



July 31, 2018

Lake Ashton Community Development District  
c/o Darrin Mossing, President & Founder  
Governmental Management Services - Central Florida, LLC  
135 West Central Blvd, Suite 320  
Orlando, Florida 32801

**RE: Lake Ashton Golf Club Acquisition Feasibility Study**

Dear Mr. Mossing:

The following letter and report comprise a summary of the National Golf Foundation's ("NGF") review of the Lake Ashton CDD I and Lake Ashton II CDD ("CDD's") consideration of the acquisition of the community golf facility Lake Ashton Golf Club ("Lake Ashton GC" or "LAGC"). The review is based on NGF market research, visits to the property, and meetings with representatives from each CDD and ownership contacts in May / June 2018. The review included a comprehensive evaluation of the subject LAGC facility, its market potential and its ability to produce the revenue needed to cover its operating expenses and any additional capital (or debt service) requirements.

NGF has considered the CDDs' conceptual framework for the acquisition of LAGC through direct purchase of the facility from the current ownership group (Century Properties-RES, LLC). It is expected that the homeowners will continue to operate the facility as a community-oriented, golf club with activity coming from the Lake Ashton residents (with the possible need to attract a new category of non-resident members residing in the immediate area). The NGF expects a continuation of the current operational model, with quality amenities and a good level of customer service.

This NGF review was managed by Richard Singer, MBA, NGF's Senior Director of Consulting Services, with assistance from Barry S. Frank, NGF's Senior Associate Consultant and Kevin Downing of 3-Putt Services (GCSAA member & Certified Golf Course Superintendent). Our activities conducted in completion of this report included meetings with Board members from the Lake Ashton I and Lake Ashton II CDD's, the facility owner / manager and other club facility staff, and an inspection of the subject Lake Ashton Golf Club. The NGF team also collected materials to aid in the understanding of the area golf and club market, visited several of the area's competing golf club facility operations, and reviewed of other materials and records related to the Lake Ashton Golf Club and the two separate Lake Ashton CDDs.

## **OVERALL SUMMARY**

This executive summary letter is presented to provide an "at-a-glance" summarization of the full NGF review, detailing the main findings and NGF recommendations for the two Lake Ashton CDDs in the context of the proposed Lake Ashton GC acquisition. Full details and the accompanying support data on this summary can be found in the full body of our report and it's Appendix. Key findings include:

## Subject Facility – Lake Ashton GC

- The 36-hole Lake Ashton GC has the basic elements and ancillary club amenities that are typically associated with successful residential golf facilities. However, the two LAGC golf courses (East and West) were not designed by a professional golf architect and as a result have some challenges that may limit the overall appeal of the golf facility. Both golf courses place a premium on accuracy (not length) and water hazards and environmentally sensitive areas impact play on most holes.
- Both golf courses and all support infrastructure examined by NGF are in good working order with no “mission critical” components in need of repair or investment. The overall condition of the golf courses was good, and the only new investment that the new CDD owners may want to consider for the near future involves ways to “soften” the playing difficulty of the golf courses and broaden the appeal of the facility to golfers who may not reside inside Lake Ashton. The NGF has estimated a total of \$657,000 in one-time enhancements to the course, mostly related to greens and practice area improvements, which can be completed over two years.
- To date, the LAGC has not allowed non-residents to be members of the golf club. The NGF believes that allowing non-residents to become members of LAGC would enable the club to achieve its membership goals more quickly. As such, the above-noted new investment in improving the golf courses may be of critical importance to the CDDs after acquisition.
- The Lake Ashton community will ultimately include 1,650 residential units at final build-out, with less than 300 homes remaining to be developed. Approximately 25% of the Lake Ashton community residents are club members, a participation level that is consistent with comparable residential golf communities nationwide. With less than 400 memberships at present, the LAGC has available capacity to increase the club membership without adversely impacting tee time availability (in general).
- Lake Ashton GC generated total top-line revenue from all sources of \$1.8 million in 2017 (excluding the promotional membership revenues), a modest increase of 3.2% from 2016. The primary revenue sources at LAGC include membership fees (including trail fees), golf merchandise sales and food & beverage sales. The Eagles Nest (the F&B operation) generates approximately 15% of total revenue and there is no kitchen facility – simply limited food preparation and heating areas.
- Total expenses to operate LAGC totaled \$2.374 million in 2017, including all direct cost of goods sold, but excluding property taxes and depreciation. The NGF found the LAGC to be appropriately staffed for the desired level of service, although the club’s labor budget currently includes only one management position as senior club leadership is provided by ownership. As a result, the NGF recommends a General Manager be added so the CDDs can properly manage the facility after acquisition. The golf course maintenance function is outsourced to a private, third-party vendor – International Golf Maintenance, Inc. (IGM).
- The total loss on operations before real estate taxes, income taxes and depreciation at LAGC was **(\$547,000)** in 2017, or roughly \$330 to \$400 per Lake Ashton housing unit. The CDD’s will benefit from not having to pay the property tax after acquisition and some recent renegotiations of the golf course maintenance contract with IGM have resulted in operational savings of approximately \$145,000 annually. The NGF is estimating that Lake Ashton GC will have to earn at least \$2.2 million in total revenue for the club to break even, given the current expense structure. This level of revenue is very much achievable at this location and in this market environment.

## External Market Factors

- The two Districts should understand that despite some very positive golf market findings, there are still external market (uncontrollable) challenges for strong economic performance of Lake Ashton GC. The national trends in golf facility operations show declines in golfer interest and expenses to operate golf facilities are increasing. Further, while our research notes a general stabilization in the golf demand, there are more golf facilities present to divide up the total volume of play.
- It is important to note that the Lake Ashton GC is located in a market environment that will counter overriding trends in national golf participation. This is due to the Lake Wales area's desirability as a retirement location and, especially for those retirees with a strong interest in golf. Even though the Lake Wales area is a smaller suburban market, there has been considerable residential growth in the area and more is projected for the future. Polk County has the appeal to continue to attract interested golf prospects, thus providing LAGC an increasing base of potential new residents and members. The seasonal nature of the market and its economy provides advantages and challenges to continued club and community operations.
- The Lake Wales / Winter Haven resident demographics are generally favorable for golf and club demand. Incomes in the immediate Lake Ashton market area are slightly higher than Polk County and the State of Florida. The household income in the 5-mile market may also be somewhat understated as most retiree populations live off their "nest egg" as opposed to wages. NGF is estimating there are about 3,800 golf and /or country club prospect families living within five miles of LAGC.
- There is a significant amount of new and proposed residential development for the immediate area near Lake Ashton. With the continued development of the final phase of the Traditions community and the two proposed projects (the Preserve at Lake Ashton & Harmony at Lake Eloise), there will be a strong pool of prospective members available. Additionally, none of these projects are planned to include any type of golf facility.
- From a macro perspective, we note that contrary to popular belief, golf is not "dying" and we expect new prospects for golf and club communities in Polk County to be prevalent (especially among the retiree market). However, LAGC may find that to remain economically viable, the club will need to temporarily allow members who are not residents of Lake Ashton. To this end, golf alone will not be sufficient to drive demand. The identified trends show that a wider variety of high quality amenities are driving demand and there are many existing amenities within Lake Ashton. As a result, NGF expects that amenities other than golf (pool, casual dining, tennis, clubhouse, fitness) could be important in attracting a non-resident member segment.
- On the negative side, there is a clear unfavorable demand/supply ratio in the local market, with far more golf courses per-capita than the total US. Our research has also shown that this area is a price-sensitive golf market and increasing pressure to reduce fees to attract market share. While not unexpected, we have seen local golf courses utilizing new ideas and activities to continue to attract customers to the facilities, including deeper discounts and pre-paid green fee arrangements.
- The golf course industry as a whole has experienced a reduction in rounds and revenue since 2000, and this has been felt by all courses in this market. Public courses in the market have experienced declines in play but signs of stabilization and improvement are evident. There is opportunity to increase membership and revenue at the LAGC, but some new investment in the facility will be required.

## Financial Projections

- The financial projections developed by NGF and detailed in this report shows that if LAGC is acquired and operated as presented, with improvements in membership activity, the facility is fully capable of generating revenues in the range of \$2.0 million (+/-) in the first year after acquisition, perhaps increasing to as high as \$2.6 million within five years as the surrounding area grows. Considering all preliminary expense estimates, the stabilized annual earnings before interest, taxes, depreciation and amortization (EBITDA) is likely to be around \$150,000 (+/-) within four years. This is a conservative and realistic estimate is based on NGF experience of similar community golf club properties with good amenities and comparable service.
- The analysis suggests that the LAGC operation will be capable of covering its day-to-day expenses within a few years after CDD acquisition. Upon stabilization of the membership and club revenues, there is expected to be some net income available for capital cost reduction or to save for future replacement (capital reserve). However, we project that the LAGC facility will require external funding (possibly CDD assessment) to cover large-scale capital costs associated with acquisition, any initial upgrades / improvements, additional working capital and the operational losses that will likely occur in the initial years.
- The total historic revenue produced by the facility suggests **a market-supported preliminary estimate of value of around \$1.4 million+/-**, which the NGF believes is a good foundation for establishing a fair sales price to the two CDD's. We note that this estimate was intended to reflect the total market value of the defined golf course assets in ideal condition, and thus could be reduced to reflect improvements noted by NGF. This estimate was provided to the CDDs as simply a "consultant's opinion of value," and does not constitute a certified appraisal.

## RECOMMENDED COURSE OF ACTION

The NGF review of this market and subject facility suggests that there is opportunity for the successful acquisition of the Lake Ashton GC by the two Districts, although the facility will likely require some external economic support to meet all its fiscal obligations in the first several years after acquisition. The LAGC will require an additional 75 to 80 memberships to generate the revenue needed to sustain basic day-to-day operations and basic capital expenses. However, we do not project that the revenues generated from the continued operation of the LAGC will be sufficient to cover any debt retirement expense that would be incurred to acquire the facility or complete optional capital improvements. **Still, this proposed acquisition by the CDD's will serve to preserve the asset for the community and help to sustain the value of each home in Lake Ashton from a very likely decline if the golf facility were to deteriorate or even close entirely.**

NGF believes that Lake Ashton GC would best be operated as a mid-to-upper-mid-market golf club in the Lake Wales / Winter Haven market, with a modest segment of non-residents able to use the golf and club amenities. LAGC currently serves only Lake Ashton residents and the potential target market could be expanded to include a non-resident market as well. In addition, the club should conduct more direct outreach with programs such as free clinics, specials, intro to golf, "Wine & Nine", etc. The NGF review also suggests that new **ownership should employ professionally-trained management, possibly through a full-service management contract.** This structure will offer LAGC the greatest chance for success in the operation and provide ownership a level of hands-on control so as to maximize the potential of the facility.

## SUMMARY STATEMENT

In summary, the NGF believes the subject Lake Ashton Golf Club is a logical acquisition target for the two Lake Ashton CDDs and that the CDD's should be successful in the continued operation of the facility. If community participation can increase to just 30% (currently at ~25%) and the club is successful in attracting a new non-member component, the Lake Ashton GC will have an easier path to economic success. External sources of activity will be required to sustain sufficient revenue, and a new marketing program must be established to recruit new members (both resident & non-resident). The NGF fully expects the subject LAGC to produce income sufficient for the club to cover the direct operating costs, including a management fee to a third-party management entity. However, we do not project that the income will be sufficient to make payments to retire large-scale capital that would be required to acquire and upgrade the facility.

This golf club facility is in good physical condition with no urgent "mission-critical" capital investment required in the short-term, with the exception of \$657,000 in recommended one-time capital enhancements and an additional \$11,000 in increased annual maintenance expenses. The LAGC does not currently include any budget for senior level management at the facility – we recommend the addition of this position going forward.

In addition to the direct economic benefit derived from membership revenue and other fees, a community golf club brings other value to all residents within a community like Lake Ashton that cannot be measured directly in club economics. Golf courses in master-planned communities provide open spaces, a healthy recreation outlet, a good reflection on community image and sustenance of property values for homeowners within the community. While the NGF has not completed a formal analysis of actual property values in communities with struggling or closed golf courses, we can state with a high level of confidence that the impact is almost universally negative.

Darrin, we appreciate your confidence in the NGF and we have enjoyed the opportunity to be a part of your planning for the proposed Lake Ashton Golf Course acquisition. I am hopeful that the information and recommendations provided will assist the two CDD Boards in its upcoming decision. I am happy to talk with any individuals to discuss our consulting report, or other matters related to golf facility operations or market/industry trends.

Sincerely,



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# **Acquisition Feasibility Analysis For the Lake Ashton Golf Club in Lake Wales, Florida**

Prepared For:

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July 2018

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# Introduction

## PURPOSE

NGF Consulting was retained by the Lake Ashton Community Development Districts I and II (CDD's) in Lake Wales, Florida to assist in evaluating the possibility of acquiring the privately-owned Lake Ashton Golf Club and operating the community club facility. The client is considering the feasibility of the acquisition, and the results of this market and facility analysis will be used to help determine the appropriate course of action.

## BACKGROUND

The Lake Ashton Golf Club (LAGC) is a country club facility located as part of a master-planned community in Lake Wales, Florida that is owned by Century Properties-RES, LLC (a new entity that was created when the original development group separated in 2015). The golf club is a key component of the Lake Ashton gated community – the community consists of two separate CDD's (Lake Ashton I – comprised of approximately 965 units and Lake Ashton II – comprised of approximately 700 units). The property to be acquired includes the two 18-hole golf courses (the East & West courses), the driving range, golf cart barn and the Eagle's Nest building (which includes the golf shop and a food & beverage venue). The golf course maintenance building is not included in the club purchase but the ownership group plans to offer a 99-year lease for a nominal annual lease as they wish to retain elements of this building. The facility is being offered for sale to the homeowners (through the two CDD's), although current ownership could explore other options for disposition. All parties agree that sale to the homeowner groups would be preferable due to the importance of the club to the Lake Ashton community and the certainty that the residents would work to keep the club in outstanding condition and good working order.

## Proposed Acquisition Concept

Under consideration for this report are the present condition of the Lake Ashton Golf Club, and the status of the greater Lake Wales / Polk County area golf and club market. Still preliminary, the conceptual framework being considered for the acquisition proposed by two Lake Ashton CDD's include the outright purchase of the golf club utilizing existing cash reserves. It is anticipated that the CDD's could institute an assessment on a per-unit basis within the community to generate adequate cash flow to cover the initial operation and some amount of capital reserve funding. A summary of the acquisition program and costs is noted below:

Projected Acquisition Program	
Golf Course Acquisition Cost	\$470,000
Club Repairs/Enhancements	\$657,000
Working Capital	\$100,000
<b>Estimated Totals</b>	<b>\$1,227,000</b>

## NGF Report Overview

If acquired under the above-noted framework, LAGC will be operated as close to its current operating program as possible - a private members-only club operation (with limited non-member play). The golf courses are currently not available for non-member use and membership is limited to only Lake Ashton residents (but not required). The Eagle's Nest restaurant is open to the public during non-peak times. The purpose of this market and facility analysis is to provide the Lake Ashton CDD's with an evaluation of the local golf market and an estimate of the overall economic potential of the LAGC if it were to be acquired 'as-is,' and then operated by the homeowners as a community country club.

The key issues evaluated in this report include:

- Status of the local golf market.
- The present condition of Lake Ashton Golf Club and requirements for improving the facility to match the desired program for the CDD's.
- Economic potential of Lake Ashton Golf Club after acquisition.
- Amount of capital expense (or debt) that can be supported by the golf operation.
- The level of investment warranted for the purchase and improvement of the Lake Ashton Golf Club facility.

This NGF review was managed by Richard Singer, MBA, NGF's Senior Director of Consulting Services, with assistance from Barry S. Frank, NGF's Senior Associate Consultant and Kevin Downing of 3-Putt Services (GCSAA member and Certified Golf Course Superintendent). Field activities conducted in completion of this consultant's report included meetings with key board members for both Lake Ashton CDD's, the facility owner / manager and other club facility staff. The team also completed an inspection of the subject Lake Ashton Golf Club, collected materials to aid in the understanding of the area golf and club market, visited several of the area's competing golf club operations, and reviewed of other materials and records related to the Lake Ashton Golf Club and the two Lake Ashton CDD's.

## NGF Disclaimer

This report is based on information that was current as of June 2018. The assessment is based on conditions at the time of the analysis (e.g., economic and market conditions) and significant changes in those conditions may affect the relevance of the assessment. NGF has not undertaken any update of its research effort since such date. Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by NGF Consulting that any of the projected values or results contained in this study will actually be achieved.

# Subject Facility – Lake Ashton Golf Club

The subject property is the Lake Ashton Golf Club (“Lake Ashton GC” or “LAGC”), a 36-hole golf and country club facility located within the Lake Ashton community (which is in both Lake Wales and Winter Haven, Florida). The facility is privately owned and operated directly by Century Properties-RES, LLC. The current ownership group was part of the original development team for the community but split off in mid-2015. The golf facility was transferred to Century Properties-RES, LLC and the remaining property for development stayed with the Lake Ashton Development Group (operating as Century Residential, LLC). The golf facility is operated as a private non-equity golf club with the current membership coming entirely from within the gates of the Lake Ashton community. LAGC is the centerpiece amenity for the Lake Ashton master-planned community, and this community is seeking to preserve the quality and integrity of the club through acquisition. At the time of the NGF review, the LAGC owners were considering additional disposition options, but felt that sale directly to the homeowners (through the two Lake Ashton CDD’s) was the most desirable for all parties. If the property is not sold to the community CDD’s, the owner has indicated plans to seek other buyers with the ultimate operational program undetermined.

## SITE OVERVIEW

### Location and Access

Lake Ashton GC is located approximately 7 miles northwest of central Lake Wales, Florida, proximate to several key area roadways – US Highway 27 and US Highway 60, the main east-west thoroughfare across this part of Florida. The community is also close to several other towns in Polk County – Winter Haven, Haines City and Bartow. Access to the facility (main gate) is via Thompson Nursery Road, which is approximately 1.6 miles west of US Highway 27. There is another access gate on the southwest side of the community on County Road 653.

The area surrounding Lake Ashton includes a mix of undeveloped property (mainly to southwest, south and southeast), several residential communities (such as the Traditions by Lennar) and older residential development to the west and northwest. The golf course is developed with considerable frontage of single-family homes within the gated community, many of which have both golf and water views. The golf course has considerable water features in the layout, on Lake Ashton and Rattlesnake Lake as well as numerous ponds and lakes that provide golf aesthetics and storage for irrigation. The Lake Ashton residential community will include a total of approximately 1,650 residences at final build-out, with nearly 1,400 units developed (as of June 2018). This location offers mixed findings for any potential acquirer of LAGC to continue operating as a golf course:

### Positive Aspects

- The location in the Lake Wales / Winter Haven area is part of a growing area of both permanent residents and second-home seasonal residents.
- The property is generally convenient to area roadways, including US Highway 27 (1.6 miles), Highway 60 (~5 miles) and US Highway 17 (7 miles). This highway access makes Lake Ashton reasonably convenient for a wide geography within Polk County as well as to the Tampa and Orlando areas.
- Lake Ashton is well located within an established residential community and the area immediately surrounding the subject reflects demand for additional residential housing from existing developments as well as proximate new proposed projects.

### Negative Aspects

- While growing, the Lake Wales and Winter Haven market areas are still relatively small - there are only an estimated 60,000+/- residents within five miles of Lake Ashton in 2017.
- Although all roads inside Lake Ashton are public and the CDD cannot restrict access, the location of all club amenities inside the gate and the perception this creates to potential customers could serve to limit the club's potential to capture various new revenue opportunities, such as non-resident golf members and outside banquets and parties.

### Aerial View

The golf course property encompasses less than 200 acres, which is small for a 36-hole golf facility and is indicative of the tight golf course design and close proximity to housing. The golf course configuration is typical for a residential community, with the routing spread through the property to provide maximum golf course frontage for the residences. The property owned by LAGC includes the 36-hole golf course, the cart barn, the small driving range, the practice green, the Eagle's Nest building (which houses the pro shop and restaurant) and the maintenance facility (which will not convey). The property has a total of about 55+ parking spaces, which would be considered very limited for most golf operations (public or private). As a residential community amenity, the club can function with fewer parking spaces as virtually all residents utilize private carts for transportation inside the gated community.



*Google Earth* image showing LAGC and its immediate surrounding elements. This view shows the two golf courses spread throughout the entire development. The location of the various clubhouses are shown above – the Lake Ashton I clubhouse on Lake Ashton, the Lake Ashton II clubhouse on Rattlesnake Lake and the golf clubhouse in the central portion of the community.

