Head Office:
Level 6
60 Albert Road
South Melbourne VIC 3205
Phone: (03) 9698 7300
Email: vic@otiumplanning.com.au
Web: www.otiumplanning.com.au
ABN: 30 605 962 169
CAN: 605 962 169

Local Office Insert
Contact: Mike King
Phone: 0417 536 198
Email: mike@otiumplanning.com.au

Otium Planning Group has offices in:
- Auckland
- Brisbane
- Cairns
- Christchurch
- Darwin
- Melbourne
- Perth
- Sydney

OPG, IVG and PTA Partnership has offices in Hong Kong, Shenzhen, Shanghai and Beijing

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APPENDICES

Appendix 1 - New Golf Facility Concept Design Options 4 and 4B
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1. Introduction

1.1 Purpose

This project explores development options for the Freeway Golf Course impacted by the proposed design of the North East Link.

The North East Link Authority has explored options to address all the sport and recreation impacts across the Bulleen Park Area. Each option results in different golf design options. This report compares two of these options. These are:

- Option 1: Expanding the public golf course beyond the existing title boundary into Manningham City Council land to retain a Par 68 course.
- Option 2: Provide a new family golf experience that retains a 9-hole golf course that offers a 3 and 6 hole course loop and foot golf course experience together with a central community/commercial hub facility with café/bistro and lounge areas, multi-purpose activity/function room, driving range and mini golf course and play space, within the existing title boundary.

The comparative financial operational model will compare Options 1 and 2. These options have been chosen because Option 1 best represents the existing conditions, whilst Option 2 responds to current facility trends in the golf course landscape whilst remaining within the existing title boundary. Please note that an option to reduce the 18 hole public golf course to a Par 66 to remain within the existing Boroondara title boundary was discounted for it was not a recommended option.

The financial operational models are high-level hypothetical models based on the inputs and assumptions collected from past investigations and the benchmarking analysis. The models could be developed and refined to be specific to the Freeway Golf Course if inputs were provided by Boroondara City Council.

This report summarises key findings and is designed to inform North East Link Authority and Boroondara City Council of the new trends in golf participation and facility concepts together with an analysis of the likely visitation and financial performance of options.
1.2 Methodology

The following table provides the project tasks for delivery.

<table>
<thead>
<tr>
<th>Task</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Project Clarification discussion and Engagement with Boroondara City Council</td>
<td>OPG project team will meet with Project Manager to go over the offer and confirm all tasks / timelines. OPG together with NE Link Authority to meet with Boroondara City Council to discuss golf course development options.</td>
</tr>
</tbody>
</table>
| 2. Review all information and data | OPG to review:  
- Participation and usage data  
- Revenue and expenditure  
- Golf course layout impact of North East Link design  
- Other relevant information and data, as required. |
| 2. Benchmark Analysis of new golf course development concepts that encourage broader family participation | OPG to conduct a benchmarking analysis of new golf course development concept that encourage broader audience and families to golf, including:  
- Participation and usage data  
- Revenue and expenditure  
- Other relevant information and data, as required.  
Engagement with Manager at benchmark facility. |
| 4. Comparative Financial Model Analysis | OPG to run two financial models:  
- 1. Current 18 hole golf course  
- 2. Benchmarked golf course development concept. |
| 5. Report | OPG to prepare a report summarising key findings |

1.3 Project progress and next steps

The market research, stakeholder engagement and benchmarking tasks are completed. This report provides a summary of key findings to help inform golf course development concept options for Freeway Golf Course.

Figure 1: Planning Process
2. Why explore different golf concepts at Freeway Golf Course?

Golf participation in Victoria is changing and the golf industry will need to adapt. This section explores the current state of play for golf in Victoria and recent market segmentation research that will help inform golf course design options into the future.

2.1 Golf participation in Victoria

The latest Golf Participation Report 2016 identifies the state of play in golf participation in Victoria and Australia. Key highlights from this report are captured below.

There are over 394,000 registered golf club playing members and 766,000 casual golfers in Victoria.

Around 950,000 people hit golf balls at driving ranges, mini golf courses and golf simulators, but don’t play a round.

There are 374 golf courses and over 400 golf clubs in Victoria.

Club memberships have remained stable over the last five years after a period of decline, largely due to clubs diversifying memberships packages in an attempt to respond to changing demographic and participation trends. This is despite a Victorian population being the fastest-growing state in Australia and expected to reach 10.1 million by 2051 (Victoria in Future, 2016).

Social golf participation is on the rise. This is shown by the annual increase in social club membership of 8% and now recording over 20,000 members. Access to public golf courses is an important ingredient to supporting the rise in casual social golf participation. Private member golf courses will need to adapt in the programming of their golf courses to embrace greater use by social golfers to maintain viability.

