



City of Hollywood, Florida

PROCUREMENT SERVICES RM. 303
P. O. Box 229045 ZIP 33022-9045

NOTICE TO PROPOSERS

NOTICE IS HEREBY GIVEN, that the City Commission of the City of Hollywood, Florida is advertising for Sealed Request for Proposals, which will be received by the City Clerk of the City of Hollywood, Florida until **3:00 P.M., January 30, 2015**, at which time they will be opened and publicly read in the Procurement Services Division, Room 303, City Hall, 2600 Hollywood Boulevard, Hollywood, Florida. **FOR: Golf Course Management**

RFP NO. 4442-15-IS
ADDENDUM NO. 1

Please make the following changes (additions, deletions or corrections) in the above named RFP.

CHANGES:

C1: The bid opening date and time has been changed as follows:

FROM: 3:00 p.m., January 16, 2015
TO: 3:00 p.m., January 30, 2015

Questions submitted in regards to the above RFP and corresponding answers:

Q1. Are there any existing plans to support any of the needed capital improvements? If so, can these be shared at the pre-bid meetings, or via an addendum?

A1. Currently, there is no identified funding for capital improvements at either golf course.

Q2. Is it possible to get financial and performance data for each of the past 5 years and inventory of maintenance equipment, carts, etc?

A2. See attached financial data. Inventory of maintenance equipment is not available. The awarded vendor will have to provide their own cart and maintenance equipment fleet.

Q3. How is water being supplied for irrigation of the courses? Is it re-use water? Who covers the cost of the water? What is the unit cost? Has there been any increase over the past decade?

A3. Reuse water is pumped from the Wastewater Treatment Plant for irrigation of the courses. The vendor covers the cost of the reuse irrigation water which is currently \$.100 cents per 1000 gallons. There has not been any increase in the cost over the past decade.

Q4. Who provides property insurance? Asset liability?

A4. The City has property insurance and asset liability insurance for the property and city assets. Non city assets are not covered by the City.

Q5. Does financials include capital expenditures?

A5. No.

Q6. How is the capital list compiled? Please provide a list of capital goods?

A6. Capital list was compiled via National Golf Foundation (NGF) assessment. See attached.

Q7. Is there an asbestos survey for each facility as well as below ground?

A7. No, there is no asbestos survey for either facility.

Q8. What are the fencing specifications? How many linear feet of fence is there? Are there any code restrictions?

A8. The City's administrative preference prohibits the use of chain link fencing facing a roadway. Fencing is approximately 1900 linear feet. There are no code restrictions as long as the proper permits are pulled.

Q9. With respect to the thirty (30) room lodge, please provide financials, would alternative uses be considered? What is the land/zone restrictions?

A9. Financials include in backup and alternative uses would have to go through the planning design process. Land/zone restrictions are government use and the hotel serves as an auxiliary use to the golf course.

Q10. How is the drainage during heavy rains?

A10. Very poor, east side of course drains worse than the western side.

Q11. Is the pond at Hollywood Beach fresh water?

A11. Yes.

Q12. What is the age of the buildings at both facilities?

A12. Hollywood Beach Golf and Country Club (HBGCC) actual year built is 1962. Eco Grande Golf Course (EGGC) actual year built is 1975.

Q13. Is there a forty (40) year certification? Roof certification?

A13. There is no forty (40) year certification. There is no roof certification.

Q14. Could the city provide a copy of the current agreement and also advise how the thirty-five thousand dollar (\$35,000) capital investment is used?

A14. The \$35,000 is used to complete approved capital improvements. The \$35,000 capital improvement funding is stated in the attached Hollywood Beach Golf and Country Club Agreement.

Q15. What is the total number of rooms at the lodge? How many rooms are operational?

A15. There are thirty (30) rooms at the lodge with currently twenty-seven (27) rooms being operational.

Q16. How many rooms have been remodeled?

A16. Six (6) rooms have been remodeled.

Q17. What is the membership count?

A17. Membership is approximately one hundred five (105).

Q18. Are there any mandates for an ADA cart?

A18. No.

Q19. Is there a list of city owned equipment?

A19. No

Q20. Are there any code violations at either facility? Specifically, with reference to the maintenance shed and securing the gas and diesel tanks.

A20. There are no current code violations.

Q21. What is the number of rounds at each facility?

A21. Year	Eco	Hollywood Beach
2008	43,064	39,000
2009	41,810	37,150
2010	40,593	35,300
2011	39,410	33,690
2012	38,263	32,085

Q22. Is the hotel sub-contracted? What is the hotel revenue?

A22. No the hotel is not sub-contracted. See attached financials for revenue.

Q23. Please provide a list of equipment that belongs to the current vendor.

A23. Pro shop – Point of sale system, computers, copier, all sales products (shoes, shorts, golf balls, hats, etc.), product hanging racks and display system, tables, desks and pictures.

Maintenance area and cart barn – All equipment, tools and carts.

Restaurant/kitchen – Televisions, dishes, utensils, stove (1), refrigerator (1).

Q24. What is the expected timeframe for capital improvements?

A24. Ideally, the capital improvements being completed within the first three years of the agreement would be beneficial to both the City and vendor. Ultimately, the expected timeframe for capital investments would be determined as part of the negotiation process.

Q25. Are any of the buildings considered historic property?

A25. No.

Q26. Who does the point of sale equipment belong to? Who owns the pro-shop equipment and fixtures?

A26. Current vendor owns both point of sale equipment and pro shop equipment.

Q27. Please provide a green fees breakdown both in season and out of season for each course

A27. Hollywood Beach Golf and Country Club:

Summer 2014

Every Day	Before 3:00 p.m.	After 3:00 a.m.
Weekday	\$35	\$25
Weekend/Holiday	\$45	\$25

- Resident/military/law enforcement weekday \$29 /weekend \$40
- Tuesday & Thursday all day \$25

Effective November 1, 2014

Every Day	Before 11:00 a.m.	After 11:00 a.m.	After 2:00 p.m.
Regular	\$50	\$40	\$25
Golf Hollywood!	Call Golf Shop	Call Golf Shop	Call Golf Shop

Effective December 20, 2014

Every Day	Before 11:00 a.m.	After 11:00 a.m.	After 2:00 p.m.
Regular	\$60	\$49	\$25
Member Guest	\$45	\$45	\$25

Eco Grande Country Club:

Summer 2014

Every Day	All day	
Weekday/Weekend	\$15.50 green fee	\$6.00 cart fee

- Monday & Friday \$16 (18 holes with cart)

Effective December 2014 thru March 2015

Every Day	Before 11:00 a.m.	After 11:00 a.m.	After 2:00 p.m.
Regular	\$25	\$21	\$16

Member Guest	\$45	\$45	\$25
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Q28. Does membership dues include bag storage?

A28. Yes

Q29. How many bags are there in storage?

A29. HBGCC – 159

Q30. What is the maximum number of carts at each facility?

A30. HBGCC – 80 EGGC - 20

Q31. What type of grass is at each facility?

A31. Greens: HBGCC – mutated/various EGGC – tif drawf

Fairways at both courses - 419 and common.

Q32. What is the age of the irrigation system?

A32. HBGCC – 1980 and EGGC – 1975; (dates are approximate)

All other specifications, terms & conditions remain the same.

MAILED RFP'S

If you have already submitted your printed Request for Qualifications, it will be retained in the City Clerk's Office until the Proposal opening time and date. If you wish to pick up your RFP that has already been submitted, you can do so by showing proper identification, in the Office of the City Clerk, 2600 Hollywood Blvd, Room 221, Hollywood, Florida 33020.

Please sign and return with your RFP.

COMPANY NAME: _____

PROPOSER'S SIGNATURE _____

Dated this 30th day of December 2014

February 5, 2013

David Vazquez
Assistant Parks & Athletics Manager
City of Hollywood
1405 S 28th Ave
Hollywood, FL 33020-5611

RE: Golf Needs Assessment for Hollywood Beach Golf Resort and Eco Golf Club

Dear David:

The following letter and report comprise a summary of the National Golf Foundation's ("NGF") review of the City of Hollywood's ("City") golf program, specifically related to the Hollywood Beach Golf Resort ("Hollywood Beach GC") and Eco Golf Club ("Eco Golf"). The review is based on NGF market research, visits to the properties, and meetings with City officials in late 2012, as well as data collected from previous engagements with the City dating back to 2009. The review included a strategic look at the City's overall municipal golf offering, with specific review of the leases in place for the operation of Hollywood Beach GC and Eco Golf. NGF has considered the present physical condition of each golf facility, the market environment in which they operate, alternatives for continued operation, and concluding with NGF recommendations for maximizing the economic potential of municipal golf within the City.

This report is organized with a brief summary of findings and recommendations, followed by more detail of specific findings and recommendations made in January 2013. Taken together with the original NGF reports on Orangebrook from 2009 and 2010, the documents will combine for a thorough and comprehensive look at the full City of Hollywood golf program and facilities.

OVERALL SUMMARY

The points listed below represent a brief summary of NGF findings on Hollywood Beach Golf Resort in January 2013. Full detail and elaboration of these items can be found in the attached full report from 2013. Key findings include:

- The Hollywood Beach GC has the basic design features and location to be a successful public (or resort) golf course. However, as it sits today (January 2013), the course does have several mitigating factors that prevent it from achieving its maximum economic potential, including:
 - Aging infrastructure, especially related to the condition of turf and greens.
 - Short-term lease structure that is limiting the opportunity to make large-scale improvements to greens, irrigation and cart paths.
 - Declining golf market regionally and nationally due to increased competition, aging population, and changing demographics.

- The Hollywood Beach Golf Resort asset is deteriorating and will need substantial investment in the coming two years to bring the facility to its highest level of condition and functionality. In this report, I have recommended and detailed \$1.28 million in improvements to the property, mostly related to the golf course playing area (greens, irrigation, cart paths, etc.).
- Eco Golf is providing a low-fee, short golf course combination that is very popular with the senior population in Hollywood. However, it is expected that the City will be forced to close Eco Golf given the need to expand the adjacent water treatment plant. When closed, the elimination of the low-fee short course will leave a large opening in the overall City golf offering that should be replaced elsewhere if possible.
- The leases in place at Eco Golf and Hollywood Beach GC appear to be favorable for the City in that they are providing guaranteed income to the City (\$225,000 in 2011 and \$180,000 in 2012) at a time when many other municipal golf courses are operating at a loss (Orangebrook GC will post a loss when all chargebacks and depreciation are considered). However, the leases in place are short-term (2-year renewals), provide for only small annual improvements, and do not provide for making large-scale capital investment in the properties.
- The City should understand that the external golf market is not favorable for strong economic performance of the Hollywood Beach Golf Resort. The local market is changing and competition has increased. Still, it is a reasonable goal for Hollywood Beach GC to become operationally self-sufficient (revenue sufficient to cover day-to-day operating expense), but not cover or amortize capital upgrades / improvements.
- Hollywood Beach GC has experienced declining rounds activity comparable to the market. The total top-line revenue of under \$1.9 million represents a decline from levels earned five years ago. The City has not collected on any "bonus" lease income in the last several years scheduled for payment to the City if the facility exceeds \$2.4 million in revenue. Eco Golf has been achieving a relatively steady level of rounds in recent years, although rounds have declined in 2011 and 2012. The total revenue of under \$425,000 equates to a total of under \$10 per round in income from all sources.
- There is no "easy answer" for the Hollywood Beach GC in operational structure or alterations to the lease model currently in place. The City could:
 - **Self-Operate** the facilities directly, but have to add golf management expertise to the City staff, take on a cost of labor, and absorb high capital costs to fund needed improvements.
 - Create a **concession** agreement with private vendors for golf management, pro shop, food/beverage, and/or maintenance, resulting in multiple agreements and diverging private interests.
 - Hire a **management company** to run Hollywood Beach Golf Resort for a guaranteed fee paid to the management firm of between \$100,000 and \$150,000. The private company would then have to improve revenue and/or reduce expense by that amount just to retain the present position.
 - **Continue to Lease** the property outright to a private firm in exchange for a fixed annual lease payment, ceding full control of the operation to a third party. This option only makes sense if the private third party is willing to fund most, if not all, of the required capital program that is needed at Hollywood Beach GC.

RECOMMENDED COURSE OF ACTION

The NGF recommendation to the City of Hollywood for Hollywood Beach Golf Resort and Eco Golf is three-fold: (1) continue to lease the Hollywood Beach GC, with adjustments in terms; (2) invest in improvements to the Hollywood Beach GC; and (3) reduce the overall number of golf holes offered by the City from 63 to 45 by altering the configuration of the Orangebrook facility to 27 holes – one regulation 18-hole course and one low-fee 9-hole short course.

Basic Oversight and Structure

The NGF team is recommending that the City of Hollywood continue to operate the Hollywood Beach Golf Resort through a lease agreement with a private entity. Our recommendation can be divided into two options for the City, largely driven by the City's tolerance for capital investment into the Hollywood Beach Golf Resort:

- **Option A** –NGF recommends the type and details of the lease agreement be modified to include the following lease terms:
 - Be a 10-year agreement.
 - Include a base management fee of \$100,000, plus an incentive of at least 10% of total net revenue over \$2.4 million (inflation-adjusted each year).
 - The Lessee will be responsible for all capital expenditures.
- **Option B** – The City can issue an RFP for the operation and maintenance of the Hollywood Beach GC with the expectation of entering into an agreement with a qualified vendor to provide full operation and maintenance of the resort facility (golf course and resort) in exchange for a management fee paid to the vendor. It is not expected that the agreement would call for large-scale capital investment into the Hollywood Beach GC, and any such investment would be borne mostly (if not entirely) by the City of Hollywood.

Eco Golf Recommendation

The NGF team is recommending that the City of Hollywood continue to operate Eco Golf through short-term lease agreements, up until the time the facility is closed as expected to facilitate water treatment plant expansion. Given the expected near-term closure of the facility, no large-scale capital investment in the property is recommended. However, as documented by NGF, there is demand in the Hollywood golf market for a short golf course with low fees like those offered at Eco Golf. Given this, the City should seek to include this type of product in its overall municipal golf offering, most likely in some form at the City's Orangebrook facility.

Master Plan of Improvements

In addition to the basic recommendations described above, the City should also work with a team that includes a golf architect to complete a formal master plan of improvements. This would include issues related to Hollywood Beach upgrades, Orangebrook modifications, and Eco Golf replacement.

The Hollywood Beach GC is a good quality resort golf facility that is an appropriate fit with the City of Hollywood, as both offer rich history and prestige. NGF Consulting recognizes the fiscal challenges faced by the City in the Hollywood Beach GC operation and reminds the City staff that these **challenges are common in the golf facility industry in 2013 and not at all unique to Hollywood Beach GC**. As the City moves forward in creating a new plan for Hollywood Beach GC, clearly defining the purposes and goals of the facility is an important component.

David, I very much appreciate your confidence in the National Golf Foundation and its consulting services, and I have enjoyed the opportunity to be a part of your planning for the Hollywood Beach Golf Resort and Eco Golf. I am hopeful that the information and recommendations I have provided will assist you and other City officials in your upcoming decisions on the City's golf properties. I am happy to talk to you or any other City staff or Council member to discuss our consulting report, or other matters related to golf facility operations or market/industry trends. I look forward to your questions and I hope you enjoy reading our consulting report.

Sincerely,



Richard B. Singer
Director of Consulting Services

rsinger@ngf.org
561.354.1642



Tel: (954) 921-3404
E-mail: DVazquez@hollywoodfl.org

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Sincerely,



Richard B. Singer
Director of Consulting Services

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561.354.1642

**Review of Golf Operation
and Golf Needs Assessment
For
Hollywood Beach & Eco Golf Courses
Hollywood, FL**

Prepared For:

City of Hollywood
1405 S 28th Ave
Hollywood, FL 33020-5611

Prepared By:



1150 South U.S. Highway One, Suite 401
Jupiter, FL 33477
(561) 744-6006

February 2013

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Introduction

With the goal of assisting the City of Hollywood ("City") to prepare for an upcoming expiration of golf facility management contracts in place at two of its golf courses – Hollywood Beach and Eco Golf Courses – National Golf Foundation Consulting, Inc. ("NGF") was retained to provide a review of the City's municipal golf program. NGF Consulting has previously been engaged to provide the City of Hollywood with a review of Operations at Orangebrook in 2010.

