

CASE STUDY: Preserving & Enhancing Private Clubs

Paying Off Debt, Funding Capital Projects and Lowering Member Dues

Concert**Golf**
Partners

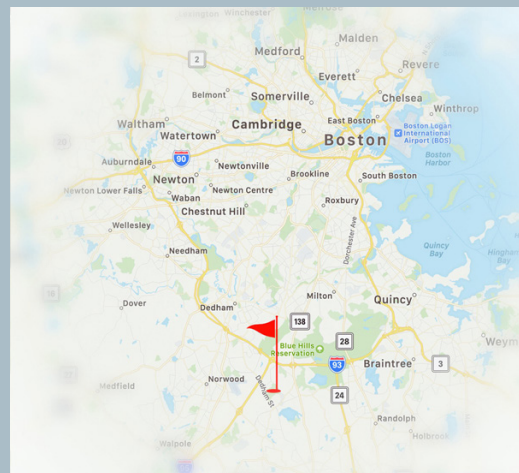
Blue Hill Country Club | Canton, Mass.

For nearly a century, one of New England's most cherished private golf clubs has offered a lifestyle experience unsurpassed in the Boston area. So it is hard to imagine that Blue Hill Country Club, an upscale club in the affluent area of Canton, Massachusetts, was once recently in jeopardy.

Members were dealing with how to pay down the club's bank debt on top of how to fund necessary and overdue improvements throughout the property. Members were decreasing, while member dues and assessments were increasing.

Although the club's financial outlook wasn't bright, members loved their club and were determined to save it. They had to make some tough decisions, including whether or not they should sell their 9-hole golf course to real estate developers.

So how did members preserve their beloved country club and top-notch golf course? Read more to find out.



Blue Hill Country Club's Illustrious History

Blue Hill Country Club was originally founded in 1925 as a Jewish-only club for avid golfers who were not allowed to join the Boston area's other top-notch private clubs (until the rules changed in the mid-2000s). The member-owned 27-hole country club is located in the affluent Canton suburb 17 miles south of downtown Boston.

The club sits on 210 wooded acres and features a top-notch golf course. Donald Ross' protégé, Skip Wogan, designed the 27-hole course, which was restored in 2003 by Ron Prichard who specializes in Ross restorations.

Blue Hill CC is known by better golfers as one of the finest parkland courses in New England. It hosted the 1956 PGA Championship won by the legendary Jackie Burke, and the Ping/Welch's stop on the LPGA Tour from 1991-1997.

The club also has a three-level 43,000 square foot clubhouse, a recently renovated resort-style swimming pool and a practice facility with a newly designed short-game area.



Jackie Burke winning the 1956 PGA Championship at Blue Hill Country Club.

Improvements Cause Unintended Consequences

The club completed a \$5.9 million irrigation system renovation and golf course improvement project in 2003-2004, financed by \$600,000 in member refundable bonds and a \$5.3 million loan from a local bank. The club's board added a \$2,800 annual surcharge on member bills to pay the annual \$425,000 debt service, taking the full golf member's annual bill from \$13,000 to \$15,800.

The golf course improvements were well-received, but the 1960s-era clubhouse remained largely unimproved – except for some modest carpet and paint updates. The golf maintenance building required state-mandated environmental remediation work, but this project was deferred by each succeeding board of governors (since members don't notice infrastructure projects).

The board and members in 2003 did not realize a recession was coming, and that it would become much more difficult to pay down the bank loan, finance a clubhouse renovation and get new members to join Blue Hill CC.



ANNUAL MEMBERSHIP COST:

Regular Dues	\$11,200
Capital Projects Surcharge	\$2,800
Operating Assessment	\$600
Annual Capital Assessment	\$1,200
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Total - Full Golf	\$15,800

Competition Increases and Membership Declines

CLUB	LOCATION	DISTANCE	COMPETITOR CLUBS		
			INITIATION	DUES	WAITLIST
BLUE HILL CC	CANTON	---	\$15K	\$11.5K	N
SPRING VALLEY CC	SHARON	7.3	\$0	\$10K	N
WOLLASTON CC	MILTON	7.7	\$25K	\$8.9K	Y
WALPOLE CC	WALPOLE	10.1	\$15K	\$10.6K	N
THORNY LEA CC	BROCKTON	12.3	\$10K	\$6.1K	N
WELLESLEY CC	WELLESLEY HILLS	12.7	\$90K	\$14.2K	Y
CHARLES RIVER CC	NEWTON	14.5	\$75K	\$15K	Y
BRAE BURN CC	W NEWTON	14.6	\$70K	\$6.2K	Y

The board typically compared itself to Brae Burn CC, Wollaston CC, Wellesley CC, Charles River CC and other high-end local private clubs. All of these equity clubs had completed clubhouse renovations in recent years, and each club charged dues rates equal or lesser than Blue Hill CC. However the other clubs were able to garner initiation fees in the \$65,000 range and some had wait lists to join. Blue Hill CC was not in this fortunate situation.

After the Great Recession full member equivalents at Blue Hill CC had declined slowly from 300 to 220, and the initiation fee had been reduced from \$50,000 at its peak down to \$10,000 (which could be deferred for up to 4 years). Full golf member dues had drifted from \$11,000 up to \$15,800 per year with all the surcharges (debt service, capital and operating) added on.

