

## **TOWN OF NATICK GOLF FACILITY STUDY**

The Town of Natick, acting through its then Town Administrator, commissioned the services of Golf Resources Associates to conduct a Golf Facility Study for a Nine Hole executive length public golf facility to be developed on the landfill site and adjacent land in the Town of Sherborn.

A second followup study was conducted by John LaPoint Golf Facilities Consultant dated August 31, 2001. It should be noted John LaPoint was the original Senior Consultant for Golf Resource Associates (GRA).

In March of 1996, GRA submitted the Golf Facility Study to the Town of Natick. The study is based upon what is known as a Golf Market Evaluation i.e.: an evaluation of the probable public golf market potential within the golf facility's site-specific market area.

In the case of the Natick facility, GRA defined the market area to be within a five mile radius of the proposed development, those most likely to participate in golf.

GRA further notes that the defined market area contained approximately 398,000 residents (not golf participants).

GRA further notes that the typical golf participant lives within approximately 10 miles or a 17 minute drive of the golf facility he most often plays.

Within the market area Natick, GRA identified twenty previously established golf courses, all drawing from the same market area.

Six courses within close proximity to Natick were indicated to have estimated number of rounds in excess of 40,000 rounds except one with 35,000.

Given that the total number of residents was 398,000, one has to question how can all these courses draw 10% of the resident population.

Each study concluded that the Natick course could accommodate up to 30,000 rounds in year one, growing to 35,000 in year four.

The key word here is accommodate, not actual rounds which will be played.

Much of the GRA and LaPoint studies relied on golf participation studies market area populations, age groups and studies from 12 years and up and potential rounds that could be played, not actual rounds.

A copy of LaPoint's August 31, 2001 study "Executive Summary" has been included with first year projections highlighted.

Sassamon Trace fell substantially short of year one projections, and year two based upon actual rounds to date, as well as revenues.

Based upon a review of paid invoices, the total fees expended for these services was as follows:

Golf Research Associates	\$ 9,574.00
John LaPoint	<u>\$ 5,570.00</u>
TOTAL	\$15,144.00

Key points in the Executive Summary are as follows:

1. Year One - The course is likely to accommodate 29,750 rounds of play.

Actual Rounds Played - 19,420

The Golf Course Oversight Committee at a Board of Selectmen's meeting July 22, 2002 noted that the projections made by Mr. LaPointe were overly optimistic.

At the September 23, 2003 Board of Selectmen's meeting during the Golf Course Oversight Committee presentation, Mr. Peter Meagher, the golf pro for the course, advised the Board he saw the original golf consultant feasibility study. The projection for year one was almost 29,000 rounds and he (Mr. Meagher) was forecasting 19,000. He also thought the saturation point would be about 30,000.

The LaPointe Executive Summary notes that in year four, 35,000 rounds.

2. Year Four - The course is likely to accommodate 35,000 rounds.

Given Mr. Meagher's experience as a golf pro and his opinion, it is unlikely the 35,000 rounds will be achieved.

3. Mr. LaPointe's estimates are based upon an implementation of an **aggressive marketing strategy**.

The Golf Course Oversight Committee and Sterling Management have implemented numerous advertising alternatives.

4. Year One gross operating revenues generated could be \$725,300.00.

Actual Revenue Generated - \$237,082.00

5. Year One - operating surplus of approximately \$100,900.00.

The Golf Enterprise had a deficit of \$227,945.00.

In fact, \$200,000.00 dollars of the Town's free cash had to be used to subsidize the deficit.

In Year Two, the Golf Facility Study (Page 14) reflects 31,500 rounds and \$783,444.00 dollars in revenues.

Through August of 2003, actual rounds played was 17,261.

Revenues Generated	-	\$410,457.00
Deficit	-	\$525,727.00

Again, free cash in the amount of \$200,000.00 is used to subsidize the deficit.

## Executive Summary

The following executive summary is intended to provide a brief review of significant conclusions and recommendations relating to our evaluation of the operational characteristics of the Sassamon Trace golf facility. Detailed observations and recommendations relating to this summary are included within the text of this report.

