Analysis of Ridgeline Golf Course
Economic Viability
Orange, California

Prepared for

Ridgeline Partners, LLC

Submitted by

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Executive Summary

Ridgeline Golf Course, located in the City of Orange, Orange County, California, is a 9-hole executive length public golf course originally opened in 1950. The course, developed within the Orange Park Acres equestrian-oriented residential community, was closed in November 2007 due to declining economic performance.

Economics Research Associates (ERA), an AECOM Company, was retained by Ridgeline Partners, LLC to evaluate the feasibility of reopening the golf course. This analysis evaluates the economic potential of a renovated 9-hole executive golf course based on current and anticipated market conditions. Feasibility, for analysis purposes, compares the value of the golf course following reconstruction with the cost of the reconstruction. Golf course value is derived from projected performance.

Golf Market Conditions

The regional golf market, like nearly every major metropolitan market in the country, has softened considerably since 2002. This is due to a variety of factors including a plateauing of golf demand, extraordinary expansion of the golf course inventory during the late 1990s and more recently, the sharp downturn in economic conditions.

Even with limited future additional supply, recovery of the regional economy, and a resumption of modest growth in golf demand, it will take 15 to 20 years to fully absorb the current excess supply of golf capacity in Southern California.

Public access short courses (par 3 and executive length) have been impacted more severely than regulation-length courses in Southern California. Play has declined by about 30 percent on most short courses over the past 8 years compared with 15- to 25 percent for regulation length courses.

The viability of short courses often depends on the availability and strength of an accompanying driving range. A strong course location is characterized by high population density within 3 to 5 miles, highway visibility, proximity to a white collar employment node, and availability of night lighting. Additionally, most 9-hole facilities in California are in second-tier markets, or are municipally owned – thereby they are able to continue operations (despite declines in usage) due to tax-supported subsidies.

Decline in Ridgeline Usage

In the peak years of the 1990s, Ridgeline generated 60,000 to 70,000 annual rounds, which sharply declined to about 35,000 rounds during the 2002-2006 period. This is attributed to the overall decline in golf demand which lead to increase competition among existing courses, an absence of reinvestment in the Ridgeline golf course and clubhouse, the lack of night lighting on the driving range to make it competitive, and key challenges associated with the Ridgeline location (including low adjacent population densities, no visibility or high volume traffic on frontage roads and low day-time employment levels in the immediate area).

Clubhouse facilities: The tennis and swim facilities were available through a private membership club. In peak years, there were as many as 250 members, most of which resided outside of Orange Park Acres. The membership, however, declined over the years reaching a level of about 110 in 2008. The 5,000-square-foot clubhouse, which includes a pro shop, snack bar, and dining area/banquet room for up to about 150 people, is over 40 years old, and generally in poor condition.

Key Conclusions

In order for the Ridgeline course to become economically competitive, a stabilized level of 55,000 annual rounds is estimated to be needed. The costs associated with securing that level of use is substantial and includes a full reconstruction of the course and practice range as well as upgrades to the clubhouse, cart storage, maintenance facility, and offsite and utility improvements. The total cost to redevelop Ridgeline is estimated at $4,610,000.

Should those improvements be made, additional costs to be considered include all operating expenses (course maintenance, golf operations, food and beverage service, clubhouse operations, administration and other related general business costs, and capital improvements). Not included in this analysis are costs associated with an ambitious marketing and advertising effort to increase awareness of the course outside of the limited service area (especially as it pertains to driving range use). Upon these additional improvements being made, the projected annual net operating income for Ridgeline could be $215,000. That means that it would take just over 21 years to realize the cost of the redevelopment of Ridgeline.

Essential to determining the viability of the golf course, is the determination of the value of the golf course. An indication of the golf course value can be determined based on the income producing potential of the asset, as shown below.

Projected Annual Net Operating Income	$215,000
Direct Capitalization Rate	9.0%
Capitalized Value	$2,390,000

Nevertheless, when the facility value is contrasted with the estimated cost of reconstruction, the Net Cost-Benefit of Ridgeline Golf Course is <$2,220.000>, as show below.

Facility Value	$2,390,000
Cost of Reconstruction	$4,610,000
Net Cost-Benefit	<$2,220,000>

Therefore, in order to realize even a ZERO Net Cost-Benefit, the cost of course reconstruction would have to be cut in half --- which would then impact the net operating income of the course and make it economically unviable, given the market realities and challenges today.