## INVENTORY OF FACILITIES – LAKE ASHTON GOLF CLUB

The Lake Ashton Golf Club is comprised of the following elements that will be included in the sale of the property to the CDD's:

- The 18-hole East Course with a maximum length of 5,996 yards (opened in 2001)
- The 18-hole West Course with a maximum length of 5,704 yards (opened in 2006)
- All common golf support facilities:
  - Limited driving range with approximately 18 stations and 50+ yards of width
  - Practice green / chipping area
  - Several on-course restrooms
- Two-story Eagle's Nest building that includes (1) pro shop and locker rooms/restrooms on ground floor; and (2) restaurant / bar and restrooms on second floor (interior space is ~1,500 square feet per floor and the 2<sup>nd</sup> floor exterior deck is ~800 to 1,000 square feet)
- 1,700 sf cart storage building
- 12 club-owned E-Z-GO TXT electric golf cars (lease expires ~March 2019)
- All golf maintenance equipment housed in the maintenance building on the southeast side of the property (adjacent to the 16<sup>th</sup> hole on the West course)
- All equipment used in operation, plus inventories (pro shop, F&B)

The above elements offer the necessary components of a good quality community golf club. It is important to note that each CDD has their own clubhouse within the community, with a variety of amenities and activities (such as swimming, fitness centers, tennis, etc.). With these community clubhouses, the LAGC clubhouse is not anticipated to attract a social membership category.

### Golf Course – The Lake Ashton Golf Club

The golf courses date back to their original development (the East course opened in 2001 & the West course was completed in 2006) and the golf course turf, design, and irrigation remain from the original design and construction. At less than 20 years of age, the courses are in the latter middle of their expected life-cycle, and much of the key infrastructure items ([Appendix A](#)) should not be in need of replacement for another 7 to 10 years (more later in this chapter).

The NGF consultants have identified the following key elements for consideration on the two 18-hole golf courses at the Lake Ashton Golf Club:

- Both courses were designed by Larry Maxwell, the original developer of the Lake Ashton community. The course layouts maximize the extensive lakefront on the property and provide significant frontage for the residences.
- The golf courses at Lake Ashton Golf Club appeared in good condition with only minor items of deferred maintenance observed. It is not expected that a new owner will have to invest a large amount of capital over and above the acquisition to bring the golf courses to an ideal condition (more below).
- The courses incorporate the various lakes on the property and both layouts would be considered as moderate in length. However, there is a significant premium on accuracy and the courses are very challenging for players of most skill levels. As noted, water features are prominent throughout both courses.

- The East golf course plays 5,996 yards from its longest regular tee (Black) and to a par of 70. The course has a USGA slope rating of 125, which represents that the golf course is slightly “harder” than the standard slope of 117. The course includes five total tee positions, providing a good variety for golfers down to 3,722 yards from the most forward tee. The course is quite challenging from the Black tees, and the additional forward tee positions are more forgiving – however, there are still a number of forced carries that can be difficult for many players. Water or preserve areas come into play on 16 of the 18 holes and there are approximately 30 fairway and greenside bunkers on the course.
- The West golf course plays 5,704 yards from its longest regular tee (Black) and to a par of 70. The course has a USGA slope rating of 124, which represents that the golf course is slightly “harder” than the standard slope of 117. The course also includes five total tee positions and plays 3,832 yards from the Green tees. This course is also very challenging from the Black tees but appears slightly easier than the East course. Again, there are numerous forced carries on this course adding to the difficulty. Water or preserve areas come into play on 13 holes and there are less than 20 fairway and greenside bunkers on the course.
- LAGC has adequate on-course facilities such as restrooms and drinking stations, as well as all other standard amenities commonly associated with quality golf courses (yardage markings, signage, etc). This adds to the quality of golf experience and makes the course and club more marketable.
- The courses were designed with extensive coverage of cart paths (“wall-to-wall” as it is known in the golf industry), and the majority of the current path system is in good condition. LAGC has a total of five road crossings in the design sequence on both courses (3 on the East course and 2 on the West course), all within the Lake Ashton community and thus not interfering with any significant traffic.

## **Golf Course – Physical Condition Review**

Lake Ashton is a very unique golf course community. The facility offers two “shorter” length courses that show appeal for a community 55+ golfers who are focused on the enjoyment of the game and its social aspects. Both courses are intertwined between various water features which become the challenge of the courses rather than length. The CDD is asking for a thorough evaluation of the course, the turf maintenance and long-term utilization of the property.

The NGF team inspection occurred during a period of heavy rain, which was a common occurrence during the May-June 2018 period, but allowed our team to see key aspects of the golf course’s ability to drain off water. It is generally accepted that the East course (2001) is the more difficult of the two golf layouts, with water hazards on approximately 16 of the 18 holes. The East Course layout demands precision on many of the tee shots and definitely on the approach shots. The West course (2006) requires a touch more strategy even though it is listed at a few hundred yards shorter from the black tees. For Florida courses, these two layouts have significantly less acreage or quantity of bunkers (East - 36 total/ West - 16 total). This feature lends itself to easier recovery from those off line shots. The water features demand your attention rather than the visual influence of sand bunkers.

The turfgrasses utilized at Lake Ashton are the Tifdwarf variety on the greens and Tifton 419 on fairways, roughs and tees. These two selections were the standards for most courses that were built between the early 1970’s into the mid-1990’s. Grass selections became a bit more “exotic” in the late 1990’s when many other turf varieties became available, but in general the two varieties at the Lake Ashton courses were perfectly acceptable. Turfgrass selections for greens switched over to “ultra-dwarfs” in the late 1990’s which has become today’s standard.

Maintenance techniques varied with those new varieties but in general they started to provide better putting surfaces for Bermuda grass greens. Once again, future needs of the course will be addressed later in the report.

Another critical component of the Lake Ashton GC was the utilization of the course itself. The club implements many “shotgun” starts (all players starting together – but on different holes), for various leagues or associations, and tends to dominate the utilization of the course. Attracting new members or integrating their activity into existing groups is critical to providing a club with a good atmosphere. Providing good playing conditions or maintaining the course is also impacted by these types of shotgun starts.

### **Golf Course Maintenance Issues**

Care of a golf course is predicated by a good turf maintenance plan that is well implemented on a consistent basis. The soil, the turfgrasses, the drainage and irrigation are all important components of a good golf course, and the maintenance condition can influence how golf shots are played by golfers. So, many components make up a “maintenance program”, but it is safe to say that the style of maintenance also needs to match the utilization or design of the course. Since the two Lake Ashton golf courses offer “tighter,” more “confined” courses (at about 80 acres each), it is important to maximize the turf conditioning. The costs associated with maintenance can vary greatly but they also need to be in concert with the overall financials goals of the facility.

In the table below, the NGF notes some standard maintenance expense proportions from the Golf Course Superintendents Association of America (GCSAA) to provide a frame of reference for golf maintenance standards that we can then compare to actual expenses borne by Lake Ashton CC:

<b>Golf Course Superintendents Association of America Golf Course Maintenance Compared to Revenue – National 2018 Data</b>					
	<b>Overall</b>	<b>Municipal</b>	<b>Semi-Private</b>	<b>Private</b>	<b>Daily Fee</b>
<b>Maintenance Expenses as a Pct. Of Gross Revenue</b>	18%	21%	16%	19%	17%

The overall figure for the southeast region (includes Florida) was 17%, but we note that golf maintenance expenses in Florida are higher due to year round utilization. Another measure from the GCSAA is an estimate of 55 to 60 percent of total course maintenance expenses for labor. In general, the NGF team consolidates budgetary items under the following categories:

- 50% for all labor costs
- 20% for all materials
- 15 - 20% for all power (parts, fuel, electricity for equipment/irrigation)
- 7 - 10% for contract Services / Leases
- 2 - 3% for building facility care

The Lake Ashton Golf Club operators entered into an agreement with International Golf Maintenance (IGM) to provide agronomic and horticultural services for the facility. This agreement was implemented in May 2016 for a term of three years. At the time of our visit, we met with key IGM employees and the on-site golf superintendent at Lake Ashton, the latter of whom is a long-tenured employee of the development team and was involved in the original construction of the course. For a variety of reasons it was determined to utilize IGM to provide additional expertise throughout the golf course maintenance operation. Management companies usually operate for a yearly or monthly fixed fee. In this case the contract can be terminated without cause with a 30-day notice.

Many times we see an addendum to a service contract that specifically explains the scope of services provided. The information provided to NGF for this project did not provide a detailed scope of service, and was very basic in nature with a need to be further defined if the CDD decides to continue the agreement after acquisition. The following summary highlights what is provided by IGM:

- **Labor** – This includes training, benefits, uniforms, safety inspections and activity reports. There is no mention of hourly utilization per week, pay scales or table of organization. Staff reports a total of approximately 18 - 20 people including supervisory (2) and mechanical (2) to staff golf maintenance at Lake Ashton GC.
- **Materials** - Very little breakout here, but NGF understands that all foliar and granular fertility products are included. It is common to see this budget data split between chemicals, fertilizers, growth regulators, seed, pre-emergent herbicides, etc. These costs usually represent 15-20 % of the total budget.
- **Specialty Services** – The primary service in this case is the aquatic lake bank spraying and minor tree work.
- **Equipment Service** - IGM provides parts to maintain existing equipment which is capped at a \$50,000 annual limit. Additional major repairs would be approved on a case by case basis. We assume that fuel and lubricant costs are provided by IGM.
- **Irrigation Services** – IGM provides some routine repairs and preventative services for the pump houses.

In addition, the following services are assumed to be provided by Lake Ashton CDD's in maintaining the golf courses:

- Maintenance building
- Equipment
- Debris removal
- Added projects- such as bunker sand and any other capital improvements (for additional fees).
- Utilities

## Review of Primary Components

The coordination of fertilizer applications, chemical applications, and turf cultivation programs are all components of a comprehensive “agronomic plan.” It is our experience that golf courses that create such a plan are able to provide better course conditions while adhering to a financial guideline. It was not clear if IGM has a written plan for Lake Ashton but we were able to discuss a number of programs that have been instituted. A few years ago it was determined that the course had become too “weedy” and plans were put into place to apply post emergent and pre-

emergent products. It was also determined to reduce water applications to allow the turf to be stronger and healthier, therefore assisting in weed management strategies.

A review of each golf course component is noted below:

- **Greens** – Presently the putting surfaces are transitioning from the “winter grass” back to the foundation of Tifdwarf Bermuda grass. At the time of the visit the greens had recently been deep-tined and also had received herbicide application to accelerate the transition. It was determined that the greens received aerification/ cultivation four times a year with three procedures as normal aerification and once as a deep tine (6”). No mention of the timing of the other conventional aerifications or the sizing of the tines. This is important because it relates to recovery time and the relationship to the eventual reseeding (winter grass) dates in the fall. The winter-grass seeding (8 pounds plus 2 pounds per thousand) is implemented with an “intermediate” grass called *Poa trivialis*. This *Poa trivialis* is standard for overseeded courses in the south and allows greens to withstand golfer foot traffic. IGM states that greens verticutting and topdressing is provided as needed as directed by the on-site superintendent. The greens are maintained at a height of .140 to .150 of an inch which is acceptable for this facility. The East course has approximately three acres of green surfaces while the West course has approximately 2.5 acres. The greens on the West are original to construction, and the East was reconstructed in 2013 with a similar style.
- **Fairways/Roughs/Green & Tee Surrounds** – These areas are also planted in Tifton-419 grass and appeared in very nice condition even with the excessive rainfall of May 2018. The turf is aerified twice a year and verticut once a year every other year. Once again, a comprehensive “cultivation schedule” should be provided by IGM since much of the long term health of the turfgrass is predicated by the frequency of cultivation programs. These turf areas are fertilized 3 to 4 times a year which is a little low for bermudagrass but the unique soil type on the East (higher nutrient retention values) assists with this reduced input. The contract states that this turf is over-seeded, but it is our understanding that this procedure has been eliminated. More information is needed on insect controls. A comprehensive pre-emergent program for weed control has been implemented with the product Spectacle every 90 to 120 days.
- **Tees** - The tees are planted in Tifton-419 and according to the contract they are over seeded with ryegrass for the winter season. Aerification is two times a year and large scale verticutting is provided one time a year. The tee surfaces seemed adequate, but the level of conditioning could be improved with more inputs.
- **Bunkers** - The bunker conditions were heavily influenced by recent rains. The small amount of bunkers helps reduce the overall maintenance costs but keeping bunkers well maintained is important. Edging of bunkers looked very good and it appears as if sand has been added at the expense of Lake Ashton Golf Club in the last three years.

## Golf Course Infrastructure

In addition to the golf course playing area, the NGF assessment of Lake Ashton GC included a review of key golf course infrastructure, including equipment, irrigation, drainage, design, bridges and maintenance facilities. Below are NGF observations regarding these components:

- **Irrigation** – The irrigation system is operated as a “hydraulic system” so water pressure controls the opening and closing of the sprinkler valves. A small one horsepower pump controls the flow of water to the individual sprinklers through a series of ¼” tubing. The pumphouses are composed of two 75 HP pumps delivering approximately 1500 gallons per minute. The pump station is controlled by a Flowtronex Variable Frequency Drive, but currently it is not under a service contract, so basic maintenance is performed by IGM. Currently there is no “effluent water” available and there are no accurate “as built” drawings for the system. The East course utilizes six-inch PVC mainline while the West course has larger capacity with some twelve inch mainlines. With the continuous routing of the course mainline, stability is important. The sprinkler heads are manufactured by the Toro Company and are the 850/885 style. The control system is Toro also and through hydraulic converters the heads are operated by the field controllers. The number of heads on the East is approximately 250 total and the West had 306. That quantity is lower than most courses but that relates to the overall acreage of the course. The wet well, which acts as a “flume” for the water into the pump house is approximately five to six feet in depth, which is related to the lake depth. There are a few pumps to fill the irrigation lakes in case of a low water drought. These pumps have the capacity of approximately 400 GPM and are 25 HP submersible pumps.
- **Drainage** – The CDD is probably aware of the “design intent” of the master drainage system of the property for Phase I and Phase II. We believe that the golf course serves as a buffer for “interceptor” swales, ponds, etc. to store water or filter out nutrient runoff. A master drainage plan or as built should be documented and available at the golf course maintenance department. The golf course drainage system should be periodically evaluated to make sure all pipes, basins and other components are functioning properly. We would suggest a spring and fall inspection by the golf maintenance department complete with photos and comments.
- **Cart Paths + Bridges** - At the time of our visit quite a few paths were under water or were impacted by recent rainfall. In general, the cart path system is a combination of 6’ and 8’ concrete paths and some “natural paths” in critical locations. The bridge systems traverse the property near wetland areas and many have been repaired or resurfaced by Bridge Builders of America. The road crossing and access areas were well marked and in good condition with respect to safety. As a matter of clarification, we were not sure if IGM is responsible for “natural path” repairs.
- **On-Course Amenities** – EGC includes three separate on-course restroom structures, with one on the East course and two on the West. The East course restroom is at hole #6 and uses city water. The West course has two restrooms, one at hole #13 on city water and sewer, and one on hole #6 that is on septic (non-potable water for the toilet). With the new construction in that area there are lines currently in place to be able to hook up city water and sewer.
- **Maintenance Facility** – The maintenance building complex is a combination of two self-contained structures. One of the buildings (main building) also contains a workshop that is utilized by another entity. The main building is for the offices, mechanical workshop, grinding area, and crew room and under-cover storage for the rolling stock of equipment. The storage area houses most of the equipment but there are a few pieces left outside. It is our assumption that some of the pieces are no

longer utilized. The mechanical work space is slightly smaller than needed but was well organized by the mechanical team. A safety inspection by the company's insurance agent might be worthwhile to identify any needs of the building for OSHA requirements. It is our understanding that the maintenance building will not be conveyed in a "sale agreement". A comprehensive long term ground lease would be required and the access to that building and the RV storage complex well defined.

- **Permits / Record Keeping** - Due to the fact that there are several different entities involved with the golf course, it would be appropriate to identify some guidelines for keeping records and administrating permits. The following areas might need to be reviewed:
  - Water use permit
  - State of Florida Pesticide License
  - Chemical Application Records
  - Drainage Permits
  - Environmental Permits
  - Safety Inspections- Buildings
  - BMP Compliance (not mandatory)
  - Applicator Approval (county)
  - Septic Tank
- **Golf Course Maintenance Equipment** - The vast majority of equipment used to maintain the golf course at Lake Ashton CC is in good working order and not in need of replacement. The NGF has assumed that all equipment currently in place at the facility will be included as part of the sale turnover to the CDD. There will likely be a need for procurement of additional equipment if improvement in the quality of the golf course is desired, as a number of items have outlived their useful life. A summary of equipment in place is noted below:

Lake Ashton GC Golf Course Maintenance Equipment Inventory					
<b>Reel Mowers</b>		<b>Turf Construction</b>		<b>Vehicles</b>	
Triplex	14	Verticutters/sod cutter	2	Utility /Transport Vehicles	8
Gang	5	Aerifiers	3	Cushman / E-Z Go Maint Carts	6
Trim Mower	3	Trailers	2	Tractors/Loaders	4
		Topdressor	3		
		Trencher / Box blade	2		
<b>Rotary Style Mowers</b>		<b>Grooming</b>		<b>Applicators</b>	
Deck Mowers (small)	5	Trap Rakes	2	Sprayers	2
Bush Hog	1	Roller	3	Top-dresser	1
Deck Mowers (mid-sized)	5	Blowers	2	Spreader	1

## Golf Course Design

The two Lake Ashton golf courses were designed by the original development team and without the use of a professional golf course architect. A key goal in the design of the two golf courses was to maximize the housing component of the property. Some professional golf course construction people were used to build the courses and a few course grassing companies were also sub contracted to plant the turf.

In general, the courses contain low profile mounding and the layout flows in a non-return fashion throughout the community. As such, playing only nine holes requires a longer return trip back to the clubhouse, as opposed to a more common loop that has each ninth green in proximity to the clubhouse (known in the industry as “returning nines”). It appears that maximizing views of Lake Ashton was a high priority in the design of the golf courses.

The overall visual experience of the course could be complimented by adjusted mowing patterns which is a minimal expense. We would suggest diagonal mowing patterns on the fairways to create some “visual excitement.” We also would suggest a “vertical component” for the low profile courses or at least one of the layouts. The “vertical component” means utilizing landscape material in key areas to provide backdrops, framing or definition between housing and golf that would become the vertical component.

Since the golf-hole corridors are narrow, the NGF team recommends against adding any hardwood trees, as they would block out golf shot values and sight lines at maturity. However, the clever placement of palm tree varieties or mid-size accent trees might well provide a renewed sense of beauty to the course.

## High Risk Variables

The tubing lines in a hydraulic irrigation system have a tendency to deteriorate in 15 to 20 years depending on soil conditions or the original installation. Most irrigation systems today are electric systems, but it would be very expensive to convert. The possibility of re-tubing the irrigation control system might be necessary in a few years. However, the on-site superintendent did not seem too concerned about the current status, but we thought it was worth mentioning.

Eventually the putting green surfaces will become contaminated with “off type” turf varieties. The West course greens are now 12 years old and East Course greens are 17 years old, compared to an expected turf “lifecycle” that is usually forecast to have a life expectancy of approximately 15 to 20 years. Many programs, including overseeding, can camouflage these “off” types. The course should consider re-grassing with “ultra-dwarf” varieties when it is necessary.

The golf course maintenance equipment is owned by the Lake Ashton Golf Club – some is owned outright and other pieces are under a 36-month lease that ends in August 2018. The age of the equipment covers a wide range and a detailed and current equipment inventory would be beneficial to forecast club needs for the next two to three years. There is currently sufficient equipment to maintain the two LAGC courses. However, some updated equipment (such as new greens mowers) would yield a better finished product. Most golf course equipment that is involved in daily operations has a five-year life span before repairs become too excessive and replacement becomes a consideration.

The NGF was provided with a summary of equipment based on an insurance inventory and we reviewed the available on-site equipment. Several of the listed items were shown as 2006 purchases (items 001 to 025) but we were not able to verify their status. Some of the equipment (shown as items 026 to 033) might also not be functioning or would be too expensive to repair or rebuild.

