

# Enterprise and Clubhouse Discussion Meeting # 2

## July 25, 2022

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The road to success and the road to failure are  
almost exactly the same

*Colin R. Davis*



# AGENDA

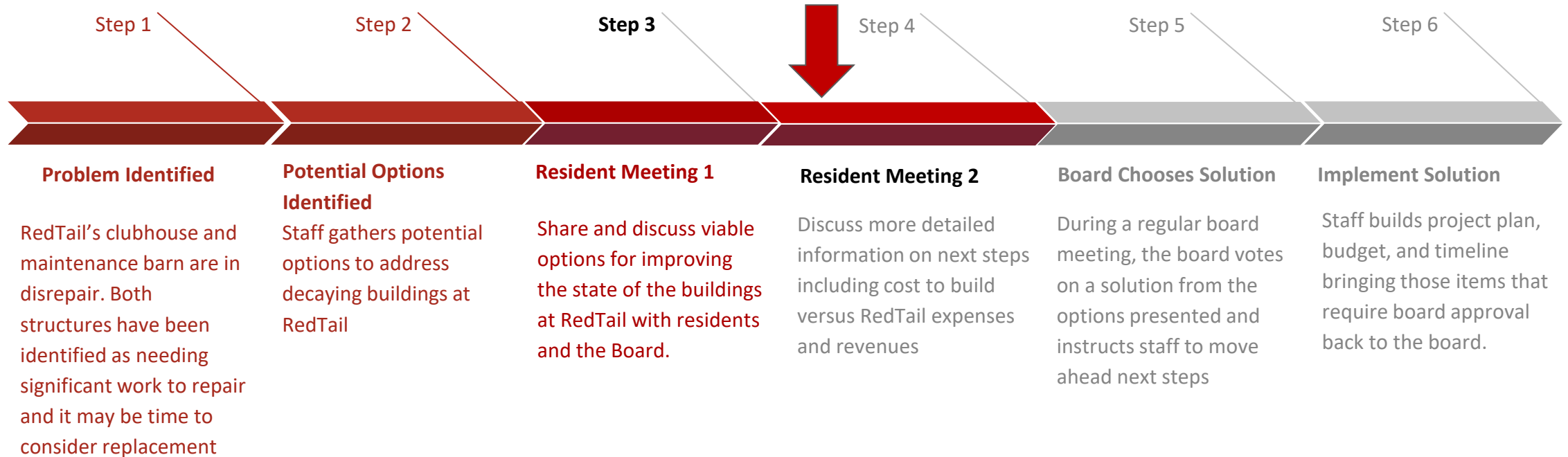
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- Clubhouse Options
  - Selling the Enterprise
  - Do Nothing
  - Repair Existing
  - Replace “Like for Like”
  - Permanent Facility
- Capital Improvement Funding Discussion
- Financing Options
  - Design - Build
  - Design – Build – Finance





# PROCESS REVIEW





# Selling the Enterprise - Recent Comparables

Course	Location	Acres	Clubhouse	Asking	Sold	Notes
Beaver Dam Country Club	Beaver Dam, Wisconsin	136	8,654 sq ft	2,000,000		<ul style="list-style-type: none"> <li>• 8,654 square feet Clubhouse</li> <li>• 9,694 square foot basement</li> <li>• 2,400 square foot cart barn (older)</li> <li>• 2,400 square foot cart barn (newer)</li> <li>• 600 square foot outdoor pavilion</li> <li>• 2,400 square foot maintenance building</li> <li>Clubhouse Capacity - 30 guests in bar/70 guests in dining room/30 guest on large deck</li> <li>Locker Rooms - yes</li> </ul>
Links at Carillon	Plainfield, IL	300	10,700 sq ft	5,000,000		27 holes, Outdoor Pavilion for Banquets and Events
Midlane Golf Club	Waukegan, IL	119/196		2,500,000		March 2022 went up for auction. Event facility not included. 196 acres can be built. 119 acres remaining golf course

