.9%
SOUTH CENTRAL	2.9%	0.8%
AL	6.9%	0.3%
AR, LA, MS	14.7%	-3.1%
KY	8.1%	6.2%
OK	-3.8%	-0.4%
TN	8.2%	8.8%
Nashville	11.8%	11.1%
TX	-3.2%	-0.1%
Dallas/Ft. Worth	4.3%	2.1%
Houston	28.1%	2.9%
San Antonio	1.0%	-4.6%

	SEPT	YTD
SOUTH ATLANTIC	-6.7%	-6.7%
DE, DC, MD	5.4%	-0.9%
Washington/Baltimore	3.6%	0.2%
FL	-18.7%	-0.4%
Jacksonville/Daytona	-19.1%	5.3%
Orlando	-20.1%	-7.7%
Tampa	-20.5%	-1.1%
Palm Beach	-13.5%	13.9%
Sarasota	-23.4%	-1.3%
Naples/Ft. Myers	-42.8%	-6.6%
Miami/Ft. Lauderdale	-12.0%	0.9%
GA	-6.5%	-6.7%
Atlanta	-10.9%	-6.2%
NC	3.5%	1.8%
Greensboro/Raleigh	13.6%	2.8%
SC	-11.4%	-1.7%
Charleston	-22.4%	1.5%
Hilton Head	-19.8%	0.5%
Myrtle Beach	-6.8%	-1.4%
VA	8.9%	8.8%
WV	8.6%	2.4%
MID ATLANTIC	1.3%	-7.1%
NJ	0.1%	-2.5%
NY	3.6%	-11.0%
New York City	3.7%	-4.3%
PA	-0.9%	-4.3%
Philadelphia	3.8%	6.5%
Pittsburgh	-8.2%	-4.1%
NEW ENGLAND	1.1%	-4.8%
CT	4.8%	-0.6%
MA, RI	1.8%	-4.8%
Boston	6.9%	-1.5%
ME, NH, VT	-1.8%	-7.7%

The percentages represent the differences in number of rounds played comparing September 2017 to September 2016.
For more information contact Golf DataTech, info@golfdatatech.com or call 407.944.1118

APPENDIX F – GOLF & THE MILLENNIAL GENERATION

In 2015, the NGF completed a comprehensive review of golf participation among the 18-34 year-old group known collectively as the “Millennial” generation. The NGF’s study of Millennials was in response to a drop in participation among this age group and a part of an industry effort to better understand golfing habits of young adults. What we discovered was that while this important segment of the population is more closely tethered to the sport than most think, the commitment isn’t what it was compared to previous generations when they were the same age.

The NGF study of Millennials confirmed that one out of every four golfers is a Millennial, and that there are 12 million non-golfers among the generation that are “very or somewhat interested” in playing golf now. This contradicts media coverage of golf and Millennials that suggests progressive lifestyles, preferences and stressed finances are misaligned with golf’s old-fashioned sensibilities and pay-for-play nature. The fact is there are six million Millennials playing about 90 million rounds and spending \$5 billion on golf annually.

However, millennial golfers are not all created equal when it comes to their connection to the sport, as significant differences exist among this generation. The NGF divided the generation into three distinct segments based on key attitudinal and perceptual traits. Understanding each of these is crucial to better adapting to and serving needs and expectations. The good news for golf is that more than half of millennial golfers are committed to the game and are unlikely to leave the sport barring any significant health or life-changing situations. It’s the second half of the population where golf has challenges. The segments include:

- ▶ **“Throwbackers” (3.3 million golfers, 51% of millennial golfers)** – Akin to golf purists or traditionalists, ‘Throwbackers’ tend to behave just as avid golfers did generations before them and therefore share perceptions of the game that mirror the Boomer (parents’) generation. This group enjoys the challenge and is motivated by competition and staying fit. They work on their game, keep score and respect the rules. While they do have concerns about the game and shouldn’t be taken for granted, we expect this group is “very likely” to continue playing in the future.
- ▶ **“Breakfast Ballers” (1.4 million golfers, 22% of millennial golfers)** - This segment is drawn to the game for vastly different reasons. They play less frequently and are more motivated by excitement, adrenaline and the opportunity to socialize. Golf for them is not a lifestyle but a conduit for their social lives. Golf is appealing, but it’s not enough – they want Golf-Plus. They’re likely to enhance the experience with music, alcohol, gambling and social media. Although competitive, roughly half of Breakfast Ballers don’t keep score, and many pay little attention to the rules. Though generally committed to the game, most think golf is too serious, stuffy and in need of reform. It’s this segment that presents the best opportunity for participation growth.
- ▶ **“Dabblers” (1.7 million golfers, 27% of millennial golfers)** - While we count these participants as “golfers” because they played golf during the past year, most of them don’t really consider themselves golfers. Dabblers tend to be more female, and play infrequently, typically at the urging of someone else. They don’t keep score and only one-third say they enjoy golf “a lot.” These customers are just “dabbling” at golf, and without some intervention are unlikely to develop into better customers.

