
Bonita Fairways Community Association Golf Course Overview

Background

- Bonita Fairways Community Association (Master)
 - Declaration Document 25-September-1997 as amended 29-March-2006 gives Master Association 'Right of First Refusal' to purchase Bonita Fairways Golf Course (Real Property, Improvements and Assets)
 - ROFR is triggered when a 3rd-Party offer to purchase the golf course is accepted by Alagold and conveyed to BFCA (Master)
 - Master Association must execute a firm offer to purchase under under the same terms within 20 days.

3rd-Party Offer to Purchase

- Prospective Buyer: Michael Klinger (Declarant - Botanika)
- Effective Price: \$1,500,000 less \$300,000 Advisory Fee
- Closing Date: April 1, 2020



Prospective BFC A Terms

- Prospective Buyer: BFC A exercising ROFR
- Effective Price: \$1,200,000
- Due Diligence Period 60-90 Days:
 - Commences when all necessary documents received from Seller
 - Allows time for Land Survey, Environmental Study, etc.
- Closing Date to be Negotiated

Decision Timeline

- BFCA has received effective notice on October 7, 2019
- BFCA has until October 27th to exercise ROFR
- Notice has been issued for Special Members Meeting on October 26, 2019 during which the matter will be voted.

Process for Community

- BFCA BoT will gather and share available information, including any available objective analysis 
- BFCA BoT will host a Town Hall on October 16th (7pm) 
- Neighborhood Associations will conduct Survey of Homeowners to determine 'majority voting interest' per 4.1 (J)
- Neighborhood Voting Representatives will vote their majority consensus prior to BFCA Special Member's Meeting meeting on October 26th.

In a Nutshell...

- Do we want to
CONTROL THE FUTURE OF OUR COMMUNITY?
- Choices:
 - Abandon ROFR and accept future impacts to Views and Values, whatever they may be;
 - Exercise ROFR to approve purchase of Golf Course as an addition to BFCA common elements, **assume control of future land use decisions.**

Why Exercise ROFR?



Developer Lands in Bonita Fairways

Zero to minimal maintenance



Why Exercise ROFR?

All Golf course Land Opens to Development... no future ROFR

Recently Permitted Development on Old 41 in Bonita Springs



Ownership models are changing in Florida

Significant pressure to accommodate Short-Term vacation rentals (AirBNB)

Why Exercise ROFR?

- ▣ Preserve Views and Values*
- ▣ Avoid High Density Apartment Developments now or later
- ▣ Maintain Control of Community
 - ▣ Consistent Rules/Bylaws
 - ▣ No Short Term Vacation Rentals
- ▣ After-Hours Cart Path Access for Community
- ▣ Retain option to explore 2nd Entrance to Community
- ▣ **Control our Community's Future**

*<https://www.nytimes.com/2019/03/09/realestate/luxury/thinking-of-buying-in-a-golf-community.html>