The City wished to evaluate the operational condition and market environment of two City golf facilities, Hollywood Beach and Eco, each of which is presently operated via contract with a third party, with both contracts nearing their end. The City is seeking to complete an evaluation of its golf system and market / economic potential, to best plan for the upcoming change in contract status. Although the focus of the NGF review is on Hollywood Beach and Eco GCs, the City's complete golf system (including Orangebrook GC) will be evaluated in the context of the overall market and in helping to define the appropriate size of the municipal golf system.

Field activities conducted for this project included:

1. Met with City officials to review the scope of work, gather details on the City's municipal golf operations, and arranged specific dates for deliverables. This process was repeated throughout the project to discuss any necessary refinements, additions, or deletions to the scope of work.
2. Collected from the City copies of any available relevant operating data and documents pertaining to the City's current golf operation, especially the Hollywood Beach GC and Eco GC operations. Data on historical rounds, revenues, expenses, contract terms and fees were useful in preparing this analysis.
3. Visited and inspected each City of Hollywood golf facility, with special focus on Hollywood Beach GC and Eco GC.
4. Met with the City's golf management vendors and key operating and management staff at Hollywood golf facilities to review operations and facilities.
5. Visited all potentially competitive golf facilities in the market area, and provided operating data and market placement information on each.
6. Obtained information regarding changes (new openings/closings/change of status) to golf facilities within the determined market area that may impact City golf operations.
7. Collected demographic and economic data on the local market.

Subject Facilities – Hollywood Beach and Eco Golf Courses

The subject property is Hollywood Beach Golf Resort, an 18-hole golf and 30-room resort facility located within the central business district of the City of Hollywood, Florida. The facility is fully owned by the City of Hollywood and operated via lease agreement with Sothern Golf Appraisals. Hollywood Beach GC is operated as an affordable, high-quality public-access golf course that serves year-round and seasonal residents of Hollywood, as well as a large number of tourists and visitors to the area. This property, along with the 9-hole Eco Golf Club, forms the core of the City's golf program in the eastern portion of the City of Hollywood. All of the property used by Hollywood Beach Golf Resort is deeded for use as a golf course in perpetuity, and change in use of the site can be accomplished only through referendum. The City also operates the lower-fee, 36-hole Orangebrook Golf Course on property just west of Interstate-95 in Hollywood.

SITE OVERVIEW

Hollywood Beach

The Hollywood Beach Golf Resort is located east of U.S. Highway One in a densely populated section of the City, approximately 1.3 miles from the Atlantic Ocean. Access to the site is generally convenient and provided via Johnson Street, a secondary east-west corridor through East Hollywood. The property is approximately 2.5 miles from the nearest interchange with I-95 at Hollywood Blvd. In all, Hollywood Beach GC is proximate to and convenient from much of the greater Hollywood region.

The property has a basic rectangular configuration that is approximately 4/10 of a mile square, or a total of 101 acres. The site is fixed within its boundaries and any expansion or significant renovation/alteration of the property will be impossible. The site is bounded by a property fence on all sides to provide separation from surrounding elements, which are almost entirely residential. The 30-room resort, golf clubhouse, restaurant, and parking are located in the center of the property, towards the north and proximate to the Johnson Street entrance. The property has a total of about 100 parking spaces for both the resort and golf course. This amount appears sufficient for most days of activity, but busier weekends in season and/or during large golf events, the total can be less than is needed.

Eco Golf

The 9-hole Eco Golf Club is also located in eastern Hollywood, approximately 2/3 of a mile from Hollywood Beach GC. The property is accessed via Taft Street near the intersection with 14th Av. All elements to the west of the site form a core of dense residential properties in east Hollywood. Taft St. is also a secondary east-west corridor through East Hollywood, and connection to I-95 is from Hollywood Blvd. one mile south or Sheridan St. ½ mile to the north.

Eco Golf has a unique configuration with a total of about 45 acres in six separate and connected parcels all surrounding the Hollywood Wastewater Treatment Plant. It is expected that the wastewater treatment plant will have to be expanded in the near future and thus Eco Golf will be forced to close, likely within the next three to five years.



Google Earth image showing the Hollywood Beach GC and its immediate surrounding elements. The tight configuration shows the limits on options for expansion or renovation. The immediate proximity of local residences requires that Hollywood Beach GC have some form of barrier for separation, either fencing or some natural barrier.



Google Earth image showing the Eco Golf site and how unlikely it would be for the golf course to remain if any expansion of the wastewater treatment plant is undertaken.

INVENTORY OF FACILITIES – HOLLYWOOD BEACH

The Hollywood Beach Golf Resort includes the following elements:

- 18-hole golf course on 101-acres.
- 6,500 square foot (sf) golf clubhouse/pro shop
- 6,800 sf restaurant and locker room facility
- 30-room resort hotel
- Swimming pool
- “Snack shop” kiosk

The above mix of elements offers a varied mix for a City golf course, allowing for appeal to all segments of golfers from beginners to seasoned players. The 18-hole championship golf course dates back to the 1920s and has undergone only one major renovation in 1955 (Mark Mahannah). The present operators have added upwards of \$2.0 million in upgrades since 1996, mostly in the form of projects totaling at or near \$50,000 every year.

Golf Course – Hollywood Beach

The NGF consultant has identified the following key elements for consideration on the primary 18-hole golf course at Hollywood Beach GC:

- Hollywood Beach GC is one of the City of Hollywood's oldest existing recreational and athletic facilities, dating back to 1925. The course was designed by renowned golf architect Donald Ross, providing the facility for strong appeal for golfers seeking the “classic” golf designs of that era.
- The course has golf design features and conditions that are typically associated with high quality golf, capable of commanding at or above median market rates. The course has attractive and challenging features that make it desirable for golfers.
- The golf course is relatively flat with some tree-lined holes and a few water hazards that come into play on nine of the golf holes. The smaller property size has led to a generally shorter golf course and tight configuration of holes.
- The Hollywood Beach GC golf course plays 6,336 yards from its longest tee and to a par of 70, which is below the “standard” of 72. The course has a USGA slope rating of 124, which represents that the golf course is approximately 12% “harder” than the standard slope of 111. The generally shorter length does give this facility strong appeal in the large senior golfer market in Hollywood.
- The key defining feature of the Hollywood Beach GC golf course is the dense tree cover and tree-lined golf holes. While this adds to the aesthetics, it also contributes to the difficulty of the course for less-skilled golfers.
- Hollywood Beach GC has limited on-course facilities such as restrooms and drinking stations, other than portable restrooms that are in need of replacement.
- Although the layout and design of holes is a positive for the Hollywood Beach GC, the golf course is over 80 years old and the City should plan for upgrades that will be needed in the near future. Key upgrades that are likely to be required in the coming short term (within 3 to 5 years) include:

- **Master Plan** – Hollywood Beach GC would benefit from a summary master plan of improvements, completed with the assistance of a golf course architect, to provide order and sequence priority of needed upgrades for the coming years. The plan should include not just upgrades for Hollywood Beach GC, but also include issues related to Orangebrook modifications and Eco Golf replacement. **NGF Estimated cost = \$30,000 to \$60,000.**
- **Greens** – The Hollywood Beach GC greens are 80+ years old and have never truly been renovated. The club reported problems with conditions and drainage and some form of upgrade or replacement is likely to be required in the next few years. **NGF Estimated cost = \$350,000 to \$500,000.**
- **Irrigation** – The irrigation system in place dates back to the 1970s, or well beyond the expected useful life of approximately 30 years. The club reported problems with pressure and site coverage, which is common in older systems. Further, the outdated system is not fully efficient, leading to some wasting of water that could be improved with a more modern system. **NGF Estimated cost = \$400,000 to \$600,000.**
- **Cart paths** – Hollywood Beach GC does not have “wall-to-wall” cart paths. A full cart path system may allow for carts to return to the course with “cart path only” service to help maximize rounds. More study should be conducted to estimate the cost to complete (*NGF has observed other golf facilities spending a standard of \$20 per linear foot (lf) of asphalt cart path and ‘typical’ golf course will have 20,000 (+/-) lf for full “wall-to-wall” coverage of an 18-hole golf course*). **NGF estimates that new cart paths at Hollywood Beach GC will cost \$120,000 for the approximately 6,000 linear feet needed to complete full coverage.**

Clubhouse / Resort Review

The support structures at Hollywood Beach GC include three key separate pieces: the golf clubhouse/pro shop, restaurant area and the 30-room resort hotel. The structures all date back to the 1950s and are showing age. However, all elements appear to be fully functional with no urgent problems reported to NGF. As such, the NGF recommends that upgrades be completed to the golf course (greens and irrigation) in higher priority to the building structures. This finding could be altered if a full site renovation and hotel expansion were to be proposed (more later in this report). Key issues on each include:

- **Clubhouse / Pro Shop** – The space is generally small but functional. The location is ideal with proximity and visibility of the 1st, 9th, 10th, and 18th holes. Small size of the building provides for a ‘crammed-in’ feel, with a small inventory of merchandise being displayed.
- **Restaurant/Lockers** - The Rudy’s Pub & Restaurant provides a nice presentation with front portico and rear veranda overlooking the lake by the 17th tee. The restaurant has a separate bar area and space for larger gatherings such as weddings and banquets for up to 150 persons. The restrooms in the building are in need of upgrade.
- **Resort Hotel** – The resort includes 30 separate and spacious guest rooms, most with a private screened balcony overlooking the 17th fairway. The resort also includes a private pool, cable TV, and wireless internet.

INVENTORY OF FACILITIES – ECO GOLF

Eco Golf Club includes the following elements:

- 9-hole golf course on 45-acres:
- 4,000 square foot (sf) golf clubhouse/pro shop

Eco Golf offers a very appealing low-fee golf experience on nine short golf holes, but has not seen much in capital investment in the last 15 years. The operator has recently requested a rent credit for recent investments in the golf course, subject to approval by City Commission.

Golf Course – Eco Golf

The NGF consultant has identified the following key elements for consideration on the 9-hole Eco Golf Course:

- Eco Golf is a 9-hole golf course with a par of 32 (36 is “standard”). The course would be classified as “executive” by the golf industry.
- The course measures 2,163 yards from its longest tee and includes five par-3 holes, three par-4 holes and a single par-5 hole.
- The layout is generally open with limited tree cover inside the property, although the perimeters do have some dense tree cover. There is water in play on three of the nine holes and there are very few sand bunkers.
- The course has golf design features that make it appealing to mostly beginner and/or other less-skilled golfer segments, especially senior citizens. This golf course features a layout and conditions that are typically associated with a golf course expected to command fees that are lower than median market rates.
- The course was in generally acceptable condition, but it is expected that new investment will be required in the coming years, including improvement to greens, cart paths, and irrigation.
- Clubhouse – The small building at Eco Golf includes a very small pro shop and check-in area, plus a “10th Hole” restaurant and lounge that provide an array of menu items for breakfast and lunch.

REVIEW OF GOLF OPERATIONS

The City of Hollywood Golf Operations is part of the Department of Parks, Recreation & Cultural Arts, with the department Director reporting directly to the City Manager. The Department has assigned a full-time Assistant Director to be responsible for Golf Operations, among other responsibilities. Within Golf Operations, there are two separate sub-categories, one for direct operation and oversight of the Orangebrook GC and a second to administer lease contracts at Hollywood Beach GC and Eco Golf.

Hollywood Beach and Eco Golf Lease Contracts

The Hollywood Beach Golf Course and Eco Golf are operated via contract between the City of Hollywood and the private entity Southern Golf Appraisals (“Southern Golf”). Key aspects of the agreements between the City and Southern Golf include:

- Southern Golf has been in place since the 1990s, entering into a series of renewable two to five year agreements. The agreements for Hollywood Beach and Eco Golf are synched and will expire together in 2013:
 - **Hollywood Beach** – Began in 1996, current agreement is a two-year deal beginning in June 1, 2011 through May 31, 2013.
 - **Eco Golf** – Began in 1991, current agreement is a two-year deal beginning in May 31, 2011 through May 31, 2013.
- The agreements are for all aspects of both properties, including:
 - **Hollywood Beach** – Includes the golf course, pro shop, restaurant and 30-room resort
 - **Eco Golf** – Includes the golf course, pro shop, and restaurant.
- The agreements would be classified as fully “turnkey” as the lessee is responsible for all operations directly, with no City staff in operations or maintenance of either facility. The lessee controls all revenues and expenses, subject to payments to the City. The lessee is responsible for all maintenance, utilities, license fees, and labor expenses.
- The City has authorized a sub-lease at Hollywood Beach GC for the operation of the Rudy’s Pub & Restaurant.
- Payments to the City for operation of Hollywood Beach and Eco Golf are structured as follows:
 - **Hollywood Beach** – Includes a fixed fee of \$150,000 to the City, plus 10% of all revenue over \$2.4 million each year. The Hollywood Beach Golf Resort has not achieved that level of revenue in 2011 or 2012, and is not expected to reach that level in 2013 (more on facility revenue later in this section).
 - **Eco Golf** – Includes a fixed fee of \$25,000 per year, plus 10% of all revenue over \$475,000 each year, or \$5,000 whichever is greater. The Hollywood City budget shows a total expected collection of \$30,000 from Eco Golf, or the minimum amount.
- The agreements call for capital improvements to be made by both lessee and the City, including:
 - **Hollywood Beach** – Southern Golf is required to spend \$35,000 per year for mutually agreed upon capital improvements. The City is committed to set aside up 25% of the annual base rent, not to exceed \$50,000, for capital improvements.
 - **Eco Golf** – Southern Golf is required to spend \$5,000 per year for mutually agreed upon capital improvements.

Oversight and Staffing

All staff at the facility are employed directly by Southern Golf, with a full-time General manager and additional on-site staff. Hollywood Beach GC has reported the on-site staff to NGF Consulting as shown below. The NGF estimates a comparative total of 12.5 full-time equivalent (FTE) positions in the Hollywood Beach GC staffing:

- **Pro Shop / Clubhouse Staff**
 - General manager
 - Director of Golf
 - Administration / Hotel manager
 - Marketing Manager
 - Rudy's Pub & Restaurant Principals (2 – Subcontract Status)
 - Additional part-time golf and operations staff (6-8 positions inside/outside)
 - Additional part-time Eco Golf staff (2 positions)
- **Golf Maintenance Staff (7.0 FTE)**
 - Golf Superintendent
 - Foreman
 - Mechanics (2)
 - Additional part-time maintenance staff (9 positions)
 - Additional part-time Eco Golf maintenance staff (2 positions)

The “standard” golf facility in the U.S. southern climates (12-month golf season) employed a total of 22 FTE personnel in 2012, with 12 in golf maintenance, 7 in pro shop/operations and another 3 for clubhouse/F & B. This level of staffing represents a reduction from 2009 figures as a result of declining income and the need to reduce expense. As a result, many golf operations around the country are operating with very lean staff and Hollywood Beach GC is no different. Based on the NGF review of the Hollywood Beach GC staffing, and in comparison to golf industry norms, it appears that Hollywood Beach GC is operating with a staff that is sufficient to sustain operations at a high level.

Marketing and Fees

Hollywood Beach GC is engaged in several initiatives that are designed to increase overall sales at the facility including a membership plan (Gold Membership Package), an aggressive marketing program and maintenance of the Club website. At present the facility did report that it is employing a dedicated marketing specialist responsible for growing the all facets of the business (golf, restaurant, banquets, and resort). It appears to NGF that activities related to marketing the facility are above the “standard” for municipal golf courses, reflecting the higher-than-standard quality of the facility and its operation. The key activities/programs underway at Hollywood Beach GC are summarized below:

- **Website** - There is no doubt that the Internet is the most cost-effective form of advertising outside of word-of-mouth. Hollywood Beach GC has an outstanding website (<http://www.Hollywoodbeachgolfresort.com>), and it is clear that the site is receiving appropriate attention and that the site is updated appropriately. NGF Consulting notes that the well-designed website is easily found when searching the Internet for “Hollywood Beach GC” or “golf Hollywood” or “Hollywood golf courses”, etc. The Hollywood Beach GC website also includes information on many of the most important elements of a golf course website including up-to-date fees, a map of the golf holes, pictures of the facility, directions for out-of-town golfers, and contact information. There is the ability to book tee times on-line through the EZLinks system.
- **Email** – NGF Consulting encourages an active email campaign. The email program should have two parts – one for locals and one for tourists. The local program would promote specials and could be used to help fill up the tee sheet at the last minute.