Member clubs have reported a challenge in balancing access to members with access to casual social players and introducing new participation programs.

Only 3% of golf members are juniors and 20% females. This is low compared to other major participation sports. New participation programs have been created by Golf Australia to attract and support junior and female participation. These are My Golf - Junior Development Program; and Swing Fit - Social, Cardio, Skill Development Program.

The average club membership size is 120 with over 145 club having less than 100 members. Interestingly, over 70% of the total membership is captured by 26% of clubs with memberships over 1000.

Time and cost are major barriers to becoming active members, whilst socialising and having fun are the main reasons for attracting players.

2.1 Golf facilities in Victoria

An audit of Victorian’s golf facilities was conducted in 2018. Key findings relevant to this report were:

- There are a high number of similar types of golf courses. 70% of golf courses are 18 hole experiences.
- Golf courses provide social, environmental and cultural heritage values. 139 golf courses located adjacent parks and 69 with waterways. 52 golf courses are within an area short of public open space.
- There is a high number of golf courses in Eastern Melbourne within primary facility catchment area (5-10km) where 75-85% of members and casual players come from. This creates high competition amongst golfers, particularly if they are offering similar golf experiences.
- Older golf course designs don’t accommodate new golf equipment technology, and courses abutting residential areas are unable to expand. This has resulted in golf course redesign where possible or large fencing being built.
2.2 Future golf participation opportunities

How will golf adapt and attract new participants?

In recognition of the need for golf to understand the current and potential markets to attract more people to play, the Australian Golf Industry Council released the 2015 Golf Landscape Research Report. This research study included a nationwide survey across males and females aged 18 years and over in both metropolitan and rural areas.

The report found:

- 1.15 million Australians have played a round of golf in the last 12 months.
- 2.1 million Australians have picked up a golf club to play or practice some form of golf in the last 12 months.
- 3.87 million Australians have not played golf but would be interested in playing in the future.
- The most common entry point into the game was via friends or partner.
- Social reasons are the main driver for play.
- Ideas for attracting more people to play golf included flexible membership options, fun and social options to play, options to play short game, offer a clear pathway for learning and development.

The report was also able to report on current and potential market segments.

Current market:

- Golf traditionalists (dedicated to the pure form of the game) - represent 45% of the total playing group and provide 40% of the industry spend.
- Variety seekers (frequent and mobile golfers that like to experience other formats) - represent 20% of the total playing group and provide for 39% of the industry spend.
- Incidentals (infrequent golfers) - represent 24% of the total playing market and contribute 16% of the industry spend.
- Alternatives (play for health reasons and social reasons with initial little interest in the traditional competitive form of the game) - represent 11% of the total playing group and 5% of the industry spend.

Potential market:

- Get me started (covers all ages and genders, has a strong interest in starting golf but do not know where to begin) - represents 66% of the potential market opportunity.
- Health and fitness (focused on general health and wellbeing and many have yet to try golf) - represents 34% of the potential market opportunity.

2.3 How is the golf industry attracting a broader audience to golf?

Golf facilities, clubs and operators will need to adapt to attract a broader audience to golf and stay relevant in today’s market place. Greater flexibility and access to fun and friendly facilities and programs will be key to attracting families, women, juniors and social golfers to golf.

Public golf courses will play a role in providing these opportunities whilst private member courses will need to strike a balance between providing for traditional competitive golfers to new golf markets.
Greater flexibility, access and affordability

Selling membership that allows members to play unlimited golf rounds or single round green fees as the only offers to play is now dated and doesn’t respond to today’s leisure patterns or lifestyle needs.

Flexible and diverse membership options are now required to better engage people to the golf facility for they will be designed to the customer needs and wants. No one solution fits all and flexible memberships will be a key to success for they target the traditional and variety seeker markets.

There are now a range of modern flexible membership models being used across other golf courses in Australia including:

- Points system - where a golfer buys points or credits and pays for their rounds with these points as opposed to paying for a full membership. The golfer receives the same social benefits as a full member whilst being able pay for round when they are available or would like to play. An added benefit of this membership model is that it engages the golfer to the facility and club environment.
- Family membership - The one membership for the whole family has shown to attract greater family participation and engagement with the facility together with retaining juniors in the sport.
- Multi-round green fee cards - Players pay for 5-10-20 rounds in one attractive discounted fee.
- Multi-course membership - This membership gives you access to several courses and is attractive to variety seeker golfers that like to explore new courses.

Fun and friendly golf programs and facility formats

When interviewing the Golf Operations Manager at Curlewis Golf Course (Bellarine Peninsula), his key learning is that we just need to make it fun and welcoming.

Golf Australia has launched examples of fun and friendly golf programs in the last five years. These are My Golf, a fun junior skills program and SwingFit, a social cardio and skills programs. These programs are designed to attract junior and women players.