# Selling the Enterprise – Sales Price

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- Municipal Courses are valued at 1.5 x Gross Revenue
- Estimated listing value  
\$1,200,000 to \$2,100,000 range
- RedTail Name / Brand sold - Value?
- Time to sell
- Business Operations during 'sale'

# Selling - Buyer / Investor Considerations

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- Clubhouse condition
- Existing course maintenance equipment
  - (7) pieces 22+ years old
  - (13) pieces 12+ years old
- Golf Cart Lease would be required \$57,000 to \$140,000/year
- Cart Path maintenance/Bridge Repair/Irrigation
- Existing staff remains or management firm
- Property taxes on 231 acres, estimated \$30,000+
- Water Irrigation of 220,000+ gallons/day in season, estimated \$288,000

# Selling the Enterprise – Village Concerns

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- Does the Buyer have the finances to maintain the enterprise?
- Compliance with Village Codes and Ordinances
- Another Bankruptcy?
- Reputation

# Do Nothing

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## **Existing Structure:**

- When do you stop making repairs?
  - Cost Prohibitive
  - Return on Investment
  - Are we aware of all needed repairs?

## **Existing Staff :**

- Risk of losing clubhouse and course maintenance employees



# Do Nothing

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## Eventual Demise and the Cost / Expense to:

- Wind down operations
- Remove trailers / Remove parking lot
- Upkeep of Barn and Maintenance Facility to house mowers to maintain open space
- Crew to maintain open space
- Cost to maintain or replace mowers
- No longer irrigate the open space or cost to maintain irrigation system
- **All Costs and Expenses are now the burden of ALL Lakewood Taxpayers**

# Repair Existing – Noted Repairs

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- Electrical
  - Wiring
  - Electric Panels
  - GFCI outlets
  - Upgrade Voltage/Amperage
- Plumbing
  - Pipes breaking in Winter
  - Hot Water Capacity

# Repair Existing – Noted Repairs

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- HVAC
  - Capacity for both heat and air conditioning
  - Parts no longer available for current HVAC units
  - Duct work
- Roof
  - Structure protruding through roof membrane
  - Condition of structure underneath the membrane

# Repair Existing – Noted Repairs

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- Subfloors and Flooring
  - Deterioration throughout
  - Flooring will have to be replaced after subfloor repairs
- Windows
  - Seals compromised
  - Water damage to framework
- Walls
  - Structural repair
  - Water damage
  - Insulation

# Repair Existing – Noted Repairs

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- Ceiling
  - Bowing
  - Water damage
  - Insulation
- Exterior
  - Upper and lower flashing
  - Water damage
  - Structural integrity

# Repair Existing – Noted Repairs

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- Laub Construction Report - Summary:

Based on our visual inspection of the existing modular structure, it is evident that a complete renovation would be required to bring the facility up to current health, safety, energy, ADA, and other code requirements. It also appears to be lacking sufficient structural and aesthetic standards. Modular type buildings are not typically the type of structures that undergo this type of renovation so the costs to complete this work would be elevated by the subcontractors and design professionals due to its unique nature.

We are confident that a complete renovation to this structure would be higher than installing a new “temporary” modular structure or not too far off from constructing a comparable “permanent” preengineered structure. To properly evaluate the cost of a complete renovation to the existing structure, a more formal intrusive review of the structure would be required with the assistance of a design team including an architect, multiple engineers, and other consultants.

# Repair Existing – Noted Repairs

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- Terry Construction Report - Summary:

From our preliminary meeting and walk through we have reached two options on how to proceed at Redtail Golf Course. Option one would be to **repair the facility to gain minimal shelf life**. Due to the facility having no foundation we would need to demolish the existing flooring, dig underneath the structure and pour new footings. In doing this we would then be able to facilitate conventional framing from a structural standpoint. There are multiple areas that will require this procedure. **If we are to proceed in pouring footings and reframing all other interior finishes will need to take place, such as flooring, drywall finishing and trim. In addition any areas covered by the existing roof will need to be fully torn off and replaced. As discussed a majority of the windows and a handful of doors also need to be replaced.**

**In our professional opinion, it would be in your best interest to rebuild a new facility. A new facility with an updated footprint would offer long term benefits and durability.** This would mean modernizing electrical, hvac and plumbing systems. Not only would a new facility be more durable for years to come but it would offer higher efficiency and leave a smaller environmental footprint in the long run.