The tourist program would be used to help book future business. This can also help in cross marketing with hotels in the area for summer/fall golf packages.

- **Organized Events** – Organized events (commonly referred to in the industry as “Tournaments” or “outings”) are a great way to enhance overall business at a golf facility. These events encourage use by golfers who otherwise may not use a facility, and these events are typically accompanied by high ancillary spending, providing the ancillary amenities are adequate. As such, a high volume of organized events is desirable as long as the events are played at a fee rate comparable to, or in excess of the average play rate for no-events. Hollywood Beach GC presently lists a relatively small overall schedule of organized events due largely to the high in-season demand and lack of available space for such events.
- **Fee Structure and Membership Program** – Hollywood Beach GC utilizes a repeat player / discount program (called the Gold Membership Package) in lieu of a full, unlimited pre-paid green fee arrangement. This program is preferred in the industry as it leads to higher overall realized revenue per round for the golf course while still providing a discount for frequent users. A summary of Hollywood Beach GC and Eco GC fees are shown in the table that follow. More detail on revenue generation and competitive market fees appear later in this report.

Hollywood Beach GC Basic Fee Schedule – 2012-13				
All Fees incl. Cart	Before 11:00	After 11:00	2:00	After 2:30
Dec 15-April 15				
Regular	\$55.00	\$49.00	Beat	\$25.00
Florida Resident	\$50.00	\$46.00	the	\$25.00
Golf Hollywood Membership	\$40.00	\$39.00	Clock*	\$20.00
Nov 1 – Dec 14				
Regular	\$45.00	\$40.00	Beat the	\$25.00
Golf Hollywood Membership	\$35.00	\$35.00	Clock*	\$20.00
Summer (Off-Season)				
Regular	\$35.00	\$30.00	Beat the	\$20.00
Golf Hollywood Membership	\$30.00	\$26.00	Clock*	\$20.00
Golf Hollywood Membership				
In-Season 7-Month		\$215 (+ 6% sales tax) = \$227.90		
90-Day		\$175 (+ 6% sales tax) = \$185.50		
60 Day		\$140 (+ 6% sales tax) = \$148.40		
30-Day		\$100 (+ 6% sales tax) = \$106.00		
*Beat the clock discounts = 1:30 to 1:50 \$39; 2:10 \$34; 2:10-2:30 \$29				

Eco Golf Basic Fee Schedule – 2012-13		
	Nov 1 – Dec 14	Dec 15-April 15
Regular Rate	\$14.50	\$16.00
2 nd 9-Holes	\$8.00	\$9.00
Golf Hollywood		
Regular Rate	\$13.50	\$14.50
2 nd 9-Holes	\$5.00	\$8.00
Carts	\$5.00 or \$6.00 (Single Rider)	

Other Operational Issues

Other key issues related to the Hollywood Beach GC operation that was observed by NGF Consulting in this review:

- **Non-Golf Use of Property** – NGF was told there is an exercise trail on the perimeter of the Hollywood Beach GC property. As this use tends not to interfere directly with the play of golf, the trail should remain in place.
- **Perimeter Fencing** – Related to the above-noted adjacent trail, the NGF identifies a need to keep the golf course separated from its adjacent residences. As such, a good perimeter barrier should remain in force, although it could be adjusted from a chain-link fence to a more visually appealing natural barrier.
- **POS System** – Hollywood Beach GC is using the “EZ Links” point-of-sale (POS) system for the golf operation. This system is widely used in the golf industry and is adequate for this operation.
- **Southwest Corner Debris** – The NGF observed the club is using a small piece of open property at the southwest corner of the site for accumulated debris from golf maintenance. As this is unsightly and can be seen from surrounding residences, the practice should be discontinued.
- **Signage** – The signage (directional and informational) to the Hollywood Beach GC is poor and/or non-existent. Additional signage can help improve access for golfers from various points within the City of Hollywood.

FACILITY PERFORMANCE AND DATA ANALYSIS

From the perspective of the City of Hollywood, the operations of Hollywood Beach GC and Eco Golf are very simple, resulting in \$225,000 in lease income to the City in FY2011 and \$180,000 in 2012. The gross revenues earned at the two facilities are generated for the lessee in the form of golf fees, rentals, merchandise sales, concessions, and room night lodging. Direct expenses to operate the facility are borne by the lessee and divided into labor, supplies, and cost of goods sold. The following paragraphs summarize the activity and revenue inputs for the Hollywood Beach and Eco Golf facilities.

Rounds Activity

At the time of the NGF Consulting review, both golf courses had been experiencing a decline in golf rounds played from a recent peak in FY2008, which was preceded by a separate decline in the 1999-00 time period. It was reported to NGF Consulting that the maximum annual rounds total was just over 50,000 rounds for Hollywood Beach GC in the mid-1990s. In the last six years the club has been experiencing relatively stable rounds performance between 40,500 and 44,200 rounds in each year from 2006 through 2011, with a sharp decline to 38,200 in FY2012. Average rounds per 18-hole golf course in the total U.S. now stand at about 31,000 rounds per year, with 37,000 rounds per year for golf courses in the “Sunbelt” region of the U.S. (12-month golf market).

Hollywood Beach and Eco Golf Courses - Rounds 2006-2012							
	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
Hollywood Beach	40,552	43,619	44,225	43,221	41,335	40,581	38,226
Eco Golf	46,272	43,530	45,296	42,306	40,195	35,277	34,041

Rounds by Type – Hollywood Beach

A summary of golf rounds by category for FY2012 shows that the facility is dominated by public, unaffiliated play (58%), with strong support from Gold members (16%) and Golf Hollywood (10%). Of internet and other similar discount programs, the CANAM discount is the largest (8%), followed by the EZ Links program (3%). Employee and complimentary rounds total about 2.2% which is well below the 5% norm in municipal golf (favorable for the operation).

Hollywood Beach GC - Rounds by Type 2012	
Type	2011-12
Public	22,101*
Gold Members	6,091
Golf Hollywood	3,803
CANAM	3,016
EZ Links	1,167
Hotel Package	743
Employee	697
GolfNow Pre-paid	293
GolfPass	155
Complimentary	141
Employee Family	19
Total Rounds	38,226
*423 booked through GolfNow.	

Capacity Issues

A golf course's *theoretical capacity* can be determined mathematically by multiplying the number of available tee times (utilizing only the first tee as the starting hole) by the maximum number of players in a group, usually a foursome. This measure, while not realistic for any golf course, results in a total available inventory of golf rounds of 224 rounds per day and approximately 80,000 rounds per year in a 52-week golf season. A more realistic measure, a golf course's *actual capacity* takes into account the loss of tee times for weather, unplayable conditions, cancellations, no-shows, groups of less than four players, and other reasons a golf course would never actually play the *theoretical capacity* such as a desire to maintain course conditions and market realities. In estimating capacity, NGF Consulting has defined a "round" as one person teeing off in an authorized start, so 9-hole and 18-hole rounds are counted equally.

The *actual capacity* for a given course is difficult, if not impossible, to calculate because most courses differ in physical characteristics and management procedures. For example, a course that has paved cart paths and good drainage can quickly resume play after a heavy rain, whereas a course that does not have paved cart paths and / or has poor drainage may have to suspend play for several hours or the entire day. In the South Florida market golf facilities are operating with a year-round golf activity, but a strongly compacted high demand golf season in December through April, with more limited activity in the May through November summer season. Based on Hollywood Beach GC's course's type and size, fee structure, weather conditions, down time for maintenance, NGF Consulting has estimated an *actual capacity* of about 65,000 rounds per year. Eco Golf is a little more difficult to estimate, but NGF expects this facility is operating at levels much closer to its *actual capacity* of around 50,000 rounds per year.

Revenue Analysis – Hollywood Beach GC

NGF Consulting's review of performance shows that Hollywood Beach GC generated approximately \$1,895,000 in total revenue from all sources in 2011, or roughly \$46.70 per round of golf. These revenues are in line with expectations for public golf courses in this climate. Overall, the average public golf course in the United States produces approximately \$23.00 per round in golf revenue (green, cart, membership), \$2.50 per round in merchandise and \$6.00 per round in food and beverage.

Hollywood Beach Golf Course Total and Average Revenue FY2011		
Source	Total Revenue	Average Revenue
Golf Income (Memberships, green fees, carts)	\$1,400,000	\$34.50 per round
Resort Rooms	\$350,000	\$11,667 per room
Pro Shop	\$85,000	\$2.10 per round
Other	\$60,000	\$1.48 per round
Total	\$1,895,000	\$46.70 per round
Source: Southern Golf Appraisals. Resort room average revenue per room basis for the year.		

Expense Findings

Expenses to operate the facility were reported at \$500,000 in direct golf maintenance and an additional \$1.0 million in labor and other expenses for operating the golf course and hotel property. A full profit and loss statement containing all expenses was not made available to NGF for review, but the condition of the facilities suggests that expenses are likely in line with industry expectations, although some reduction has been reported as a result of declines in 2012.

Eco Golf Summary

NGF Consulting's review of performance shows that Eco Golf is generating a relatively low level of revenue, generally consistent with a small 9-hole executive course operation. Operators reported approximately \$425,000 in total revenue in 2011, or approximately \$12.00 per round in revenue from all sources. A full profit and loss statement containing all expenses was not made available to NGF for review, but the condition of the facilities suggests that expenses have been reduced considerably in recent years as rounds have declined from 43,000 in FY2007 to just over 34,000 in FY2012 (21% decline).

SUMMARY – HOLLYWOOD BEACH AND ECO GOLF COURSES

The two City of Hollywood golf courses located east of U.S. Highway One are very well located facilities within the densely populated areas of Hollywood. The courses are in close proximity to the central business district, the beaches and are generally convenient from Interstate-95. The facilities also form a nice mix of services for Hollywood, ranging from a low-fee 9-hole "short" course, all the way to a full 18-hole championship Donald Ross-designed golf course with adjacent 30-room resort hotel. Other findings from NGF Consulting's review of Hollywood Beach GC and Eco Golf:

- The Hollywood Beach GC offers a high quality mix of amenities that should be very marketable in the local Hollywood market. Both the golf course and resort hotel are charging fees well below other area hotels and championship golf courses.

- However, it is clear that the overall condition of the golf course, clubhouse, restaurant and resort hotel are declining due to age and some level of renovation / upgrade is likely to be required in the coming years. The NGF sees the golf course playing area, particularly the greens and irrigation system, as having the highest priority for replacement, expected to be needed within three to five years.
- Eco Golf is providing a mix of lower fee golf on a shorter-length golf course, a combination very popular with the senior population residing in proximity to the facility. However, it is expected that the City will not be able to keep Eco Golf open for much longer given the need to expand the adjacent water treatment plant. When closed, the elimination of the low-fee short course will leave a large opening in the overall City golf offering that should be replaced elsewhere if possible.
- The leases in place at Eco Golf and Hollywood Beach GC appear to be favorable for the City in that they are providing guaranteed income to the City (\$225,000 in 2011 and \$180,000 in 2012) at a time when many other municipal golf courses are operating with negative net income. This includes the City's other facility the 36-hole Orangebrook GC which posted a \$422,000 loss on operation in FY2011.
- However, the leases in place are designed as short-term, with renewals occurring every two years since the mid-1990s. While the leases do include some provisions for both the lessee and City to make small investments in capital to the properties each year, this short-term nature of the agreements will likely prevent any larger-scale investment in the properties to be completed as needed (especially Hollywood Beach GC).
- The green fees at Hollywood Beach GC are generally appropriate for the market and the overall quality of the golf course offering. Hollywood Beach GC is priced at the middle of the scale of area golf courses, with several golf courses priced lower and several priced higher than Hollywood Beach GC. Eco Golf is among the lowest priced golf courses in the entire Hollywood area market.
- Hollywood Beach GC is producing lower-than-average rounds activity, with declines in total rounds in the last two years that are comparable to the market overall (more in next section). The total top-line revenue of under \$1.9 million (from all sources including resort) represents a decline from levels earned five years ago. The City has not collected on any "bonus" lease income in the last several years scheduled for payment to the City if the facility exceeds \$2.4 million in revenue.
- Eco Golf has been achieving a relatively steady level of rounds in recent years, although rounds have declined in 2011 and 2012. The total revenue of under \$425,000 equates to a total of under \$10 per round in income from all sources.

External Factors Affecting the Operation of Public Golf Facilities

The NGF team completed a thorough analysis of the local Hollywood area golf market to review the supply/demand dynamic that is driving the competitive golf market. This included an analysis of the area's tourist/visitor and seasonal resident market. The summation to follow will identify the existing and projected supply and demand balance, helping to identify the most appropriate balance of golf facilities for the City of Hollywood. NGF also reviewed existing golf facilities in the market area to provide benchmarking data and metrics on key factors such as location, course type, relative quality, annual rounds played, fee levels, revenues and expenses (to the extent available).

BASIC DEMOGRAPHICS AND THE LOCAL ECONOMY

To outline market data for both Eco Golf Club and Hollywood Beach Golf Course, we chose a centerpoint between the two facilities, which are approximately a half mile apart. In the following table, NGF Consulting summarizes the population, median age, and median household income trends for the local market, plus Broward County, the state of Florida, and the total United States.

Demographic Analysis

Centerpoint*	5 mi	10 mi	15 mi	Broward County	Florida	U.S.
Summary Demographics						
Population 1990 Census	198,658	805,009	1,614,274	1,255,215	12,936,271	248,584,652
Population 2000 Census	232,517	916,995	1,898,313	1,622,997	15,982,261	281,399,034
CAGR 1990-2000	1.59%	1.31%	1.63%	2.60%	2.14%	1.25%
Population 2010 Census	247,363	985,779	2,053,904	1,767,365	19,173,769	308,745,538
CAGR 2000-2010	0.62%	0.73%	0.79%	0.86%	1.84%	0.93%
Population Projected 2012	251,300	985,779	2,053,904	1,767,365	19,173,769	314,893,068
Population 2017 Projected	260,006	1,030,617	2,153,589	1,809,933	20,001,454	328,560,041
CAGR 2010-2017	0.71%	0.64%	0.68%	0.34%	0.61%	0.89%
Median HH Income (2012 Estimate)	\$45,709	\$47,162	\$47,373	\$53,182	\$48,900	\$59,501
Median Age (2012 Estimate)	42.5	39.1	39.2	40.1	41.1	37.5
* Approximate center between Eco and Hollywood Beach GCs CAGR = Compound Annual Growth Rate						

From the data collected for this study, NGF Consulting has made the following observations regarding the demographics of Hollywood and surrounding areas:

- There are estimated to be more than 251,300 people living within five miles of the centerpoint between Eco and Hollywood Beach GCs in 2012, nearly 986,000 people within 10 miles, indicating dense urban / suburban neighborhoods. Broward County's population is now more than 1.8 million. Although population growth was above the national rate through the 1990s, growth appears more moderately in the coming

decade, indicating a level of stabilization in the south Florida marketplace. We note that the above figures are for permanent residents only and do not consider the large seasonal population in the Hollywood area each winter.

- The Median Household Income of the local markets is about 25% lower than the corresponding national figure of \$59,501. In general, higher income residents are more likely to participate in golf, and they play more frequently than lower income golfers. The above income estimates are derived from permanent resident population data, and thus do not consider transfer income that is often common with large retiree populations (i.e. those living off a 'nest-egg').
- The Median Ages in the subject markets are significantly higher than the national median of 37.5 years, an indication of south Florida's large retiree population. In general, golf participation rates and frequency of play increase with age (though both decline among the elderly), making relatively older markets more attractive to golf facility operators, all other factors being equal.
- The overall trade area has significant and growing (as percentage of overall population) African-American and Hispanic populations. Broward County overall reports about 26% residents of Hispanic origin, while Palm Beach County is just below 20%. Research studies have revealed that the golf participation rates among African-Americans and Hispanics aged 18 and older are about 3.9% and 7.7%, respectively, compared to the overall U.S. golf participation rate of 9.6%. Therefore, NGF believes it is important that the City cultivate player development programs aimed at stimulating latent golf demand among these communities in order to sustain and maximize utilization of the golf course in the future.