Other fun and friendly golf programs and facility formats include:

- Ability tees - remove the gender out of the teeing system and golfers will have more fun and the hole will be able to be played to a person’s ability, people will move around the course quicker and spend more time socialising.
- Foot Golf - Soccer and golf combined. Separate greens are provided off the fairways and allows groups of players to kick the ball from tee to hole. Some of Australia’s leading golf courses are introducing this format to their golf courses including Wembley Golf Course.
- Speed Golf - How fast can you play a golf course. Players essentially play a round of golf as fast as they can with the person that has the least amount of shots and quickest time the winner.
- Disc Golf - Frisbie golf. A separate frisbie course is mapped out and is also gaining popularity within parks. Players throw the frisbie with the aim to land it in a chain basket hole.
- TopGolf - A golf driving range and entertainment precinct where you can eat and drink whilst playing a game in the driving range with friends.

Opportunity for public golf courses to reimagine role in golf course

Most public golf courses in Victoria are traditional 9 and 18 hole golf courses that are located in the high population areas of Local Government areas. The layout of a number of these courses are now out dated, with new technology allowing today’s golfer to hit the ball longer than ever before. Some are having boundary issues and spending significant funding on redesigning golf holes, repositioning tees and greens and installing large fences. This investment could be directed to transforming these golf courses into family friendly golf facility concepts that facilitate fun and friendly golf programs and greater flexibility and access.
It is very challenging for private member clubs to make significant changes to the format of their golf courses for they require 75% of members to vote in favour. That said, there are now a number of courses exploring and some that have introduced new golf formats and programs together with flexible membership packages.

The success and vision of the France Ryder Cup Bid is progressing and one that Australia could learn from. The France Bid centered not only on hosting the event for tourism purposes, but also for the development of golf in France that is presently a minority sport. Since winning the bid, the French Golf Federation has run education programs to instill golf into schools and has built 99 small urban courses with another 40 courses planned in high population areas. They are simple and short formats of golf, inexpensive, fun and less time consuming to play. They include pitch and putt, six and nine hole courses taking advantage of land available to them in urban areas but targeting them to beginners and families.

2.4 Key findings

Golf courses in Victoria are much the same, offering very similar experiences. This is particularly relevant to the Eastern Metropolitan area that have a range of private member and public golf courses offering 9 hole and 18 hole golf courses.

Diversifying golf facilities and experiences, making them fun and family friendly places will broaden the golf audience and introduce new participants whilst diversifying revenue streams and in turn making golf courses more viable.

There is a tension between old and new ways in providing golf experiences whether that be in facilities, programming and membership.

Golf facilities will need to adapt to stay relevant. How? The recent 2018 Golf Business Forum hosted discussions across the golf industry to inform operators about how to adapt to new trends. These included:

- Focus on customer experiences that are friendly and welcoming places.
- Focus less on competition and introduce a social and fun philosophy.
- Encourage greater facility visitation.
- Engage with customers.
- Continue to provide social, economic, environmental and create a community hub.
3. Freeway Golf Course

3.1 Course overview

The Freeway Golf Course is located at 47-49 Columbia Street, Balwyn North. The public 18-hole Par 69 golf course is owned and managed by Boroondara City Council.

The golf course consists of:

- 18 hole public golf course.
- Pro Shop / Café.
- Small function room (capacity of 30 people) and a small kitchen.

The golf course is a 42ha site zoned Public Park Recreation Zone and in part Urban Flood Zone. The land is subject to Development Overlay (DDO31), Significant Landscape Overlay (SLO2), Land Subject to Inundation (LSIO) and Environmental Significant Overlays (ESO1 and ESO3). There are high environmental and biodiversity values of the land, particularly along the Yarra River western border of the course.

The future development of the golf course will need to consider relevant legislative regulations under the Planning and Environment Act, Environment Protection and Biodiversity Protection Act (EPBC), Environment Effects Act and Aboriginal Heritage Act.

The course is in very good condition and located in a golf region experiencing 1.4% growth in membership. The course is classified as a local public golf course. The course doesn’t presently offer Golf Australia participation programs - MyGolf or SwingFit.

Figure 2: Aerial of Freeway Golf Course
There are two golf clubs that use Freeway Golf Course. These are the Harp Golf Club and Camberwell Golf Club:

- The Camberwell Golf Club has 300 members and play competition four days a week on Monday, Wednesday, Thursday and Saturday (From dawn to 3pm). The club pay green fees.
- The Harp Golf Club has 70 members and play weekly competition. They mostly play at Freeway Golf Course but on occasion (every month) play at an alternative course. The club pay green fees.

Additional uses of the golf course are by:

- Social clubs.
- Junior classes on Sunday morning and during the week.
- Ladies classes.
- Private lessons.
- Casual users.