# RedTail Golf - Clubhouse



# Replace “Like for Like”

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- Village Code 17.7-6.C - Village shall be permitted to use and occupy a modular unit or units as a temporary clubhouse for the RedTail Golf Club until such time as a permanent clubhouse is constructed and that said unit or units may be connected to the Village’s potable water supply and sanitary sewer system
- RedTail would need to go to Planning & Zoning and request a Variance.
- A Planning & Zoning Variance approval, would need to show the Economic Hardship required to allow new modular trailer

# Replace “Like for Like” – things to consider

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If a variance was granted by Planning and Zoning and approved by the Board

- Removal of existing
- Trailers - Delivery and Placement
- Site Preparation: underground plumbing, electrical and footings
- Rough: electrical, plumbing, mechanical (HVAC)
- Kitchen configuration and outfitted
- Internal Configuration and space utilization
- Interior and Exterior Finishes
- Office / Storage / IT / Security

## Replace “Like for Like” – Estimated Cost

Due to inventory limitations modular trailers only being offered for lease, not lease to own. The following numbers are for a 7 year lease. Cost of all finishes would be lost when trailers are removed after 7 years.

Modular Trailer	Sq. Ft.	Yearly Lease	Installation & Removal	Interior & Exterior Finishes	Total Cost 7 yr Lease & Finishes	Total Yearly Cost
Meeting/Event Room	1,056	24,700	22,054	30,000	249,654	35,665
Pro Shop & Bar Area	4,760	97,500	35,998	270,000	988,498	141,214
	<b>5,816</b>	<b>122,200</b>	<b>58,052</b>	<b>300,000</b>	<b>1,238,152</b>	<b>176,879</b>

# Permanent Facility – Same as existing / current

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- **Service Offerings:**
  - ProShop
  - Merchandise, Check-in, Driving Range
- Bar:
  - Food and Beverage
  - Table seating
- Event Hosting:
  - Golf Outings, Village Board Meetings, Village Community Events
  - Tent Events
  - Restrooms

# Permanent Facility – Same as existing / current

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- **Operational Needs**
  - Indoor/Protected Golf Cart Storage
  - Storage for:
    - Food & Beverage
    - Serviceware
    - Merchandise
  - IT Network, Audio and Visual capability
  - Office space: desks, printer, files, storage
  - Security system with video recording

# Permanent Facility – Estimated Cost to Build

Limited to solicitation for Bids

Square Feet	Ceiling	Cubic Ft	Cost Per Cubic Ft	Estimate	Valuted Ceiling Cost Per Sq	Estimated Valuted Ceiling Cost	Total Estimate	Dimensions	Event Space Sq ft	Capacity
6,000	9.00	54,180.00	27.50	1,489,950.00	12.30	73,800.00	1,563,750.00	70W x 72L	2100	175
8,050	9.00	72,450.00	27.50	1,992,375.00	12.30	99,015.00	2,091,390.00	70W x 115L	2330	200

Existing clubhouse is 4,800 sq. ft.