### ■ Operating Estimates

- Based on the existing and projected opportunity within the Sassamon Trace Golf Course market area, we estimate that a 9-hole executive length Sassamon Trace public golf facility is likely to accommodate approximately 29,750 rounds of play during its first full year of operation. It is further estimated that a public facility at the proposed development site could reach operational stabilization - in terms of the annual rounds of play that it is likely to accommodate in a typical operating year - in the fourth year of operation at approximately 35,000 rounds.
- These estimates are based on existing and projected market support, the implementation of an aggressive marketing strategy, and the employment of a knowledgeable and experienced public golf facility management team.
- It is estimated that the Sassamon Trace golf facility could generate gross operating revenues of approximately \$725,300 in the first full year of operation and approximately \$1,074,700 in the tenth year of operation.
- It is estimated that the facility could generate an operating surplus of approximately \$100,900 in its first full year of operation and an annual operating surplus of \$355,200 by the tenth year of operation.
- Our estimates indicate that cash flow (surplus revenue plus estimated depreciation) in the first year would approach \$110,900 and, by the tenth year, annual cash flow could expand to \$360,200.
- Cumulative cash flows in the ten years of operation, without allowances for capital debt service, could approach \$2.64 million.

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# **Golf Facility Study**

***Sassamon Trace Golf Course***

***Natick, Massachusetts***

***August 31, 2001 (Draft Copy)***

Prepared for:

**Town of Natick, Massachusetts**

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## Introduction

The Town of Natick, Massachusetts has built a nine hole executive length public golf facility, the Sassamon Trace Golf Course, on the town's landfill site on Route 27 at the Natick / Sherborn town line. Cornish, Silva and Mungeam, Inc., an Uxbridge, Massachusetts based golf course architectural firm designed the par 32 course which measures 2,383 yards from the back tees, 2,175 yards from the middle tees, and 1,744 yards from the forward tees. The golf course, which is partly on land located in the adjoining Town of Sherborn, opened for play on September 1, 2001.

As part of the feasibility study process for this project, in January of 1996, the Town hired the firm of Golf Resource Associates, Inc. of Woodstock, Georgia to prepare a golf market evaluation and operating estimates report. The completed report was delivered to the Town in March of that year.

In February of 1999, the Town retained Mr. John LaPoint of Grafton, Massachusetts, a golf facilities consultant in private practice with more than 25 years of golf industry experience, to provide additional independent evaluation of specific aspects of the feasibility of developing the proposed golf facility. Specifically, Mr. LaPoint was retained to prepare an update of the Operating Estimates Report, the ten year financial projection for the proposed golf facility. This updated report was delivered to the Town in March of 1999. Mr. LaPoint previously served as a senior consultant with Golf Resource Associates, Inc. at the time of the 1996 Town of Natick Golf Facility Study. He conducted all of the field work for the market evaluation, assisted in the preparation of the final report, and presented the completed study report to the Natick Town Meeting.

As part of the continuing planning process for the Sassamon Trace Golf Course, in August of 2001, the Town of Natick again hired Mr. LaPoint to prepare a further update of the Operating Estimates Report, the ten year financial projection for the golf facility. This report was delivered on August 31, 2001.

### ■ Scope of Study

The updated (August 31, 2001) *Sassamon Trace Golf Course Operating Estimates Report* is intended to be a realistic look at the facility's revenue and expense structure during its first ten years of operation. The report is based on information provided by members of the administrative staff of the Town of Natick, Massachusetts, and by Mr. Kevin Osgood of Sterling Golf Management, Inc., the company selected by the town to manage the golf course.

Information provided included the contract between the town and Sterling Golf Management, a list of current golf course and golf car rental fees and charges as approved by the town, and expense information related to the town's specific operational responsibilities under the current management contract. The report is also based on the proposed facility's market opportunity, the type of facility developed, the current operating experience of public golf facilities within the proposed facility's market area, and the past and current operating characteristics of public golf facilities in Massachusetts and the southern New England region.

### ■ Study Limitations

Estimates, projections and analysis presented within the *Sassamon Trace Golf Facility Study* reflect the best judgment of Golf Facilities Consultant John LaPoint within the scope of this assignment. Every reasonable attempt has been made to collect the most accurate information in evaluating probable operating potential for this type of golf facility.

While much of the material in this report, including estimates of resident golf participation and facility operating potential, has been taken from our internal data base of New England golf facility operations, it should be understood by those reviewing this report, that each golf market and development situation is unique unto itself. Consequently, averages, medians, percentages and estimates which will enable a precise prediction of facility operating potential are rarely available.

It should be further understood that conclusions within this report are made on the basis of Golf Facilities Consultant John LaPoint's evaluation of current market area and facility operating characteristics and the application of standards which were found to be applicable to the situations associated with the market opportunity for, and the subsequent operation of, the Town of Natick's Sassamon Trace golf facility.

Please note that this report may not be distributed, copied, or communicated in any manner, *except by the Client, The Town of Natick, Massachusetts*, without the written permission of Golf Facilities Consultant John LaPoint.

