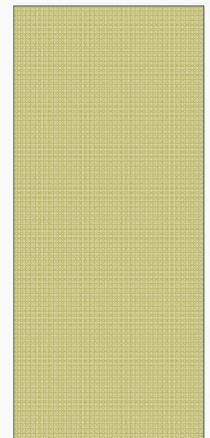


EASTERN HILLS COUNTRY CLUB
Preliminary Evaluation

GOLF COURSE VIABILITY AND IMPACT



Golf Industry in U.S.

Overview

- Over use of golf courses to sell housing developments – numbers increased significantly.
 - Dallas-Fort Worth Metroplex - 200 +
 - Garland - 88 (within 30 minute drive)
- Emphasis was on selling development not sustainability of courses.
- The number of players has been declining for over 10 years – costs and time required to play big hurdles.
- Over supply + declining demand depressed green fees.
- In mid-2000s golf course closings became common.
- The industry is struggling to reinvent itself with shorter nine hole executive courses.

Eastern Hills Country Club

Amenities and General Conditions

Club Amenities:

- 18 Hole Course - with appealing layout
- Club House
- Maintenance and Cart Facilities
- Tennis Courts
- Swimming Pool

General Conditions:

- Course is currently in good condition – with a few caveats
- Club House and facilities need renovations or replacement – ADA compliance issues
- Roofs and parking lot in poor condition
- Swimming pool needs pump replaced and to be brought up to codes
- The City has not had a professional assessment completed

Eastern Hills Country Club

Financial Analysis – “Optimistic Scenario”

CAPITAL REQUIREMENTS	
Purchase of club and facilities	\$2,500,000
Facility renovations (Club house, maintenance and cart barns, parking lot, pool)	950,000
Golf course maintenance and irrigation equipment	500,000
Golf Carts (75)	300,000
Total Capital Requirements	\$4,250,000

Assuming Debt Financed – Annual P&I Payments

\$469,106

Eastern Hills Country Club

Financial Analysis – “Optimistic Scenario”

ANNUAL COST OF OPERATIONS	
Pro and Customer Service Staff	\$400,000
Course and Facility Maintenance Costs	600,000
Debt Service Payments	469,106
Total Annual Cost of Operations	\$1,469,106

* Assumes Food and Beverage services breakeven.

Eastern Hills Country Club

Financial Analysis – As Public Play Course

ROUNDS REQUIRED TO BREAK EVEN	
Annual Cost of Operations (including debt service)	\$1,469,106
Average Revenue Per Round	31.38
Total Rounds Required to Break Even	46,817
EHCC - Last Year's Golf Rounds (approximately)	26,000
Growth in Rounds Required to Break Even - (80%)	20,817

- Average revenue per round based on Firewheel Old/Lakes courses.

Eastern Hills Country Club

Financial Analysis – As Public Play Course

ESTIMATED ANNUAL DEFICIT	
Historical EHCC Rounds - 26,000	\$ (653,226)
Assuming Increase in Rounds - 10%	(571,638)
Assuming Increase in Rounds - 20%	(490,050)
Assuming Round = Firewheel - 27%	(433,566)

Eastern Hills Country Club

Financial Analysis – As Semi-Private Course

	Current	+10%	+20%	= Firewheel
Number of Rounds	26,000	28,600	31,200	33,000
Annual Cost of Operations	\$1,469,106	1,469,106	1,469,106	1,469,106
Less Non Dues Revenue	308,282	339,110	369,938	391,281
Membership Revenue Required	\$1,160,824	1,129,996	1,099,168	1,077,825
Monthly Membership Dues	\$300	300	300	300
Members Required	322	314	305	299
Current Number of Members	225	225	225	225
Additional Members Needed	97	89	80	74

(1) Current EHCC dues – average \$200 a month have been as high as \$400.

(2) Assumes 15% of rounds are public play.

Property Tax Impact

Sub-Divisions Surrounding EHCC

ASSESSED AND TAXABLE VALUES	# Properties	Values
Appraised Values of Sub-Divisions	1,638	\$268.3 Million
Appraised Value of Properties Abutting EHCC	80	\$18.2 Million
Total Appraised Value of Surrounding Area	1,718	\$286.5 Million
Taxable Values Net of Homestead/Senior Exemptions		\$250.5 Million
Annual City Property Taxes		\$1.76 Million

Property Tax Impact

Sub-Divisions Surrounding EHCC

	Property Tax	20% Decline	15% Decline	10% Decline	5% Decline	
Surrounding Properties	1,651,103	330,221	247,666	165,110	82,555	
Abutting EHCC	113,796	22,759	17,069	11,380	5,690	
Total Properties	1,764,900	352,980	264,735	176,490	88,245	
Pessimistic Scenario:						Totals
Surrounding Properties				165,110		165,110
Abutting EHCC		22,759				22,759
Total Properties						<u>187,869</u>

Property Tax Impact

Sub-Divisions Surrounding EHCC - **Summary**

- EHCC is likely not viable as a self-supporting public play golf course.
- Operating as a Semi-Private Club – EHCC would require a material capital investment and increase in both the number of members and monthly dues.
- Properties Surrounding EHCC - \$250.5 million.
- Annual City Property Tax Revenue - \$1.76 Million.
- Loss in City Property Taxes – Assuming 5% to 20%
Range from \$88,245 to \$352,980
Pessimistic Scenario \$187,870
- As new or better information becomes available, the projections can be easily updated.