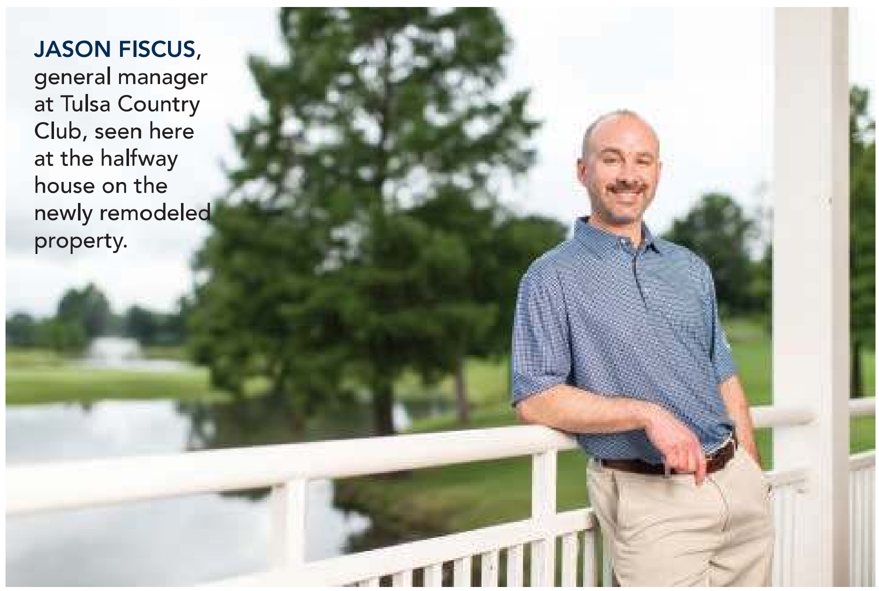
How to get members to support major upgrades

It can be challenging to convincing members to invest in major capital improvements. But a transparent process, backed by data, can get everyone on the same page. **BY MIKE STETZ**



JASON FISCUS, general manager at Tulsa Country Club, seen here at the halfway house on the newly remodeled property.

PHOTO BY SHANE BEVEL

Tulsa Country Club faced a mounting problem. The 108-year-old club had only done minor renovations years to its clubhouse and golf course over the years. Its irrigation system alone was 40 years old.

And with a large number of private clubs in the market, Tulsa Country Club's future looked bleak unless it made some significant capital improvements.

But how to get members to support the investment?

Bring in a hypnotist, perhaps?

In Tulsa's case, an $8.5 million capital improvement plan was deemed necessary.

"It was a big number for our size club and it took a real leap of faith from our members," said General Manager Jason Fiscus.

When Fiscus took over as general manager, the club had no long-term plan. With the club's board, he went about creating one, which included the key — and pricey — capital improvements. The next step was to rally membership support. It took several starts and stops to reach a consensus, which shouldn't come as a shock since the discussion took place during the height of the recession.

"Clubs were really struggling," he said.

He did have momentum. The members were bolstered by earlier improvements that included a resort-style pool and outdoor patio seating at the clubhouse. That cost $2.5 million.

And the club didn't go through the process alone. It hired Signature Group, a Ponte Vedra Beach, Fla., consulting firm, to help persuade membership to invest in the improvements."If a course has problems and it does not renovate, it will lose its most valuable members," said Bruce Lucker, CEO of Signature Group.

Lucker worked closely with the club to identify needs and funding options. The key is to listen, build a consensus with the board and then have members chime in as well, Lucker said.

Transparency is key, Lucker noted. Focus groups are held. Digital and print newsletters are created. If a member wants, he or she can even have one-on-one talks to go over the plans.

Lucker's organization also helps clubs craft innovative financial plans. If bank loans are unavailable or interest rates too high, there are other options, he said. Members can invest in second mortgage notes, meaning they lend the club the money themselves. These financial models are quite complex and may run 30 to 40 pages, he said.

Yes, of course, there can be pushback from some members. A number may quit. However, he has found that they are the minority. Most members want to keep their clubs.

In the end, the Tulsa Country Club's improvement plan had full board support and an 82 percent approval rate by members.

The club lost about 20 percent of its members, but it's unknown how many left for other reasons, such as cutting back because of the economic downturn. What's known is that the club regained that loss and has grown even larger since the improvements, which were funded by a bank loan, second mortgage offerings, donations and an assessment.

If the club did not invest, "at best, we'd be struggling," Fiscus said.

Other clubs can certainly relate. Sugar Creek County Club in Sugar Land, Texas, which is outside of Houston, is undergoing nearly $3 million in upgrades to its course and clubhouse.

It had little choice, said General Manager and CEO Gordon Wagner. "We were dying on the vine," he said.

Before he arrived in 2009, the club, which opened in 1972, had done away with initiation fees to attract members. It was losing money. The club didn't even have the funds to do a master plan. However, given the way the course was evolving, the path was pretty clear, Wagner said. Investment was needed.

He had support from the board and the board president. "We had to go all-in," he said. "We had a substandard facility in the market place."

However, initially, he couldn't get help from a bank, considering the club's financials. It was $2.5 million in the hole. After the club finally made money in 2011, he was able to convince a bank to lend the club $3 million. That left the club $1.5 million short for improvements, though.

First, Wagner went to members with the idea to do away with the $40 minimum charge per month for food and beverage. Instead, that monthly fee would go to capital improvements. Wagner figured — and rightly so — that improvements to the clubhouse eateries would attract customers. The dining areas were to be revamped and an outdoor patio for dining was planned.

As the case with Tulsa, the club also turned to its members, asking them to invest. In this case, members could invest from $20,000 to $100,000 and receive interest for the notes. Some of the old-guard were concerned about taking on more debt, but the majority of the members understood the need, he said. In the end, 88 percent voted for the upgrades. Only five members left.

The course has 27 holes, so improvements are being made nine holes at time, to allow for play. The last nine holes will be renovated in 2016. It's paying off. Membership, which had bottomed-out at 580, has since grown to 635. "The results have been good," Wagner said.

Much of the internal angst over these improvements can be avoided if the club has planned for them, said Ray Cronin, the CEO of Club Benchmarking, a Boston-based firm that offers a benchmarking business intelligence tool to clubs. It has data from more than 1,000 clubs, allowing clubs to compare how they operate to the industry at large.

"There appear to be two types of clubs – those that are committed to the future and understand investment is necessary for the health of the club," Cronin said.

And the other type of club? They don't do that.

If you're the first type of club, a renovation can be straightforward, he said. If you're the second, the effort to do so can tear the club apart, he said.

The best way to persuade members is to present the facts. "The data show clearly that there is a correlation between investing and the health of a club," he said.

Club Benchmarking also advises clubs to prepare for investments well into the future. "We are big believers in clubs having on hand a capital reserve study that is done by an outside professional and looks forward 20 years."

If a club has to levy an assessment for an improvement, it's likely the club will see membership defection. The bigger the assessment, the bigger the defection, Cronin said. Initiation fees also play a role. The higher the fee, the less flight you'll see.

The best solution? "We at Club Benchmarking believe that isolating capital dues and charging a recurring monthly amount of capital dues is a best practice," Cronin said. "Members must understand that a club's capital needs are real and must be funded by the members."