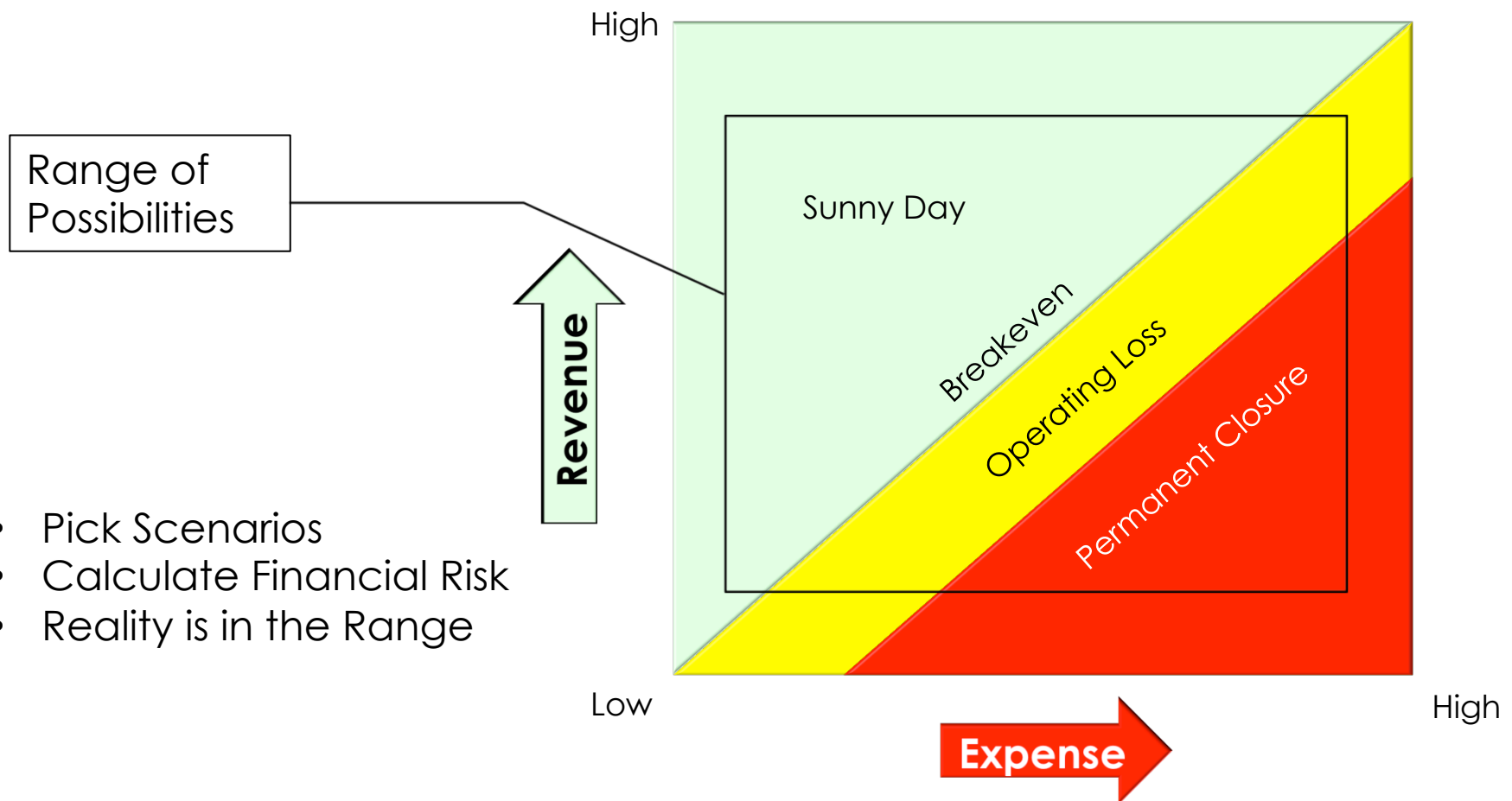
Why NOT Exercise ROFR?

- Risk of Financial Impact to Homeowners
- BFCA has no experience operating a Golf Course

What is the Financial Risk? Really?

- ▣ Bonita Fairways Golf Course operating financials not available... absence of hard data.
- ▣ Adopt Engineering Approach...
 - ▣ Develop Reasonable Estimates... data from other GC's.
 - ▣ Characterize a Range of Possibilities
 - ▣ Quantify Revenue/Expense for different Scenarios
 - ▣ Include Boundary Conditions
 - ▣ Sunny Day... Golf Course subsidizes BFCA
 - ▣ Permanent Closure... BFCA maintains lands

Characterize Range of Possibilities



Define Scenarios

- Effective Purchase Price: ~~\$1,500,000~~ \$1,200,000
- 15 year Loan at 5.5% for \$1.5M: \$117,660 Annually
- Professional Management Firm: \$60,000 Annually
- Operating Costs for Golf Course:
 - Assess three grades of "Quality"
 - Includes Management Firm Cost (above)
 - Includes Annual Capital Reserves
 - Assumes ability to reduce costs up to 20% if necessary
- Maintain Operating Model - Open to Public

Operating Cost Estimates

	“Dog Track”	“Average”	“Championship”
Operations	\$600K*	\$800K**	\$1.2M*
Capital Reserve (7%)	42K	\$56K	\$84K
- Capital Equipment			
- Irrigation System			
- Cart Paths			
- Pro Shop			
Management Firm	\$60K	\$60K	\$120K
TOTAL Annual Cost	\$702K	\$916K	\$1.4M

* GC Source 1

** GC Source 2

Plausible Revenue Scenarios

- Sunny Day: 5% Profit Margin
- Break Even: 0% Profit Margin
- Operating Loss: 60% of Sunny Day
 - Include 20% reduction in operating costs
- Cease Operations: Zero Revenue/Reduced Cost

BFCA Source of Funds

- Utilize \$135K/year of Annual Surplus
 - \$80K could otherwise roll into following year
 - \$55K could otherwise be added to accelerate Reserve contributions (which are today adequately funded)