The last group notwithstanding, golf has a far more active and committed base of younger participants than it’s been given credit for. Still, the sport is not as attractive to this age group when compared to previous generations, and a better understanding of motivations for engaging in golf will help the sport golf attract even more young people.

APPENDIX G – LOCAL DEMOGRAPHIC, DEMAND AND SUPPLY DATA

Local Demographics and Demand

Delray Beach Golf Club	2-mile	5-mile	10-mile	15-mile	U.S.
Summary Demographics					
Population 1990 Census	37,530	127,654	350,165	676,276	248,584,652
Population 2000 Census	47,636	169,408	482,588	904,092	281,399,034
CAGR 1990-2000	2.41%	2.87%	3.26%	2.95%	1.25%
Population 2010 Census	48,612	178,970	543,213	1,022,412	308,745,538
CAGR 2000-2010	0.20%	0.55%	1.19%	1.24%	0.93%
Population Estimate 2016	54,815	197,705	592,429	1,120,356	322,736,220
Population 2021 Projected	59,164	213,253	637,454	1,202,485	335,779,240
CAGR 2016-2021	1.54%	1.53%	1.48%	1.42%	0.80%
CAGR 2010-2021	1.80%	1.61%	1.46%	1.49%	0.77%
Median HH Income (2016)	\$48,387	\$52,823	\$56,999	\$54,379	\$56,106
Median Age (2016)	45.1	58.1	50.0	54.5	38.0
Ethnicity					
White	58.8%	78.2%	77.4%	73.1%	70.7%
African American	33.7%	16.4%	15.2%	16.8%	13.3%
Asian	2.5%	2.2%	3.0%	3.1%	5.6%
All Other	5.0%	3.3%	4.4%	7.0%	10.5%
Hispanic Population					
Hispanic	12.1%	10.2%	14.2%	21.7%	17.3%
Not Hispanic	87.9%	89.8%	85.8%	78.3%	82.7%
CAGR = Compound Annual Growth Rate					
Delray Beach Golf Club	2-mile	5-mile	10-mile	15-mile	U.S.
Golf Demand Indicators					
Total Households	24,719	95,775	264,324	462,489	123,896,538
Number of Golfing Households	2,837	14,164	41,419	68,081	17,094,500
Projected Golfing Households (2021)	2,908	14,515	42,986	70,913	17,802,020
Projected Annual Growth Rate	0.50%	0.50%	0.70%	0.80%	0.8%
Seasonal Golfing Households	295	2,194	5,077	7,192	737,636
Latent Demand/Interested Non-Golfers	8,647	29,914	85,711	156,754	37,346,480
Household Participation Rate	11.50%	14.80%	15.70%	14.70%	13.8%
Number of Golfers	3,713	16,641	52,057	90,836	24,130,710
Rounds Potential (resident golfers)	92,464	519,433	1,390,002	2,162,805	465,791,320
Estimated Course Rounds (in-market supply)	178,557	1,156,789	2,314,699	3,314,111	465,791,320
Demand Indices					
Golfing Household Participation Rate	83	107	114	107	100
Seasonal Golfing Households	202	388	325	263	100
Latent Demand/Interested Non-Golfers	132	133	125	121	100
Rounds Potential per Household (resident golfers)	100	144	140	124	100

Golf Supply

Delray Beach Golf Club	2-mile	5-mile	10-mile	15-mile	U.S.
Golf Supply					
Golf Facilities					
Total	4	25	52	72	15,204
Public	3	7	17	31	11,388
Public: Daily Fee	1	5	11	18	8,906
Public: Municipal	2	2	6	13	2,482
Private	1	18	35	41	3,816
Public Golf Facilities by Price Point					
Premium (>\$70)	0	1	3	6	1,363
Standard (\$40-\$70)	1	3	9	19	4,013
Value (<\$40)	2	3	5	6	6,012
Golf Holes					
Total	72	612	1,188	1,629	257,193
Public	54	171	351	639	187,614
Public: Daily Fee	18	135	234	360	146,124
Public: Municipal	36	36	117	279	41,490
Private	18	441	837	990	69,579
Non-Regulation (Executive & Par-3)	36	144	198	261	21,348
Net Change					
Net Change in Holes past 5 years	-27	-108	-162	-180	-9,045
Percentage Total Holes Past 5 Yrs	-27.30%	-15.00%	-12.00%	-10.00%	-3.4%
Net Change in Holes past 10 Years	-27	-108	-171	-144	-12,231
Percentage Total Holes Past 10 Yrs	-27.30%	-15.00%	-12.60%	-8.10%	-4.5%