Boroondara city Council provided NELA with visitation information for the Freeway Golf Course. The course has consistently reached 50,000 rounds per year over the last five years. Boroondara has verbally advised that usage can be as high as 70,000 visits.

Golf fees revenue was reported at approximately $1.3 million.

3.1 18 hole Golf Course Benchmark Assumptions

For commercial reasons, Boroondara City Council did not provide the Consultant Team with all requested information.

Consequently, Otium Planning Group has reviewed similar 18 hole public golf courses that are managed in house and generates a similar visitation level and scope of programs. These include Centenary Park Golf Course, Ringwood Golf Club and Sandringham Golf Course.

Key assumption inputs for the financial model comparison between an 18 hole golf course and the new golf facility development concept proposed are:

- The course will attract approximately 50,000 visits per year catering for 370 members and casual users.
- The golf course operational expenses will cost in order of $1 million to 1.5 million.
- The staffing structure includes a Coordinator, Golf Course / Pro Shop Supervisor, two permanent customer service staff, green keeper and assistant green keeper.
- The course would operate an annual operating surplus each year in order of $100,000 to $300,000. This does not include asset renewal costs.
- Green Fees would be: Adult price of $31 weekends and $29 weekdays for 18 holes; and Junior price of $20 for 18 holes.
- Estimate of six functions per week attracting 50 participants (3 day time and 3 night time events).
- The facility will be open for 84 hours (7am to 7pm) per week for 52 weeks of the year.
4. Benchmarking a new facility development concept

This section reviews new facility concepts to help inform a new development option for the Freeway Golf Course and a financial operational model comparison.

4.1 Curlewis Golf Course - The Range

The Range @ Curlewis opened in January 2018. It is innovative and fun for the whole family and is a benchmark facility for modelling the proposed new facility development concept on.

The range features 18 indoor/outdoor driving bays (9 of which feature pop-up automated tee systems). There are fun targets which indicate distance (total length is just over 250 metres), two XGolf Simulators; two ES15 units (which provide club head speed, ball speed, smash factor, spin rate and distance), a dedicated teaching/training bay, Trackman Golf performance technology, dedicated chipping area, 35m north-facing deck, conference facilities for up to 200 people, and three distinct dining areas.
The facility offers a two-tier mini golf course. The mini golf course is great fun and challenging for all and features a reticulated recycled water stream running through the heart of the course. The course has been planted out with more than 3,000 plants and trees.

The Range Team plans to activate yoga and various fitness classes within the complex as well so that it evolves as a true community hub.

The club has also introduced Foot Golf on course and golf scooters.

The Range, Foot Golf and golf boards (scooters), together with relaxing dress standards, hosting different golf event days e.g. fluro day, and diversifying membership packages show what a golf course can do if responding to the trends and challenges facing the golf industry.

See link to learn more about The Range: https://curlewisgolf.com.au/pages/the-driving-range

Key insights into The Range performance:

- After 10 months of operation, the facility is attracting a high number of non-golfers (70%). They are enjoying the fun and friendly nature of the facility that welcomes you to not just hit a ball but also eat food, have a drink and socialise with friends and family. It is not pretentious and a fun place to visit (key learning).

- The Range also attracts traditional golfers (30%). The golf purists have found their time to use the facility, that is often outside the high use peak times.

- The venue attracts an estimated 300 to 500 people on average each day. Two thirds of all visits use the driving range, whilst one third use the mini golf and X Golf.

- The high use peak time during the week is from Friday 6pm to Sunday 5pm.

- The facility is a successful events / function venue. Presently, The Range is hosting a number of work Christmas parties (multiple per day and in the last week before Christmas the facility is attracting 25 parties).

- The facility has been very successful in attracting a high number of women and families. Families are the key user of the minigolf course, whilst friendship groups (both male and females) are using the driving range / café and bistro experience.

- The holiday periods are attracting high use. The Range is about to experience their first Summer holiday break (January) that is expected to bring a high number of users by visitors to the Bellarine Region.

- The hospitality and golf operations are split. The hospitality section has an operations manager, chef and assistant chef, part time and casual bar and function staff. The golf section has an operations manager, grounds keeper plus part time and casual administration and grounds staff.

- There was an $8 million capital cost to plan, design and construct The Range. The ongoing maintenance is high with the replacement and maintenance of mats and reels on ball machines required over the last 10 months of operation due to the high use of the facility.

