

2011

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1921

GLENCOE GOLF CLUB FEASIBILITY STUDY

I. INTRODUCTION AND SCOPE OF STUDY

PCA was engaged by Partners & Sirny, golf clubhouse architects, on behalf of the Village of Glencoe Clubhouse Task Force to:

- Gather and analyze relevant economic and demographic data regarding the market area to determine whether the overall economic environment in the market area appears suitable for development of a meeting/banquet facility for a new golf clubhouse.
- Analyze food & beverage demand for daily golf clubhouse use.
- Perform Primary Research which includes interviews with key demand generators in each sub market.
- Inspect and evaluate competition in the market, represented by hotels, other clubs and other venues identified by the demand generators.
- Prepare estimates of future growth and demand and supply of golf club dining/meeting/banquet facilities
- Make recommendations as to the size and components of the proposed facility.
- Project likely financial results for the first five-year period of operation.

Additional guidance was provided by Village officials Joe Keefe, Larry Levin, and Arnold Levy and Glencoe Golf Course General Manager Stella Nanos.

The Scope of this Study is to define options, suggest facility capacities and investigate the local market to determine whether or not there is sufficient demand to justify the additional costs to include a banquet/private function space in the new clubhouse. It provides data to assist the Village/Glencoe Golf Club in answering the question: *“Does the Village/Glencoe Golf Course want to expand the (1) current successful operating model of individual rounds play as its primary target into an expanded model accommodating (2) larger golf outings or (3) larger golf outings plus additional special events?”*

II. METHODOLOGY

The study was performed from September 19, 2011 through November 10, 2011. Research consisted of:

- Interviews with Glencoe Golf Club GM and Village Officials.
- Personal or telephone interviews with event suppliers in the community.
- Personal or telephone interviews with businesses, Chamber of Commerce and Village officials.
- Site visits to special event venues and other golf and country clubs.
- Interviews with staff of competitive entities.
- Demographic, economic and golf data research.

III. MARKET POTENTIAL

Following in this study are definitions of options for the Village/Glencoe Golf Club to consider in the design of a new golf clubhouse. It is the opinion of PCA that adequate current and future market demand exists for each option to be successful. However, realizing the projected results for a new special events facility of any size within the new clubhouse will require an aggressive marketing process to take market share from existing venues competing for the same business. Evidence of this demand is presented below: "Special Event Income Projection/Payback".

II. DECISION PATHS

The Committee must answer the following question to determine whether or not, and to what magnitude, the new clubhouse should contain a ballroom component:

Does the Village/Glencoe Golf Course want to expand the (1) current successful operating model of individual rounds play as its primary target into an expanded model accommodating (2) larger golf outings or (3) larger golf outings plus additional special events? If so, how will it market and operate the expanded facilities?

FACILITY OPTIONS:

1. Continue current model – improve golfer experience through enhanced facilities including lockers, showers, dining facilities for individual golf play only & smaller outings: 16-64 golfers.
2. Expand to accommodate large golf outings: capacity of 175: 144 golfers plus guests.
3. Expand to accommodate large golf outings plus additional special events: 300 + dance floor capacity.

CONSIDERATIONS for each Option

OPTION 1 – Continue current model with upgraded facility:

- ✓ Maximize efficient space utilization
- ✓ Maximize operational efficiencies
- ✓ Storage
- ✓ Parking
- ✓ Dining Views
- ✓ ½ Way House and “After Golf” dining – 40 seat capacity

OPTION 2 - Expand to accommodate large golf outings: 175 capacity (144 golfers plus guests).

- ✓ How does this fit with current “brand” of *Individual Golf Play*?
- ✓ What competition is available at 175/200/250 seats?
- ✓ What would be your distinctive characteristic that would make GCC a market leader? Would GCC be a differentiator or low cost provider?
- ✓ “Make” or “Buy” decision required. Does GCC want to market and operate an increased capacity special events facility.

OPTION 3- Expand to accommodate large golf outings plus additional special events: 300 + dance floor capacity.

- ✓ How does this fit with current “brand” of *Individual Golf Play*?
- ✓ What competition is available at 300 seats?
- ✓ What additional physical features are required to assure success?
- ✓ What would be your distinctive characteristic that would make GCC a market leader? Would GCC be a differentiator or low cost provider?

Exhibit below provided by Partners & Sirny architects entitled “GLENCOE GOLF CLUB – “Banquet Facility Program Data Sheet” shows the cost of adding a ballroom/special events facility at 175, 250 & 300 seats including all peripheral hard costs.