Cost estimates provided by Planning & Zoning

All financing scenarios use estimated budget between 2,000,000 – 2,500,000

# Capital Improvement Funding - Discussion

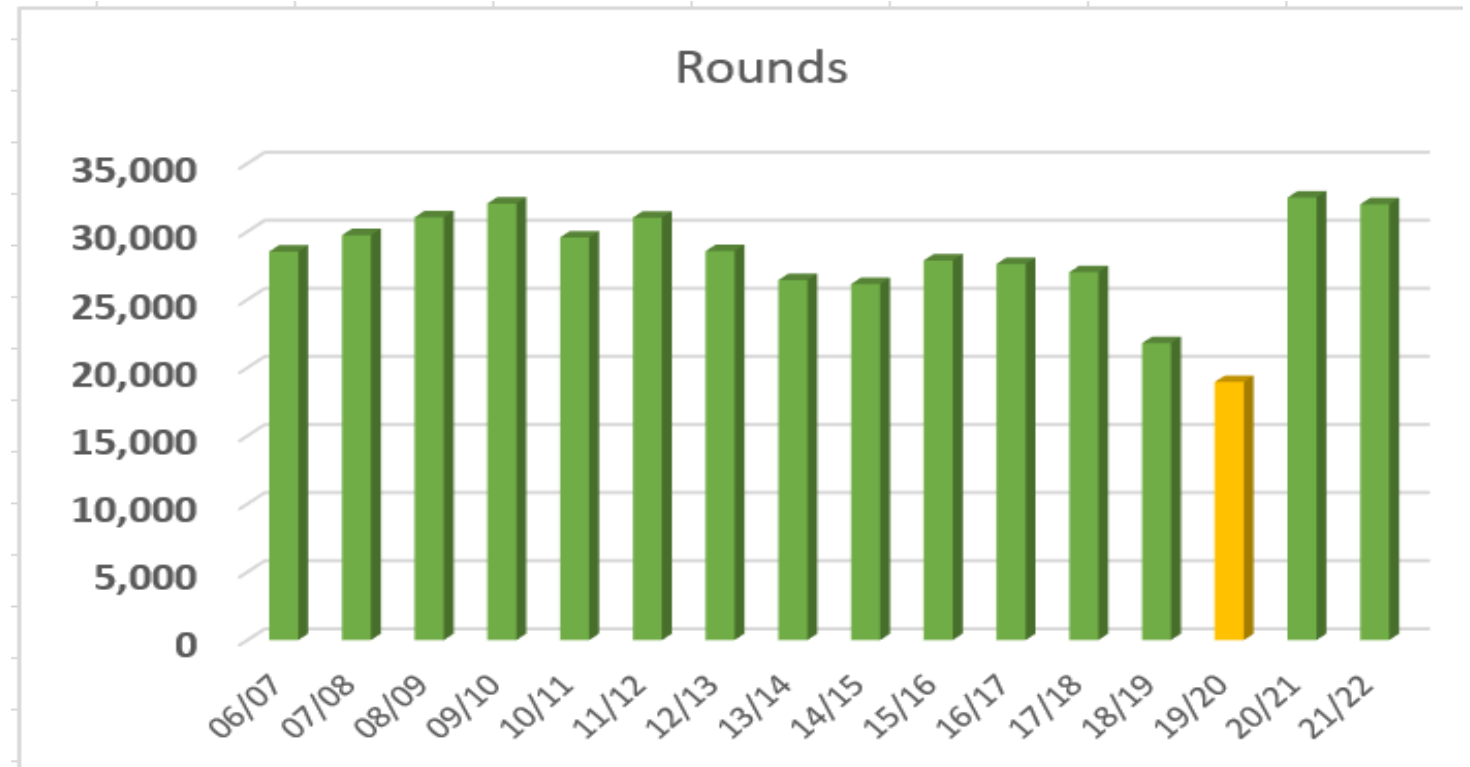
RedTail is funding Capital Improvements with \$4.48/per round.  
Estimating 2022/2023 finishing with \$100,000+ in fund.

<b>Capital Improvement Funding Per Round</b>	<b>Range # of Rounds</b>	<b>2022/2023 Estimated Totals</b>
4.48	20,000	89,600
4.48	25,000	112,000
4.48	32,000	143,360

# Capital Improvement Funding - Discussion

In the past 16 years,  
only 19/20 had less  
than 20,000 rounds.