- There is a wide range of pricing options:
  - Mini golf course: $16 adult for 18 holes; $14 for 12-16 juniors; and $11 for U12s and pensioners.
  - Driving range: $5 for 25 balls; $9 for 50 balls; and $15 for 100 balls.
  - X Golf: $20 for 30min single hire; and $35 for 1hr single hire.
  - The club also offers PGA pro lessons ($35-$90), junior development clinics and clinics for beginners and intermediate levels ($60).
4.1 Burnley 9 Hole Golf Course

The Burnley Golf Course is a public 9 hole course of very good quality within a similar size facility catchment. Course is a good benchmark to show the likely visitation and financial impacts of the 9 hole golf course component of the proposed new golf facility concept.

The course is also a good example of a course with an old design being challenged by its short length and boundary encroachment issues with major roads surrounding the facility. An architect has redesigned some golf holes at a cost of over $60,000. Council and Transurban has just had a ball trajectory report prepared. A $2.5 million safety nets solution has been recommended that has prompted Yarra City Council to review future development options including: A shortened 9 hole golf course, adventure mini golf and function space; A 6 hole golf course concept with fully enclosed driving range; and even had Top Golf present interested in the site.

Key insights into the performance of the course:

- The overall visitation over the last 12 months has been 39,300 plus visits through programming. Approximately, 30% of visits are from membership and 70% are casual golfers. This has steadily increased by 5% annually over the last 5 years since Council took over managing the course.
- There are two clubs that operate from the course. The Burnley Women’s GC (Competitive and Social) with 70 members and the Burnley Golf Club with membership of 120 members (Mixed).
- The staffing structure includes a Coordinator, Golf Course / Pro Shop Supervisor, two permanent customer service staff, green Keeper and assistant green keeper.
- The water costs are approx. $80,000 annually and is not covered by the course. The course has been watering less because of the improvements made to the course, however the cost of water has increased.
- All other expenses (labour, maintenance, machinery lease, consumables, merchandising) cost $950K with a profit margin of about $25,000 to $100,000 (without water costs).

4.2 Typical New Family Friendly Golf Facility Concept Assumptions

A typical new ‘family friendly’ golf facility concept within a similar population catchment to that of Freeway Golf Course is likely to generate:

- Driving Range, Mini Golf and X Golf - 200 to 400 visits on average each day = 72,500 to 145,000 visits annually.
- An interesting comparison is the reported weekly visitation at TopGolf, a fully commercialised golf entertainment precinct, of 2,000 to 3,000 visits weekly (100,00 to 160,000 annually).
- The 9 hole golf course will generate between 40,000 (Burnley visitation) and 50,000 visits each year (Freeway Golf Course recorded visitation).
- Total expected visitation of proposed new facility development concept is conservatively 110,000 visits to optimistically 200,000 visits. The conservative visitation figure has been used for the financial operational model.
- The increase in visitation is due to providing for ‘traditional and variety seekers’ through the 9 hole golf course and attracting new markets as evidenced by The Range experience where 70% of people using the venue are beyond the traditional purist golfers and use the adventure mini golf course (primarily used by young families) and the driving range and X Golf (primarily used by adult groups of friends and families).
- Green Fees for the 9 hole golf course would be: Adult price of $31 for 18 holes and $21 for 9 holes; and Junior price of $20 for 18 holes and $17 for 9 holes.
• A range of pricing options will be offered for the rest of the facility:
  o Mini golf course: $16 adult for 18 holes; $14 for 12-16 juniors; and $11 for U12s and pensioners.
  o Driving range: $5 for 25 balls; $9 for 50 balls; and $15 for 100 balls.
  o X Golf: $20 for 30min single hire; and $35 for 1hr single hire.
• The operational expenses of the facility will cost $1.2 million for the 9 hole golf course plus assume an estimated $700,000 to cover driving range and mini golf operating expenses. This will be covered by likely revenue and generate an operating surplus.
• It can be assumed that the function room would be booked on average 14 times per week (7 day time and 7 night time events) catering for 50 people, where multiple bookings are likely in warmer months and less frequent bookings in winter months.
• All visitors will enjoy the hospitality areas of the facility. There will be a higher hospitality spend for the driving range, X Golf and adventure mini golf experiences.
• The facility will be open for 98 hours (7am to 10pm) per week for 52 weeks of the year.
5. Financial operational model comparisons

This section compares the financial operational model between an 18 hole golf course with similar visitation levels to that of the Freeway Golf Course and the proposed new family friendly golf facility concept.

A summary of the global impacts and financial operational model assumptions. The financial operational model for each facility option is informed by the assumptions collected in section three and four of this report.

A hard copy of the financial operation models is provided as Appendix Two to this report.

Global Impacts

The financial models have been developed using Otium Planning Group’s computerised financial software. The 10-year projections are developed using the following global impact assumptions.

Business Growth

Industry trends indicate it normally takes up to three years to establish new facilities usage and business.

The financial models therefore assume average business and usage in year three. The figures are impacted by reduced business and usage in year one at 15% less and year two at 5% less (than year three).