Key Economic Factors

It is unclear what effects the troubled regional and national economies will have on activity levels at public courses. On one hand, decreased discretionary income and the plunging values of many stock portfolios, retirement accounts, and homes will almost certainly cut down on recreational / leisure spending. The restaurant industry in south Florida has certainly experienced this phenomenon, and interviews with area golf operators have borne out that this is beginning to happen to them, as golfers are shifting to less expensive rounds, and tournament and banquet business is off at many clubs. On the other hand, deep declines in asset values may result in many golfers giving up expensive memberships at private golf clubs in favor of playing at high quality public courses.

Some observations related to the local area economy at the end of 2012:

- Greater Fort Lauderdale/Hollywood's diverse economy includes major sectors such as marine commerce, tourism, software technology, international trade, and financial services.
- For many decades, the visitor industry has been the largest segment of Broward's economy, with an estimated 10.7 million visitors generating upwards of 100,000 annual and 35,000 seasonal jobs.
- It is estimated that the average age of overnight domestic leisure visitors – a segment that is a prime target market for the Hollywood Beach Golf Resort – was 50 years old, and these visitors had an average household income of \$85,000. This demographic profile is strongly correlated with high golf participation rates.

- Centrally located Fort Lauderdale-Hollywood International Airport (FLL) is the fastest-growing passenger hub in the nation, and had a passenger volume of over 23 million in 2011. Less than a mile from the airport terminal is Port Everglades, one of the county's strongest economic engines. More than 4,000 ships a year call at Port Everglades, which has a thriving cruise industry, a growing containerized cargo business, major petroleum storage and distribution facilities, and South Florida's primary bulk cargo depot.
- The following table summarizes some of the major impacts of the tourism industry on Greater Ft. Lauderdale/Hollywood.

Greater Fort Lauderdale/Hollywood Tourism Fast Facts, 2012	
Total visitors	10.7 million
Total visitor expenditures	\$8.87 billion
Tourism tax revenues	\$42,000,000
Hotels / motels	560
Hotel / motel rental units	34,000
Total meetings and conventions	580
Total group room nights	880,000
Total air passenger arrivals / departures Ft. Lauderdale / Hollywood International Airport	23,350,000
Source: Greater Fort Lauderdale Convention & Visitors Bureau	

- Marine commerce is the leading industry in Greater Fort Lauderdale and Broward County, accounting for more than 109,000 jobs and \$10.78 billion in total economic impact. The City of Ft. Lauderdale annually hosts the Ft. Lauderdale International Boat Show, which attracts an estimated 125,000 visitors to the area.

GOLF MARKET SUPPLY AND DEMAND INDICATORS

NGF made several key observations regarding the local Hollywood area golf market, including national trends, local demand/supply, and area golf facility competition. These are summarized in the section that follows.

National Trends in Golf

Participation

Golf participation in the U.S. has grown from 3.5% of the population in the early 1960s to about 9% of the population today. NGF estimates that the number of golfers fell in 2011 to 25.7 million, essentially even with 2010. For research purposes, a golfer is defined as a person age 6 or above who plays at least one round of golf in a given year.

All U.S. Golfers (in millions)						
	1985	1990	1995	2000	2005	2011
All golfers age 6+	19.5	27.4	24.7	28.8	30.0	25.7
Source: National Golf Foundation						

The number of golfers remained essentially steady in 2011 at 25.7 million. (Compared to the 26.1 million recorded in 2010, the estimated drop of 400,000 golfers is within the range of research sampling error.) For research purposes, a golfer is defined as a person age 6 or above who played at least one round of golf in a given year. The South Atlantic Region, which includes Florida, statistics are shown below:

Regional Profile				
	Participation Rate	Number of Golfers	Percent of Golfers	Total Annual Rounds
South Atlantic Region	8.2%	4,560,000	17.8%	103,700,000
United States	9.0%	25,682,000	100.0%	463,000,000
Source: <i>Golf Participation in the U.S.</i> , 2012 edition, National Golf Foundation				

Considering the severity of the recession and its effects on both discretionary income and time, golf has held up rather well. Multiple NGF studies of golfers since 2008 would attribute the gradual decline in golfers and rounds primarily to the impact of lower job security and concern over personal finances, not waning appeal for the game.

Over the past 50 years, golf demand grew at about 4% per year while facility supply grew at about 2% per year. However, since 1990, the situation has reversed – demand has grown at only 0.5% per year while facility supply has grown at 1.4% per year. With the increase in supply, we are seeing a marked increase in competition, and the supply is greater than the demand in some markets.

In addition to increased competition, other factors have contributed to a decline in the number of rounds per course nationally from 2002 to 2011. In the NGF's most recent survey of core golfers conducted in September 2011, we found that fearful financial outlooks, weak consumer confidence, and negative golfer attitudes have also played a role. The combination of these has caused many golf facilities to become distressed, particularly those that have a high debt load because of higher construction costs and the perceived need to build high-end courses.

The number of golf course closings quadrupled from an annual average of 24 courses per year in the 1993-2001 time period to more than 100 courses in 2005. In 2006, there was negative net growth in golf facilities for the first time in six decades, with 146 18-hole equivalents closing and 119.5 opening. In 2007, there were 113 openings and 121.5 closures, and in 2008, 72 golf course openings and 106 closures. In 2009, 49.5 openings minus 139.5 closures equated to a net loss of 90 18-hole equivalents. Closures continue to be disproportionately public, stand-alone 9-hole facilities or short courses (executive or par-3 length) with a value price point. Net growth in supply has been negative now for four consecutive years, with the largest drop of 90 courses in 2009. However, U.S. openings averaged 200+ (net) for 20 years, and total 18-hole equivalent supply is up 5% since 2000, indicating a slow market correction is underway. As of December 2011, NGF reported 2011 net growth of negative 138.5 (openings minus closings).

On the positive side, the growth in golf course development has slowed considerably nationally and in the majority of local markets, a trend that should help ease some of the competitive pressure. Another positive trend is the aging of America. Baby Boomers are rapidly approaching retirement age when golf activity flourishes. The baby boomers represent not only the largest single demographic in the US, but they also approach retirement age with more disposable income than any previous generation.

Golf Course Development – U.S. golf course openings remain at historic lows and that should continue for the foreseeable future. No surprise there, considering the supply and demand imbalance that exists. Golf course closures will be about the same as last year as well. The gradual market correction is expected to continue with net reduction of supply helping us inch gradually closer to equilibrium.

Golf course transaction activity has increased in 2012 as distressed properties are being purchased by opportunistic entrepreneurs, many of whom continue to operate the golf courses, rather than re-develop them. The lack of available credit, low commercial space occupancy rates, and large volumes of available residential inventory make “higher and better use” opportunities pretty rare.

Rounds Update – The big story of 2012 in the golf business is the year over year increase in rounds played. In fact, if fourth quarter rounds are flat with the same period in 2011, we would end the year with the largest single-year jump since the turn of the century; a national gain of more than 30 million rounds.

Rounds in the country are up 7.4% through September, and nearly every state experienced a gain versus 2011. The remaining fourth quarter accounts for only 16% of the annual rounds, so barring any major change in the pattern, the year-end gain will be just above 6%. Since rounds have declined approximately 11% during the past 10 years, 2012 alone will recover approximately half of that dip.

The geographic engine for the improvement has been a huge swath of the northern half of the country where average year-over-year growth averaged 12%. The area from the Dakotas to Vermont (technically, the North Central, North East Central and Mid-Atlantic regions) has driven up the national numbers... mainly because 44% of all U.S. golf courses and 47% of America’s public golf courses are located there. Weather in these regions has been particularly favorable compared to last year.

Local Golf Demand

The **Golfing Household Index** is based on Predicted Number of Golfing Households, and compares golfing household participation in a particular geography to the national base index of 100. The **Rounds Index** is based on Predicted Number of Rounds, and compares the propensity of rounds played per household in a particular geography to the national average rounds index of 100.

The golf demand indices for Broward County overall and the local Hollywood Beach/Eco Golf sub-market GC indicate golf participation rates that slightly lower than the total U.S. average among permanent residents. However, because of the year-round golf market, influx of tourists and seasonal residents, and high number of golf courses, predicted rounds played per household are between 15% and 34% higher than the U.S. benchmark in these markets.

SITE: Hollywood Beach / Eco Golf Midpoint	5 mi	10 mi	15 mi	Broward County	Florida	U.S.
Golf Demand Indicators						
# of Golfing Households (HH)	15,450	52,531	108,290	106,505	1,246,397	18,334,168
Projected Golfing HH (2018)	16,191	52,531	54,900	0	113,216	18,902,232
Number of Rounds Played	530,988	1,624,494	3,227,647	3,120,624	42,532,596	424,452,832
Golfing Household Index	90	88	89	98	105	100
Rounds Played Index	134	117	115	124	155	100

Golf Supply Factors

There are eight total golf facilities totaling 162 holes, within five miles of Hollywood Beach/Eco Golf. Of these facilities, all but Turnberry Isle are public access. The 10-mile market is home to 17 facilities (13 public), totaling 351 holes (216 public). The ratio analysis that follows puts these numbers in context, compared to national benchmarks.

SITE: Hollywood Beach / Eco Golf Midpoint Golf Supply Summary	5 mi	10 mi	15 mi	Broward County	Florida	U.S.
Total Golf Facilities	8	17	38	48	1,049	15,647
Public Golf Facilities	7	13	27	34	653	11,644
Private Golf Facilities	1	4	11	14	396	4,003
Total Golf Holes	162	351	828	1,017	21,546	264,627
Public Golf Holes	126	216	585	729	12,735	191,916
Private Golf Holes	36	135	243	288	8,811	72,711

Household/Supply Ratios and Indices

The Household/Supply Ratios are derived by dividing the number of households by the number of 18-hole equivalent golf courses. This measure is used as a benchmark to establish the level of support (households) that is available for each 18 holes of golf in the market. A Household /Supply index is derived from these ratios and compared with the base national figure of 100.

As the table below indicates, the subject markets have a much higher proportion of households per total 18-hole golf course than the national average, an indication that the golf course supply in this part of South Florida is generally favorable to golf operators, compared to the nation as a whole. These ratios are mitigated somewhat by the large influx of tourists and seasonal residents during the winter season. In terms of the public golf market, the local trade area has 42% more homes per 18-hole golf course than the nation overall.

SITE: Hollywood Beach / Eco Golf Midpoint	5 mi	10 mi	15 mi	Broward County	Florida	U.S.
Household/Golf Supply Indicators						
Households per 18 Holes: Total	12,407	20,055	17,271	12,525	6,475	8,149
Households per 18 Holes: Public	15,952	32,589	24,445	17,474	10,955	11,237
Households per 18 Holes: Private	55,834	52,143	58,849	44,230	15,834	29,658
Households Supply Index: Total	152	246	212	154	79	100
Households Supply Index: Public	142	290	218	156	97	100
Households Supply Index: Private	188	176	198	149	53	100

Recent Construction Activity

The rate of new golf course construction in this part of South Florida was among the highest in the nation between 1990 and 1999, but has slowed considerably in 2000-2008 and has now seen contraction in 2008-2012. The NGF estimates that 162 total holes of golf were closed in Broward County in the last 10 years (mostly in the last 3 years), the equivalent of nine 18-hole golf courses. This is consistent with an overall trend in the industry that is seeing contraction of golf courses in all areas of the country since 2008.

SITE: Hollywood Beach / Eco Golf Midpoint	5 mi	10 mi	15 mi	Broward County	Florida	U.S.
Golf Course Construction Activity 2002-2012						
Total holes added past 10 years	0	-63	-225	-162	-387	-2,241
Public holes added past 10 years	0	-63	-153	-54	-369	2,772
Private holes added past 10 years	0	0	-72	-108	-18	-5,013
Percent Total Holes Added	-22.20%	-7.70%	-9.80%	-15.90%	-1.80%	-0.80%
Percent Public Holes Added	-28.60%	-12.50%	-4.60%	-7.40%	-2.90%	1.40%
Percent Private Holes Added	0.00%	0.00%	-22.20%	-37.50%	-0.20%	-6.90%

Facilities in Planning or Under Construction

The NGF has not recorded any new golf courses in planning or under construction in the Hollywood market area, although there are several renovation projects throughout Broward County that are planned, underway or recently completed. This includes the City of Pompano Beach's municipal golf facility that just recently (December 2012) re-opened after extensive renovation (more in next section).

Golf Course Market Supply / Demand Summary

Using the most basic measures of golf demand and supply, the Hollywood / Broward County golf markets would appear to be stable, with a generally low per capita supply of golf courses when compared to the national benchmark. Further, these measures are enhanced somewhat by the large seasonal resident and tourist populations that contribute significant golf demand during the winter and early spring.

Though the predictive demand model and supply ratio analysis is very useful in evaluating the relative strength of golf markets, it cannot stand on its own in determining the status or health of a golf market. Rather, these analyses must be considered in the context of what is actually happening "on the ground" in the market, in terms of price point and activity level trends at existing golf courses.

LOCAL COMPETITIVE GOLF MARKET

NGF Consulting has analyzed the public access golf market in Hollywood, FL, with particular emphasis on segmenting the public golf market by price point. This is done to best identify the various price segments in the public golf market and to best identify possible niches where Hollywood Beach and Eco Golf can operate. The primary goals of the analysis are to determine the current market position of each subject facility (especially Hollywood Beach), and prospects for sustaining and/or building market share in the future.

On the following pages, we list summary operating information for the public access golf facilities located in the Hollywood / southern Broward County / northern Dade County market area that have been identified as the key competitors for City of Hollywood golf courses at various price points. The facilities listed were chosen based on interviews with City golf staff and other market golf operators, as well as factors such as facility type, quality, location, and price points. The market has been segmented into NGF defined categories based on green fee pricing as reported to NGF: 'Value;' 'Standard;' and 'Premium.' At the end of this section, we provide our significant findings regarding the competitive market.

The following facilities (designated 'Value') represent the lowest fee public golf courses in the Hollywood, Florida market. Following the map presented below, NGF provides some basic summary information of fees charged and rounds played at these facilities.

This is a detailed map of the Fort Lauderdale area in Florida. The map shows a network of roads, including major highways like I-76, I-95, and US-1. Key cities and towns labeled include Sunrise, Plantation, Davie, Hollywood, Pompano Beach, and Sunny Isles. Several golf courses are highlighted with boxes, including the Sunrise Golf Club, Fort Lauderdale Golf Course, and Sunny Isles Golf Course. The map also shows the Atlantic Ocean to the east and the Florida Everglades to the west. The map is oriented with North at the top.

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Value Facilities – Fee and Rounds Played Information

The table below shows summary rounds played and green fee information for the value courses in the Hollywood market. Following the table the NGF provides a brief summary of this market and its potential impact on the subject Eco Golf Course.

