

ConcertGolf Partners

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Country Clubs May Be in the Financial Rough, but It's Possible to Dig Out

April 15, 2016 - Most private clubs maintain a wish list of capital improvements that, in the current economy, sits idle because boards are rightly concerned with paying off existing debt. It's estimated that half of member-owned clubs in America hold debt in excess of 50 percent of gross revenue, and Eastern Massachusetts is no exception. That's what we in the finance world call a "dangerous" level of debt. In the private-club context, it usually results in higher dues and serial assessment of the membership.

Our club, Blue Hill Country Club in Canton, was a poster child for this syndrome. However, we recently paid off our debt, guaranteed a future devoid of assessments, and lowered our dues. Our club accomplished all this by bringing in an outside investor.

See if this scenario sounds familiar to you: Previous Blue Hill boards had borrowed too much money for capital improvements without having a plan to pay it back. Starting in 2008, our membership began dropping. At our member-owned club, this naturally increased the financial obligation for those members who remained. No matter what incentives we created, the club could not attract enough members to offset the ones we were losing. Clubs are like any other physical asset — they require capital investment/improvement to keep current customers/members happy and attract new ones. But our members proved unwilling to contribute more money, via assessments, to this capital-investment effort. The club already carried significant debt, so further borrowing was not an option.



Our board was obliged to make some tough decisions. We decided the best way to keep the club we loved was to bring in an outside investor, one that agreed to pay off our debt, bar future assessments, and lower dues to market rates.

This move to recapitalize, because it involved a change in ownership structure, required a 67 percent or two-thirds majority vote of the membership. At first blush, our board did not believe this was achievable. But we got it done. In the end, our membership voted unanimously to partner with Concert Golf Partners, a boutique owner/operator of a dozen luxury private clubs nationwide.

The decision to recapitalize through a professional management partner might seem overwhelming

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