From year three onwards, industry trends indicate leisure facilities do increase usage annually. The financial models therefore see the following business growth impacts.

Table 1: Business Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
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<th>3</th>
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<th>8</th>
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<tr>
<td></td>
<td>85%</td>
<td>95%</td>
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<td>101%</td>
<td>102%</td>
<td>103%</td>
<td>104%</td>
<td>105%</td>
<td>105%</td>
<td>105%</td>
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</tbody>
</table>

Price Growth/Increases

Hire and other fees price growth are set at 1% annually from year two onwards.

Consumer Price Index (CPI)

The financial model is annually impacted by a CPI increase. This has been set at 3% from year two to year 10. An additional 1% is provided every year to account for salary increases that may occur because of local enterprise bargain agreements and or salary increases. An additional 2.5% is provided every year to account for increase to a range of different expenses.

Business Assumptions

Operating hours, entry charges, recurrent operating expenditure, maintenance, staffing, food and beverage and functions (hospitality) assumptions are informed by the benchmarking information in section three and four of this report. These are captured within the tables in Appendix Two provided in hard copy.

Further assumptions include:

- The staffing structure covers both the golf operation and hospitality operations of the proposed facilities.
- Salaries are impacted by CPI (2.3%) annually and every three years by an extra 1% to consider wage increases.
- The model includes an allowance for public liability and building insurance.
- The model assumes secondary spend income based on a percentage per spend per visitor. The model assumes the operator will be responsible for the café / bistro / bar and merchandising.
• No allowance for sponsorship has been included in this model. There may be the opportunity to attract sponsorship as the project develops further.

• The financial model does not include building depreciation and cost of capital. The financial model can allow for building depreciation and cost of capital when the total project cost of the facilities and the loan amounts are confirmed.

5.1 Option 1 18 Hole Public Golf Course Concept

The Base Case financial operational model has been prepared using previous research and investigations into 18 hole golf courses with similar visitation, membership and pricing levels.

Facility 10 Year Base Case Financial Models

The 10-year business projections are detailed in the following table on the next page.

Table 2: Base Case 10 Year Operational Business Projections

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<th>Category</th>
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<td>$178,579</td>
<td>$192,827</td>
<td>$228,483</td>
<td>$244,765</td>
<td>$283,890</td>
<td>$302,407</td>
<td>$345,297</td>
</tr>
<tr>
<td>Visitations</td>
<td></td>
<td>57,000</td>
<td>58,800</td>
<td>60,000</td>
<td>60,600</td>
<td>60,600</td>
<td>61,200</td>
<td>61,200</td>
<td>61,800</td>
<td>61,800</td>
<td>62,400</td>
</tr>
</tbody>
</table>

Note: Does not include development costs such as depreciation, capital cost repayments, land tax, Council rates.

The 10-year base case business projections indicate:

• Revenue is expected to increase annually ranging from $1,685,395 in year one to $2,354,471 by year 10.
• Expenditure is expected to increase annually ranging from $1,651,900 in year one to $2,108,658 in year 10.
• The facility is expected to operate at an annual operating surplus increasing from $33,405 in year one to $345,297 in year 10.
• The facility attendances are expected to gradually increase from 57,000 in year one to 62,400 by year ten.

Facility Business Scenario Comparison

The following table provides a comparison of the average operational performance over the 10-year period of each model based on:

• 10% more use.
• Base Case - Average predicted use.
• 10% less use.
5.1 Option 2 New ‘Family Friendly’ Golf Facility Concept

The Base Case financial operational model has been prepared using the benchmarking research conducted for this project.

Facility 10 Year Base Case Financial Models

The 10-year business projections are detailed in the following table on the next page.

Table 3: Facility Business Scenario Comparison

<table>
<thead>
<tr>
<th>Facility Stages</th>
<th>Facility Business Scenario Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Optimistic Case</td>
</tr>
<tr>
<td></td>
<td>10% More Use</td>
</tr>
<tr>
<td></td>
<td>Average Net Profit/(Loss) Over 10 years</td>
</tr>
<tr>
<td>Revenue</td>
<td>$2,284,913</td>
</tr>
<tr>
<td>Expenditure</td>
<td>$1,872,369</td>
</tr>
<tr>
<td>Operational Profit/Loss</td>
<td>$412,544</td>
</tr>
<tr>
<td>Visitations</td>
<td>66,594</td>
</tr>
<tr>
<td></td>
<td>Base Case</td>
</tr>
<tr>
<td></td>
<td>(Average Use)</td>
</tr>
<tr>
<td></td>
<td>Average Net Profit/(Loss) Over 10 years</td>
</tr>
<tr>
<td>Revenue</td>
<td>$2,077,194</td>
</tr>
<tr>
<td>Expenditure</td>
<td>$1,871,898</td>
</tr>
<tr>
<td>Operational Profit/Loss</td>
<td>$205,295</td>
</tr>
<tr>
<td>Visitations</td>
<td>60,540</td>
</tr>
<tr>
<td></td>
<td>Conservative Case</td>
</tr>
<tr>
<td></td>
<td>10% Less Use</td>
</tr>
<tr>
<td></td>
<td>Average Net Profit/(Loss) Over 10 years</td>
</tr>
<tr>
<td>Revenue</td>
<td>$1,869,474</td>
</tr>
<tr>
<td>Expenditure</td>
<td>$1,871,427</td>
</tr>
<tr>
<td>Operational Profit/Loss</td>
<td>($1,953)</td>
</tr>
<tr>
<td>Visitations</td>
<td>54,486</td>
</tr>
</tbody>
</table>