Value Facilities								
Golf Facility	Type	2009 Rounds Played	9-Hole Summer Green Fee	18-Hole Summer Green Fee	9-Hole Winter Green Fee	18-Hole Winter Green Fee	Cart Fee (per person)	Single Annual Permit Cost
Greynolds Park GC	MU-9	54,000	\$10.25	\$16.00	\$13	\$19.35	\$6.75 ¹	\$875 ²
Eco GC	MU-9-E	44,000	\$16.50	\$24.50	\$18.50	\$28.50	\$5.00 ¹	\$215 ³
Sunset Golf Club	DF-9	N/A	N/A	\$18.00	\$20.50	\$31.00	N/A	DNA
Lauderhill GC	MU-9-E	N/A	N/A	\$16.00	\$14.50	\$21.50	\$6.00 ¹	DNA
Colony West (Glades)	DF-18-E	52,000	\$12.50	\$19.00	\$15.00	\$25.00	\$12.00	N/A
Cooper Colony CC	DF-18-E	34,000	\$16.00	\$19.00	\$16.00	\$26.50	\$10	N/A
Springtree GC	MU-18-E	36,000	\$9.00	\$18.00 ⁴	\$12.50	\$21.00 ⁴	⁴	⁴
KEY ¹ Cart fee is per 9 holes. ² Fee shown is for an unlimited pass. Weekday-only pass is also available for \$625. ³ Also offers a 30-, 60-, 90-day pass for \$100 to \$170. ⁴ 18-hole green fees include cart. No annual pass is offered but a discount membership program is available.				MU=Municipal; DF=Daily Fee. P=Par-3, E=Executive-length *NGF Consulting estimate N/A – Information not available DNA – Does not apply				

Significant Findings – Value Golf Facilities

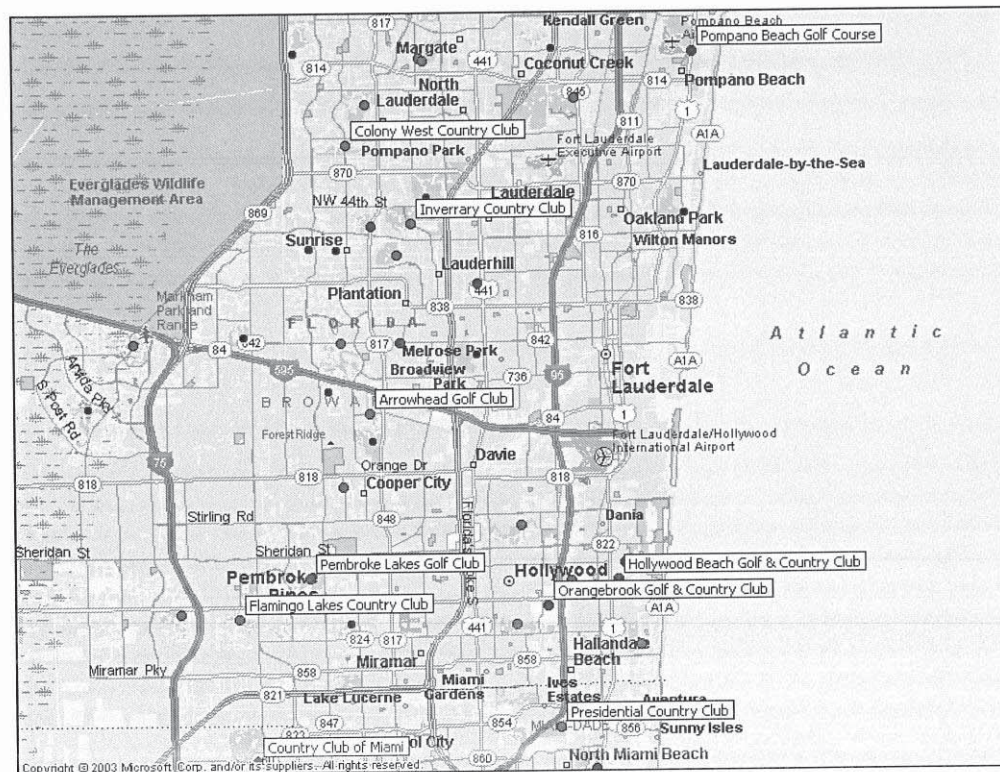
NGF Consulting has made the following observations regarding operating parameters of the area's lowest fee golf courses. These observations have been included in this analysis to provide background to the City of Hollywood in consideration of possible changes to the City's mix of golf facilities, such as the closure of Eco Golf and/or renovation of Orangebrook that may include some form of shorter-length, par-3 or executive 9-hole course. NGF observations on the lowest fee golf courses include:

- Lowest priced facilities in this market are all either 9-hole, executive or par-3 golf courses or a combination of both. None of the 'Value' facilities identified in this market are operating with regulation 18-hole golf courses.
- These lower fee facilities generally serve a completely different clientele and thus do not compete directly with the regulation 18-hole golf courses in this market.
- Most of the rounds played at these facilities are walking rounds and cart rental is much less frequent.
- The basic expectations for a 9-hole executive or par-3 course would be similar to the City's experience with Eco Golf Course, or roughly 40,000 to 45,000 rounds with green fees under \$20 for most times and some green fees as low as \$10 to \$12 for certain discounts.

Hollywood Area 'Standard' Golf Facilities – Summary Information

The following facilities (designated 'Standard') represent the middle fee public golf courses in the Hollywood, Florida market. Following the map presented below, NGF provides some basic summary information of fees charged and rounds played at these facilities.

Hollywood Area Standard Golf Facilities Map



Standard Facilities – Fee and Rounds Played Information

The following table shows summary rounds played and green fee information for the Standard courses in the Hollywood market. This level of facility offers some competition to the Hollywood Beach Golf Resort, particularly in the off-season, but mostly is competitive with the City's other property the Orangebrook Golf Course.

Standard Facilities										
Golf Course	Type	WD/WE 18-Hole Peak Season Resident Green Fee	WD/WE 18-Hole Peak Season Non/Res Green Fee	WD/WE 18-Hole Peak Season Resident Twilight Green Fee	WD/WE 18-Hole Peak Season Non/Res Twilight Green Fee	WD/WE 18-Hole Off Season Resident Green Fee	WD/WE 18-Hole Off Season Non/Res Green Fee	Cart Fee (per Rider)	Annual Single Pass Fee	2012 Rounds Played
Orangebrook GC	MU-36	\$41	\$46	\$36 ¹	\$39 ¹	\$14.50	\$14.50	1	3	80,445
Hollywood Beach G&CC ³	MU-18	\$50	\$55	\$46 ²	\$49 ²	\$25/\$35	\$25/\$35	3	\$900	40,000
CC of Miami ⁴	MU-36	\$45/\$58	\$45/\$58	\$29	\$29	\$33/\$41	\$33/\$41	4		58,000
Pembroke Lakes GC ³	MU-18	\$52/\$65	\$60/\$75	\$35 ³	\$40 ³	\$35/\$52	\$42/\$57	3	\$1,800	38,000
Flamingo Lakes GC	DF-18	\$34/\$35	\$40/\$45	\$25/\$30*	\$25/\$30*	\$23/\$29	\$23/\$29	\$14	\$1,425	44,000*
Presidential CC ⁵	DF-18	\$62/\$69	\$62/\$69	\$30	\$30	\$22/\$25	\$22/\$25	CC ⁵	N/A	42,000
Colony West CC	DF-36 ⁶	\$36/\$42 ⁶	\$50/\$60	\$30	\$40 ⁶	\$30/\$40 ⁶	\$40/\$50	6	DNA	43,000
Inverrary CC ⁵	DF-36	\$52/\$62 ⁷	\$52/\$62 ⁷	N/A				5	\$2,500	70,000
Davie Golf and Country Club (formerly Arrowhead GC) ⁵	DF-18	\$27/\$32	\$34/\$39	\$14/\$19 ⁸	\$14/\$19 ⁸	\$26/\$34	\$26/\$34	\$10	N/A	36,000*
Pompano Beach GC ⁵	MU-36	\$45 ⁹	\$45 ⁹	\$40 ⁹	\$40 ⁹	\$30	\$30	5	\$800	95,000
<div><div><div>KEY</div><div>1 12-2:30 twilight. Another discount after 2:30. Carts included in all green fees.</div><div>2 11-2:30 twilight. Another discount after 2:30. Carts included in all green fees.</div><div>3 Second twilight starts at 3:00. Carts included in all green fees.</div><div>4 Carts included in all green fees.</div><div>5 All green fees include cart.</div><div>6 Colony West includes 18-h exec. Championship course. Resident rates are 'MVP' rates. Second twilight begins at 2:30. All green fees include cart.</div><div>7 Rack rates for weekday/weekend mornings. Inverrary uses a dynamic, up-to-the-minute tee time inventory system with variable pricing.</div><div>8 Twilight rate starts at 2:00. Midday rate also available 12:00-2:00 for \$24/\$29 on weekday/weekend.</div><div>9 Rates and single membership reflect Palms Course. Palms and Pines course single membership \$1,400, and rates for Pines are \$10-\$20 across the board. First twilight 12:30-2:00 (rates shown). Another \$5 discount after 2:00.</div></div><div>MU = Municipal; DF = Daily Fee. *NGF Consulting estimate N/A – Information not available DNA – Does not apply</div></div>										

Significant Findings – Standard Golf Facilities

The Standard golf courses in this market are directly competitive with Orangebrook Golf Course, with similar basic operation and fee structures, and offer some direct competition to Hollywood Beach GC whose green fees fall within the “Standard” category. Several of these facilities are also owned by local municipalities. Below are NGF Consulting’s findings regarding the Standard competitive public access golf market for in the Hollywood market area.

- The primary market area is generally characterized by older golf courses. Several of the golf courses in the Premium segment (profiled next) were previously in the Standard segment and moved to Premium after renovation and/or upgrades. Plantation Preserve, opened in 2006 on the old Plantation Golf Course site, and the City of Pompano Beach has upgraded one of its two 18-hole golf courses (Pines Course) with a Greg Norman design expected to move the facility into the premium segment (more later in this section).
- Because the fight for market share is so intense, operators have become more creative and flexible in competing for rounds. One example of this is the large variety of membership programs currently available, including three-month, seasonal and international memberships (Can – Am - aimed at drawing Canadian players).
- Loyalty programs and player cards, including municipal versions such as Golf Hollywood and Palm Beach County’s Frequent Player Card, are common in this market. There are several variations of these programs, but essentially they are a way to build loyalty and boost play during off peak demand times in competitive markets, by rewarding golfers for frequent play. Typically, the price is ±\$200 (Golf Hollywood is \$215), and members are entitled to green fee discounts of 25% to 35% off of posted rates, as well as pro shop discounts, etc.
- Green fees in this market reflect not only the wide diversity in quality among public access golf courses, but also the strong seasonality factor driven by the South Florida climate (as well as the winter climate in the north), which results in a swelling population between November and April. Most clubs have at least three seasonal rates – a “summer” rate structure that applies from May through some time in November; a “shoulder” rate that applies until after the holidays, and the peak rate that applies through April.
- The vast majority of green fees in this market are cart inclusive; it seems that Orangebrook is in a minority in allowing walking at all times and quoting green fees without cart included.
- Other forms of discounting are prevalent in this market, including use of coupons in the local newspaper (e.g., Monday Sun Sentinel) and/or trade magazines and participation in programs such as the Premier Golf Membership. Additionally, many operators practice aggressive yield management, particularly during off peak periods, via e-mail marketing and use of on-line golf wholesale sites such as lastminutegolfer.com, teetimesusa.com, and golfnow.com. Finally, most of the municipal facilities offer resident discounts, and several daily fee operators offer south Florida resident discounts.
- Because fee discounting has taken myriad forms, a decreasing percentage of rounds are actually being sold at rack rates. Golfers have been trained to seek out bargains, resulting in flat or even declining average green fee revenue per round at many

facilities. Additionally, it has become increasingly difficult to build loyalty to one's facility, as golfers "wallet share" is spread among many facilities.

- Most market operators reported to NGF Consulting a continued decrease in rounds played over the last few years and through 2012, with some daily fee operators reporting declines of as much as 25% to 30% since 2008. The average drop in activity levels among municipal golf operations in the area has not been as steep, and play seems to have stabilized over the last couple of years.
- Activity levels in this market are highly seasonal, due to the swelling population in the winter months. Winter and early spring are periods of heavy activity, while play during the hot summer months falls off considerably. It is not uncommon for clubs in this market to realize 75% or more of total annual play in November through April.
- Most operators reported that a good portion of their peak season rounds are played by seasonal residents (especially Canadians) and tourists, while the vast majority of play between May and October comes from permanent residents. There are a couple of programs aimed specifically at drawing Canadian golfers, including Can-Am Golf, which arranges for discounted green fees for Canadian citizens at many Miami-Dade and Broward golf courses (More below). A new program by the owner of the Premier Card - the Canadian Golf Pass – is free, and includes 25 facilities.
- Pompano Beach is the most active facility in the regional market, with 110,000+ rounds annually on 36 holes. Members at Pompano Beach reportedly account for more than 50% of total rounds played. Boca Raton Municipal GC is the most active 18-hole course with 65,000 to 70,000 rounds each year.
- The City of Hollywood's Orangebrook is the only facility with green fee surcharges (\$4 per round capital in-season, \$2 out; \$0.50 Junior Golf surcharge).

Can-Am Golf

For many years, a large and growing segment of the Broward County golf market has come from north of the border: Quebec and Ontario, Canada. A more attractive currency exchange and the presence of dozens of courses have increasingly made Broward, Palm Beach and Martin counties a favorite destination for the Canadian golfer. As a result, the market has created "Can-Am Golf," a Pompano Beach-based marketing program that markets golf rounds and outings to thousands of clients, the vast majority of whom live in Canada or the Northeast. The program has been around since 1989, but now claims to have tripled business in the last 10 years, and doubled membership in the last four.

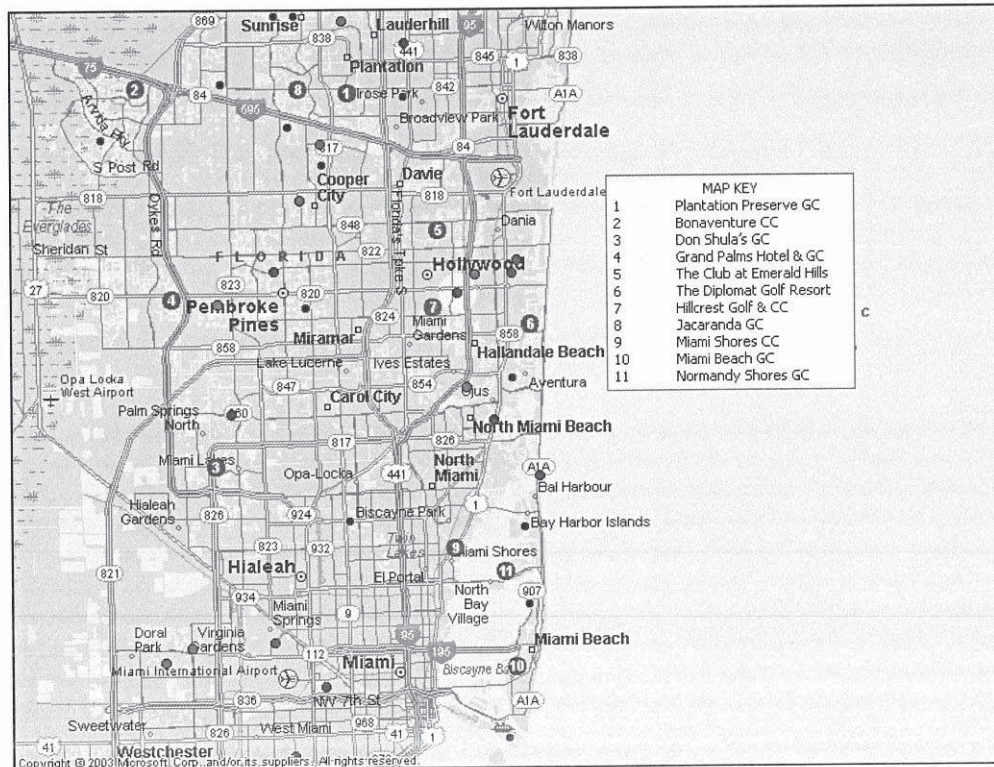
In addition to its primary market in Broward County, Can-Am reports sending golfers to 33 courses in Palm Beach County and six more in Martin and St. Lucie Counties, indicating the program is growing its appeal to other areas further north in South Florida. In Boca Raton, several courses report that rounds from Can-Am have increased by more than 100% in 2012 over 2011.

The Can-Am program affords members price discounts on rounds of golf, typically around \$5 on a \$60 green fee rate.

Hollywood Area 'Premium' Golf Facilities – Summary Information

The following facilities (designated 'Premium') represent the highest fee public access golf courses in the Hollywood, Florida market. Following the map presented below, NGF provides some basic summary information of fees charged and rounds played at these facilities.