## Golf Course Upgrades for Consideration

The NGF team has identified some areas of the golf course that new ownership could consider for improvement in the coming years. These are listed as both short-term and longer-term capital investments in the golf courses and additional items that may be needed to enhance day-to-day maintenance. These improvements considerations are documented below:

### NGF-Identified Capital Considerations:

As documented previously, the NGF did not uncover any deficiencies in key systems at Lake Ashton GC, as the irrigation and drainage systems were functioning and overall turf health was adequate. As such, the NGF team does not envision that new investment in these “mission critical” components will be required by the CDDs after acquisition. In other areas, NGF noted specific items that could be corrected through capital investment sometime after acquisition. Some of the suggested improvements will have an impact on revenue and this should help to identify the priorities. The NGF-recommended capital enhancements include the following:

1. **Greens** – Having better putting surfaces would give the golf courses a perception of a higher quality facility. The greens approximately three acres of the overall turf at the facility and require specialized agronomy and equipment to maintain to the highest level. New capital investment in greens improvement involves:
  - a. **Re-Grassing** – LAGC would benefit from a full re-grassing of all 36 greens with a with hardier ultra-dwarf turf variety. This project could be completed one course at a time but NGF has assumed all 36 to be completed in this capital investment. **NGF estimated cost = \$252,000 (126,000sf @ \$2.00/sf).**
    - **Timing:** Commence within 2 to 3 years (with only one course at a time)
  - b. **Greens Mowing Equipment** – The existing mowers used by the club to care for the greens was somewhat outdated with worn-out reels. These mowers could be overhauled to provide a temporary fix, but NGF recommends replacement of greens mowers, especially if the greens are re-grassed. **NGF estimated cost = \$75,000 (three mowers @ \$25,000 ea.).**
    - **Timing:** Immediate as this will help improve current green conditions
2. **Golf Course Softening Program** – Upon acquisition, the new CDD owners should implement a program to soften the difficulty of the golf courses and broaden the appeal, especially to potential new member segments. This program should include:
  - a. **Bunker Reduction** – LAGC golf courses would benefit from reducing total bunker area from 80,000sf to about 60,000sf (25% reduction). **NGF estimated cost = \$20,000 (20,000sf @ \$1.00/sf.).**
  - b. **Protective Trees and Landscaping** – New trees and shrubs should be added at strategic locations in the golf course to help align golfers, provide better guidance for golf hole corridors and golf shot targets, and protect adjacent homes. **NGF estimated cost = \$40,000 (50 new palm trees at \$800 per tree including installation).**
  - c. **Tee Position Changes** – Changing tee positions and markings to promote “play it forward” concepts and shorten the golf courses. This will involve the addition of 10+/- new tee boxes in select locations and additional tee markers and scorecard changes. **(NGF estimated cost = \$20,000 lump sum).**
    - **Timing:** Immediate since these improvements will enhance the courses and would be expected to attract more members

### New Practice Area Consideration

The current driving range and practice facility may not be fully adequate to properly support a community golf facility in Lake Ashton. The community has wonderful amenities for residents, from bowling alleys, indoor pools, dance halls and many other exciting options available to homeowners. Unfortunately the area allocated to learn the game of golf and fine tune skills was overlooked in the overall community plan. The approximate current acreage (3 acres) is about 40% of a well-designed practice area for an 18-hole facility, as we would expect at least 7 to 8 acres for appropriate practice amenities that included a driving range and chipping/putting areas.

The site currently used for the practice range could be converted into alternative uses such as expanded cart storage, additional parking or a secondary maintenance building (subject to zoning). It will ultimately be up to the two CDD's after acquisition to establish the best use of this property for promoting the club and helping to grow demand for golf from within the Lake Ashton community.

The NGF team has considered a unique concept for the site that would fit on the property and help to promote golf to the community at large by providing an area to serve as an introductory place for residents that are new to the game and areas for interactive game improvement / instruction. We believe that a combination of functions on that land would better serve the needs of the club and help attract new members. To designate a title, we referred to this area as "THE GOLF ZONE," and it would include:

- Three-hole beginners course
- Short game practice area with putting greens and chipping areas
- Stretching area
- A "hitting zone" that enables golfers to stretch the golf muscles while hitting into a netted area
- Conversion to an irons-only range on selected days
- Create a dynamic pitching green for group instruction

***NGF estimated cost = \$250,000 (\$35,000 per acre for 7 acres and includes some design changes to hole #1 on the West Course). These improvements should be undertaken when it is financially feasible (hopefully within 3 years of the acquisition).***

### Annual Recurring Items:

As discussed previously in this report it is very important to have a complete agronomic plan in place. This plan should be presented by IGM to the ownership group and approved by an independent agronomist or the USGA Turfgrass Advisory Service, and the current contract is too vague to properly administer for an owner. The sub-contractor (IGM) should be required to, within reason, provide details on products and frequencies in which they would be applied. A turf management company is in business to provide service and make a profit. The ownership group needs to maximize this relationship for the good of the course and its conditioning component.

- **Pigmentation** - The green color for turf is a desirable feature for golfers, as this is a common presentation for professional golf tournaments and television. LAGC has completed a winter overseeding in the past, but this has now been reduced to tees and greens only. The NGF recommends adding a pigmentation overlay to the fairways for the winter to preserve green color. ***NGF estimated cost = \$6,000 annual increase in maintenance budget for 4 pigment applications @ \$1,500 each.***

- **Green Surrounds** – Another improvement would be to institute triplex mowing in areas surrounding the greens. The area leading into the greens, cut with triplexes, would give a much better appearance to the golf course and green surrounds. The existing inventory of triplex mowers (NGF counts 14) is sufficient for the job with some modifications and an increase in labor. **NGF estimated cost = \$5,000 annual increase in maintenance budget for triplex modifications and increased labor.**
- **Mowing Patterns** - The overall visual experience of the course could be enhanced by adjusted mowing patterns as noted. **This involves changes in maintenance staff activities but has \$0 corresponding direct expense.**

### Summary of Capital Investments:

A summary of additional golf facility expenses as noted by NGF:

Item	Suggested Capital Expense Items	Annual Recurring Items
Greens Re-Grassing	\$252,000	
New Greens Mowers	75,000	
Bunker Reduction	20,000	
Tree Additions	40,000	
Tee Position Changes	20,000	
Practice Area Renovation	250,000	
<b>Total Capital Expense</b>	<b>\$657,000</b>	
<b>Annual Items</b>		
Pigmentation Program		\$6,000
Improve Green Surrounds		5,000
New Mowing Pattern		0
<b>Total One-Time Capital Expense</b>		<b>\$11,000</b>

### Additional Amenities and Structures Review

The support amenities at LAGC include the Eagle's Nest building, cart storage building, the maintenance building (although this building will not convey in any transaction) and the driving range. The cart storage and maintenance buildings date to the original club development in the early 2000's and the Eagle's Nest was built in 2006. These facilities appear to be fully functional with limited deferred maintenance or required improvements immediately needed. Key issues on each include:

#### Eagle's Nest Review

The Eagle's Nest is a two-story building developed in 2006 and is operational center for the LAGC. Each floor includes approximately 1,500 square feet of interior space and the 2<sup>nd</sup> floor has an exterior deck of approximately 800 to 1,000 square feet. This building is approximately 12 years old and is still operating with original electrical, HVAC and roof systems. As the expected useful life of similar buildings is approximately 25 to 30 years, the Eagle's Nest facility is still within its expected lifespan.

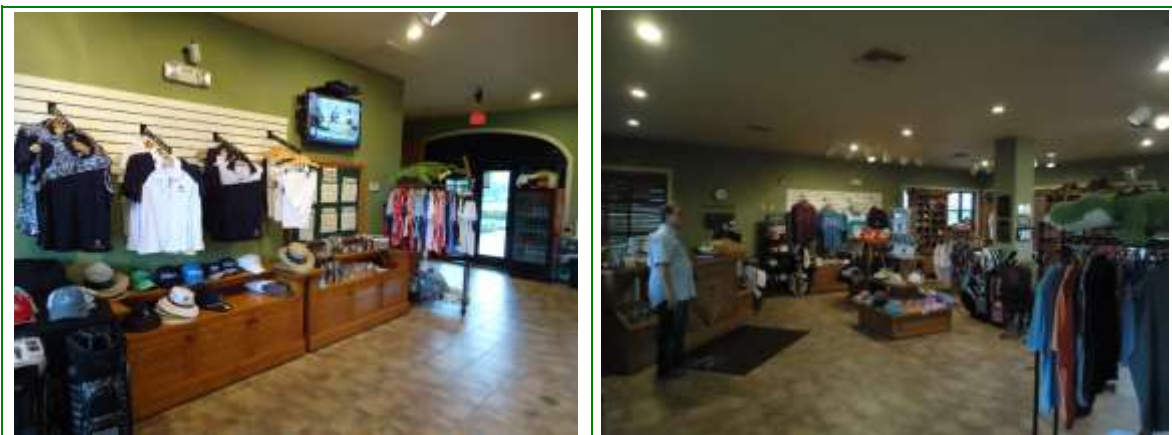
The Eagle's Nest building shows well and appears to be adequately maintained. The golf shop and small locker rooms are on the ground floor and the Eagle's Nest restaurant & lounge are located on the second floor. On the north and west sides of the building are two parking lots and they have capacity for approximately 51 automobiles. Key NGF observations regarding the Eagle's Nest include:

- **Exterior Presentation** - The building provides an attractive appearance to the facility as patrons arrive. The exterior deck on the upper level is a key feature and is highly visible. This deck is currently undergoing some renovations with new tile flooring and exterior railings being added. The parking areas are limited but adequate for a club with virtually 100% private cart ownership.



Photos showing the exterior of the Eagle's Nest building – note the renovation work currently underway on the 2<sup>nd</sup> floor

- **Pro Shop Area** - The pro shop is approximately 900 to 1,000 square feet and is located adjacent to the parking lot (for both carts & automobiles). The golf shop had a good selection of merchandise - primarily soft goods (clothing & hats). NGF noted an appropriate configuration for flow and ease of access, with minimal changes needed after acquisition (minor interior updating such as painting + wall coverings). Ownership has indicated that the pro shop inventory will be included in the sale.
- **Locker Rooms** – LAGC has men's and ladies' locker rooms, but there are a limited number of lockers, as members live in the community and do not use lockers (common among residential clubs). While this structure is common in community golf clubs, LAGC may need to consider more space for lockers should the club elect to allow non-resident members.



Photos showing the pro shop layout at the Lake Ashton Golf Club

- **Eagle's Nest Sports Bar Area** – This establishment is the social center of the Lake Ashton Golf Club. The restaurant has seating capacity for approximately 75 patrons (with about 12 to 14 tables) and the bar area can seat up to 12 people. The food

service menu is limited as the facility does not have a kitchen. The menu includes a variety of sandwiches and pizzas (baked in a small oven on the bar counter) and operates reasonably well given the limitations. The outdoor patio (currently being renovated) also provides another seating option with nice views. The Eagle's Nest is ideal for member support and the revenue generation here could likely be improved with some menu updates and alternative food options (perhaps bringing in additional food items from another vendor).



Photos showing the attractive interior of the Eagle's Nest Restaurant & Bar

- **Condition Review and Issues** - The NGF review of the LAGC facility building reflects a modest-sized operation that does not duplicate services or amenities available elsewhere to Lake Ashton residents. The Eagle's Nest building appears to be well-maintained and we note nothing of an urgent nature. However, there are some minimal cosmetic issues that should be considered upon acquisition, including updated flooring in the building (both floors), painting and/or wall coverings and some updating of the building's exterior. Additionally, the restrooms and locker rooms should be updated as well.

### Eagle's Nest Summary

In summary, the Lake Ashton Golf Club clubhouse shows well and presents an adequate first impression to the outside world and prospective new members. While this impression is good, there are some modest cosmetic improvements (pro shop, locker rooms, and restaurant) that should be addressed by the CDD's.

### Cart Storage

The 12 club-owned golf carts at Lake Ashton GC are housed in a covered storage area near the driving range. The roof covering encompasses less than 2,000 square feet but the paved area is around 4,000 square feet. This building has electrical chargers for the carts but does not provide much protection from the outdoor elements. The cart storage is located in close proximity to the clubhouse (approximately 500 feet away). There is currently storage for less than 20 golf carts but this facility could be expanded should the club need additional golf carts in the future.



Photos showing the covered outdoor cart storage space near the club's driving range

### Golf Range & Practice Facilities

The practice facilities at LAGC include a small driving range, putting / chipping green and a sand bunker. The driving range is parallel to the 1<sup>st</sup> hole on the West course and this proximity could be a safety hazard. There is a concrete pad with approximately 18 artificial turf hitting stations and a limited amount of natural turf teeing area. The right side and rear side of the range have netting to keep balls on the property. The range is estimated to have a maximum length of less than 200 yards and the club uses limited-flight balls. The range has approximately 50 yards of width and would be considered primarily a warm-up range (as opposed to true practice facility). The putting / chipping green is approximately 3,500 square feet in size, with a small bunker to practice greenside sand shots. The putting / chipping green is located across Dunmore Drive, en route to the 1<sup>st</sup> tee for the East course.



Photos showing the covered outdoor cart storage space near the club's driving range

## REVIEW OF GOLF OPERATIONS

Since opening with the first course in 2001, Lake Ashton Golf Club has had a traditional club-type operation, being self-operated by the development / ownership group. The original development team underwent a partnership separation in mid-2015. The remaining residential property to be developed in the community was retained by Century Residential, LLC and the golf club, the commercial property and the RV storage facility were retained by Century Properties-RES, LLC. For our review of the Lake Ashton Golf Club, we were provided with financial performance information from 2016, 2017 and year-to-date 2018 (through April).

Since the golf club transferred to Century Properties-RES, LLC, the golf structure has included a mix of full-time with benefits, full-time hourly and part-time/seasonal staff, with key management positions in administration, golf operations and food and beverage. The course maintenance function is outsourced to International Golf Maintenance, Inc. (IGM) of Lakeland, FL. This relationship commenced in June 2016 and the agreement in place is renewed on an annual basis. This general structure is common among developer-owned golf clubs (or portions of the development team), and it is expected that there will be some changes in oversight after CDD acquisition and operational take-over.

As mentioned, the club is managed by the current ownership group and they do not take a management fee for the operation. The direct cost of the senior club manager is also not included in the roster of employees, or the income statement on the club. NGF expects that a club of this complexity will require professional management either through a new employee or management contract arrangement.

## Oversight and Staffing

The golf shop, golf operations and Eagle's Nest staff are employees of the Lake Ashton Golf Club while the personnel associated with the course maintenance function are employed directly by International Golf Maintenance (IGM). The club staff includes a mix of full-time and part-time employees.

### Total Staffing

The Lake Ashton Golf Club Total Facility Staffing – 2018				
Department	FT Salary Staff	FT Hourly Staff	PT Staff	Responsibilities
Golf Shop/Operations	2	2	2	pro shop, carts, starter and ranger services
Food & Bev.	1	0	8	providing all club F & B services
Clubhouse	1	0	0	Eagle's Nest building maintenance, lawn & landscaping
Golf Maintenance <sup>1</sup>	4	4	10	Maintaining the golf playing area
<b>TOTAL</b>	<b>8</b>	<b>6</b>	<b>20</b>	

<sup>1</sup> Outsourced function to International Golf Maintenance

### Staffing By Function

In reviewing the staff by function at LAGC, we note that the club operation and F&B functions are covered by a mix of full-time and part-time seasonal positions. NGF estimates a comparative total of 10.0 full-time equivalent (FTE) positions in the Lake Ashton GC staffing (excluding the maintenance function):

- **Pro Shop / Golf Operations (5.0 FTE)**
  - Director of Golf (FT - Salary)
  - Head Golf Professional (FT - Salary)
  - Assistant Golf Professional (FT - Hourly)
  - Sales Clerk (FT - Hourly)
  - 2 Cart Staff (PT - Hourly)
- **F & B / Building Maintenance (5.0 FTE)**
  - F & B Manager (FT - Salary)
  - 8 Servers & Wait Staff (PT - Hourly)
  - Building Manager (FT - Salary)

- **Golf Maintenance Staff** - Detailed staffing information was not provided to the NGF team and we have assumed 18 to 20 crew (2 FT supervisors, 2 FT mechanics and 14 to 16 full time & part time crew members)

It is important to note that the current LAGC operational structure does not include a specific executive department that manages the club. The functions / job positions not currently represented include the club general manager, administrative assistant, marketing / membership director and office manager (payroll, accounting, etc). These functions are performed by ownership but there is no direct cost reflected in the club's financial data.

The “standard” country club facility in the U.S. with a 12-month golf season employed a total of 45 FTE personnel in 2015, with 12 in golf maintenance, 9 in pro shop/golf operations, 20 in food and beverage and 4 in administration. 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. Based on the NGF review of the Lake Ashton staffing and in comparison to golf industry norms, it appears that Lake Ashton GC is operating with a staff that is well below the national norms. It is expected that the CDD's will carefully review the club staffing levels after acquisition.

## Marketing and Fees

From a marketing perspective, the Lake Ashton Golf Club relies on new residential sales and property resales to drive new membership growth. The golf club benefits from the marketing activities by the community developer to enhance awareness of Lake Ashton. However, all club members must be community residents at present and additional marketing for the club separately would likely have limited results (under current membership regulations). Going forward, the CDD's will need to develop their own strategy to improve the level of interest in the community and country club. Review of operating data shows the club has no budget for advertising – at least in terms of direct expenditures. The NGF typically recommends a country club to spend at least 1.0% (\$18,000 for LAGC) on marketing and advertising. The NGF observations on LAGC marketing, programs and other activities include:

- **Website** - There is no doubt that the Internet is the most cost-effective form of advertising outside of word-of-mouth. At present, the Lake Ashton GC does not have a website and any reference to the golf facility is found on the existing community website ([www.lakeashton.com](http://www.lakeashton.com)). NGF notes that a well-designed website should be easily found when searching the Internet and should include information on the most important elements (up-to-date fees, description of facilities, scorecard, pictures, directions, upcoming events, members only access, contact information, etc).
- **Email** – NGF Consulting encourages an active email campaign. It was reported that club members and community residents can sign up to receive daily emails from the Eagle's Nest and the LAGC pro shop – this method of direct communication is generally very beneficial. If LAGC elects to allow members from outside the community in the future, this type of direct contact will be even more important.
- **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. The club does not actively solicit outside (non-member) events. Given the small number of club-owned golf carts, recruiting outside events could present some challenges.

- **Member Events** – The club does organize numerous events and activities for the membership. There is a high level of demand for morning play and the club has morning shotgun starts several times per week (especially during the more active winter season).

### Fee Structure and Membership Program

In its current operation as a private country club, the primary source of club revenue are the membership dues. A summary of Lake Ashton Golf Club membership fees is shown in the table on the following page. More detail on fees at key competitors appear later in this report.

<b>Lake Ashton Golf Club Membership Rates<sup>1</sup></b>				
	<b>2015 / 16</b>	<b>2016 / 17</b>	<b>2017 / 18</b>	<b>CAGR</b>
	<b><u>Fiscal Year</u></b>	<b><u>Fiscal Year</u></b>	<b><u>Fiscal Year</u></b>	<b><u>2016 to 2018</u></b>
<b><u>Annual Dues<sup>2</sup></u></b>				
Single	\$3,950	\$3,800	\$3,900	-0.6%
Family	\$4,650	\$4,900	\$5,050	4.2%
Super Senior Single	---	\$3,000	\$3,100	3.3%
Super Senior Family	---	\$4,000	\$4,150	3.8%
<b><u>Seasonal Dues<sup>2</sup></u></b>				
Single	\$3,650	\$3,600	\$3,700	0.7%
Family	\$4,275	\$4,400	\$4,550	3.2%

<sup>1</sup> Fiscal year is October 1 to September 30

<sup>2</sup> Dues include the annual golf cart trail fee

### Other Operational Issues

Other key issues related to the LAGC operation that was observed by NGF in this review:

- **Pro Shop** – LAGC is operating an attractive merchandising operation. Total merchandise revenue was \$123,100 in 2017, or about \$2.64 per round (industry standard is \$2.35). For 2017, the direct cost of sales (COS) exceeded the gross merchandise revenue (likely an accounting error). The industry standard of 70% COS and the club had COS of 79.6% in 2016 and 67.5% in 2018 (through April).
- **Food and Beverage Operation** – The food and beverage operation at the Eagle's Nest has no cooking facilities and this limits the menu options. However, the operation still generates \$260,000 to \$290,000 annually – this represents approximately 15% of total annual revenue. Overall, the food & non-alcoholic beverages are about 53% to 55% of total F&B revenue. In 2017, LAGC generated about \$6.15 per round (industry standard for private clubs is \$13.10). Direct cost of sales (COS) was 55% (in 2017) compared to an industry standard of 40% COS.
- **Carts** – The club has an existing lease for 12 EZ-GO electric carts through March 2019 (with a \$1 purchase option). NGF observed that the carts were in good condition, but the cart storage facility provides very little protection. It is assumed that upon acquisition, the new owner would either assume the cart lease or have the current owners pay it off. The existing lease is approximately \$11,300 per year (within the industry-expected \$1,000 per cart per year standard).
- **Maintenance Equipment** – The equipment used to maintain LAGC is owned by the course and would be transferred upon acquisition. The NGF inspection of the equipment showed that most is in good working order, and that the equipment is adequate and sufficient to maintain the golf course to above-average standards.