Note: Does not include development costs such as depreciation, capital cost repayments, land tax, Council rates.

The 10-year base case business projections indicate:

- Revenue is expected to increase annually ranging from $3,303,978 in year one to $4,745,394 by year 10.
- Expenditure is expected to increase annually ranging from $3,390,274 in year one to $4,211,587 in year 10.
- The facility is expected to operate at an annual operating deficit of ($86,296) for the first year of operation, however climbing to record $533,807 in year 10. The average operating surplus is estimated to be approximately $285,414 per annum.
- The facility attendances are expected to gradually increase from 131,024 in year one to 143,437 by year 10.

Facility Business Scenario Comparison

The following table provides a comparison of the average operational performance over the 10-year period of each model based on:

- 10% more use.
- Base Case - Average predicted use.
- 10% less use.
Table 5: Facility Business Scenario Comparison

<table>
<thead>
<tr>
<th>FACILITY STAGES</th>
<th>FACILITY BUSINESS SCENARIO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Optimistic Case 10% More Use Average Net Profit/(Loss) Over 10 years</td>
</tr>
<tr>
<td>Revenue</td>
<td>$4,456,357</td>
</tr>
<tr>
<td>Expenditure</td>
<td>$3,762,665</td>
</tr>
<tr>
<td>Operational Profit/Loss</td>
<td>$683,692</td>
</tr>
<tr>
<td>Visitations</td>
<td>153,077</td>
</tr>
</tbody>
</table>

5.2 Key Findings from Financial Operational Model Comparisons

The table below compares the Base Case Model against the two golf facility concepts.

Table 6: Facility Business Scenario Comparison of Two Golf Facility Options

<table>
<thead>
<tr>
<th>Facility Stages</th>
<th>Facility Base Case Scenario Comparison between Golf Facility Options</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18 Hole Golf Course Base Case (Average Use) Average Net Profit/(Loss) Over 10 years</td>
</tr>
<tr>
<td>Revenue</td>
<td>$2,077,594</td>
</tr>
<tr>
<td>Expenditure</td>
<td>$1,871,898</td>
</tr>
<tr>
<td>Operational Profit/Loss</td>
<td>$205,295</td>
</tr>
<tr>
<td>Visitations</td>
<td>60,540</td>
</tr>
</tbody>
</table>

A review of the business scenario comparison indicates that:

- The new family friendly golf facility will generate twice the number of visits and generate on average a higher operational profit. The higher visitation will continue to provide for the traditional and variety seeker markets through the 9 hole golf course, whilst attracting new markets to the family friendly golf and café / bistro experience.

- Both options generate an operational profit.

- The new family friendly golf facility concept generates more revenue, however is more expensive to run.
6. Conclusion

This report has explored a new family friendly golf facility concept for the Freeway Golf Course that is based on the reference design in Appendix 1.

The Freeway Golf Course is impacted by the proposed design of the North East Link that has led to a review into design options.

Golf courses in Victoria are much the same, offering very similar experiences. This is particularly relevant to the Eastern Metropolitan area that have a range of private member and public golf courses offering 9 hole and 18 hole golf courses.

Most public golf courses in Victoria are traditional 9 and 18 hole golf courses that are located in the high population areas of Local Government areas and are therefore landlocked. The layout of a number of these courses are now old, with new golf equipment technology allowing today’s golfer to hit the ball longer than ever before. Some are having boundary issues and spending significant funding on redesigning golf holes, repositioning tees and greens and installing large fences.

The Freeway Golf Course will experience these issues due to it already being a short par 69 golf course that may be further reduced, possibly to a par 66 or 68, by the North East Link project.

Golf in Victoria has faced challenges such as changing demographic and participation trends and while social golf participation is increasing, golf memberships have stabilised through introducing flexible membership packages. Some clubs have however reported having difficulty meeting escalating operational costs together with balancing the interests of members with social players and introducing programs and formats that attract juniors, women, families and people from multicultural backgrounds.