Hollywood Area Premium Golf Facilities Map



Premium Facilities – Fee and Rounds Played Information

The following table shows summary rounds played and green fee information for the Premium courses in the Hollywood market. While these facilities do not appear to be directly competitive with City of Hollywood facilities in terms of price, key Southern Golf Appraisals staff believes that several courses on this list do compete with Hollywood Beach GC due to the location, quality, and general "bargain" pricing at Hollywood Beach.

Premium Facilities									
Golf Course	Type	WD/WE 18-Hole Winter Resident Green Fee	WD/WE 18-Hole Peak Season Non/Res Green Fee	WD/WE 18-Hole Winter Resident Twilight Green Fee	WD/WE 18-Hole Winter Non/Res Twilight Green Fee	WD/WE 18-Hole Summer Resident Green Fee	WD/WE 18-Hole Summer Non/Res Green Fee	Annual Single Pass Fee	2012 Rounds Played
		All Green fees include cart. No walking allowed at any of these facilities.							
Plantation Preserve GC	MU-18	\$68/\$78 ¹	\$105/\$115 ¹	\$65/\$75 ¹	\$79/\$89 ¹	\$39/\$49	\$50/\$60 ¹	\$2,600 ¹	42,000
Bonaventure CC	DF-36	\$70	\$115	\$50	\$50	\$45	\$75	\$1,995 ²	58,000
Don Shula's GC	DF-18	\$55/\$67	\$90/\$125	\$50/\$55	\$80/\$80	\$65/\$90	\$65/\$90	\$2,500 ³	35,500
Grand Palms Hotel & GC	DF-27	\$65/\$75	\$65/\$75	\$30	\$30	\$50/\$60	\$50/\$60	N/A	50,000
Club @ Emerald Hills	DF-18	\$110/\$125	\$110/\$125	\$65/\$75	\$65/\$75	\$50/\$60	\$50/\$60	\$4,500	39,000
Diplomat Golf Res. & Spa	DF-18	\$179/\$189	\$189/\$199	\$89 ⁴	\$89 ⁴	\$109/\$119	\$119/\$129	N/A	40,000
Hillcrest CC	DF-18	\$64/\$69 ⁵	\$69/\$74 ⁵	\$49/\$54 ⁵	\$54/\$59 ⁵	\$35/\$45 ⁵	\$40/\$55 ⁵	N/A	44,000
Jacaranda GC	DF-36	\$99/\$129	\$99/\$129	\$84 ⁶	\$84 ⁶	\$74/\$84	\$74/\$84	\$3,500 ⁶	65,000
Miami Shores CC	DF-18	\$99	\$99	N/A	N/A	\$75	\$75	\$2,500	35,000
Miami Beach GC	MU-18	\$200	\$200	N/A	N/A	\$100	\$100	\$3,500	33,000
Normandy Shores GC	MU-18	\$120	\$120	N/A	N/A	\$75	\$75	\$2,000 ⁷	N/A
KEY		<p>1 Non-resident rate shown if for FL residents. Out-of-state non-res. rate is \$10 higher. First twilight starts at 1:00. Another discount after 3:00. Member rate is for Plantation residents (non-res = \$3,100).</p> <p>2 Rates shown are for East course and include cart. West course is about \$30-\$50 less across the board. Resident rate is for "South Florida residents." Twilight is after 3:00. Annual pass is platinum membership.</p> <p>3 Annual fee is for individual Miami Lakes residents. Other individual memberships \$3,167. First twilight starts at 11:00 (rates shown). After 2:00 twilight rate is \$40 for residents and non-residents alike.</p> <p>4 Resident rate for resort guests. Non-resident includes outside guests. Twilight rate shown is for after 2:00 and applies to resort guests. Another \$30 discount after 4:30.</p> <p>5 Resident rate is for "South Florida residents." First weekday twilight 1:00-2:00. First weekend twilight 12:00-2:00. Another discount after 2:00 on all days.</p> <p>6 There is a \$600 initiation fee for membership. Also a season-only membership for \$2700. Twilight rate shown if for after 1:00. Rate drops to \$64.99 after 3:00.</p> <p>7 Annual rate is for residents – non-resident single membership is \$3000.</p>							<p>MU = Municipal; DF = Daily Fee.</p> <p>*NGF Consulting estimate</p> <p>N/A – Information not available</p> <p>DNA – Does not apply</p>

Significant Findings – Premium Golf Facilities

Summary findings from the highest fee golf courses:

- Of the 11 Premium courses profiled, three (Miami Beach, Normandy Shores and Plantation Preserve) are municipal golf courses that have been upgraded from the Standard category in recent years. Grand Palms is the only 27-hole facility profiled (across all segments) with three equal 9-hole courses. The configuration allows for better accommodation of tournaments and outings than a standard 18-hole course.
- Plantation Preserve, the successful rebirth of the former Plantation Golf Course, is showing signs of success for the City of Plantation. Before the large depreciation charge and transfers to a capital fund, the facility reportedly generated approximately \$1.0 million in net operating earnings in FY 2008-09.
- Tournament play is an important supplement to daily fee and member play at many clubs in this market. The facilities most active in tournament business are the 36-hole operations like Bonaventure and Jacaranda, as well as the 27-hole Grand Palms. Having more than 18 holes makes it easier to facilitate large events, even on weekends.
- Several area Premium golf courses have active marketing programs at area hotels and/or resorts. Palm-Aire, Deer Creek, Plantation Preserve, and Pembroke Lakes are among the clubs that market through rack brochures and concierge programs. The latter generally involves paying a commission to concierges of \$10 to \$15 per round. The most successful programs can result in about 300 to 400 rounds per month during the winter high season.
- The majority of these Premium public facilities offer an unlimited play annual and/or seasonal membership. These programs boost rounds played, provide a reliable cash flow, and can build loyalty, but also generally have the effect of driving down the average daily rate (golf revenue per round), as golfers that purchase them typically play very frequently. In highly competitive markets, memberships are often necessary to stimulate play during off-peak periods but, all factors being equal, it is generally desirable for a club to maximize daily fee play.
- Overall, rounds activity at the highest fee Premium golf courses rarely exceed much beyond 40,000 rounds per 18 holes, inclusive of members and all discounts. This would suggest that there is very limited demand for the highest fee public golf service and various forms of discounting (memberships, twilight, off-season) are required to maintain activity levels.
- While peak season morning green fees are high, there is value to be found in the winter months if golfers are willing to play in the afternoon; peak season twilight rates are discounted by 50% or more off of prime morning rates at some clubs. The most typical pricing scenario in south Florida is for the peak morning rate to apply until roughly noon, a middle rate until about mid-afternoon (which differs by season), and then a twilight rate for the balance of the afternoon and early evening.

Case Study – Pompano Beach Municipal Golf

The City of Pompano Beach operates a single golf facility (Pompano Beach Golf Course) with two 18-hole golf courses – the Palms and the Pines. Both golf courses were designed by Bruce Devlin and Robert von Hagge and opened in 1954. The Palms Course is about 6,335 yards with a slope rating of 123 from the back tees. The former Pines Course yardage was 6,948 with a slope rating of 129.

Pompano Beach GC is operated as an enterprise operation and overseen by the City's Department of Parks and Recreation. The golf facility hosts 90,000 to 95,000 total rounds annually, down significantly 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).

There are several private entities responsible for different elements of on-site operations, including the Director of Golf, who is an independent contractor, the food & beverage operator (Galuppi's Restaurant), and a private golf course maintenance company. The City collects 100% of golf revenues (green, cart, and range fees). A long-term (30 years) lease agreement is in place for food and beverage operations with the City collecting a percentage of gross sales.

Key observations with respect to Pompano Beach GC performance from FY 2005 to FY 2011:

- Total rounds declined by 19.8% between 2006 and 2011, with much of the decline occurring between 2009 and 2011 when the facility dropped more than 15,500 rounds, a fall of 14.4%.
- Member rounds have declined by nearly 20,000 since 2005 (when facility reportedly had 900+ members), or 41%. The biggest drop in member rounds occurred between 2005 and 2007, when member play declined from more than 41% of total play to 30.5%. During the same time period, daily fee plus tournament rounds increased by nearly 12,000 rounds, or 17%.
- In 2011, member play as a percentage of total remains at about 30% of total rounds.
- Average member revenue (membership fee plus member cart revenue) per round has fallen modestly from just over \$23 in 2008 to \$21.77 in 2011.
- Average daily fee + cart revenue per round was \$23.90 in 2011, down marginally from the 2008 through 2010 period.
- Total green + cart revenue (includes all green, cart, and membership revenues) per round has been steady over the 2006 through 2011 period, ranging from \$23.26 in 2011 to \$24.40 in 2007. The steadiness in this key metric is indicative of the general flatness in fees and the high elasticity of demand in the South Florida golf market during that time period.

2012 Redesign and Renovation

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 rewarded to Greg Norman Golf Course Design Company.

The project commenced in early April 2012 with a total price tag of about \$3.9 million, including \$600,000 for the Norman design fee, to be funded out of the designated Capital Improvement Fund (CIP). The Pompano Beach GC, which will be Norman's first municipal golf project in the U.S., was reintroduced to market in December 2012 as a Greg Norman Signature golf course. The green fees for the new course are shown below:

Pompano Beach Municipal Golf Course Rates 2013 January 1 – April 14, 2013		
Daily Fee	Palms Course	Pines Course
Before 12:30		
9-Holes w/Cart	\$40.00	
18-Holes Walking	\$34.00	
18-Holes w/Cart	\$45.00	\$65.00
12:30 – 2:00 PM		
9-Holes w/Cart	\$35.00	
18-Holes Walking	\$29.00	
18-Holes w/Cart	\$40.00	\$55.00
After 2:00 PM		
9-Holes w/Cart	\$30.00	
18-Holes Walking	\$24.00	
18-Holes w/Cart	\$35.00	\$45.00
Membership		
Single	\$800	\$1,400*
Couple	\$1,100	\$1,800*
Member ½ Cart Fee (18-Holes)	\$20.00	\$20.00
Source: City of Pompano Beach *Pines Course membership also includes Palms Course.		

Preliminary indications in the first few months after re-opening are that the public is reacting positively to the redesign and the fee structure. A key reported by the City of Pompano Beach is retaining the lower fee option for green fees and memberships on the Palms Course for the more price-sensitive locals, while at the same time providing a higher quality option for the occasional round and for tourist golfers. Pompano Beach is still accepting the various discounts and coupons noted above (Can-Am, Premier Card, etc.).

Competitive Golf Market Summary

- Hollywood Beach GC appears to have a good overall market position with fee levels placing it in the “Standard” category of public golf and design and location elements more closely associated with “premium” public golf courses.
- Conditions observed by NGF in late 2012 would suggest that Flamingo Lakes, Davie (formerly Arrowhead), Hillcrest and Pembroke Lakes are the most significant direct competitors to Hollywood Beach GC.
- Area private clubs are becoming more open to public play, especially in the off-season. Hollywood Beach GC operators reported more direct competition from clubs like Emerald Hills and Ft. Lauderdale Country Club in 2012 than ever before.
- The local area golf market appears to be in a state of real change in the last few years. Several golf courses have closed in the Broward County market, while several others have been renovated and /or improved (Pompano Beach, Davie, Plantation). In all, the changes are a result of a tougher business environment for golf courses resulting from recessionary pressures and changing demographics.
- The NGF expects that Hollywood Beach would be able to generate activity in the 36,000 to 44,000 rounds per year range, with highest green fees (with cart) in the \$55 to \$60 range and summer green fees (with cart) in the \$30 to \$45 range. It is also assumed that all rounds would be cart rounds, except for a few off-season walking rounds allowed.
- Despite all the changes to the area golf market, demand for the Eco Golf product remains strong, with the low fees and short golf course remaining a popular combination in this senior-oriented community.

EXTERNAL FACTORS SUMMARY AND CITY OF HOLLYWOOD GOLF SYSTEM NEEDS ASSESSMENT

Below are NGF Consulting's findings and observations regarding the local Hollywood, FL area golf market.

- Basic data collected by NGF suggests that while the Hollywood / Broward County golf markets would appear to be stable, the local population is demonstrating a much reduced level of golf demand, although the estimate is enhanced somewhat by the large seasonal resident and tourist populations that contribute significant golf demand during the winter and early spring.
- The local Hollywood area has many attributes that tend to be favorable for strong golf demand, including a large permanent population base, generally stable service-oriented economy and a large tourist base. The negative attributes include stagnant recent economy, an aging population and other changing demographics among the younger age segments of the local population that are not traditionally active in golf.
- The City should understand that the external golf market is not favorable for strong economic performance of the Hollywood Beach GC. The local market is crowded with golf courses, the national golf market is stagnant (or in decline), and the expense to operate golf facilities is increasing rapidly (faster than the rate of inflation).
- The local market area offers a wide variety of golf facility types and offerings. The pricing is also varied offering the golf consumer a wide range of choices for price, quality and facility type.
- The market is highly seasonal, with limited time in which premium fees can be charged. In the peak winter season, local public access golf courses like the Diplomat and Jacaranda can charge upwards of \$125+ for a single round of golf on a premium facility, while mid-level, "Standard" facilities like Hollywood Beach GC can command fees in the \$55 to \$65 range. However, during the 8-month summer off-season playing fees for golf are much lower and many area restricted (private) clubs can open up for public play, further complicating the market golf supply dynamic.
- Anecdotal evidence suggests that, both regionally and nationally, golfers are playing fewer rounds, as well as shifting their play to less expensive rounds, such as twilight. Additionally, large outing/tournament and banquet business is off at many golf facilities in this market and nationwide.
- As is the case in most markets nationally, local golf operators reported a drop-off in rounds played between the year 2000 and about 2005/2006. Some markets nationally experienced declines on a per-facility basis of 25% to 30% or more. In addition, a second period of decline was experienced in 2010 to 2012. The decrease in per-course activity levels, both regionally and nationally, has been attributed to several factors, including emerging socio-economic trends and a general oversupply of public golf courses fighting for market share at a time when golf demand is flat.

City of Hollywood System Needs Assessment

Considering the review of the City's golf facilities and the supply / demand balance in the Hollywood area, the NGF team has prepared a formal "needs assessment" to help the City identify the most appropriate level and mix of golf facilities to operate within the City municipal golf system. Our review shows a difficult overall market environment for public golf and challenges for golf facilities. As such, it is the opinion of the NGF that the City of Hollywood would be best served by the inclusion in its municipal golf system of a total of 45 golf holes and a driving range, divided as follows:

- One 18-hole "Premium" facility – and improved and upgraded Hollywood Beach GC;
- One 18-hole "Standard" facility at Orangebrook GC
- One 9-hole "short" course operating in the "Value" segment – Eco Golf to be relocated after closure to the Orangebrook GC site.
- One extensive driving range facility at Orangebrook GC

This mix should provide the appropriate level of golf service to the Hollywood community, while at the same time providing a reasonable economic return to the City. While this mix may not be fully sufficient during the short peak winter season, the reduction from 63 holes to 45 holes will help to relieve some of the excess capacity in both the City's system and the area golf market overall during the long 8-month off-season. The overall result would be a healthier municipal golf system with increased funding available for needed infrastructure and improvements.

The NGF acknowledges that the creation of the above-noted 45-hole system will require some capital investment to achieve, including:

- \$1.28 million in upgrades to Hollywood Beach GC
- \$1.0 to \$2.0 million to modify Orangebrook GC and relocate Eco Golf
- \$150,000 in upgrades to the Orangebrook driving range

Review of Management Options

Below are descriptions of the most typical management options for golf courses, as well as advantages and disadvantages of each. In our experience, there is no ideal operating scenario that fits all situations, and each golf course owner must arrive at its own unique approach to operation and maintenance. The most common management options (these are not intended to be exhaustive, as there are hybrids and variations thereof) follow, presented in order from most direct City involvement to the least:

1. **Self Operation:** City of Hollywood operates the golf facilities under direct control of the City, retaining all employees.
2. **Concession Agreements:** Similar to a lease agreements and can come in several types or combinations. The key areas of operation include Pro Shop, Food and Beverage and/or Maintenance and involve the City contracting for one, some, or all of these services. One subset of this concept includes multiple concessions, a system in which the City creates multiple contract agreements for separate entities for each facet of the golf operation
3. **Full-Service Management Contract:** City hires a management company to operate all aspects of the golf facility ("Orangebrook model").
4. **Operating Lease(s):** City of Hollywood leases the golf facilities to a private operator in exchange for an annual lease payment ("status quo" at Hollywood Beach and Eco Golf). Leases are typically established to include a minimum lessee requirement, including capital investment in facility improvements. Maintenance standards and compliance policies should be included, as well as requirements for green fees and resident uses could be included.