Each year, the board would set a target for new member recruitment and an assumption about member attrition. And each year (with the rising dues rates, the deferred capital projects and the perception that the club was all-Jewish) fewer members joined and more members departed than the board had planned. So the following year dues rates simply had to be increased on the existing membership base to make ends meet.

Club Management Change

Blue Hill CC had thrived for years as a member-governed club, peaking at 300 full member equivalents in 2007. The club rode its PGA Championship history and top-caliber golf course to a solid reputation as a well-located equity club for financial and technology professionals in the affluent suburbs south and west of downtown Boston. After the Great Recession, however, things got tougher.

To compete in the market place and attract new members, Blue Hill CC hired some outside assistance. In 2012 Troon Golf was brought in to support the management of the club, due to general manager turnover and continued membership erosion. Initially, this was viewed by members as a positive step. Troon brought in a new GM, added some staff training and improved the food and beverage offerings. But the debt remained, capital projects were deferred and the downward membership trend continued.

Time to Act

Fast forward to 2015. That year a Boston golf reporter wrote, “Are there too many private golf courses in New England?” This concern echoed conversations among board members at area country clubs.

Blue Hill CC’s new president and members of the executive committee proposed a series of capital projects to be funded by another member assessment of about \$3 million for clubhouse interior renovations, new pool bathrooms for families, expanded practice facilities and a solution to the long-deferred environmental remediation work. All of these improvements were desperately needed to fight off the competition from other nearby clubs and to attract new members.

The board at Blue Hill CC found itself in a position shared by hundreds of member-owned clubs across the country, which often includes serious disagreements about which capital improvements projects to prioritize and how to fund them.

The proposal never made it to a member vote, because the dissension among the membership was so heated. So, the board decided to pursue other ways of raising capital which included speaking with potential private club hospitality firms and real estate developers.

The club’s Challenger 9-hole golf course was attractive to developers, who wanted to raze the short course and put in 40-50 homes on the 35-acre parcel. The club had recently sold two small lots along the perimeter, and there was a way to shift some golf holes to sell a few more lots to raise capital.

A board subcommittee quietly reached out to various developers and golf companies with capital, and then quickly developed two paths. A number of developers proposed to reduce Blue Hill CC to an 18-hole club, and use the land sale proceeds to pay off the bank loan and make some of the desired improvements.

However Concert Golf Partners offered something unique to Blue Hill CC that others could not. The boutique owner-operator of private, high-end golf and country clubs throughout the country proposed to keep all 27 holes, pay off the bank loan and fund the members’ “wish list” improvements. The board voted 16-1 in favor and the membership ratified this decision by a 100 percent vote in December of 2015.

“Our dues are back down to market levels now, with a written guarantee of no more assessments ever again. We already have lots of former members — who left the club in the last few years due to the uncertainty — asking if they can come back to Blue Hill.”

Jim Marano, Former Blue Hill Country Club President, who led the 2015 effort to recapitalize.

“The membership had been discussing various capital improvement projects since 2013, and how to fund them. It got so contentious that we never even voted.”

Tim Nelson, former board member, who supported the recapitalization.

“With the club transaction, I had a wish that the change would dramatically alter the climate at the club. And I was right! Thanks for giving us our course back - it’s been a great golf season.”

Bob Flynn, Blue Hill Country Club member.

Transformation

“This partnership with Concert Golf ended our debt challenges, and ended our long-standing internal debates about funding capital projects with member assessments,” said former Blue Hill Country Club President Jim Marano, who led the 2015 effort to recapitalize. “Just after announcing the deal, we saw a significant uptick in membership applications at Blue Hill.”

Thanks to a partnership with Concert Golf, Blue Hill CC was able to:

- Pay off all club debt
- Lower annual dues by 30 percent
- Bar any future assessments on the membership
- Invest more than \$3 million into immediate capital projects at the club
- The club’s refundable bonds were resolved
- The club was recognized by the community as financially healthy and vibrant again

Blue Hill CC also preserved the 9-hole short golf course with Concert Golf Partners, instead of losing the land to real estate developers. The members strongly favored preserving their entire club and retaining all 27 holes — and so they unanimously selected Concert Golf, who put that preservation in writing.

Concert Golf Partners immediately undertook several long-deferred capital projects at Blue Hill CC:

- An expanded driving range and short-game practice area
- A new 19th hole member lounge
- Clubhouse renovations, including the third floor, 250-seat banquet room with views of Boston

Dues immediately went back down to market levels, with a written guarantee of no more assessments ever again. Once a club’s combination of dues and assessments makes the monthly bill out of market with other area clubs, it becomes difficult to attract new members at the higher price point – and the member attrition also rises. It’s a vicious cycle and the only solution is to pay off the debt and re-set a club’s dues at market levels. Blue Hill CC members were able to end the cycle and start new with a healthy financial outlook with Concert Golf Partners.

Soon after the partnership with Concert Golf was announced, lots of former members — who left the club in the last few years due to the uncertainty — were asking if they could come back to Blue Hill CC. Total membership grew from 331 to 458 members in the first year alone, a 38 percent increase. Members today continue to join the club and membership levels are back to what they once were before the recession.

Still rich in tradition, Blue Hill CC is now cultivating a new era that is a perfect fit for the modern family. The club warmly embraces its near century-old roots, but members now look to its future with a renewed vibrancy and vision.