III. **REQUIRED DECISIONS of Village & Club Management**

- A. What is the “Brand” of Glencoe Golf Club? Does the Village/Glencoe Golf Club want to expand from the “Individual Golf Round” upper end municipal golf club brand it currently espouses to an expanded golf outing & other special events brand? Would it be a “differentiator” or “low cost provider”?
- B. Does the Village/Glencoe Golf Course want to establish the marketing and sales mechanism required to assure success of an expanded clubhouse facility?

- A. Does the Village/Glencoe Golf Course want to outsource the food/beverage/catering operation, or bring the f/b/c management and execution “in house”?

IV. **ECONOMICS/DEMOGRAPHICS**

The Village of Glencoe is an affluent community, surrounded by other affluent communities. It is rated 6th in CNN Money’s Top Earning Towns. Relevant market data includes:

Glencoe Household Income:	\$187,043
10 Mile Radius Household Income:	\$76,136
10 Mile Radius Population	657,438
Glencoe Population	8,800
Glencoe Median home price:	\$1,148,241

As of the date of this report, projections for the US and regional economic growth change almost daily and most likely will continue to do so prior to the 2012 national elections.

Planning for the clubhouse must anticipate 50+ years of use and, as much as possible, anticipate community golf clubhouse needs and wants in the future. Demand for social events subsides with poor economic conditions but is always present. The number of weddings in general fluctuates very little with economic changes; however the number of guests and expenditure per guest varies directly with overall economic health. Corporate entertaining, meetings and training varies directly, as well.

V. Market Analysis: Banquet – Private Event Demand

Interviews were conducted with suppliers to the wedding and social event trade including florists, photographers, bridal shops, formal gown retailers, meeting planners, industry consultants, business managers, and staff of venues identified as competition for private parties/banquets/weddings and golf. Our consultants visited twelve facilities identified as possible competition or examples of successful special event facilities. Based on this research and our experience, we have estimated gross revenues and potential net proceeds in the exhibit titled “Special Event Income Projection/Payback”. We have calculated projections at both 75% and 50% of the primary results. Demand generators are specified and are not all inclusive. Each year as the economy recovers the facility could approach its maximum capacity and realize improved results – and the opposite could occur. Most facilities and managers interviewed indicated that 2011 is ahead of 2010 in demand.

Realization of these identified revenue numbers is contingent upon:

- Taking market share from other venues through having a unique and appealing physical facility. See “Architect’s Considerations”
- Having a spectacular outdoor venue for ceremony and reception.
- Developing a positive reputation for quality events – food, service, décor, marketing materials and billing. It must be “just like downtown”.
- The Service must set the standard for hospitality cultures. Individuals we interviewed who expressed hesitation in recommending building a ballroom in the propose clubhouse were associated with venues that had poor communication processes- did not or took extensive time to return telephone calls and had no methodical marketing processes.
- Ensuring a high “Pricing to Perceived Value” relationship.
- Implementing an aggressive catering sales and marketing action plan
- Establishing marketing and catering sales processes that are proactive, friendly, caring, convenient, responsive and hassle-free.
- Incorporating “yield” management; taking advantage of the design of the facility.
- Establishing relationships with proximate hotels.
- Planning for professional flow control – parking, elevator, pre function spaces, beverage service, food service, butler service, delivery, storage and exit.
- Use IACC (International Association of Conference Centers) certification guidelines as a checklist for design, to assure most prominent place in the market and to attract outside retreats and conferences.

VI. Recommendations – facility

PCA cannot make a recommendation until or unless the Glencoe Golf Club determines the brand it wishes to carry forward. There is adequate demand now and forecast to remain a “golf only” facility. The new clubhouse should have food/beverage facilities for the ½ way function and after golf demand and should seat forty (40) patrons with a bar. There is also more than adequate demand for a ballroom/special events facility that should seat a minimum of 250 plus a dance floor, pre function space, storage and an adequate kitchen – as detailed in the ‘Banquet Facility Program Data Sheet’. Having the minimum 175 seats would allow only golf outings and some other events; however the market is looking for at least 250 seats.

‘Special Event Income Projection/Payback’ exhibit calculates the payback period in years for the three ballroom/banquet facility options with factors for less than the calculated results of 75% and 50%. Payback periods range from 8.14 years to 19.05 years. Worst case for adding a 250 seat facility would occur at 50% of the already conservative calculation of sales and would result in a 16 year payback period.

These calculations are for ballroom/banquet sales only and are based upon GCC managing the food & beverage operation. Outsourcing the operation to Open Kitchens, Michael’s or an equivalent caterer/operator requires a new calculation.