Supply-Demand

Delray Beach Golf Club	2-mile	5-mile	10-mile	15-mile	U.S.
Supply-Demand Ratios					
Households per 18 Holes					
Total	6,180	2,817	4,005	5,110	8,671
Public	8,240	10,082	13,555	13,028	11,887
Public: Daily Fee	24,719	12,770	20,333	23,124	15,262
Public: Municipal	12,360	47,888	40,665	29,838	53,751
Private	24,719	3,909	5,684	8,409	32,052
Premium (>\$70)	0	95,775	88,108	77,082	74,930
Standard (\$40-\$70)	24,719	21,283	22,985	19,680	28,982
Value (<\$40)	12,360	23,944	52,865	77,082	27,566
Golfing Households per 18 Holes					
Total	709	417	628	752	1,196
Public	946	1,491	2,124	1,918	1,640
Public: Daily Fee	2,837	1,889	3,186	3,404	2,106
Public: Municipal	1,419	7,082	6,372	4,392	7,416
Private	2,837	578	891	1,238	4,422
Premium (>\$70)	0	14,164	13,806	11,347	10,338
Standard (\$40-\$70)	2,837	3,148	3,602	2,897	3,999
Value (<\$40)	1,419	3,541	8,284	11,347	3,803
Household Indices					
Total	71	32	46	58	100
Public	69	84	113	109	100
Private	76	12	18	26	100
Premium (>\$70)	0	130	120	105	100
Standard (\$40-\$70)	86	74	80	68	100
Value (<\$40)	43	84	185	269	100
Golfing Household Indices					
Total	59	34	52	62	100
Public	57	90	128	116	100
Private	63	13	20	28	100
Premium (>\$70)	0	140	136	112	100
Standard (\$40-\$70)	72	79	91	73	100
Value (<\$40)	36	90	210	287	100
Rounds per 18 Holes					
Rounds Potential (resident golfers)	23,116	15,277	21,061	23,898	32,599
Estimated Course Rounds (in-market supply)	44,639	34,023	35,071	36,620	32,599

APPENDIX H – AREA MUNICIPAL GOLF OPERATING COMPARISON

Golf Facility	Number of Holes	2016 Total Rounds Played	Peak Winter Green + Cart Fee	Peak Summer Green + Cart Fee	Resident Discount (Y/N)	2016 Golf Fee Revenue	Avg. Golf Revenue / Round	Total Facility Operating Revenue	Total Facility Operating Expense ¹	Net Operating Income
Boca Raton Municipal Golf Course	27 (18R + 9E)	73,512			Yes – 25%	\$1,728,211	\$23.51	\$1,908,471	\$2,386,487	(\$478,016 ¹)
Championship Course		51,259	\$62.00 ²	\$38.00 ²		\$1,459,884	\$28.48			
Family Course		22,253	\$27.50 ²	\$19.50 ²		\$268,327	\$12.06			
Delray Beach Golf Club	18R	59,120	\$54.00	\$32.00	Yes	\$1,558,247	\$26.36	\$3,129,389	\$2,839,286	\$290,103
Okeetee Golf Course (PB Cty.)	27R	76,390	\$48.00	\$28	FPC Card Disc.	\$1,907,430	\$24.97	\$2,020,261	\$1,768,298	\$251,963
Park Ridge Golf Course (PB Cty.)	18H R	45,035	\$55.00	\$31	FPC Card Disc.	\$1,319,048	\$29.29	\$1,385,832	\$1,289,096	\$96,736
Lake Worth Municipal Golf Course	18H R	34,554	\$55.00	\$30.00	FPC Card Disc.	N/A		\$891,225	\$1,102,287	(\$211,062)
The Links At Boynton Beach	27 (18R + 9E)	60,000	\$52.00	\$27	No	\$1,455,000 ¹	\$24.25	\$1,800,000	\$2,000,000	(\$200,000)
Championship Course		42,000	\$52.00	\$27.00	No	\$1,255,000 ¹	\$29.88			
Family Course		18,000	\$27.00	\$16.00	No	\$200,000 ¹	\$11.11			
Southwinds Golf Course (PB Cty.)	18R	53,519	\$48.00	\$31.50	FPC Card Disc.	\$1,360,307	\$25.42	\$1,607,223	\$1,234,806	\$372,417
Osprey Point Golf Course (PB Cty.)	27R	97,101	\$63.00	\$42.00	FPC Card Disc.	\$3,449,812	\$35.53	\$3,659,775	\$1,695,172	\$1,964,603
Pembroke Lakes GC	18R	43,613	\$75.00	\$45.00	Yes	\$1,837,637	\$42.12	\$1,994,527	\$2,073,727	(\$79,200)
Pompano Beach GC	36R	76,965			Yes ⁴	\$2,360,940	\$30.68 ³	\$2,602,420	\$3,650,758 ⁵	\$(1,048,338 ⁵)
Palms Course	18R	38,105	\$45.00	\$26.00						
Pines Course	18R	38,860	\$65.00	\$40.00						
West Palm Beach Golf Course	18R	52,372	\$49.00	\$28.00	Yes	\$1,228,819	\$23.46	\$1,537,989	\$1,615,989 ⁶	\$(78,000)

1. Does not include depreciation
2. Non-Resident Rate
3. Total annual revenue per round. \$34.50 per round in season and \$23.50 per round in summer.
4. Resident discounts for memberships only
5. Expenses include \$613,508 in City Admin and Overhead, FAA land rent of \$156,378; exclude non-recurring capital charge of \$455,062.
6. Expenses include a one-time 2016 Equipment expense of \$223,458
R – Regulation Length E – Executive Length N/A – Information not available