Golf facilities will need to adapt to stay relevant by being:

- Focus on customer experiences that are friendly and welcoming places.
- Focus less on competition and introduce a social and fun philosophy.
- Encourage greater facility visitation.
- Engage with customers.
- Continue to provide social, economic, environmental and create a community hub.

Diversifying golf facilities and experiences, making them fun and family friendly places will broaden the golf audience and introduce new participants whilst diversifying revenue streams and in turn making golf courses more viable.

There is however a tension between old and new ways in providing golf experiences whether that be in facilities, programming and membership. However, public golf courses through a partnership with Local Government and the golf industry are an opportunity to introduce new golf facility formats to encourage a greater audience to golf.

The benchmarking analysis found:

- The Freeway Golf Course is operating successfully when compared to other similar 18 hole golf courses attracting approximately 50,000 to 70,000 visits per year and catering for 370 members plus casual users.
- An 18 hole golf course is estimated to generate an annual operating surplus each year in order of $100,000 to $300,000, excluding asset renewal costs.
- The 18 hole golf course is attractive to the traditional and variety seeker (existing) golfing markets.
• Curlewis Golf Courses ‘The Range’ is attracting 300 to 500 visits daily. 70% of people using the venue are beyond the traditional purist golfers and use the adventure mini golf course (primarily used by young families), the driving range and X Golf (primarily used by adult groups of friends and families).

• Two thirds of users are hitting golf balls at the driving range whilst enjoying a meal and drinks, whilst one third play mini golf and X Golf. Most people visiting The Range enjoy food and beverage whilst participating in groups of families and friends.

• The new family friendly golf facility concept is attractive to both the traditional and variety seeker together with new golf markets including incidentals, adventure and health and fitness markets. There is an opportunity for Boroondara City Council to further explore this concept for the Freeway Golf Course.

The financial operation model comparison between an 18 hole golf course and the new family friendly golf facility concept found:

• The new family friendly golf facility will generate twice the number of visits and generate on average a higher operational profit. This is unsurprising for the venue will still provide for the traditional and variety seeker markets through the 9 hole golf course, whilst attracting new markets to the family friendly golf and café / bistro experience.

• Both options generate an average an operational profit.

• The new family friendly golf facility concept generates more revenue, however is more expensive to run.

The table below compares the Base Case Model against the two golf facility concepts.

Table 7: Facility Business Scenario Comparison of Two Golf Facility Options

<table>
<thead>
<tr>
<th>Facility Stages</th>
<th>18 Hole Golf Course Base Case (Average Use) Average Net Profit/(Loss) Over 10 years</th>
<th>New Family Friendly Golf Facility Concept Base Case (Average Use) Average Net Profit/(Loss) Over 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$2,077,194</td>
<td>$4,042,143</td>
</tr>
<tr>
<td>Expenditure</td>
<td>$1,871,898</td>
<td>$3,756,728</td>
</tr>
<tr>
<td>Operational Profit/Loss</td>
<td>$205,295</td>
<td>$285,414</td>
</tr>
<tr>
<td>Visitations</td>
<td>60,540</td>
<td>139,161</td>
</tr>
</tbody>
</table>

*Please note that the financial operational models are based on industry benchmark assumptions. Council could consider applying their own operational performance data to inform assumptions*

**Next Steps**

Based on Boroondara City Council’s interest in this review, there is an opportunity to undertake a further assessment. The assessment would explore a family friendly golf facility concept for the Freeway Golf Course that considers the current operational performance.
7. Warranties and Disclaimers

The information contained in this report is provided in good faith. While Otium Planning Group has applied their own experience to the task, they have relied upon information supplied to them by other persons and organisations.

We have not conducted an audit of the information provided by others but have accepted it in good faith. Some of the information may have been provided ‘commercial in confidence’ and as such these venues or sources of information are not specifically identified. Readers should be aware that the preparation of this report may have necessitated projections of the future that are inherently uncertain and that our opinion is based on the underlying representations, assumptions and projections detailed in this report.

There will be differences between projected and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. We do not express an opinion as to whether actual results will approximate projected results, nor can we confirm, underwrite or guarantee the achievability of the projections as it is not possible to substantiate assumptions which are based on future events.

Accordingly, neither Otium Planning Group, nor any member or employee of Otium Planning Group, undertakes responsibility arising in any way whatsoever to any persons other than client in respect of this report, for any errors or omissions herein, arising through negligence or otherwise however caused.
Appendix 1 - New Golf Facility Concept Design Options 4 and 4B

FREEWAY GOLF COURSE - Option 4
12 Hole Course, “Curlewis” Golf Centre, Mini Golf and Tennis Centre
Appendix 2 - Facility Operational Models

Provided in hard copy