### Terms and Abbreviations

The following definitions and explanations concern common terms and abbreviations which are used within the text of this report. Given regional and local variations in the usage of certain golf and market research terms, it is of benefit to become acquainted with the use of such terms and abbreviations as they are used within this report.

#### ■ Common Terms

**Golf Facility:** A golf facility is a private or semi-private golf club, or publicly accessible facility (daily fee or municipal) which offers the opportunity to participate in the game of golf on one or more regulation length, executive length or par-3 golf courses. A golf facility contains at least one nine-hole course and may include several golf courses of the same length or different types of courses such as a regulation length and a par-3 course.

**Private Golf Club:** A private golf club is defined as a golf facility which restricts use to members of the club and their guests. The members may or may not have an individual proprietary interest, or the club may be owned by private enterprise which makes it available to members for dues or fees.

**Semi-Private Golf Club:** A semi-private golf club is defined as a golf facility which is privately-owned but accepts both membership and general public play. Typically, this type of facility affords its members preferential accessibility and restricts play by the general public to "off-peak" periods.

**Daily Fee Golf Facility:** A daily fee golf facility is defined as a golf facility which is privately-owned but open to general public play. Membership opportunities or annual play passes may or may not be available. Resort based golf facilities, including those with guest-only play restrictions, are included in this category of golf facility.

**Municipal Golf Facility:** A municipal golf facility is defined as a golf facility which is owned by a tax-supported agency such as a city, county, town, state, school, park district, or other special tax districts. The facility may be operated by the agency or by private enterprise under the terms of lease agreement or other management agreement. This type of facility is open to the general public and may or may not offer membership opportunities or annual play passes.

**Golf Course:** A golf course is a set of at least nine separate holes and not more than 27 holes and may be of regulation length, executive length or par-3 length.

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## Terms and Abbreviations

**Regulation Length Golf Course:** A traditional length golf course with a total length of over 5,200 yards for 18 holes and a par rating of 66 or more.

**Executive or Mid-Length Golf Course:** A shorter or compact version of the regulation length golf course with a total length of 4,000 yards to 5,200 yards for 18 holes with a par rating of 58 to 66.

**Par-3 Golf Course:** A short course comprised solely of par-3 holes with a total length that is under 4,000 yards for 18 holes and a par of 54 strokes.

**Golf Participation Rate:** The percentage of individuals age twelve or older within a given population or demographic segment that are likely to participate in golf.

**Golf Participants or Golfers:** Persons who engage in one or more rounds of play on a regulation length, executive length, or par-3 golf course. A "public" golf participant is a golfer who plays the majority of his or her rounds of play at a municipal or daily fee golf facility. A "private" golf participant is one who most often participates in the game at a private membership golf club.

**Potential Golf Participants:** Persons within a given population who, on the basis of their demographic profile, are likely to have an inclination to participate in golf. Those included within the potential golf participant segment may, or may not, actually participate in golf.

**Round, or Round of Play:** A unit to measure golf course frequency of play. A round designates one golf participant, and includes play of 9 or 18 holes.

### ■ Abbreviations

**GCSAA:** Golf Course Superintendents Association of America

**NGF:** National Golf Foundation

**PGA:** Professional Golfers Association of America

**USGA:** United States Golf Association

## **Executive Summary**

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### **■ Operating Estimates**

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## Operating Estimates Report

The following pages detail updated (August 31, 2001) income and expense projections for the operation of a 9-hole executive length public golf course known as the Sassamon Trace Golf Course in Natick, Massachusetts. This updated *Operating Estimates Report* includes a user fee schedule as determined and approved by the Town of Natick and anticipated revenue and expenses during the first ten years of operation.

The financial projections provided in this report are based upon Golf Facilities Consultant John LaPoint's ongoing research of public golf facilities in the Sassamon Trace market area as defined in Golf Resource Associates, Inc.'s March 1996 market report, research of other eastern Massachusetts public golf facilities, other comparable public golf facilities in southern New England, and regional and national golf facility operations surveys conducted by secondary sources. In addition, these operating estimates have taken into consideration the objectives of the client in terms of the type of golf course developed and the quality of operating standards.

It should be recognized that the financial operations of any golf course are significantly influenced by the quality of the course's design, competence of management, cyclical economic conditions in the market area and other factors which cannot always be anticipated in a ten year pro forma. The forecasts presented are designed to offer realistic and conservative projections of the likely financial performance of the Sassamon Trace golf course, under current and forecast market conditions and assuming competent facility management.

This report presents a financial and operational projection (pro forma) for the golf course. The pro forma provides cash flow projections for golf course operations. These cash flows are prepared so as to estimate the facility's ability to support capital debt service expenses during the first ten years of operation.