Management contracts, operating leases, and concession agreements are the most commonly used terms to describe a contract between a golf course owner and a private operator. A general discussion of the common operating structures, along with key advantages and disadvantages of each, is presented below.

SELF-OPERATION BY THE CITY

Self-operation gives the City the greatest control over golf operations, including personnel, course maintenance, policies, fee schedules, and budgets. All revenues are available to pay for operating the facility, while the City must fund needed capital improvements and cover any losses on operations. It is common in the current golf economy that golf operations can suffer from a lack of resources due to low revenues, often leading to budget cuts and deteriorating facility quality, resulting in a loss of customers and a further loss of revenues.

Advantages of Self-Operation

- Simplest option
- Direct City control of the assets
- All workers are City employees
- Full participation in upside revenue potential.
- Allows the option to convert program to another structure at later date.

Disadvantages of Self-Operation

- This option requires the highest City administrative support for the operation.
- Golf operation may require subsidies from the City to meet basic expenses.
- The City may lack necessary expertise in managing golf facilities.
- Employees are subject to unionized labor policies for wages, benefits (if applicable), termination policy, etc.
- City supplies all retail merchandise, golf maintenance equipment and other key furniture, fixtures, and supplies; may have to carry liquor license.
- Revenues may not cover rapidly increasing costs (particularly labor), especially when golf market is in decline.
- When revenues and/or operating/capital reserves are down, needed improvements may not be funded (or at least deferred).

Self-Operation Discussion

Any golf facility owner must consider how it views its golf facilities. If the golf facilities are seen primarily as amenities to the overall City experience like other recreation amenities that have lower cost recovery, then the City should be prepared to realize lower economic return, and self-operation may make more sense. However, if the City desires a positive economic return from its golf course, then the course must be run more like businesses, free of political considerations that place constraints on revenues and operational efficiencies. In the latter case, the self-operation option may not be tenable in the face of continued operational losses. If a golf course owner is unable to fund capital improvements, it will result in a less attractive product for golfers, leading to continued rounds and revenue decreases, and ultimately resulting in larger and larger subsidies by the City and continued deferral of needed capital upgrades. Another consideration for Hollywood is the presence of the 30-room resort component of the Hollywood Beach Golf Resort facility that requires the operator to have unique operational skills not typically common within City government structures.

CONCESSION AGREEMENTS

This form of agreement involves granting a license to operate a facility rather than the right to occupy the premises. It is very common in the golf industry, especially in the pro shop and food and beverage service areas. Maintenance-only contracts are also growing in the golf industry in the last few years.

Food and Beverage Concession

The most common concession agreement at public golf courses nationwide and in the northeast is the food and beverage concession. This agreement typically covers all aspects of food and beverage operations and is in place in many public golf courses due to factors such as the inherent difficulty of making these operations profitable, lack of expertise, and restrictions on public sector agencies holding liquor licenses. These agreements will typically involve the concessionaire owning all revenues and paying a share to the City (typically between 5% and 10% of gross revenue, depending on the type of facility). The concessionaire is responsible for all direct expenses (cost of sales, labor, materials, etc.) and typically providing some capital investment such as kitchen equipment. If banquets and other non-golf events are hosted at the facility, the concessionaire would have rights to provide all food and beverage service but room rental fees often belong all or in part to the City.

Pro Shop Concession

The second most typical concession agreement is for the Pro Shop, including one or more of the cart, merchandise, lesson, and driving range revenue centers. The most common pro shop concession agreements usually involve the City owning all green fees, along with varying percentages of the other revenue centers noted above. Pro shop concessionaires typically own the merchandise and lesson operations, and then receive payment from the City for a share of certain revenue centers in exchange for incurring the direct expenses related to golf operations. In some cases, there is reimbursement to the concessionaire for providing starter and marshal services. All money will typically flow in one direction with either the City collecting all revenue and paying the concessionaire, or vice-versa. Because of the short term of most pro shop concession agreements, there is little incentive for the concessionaire to make major investments.

Maintenance-Only Concession

Another area of separate concessions is in maintenance-only contracts. In this case, the pro shop and food & beverage operations would operate under separate concession agreements, or one or both by the City, but the maintenance function is outsourced to a private entity. This model has become more common in certain areas of the country where labor costs for maintenance are increasing too rapidly to keep under control, are unionized, or where maintenance staffs have been reduced to the point where the overall quality of maintenance has deteriorated. Golf course maintenance, including associated labor, is almost universally the largest single line item expense on a golf course's operating budget. This is especially true in public agency golf operations, when employee wage and benefit costs are often significantly higher than in the private sector.

There are a number of companies that specialize in fixed-fee outsourced golf course maintenance, and these companies are able to offer maintenance cost savings due to several reasons, foremost of which is the ability to employ cost-effective manpower and scheduling strategies, which most public agencies are constrained from doing. Additional savings are often achieved through the ability of the larger companies to leverage national purchasing agreements for equipment, materials, and supplies, and through other economies of scale.

Advantages of Concession Agreements

- The City is removed from the day-to-day operation (in a pro shop concession) in exchange for green fees and a pre-determined percentage of other gross receipts.
- Concession agreements provide some control to the City for items such as pricing, marketing, and availability (though less control than a management contract).
- The term of a concession agreement is typically shorter than an operating lease.
- In a maintenance-only contract the vendor will typically provide all maintenance equipment.
- The agreement(s) will typically include a reduction in labor expense (especially maintenance labor) with comparable quality.
- Flexibility – the City has the option to retain one or more of the elements of the operation, or remove one or more of the elements at each renewal period.
- The City can participate in upside revenue potential.
- The term of a concession agreement is typically shorter than an operating lease.

Disadvantages of Concession Agreements

- In most cases, the City would be expected to retain the very expensive course maintenance function.
- Concession agreements do not provide guaranteed revenue to the City and the City will still be responsible for most capital expenditures (operating risk is reduced, but still shared between vendor and City).
- Possible conflict between concessionaires when multiple concessions.
- Reduces opportunity to attract private capital.
- If contracts do not expire simultaneously the City may end up tied to a contractor for longer than truly desired.
- Contract enforcement still requires City staff time and overhead expense, although this should be reduced from the self-operation scenario.
- When multiple concessions are in place the City is paying multiple concession fees, each one of which includes a built-in profit for the concessionaire.

Discussion and Policy Implications

The advantage to concession agreements is the City's relief from day-to-day operational responsibilities, while still retaining control of the operation and keeping some City service benefit. The structure generally results in decreased labor costs, as employees belong to the private vendor (maintenance labor may remain public). The structure can also result in reduction of a City's administration / overhead expense and/or responsibility.

FULL SERVICE MANAGEMENT CONTRACT

The primary goal of a management contract or management agreement is to provide a golf facility with a single experienced, professional operator to be responsible for all aspects of the golf facility, thus relieving the City of this task. In a typical management contract, the City hires a firm that is charged with all management and maintenance responsibility. The City funds all capital improvements, and the management firm hires all employees. Because employees work for the management firm and not the City, payroll costs are likely to be less than under self-operation. The management firm collects all revenue and provides accounting reports to the City. All revenues belong to the City, as well as the responsibility for all expenses. The City reimburses the management firm for all payroll and pays the firm a management fee. Typical services provided under the management agreement include, but are not limited to:

- Personnel /Training /Human Resources
- Payroll / Benefit Administration
- Budgeting
- Marketing
- Accounting and Reporting
- Tee Sheet Management
- Agronomic Support

While the management company performs these functions, the City retains overall control of the operation and is the ultimate determinant of items such as fee structures, compensations, policies, employment practices, etc. (though it receives considerable input from the management entity).

Management fees vary depending on the size of the facility and the level of responsibility of the management firm, but typical annual fees for an 18-hole regulation golf course can range from approximately 3.0% to 6.0% of total gross facility revenue, with a minimum of \$80,000 or higher when including additional ancillary components such as a resort hotel. City of Hollywood should anticipate a management fee for the Hollywood Beach GC to be at least \$100,000 per year, up to as high as \$150,000 per year. The length of the typical agreement is relatively short, two to five years, and may include option periods as the typical management contract requires frequent revision.

Advantages of Management Contracts

- Reputable management companies generally possess experience and expertise in all facets of golf facility operations, including marketing, maintenance, tee-sheet management, merchandising, and food & beverage operations.
- The very nature of the agreement ensures that management company interests with respect to the golf course are aligned with the interests of the City/owner.
- Marketing and overall operating cohesion and effectiveness is generally maximized under this structure if a qualified company is chosen.
- A single entity controls every aspect of the golfer experience from the time he or she sets foot on the property.
- There is upside to the City when a facility is on the upswing, as the City owns all of the net revenues, minus incentives earned by the management company. Also, incremental revenues generated by capital investments belong to the City.
- Operating costs may be reduced because the management firm hires all employees at costs that can be less than what the City would have to pay. (This benefit accrues mostly to municipalities that manage and/or maintain their facilities with public labor).
- Though mutually agreed upon budgeted expenses are the responsibility of the City, the management entity provides all on-site staff and performs the management and maintenance functions. However, the City retains overall control and remains the ultimate authority on fee structures, compensation, policies, employment practices, etc. Therefore, the management contract provides the most flexibility and municipal control of any structure short of self-operation.

Disadvantages of Management Contracts

- Though this option offers the City more control than with an operating lease, it offers less control than self-operation.
- The City still needs a person in the structure with golf course expertise who could spend sufficient time overseeing the golf operation and contract compliance.
- Unlike an operating lease, management contracts do not provide a guaranteed income for the City, and the fixed portion of the management fee is guaranteed as long as the contract provisions have been met. Therefore, positive net operating income to the City is not assured and operating risk remains with the City.
- Unlike with a lease agreement, the City would still be responsible for the capital improvements.

Discussion

The full-service management contract structure can result in significant positive results and is an option that is typically considered as a reaction to insufficient economic performance among municipal golf courses that are presently self-operated. The overall quality of these types of agreements rests with the City's ability to find a qualified company, negotiate a contract that is "win-win" for both sides, and then provide proper oversight to see to it that the contract is complied with.

In conjunction with a well-constructed contract, the management contract form of operation provides the controls necessary to protect a substantial asset. A management contract, unlike a lease agreement, offers no assurance of a net profit to the City. In the case where a golf facility is experiencing, or expects to experience, an upswing in revenues due to factors such as an improved product or new capital investment, the management contract provides the greatest amount of up-side revenue potential to the City, and allows the City to reinvest in operating and capital programs. Finally, this option provides the most flexibility of any management style short of self-operation.

The large downside to the management company option for a City-owned golf course is the lack of any guarantees in terms of net revenues. ***In short, none of the operating risk inherent in the self-operation scenario is shifted away from the City by virtue of entering into a management agreement.***

OPERATING LEASE

The primary goals of an operating lease are to relieve the golf course owner (City) of all operating concerns, to ensure a minimum rent payment to the City, and to improve and/or protect the asset. An operating lease is similar to a management contract in that the lessee, like the management firm, hires and fires all employees and is responsible for the day-to-day operation of the facility. The difference between the two is that the lessee would be committed to pay all operating expenses, supply equipment, and, typically, provide some capital for investment in the golf facility. The ability of the selected private vendor to have control over the labor resource at the facility, and not have to pay "union" wages and benefits, is key to successful lease arrangements. Operating leases are typically for a longer term (typically 10+ years), especially when large lessee capital investment is involved. This program is the status quo for Hollywood Beach and Eco Golf, although the leases in these cases have been for much shorter terms, thus limiting the amount of capital investment the lessee is willing to make.

Advantages to Leasing

- **Burden of Risk:** Leasing the facility to a private entity should shift the burden of operational risk to the lessee. The only expenses remaining with the City will be those associated with administering the contract, oversight, and compliance.
- **Simplicity:** The City is relieved of the day-to-day responsibility in maintaining and operating the facility, although the City does need to have a golf person monitoring the operation and enforcing contract compliance.
- **Capital Improvements:** Depending on the relative attractiveness of the business opportunity to the private entity, as well as the length of the term, the lease contract could require the lessee to make, or at least contribute significantly to, needed capital improvements (e.g., greens and irrigation improvements, etc. in case of Hollywood Beach GC).

- **Maintenance Equipment:** The lessee is typically responsible for providing maintenance equipment and golf carts.

Disadvantages to Leasing

- **Control.** This lease option offers the City the least amount of control over the golf course operation, especially with regard to pricing and community benefits.
- **Revenue Constraint.** As would be expected when one party shares a disproportionately low share of the risk, the City would receive less of the upside revenue potential than it would with a management contract.
- **Long Term.** Leases are typically for a long term, especially if capital improvements are required in the lease agreement. This may make it more difficult for the City to get out of the lease, should the City become displeased with the lessee's operation of the facility.
- **Down Market.** The lessee may be forced to cut maintenance expenses and/or raise fees if revenues do not meet expectations (as present). Unexpected golf market downturns often lead to declines in property condition or the lessee seeking to renegotiate terms or even bail out.

Discussion

Leasing out the golf operations shifts the burden of operating risk to the private vendor, and provides guaranteed revenue (or elimination of losses) to the owner. Although the appeal of turning everything over to an outside agency has had merit for the City of Hollywood, the most successful lease agreements in municipal golf are typically for a longer term (5 to 10 years) and involve a greater contribution to capital investment. This may be a more significant issue for the Hollywood Beach Golf Resort facility as we have documented the aging infrastructure and the coming need to replace greens, tees and irrigation.

Trouble in lease agreements often results from arrangements where one party is doing considerably better than the other. If the deal is too favorable to the City, the lessee may struggle and the facilities could suffer. Likewise, if the deal is too favorable for the vendor, the City could experience lower returns than expected.

NGF Recommendations for City of Hollywood Golf

Based on our evaluation of the City golf system, as well as our operations review and market analysis, NGF has formulated recommendations that the City can use to enhance or supplement its existing business and marketing plan for City golf courses. The goal of this phase of the study was to help the City identify the operating structure and business plan that will maximize rounds and net revenues for the City, while maintaining or enhancing the golfer experience at City golf facilities. The objective of our recommendations is to provide the City with a strategic vision for the future operation of City golf facilities, inclusive of operating structure and the defined mix of amenities and facilities to be offered.

NGF Consulting has prepared a schedule of specific recommendations to be considered by the City of Hollywood for the continued operation of its golf facilities, specifically the Hollywood Beach Golf Resort and Eco Golf. These recommendations have been organized into: (1) basic oversight and structure; and (2) physical enhancements.

BASIC OVERSIGHT AND STRUCTURE

The NGF Consulting recommendation for the future operation of Hollywood Beach GC is based on our understanding of the economic performance of the facility and the upcoming physical improvement needs that will be required at this facility. The City must clearly establish the primary purpose and most important goals of including the Hollywood Beach GC as a City asset. If the primary function of the golf course is to be an added amenity to the City, then direct City investment in the property appears most appropriate. However, if the fiscal situation is such that sustaining an economic gain on the facility is the higher priority, then some form of private funding source will be required for the needed improvements, and thus a longer-term lease arrangement that includes capital investment will be recommended.

Structure Considerations

The NGF review of the various operational considerations for the Hollywood Beach GC shows that two of the four options presented are probably not the best fit for the City of Hollywood and can be eliminated from further evaluation:

- **Self-Operation.** The NGF review of the City of Hollywood shows this option to be a poor fit for the City due largely to the high cost of City labor, the lack of golf maintenance expertise and the lack of golf and resort facility management expertise.
- **Traditional Concession.** This option will likely produce too many “working parts” that require attention and shift the City from managing golf courses to managing multiple contracts. The City will likely still be responsible for capital expenditures and thus the Management Contract alternative would be more appropriate. Thus the multiple concession option is not likely to bring the City’s golf enterprise into a more favorable economic position than it is at present.