- **Non-Member Activity** – At present, virtually all of the activity and income at LAGC is derived from the resident member base in both golf and concession revenue. Going forward, it will be essential to grow club revenue. Under CDD ownership, the facility will seek to grow the number of members – this is expected to come from within the Lake Ashton community and the possibility of a new non-resident category.

## FACILITY PERFORMANCE AND DATA ANALYSIS

The operation of the Lake Ashton Golf Club appears to be a mid-level country club operation, with primarily member revenue sources and an expense structure consistent with the available club amenities. Going forward, it is expected that the income for Lake Ashton GC would be all revenues derived from membership dues and fees, guest fees (green fees / cart fees), merchandise sales and food/beverage income. Direct expenses to operate the facility are borne by the owner/ operator and include direct cost of goods sold, operations, maintenance (with this function currently outsourced to a private vendor), utilities, and other general and administrative expenses. As is typical in golf and club operations, much of the total expense is fixed in that the expenses must be borne regardless of how many rounds are played. The following paragraphs summarize the activity, revenue, and expenses for the LAGC facility based on the limited NGF review of operations and input from the owner/operator.

### Rounds and Membership

At the time of the NGF review, LAGC had seen a slight decrease in rounds activity, declining from around 49,300 in 2016 to 46,300 in 2017 (a decrease of approximately 5%). Figures through April 2018 show the facility to be on a comparable pace to the previous 2 years. In comparison, the total U.S. has experienced a 9.7% decline in per-course golf rounds between 2005 and 2010, with a 3% decline from 2010 to 2014 and approximately 5% recovery through late 2017. Total average rounds per 18 holes now stand at 31,500 for golf courses nationwide.

There are a limited number of guest or non-member rounds played at the Lake Ashton Golf Club (this category has represented less than 2% of total club revenue). Club management tracks only member play and the rounds data we were provided reflected only member rounds.

### Rounds by Month

The review of rounds by month shows the seasonality of LAGC. On average, just under 40% of all rounds are played in the four-month January-April season each year. There is a reasonable shoulder season in October-November-December and May-June. The key finding from this is that the inventory of tee times available at LAGC is not uniform throughout the course of a year, and that there is an identified window when the bulk of the play occurs.

Lake Ashton Golf Club Rounds by Month													
2016 through April 2018													
	<u>Jan</u>	<u>Feb</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
Avg Rounds	4,446	4,377	4,782	4,844	3,634	3,909	3,427	3,455	2,808	3,805	4,905	3,590	48,045
% of Total	9.3%	9.1%	10.0%	10.1%	7.6%	8.1%	7.1%	7.2%	5.8%	7.9%	10.2%	7.5%	100.0%

Source: Lake Ashton Golf Club, Inc. & NGF Consulting (June 2018)

### 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 is not realistic for golf, but results in an absolute maximum of around 80,000 total rounds per year (for an 18-hole course).

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. In the Lake Wales area market golf facilities are operating with a year-round golf activity, with some compaction in the high demand January through April winter season, with more limited activity in the hotter summer months. Based on LAGC's course type and size, fee structure, weather conditions, down time for maintenance, NGF Consulting has estimated an *actual capacity* of about 50,000 rounds per year for each 18-hole course.

### Annual Members

Membership at the Lake Ashton Golf Club includes only golf members – all community residents have access to the other community amenities and an additional non-golf category is not needed. Review of records shows current club membership at 252 annual golf members and 118 seasonal golf members for the 2017/18 membership year (as of May 2018). Below is a summary of the club's membership over the past 2 fiscal years.

<b>Lake Ashton Golf Club Membership Summary</b>				
<b>2016 to Current</b>				
<b><u>Fiscal Year</u></b>	<b><u>Annual Members</u></b>	<b><u>Seasonal Members</u></b>	<b><u>Total Members</u></b>	<b><u>Average Annual Rounds Per Member</u></b>
2016 /17	260	107	367	134
2017 /18	252	118	370	126

Source: Lake Ashton Golf Club & NGF Consulting (June 2018)

NGF was provided less than 3 years of operating information for LAGC so we have a somewhat short-term view of the membership. However, we believe that the last 2 years of information is an adequate representation of membership within the community.

It is also very important to note that a one-year membership to the Lake Ashton Golf Club is provided to (1) all new home purchasers from the developer and (2) resale purchasers through Lake Ashton Resales (but only if there is no buyer's broker involved). The Lake Ashton developer pays the Lake Ashton Golf Club the amount of \$9,250 for each new home sold – this covers the cost for the one-year membership. Based on the club financials, the number of promotional memberships and the revenue recognized by year is as follows:

- 2016: 38 memberships - \$354,250
- 2017: 43 memberships - \$396,500
- 2018: 9 memberships - \$83,250 (through April)

Since 2016, there have been 90 promotional memberships provided to new community residents. As the promotional memberships expire, the club ownership bills these members on a prorated basis to move their new membership renewal date to coincide with the club's fiscal year (October 1 to September 30). For the 23 promotional memberships provided between August 2016 and December 2016, 10 of these members elected to renew (or nearly 45%). For the 17 promotional memberships provided between January 2017 and June 2017, 10 members (or almost 60%) renewed their membership. These renewal numbers appear strong, but it is critical to remember that the renewal rates being paid are prorated and could be for a period between 1 month and 11 months (or approximately 8% to 92% of the prevailing membership

rate). Hence, we believe that expectations must be tempered on a realistic renewal rate from the promotional members.

Once the LAGC has been sold, the current ownership group plans to retain the revenues from this source. Under this arrangement, the golf club will provide a complimentary one-year membership to new residents (until sell-out) and resale buyers (with no defined termination). If the CDD does purchase the Lake Ashton GC, they will not realize these revenues. In our analysis, we have removed the promotional membership revenues from the historical financial data.

Members at the Lake Ashton Golf Club are active players, averaging approximately 125 rounds annually (or nearly 47,000 rounds in 2017). With total membership revenue of \$1.4 million, each member is generating about \$3,830 in membership fees and just over \$30.00 per round of golf.

<b>Lake Ashton Golf Club Membership Review (2017-18)</b>	
	<b>2017</b>
Annual Golf Members	252
Seasonal Golf Members	118
<b>Total Membership</b>	<b>370</b>
2017 Member Rounds	46,761
<b>Total Collected Dues<sup>1</sup> (2017)</b>	<b>\$1,417,000</b>
Dues Per Member <sup>1</sup>	\$3,830
Dues Per Member Round <sup>1</sup>	\$30.31
<sup>1</sup> Including member trail fees Source: Lake Ashton GC	

## Lake Ashton Golf Club Revenue

The table below shows the total operating revenue from all sources at Lake Ashton Golf Club from 2016 through April 2018. We note a recent increase in revenue, peaking at over \$1.825 million in 2017 – the bulk of this increase was found in the golf shop merchandise sales. The club's food and beverage operation accounted for 15% of total revenue in each of the last two years. Total revenue in the first four months of 2018 was nearly \$300,000 – this is over 20% higher than the 1<sup>st</sup> four months of 2017 and over 45% higher than the same period in 2016. The majority of the increase for 2018 (as well as 2017) was found in Seasonal Single and Family categories. The 'standard' in the U.S. for private clubs is \$2.1 million in total revenue, while the 'standard' for public courses is now at \$1.0 million. The Lake Ashton Golf Club is generating about 85% of the revenue standard for private clubs but the facility also includes 36 holes.

The table below shows a condensed and rounded (to the nearest \$1,000) summary of total operating revenue from defined sources at the Lake Ashton Golf Club from 2016 through 2017, the last full year to review. The figures have been collapsed into the categories shown from a detailed master sheet provided by the club's ownership to NGF that provided sufficient detail for preparation of this report. The LAGC ownership group indicated a willingness to provide additional financial detail as requested (including when course is under contract).

## Lake Ashton Golf Club Revenue by Category 2016 through April 2018

<u>Revenues</u>	<u>2016</u>	<u>2017</u>	<u>2018</u> <sup>1</sup>	<u>2016 - 2017 Average</u>	<u>% of Total Revenue</u>
Annual Membership Dues	\$959,000	\$872,000	\$26,000	\$915,500	50.9%
Seasonal Membership Dues	\$373,000	\$398,000	\$32,000	\$385,500	21.4%
Super Senior Membership Dues	\$76,000	\$99,000	\$2,000	\$87,500	4.9%
Green Fees	<u>\$32,000</u>	<u>\$48,000</u>	<u>\$34,000</u>	<u>\$40,000</u>	<u>2.2%</u>
<b>Golf-Related Total</b>	<b>\$1,440,000</b>	<b>\$1,417,000</b>	<b>\$94,000</b>	<b>\$1,428,500</b>	<b>79.4%</b>
Other LAGC Revenues					
Golf Shop Merchandise	\$69,000	\$123,000	\$68,000	\$96,000	5.3%
Food & Beverage	<u>\$263,000</u>	<u>\$287,000</u>	<u>\$131,000</u>	<u>\$275,000</u>	<u>15.3%</u>
<b>Total Other Revenues</b>	<b>\$332,000</b>	<b>\$410,000</b>	<b>\$199,000</b>	<b>\$371,000</b>	<b>20.6%</b>
<b>Total Gross Income</b>	<b>\$1,772,000</b>	<b>\$1,827,000</b>	<b>\$293,000</b>	<b>\$1,800,000</b>	<b>100.0%</b>
<b>Annual Change</b>	<b>----</b>	<b>3.1%</b>	<b>-----</b>	<b>-----</b>	<b>-----</b>
<b>Estimated Revenue Per Round</b>	<b>\$35.92</b>	<b>\$39.07</b>	<b>\$15.99</b>	<b>\$37.46</b>	<b>-----</b>

<sup>1</sup> Year-to-Date through April 2018

Source: Lake Ashton Golf Club, Inc. & NGF Consulting (June 2018)

### Lake Ashton GC Average Revenue Analysis

The total average revenue per round at Lake Ashton Golf Club was \$39.09 in 2017, inclusive of all revenue sources as noted. Of the gross total, about \$30.31 is golf fees (memberships & green fees) and the remaining \$8.78 in ancillary revenue (\$6.15 in F&B).

<b>Lake Ashton Golf Club Total Average Revenue per Round (2016 – 2018*)</b>			
<b>Year</b>	<b>2016</b>	<b>2017</b>	<b>2018*</b>
<b>Rounds</b>	<b>49,329</b>	<b>46,761</b>	<b>18,320</b>
Memberships	\$29.18	\$30.31	\$5.10
Golf Shop Merchandise	\$1.39	\$2.63	\$3.68
Food & Beverage	\$5.32	\$6.15	\$7.17
<b>Total Facility Gross Revenue*</b>	<b>\$35.89</b>	<b>\$39.09</b>	<b>\$15.95</b>

Source: Lake Ashton Golf Club. \*2018 is partial year through April 2018

### Lake Ashton Golf Club Expenses

The table below shows the total operating expenses at Lake Ashton GC by category since 2016. The expenses shown in the table do not include direct cost of goods sold (not an operating expense) or depreciation (not a cash item). The NGF has made these adjustments for appropriate comparison to benchmarks.

The figures have been collapsed into the categories shown from a detailed master sheet provided by the club's ownership group to NGF that provided sufficient detail for preparation of this report. The LAGC ownership group indicated a willingness to provide additional financial

detail as requested (including when course under contract). The total labor amount pertains primarily to the golf operation and food & beverage operation only, while non-labor operating expenses includes items such as course supplies, repairs & maintenance, dues & subscriptions, office expenses and various fees (such as credit cards, etc). The operating expenses for Lake Ashton GC have remained fairly steady during the 2-year period examined). The overall expense to operate LAGC is lower than the expense average for standard private clubs (\$2.1 million annually) and higher than the standard for public golf courses (\$1.1 million annually) in the nation.

Direct expenses for personnel are the largest for golf facility operations. The standard threshold for the ratio of personnel expenses to total expenses is between 50% and 60%, excluding cost of sales. In mid-2016, LAGC outsourced the golf course maintenance function for a flat fee amount and this impacts our ability to make personnel expenses comparisons. If we assume that personnel costs represent 55% of the maintenance budget, then the general personnel expenses at Lake Ashton GC have run between 61% and 63% during 2016 and 2017. This amount is slightly higher than the acceptable range for golf and club operations and can perhaps be improved.

NGF notes that the club's operating structure does not include expenses associated with senior staff management or administrative assistance. It is expected that these expenses will need to be included in the club's budget after CDD acquisition as either a salary for a club employee or management fee for a contracted operator (more later in this report).

<b>Lake Ashton Golf Club Total Direct Operating Expense (2016– 2017)</b>		
<b>Expenses</b>	<b>2016</b>	<b>2017</b>
Total Labor	\$595,000	\$481,000
Non-Labor Operating Expenses	162,000	133,000
Course Maintenance Expenses	369,000	176,000
Maintenance Contract – IGM	833,000	1,241,000
Property Taxes	163,000	163,000
Utilities	70,000	54,000
<b>Total Expenses</b>	<b>\$2,192,000</b>	<b>\$2,248,000</b>
Source: LAGC (2018)		

## **Review of Ancillary Operations (Concessions & Pro Shop)**

Lake Ashton GC has ancillary revenue earned from the sale of food & beverages in the Eagle's Nest and golf shop merchandise. Total ancillary revenue to the Club from these sources totaled \$410,000 in 2017. In some facilities, the driving range can be a potential revenue source but this is currently not a viable option for LAGC. The NGF review of ancillary revenue at the Lake Ashton Golf Club follows below:

### **Lake Ashton GC Food and Beverage Operation**

The food and beverage operation at LAGC consists of the Eagle's Nest restaurant / lounge. The menu options are significantly influenced by the lack of a kitchen but the manager and staff have been creative in working around the limitations. Alcoholic beverage sales represented about 47% of total F&B revenue – this confirms that the food menu is a strong contributor. The table below provides a summary of food and beverage operation at the Lake Ashton Golf Club:

**Lake Ashton Golf Club  
Food and Beverage Concession**

Course	Basic Features	2017 Total Gross Revenue	2017 Revenue/ Round*	U.S. Std. Rev./ Round*	Direct Cost of Sales (COS)	COS % of Revenue	U.S. Std. COS*
<b>LAGC</b>	<b>Sandwiches, pizza, cold drinks &amp; full liquor license</b>	<b>\$287,400</b>	<b>\$6.15</b>	<b>\$13.10*</b>	<b>\$158,200</b>	<b>55.1%</b>	<b>40%</b>

\*U.S. Standard for 18-hole courses. \$/round based on total starts.

### Lake Ashton GC Merchandise Operations

Lake Ashton GC has a good quality selection of merchandise for sale for members (including men's & women's apparel, balls, gloves and hats). The total gross revenue for merchandise at Lake Ashton was approximately \$123,000 in 2017 – this amount was an increase of nearly 80% over the previous year. The 2017 pro shop volume equates to \$2.63 per round of golf, an amount that is about 10% higher than the national “standard” for pro shop revenue at \$2.35 per round of golf. The cost of goods sold for 2017 exceeded the gross revenues – this was likely the sell-off of discounted merchandise. A review of pro shop performance at LAGC:

<b>Lake Ashton Golf Club Pro Shop Merchandise (2016 - 2017)</b>			
	<b>2016</b>	<b>2017</b>	<b>2016-17 Avg.</b>
<b>Total Club PS Income</b>	<b>\$68,600</b>	<b>\$123,100</b>	<b>\$95,850</b>
Direct Cost of Merchandise Sold (COS)	\$54,600	\$132,000	\$93,300
<b>Net Pro Shop</b>	<b>\$14,000</b>	<b>(\$8,900)</b>	<b>\$2,550</b>
COS %	79.6%	107.2%	97.3%
<b>Gross Pro Shop / Round</b>	<b>\$1.39</b>	<b>\$2.63</b>	

### The Lake Ashton Golf Club Financial Summary

NGF Consulting's review of performance shows that Lake Ashton Golf Club is currently generating approximately \$1.8 million of revenue but the club's operating expenses are above \$2.05 million. The club is operating at a loss of approximately \$400,000 to \$500,000 annually over the past few years. These are significant operational losses but there have been some modifications to the expense budget in 2018 that would continue under CDD ownership and other another large expense that will be eliminated:

- The course maintenance contract with IGM has been reduced by \$10,000 per month (\$120,000 annually) – this was effective in the second quarter of 2018
- IGM agreed to absorb the maintenance of the golf course ponds under their existing contract – this was previously being done by another company and will result in an annual savings of approximately \$27,000
- Under CDD-ownership, the facility would no longer be paying property taxes – this will result in savings of approximately \$160,000 annually.

The modifications referenced above represent savings of over \$300,000 annually and reduce the 2017 deficit by nearly 60%. In the future, the two CDD's will have to work to enhance revenue at the club in order to meet the basic expenses needed to operate the facility, and to cover any additional expenses that may be required and noted by NGF.

<b>Lake Ashton Golf Club Summary of Performance</b> <b>2016 through April 2018</b>				
<u>Revenues</u>	<u>2016</u>	<u>2017</u>	<u>2018<sup>1</sup></u>	<u>2016 - 2017 Average</u>
Total Revenue	\$1,770,000	\$1,828,000	\$292,000	\$1,799,000
<u>less: Cost of Sales</u>				
Total Cost of Sales	\$180,000	\$290,000	\$113,000	\$235,000
Gross Margin	\$1,590,000	\$1,538,000	\$179,000	\$1,564,000
<u>Expenses</u>				
Total Personnel Expense	\$592,000	\$481,000	\$136,000	\$536,500
Golf, F&B and G&A Expenses	\$202,000	\$155,000	\$53,000	\$178,500
Maintenance Expense	\$1,206,000	\$1,421,000	\$423,000	\$1,313,500
Total Expenses	\$2,000,000	\$2,057,000	\$612,000	\$2,028,500
Facility Net Income <sup>2</sup>	(\$410,000)	(\$519,000)	(\$433,000)	(\$464,500)
<sup>1</sup> Year-to-Date through April 2018 <sup>2</sup> Before depreciation Source: Lake Ashton Golf Club, Inc. & NGF Consulting (June 2018)				

## SUMMARY – THE LAKE ASHTON GOLF CLUB

The Lake Ashton GC is a good quality golf club in a desirable location in central Florida within a master-planned community that is nearing build-out in the next few years. The site is proximate to a growing part of the state, with numerous new residences planned for the area in the near future. The facility is a mid-level private club within a community of approximately 1,650 residences upon completion. Presently, only approximately one-quarter of the community residents are club members. It should also be noted that all the Lake Ashton homeowners have a strong vested interest in retaining the economic health of the club in order to sustain the key community amenity that supports the value of these homes. At about 15 years of age, most club elements are comfortably within the life-cycle periods on many of the key infrastructure items (**Appendix A**). Other findings from NGF Consulting's review of LAGC:

- LAGC offers a good quality golf facility and support amenities that should be marketable in the local Lake Wales market. The club has not allowed non-residents to be members and LAGC may not be well known in the area outside the community gates. Both golf courses place a premium on accuracy (not length) and water hazards and environmentally sensitive areas impact play on most holes. The difficulty of the courses could adversely affect the appeal to potential members – this illustrates the importance of the club hosting member clinics by the professional staff.
- The overall condition of the golf course playing areas were good, with only several items that need to be addressed. The NGF has recommended \$657,000 in one-time capital upgrades and an additional \$11,000 in maintenance expenses that we have identified as important to maximizing the appeal of LAGC (both to improve the club's capture rate of resident members as well as the potential for new non-resident members).
- The membership fees at LAGC are generally appropriate for the market but currently only allow residents to join. This policy must be reconsidered in the future to attract new members in the short term (in lieu of waiting for the traditional organic growth as the home sales progress over the next few years).

