# Clubs Need Continuous Capital Investment

One of the challenges of the private club industry is capital. The demands of a 200-acre golf property with a clubhouse, maintenance facility and other amenities are seemingly endless.  Once you've completed an exciting new project, the very next week members are asking "What's next?" Board members at member-owned clubs are often faced with borrowing from local banks or raising special assessments to finance these capital projects. Doing so can go smoothly, but sometimes dozens of members may resign from the club in protest. Golf members only want to spend on the golf course. Social members want to spend on the dining spaces and resort-style improvements. Older members may decide that they won't be around long enough to enjoy any new facilities.

We have met dozens of individuals who have purchased a golf course or country club, and they consistently tell us that they underestimated the continuing capital reinvestment required to keep their club in top condition, while simultaneously adding new amenities to compete with other nearby clubs. Golf brokers report this as a leading reason why people sell their clubs each year. Similarly, when one of the golf industry's leading companies was publicly traded, Wall Street analysts often criticized the amount of cash flow being used for capital expenditures, which resulted in reduced valuations for that particular company.

The Concert Golf Partners finance team recently did a decade-long analysis of our own boutique portfolio of 29 clubs and found that we spend an average of 6-7 percent of our annual revenue on capital improvements. Once we acquire a club, we complete a series of projects – sometimes a list that is years in the making – that was developed and agreed upon jointly with the board or prior owners of the club.

But our investment doesn't end after these initial projects are completed. We are the only professional owner-operator of upscale private clubs to have a legally binding commitment to reserve a portion of annual revenue for future capital improvement projects. This is crucial in the boom-bust world of private clubs, which may construct wonderful facilities when times are good but then defer much needed maintenance when member assessments are unpopular. We have found that funding an ongoing capital reserve and continually reinvesting is the best way to keep your club at the top of the local competition

**According to recent statistics from Club Benchmarking's Governance Survey:**
- Only 55 percent of clubs said yes to the question, "Do your projected resources meet/exceed your projected needs, including the funding of depreciation and debt service?"
- Only 34 percent of respondents [board members and managers of clubs] "believed" they had a long-term financial plan and that their club's projected needs were fully funded, including depreciation and debt service. It is important to note that the facts often contradict those beliefs.

Clubs that are not planning properly for their capital funding may find themselves swimming in debt to meet the constant and ever-growing need for maintenance and club improvements.  When high-end clubs run into financial trouble, board members often shy away from suggesting a transition from a member-owned club to a professionally owned and operated club, but when Concert Golf Partners takes ownership of a club, it removes uncertainty about a club's future by paying off all outstanding debt and injecting millions of dollars into capital improvements. Board members thinking of a club recapitalization can rest assured that their club will be preserved, and its future capital needs will be accounted for, with Concert Golf Partners.