There have been 14  
years > 25,000 rounds





# Capital Improvement Funding - Discussion

Combining Capital Improvement Funds with Impact Funds designated for Park/Open Space as of May 2023 totals \$689,143

Impact Fund- Park/Open Space	2022/2023 Budgeted Course Capital Improvement	Remaining Impact Funds	2022/2023 Per Round Funding	Total Funds May 2023
699,143	-110,000	589,143	100,000	689,143



# Capital Improvement Financing - Discussion

## Example Debt Service

Fiscal Year Ended April 30	Debt Certificates, Series 2022 Dated: July 28, 2022			
	Principal (12/1)	Coupon	Interest (1) (6/1 & 12/1)	Total
2023			27,948	27,948
2024	75,000	4.00%	81,800	156,800
2025	75,000	4.00%	78,800	153,800
2026	80,000	4.00%	75,800	155,800
2027	85,000	4.00%	72,600	157,600
2028	85,000	4.00%	69,200	154,200
2029	90,000	4.00%	65,800	155,800
2030	95,000	4.00%	62,200	157,200
2031	95,000	4.00%	58,400	153,400
2032	100,000	4.00%	54,600	154,600
2033	105,000	4.00%	50,600	155,600
2034	110,000	4.00%	46,400	156,400
2035	115,000	4.00%	42,000	157,000
2036	120,000	4.00%	37,400	157,400
2037	120,000	4.00%	32,600	152,600
2038	125,000	4.00%	27,800	152,800
2039	135,000	4.00%	22,800	157,800
2040	140,000	4.00%	17,400	157,400
2041	145,000	4.00%	11,800	156,800
2042	150,000	4.00%	6,000	156,000
<b>Total</b>	<b>\$2,045,000</b>		<b>\$941,948</b>	<b>\$2,986,948</b>

**Impact Fund and Per Round Funding would be applied to Debt Service**

**\$689,143 Projected**

**Not included in this Debt Service Example**

(1) Based on estimated interest rates as of April 29, 2022. Subject to change.

# Financing Option: A – Hard Bid

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**Village Controls and Manages** – Architect for Design Schematic, Develop Design and Construction Drawings

Village conducts conventional Bid – typical General Contractor scenario

**Architect primary control** of day-to-day construction

**Village financed**

# Financing Option: B – Design / Build

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**Village Controls and Manages** – Lump Sum proposal from Design Builder

Design Builder completes Construction Drawings w/ Architect as part of their scope

**Design Builder primary control** of day-to-day construction

**Village financed**

## Financing Option: C – Design Build / Developer Finance

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Village contracts with a Design Builder for a ground lease and a **lease to own** option

Village retains operations

Lease terms negotiated: term, rate, etc.

**Design Builder** financed

## Financing Option: D – Management Company

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Village contracts with **Management Company** to design, build and manage golf course w/ all of its operations

**Design Builder** prime to Management Company

Village enters into a base agreement

**Village financed**

# Financing Options: A – “Hard Bid” and B – “Design / Build”

## Finance Example at 8,000 sf

Estimated Cost	Cost + 7% Contingency	Down Payment	Financing	20 years at 4.2%	Remaining Capital Improvement Fund as of May 2023	Yearly Capital Funding 25k Rounds @ 4.48	After 6 years funding 25k Rounds @ 5.65
2,250,780	2,408,335	500,000	1,908,335	141,192	189,143	112,000	141,250

\* Maintain \$300,000 operating reserve

# Financing Option: C – Design Build / Developer Finance

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## Possible Negotiation options

- 20 year time line, similar to loan payments
- Set minimum required payment per year
- Percent of rounds played
- Percent of Food & Beverage
- Option to pay early and refinance



# Financing Option: D – “Management Company”

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## Pro

- Will facilitate start-up process due to a single point of responsibility for design, construction, and operation
- Owner is provided with fixed cost for design, construction, and maintenance very early in the process

# Financing Option: D – “Management Company”

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## Con

- Proposal package size and bid preparation costs can decrease the number of qualified bidders
- Since the DBOM will be responsible for maintaining the project, the agency could lose control over the detail of some maintenance decisions
- The agency will not have complete control over all lifecycle issues that are not included as performance criteria in the contract



# Build and Finance Options

Option A



Option B



Option C



Option D



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# Public Comments

1 Time

1 and ½ minutes per speaker

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# Trustee Comments