- LAGC generated total top-line revenue from all sources of \$1.8 million in 2017 (excluding the promotional membership revenues) – this was consistent with the previous year as well. The primary revenue sources at LAGC include membership fees (including trail fees), golf merchandise sales and food & beverage sales.
- Total operating expenses at LAGC totaled \$2.37 million in 2017, including all direct operating expenses and direct cost of goods sold, but excluding income taxes, depreciation and property taxes. Lake Ashton GC has a modest-sized staff which may require some modification after CDD acquisition (depending on desired service levels). The facility labor expense does not currently include any senior management position for the club. The golf course maintenance is outsourced via contract to a private, third-party vendor – International Golf Maintenance, Inc. (IGM).
- Food and beverage revenue represents approximately 15% of the club's income and shows the importance of ancillary facilities to the economic health of the club operation. There is the potential to grow this key revenue source in the future, including increased social activities for the members as well as making the club available for non-member use, banquets and parties (during the slower summer months primarily).
- The total net income before taxes and depreciation has been negative in recent years. However, the CDD's will benefit from some recent modifications to the IGM maintenance agreement (in terms of annual cost and additional work). Further, the club will not be required to pay the property tax after acquisition from the current owners, saving over \$160,000 in annual expense. Considering these changes, the NGF is estimating that Lake Ashton Golf Club will have to earn at least \$2.2 million in total revenue for the club to break even under ownership by the two CDD's. This level of revenue is very much achievable at this location and in this market environment.

# External Factors Affecting Area Golf and Country Club Operations

The subject Lake Ashton Golf Club is operating as part of a large golf and club economy in an age-restricted community in the Lake Wales / Winter Haven (Polk County), Florida area. In this section NGF Consulting will provide an overview of important factors that characterize the Lakeland area golf and club market.

## MARKET OVERVIEW

The Lake Ashton Golf Club is part of a master-planned community with that will include approximately 1,650 residential units at final build-out (with Lake Ashton East in Lake Wales and Lake Ashton West in Winter Haven). The Lake Ashton Golf Club is situated within the Lake Ashton gated community in a growing market of west-central Florida.

The Lake Wales area is part of the Lakeland–Winter Haven Metropolitan Statistical Area (coterminous with Polk County), which had an estimated population of 661,645 in 2017 (according the State of Florida’s Office of Economic & Demographic Research). The Lake Ashton community is located in both Lake Wales (Lake Ashton East) and Winter Haven (Lake Ashton West) and is also proximate to Haines City and several other Polk County municipalities. This market area has become more and more popular with retirees, with all the main Florida attractions, the lack of population / congestion and the low cost of living (relative to other parts of the state). The region includes a full range of activities to attract residents, seasonal residents, and tourists, including numerous activities present inside Lake Ashton such as golf, tennis, swimming, fitness and a host of social options. The population total in and around this central Florida area can be misleading due to the high number of seasonal (winter-only) residents that populate the area’s housing units.

## Demographic Analysis

The table in **Appendix B** summarizes key demographic measures and trends that relate to golf participation. NGF key observations include:

Local / State / National Summary Demographics					
Summary Demographics	Radials		County Polk County	State Florida	Total U.S.
	5 Miles	15 Miles			
Population 2010 Census	54,331	269,786	602,095	18,801,310	308,745,538
Population 2017 Estimate	59,480	297,379	662,302	20,631,355	324,310,011
Population 2022 Projection	66,198	332,940	739,419	22,619,674	337,744,388
CAGR 2017-2022	2.16%	2.28%	2.23%	1.86%	0.82%
Median HH Income (2017 Estimate)	\$50,884	\$45,349	\$48,013	\$52,517	\$59,240
Median Age (2017 Estimate)	43.6	40.4	40.4	42.0	38.1
CAGR = Compound Annual Growth Rate. Source: Tactician Corporation (2018)					

## Demographic Summary

Key findings from the review of permanent resident demographics:

- The permanent population in the area surrounding Lake Ashton is of modest size, but with some growth observed. This growth tends to be slightly stronger at present in the larger 15-mile market area that includes Winter Haven and Haines City.
- The demographic characteristics of the area show an older population compared to the State of Florida or the US. Median household income is lower in the 15-mile radius as compared to the State, as this reflects a combination of retirees and working population.
- Demographic data shows approximately 5,600 households within 15 miles of LAGC and 1,300 households in the defined 5-mile market with annual incomes in excess of \$150,000 per year, a key “sweet spot” for golf club member prospects. We would normally use households with annual incomes in excess of \$200,000, but most retirees will show well less income.

## Market Area Strengths

- The Lake Wales / Winter Haven areas of Polk County are exhibiting growth, with relatively affordable real estate
- Several new residential communities are planned, proposed or underway in the immediate area that will potentially add over 3,000 new households in the next 5 to 10 years.
- In addition to the projects referenced above, the region still retains large areas of undeveloped land and the possibility for additional residential growth
- The area is continuing to attract a growing retirement market to the numerous HOPA (Housing for Older Persons Act) communities.

## Market Area Weaknesses

- Small total population limits the market for Club membership (as does the mandatory residency requirement)
- The high concentration of more modest-income retirees creates competition for members and golfers in general – this is a price-sensitive market
- Highly seasonal population reduces demand in summer
- Limited commercial and employment activity in close proximity

## Key Economic Factors

Lake Ashton GC is located in both Lake Wales and Winter Haven, growing communities located in central Polk County. The Lakeland-Winter Haven Metropolitan Statistical Area (MSA) includes all of Polk County and had an estimated 2017 population of 661,645 (State of Florida). The area is characterized by the growing retirement market in Lake Wales and Winter Haven and is certainly proximate to Lakeland (less than 20 miles away). However, Lake Ashton is also close to Orlando (about 30 miles away) and Tampa (about 50 miles away). Recent growth has been strongest in / around the Lakeland area and north of Lake Wales on the east and west sides of US Highway 27. Found below is a summary of Polk County population since 1980:

Polk County Population		
Year	Total Population	% Change by decade
1980	321,652	-----
1990	405,382	26.0%
2000	483,924	19.4%
2010	602,095	24.4%
2016	666,149	10.6%

Following are some key observations highlighting the economy, transportation, and visitation characteristics of the Lake Wales / Winter Haven area and the possible impact on LAGC operations:

- The Lake Wales / Winter Haven area economy is relatively small, with focus on a few key employers and industries (such as retail / service industry, healthcare and government). For Polk County, the largest non-government employers include Publix Supermarkets, Lakeland Regional Health, Walmart, GEICO Insurance and Winter Haven Hospital. The area's tourist industry has also grown in recent years with LegoLand Florida and the Streamsong Resort.
- There are several planned and proposed residential projects in close proximity to Lake Ashton that merit mention:
  - The 3rd phase of the Traditions by Lennar project will be approved by the City of Winter Haven in the near future – this final phase will include approximately 300 new homes (and this on-going project is less than 1 mile west of the Lake Ashton community)
  - The Preserve at Lake Ashton is on the north side of Thompson Nursery Road (across from Lake Ashton) – this planned unit development (PUD) could be approved later this year and break ground in early to mid-2019. On a preliminary basis, the project could include up to 1,747 residential units.
  - Harmony at Lake Eloise is in the preliminary approval stage. This 350-acre mixed-use project will be located on the west side of Lake Eloise (about 5 miles from Lake Ashton) and could include up to 1,500 residential units. This developer is known for Harmony in eastern Osceola County but the new project will not include any golf or equestrian amenities.
- The Lake Wales / Winter Haven areas are served or are proximate to various major roadways. The key roads near Lake Ashton include US Highway 27 (1.7 miles), State Road 60 (6 miles) and the Polk Parkway / SR 570 (~14 miles).
- **Climate** - As with any outdoor recreation, weather will have impact on golf participation. NGF data estimates that almost all golf is played with temperatures between 50 and 90 degrees Fahrenheit. The data suggests that golf can be played year-round but can be interrupted by periods of extreme summer thunderstorms and lightning. Peak summer heat generally arrives in early June and continues to early October. The combination of high temperatures and high humidity result in significant thunderstorm activity from June to September. This part of western Florida records more lightning strikes per area than any other region in Florida or the U.S.

## NATIONAL GOLF INDUSTRY OVERVIEW

While socio-demographic, financial and cultural headwinds certainly persist for golf, the industry continued its macro trend toward stabilization in 2015 - 2017. The game remains popular and is fortunate to have a deep well of interested prospects. While golf's pay-for-play green fee revenues and other spending will always be vulnerable to outside forces such as weather and the economy, its chief challenge remains ***getting more of those non-golfers who express interest in playing ('latent demand') to actually give golf a try and converting more beginners into committed participants.***

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

### Key Trends in Demand:

- **Participation** - The national golfer number (participation) continues to show some net attrition, primarily among occasional/less committed golfers. Overall, NGF survey research indicates that in 2017 there were 23.8 million people in the U.S. that played at least one round of golf in the prior year, about ±900,000 fewer than in 2013. However, the vast majority of “core” golfers remain in the game.
- **Rounds Played** - Nationally, rounds played were down 8.9% year-over-year through April 2018, at least partially attributable to weather events. For Florida overall, rounds were down 5.1% for the first 4 months of 2018 versus the previous year. The Greater Orlando market was up 1.8% through April 2018 – despite being down 0.8% for April (data source: Golf Datatech – see [Appendix C](#)).
- **Baby Boomer Effect** – As Baby Boomers age and retire over the next 15 years, we expect to see a measurable increase in total rounds played in the U.S., with particular effect in retirement locations like Central Florida. This generation (born between 1946 and 1964) is presently 53 to 72 years old. About 6 million of them are golfers; that's about 1/4 of all golfers, and they currently play about 1/3 of all rounds. Boomers started turning 65 in 2011, and already 1 million+ golfing Boomers have reached retirement age. The Social Security Administration reports that 10,000 or more Boomers retire every day. And ~300,000 Boomer golfers will turn 65 each year for the next 15 years. Retired Boomers (age 65+) play about twice as much as younger, non-retired Boomers (40 rounds vs 21 rounds).

### Golf Course Supply

The correction in golf course supply continued in 2017 at a level comparable with the previous several years. According to NGF data, since the market correction in golf course supply began in 2006, there has been a cumulative net reduction of golf courses equivalent to 6.9%. For perspective, golf supply grew by 44% in the previous 20 years (1986-2005). Closures continue to be disproportionately high among ‘value’ priced (peak green + cart fee below \$40) facilities; in 2017, over 60% of closures fell in this category. There were 205.5 course closures in 2017 in the US.

Many golf courses shutter due to competitive dynamics; increasingly, however, golf courses – especially in geographies where developable land is at a premium – are closing because residential or commercial is a much “higher and better use”. This phenomenon has been particularly acute in areas of Central Florida, as 12 golf courses (10.5 18-hole equivalents) have closed in Polk County since 2002. These closures include seven 18-hole regulation-length courses and two 18-hole par-3 courses. This move toward supply/demand equilibrium may continue for several years (but at a more modest pace) and should positively impact Lake Ashton GC.

## Other Measures of Health

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

- **Investment in Facilities:** Investment in major renovation projects has replaced new construction as the largest source of U.S. golf course development activity. NGF tracked just under 1,000 major renovations completed since 2006, representing at least \$3 billion. New development activity also remains in the pipeline, with NGF tracking 150 facilities currently under construction and another 45 in planning stages (as of mid-June 2018).
- **Engagement:** Several years ago, NGF developed a scale to gauge engagement/passion for golf. NGF annual golfer survey research indicates that the number of engaged golfers has remained steady at 20 to 21 million for the past four years. But the proportion of engaged golfers has increased from 78% to 85% over this period. These engaged golfers are responsible for ±95% of rounds played and equipment spend. Those more engaged are significantly more likely to continue playing.
- **Beginners:** The number of beginners rose to a record 2.6 million in 2017, surpassing the record set in 2000 when Tiger Woods was in his prime and drawing newcomers to the game in unprecedented numbers. Since 2013, the compound annual growth rate (CAGR) in beginners is an impressive 6.5%.
- **Off-Course Participation:** Driven primarily by the popularity and growth of Topgolf, a non-traditional form of golf entertainment, there were an estimated 21 million off-course (involves only those activities that involve hitting a ball with a golf club) participants in 2017, about 40% of whom did not play on a golf course.
- **Latent Demand:** Overall interest in playing golf remains very high. NGF survey research indicates that the number of non-golfers who say they are “very interested” in taking up golf has doubled over the last five years, growing at a CAGR of nearly 16% and now totaling 14.9 million people. There are an additional 27.8 million non-golfers who say they’re “somewhat interested” in taking up the game. Together, these two cohorts represent about 1.7 prospects for every existing golfer.

## Local Club Market

The data displayed below shows the NGF-estimated club market in the local Lake Ashton area, as compared to the State and total U.S. The data shows a more favorable market for memberships close to Lake Ashton (higher demand index), with a large overall market within 15 miles of the club in 2017.

Local Area Golf Demand – 2017					
<i>Club Demand Indicators</i>	Lake Ashton GC 5-Mile Ring	Lake Ashton GC 15-Mile Ring	Polk County	Florida	U.S.
# of Golfing Households	3,845	15,502	37,073	1,168,983	17,175,900
# of Other Club Households*	1,538	6,200	14,829	467,593	6,870,360
Projected Total Rounds	141,814	543,493	1,243,584	37,612,630	455,965,000
<i>Comparative Indices</i>					
Golf/Club Household Index	123	103	107	103	100
Rounds Index	170	136	135	125	100
Source: NGF, 2017. *Other club households include potential tennis and social members (40% golf households)					

- There are an estimated 3,800 prospective country club families living within five (5) miles of Lake Ashton GC, with the potential to demand as many as 142,000 rounds of golf each year.
- NGF's Golf Demand model indicates that golf participation rates in the local market are about 5% - 20% higher than the national household participation rate of 13.9%.

### Local Golf Supply

The following are some summary NGF observations regarding key golf supply measures for the local golf market. Please see the supporting tables in [Appendix B](#).

- The Lakeland-Winter Haven MSA (Polk County) has adequate supply to meet the demand with 44 total golf facilities (12 private) comprising 828 total holes (207 private). The data show a more modest per-capita supply of private golf, with 28% **fewer** permanent households in the MSA available to support club operations (Index = 72).
- Golf supply overall is “unfavorable” in the market (both public and private), with 38% fewer households to support each golf course and thus the market requires the influx of seasonal residents, tourists and other outside sources to support golf operations.

Golf Supply Summary – 2017					
	Lake Ashton GC 5-Mile Ring	Lake Ashton GC 15-Mile Ring	Polk County	Florida	U.S.
Total Golf Facilities	5	19	44	1,008	14,754
Public Golf Facilities	2	12	32	614	11,006
Private Golf Facilities	3	7	12	394	3,748
Total Golf Holes	90	351	828	20,664	250,146
Public Golf Holes	27	216	621	11,871	181,458
Private Golf Holes	63	135	207	8,793	68,688

<b>Household / Supply Ratio - 2017</b>					
<b>SITE: Lake Ashton Golf Club</b>	<b>Lake Ashton GC 5-Mile Ring</b>	<b>Lake Ashton GC 15-Mile Ring</b>	<b>Polk County</b>	<b>Florida</b>	<b>U.S.</b>
Households per 18 Holes: Total	4,543	5,590	5,460	7,157	8,959
Households per 18 Holes: Public	15,144	9,085	7,280	12,459	12,351
Households per 18 Holes: Private	6,490	14,535	21,841	16,820	32,628
Households Supply Index: Total	62	64	65	82	100
Households Supply Index: Public	150	76	63	104	100
Households Supply Index: Private	24	46	72	53	100
Source: National Golf Foundation, 2017					

### Growth of New Facilities

There had been considerable new golf facility development in the Polk County market since 1995 – with the equivalent of twelve 18-hole courses developed and opened for play. However, there has been limited growth in the golf market since 2005 – Providence GC in Davenport (2007), the 3 Streamsong courses (two in 2012 & one in 2017) and the West Course at Lake Ashton (2006). In the previous 10-year period (1995-2005), NGF counts 7 new facilities (representing 15% of the total golf supply inventory) was added. This overall growth has clearly contributed to the increasing competitiveness of the area golf market.

### Proposed New Golf Courses

The NGF database shows no other new golf course construction projects in planning or ongoing in the Polk County area as of June 2018. The most recent addition to the Polk County market was the opening of the Black Course at the Streamsong Resort in late 2017.

### Closed Golf Courses

As previously mentioned, Polk County has seen the closure of 12 golf facilities since 2002. Four of the closed courses were shorter par 3 or executive length facilities. The most recent closures in 2014 included the Skyview Golf & Country Club in Lakeland and Diamondback Golf Club in Haines City.

## Golf Course Market Supply / Demand Summary

Using the most basic measures of golf demand and supply, we note four possible combinations for any given market area: (1) favorable demand and favorable supply (“opportunity”); (2) favorable demand and unfavorable supply (“active”); (3) unfavorable demand and favorable supply (“inactive”); and (4) unfavorable demand and unfavorable supply (“saturated”). The review of Data for the Lake Ashton GC area suggests an “active” market, with a favorable rounds index and unfavorable household/supply ratio. Further, these measures are enhanced by the transient markets that contribute significant golf demand during the year (seasonal residents & tourists) and can be a strong source of rounds volume for LAGC in the future. Also, the lower rounds indices in the market suggest a resident golfer population that could be stimulated to play more golf, and thus LAGC staff should be active in developing appropriate promotions and programs to stimulate greater activity.

**Latent Demand** – People who express an interest in playing golf but have not yet started include beginners, former golfers (gave it up), and those who have never tried. The demographic profile of latent demand tends to be more female and younger than the population as a whole. Surveys show these golf-interested non-golfers cite several barriers to entry in golf, including the cost and social aspects (no one to play with). The latent demand population is comparable to the golfer population, and NGF estimates 6,900 in the 5-mile market, with over 30,000 within 15 miles of LAGC.

### Golfers per 18 Holes

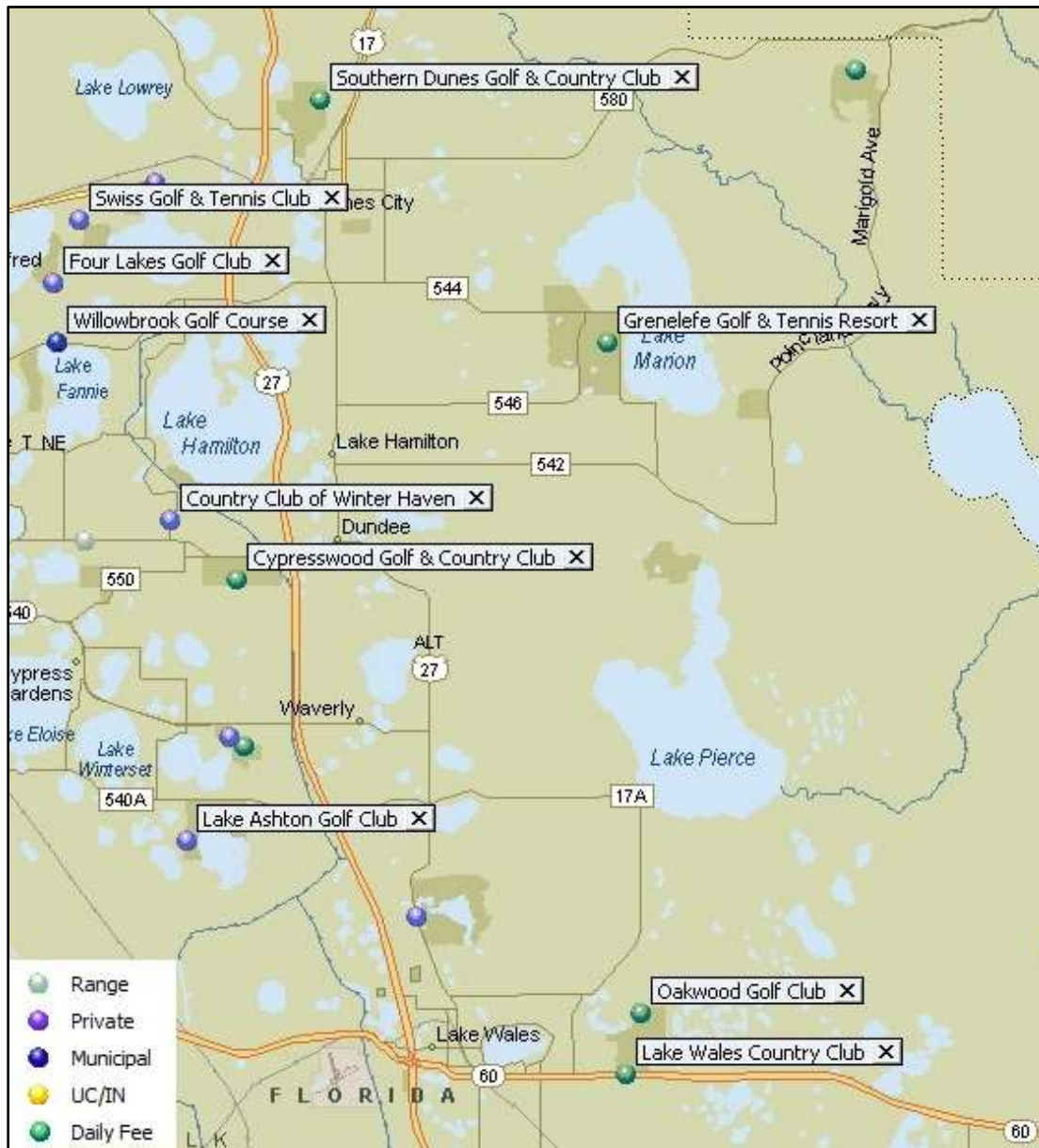
NGF has also evaluated the relative strength of these markets with a comparison to a national “threshold” of golfers per golf course within 10 miles of a golf course. In its 2009 publication *“The Future of Public Golf in America,”* NGF hypothesized that the best predictor of a public golf course’s success was the number of golfers per 18 holes within a 10-mile radius, with 4,000 identified as the key number for projected financial stability. As shown in the table below, the local Lake Ashton 10-mile market is well below this threshold, suggesting strong over-supply of golf courses. In fact, the entire State of Florida has a low golfer-to-golf-course ratio, showing the importance of the seasonal resident and tourist populations that are needed to sustain golf operations in the state.