The new Clubhouse components should include:

- ✓ Commanding “Sense of Arrival”: attractive landscaping; covered entrance
- ✓ Ballroom with capacity of 250
- ✓ 250 capacity should include dance floor, space for a band and buffet tables
- ✓ Capacity space calculated utilizing round tables of 10
- ✓ Ballroom configured with flex space
- ✓ Outside wedding/party venue
- ✓ Pre-function space (for cocktails, gathering, etc.)
- ✓ Dramatic views, preferably with golf course and water, for photographs, with blackout capability for meetings and conferences
- ✓ Exceptional technology, AV equipment on site and good sound system & acoustics
- ✓ Adequate parking for events and golf simultaneously
- ✓ Coat check
- ✓ Valet parking
- ✓ Adequate storage for tables, chairs, equipment
- ✓ Upgrade Restrooms
- ✓ Bride’s Room, or area for changing
- ✓ Professional kitchen with hotel grade equipment
- ✓ At least one private room for commonly-requested groups up to 25.

VI Disclaimer

Information in this report and used in the development of projections has been taken from historical records, published data, and other sources which we regard as reputable; however, we cannot assume responsibility for the accuracy of such material. Moreover, since projections of future events are subject to many uncertainties, we cannot represent these statements to be accurate presentation of the results which may actually occur. The accompanying report and projections are based upon assumptions of future events, which in turn are based on present circumstances and information currently available. The projections may be affected favorably or unfavorably by many factors such as revenues, costs, employee relations, taxes, governmental controls, and general economic conditions, among others, and accordingly, there is no assurance that the projections will be achieved

VII. Use of our report

It is expected that our report may be used to assist in obtaining community support and financing for the project. We will have no objection to such use of our report so long as it or any reference to Private Club Associates conforms to the following stipulations:

The report text, with exhibits, is included in its entirety in any such presentation.

All printed material, other information taken from our report and any statement as to its meaning and purpose transmitted to other parties which refers in any way to our engagement or to our firm, is approved by us before using it in such manner.

Clubhouse Feasibility Study – Interviews & Site Visits

Rachelle Anne – Local Photographer

Sally Sprowl- Executive Director Glencoe Chamber of Commerce

Lucy Hayes- Women’s Library Club

Brooke Lawler- The Flower Shop

Rev. Phil Landers-“I Do” Weddings, Ltd.

Jill Ludvigson- Danada House- DuPage Forest Preserve

Brian Bechtold- GM/Head Golf Professional, Bridges of Poplar Creek Country Club

Jeff Plain- General Manager – Green Acres Country Club

Sportsman’s Country Club – Northbrook

Chestnut Florist – Winnetka

Susan - Edwards Florist

Doris Wedding Dresses

Kristen Kwasniewski - Highland Park Country Club

Kathy Blez – Mazel Scheduling Services

Stuart Glass – Independence Grove – Libertyville

Brian Carlson – Royal Melbourne Country Club – Long Grove

Ellen Biebke- Chicago Botanic Garden

Sandy Montgomery – Pinstripes

Amy Bishop – Apple a Day Catering

Vicky Ahern – Wilmette Golf Course Event Coordinator

Steve Nagle-Director of Operations- Glencoe Park District

Banquet Facility Program Data Sheet

Glencoe Golf Club – Partners & Sirny Architects

November 10, 2011

Space Requirements:

Seating Options/SF (10 top 72" rounds)

175 seats	3,024 SF
250 seats	4,032 SF
300 seats	4,760 SF

Dance Floor 20x28 560 SF

Separate Restrooms/Brides Room 800 SF

Service Bars 300-425 SF

Pre Function Lobby

175 seats	1,000 SF
250 seats	1,200 SF
300 seats	1,500 SF

Kitchen 700 SF

Corridors 300-400 SF

Storage 500-700 SF

Total Area

175 seats	7,184 SF
250 seats	8,109 SF
300 seats	9,845 SF

Budget Requirements:

General Construction \$200/SF

175 seats	\$1,436,800
250 seats	\$1,621,800
300 seats	\$1,969,000

Furniture/Kitchen Equipment:

175 seats	\$124,000
250 seats	\$156,000
300 seats	\$164,500

AE Fees: 8.5%

175 seats	\$132,000
250 seats	\$151,000
300 seats	\$181,000

Total Budget:

175 seats	\$1,692,800
250 seats	\$1,928,800
300 seats	\$2,495,000

Economy in Glencoe, Illinois

Economy	Glencoe, IL	United States
<u>Unemployment Rate</u>	8.90%	9.10%
<u>Recent Job Growth</u>	-1.02%	-0.12%
<u>Future Job Growth</u>	29.06%	31.25%
<u>Sales Taxes</u>	7.75%	6.80%
<u>Income Taxes</u>	3.00%	6.25%
<u>Income per Cap.</u>	\$81,685	\$27,067
<u>Household Income</u>	\$187,180	\$52,954
ESTIMATED HOUSEHOLDS BY HOUSEHOLD INCOME		
<u>Income Less Than 15K</u>	2.34%	12.10%
<u>Income between 15K and 25K</u>	2.20%	10.18%
<u>Income between 25K and 35K</u>	3.09%	10.56%
<u>Income between 35K and 50K</u>	2.48%	14.98%
<u>Income between 50K and 75K</u>	9.70%	19.53%
<u>Income between 75K and 100K</u>	9.57%	12.52%
<u>Income between 100K and 150K</u>	13.50%	12.14%
<u>Income between 150K and 250K</u>	9.74%	3.91%
<u>Income between 250K and 500K</u>	27.04%	3.34%
<u>Income greater than 500K</u>	20.35%	0.75%
POPULATION BY OCCUPATION		
<u>Management, Business, and Financial Operations</u>	34.18%	13.81%
<u>Professional and Related Occupations</u>	33.29%	22.68%
<u>Service</u>	4.43%	14.51%
<u>Sales and Office</u>	21.61%	25.22%
<u>Farming, Fishing, and Forestry</u>	0.03%	0.68%
<u>Construction, Extraction, and Maintenance</u>	2.23%	9.37%
<u>Production, Transportation, and Material Moving</u>	1.55%	15.86%

SPECIAL EVENT INCOME PROJECTION/PAYBACK

This “What IF” program (Chart), on the following page, identifies sources of income (demand generators) and the possible projected income from each. Additionally it shows revenues at both 75% and 50% of the initial conservative estimates.

Net Revenue is determined by subtracting Cost of Sales (consumables); Cost of Labor; and Cost of Operating Expenses from the projected income. No allocation for overhead (utilities, insurance, and debt service) is considered. Payback in Years has been calculated using the three revenue projections (100%; 75% & 50%). Additionally an economy or dis-economy of scale factor has been incorporated showing lower results with a 175 seat facility and enhanced results with a 300 seat facility. The payback is determined by dividing the additional cost of construction of each option (175 seats, 250 seats, 300 seats) by the various Net Revenue calculations.

SPECIAL EVENT INCOME PROJECTION/PAYBACK

Demand Generators	Annual	Covers	Check Average	Gross Revenue	75%	50%
Golf Outings	10	144	20	28,800	21,600	14,400
Weddings	26	200	100	520,000	390,000	260,000
Bar/Bat Mitzvahs	20	100	80	160,000	120,000	80,000
Education	9					
High School Sports Banquets	6	200	25	30,000	22,500	15,000
College Fraternities/Sororities	6	100	50	30,000	22,500	15,000
8th Grade Graduation Parties	4	100	40	16,000	12,000	8,000
Business/Corporation						
- Training	52	12	45	28,080	21,060	14,040
- Celebrations	8	50	50	20,000	15,000	10,000
- Meetings	8	40	45	14,400	10,800	7,200
Family Celebrations						
- Birthday						
- Anniversary						
Charities-Fund Raisers	4	200	75	60,000	45,000	30,000
Political Events	4	200	50	40,000	30,000	22,500
TOTAL	157			947,280	710,460	476,140
		Cost of Goods	30%	284,184	213,138	159,854
		Labor	30%	284,184	213,138	159,854
		Operating Expenses	15%	142,092	106,569	79,927
		Net Before Allocation of Overhead	25%	236,820	177,615	119,035
			100%			
	Size factor	175 seats	0.80	189,456	142,092	95,228
		250 seats	1.00	236,820	177,615	119,035
		300 seats	1.10	260,502	195,377	130,939
		Cost of Construction	Payback in years	100%	75%	50%
		175 seats	1,692,800	8.94	11.91	17.78
		250 seats	1,928,800	8.14	10.86	16.20
		300 seats	2,495,000	9.58	12.77	19.05

Architect's Considerations

1. Large windows – floor to ceiling
2. Great views
3. High ceiling
4. Special atmosphere – unique setting – must not look like a hotel
5. Angles –not just square walls
6. Soft, elegant
7. Separate bar/pre-function space
8. Dressing, Changing, Bride's room
9. Outdoor area for ceremony and reception – same capacity as indoor space- consider facing direction so minister/priest/rabbi is not looking into the late afternoon sun.
10. Adequate parking – accommodate golfers and special events.