In light of this, NGF sees the continued lease arrangement (as-is) with modifications, or some form of management agreement (traditional or hybrid) as the two most appropriate options for

the City of Hollywood going forward. However, NGF must also note that if the City opts to pursue a management agreement for Hollywood Beach GC, the key issue that must be addressed prior to making the evaluation is the funding of needed capital upgrades at the facility and whether the City is prepared to make such an investment on its own, or if a private lease partner will absorb or share in this investment.

In order to determine the best operating structure for the Hollywood Beach Golf Resort going forward, City of Hollywood must weigh several key considerations related to:

- **Economics** - including need for significant capital spending, and the possibility of continued and ongoing operating deficits.
- **Purpose of Golf Course** – The City must clearly establish the primary purpose and most important goals of including the Hollywood Beach GC as a City asset.

From the economic standpoint, NGF believes that Hollywood Beach GC has a chance to make a small operational profit under a management agreement. However, we believe this will require significant investment on the City's part to improve the facility infrastructure (greens and irrigation).

From a policy perspective, if the City were to absorb the needed capital investment in a management contract it must decide if golf makes more sense as a City-supported activity, as opposed to a separate enterprise. If the City decides that Hollywood Beach GC is a "City accommodation" that can be funded, like tennis, swimming pools and other recreation, then this implies the City is willing to fund potential operating deficits and service the debt necessary to bring the course back to higher standard of quality.

On the other hand, the City may decide that the public benefit to the City of owning and operating Hollywood Beach GC is not enough to justify a subsidy, and therefore must be self-sustaining. In either case, NGF believes that some or all of the capital improvements identified in this report must be undertaken. Given the need for extensive capital improvements, the City will likely face another key policy decision – whether to solicit bids for a new (or existing) private entity to come in on a long-term lease basis and fund some or all of the improvements.

NGF Recommendation

The NGF team is recommending that the City of Hollywood continue to operate the Hollywood Beach Golf Resort through a lease agreement with a private entity, perhaps continuing with Southern Golf. The NGF did not find any specific reason to replace this team based on performance or facility conditions. The NGF notes that golf is a difficult business to be in right now and that the City is served well by a lease agreement with guaranteed income to the City, exclusive of depreciation and other charges (as with Orangebrook GC which is operated via management contract).

As such the recommendation can be divided into two options for the City, largely driven by the City's tolerance for capital investment into the Hollywood Beach Golf Resort:

- **Option A** – The NGF recommends the type and details of the lease agreement be modified to create more of a "win-win" scenario for the City and its golf lease partner. The NGF recommends the following terms be incorporated into the next lease agreement for the Hollywood Beach Golf Resort:

- Be a 10-year agreement.
- Include a base management fee of \$100,000, plus an incentive of at least 10% of total net revenue over \$2.4 million (inflation-adjusted each year).
- The Lessee will be responsible for all capital expenditures.
- **Option B** – The City can issue an RFP for the operation and maintenance of the Hollywood Beach GC with the expectation of entering into an agreement with a qualified vendor to provide full operation and maintenance of the resort facility (golf course and resort) in exchange for a management fee paid to the vendor. It is not expected that the agreement would call for large-scale capital investment into the Hollywood Beach GC, and any such investment would be borne mostly (if not entirely) by the City of Hollywood.

Eco Golf Recommendation

The NGF team is recommending that the City of Hollywood continue to operate Eco Golf through short-term lease agreements, up until the time the facility is closed as expected to facilitate water treatment plant expansion. Given the expected near-term closure of the facility, no large-scale capital investment in the property is recommended. However, as documented by NGF, there is demand in the Hollywood golf market for a short golf course with low fees like those offered at Eco Golf. Given this, the City should seek to include this type of product in its overall municipal golf offering, most likely in some form at the City's Orangebrook facility (more below).

SPECIFIC PHYSICAL RECOMMENDATIONS

In an effort to raise the quality of the Hollywood Beach golf course and help to improve performance, the City must be prepared to make some capital investment in the facility. While the Hollywood Beach GC was reported to be in generally good overall condition, it was clear that there are some investments in infrastructure that the City will have to make to help improve the economics of the operation. These physical upgrades are outlined below:

1. **Master Plan of Improvements** – The City should work with a team that includes a golf architect to complete a formal master plan of improvements. This would include issues related to Hollywood Beach upgrades, Orangebrook modifications and Eco Golf replacement. NGF estimated expense \$30,000 to \$60,000.
2. **Greens Improvement** – The 80+ year old greens will have to be replaced in the near-term with an estimated cost of between \$350,000 and \$500,000.
3. **Irrigation** – The irrigation system is beyond its expected useful life and the club reported problems. The course conditions could be improved with a more modern system. NGF Estimated cost = \$400,000 to \$600,000.
4. **Cart Paths** – The addition of a full cart path system will allow for greater use of the golf course by power carts during wet periods. NGF estimates that completion of a full “wall-to-wall” cart path system at Hollywood Beach GC will cost \$120,000.
5. **Natural Barrier / Exercise Path** – The City retain some form of barrier for the Hollywood Beach GC to keep separate from surrounding elements. The exercise path can be allowed, but with clear separation from the golf course.

Summary of Physical Improvement Cost

The estimated cost to complete the above noted facility improvements are detailed in the table below. The figures do not include any lost revenue that may occur due to business disruption, nor is additional expenses that may incurred for improvements/changes at Orangebrook GC or the closure of Eco Golf included.

Hollywood Beach GC Needed Physical Improvements	
Highest Priority Items	Highest Estimated Cost
Master Plan	\$60,000
Greens Replacement	500,000
Irrigation	600,000
Cart Path Program	120,000
Total Hollywood Beach GC Upgrades	\$1,280,000

Appendices

A: Golf Course Life Cycle

B: National Rounds Played

APPENDIX A – GOLF COURSE LIFE CYCLE

GOLF COURSE ITEMS

EXPECTED LIFE CYCLE

HOW LONG SHOULD PARTS OF THE GOLF COURSE LAST?

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

Component life spans can vary depending upon location of the golf course, quality of materials, original installation and past maintenance practices. We encourage golf course leaders to work with their golf course architect, superintendents and others to assess the longevity of their particular course's components.

The American Society of Golf Course Architects (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
www.asgca.org

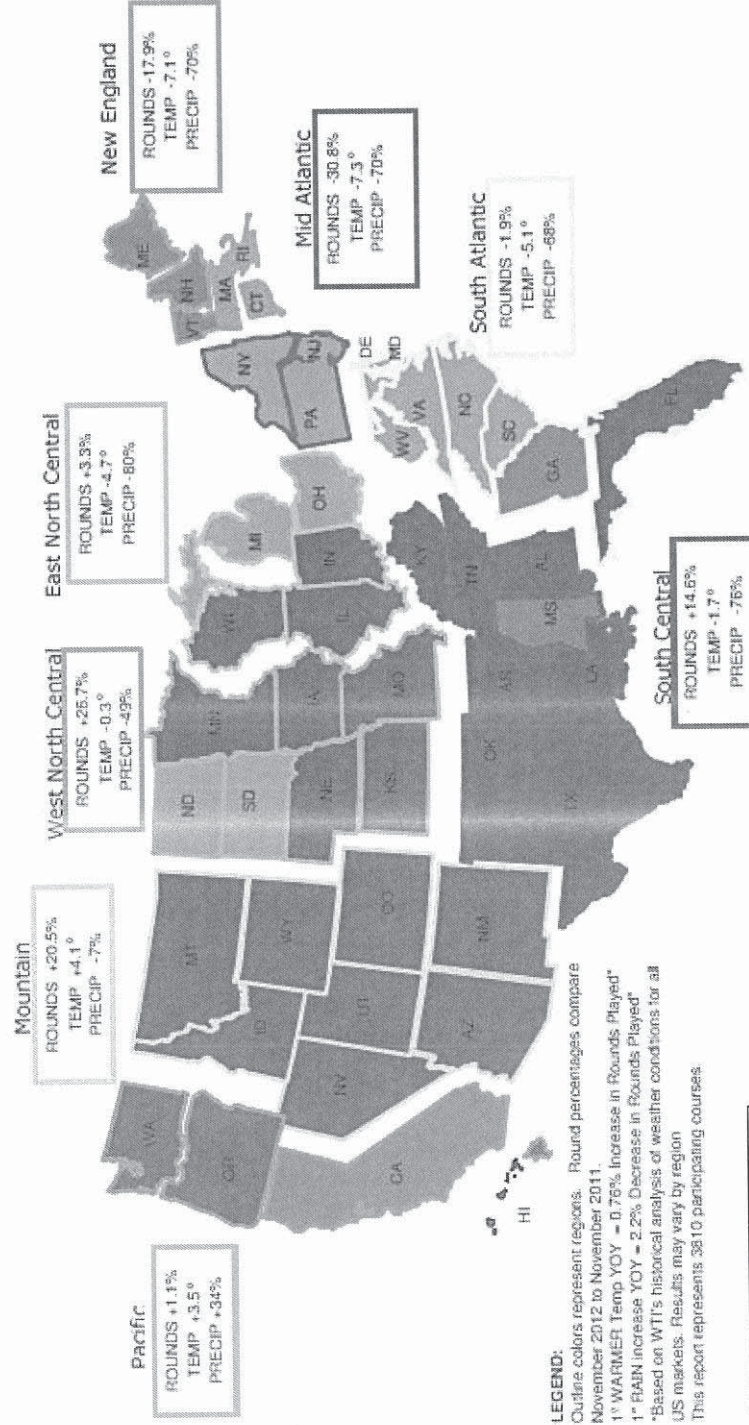


DATA COMPILED BY ASGCA, 125 NORTH EXECUTIVE DRIVE, SUITE 100, BROOKFIELD, WI 53005

APPENDIX B – NATIONAL ROUNDS PLAYED REPORT

NATIONAL GOLF ROUNDS PLAYED REPORT

U.S. TOTAL
NOVEMBER '12 YTD '12
+2.6% +6.1%



LEGEND:
Outline colors represent regions. Round percentages compare November 2012 to November 2011.
1° WARMER Temp YOY = 0.76% Increase in Rounds Played*
1° FRAIN increase YOY = 2.2% Decrease in Rounds Played*
*Based on WTI's historical analysis of weather conditions for all US markets. Results may vary by region
This report represents 3810 participating courses.

+ 2.0% and higher
between -1.9% and +1.9%
-2.0% and lower



PGA PerformanceTrak in cooperation with NSCOA, the joint financial benchmarking initiative of the PGA of America and the National Golf Course Owners Association, supports the National Rounds Played Report by supplying data included in this report.

NATIONAL GOLF ROUNDS PLAYED REPORT

POWERED BY



	NOV	YTD		NOV	YTD		NOV	YTD
PACIFIC			UNITED STATES			SOUTH ATLANTIC		
CA	1.1%	2.9%	PUBLIC ACCESS	2.6%	6.1%	DE, DC, MD	-1.9%	3.0%
	-0.2%	3.1%	PRIVATE	3.3%	6.9%	Washington/Baltimore	-18.0%	4.6%
Los Angeles	-2.9%	0.7%		0.6%	3.1%	FL	-14.1%	6.9%
Orange County	1.3%	2.6%	EAST NORTH CENTRAL			Jacksonville/Daytona	3.7%	1.9%
Palm Springs	-0.3%	3.3%	IL			Orlando	0.1%	0.7%
Sacramento	-4.0%	3.6%	Chicago	3.3%	10.7%	Tampa	4.1%	8.7%
San Diego	7.1%	3.0%		14.0%	8.3%	Palm Beach	1.3%	0.1%
San Francisco/Oakland	-0.5%	5.4%	IN	9.9%	8.2%	Sarasota	2.8%	-1.3%
HI	2.2%	-0.8%	MI	8.7%	9.4%	Naples/Ft Myers	2.8%	0.8%
OR	2.2%	-0.5%	OH	-7.5%	12.8%	Miami/Ft.Lauderdale	6.0%	5.0%
	4.2%	0.9%		-16.4%	18.8%	Atlanta	-2.8%	-7.2%
WA	13.9%	5.6%		-4.2%	13.9%	NC	1.2%	6.5%
	10.7%	4.4%		10.7%	18.0%	Greensboro/Raleigh	3.7%	7.6%
MOUNTAIN				-16.3%	14.1%	SC	-11.2%	-0.9%
AZ	20.5%	6.8%		4.8%	8.9%	Charleston	-11.8%	0.9%
	12.2%	4.6%		11.5%	7.0%	Hilton Head	-5.4%	4.5%
Phoenix	7.3%	3.5%		8.7%	7.3%	Myrtle Beach	-6.0%	4.2%
CO	53.5%	7.3%					-4.2%	7.2%
Denver	52.5%	7.6%					-8.7%	6.6%
ID, WY, MT	61.3%	8.3%					-4.2%	8.3%
NM	15.4%	2.7%						10.3%
NV	6.6%	2.0%						8.0%
Las Vegas	6.3%	2.5%						8.6%
UT	41.7%	15.7%						8.1%
								13.4%
WEST NORTH CENTRAL								9.3%
IA	26.7%	7.6%						16.7%
KS	27.4%	8.9%						3.3%
NE	37.3%	6.9%						6.3%
ND,SD	37.1%	8.6%						6.0%
MN	-9.2%	9.9%						1.8%
Minneapolis/St.Paul	10.1%	4.7%						2.9%
MO	9.8%	7.3%						0.7%
	33.4%	9.0%						
St Louis	26.9%	11.4%						
Kansas City	35.8%	6.3%						

The percentages represent the differences in number of rounds played comparing November 2012 to November 2011.
For more information contact Golf DataTech, golfroundsplayed@golfdatatech.com or call 407-944-4116

Hollywood Beach Golf and Country Club

Statement of Gross Revenue and Expenses

Year ended April 30, 2011

Mullen Howard Hammatt & Co., P.A.
Certified Public Accountants
7900 RED ROAD • SUITE 26 • SOUTH MIAMI, FLORIDA 33143

TELEPHONE (305) 663-6660

FAX (305) 663-8771

Independent Auditors' Report

Board of Directors
Southern Golf Appraisals, Inc.

We have audited the accompanying special-purpose statement of gross revenues and expenses of Hollywood Beach and Country Club, a division of Southern Golf Appraisals, Inc. for the year ended April 30, 2011. This statement is the responsibility of the company's management. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of gross revenues and expenses of Hollywood Beach Golf and Country Club is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

The accompanying special-purpose financial statement was prepared for the purpose of complying with the Lease Agreement between the City of Hollywood, Florida and Southern Golf Appraisals, Inc. as discussed in Note 1 to the statement and is not intended to be a presentation of Hollywood Beach Golf and Country Club's gross revenue and expenses in conformity with generally accepted accounting principles.

In our opinion, the special-purpose statement of gross revenue and expenses presents fairly, in all material respects, the gross revenues and expenses of Hollywood Beach Golf and Country Club for the year ended April 30, 2011, pursuant to the Lease agreement and on the basis of accounting described in Note 1 to the statement.

This report is intended solely for the information and use of the board of directors and management of Southern Golf Appraisals, Inc. and the City of Hollywood, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Mullen Howard Hammatt & Co., P.A.

August 24, 2011

HOLLYWOOD BEACH GOLF AND COUNTRY CLUB

Statement of Gross Revenues and Expenses

For the Year ended April 30, 2011

Gross Revenue:

Green Fees and Rentals	\$ 1,299,467
Hotel	127,901
Pro shop sales	70,026
Memberships	120,661
Other Income	24,969
Total Revenue	<u>1,643,024</u>

Expenses:

Advertising	39,191
Bank and credit card charges	26,117
Depreciation	6,096
Equipment Rental	59,847
Insurance	29,958
Maintenance and operating supplies	105,216
Other operating expenses	36,889
Payroll and benefits	659,550
Professional fees	32,275
Pro shop cost of sales	31,791
Rent	211,998
Repairs and maintenance	92,617
Utilities	67,720
Total Expenses	<u>1,399,265</u>

Excess of Revenue over expenses

\$ 243,759

The accompanying notes are an integral part of this financial statement