Market	Est. No. of Golfers	Total 18-H Equivalent	Golfers per 18 holes
Lake Ashton GC (10-Mile Ring)	12,550	13.0	965
<b>Total U.S. “Threshold” for Successful Public Golf</b>			<b>4,000</b>
<b>Aggregate Lakeland MSA</b>	<b>52,273</b>	<b>44.0</b>	<b>1,188</b>
<b>Aggregate State of Florida</b>	<b>1,626,861</b>	<b>1,008.0</b>	<b>1,614</b>
Source: National Golf Foundation			

### LOCAL COMPETITIVE GOLF MARKET

NGF has identified nine key comparable facilities that stand out as being the most important competition to the Lake Ashton GC as it is operated in 2018. These facilities are a combination of public, semi-private and private facilities – they include three (3) private courses; four (4) semi-private courses; one (1) daily fee course; and one (1) municipal golf facility. Most of the courses are developed in conjunction with a residential community (with most allowing non-resident play as members or daily fee players). We note that these facilities offer a variety of fees and amenities, but they also attract several different golfing segments from the local market. This list was not meant to be totally exhaustive or to account for all of the potential competition to LAGC. Rather, NGF Consulting is presenting this information to offer a frame of reference in evaluating actual performance of the subject LAGC in recent years. At the end of this section, we provide our significant findings regarding the competitive market.

## Competitive Golf Facilities Map



## Summary Information

The following tables provide summary information for the Lake Ashton Golf Club and a selection of other area golf facilities.

Lake Ashton Golf Club and Primary Key Competitors – Summary Information						
Golf Facility	Location	Type	Year Open	Par / Slope	Front Tee/ Back Tee	Location Relative to Lake Ashton*
<b>Lake Ashton Golf Club</b>	<b>Lake Wales</b>	<b>PR - 36H</b>				-
The East Course		18	2001	70 / 125	3,722 / 5,996	
The West Course		18	2006	70 / 124	3,832 / 5,704	
Cypresswood Golf & CC	Winter Haven	SP – 18H	1974	72 / 128	4,529 / 6,816	4.4
Country Club of Winter Haven	Winter Haven	PR – 18H	1950	72 / 135	5,220 / 7,021	5.3
Oakwood Golf Club	Lake Wales	SP – 18H	1993	71 / 141	4,906 / 6,681	8.2
Lake Wales Country Club	Lake Wales	SP - 18H	1924	72 / 134	4,990 / 7,072	8.3
Willowbrook Golf Course	Winter Haven	MU - 18H	1967	72 / 128	5,209 / 6,372	8.5
Four Lakes Golf Club	Winter Haven	PR – 18H	1995	72 / ---	4,447 / 5,313	9.5
Swiss Golf & Tennis Club	Winter Haven	PR - 18H	1985	60 / ---	2,540 / 2,910	10.4
Grenelefe Golf & Tennis Resort	Haines City	SP – 36H				10.8
The South Course		18	1971	71 / 126	4,885 / 6,869	
The East Course		18	1977	72 / 127	4,980 / 6,802	
Southern Dunes Golf & CC	Haines City	DF - 18H	1993	72 / 138	4,987 / 7,227	12.5
*Air miles from subject site, rounded to 1/10 <sup>th</sup> -mile; actual driving distances will likely be greater. Type: PR – Private; DF – Daily Fee; SP – Semi-Private; MU – Municipal						

## Competitive Fee Analysis

Summary Operating Data – Lake Ashton Golf Club and Primary Competitors					
Golf Facility	Rounds 2017	Winter Season 18-Holes Green Fees & Carts WD/WE	Winter Season 9-Holes Green Fees & Carts WD/WE	Summer Season 18-Holes Green Fee & Carts WD/WE	Summer Season 9-Hole Green Fee & Carts WD/WE
<b>Lake Ashton Golf Club</b>	<b>46,761</b>	<b>\$45</b>	<b>\$25</b>	<b>\$25</b>	<b>\$15</b>
Cypresswood Golf & CC	28,000	\$42	\$20	\$20	\$10
Country Club of Winter Haven	20,000 <sup>1</sup>	\$75	\$40	\$55	\$30
Oakwood Golf Club	28,000 <sup>2</sup>	\$40	\$20	\$25	\$10
Lake Wales Country Club	22,500	\$45	\$25	\$32	\$20
Willowbrook Golf Course	35,000	\$45	\$25	\$21	\$15
Four Lakes Golf Club	18,000	\$30	\$15	\$20	\$10
Swiss Golf & Tennis Club	20,000 <sup>1</sup>	\$25	\$15	\$20	\$10
Grenelefe Golf & Tennis Resort	25,000 <sup>1</sup>	\$60	\$25	\$16	\$10
Southern Dunes Golf & CC	38,000	\$120	\$49	\$55	\$35

<sup>1</sup> NGF Consulting estimate; <sup>2</sup> Rounds played in 2016 as the

Season Passes & Membership Offerings – Lake Ashton Golf Club Primary Competitors					
Golf Facility	Number of Members	Single	Couple	Family	Trail Fees Single/Family
<b>Lake Ashton Golf Club</b>	<b>370</b>	<b>\$3,900</b>	<b>\$5,050</b>	<b>-----</b>	<b>Included</b>
Cypresswood Golf & CC <sup>1</sup>	56	\$2,400/\$3,000	-----	\$3,600/\$4,500	Included
Country Club of Winter Haven	230	\$4,740	-----	\$5,400	None
Oakwood Golf Club	100	\$550	-----	\$890	None
Lake Wales Country Club	105	\$2,550	-----	\$3,700	Included
Willowbrook Golf Course <sup>2</sup>	800	\$70	-----	-----	None
Four Lakes Golf Club	230	\$1,800	\$2,470	-----	Included
Swiss Golf & Tennis Club	250	\$750	\$1,500	-----	Included
Grenelefe Golf & Tennis Resort	130	\$3,100	\$4,000	-----	Included
Southern Dunes Golf & CC <sup>2</sup>	NA	\$89	-----	-----	None

<sup>1</sup> Resident / Non-Resident Pricing. <sup>2</sup> Season pass that entitles purchasers to discounts – not a membership or pre-paid green fees.

## General Findings – Local Supply

NGF Consulting research indicates the following general findings regarding the supply of golf facilities in the Lake Wales / Polk County market.

- The local market area offers a variety of golf facilities, with many courses developed in conjunction with a residential community. In some cases, the residential community is not affiliated with the on-site golf facility (such as at Southern Dunes in Haines City). The pricing for green fees (or guest fees) fall within a reasonably narrow range but membership pricing is much broader.
- 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.
- As is the case in most markets nationally, local golf operators report a general decline in rounds activity, with a peak around 1999-2000, and severe drops in 2006, 2010 and 2013, with recovery in 2015 and decline again in 2016 and 2017. 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. Total rounds activity among golf courses in this market tends to be in the range of 24,000 to 28,000 per 18-hole course annually ([Appendix B](#)).
- In addition to flat or reduced activity, there has been downward pressure on green fees in this market area. While Lake Ashton GC has guest green fees at or near the market average, the membership fees are at the upper price levels for the area.
- Six of the nine facilities we reviewed operate as semi-private or traditional public courses. All but 2 of these facilities reviewed by NGF have some form of pre-paid green fee program (referred to as memberships). These programs have many variations and discounts to suit the needs of the golfer, but all are seeking to “lock in” players at one specific course. The “membership rates” cover a very wide range – from under \$1,000 annually at the lower end of the market up to about \$5,500 at the Country Club of Winter Haven. The average membership fee (including trail fees) at Cypresswood, Lake Wales CC and Grenelefe Resort average approximately \$2,700 for a single and \$3,800 for a couple or family. In our opinion, Cypresswood G&CC is most directly comparable to LAGC and their membership rates are approximately 15% to 30% less (although it has only one golf course).
- All members at Lake Ashton GC must be community residents and approximately 25% of the residents are currently members. Other key competitors do not have this residency requirement and attract members from a broader potential target market. The NGF believes that the Lake Ashton membership could be expanded if non-residents could join the club – however, there should a pricing differential between residents and non-residents.
- The NGF expects that Lake Ashton GC could grow to at 450 memberships (or more) in the next few years. This assumes the current community participation rate is increased and/or the implementation of a new non-resident membership category. However, future pricing must be developed based on market conditions, the price sensitivity in the area and the quality of the product being provided.

## EXTERNAL FACTORS SUMMARY

It is important that the Lake Ashton community and homeowners understand that despite positive market findings, there are still external market (uncontrollable) challenges for strong economic performance of Lake Ashton GC. Below is a summary of our market findings:

- The Lake Wales/Winter Haven resident demographics are generally favorable for golf and club demand. Incomes in the immediate Lake Ashton market area are slightly higher than Polk County and the State of Florida. The household income in the 5-mile market may also be somewhat understated as most retiree populations live off their “nest egg” as opposed to wages. NGF is estimating there are about 3,800 golf and /or country club prospect families living within five miles of LAGC.
- The Lake Wales / Winter Haven (Polk County) area is experiencing stronger population growth on a percentage basis than the State of Florida or the US. A key positive for the area is the location of Polk County as a desirable destination for out-of-area residents to retire and other Florida residents to re-locate. Polk County has the appeal to continue to attract interested prospects, thus providing LAGC an increasing base of potential new residents and members. The seasonal nature of the market and its economy provides advantages and challenges to club operations.
- From a macro perspective, we note that contrary to popular belief, golf is not dying and we expect new prospects for golf and club communities in Polk County to be prevalent (especially among the retiree market). However, LAGC may find that to remain economically viable, the club will have to rely on potential members who are not residents of the Lake Ashton community. To this end, golf alone will not solely drive demand for these clubs and communities. The identified trends in clubs that a wider variety of high quality amenities are driving demand and there are many existing amenities within Lake Ashton. As a result, NGF expects that amenities other than golf (pool, casual dining, tennis, clubhouse, fitness) would be important in attracting a non-resident member segment.
- On the negative side, there is a clear un-favorable demand/supply ratio in the local market, with far more golf courses per-capita than the total US. Our research has also shown that this local area is a price-sensitive golf market and increasing pressure to reduce fees to attract market share. While not unexpected, we have seen local golf courses utilizing new ideas to continue to attract customers to the facilities, including deeper discounts and pre-paid green fee arrangements.
- There is a significant amount of new and proposed residential development for the immediate area near Lake Ashton. With the continued development of the final phase of the Traditions community and the two proposed projects (the Preserve at Lake Ashton & Harmony at Lake Eloise), there will be a strong pool of prospective members available, and none of these projects are planned to include golf.
- The national trends in golf facility operations show increasing expense to operate golf courses and country clubs, particularly in maintenance. Further, while our research notes a general stabilization in the growth of golf rounds demanded, there are considerably more golf facilities present to divide up the total volume of play.
- The golf industry as a whole has experienced a reduction in rounds and revenue since 2000, and this has been felt by all courses in this market. Public courses in the market have experienced declines in play but signs of stabilization and improvement are underway. There is opportunity to increase membership and revenue at the LAGC, but some new investment in the facility and marketing will be required.

# NGF Findings & Recommendations for the Lake Ashton CDD's

Based on our evaluation of the Lake Ashton Golf Club operation and condition, the area market, options for improvement, and consideration by the two Districts' to potentially acquire the facility, the NGF presents the following recommendations to assist the Lake Ashton CDD's in formulating a course of action for the acquisition. The goal of these recommendations is to help the two Districts identify the parameters within which an acquisition can be successful and to help document the best strategy for this success. These recommendations have been organized into: (1) Preliminary overall findings; (2) Physical recommendations; and (3) Operational recommendations.

## PRELIMINARY ACQUISITION CONCLUSION

In considering a course of action for the Lake Ashton CDD's, we first review the key findings made by NGF in this analysis. The NGF study suggests:

- The basic supply/demand equation is expected to improve in the coming years as the final 270 residential units (+/-) are developed and added to the existing 1,350 residences (+/-) in Lake Ashton. Success at LAGC for two CDD's will depend on the ability to engage the Lake Ashton population to higher club participation.
- There are several existing communities in the immediate area plus a significant number of planned and proposed new residences on the horizon – these all represent potential members for LAGC. In our opinion, the club could easily attract non-resident members from the local area – this would enable the club to quickly add new members (versus waiting for the expected organic growth as from Lake Ashton residents as the community approaches final sell-out).
- The Lake Ashton GC is presently in good condition, and new investment in upgrades will likely be minimal for the next several years. The NGF identified approximately \$657,000 in recommended upgrades, the most significant of which is improvement to greens and practice amenities.
- The on-going operation of LAGC will require a qualified club general manager to oversee all facets of the golf course operations. At present, the LAGC ownership group is providing this service and it will be necessary to include key senior staff in any new LAGC operating budget after acquisition.
- The Lake Ashton Golf Club will probably function best as a middle to upper-middle market private golf club. Lake Ashton residents have access to the multitude of community amenities (excluding golf) as homeowners in the community – hence, the value proposition must be defensible. For non-resident members, providing access to all the community amenities (in addition to golf) should be part of the recruitment efforts. The NGF recommends against operating as a public golf operation and against a high-end “premium” club operation.
- This facility has adequate excess capacity to support higher levels of play from a larger membership base. However, there needs to be significantly improved efforts in marketing to existing residents (and to attract a new non-resident membership market) to grow revenues at the Lake Ashton GC.

The NGF review of this market and subject facility suggests that there is opportunity for the Lake Ashton GC, under CDD ownership, to produce revenues that should be adequate to sustain basic day-to-day operations and begin collecting some amount of capital to address future upgrades. However, the revenues generated from the continued operation of the LAGC are not projected to be adequate to cover the amortization of the initial investment to acquire the facility. Thus, any acquisition cost should not be tied directly to the golf and club income.

**Given this reality, NGF recommends that the Lake Ashton CDD I and II proceed with the facility purchase only if there is no expectation that the golf course operation will be able to pay off the acquisition-related expenses.** Even with no direct acquisition expense tied to the golf operation, the CDD's economic interest in the facility will continue to be at risk for bad weather and other unpredictable factors that may reduce revenue, increase costs, or limit funds available to sustain operations. Any contribution from an alternative funding source (such as CDD reserve funds) separate from the golf facility used to amortize the initial capital investment will help to mitigate this risk and help the facility move towards a break-even status in the near future. We note that the ability to increase various member and non-member uses of the facility (banquets, parties, etc.) will help support all club operating expenses.

## PHYSICAL RECOMMENDATIONS

The NGF inspection of the Lake Ashton GC showed a golf facility in generally good condition, with only minor capital needs identified as the club elements were within their expected life cycles. If the two Districts acquire the Lake Ashton GC, we also recommend that a capital replacement reserve be established to fund future improvements (if net revenues are available). The total NGF-recommended improvements for LAGC are estimated to be \$657,000 and include key items that we believe are needed to (1) bring the facility to its ideal level of condition and marketability and (2) achieve the revenue projections made in this report.

### Summary of Capital Investments:

The NGF-identified "wish list" of short-term improvements that will enhance the overall presentation and quality of the club and its amenities are shown below, with NGF-estimated costs. The preliminary NGF recommended upgrades include (in priority order):

Item	One-Time Capital Expense	Annual Recurring Items
Greens Re-Grassing	\$252,000	
New Greens Mowers	75,000	
Bunker Reduction	20,000	
Tree Additions	40,000	
Tee Position Changes	20,000	
Practice Area Renovation	250,000	
<b>Total One-Time Capital Expense</b>	<b>\$657,000</b>	
<b>Annual Items</b>		
Pigmentation Program		\$6,000
Improve Green Surrounds		5,000
New Mowing Pattern		0
<b>Total One-Time Capital Expense</b>		<b>\$11,000</b>

## OPERATIONAL RECOMMENDATIONS

The NGF recommendations for day-to-day operation of the Lake Ashton GC, should the two Districts acquire the club, include: (1) Senior staffing and management; (2) Marketing; (3) Fees; and (4) Programming (including new golfer development).

### Senior Staffing and Management

If the LAGC is acquired, the new ownership group will have to establish a basic structure for operations and management. At present, the current ownership group is operating the facility with Jim Lee serving in the General Manager role (Mr. Lee is part of the ownership group but there is no salary being paid to him through the club operation). Upon the sale of the club, the ownership group will cease management immediately upon turnover. At that time, the CDD's will be responsible to commence management and operations. The most common management options are shown below (these are not intended to be exhaustive, as there are hybrids and variations thereof), presented in order from most direct owner involvement to the least direct owner involvement:

1. **Self-Operation.** Under this scenario, the new owners would operate the property directly, with all staff employed by the Lake Ashton CDD's. This structure would require ownership to create a program of operation and retain the appropriate expertise and all employees. The advantage of this structure is direct CDD control over the asset and its day-to-day operation. The disadvantages include political challenges (changing tastes and Board shifts could impair ideal operation), and the difficulty in finding qualified professionals with appropriate skills to properly staff a complex club business. Self-operation remains the most common form of club operation nationwide, although the recent trends are away from this model.
2. **Concession Agreements:** These are similar to 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 owner contracting for one, some, or all of these services. One subset of this concept includes multiple concessions, a system in which the owner creates multiple contract agreements for separate entities for each facet of the golf operation (not unlike to the current arrangement with the maintenance function outsourced). The advantage is a shifting of some risk to a private vendor, while a common challenge is keeping concessionaires in place (as was experienced in past Lake Ashton I clubhouse F&B operations). This form of operation is common in public golf but very rare in community-owned country club operations.
3. **Full-Service Management Contract.** Hire a management company to operate all aspects of the Lake Ashton GC. The CDD's would continue to earn all revenues, be responsible for all expenses (salaries, maintenance, liabilities, capital) and pay a management fee to an operator. This concept will have added expense to an owner (management fee), but may end up enhancing the overall economic picture through golf expertise and employment expense savings. There is also a significant advantage in having a single operator for all aspects of club operations (pro shop, F&B and maintenance).

4. **Lease (or Hybrid Contract).** Lease the Lake Ashton GC to a private operator in exchange for an annual (or monthly / quarterly) lease payment. The lease could be established to include certain lessee requirements, including capital investment in facility improvements, maintenance standards and/or restrictions on fees. A hybrid agreement would provide some advantages of a management agreement with certain provisions to help share the risk. Again, the NGF notes that this form of agreement is more common in public golf and rare in community-owned country club operations.

**The NGF recommends that the Lake Ashton GC will always require professional management, and that the joint CDD ownership should employ a trained professional club manager (preferably a member of the Club Managers Association of America – CMAA), either through direct employment or management contract.** This form of management will offer the golf club the greatest chance for success in the operation and provide the CDD's with adequate hands-on control so as to maximize the implementation of the member program elements and bring professional management for operations and marketing, which will be required for success at this property.

## Marketing

A marketing emphasis is critical to success in golf and country club operations. A strong marketing program should work to increase membership at the facility, as well as non-golf use (banquets, parties, etc.). Strategies may include advertising to create a brand image and maintain awareness, developing a public relations campaign, and increasing utilization of web and even print strategies (if appropriate). An effective and comprehensive marketing plan must incorporate research, planning, strategy, market identification, budget, advertising, timetable, and follow-up. Advertising should be tracked adequately to gauge its effectiveness.

Efforts to enhance golf activity at LAGC should include (in order of importance): (1) Website; (2) E-mail programs; (3) Golf school / lesson programs; (4) Member clubs & leagues; (5) Printed promotions / advertisements and (6) improved signage. While some of these activities exist under the current operation, these efforts (particularly web and e-mail) will need to be enhanced in the coming years of operations.

## Technology

LAGC would benefit from maximizing the POS technology that is available. Use of newer golf-specific POS systems will allow the course to enhance initiatives such as:

- Loyalty program modules
- Customer database segmentation through enhanced reporting
- Direct email-to-the-consumer marketing and integration with social media
- Web site remodeling to become the central focus of the golf marketing

**E-mail** – E-mail databases are essential in today's golf market place, as a means of staying in touch with the club's customer base. The Districts should look to significantly grow the club's e-mail database. E-mail marketing is the most cost-effective advertising possible. In today's market, it is essential to have and use an e-mail database. E-mails can be captured from customers via a sign-up sheet at the pro shop, with a notice that people on the e-mail list will receive notice of special promotions.

**Website and Internet** – We noted that the Internet is the most cost-effective form of advertising for golf facilities. At present, the Lake Ashton Golf Club does not have a website and the limited reference to the facility is through the community website ([www.lakeashton.com](http://www.lakeashton.com)). A club website should include the key features typically associated with successful golf and country club facilities – this includes club information, the ability for members to make tee times, description of the various facilities, restaurant menu, etc. The development of a club website should be a high priority item.

**Social Networking** - Social networking is the fastest growing marketing tool in golf and country clubs. The Club should become more active with Facebook and Twitter, which should be used to communicate “what’s going on” type of messages (who won a tournament, who had a hole-in-one, etc.). This tends to help build loyalty and repeat activity.

### Direct Selling

**Tournaments and Outings** – Golf staff should commence direct marketing to tournament and outing prospects to develop this business at Lake Ashton GC (this will also necessitate an increase in the golf cart fleet). Prospects that should be proactively contacted include charities, churches, civic organizations, corporations and small companies.

**In-House Leagues** – The golf staff has been very active and successful in cultivating, promoting and facilitating golf leagues and group play at LAGC. It may be possible to recruit new club members to join existing leagues – this will also serve to help them meet other members.

### Programming

Programming and new player development will be one of the critical elements to the long-term viability of Lake Ashton GC and will be necessary for the facility to successfully increase participation among community residents and build overall market share in the Lake Wales / Winter Haven area. Key recommendations for programming include:

- Work with the PGA of America for specific descriptions of programs that work, and how to properly implement and promote these programs (i.e. “Get Golf Ready,” and LPGA’s “Teaching Her” program).
- Specialized programs for Lake Ashton residents
- Programs such as “Wine and 9” to engage women and more social golfers
- **Increased Women’s Participation** - This represents a major “industry best practice” and is recommended by NGF to every golf course we review. At present, women account for about 20% of golf participants, but 40% of beginners. There are many reasons why female golf participation is low, but increasing participation from women is one of the keys to maximizing revenue. The most common issues relate to golf course difficulty, retail selection, on-course services (restrooms, drinking fountains), food / beverage selection, and customer service.

# Lake Ashton GC Preliminary Financial Projections and Warranted Investment

Presently, Lake Ashton GC is operated as a private golf facility with use by club members, with only Lake Ashton community residents able to join. The NGF has reviewed the financial performance of the LAGC operation for 2016 and 2017 (with partial year-to-date data for 2018 through April) and we have used the historical performance as a basis for future projections. In this section, we evaluate the facility's economic potential and provide estimates of performance based on a set of assumptions that may or may not become reality. We feel that these estimates represent the best effort to create a "fair estimate of performance" for this golf club facility based on our complete review of the operation. The NGF has assumed a general continuation of the existing operational program (with professionally-trained on-site management or some other full-service management contract with a qualified golf management entity), with economic results expected to be similar.

We feel that these projections represent a "conservative but fair estimate of performance" for this facility based on our complete review of the operation and implementation of the suggested operational modifications by NGF. We recognize that these projections could be exceeded with outstanding management and favorable external factors.

## LAKE ASHTON GC FISCAL PERFORMANCE METRICS

The primary source of revenue at the Lake Ashton GC is generated from the membership and guest fees, representing approximately 75% to 80% of total annual revenue. Addition key sources of revenue comes from golf shop merchandise sales and the food & beverage sales in the Eagle's Nest. In total, these revenue drivers generated just over \$1.8 million in 2017. For the 2 complete years of revenue information we reviewed, 2017 was the peak year for revenue (\$1.827 million - \$39.09 per round) but 2016 was the peak year for rounds (49,329 rounds).

Total LAGC expenses to operate the facility have been examined closely in this consulting assignment. Overall, it is expected that the operational expense structure for LAGC will remain very comparable to the current operation. We have assumed that the maintenance function will continue to be outsourced at the current pricing structure but we have added a General Manager position and included a management fee beginning in Year 1 (more below).

## PRELIMINARY FINANCIAL ANALYSIS – LAKE ASHTON GOLF CLUB

NGF Consulting has created a cash flow model for the continued operation of the Lake Ashton GC under the assumption of ownership by the two CDD's and professional golf management in place immediately upon turnover. The primary assumption that drives the NGF Consulting financial projections is that the Lake Ashton GC will be operated with improved course conditions and similar service at a level consistent with the previous few years. This includes the limited physical enhancements to the property, as well as operational, marketing, programming and professionalism in management.

## Basic Assumptions

- The club will continue to operate in similar fashion to today, with the majority of play generated by club members. However, we are recommending the addition of a new non-resident membership category to attract current and future residents from the local area. This new category could be a temporary option until the resident membership is sufficient to support the club internally.
- Activity will be derived from facility members, guests, club-hosted member events, a limited number of non-member tournaments/outings and some employee/volunteer complimentary rounds.
- Physically, all club amenities will remain in the present configuration with no major upgrades expected over the next five-year period. The existing Eagle's Nest clubhouse will continue to function with its present configuration, with required repairs and upgrades as needed.

## Activity Inputs

- The facility activity inputs are estimated by NGF as shown in the table below:

Lake Ashton Golf Club 5-Year Projected Activity Inputs					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Membership Projections</b>					
Family	135	140	145	150	150
Single	85	90	95	100	100
Super Senior Family	10	10	10	10	10
Super Senior Single	20	20	20	20	20
Non-Resident Family	12	15	20	25	25
Non-Resident Single	8	12	15	20	20
Seasonal Family	75	80	85	85	85
Seasonal Single	25	30	35	40	40
<b>Total Projected Members</b>	<b>370</b>	<b>397</b>	<b>425</b>	<b>450</b>	<b>450</b>
<b>Projected Annual Rounds</b>					
Facility Members	46,250	49,625	53,125	56,250	56,250
Guests/Events/Outings	1,500	2,000	2,500	2,500	2,500
<b>Total Rounds</b>	<b>47,750</b>	<b>51,625</b>	<b>55,625</b>	<b>58,750</b>	<b>58,750</b>
Rounds per Golf Member	125	125	125	125	125

- The projected membership activity reflects modest growth in the existing membership categories – the projected increase is approximately 15% over the current number of members at Lake Ashton. The key factors in the projected membership growth are (1) the addition of the new non-resident membership category; (2) the on-going flow of new members from home sales (both new properties as the developer moved towards final build-out & resales); and (3) the club implementing more aggressive marketing & retention programs to grow the number of resident members and retain existing members longer.

- The new non-resident membership category is intended to represent an incremental source of additional members – not a replacement for community residents. The limited number of golf options for area residents in the immediate area (outside the Lake Ashton community) is not expected to change in the foreseeable future. It is entirely possible that there could be additional contraction among the area golf courses, further reducing the number of golf facilities. With several thousand existing and planned residential units within approximately 4 miles of Lake Ashton, NGF sees this as an important market for the future under CDD ownership. We also recommend that a maximum number of non-resident members be implemented – perhaps 10% or 15% of total membership. This will help to limit demand for golf as well as the other Lake Ashton community amenities that may need to be included as part of the non-resident membership benefit program.
- The on-going sale of the remaining new homes from the developer is projected to yield approximately 40 to 50 new memberships annually for the next 4 to 6 years (until sell-out). The resale market sold through Lake Ashton Resales could yield another 20 to 40 members annually (assuming the two CDD's elect to continue providing promotional memberships to these new residents). To maintain a conservative approach, we project that approximately 30% of these new members will elect to renew once their promotional membership expires.
- Current membership participation from within the community is approximately 25%. Our projections do not reflect much growth in this figure. However, we believe that the number of resident members could (and should) be higher – perhaps approaching the 30% to 35% range.
- Golf activity is held relatively steady as the average rounds per member is maintained at the general level from the past 2 years (approximately 125 rounds per membership).
- NGF also recommends that the LAGC should actively market for a limited number of outside (non-member) events, specifically during the less active off-season months. This play would be in addition to accompanied guest play, but these rounds should represent less than 5% of total play annually.

## Revenue Inputs

- Revenues are projected based on LAGC continuing with its same basic fee structure with minimal changes once the facility is acquired. NGF also assumes a consistent inflation in revenue inputs of 1.0% increases every year for membership fees, guest green cart fees and pro shop merchandise sales and 2.0% increases in food and beverage revenue:

**Lake Ashton Golf Club  
5-Year Projected Revenue Inputs**

<b><u>Membership Dues</u></b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Annual Family	\$5,000	\$5,050	\$5,100	\$5,150	\$5,200
Annual Single	\$3,850	\$3,890	\$3,930	\$3,970	\$4,010
Super Senior Family	\$4,000	\$4,040	\$4,080	\$4,120	\$4,160
Super Senior Single	\$3,100	\$3,130	\$3,160	\$3,190	\$3,220
Annual Non-Resident Family	\$5,500	\$5,560	\$5,620	\$5,680	\$5,740
Annual Non-Resident Single	\$4,250	\$4,290	\$4,330	\$4,370	\$4,410
Seasonal Family	\$4,500	\$4,550	\$4,600	\$4,650	\$4,700
Seasonal Single	\$3,475	\$3,510	\$3,550	\$3,590	\$3,630
<b><u>Other Fees</u></b>					
Golf Shop Sales Per Round	\$2.50	\$2.53	\$2.55	\$2.58	\$2.60
F&B Sales Per Round	\$5.50	\$5.61	\$5.72	\$5.84	\$5.95
Avg Non-Member Green Fee <sup>1</sup>	\$25.00	\$25.25	\$25.50	\$25.76	\$26.02

<sup>1</sup> Including cart fee

## Expense Estimates

NGF Consulting has prepared estimates of expenses for the Lake Ashton Golf Club under the ownership concept previously discussed, with the employment of professional management (either as CDD employees or management contract) and the continuation of the International Golf Maintenance (IGM) maintenance contract. NGF assumes a consistent inflation in expenses of 2.0% per year for our 5-year projections. A summary of key expense assumptions that support the NGF projections are as follows:

- Payroll expenses are comparable to the last two years, with the existing staff structure, benefits and positions (FT/PT mix) plus the addition of a General Manager position (at an annual salary of \$85,000).
- Utilities and insurance expenses are set at levels comparable to 2017 actual.
- We have assumed that the current cart lease will be paid off and the existing 12-cart fleet will transfer to the CDD's. Additionally, we have also assumed that an additional 10 golf carts will be leased (at \$1,000 per cart annually) – these will be needed to accommodate the new non-resident members and a modest increase in non-member play from summer outings.
- Expenses for advertising have been added to the budget at \$15,000 annually. This is slightly below the club standard of approximately 1.0% of gross revenues but this will also be a new activity for LAGC.
- NGF has assumed there will be a management agreement with a qualified operator, with this expense projected at \$50,000 in Year 1. The General Manager salary is in addition, as management fees are typically separate from all wages that are ultimately the club's responsibility.
- The golf maintenance contract with IGM is assumed to continue. The LAGC ownership was able to negotiate a more favorable rate from IGM in approximately

April 2018 (now at approximately \$93,300 per month or \$1.12 million annually). IGM also agreed to maintain the community ponds as part of their scope of services and this will be a savings of approximately \$27,000 annually. The maintenance equipment used on the Lake Ashton courses are owned by the club and much of it is relatively new. Should the club elect to make a change in the future (either to another vendor or bringing this function in-house again), there is adequate equipment to do so without incurring a significant capital expense.

- Direct cost of sales for merchandise (70%) are assumed based on industry standards. For a traditional F&B operation, the industry stand is a 40% cost of goods sold. Due to the lack of a kitchen in the Eagle's Nest, we have utilized the direct cost of sales at 50% for the F&B operation.
- All figures have been rounded to the nearest \$100 for simplicity.

### Golf Club Operating Expenses (CDD Operation)

General and administrative expenses have been estimated to be \$583,000 in the first year after full CDD control of the operation. The general, administrative, and golf operations expenses have been estimated based on the operation of a good quality golf club.

<b>Estimated General Operating Expense Lake Ashton Golf Club (Year 1 Estimate – Real 2018 Dollars)</b>	
<b>Salaries &amp; Wages</b>	
<i>Full-Time Employees</i>	
Facility General Manager	\$85,000
Head Professional / Dir. Of Golf	75,000
Benefits & Taxes @ 33%	52,800
<i>Part-Time Labor</i>	
Pro shop, golf support, etc. (8,000 hours @ \$15.00/hr.)	120,000
<b>Total Salaries &amp; Wages</b>	<b>\$332,800</b>
Cart Lease	10,000
Advertising & Promotion	15,000
Insurance	25,000
Management Fee	50,000
Other / Professional Services / Utilities / Bldg Repairs	150,000
<b>Total General Operating Expense</b>	<b>\$582,800</b>

### Golf Course Maintenance Expenses

Golf course maintenance expenses have been estimated at \$1.2 million under the current IGM contract after acquisition, growing at 2.0% per year to just under \$1.3 million by the fifth year of operation. In most golf operations, labor represents approximately 55% to 60% of the total maintenance budget. However, LAGC is 36-holes and a relatively small property (well under the standard 120-acres per course). As a result, we project that the maintenance labor budget will be closer to 40% of the total maintenance budget.

We project that the club's maintenance staff will be comprised of the following positions: 1 course superintendent; 1 assistant superintendent (perhaps 2); 1 mechanic; 1 irrigation technician; and approximately 18,000 to 20,000 labor hours (a mix of full-time & part-time staff).

### Food & Beverage Operating Expenses (CDD Operation)

For the food and beverage operation at the Eagle's Nest, the expenses are estimated at \$243,000 in Year 1 under the CDD's operation. The budget for the F&B operational expenses reflect a limited menu operation that also reflects the same operational hours as the golf course.

<b>Estimated General Operating Expense Lake Ashton Golf Club (Year 1 Estimate – Real 2018 Dollars)</b>	
<b>Salaries &amp; Wages</b>	
<i>Full-Time Employees</i>	
F&B Manager	\$65,000
Assistant F&B Manager	35,000
Benefits & Taxes @ 33%	33,000
<i>Part-Time Labor</i>	
Servers & support staff, etc. (6,000 hours @ \$10.00/hr.)	60,000
<b>Total Salaries &amp; Wages</b>	<b>\$193,000</b>
Equipment Leases & Rental	15,000
Supplies	15,000
Equipment Repairs & Maintenance	10,000
Other (laundry, pest control, etc)	10,000
<b>Total F&amp;B Operating Expense</b>	<b>\$243,000</b>

### 5-Year Cash Flow Statement – Lake Ashton Golf Club Projection

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow statement in the following exhibit:

<b>Projected 5-Year Cash Flow Analysis Lake Ashton Golf Club CDD Operation</b>					
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Membership &amp; Guest Fees</b>					
Annual Family	\$675,000	\$707,000	\$739,500	\$772,500	\$780,000
Annual Single	327,300	350,100	373,400	397,000	401,000
Annual Super Senior Family	40,000	40,400	40,800	41,200	41,600
Annual Super Senior Single	62,000	62,600	63,200	63,800	64,400
Annual Non-Resident Family	66,000	83,400	112,400	142,000	143,500
Annual Non-Resident Single	34,000	51,500	65,000	87,400	88,200
Seasonal Family	337,500	364,000	391,000	395,300	399,500
Seasonal Single	86,900	105,300	124,300	143,600	145,200
Guest & Tournament Fees	37,500	50,500	63,800	64,400	65,000
<b>Total Memb. &amp; Guest Fees</b>	<b>\$1,666,200</b>	<b>\$1,814,800</b>	<b>\$1,973,400</b>	<b>\$2,107,200</b>	<b>\$2,128,400</b>
<b>Other Revenue:</b>					
Merchandise	\$119,400	\$130,400	\$141,900	\$151,300	\$152,800
Food & Beverage Sales	\$262,600	\$289,600	\$318,300	\$342,900	\$349,800
<b>Total Other Revenue</b>	<b>\$382,000</b>	<b>\$420,000</b>	<b>\$460,200</b>	<b>\$494,200</b>	<b>\$502,600</b>
<b>Total Golf Revenue</b>	<b>\$2,048,200</b>	<b>\$2,234,800</b>	<b>\$2,433,600</b>	<b>\$2,601,400</b>	<b>\$2,631,000</b>

<b>Less Cost of Sales: (COS)</b>					
Merchandise	\$83,600	\$91,300	\$99,300	\$105,900	\$107,000
Food/Bev.	\$131,300	\$144,800	\$159,200	\$171,500	\$174,900
<b>Total COS</b>	<b>\$214,900</b>	<b>\$236,100</b>	<b>\$258,500</b>	<b>\$277,400</b>	<b>\$281,900</b>
<b>Operating Margin</b>	<b>\$1,833,300</b>	<b>\$1,998,700</b>	<b>\$2,175,100</b>	<b>\$2,324,000</b>	<b>\$2,349,100</b>
<b>Operating Expenses</b>					
Golf Payroll & Related	\$333,000	\$339,700	\$346,500	\$353,400	\$360,500
Golf Operating Expenses	200,000	204,000	208,100	212,300	216,500
F & B Payroll & Related	193,000	196,900	200,800	204,800	208,900
F & B Operating Expense	50,000	51,000	52,000	53,000	54,100
Golf Maint Payroll & Related	720,000	734,400	749,100	764,100	779,400
Golf Maint Operating Expense	480,000	489,600	499,400	509,400	519,600
Course Management Fee	50,000	51,000	52,000	53,000	54,100
<b>Total Expenses</b>	<b>\$2,026,000</b>	<b>\$2,066,600</b>	<b>\$2,107,900</b>	<b>\$2,150,000</b>	<b>\$2,193,100</b>
<b>Net Operating Income (Loss) before taxes, deprec &amp; capital</b>	<b>(\$192,700)</b>	<b>(\$67,900)</b>	<b>\$67,200</b>	<b>\$174,000</b>	<b>\$156,000</b>

### Cash Flow Results (under operation by Lake Ashton CDD I & II)

The results of NGF Consulting's preliminary cash flow projection indicate that if the Lake Ashton Golf Club is acquired and operated as presented, with slight improvements in membership (both total number & membership options) for the initial 5 years, the facility is fully capable of generating revenues in the range of \$2.0 million (+/-) in the first year after acquisition, perhaps increasing to as high as \$2.6 million within five years as the surrounding area grows. These revenue projections are full achievable and are comparable to actual revenue totals earned by this facility in previous years as reported by ownership.

Considering all preliminary expense estimates prepared by NGF Consulting for this study, the stabilized annual earnings before interest, taxes, depreciation and amortization (EBITDA) is likely to be exceed \$150,000 (+/-) within four years. We note that NGF has assumed inflation to be higher for expenses than revenues, which is consistent with our golf industry observations. This is a conservative and realistic estimate is based on NGF experience of similar golf club properties with good amenities and comparable service. The analysis suggests that the LAGC operation will be capable of covering its day-to-day expenses after several years. Upon stabilization of the membership and club revenues, there is expected to be some net income available for capital cost reduction (debt service). However, we project that the LAGC facility will require external funding (possibly CDD assessment) to cover large-scale capital costs associated with acquisition, any initial upgrades / improvements, additional working capital and the operational losses will likely occur in the initial years.

## PRELIMINARY ESTIMATE OF VALUE

NGF Consulting has prepared a preliminary estimate of the level of investment warranted for the Lake Ashton Golf Club. This estimate is based on a limited review of basic market indicators, such as “income capitalization,” which essentially establishes a level of investment that is warranted based on the LAGC operational expectations for the next five years of operation.

***NGF Consulting wishes to emphasize that this is not a certified appraisal of value, nor do we expect this estimate to be sufficient to secure financing, nor induce investment. Rather, this exercise has been completed as simply a “consultant’s estimate” of value of the property as a 36-hole community golf course based on the consultant’s experience and the data assembled for this report.***

### Income Capitalization

The Income Capitalization Approach quantifies the subject's income-producing capabilities, and converts anticipated benefits, in terms of dollar income derived from ownership, into an estimate of the level of investment that is “warranted” for the LAGC facility **with the Lake Ashton CDD I & II as the purchaser**. An analysis of the income-generating characteristics of the property, and how they impact the net income available for providing both a return on and a return of the original investment, is typically considered paramount to a potential buyer.

The primary metric for valuing a golf course asset is the Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA) multiple or capitalization of those earnings (CAP Rate). In the absence of significant EBITDA, the Gross Revenue Multiple (GRM) is often used as an alternative valuation metric. Following the golf market downturn that has lasted since approximately 2008, the sales of numerous courses are operating at a loss, resulting in a greater reliance on GRM for determining value. With GRM's generally ranging from .9x to 1.25x, the source and quality of the revenue (as perceived by a prospective buyer) can significantly influence the eventual price they are willing to pay (1.0x is average).

### Warranted Investment Based on Gross Income

The actual economic performance of LAGC over the last two years showed total gross revenue of about \$1.54 million in 2017, with net operating loss before income taxes, depreciation and real estate taxes & bond debt of nearly \$550,000 – well below a “break-even” level. The net operating loss in 2016 was -\$440,000. With little confidence in the two years trailing EBITDA in the LAGC operation, the NGF sees the GRM valuation as most relevant for this property. A summary of estimated LAGC warranted investment value in June 2018:

<b>Lake Ashton Golf Club Warranted Investment Estimate Based on Historical Revenue</b>		
<b>Warranted Investment Estimate – Gross Revenue Multiplier</b>	<b>Low Estimate</b>	<b>High Estimate</b>
2017 Gross Revenue	\$1,537,000	\$1,537,000
x GRM	0.9	1.25
<b>ESTIMATED VALUE</b>	<b>\$1,383,300</b>	<b>\$1,921,300</b>

<p style="text-align: center;"><b>Lake Ashton Golf Club</b>  <b>Warranted Investment Estimate Based on Projected Future Revenue</b></p>		
<b>Warranted Investment Estimate – Gross Revenue Multiplier</b>	<b>Low Estimate</b>	<b>High Estimate</b>
Gross Revenue (NGF “Year 3” Estimate)	\$2,175,000	\$2,175,000
x GRM	0.9	1.25
<b>ESTIMATED VALUE</b>	<b>\$1,957,500</b>	<b>\$2,718,800</b>

### Warranted Investment Summary

Based on both historical and projected revenue generation at LAGC, the level of investment that is “warranted” for the acquisition of the Lake Ashton Golf Club (based on the current performance) is between \$1.38 million (lowest estimate) and \$1.92 million (high estimate). Given the state of the golf facility industry at the present time, the NGF Consulting team has high confidence that this range would form a good foundation for establishing a fair sales price for the asset if it were to be sold to the Lake Ashton CDD I & II. **The NGF opinion of Warranted Investment for the LAGC property is approximately \$1,400,000, with additional costs required for other expenses and to complete the actual transaction, plus any additional upgrades to be desired by the CDD’s after acquisition.** The NGF notes that this estimate was intended to reflect the “warranted investment” appropriate for the CDD’s and would not apply to any other purchaser given the uniqueness of the property ownership.

### LIMITING CONDITIONS

The income estimates presented by NGF Consulting have been prepared based on existing and projected market conditions, the quality of the subject facility and the intended segment of the golf market toward which it is oriented. Particular focus was paid to the reality of golf supply in the immediate local market where several golf facilities have been struggling. Proper uses of these estimates include:

- Determining an appropriate level of operating expense the facility can support under the proposed Lake Ashton CDD I & II plan of operation
- Establishing the basis for financing determinations
- Providing guidelines for acquisition cost determinations
- Establishing reasonable parameters to ascertain a fair value for the subject facility

NGF Consulting is confident that our financial projections can be achieved at the subject facility. From a practical standpoint, those managing the facility will need to respond to variable market conditions as well as unforeseen maintenance needs. Due to the fact that these conditions are more likely to change over time, NGF Consulting has limited its projections to a five-year period. Nevertheless, we are confident that the facility will be able to continue to achieve similar results beyond the next five years of operation.

## Market Share Conclusions

When considering the total market share of the subject facility, it is important to realize that the total number of members and rounds to be played at the club during the first few years after acquisition may be lower than the market opportunity appears to suggest. It is typical for an existing community golf club to achieve only a portion of its total potential in the initial years after an acquisition by homeowners. Our estimates of performance for the Lake Ashton GC could change should the following conditions occur:

<b>Stronger Performance</b>	<b>Weaker Performance</b>
Future course closings	New course openings
Faster population growth than projected	Incorrect price levels
Positive regional publicity	Poor customer service
Lack of loyalty to existing courses	Low quality facility
Unforeseen surge in golf interest	Poor yearly weather conditions
Excellent yearly weather conditions	Regional economic recession

It is important to measure a newly acquired facility's likely performance in such a way as to help the CDD's make financial decisions based on realistic expectations. It is obviously possible that membership activity could be greater or less than projected. We note that our estimates for future performance of the LAGC do anticipate increases in activity that may not occur, potentially leading to the homeowners to provide subsidies via CDD assessment to sustain golf operations.

# Non-Economic Value of Retaining Golf

In addition to the direct economic benefit derived from membership, green, cart and other fees, a community golf and country club business brings other value that cannot be measured directly in club economics. Golf courses in master-planned communities provide:

- Open spaces
- A healthy recreational outlet for residents
- A view amenity to attract residents and enhance property values
- Enhancement to the overall quality of life
- Good reflection on the image/brand of a community

Additionally, a golf facility can elevate the quality of life, improve the health and well-being of citizens and provide an outlet for additional programming.

## POTENTIAL IMPACT OF FAILING OR CLOSED GOLF FACILITY ON A GOLF COMMUNITY

The indirect benefits of including a golf facility within the gates of the Lake Ashton community include many factors related to quality of life and the significant impact on property values of residences. While the NGF has not completed a formal analysis of actual property values in communities with struggling or closed golf courses, we can state with a high level of confidence that the impact is almost universally negative. The NGF consultants note several nearby community golf courses that have closed, resulting in considerable decline in the value of adjacent real estate, all other factors being equal.

## Other Benefits of Retaining Lake Ashton GC

From the homeowner's perspective, participating in the Lake Ashton CDD acquisition proposal would provide at least the following additional benefits:

- The generation of political goodwill in the community by maintaining the Lake Ashton GC property as open space and a viable view amenity. This would also avoid the potentially adverse impact of selling the golf facility to a more disinterested third-party that might not have the community's best interest at heart.
- Retain a good quality golf course for the enjoyment of community residents, the continued marketing of Lake Ashton as a wonderful retirement community in which to live, and as a venue to host charitable golf and other events that benefit the community.

# Summary Statement

In summary, NGF Consulting believes that the subject Lake Ashton GC makes for a logical acquisition target for the Lake Ashton CDD I & II and that the Districts have the potential to be successful in the continued operation of the facility. Improved promotion will be required to increase participation in the facility from the Lake Ashton community. With community participation in club membership at 30% (currently at ~25%), the Lake Ashton GC should be able to adequately cover its on-site operating obligations and contribute some capital toward future enhancements as revenue stabilizes. At lower participation levels, it will be necessary to consider a non-resident membership category (at least in the short term). We see external sources of activity as the quickest opportunity to grow club revenue. The NGF fully expects the subject LAGC to produce income sufficient to cover its direct operating costs (including a management fee), but income will not be sufficient to make payments to retire large-scale capital that would be required to acquire and upgrade the facility.

This golf club facility is in good physical condition with no urgent “mission-critical” capital investment required in the short-term, mostly related to the greens, course conditioning and course playability. The golf course maintenance function is outsourced to a private vendor (IGM) and this relationship is expected to remain intact upon turnover. High quality playing conditions are certainly a key goal of the CDD for the sake of the residents and this will not change in the future.

The NGF has presented several ideas to help the District generate this revenue, including increased marketing and programming and creating a new non-resident membership category. Increased membership will grow activity both on the course and for the food & beverage operation. There is a need for more direct outreach to the Lake Ashton community in areas such as free clinics, specials, intro to golf, “wine & nine,” etc. The CDD’s will also need to monitor market trends and retain the market appropriate price. In all, the move to acquire Lake Ashton GC should work to protect the value of homes by controlling the future of the golf course asset.

The financial pro forma projections made by NGF Consulting for this study indicates LAGC will be able to generate enough revenue to cover operating and basic capital expenses, but not enough to cover a large debt service for repayment of purchase. The NGF opinion of value for the subject LAGC is approximately \$1.4 million, an amount that is higher than the reported purchase price. NGF has made this projection based entirely on the direct performance of the golf course operation, and we have not considered any data on comparable golf facility sales or the ancillary benefit to the Districts in completing such an acquisition, such as preservation of open space or any possible income that may be derived from the sale of golf course property that may be freed up in some form of future property reconfiguration.

# Appendices

**A: Golf Course Life Cycle**

**B: Local Demographic, Demand and Supply Data**

**C: National Rounds Played Report**

## 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 106, BROOKFIELD, WI 53005

## APPENDIX B – LOCAL DEMOGRAPHIC, DEMAND AND SUPPLY DATA

### Lake Ashton GC Local Demographics + Golf Demand and Supply Data

Lake Ashton Golf Club	5-mile ring	15-mile ring	Polk County	State of Florida	U.S.
<b>Summary Demographics</b>					
Population 1990 Census	35,161	194,265	405,380	12,936,271	248,584,652
Population 2000 Census	40,684	220,776	483,932	15,982,261	281,399,034
CAGR 1990-2000	1.47%	1.29%	1.79%	2.14%	1.25%
Population 2010 Census	54,331	269,786	602,095	18,801,310	308,745,538
CAGR 2000-2010	2.93%	2.03%	2.21%	1.64%	0.93%
Population Estimate 2017	59,480	297,379	662,302	20,631,355	324,310,011
Population 2022 Projected	66,198	332,940	739,419	22,619,674	337,744,388
CAGR 2017-2022	2.16%	2.28%	2.23%	1.86%	0.82%
CAGR 2010-2022	1.66%	1.77%	1.73%	1.55%	0.75%
Median HH Income (2017)	\$50,884	\$45,349	\$48,013	\$52,517	\$59,240
Median Age (2017)	43.6	40.4	40.4	42.0	38.1
<b>Ethnicity</b>					
White	74.7%	70.6%	72.9%	73.3%	70.4%
African American	13.0%	17.7%	15.9%	16.9%	13.3%
Asian	2.8%	1.9%	2.0%	3.0%	5.7%
All Other	9.6%	9.7%	9.2%	6.9%	10.6%
<b>Hispanic Population</b>					
Hispanic	19.9%	20.5%	20.4%	24.4%	17.5%
Not Hispanic	80.1%	79.5%	79.6%	75.6%	82.5%
CAGR = Compound Annual Growth Rate					

Lake Ashton Golf Club	5-mile ring	15-mile ring	Polk County	State of Florida	U.S.
<b>Golf Demand Indicators</b>					
Total Households	22,716	109,014	251,171	8,216,632	124,506,607
Number of Golfing Households	3,845	15,502	37,073	1,168,983	17,175,900
Projected Golfing Households (2022)	4,004	16,033	38,231	1,220,899	17,934,830
Projected Annual Growth Rate	0.80%	0.70%	0.60%	0.90%	0.90%
Seasonal Golfing Households	325	1,265	4,084	129,542	732,421
Latent Demand/Interested Non-Golfers	6,938	30,568	74,448	2,711,326	40,573,960
Household Participation Rate	16.90%	14.20%	14.80%	14.20%	13.80%
Number of Golfers	5,279	22,459	52,273	1,626,861	23,832,510
Rounds Potential (resident golfers)	141,814	543,493	1,243,584	37,611,630	455,965,500
Estimated Course Rounds (in-market supply)	175,078	759,743	1,876,945	43,446,630	455,965,000
<b>Demand Indices</b>					
Golfing Household Participation Rate	123	103	107	103	100
Seasonal Golfing Households	243	197	277	268	100
Latent Demand/Interested Non-Golfers	96	85	90	105	100
Rounds Potential per Household (resident golfers)	170	136	135	125	100
Lake Ashton Golf Club	5-mile ring	15-mile ring	Polk County	State of Florida	U.S.
<b>Golf Supply</b>					
<b>Golf Facilities</b>					
Total	5	19	44	1,008	14,754
Public	2	12	32	614	11,006
Public: Daily Fee	2	10	29	519	8,509
Public: Municipal	0	2	3	95	2,497
Private	3	7	12	394	3,748
<b>Public Golf Facilities by Price Point</b>					
Premium (>\$70)	0	1	6	139	1,393
Standard (\$40-\$70)	1	6	10	268	4,087
Value (<\$40)	1	5	16	207	5,526
<b>Golf Holes</b>					
Total	90	351	828	20,664	250,146
Public	27	216	621	11,871	181,458
Public: Daily Fee	27	180	558	10,017	139,761
Public: Municipal	0	36	63	1,854	41,697
Private	63	135	207	8,793	68,688
Non-Regulation (Executive & Par-3)	9	63	171	2,952	20,277
<b>Net Change</b>					
Net Change in Holes past 5 years	0	-18	0	-882	-13,941
Percentage Total Holes Past 5 Yrs	0.00%	-4.90%	0.00%	0	-5.30%
Net Change in Holes past 10 Years	0	-36	-36	-1,143	-19,098
Percentage Total Holes Past 10 Yrs	0.00%	-9.30%	-4.20%	0	-7.10%

Lake Ashton Golf Club	5-mile ring	15-mile ring	Polk County	State of Florida	U.S.
<b>Supply-Demand Ratios</b>					
<i><b>Households per 18 Holes</b></i>					
Total	4,543	5,590	5,460	7,157	8,959
Public	15,144	9,085	7,280	12,459	12,351
Public: Daily Fee	15,144	10,901	8,102	14,765	16,035
Public: Municipal	0	54,507	71,763	79,773	53,748
Private	6,490	14,535	21,841	16,820	32,628
Premium (>\$70)	0	109,014	27,908	47,087	73,716
Standard (\$40-\$70)	22,716	15,573	20,094	27,389	28,602
Value (<\$40)	0	27,254	19,321	44,414	30,826
<i><b>Golfing Households per 18 Holes</b></i>					
Total	769	795	806	1,018	1,236
Public	2,563	1,292	1,075	1,773	1,704
Public: Daily Fee	2,563	1,550	1,196	2,101	2,212
Public: Municipal	0	7,751	10,592	11,349	7,415
Private	1,099	2,067	3,224	2,393	4,501
Premium (>\$70)	0	15,502	4,119	6,699	10,169
Standard (\$40-\$70)	3,845	2,215	2,966	3,897	3,946
Value (<\$40)	0	3,876	2,852	6,319	4,253
<i><b>Household Indices</b></i>					
Total	51	62	61	80	100
Public	123	74	59	101	100
Private	20	45	67	52	100
Premium (>\$70)	0	148	38	64	100
Standard (\$40-\$70)	79	54	70	96	100
Value (<\$40)	147	88	63	144	100
<i><b>Golfing Household Indices</b></i>					
Total	62	64	65	82	100
Public	150	76	63	104	100
Private	24	46	72	53	100
Premium (>\$70)	0	152	41	66	100
Standard (\$40-\$70)	97	56	75	99	100
Value (<\$40)	181	91	67	149	100
<i><b>Rounds per 18 Holes</b></i>					
Rounds Potential (resident golfers)	28,363	27,871	27,034	32,763	32,810
Estimated Course Rounds (in-market supply)	35,016	38,961	40,803	37,845	32,809

## APPENDIX C – NATIONAL ROUNDS PLAYED REPORT





# National Golf Rounds Played Report

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## APRIL 2018

	APRIL	YTD
<b>PACIFIC</b>	<b>2.6%</b>	<b>11.1%</b>
CA	2.0%	10.1%
Los Angeles	-4.1%	4.0%
Orange County	3.3%	13.3%
Palm Springs	0.2%	5.1%
Sacramento	4.7%	10.2%
San Diego	4.1%	11.4%
San Francisco/Oakland	11.1%	23.4%
HI	-2.4%	-0.5%
OR	6.7%	11.1%
Portland	6.8%	33.0%
WA	5.3%	27.3%
Seattle	4.2%	24.0%
<b>MOUNTAIN</b>	<b>7.1%</b>	<b>3.8%</b>
AZ	4.0%	6.2%
Phoenix	1.4%	5.8%
CO	1.7%	-6.9%
Denver	2.6%	-9.8%
ID, WY, MT, UT	14.8%	0.8%
NM	7.3%	5.9%
NV	7.1%	7.3%
Las Vegas	10.7%	4.9%
<b>WEST NORTH CENTRAL</b>	<b>-29.3%</b>	<b>-26.3%</b>
KS, NE	-18.2%	-16.9%
ND, SD	-59.6%	-67.1%
MN	-65.8%	-69.1%
Minneapolis/St. Paul	-67.2%	-71.2%
IA, MO	-11.9%	-11.4%
St. Louis	-6.7%	-20.3%
Kansas City	-18.3%	-12.7%

	APRIL	YTD
<b>UNITED STATES</b>	<b>-13.5%</b>	<b>-8.9%</b>
<b>PUBLIC ACCESS</b>	<b>-14.2%</b>	<b>-9.1%</b>
<b>PRIVATE</b>	<b>-10.8%</b>	<b>-7.9%</b>

<b>EAST NORTH CENTRAL</b>	<b>-33.3%</b>	<b>-32.2%</b>
IL	-27.8%	-22.0%
Chicago	-31.9%	-24.2%
IN	-28.8%	-32.9%
MI	-20.8%	-16.3%
Detroit	-23.7%	-16.9%
OH	-37.7%	-38.7%
Cincinnati	-24.4%	-28.7%
Cleveland	-50.0%	-51.2%
WI	-63.0%	-67.3%
<b>SOUTH CENTRAL</b>	<b>-7.0%</b>	<b>-12.2%</b>
AL	-6.3%	-5.2%
AR, LA, MS	-8.6%	-15.4%
KY	-19.4%	-19.8%
OK	-5.8%	-14.3%
TN	-25.3%	-28.2%
Nashville	-32.8%	-29.7%
TX	1.2%	-8.0%
Dallas/Ft. Worth	-4.2%	-16.3%
Houston	0.2%	-11.5%
San Antonio	5.3%	-3.5%

<b>SOUTH ATLANTIC</b>	<b>-3.3%</b>	<b>-8.3%</b>
DE, DC, MD	-22.6%	-28.9%
Washington/Baltimore	-16.5%	-22.1%
FL	0.0%	-5.1%
Jacksonville/Daytona	0.9%	-8.0%
Orlando	-0.8%	1.8%
Tampa	-2.6%	-4.2%
Palm Beach	5.7%	3.0%
Sarasota	3.1%	5.7%
Naples/Ft. Myers	9.3%	2.6%
Miami/Ft. Lauderdale	8.9%	-4.1%
GA	0.5%	-14.7%
Atlanta	-2.7%	-15.2%
NC	-4.1%	-9.1%
Greensboro/Raleigh	-8.5%	-21.8%
SC	-3.7%	-9.3%
Charleston	-0.3%	-6.1%
Hilton Head	-3.5%	-6.0%
Myrtle Beach	-0.2%	-4.8%
VA	-4.4%	-13.1%
WV	-12.5%	-15.8%
<b>MID ATLANTIC</b>	<b>-37.6%</b>	<b>-34.1%</b>
NJ	-26.4%	-25.4%
NY	-43.4%	-37.0%
New York City	-31.0%	-26.8%
PA	-39.0%	-36.4%
Philadelphia	-26.5%	-27.7%
Pittsburgh	-52.5%	-51.2%
<b>NEW ENGLAND</b>	<b>-45.6%</b>	<b>-40.3%</b>
CT	-29.9%	-24.3%
MA, RI	-26.8%	-23.0%
Boston	-31.5%	-26.6%
ME, NH, VT	-86.4%	-86.4%

The percentages represent the differences in number of rounds played comparing April 2018 to April 2017.  
For more information contact Golf Datatech, [golfroundsplayed@golfdatatech.com](mailto:golfroundsplayed@golfdatatech.com) or call 407-944-4116