- BFCA is NOT proposing to redirect established Reserve funds

Scenario Summary – “Dog Track”

	Sunny Day	Break Even	Operating Loss	Close
Revenue	\$737K	\$702K	\$442K	None
Cost	\$702K	\$702K	\$562K	\$250K
Net Income	\$35K	None	-\$120K	-\$250K
BFCA Funds	\$135K	\$135K	\$135K	\$135K
Loan Service	\$117.7K	\$117.7K	\$117.7K	None
Surplus/Loss	\$52K surplus	\$17K surplus	\$103K loss	\$115K loss
Impact (477 doors)	None	None	\$215/door/yr	\$241/door/yr

Scenario Summary – “Average”

	Sunny Day	Break Even	Operating Loss	Close
Revenue	\$962K	\$916K	\$577K	None
Cost	\$916K	\$916K	\$733K	\$250K
Net Income	\$46K	None	-\$156K	-\$250K
BFCA Funds	\$135K	\$135K	\$135K	\$135K
Loan Service	\$117.7K	\$117.7K	\$117.7K	None
Surplus/Loss	\$63K surplus	\$17K surplus	\$139K loss	\$115K loss
Impact (477 doors)	None	None	\$291/door/yr	\$241/door/yr

Scenario Summary – “Championship”

	Sunny Day	Break Even	Operating Loss	Close
Revenue	\$1.47M	\$1.4M	\$882K	None
Cost	\$1.4M	\$1.4M	\$1.12M	\$250K
Net Income	\$70K	None	-\$238K	-\$250K
BFCA Funds	\$135K	\$135K	\$135K	\$135K
Loan Service	\$117.7K	\$117.7K	\$117.7K	None
Surplus/Loss	\$87K surplus	\$17K surplus	\$221K loss	\$115K loss
Impact (477 doors)	None	None	\$463/door/yr	\$241/door/yr

Big Daddy Risk Scenario

- Hurricane
 - Insurance only covers damage to buildings
 - No coverage for Lake Cleanup
 - No coverage for Fairway Cleanup/Restoration
 - Weeks of Cleanup Cost without (low season) Revenue

- Assume One Month @ 80% Operating Cost for Cleanup
 - Dog Track: \$47K -> \$98/door/event
 - Average: \$61K -> \$128/door/event
 - Championship: \$93K -> \$196/door/event

Financial Risk Summary

	Dog Track	Average	Championship
Best Case	\$52K Surplus to BFCA	\$63K Surplus to BFCA	\$87K Surplus to BFCA
Worst Case (477 doors)	\$215/door	\$291/door	\$463/door
Permanent Closure	\$241/door	\$241/door	\$241/door
Big Daddy Assessment	\$98/door (per event)	\$128/door (per event)	\$196/door (per event)

- Financial Risk for Operations ranges from Surplus to less than \$125 per bi-annual payment to BFCA... \$21/month
- Financial Risk for Storm Cleanup **ranges from \$100 to \$200/door per storm cleanup**

How does this compare to what we've been hearing?

Short Term: Open Questions

- ▣ Source of Deposit Funds – in progress at BFCOA level
- ▣ Loan Confirmation – in progress at BFCOA level
(No homeowner liens or personal guarantees)
- ▣ Deferred Maintenance
- ▣ Golf Course Manager Selection

Longer View

- Known Unknowns
 - Purchaser's intention to sustain Golf Course vs. Development
 - Impact of losing Golf Course on Community property values
 - 25-50% losses in value reported elsewhere

- Financial Risk mitigates over time:
 - # of Doors Increases – Natura, Botanika v2.0
 - BFCA Loan is eventually retired
 - Maintenance synergies possible across BFCA Commons and Golf Course
 - Golf Course might be quite profitable: **if we all use it!**

Observations

- Fiduciary Responsibility:
 - BFCOA Trustees have **Fiduciary Obligation** to act in best interests of Community... No incentive to mislead us.
 - Principals to Transaction have **NO Fiduciary Obligation** to Community.

- Principals (Seller & Buyer) hostile to Community Ownership:
 - Refuse to disclose Golf Course financial data
 - Offer Selective, Incomplete, and Unverifiable Information to Stoke Anxiety in Community
 - Words and Actions are contradictory
 - ~~Poison Pill disadvantages Community by \$300K~~

WHY?

Conclusion

- Objective Risk Assessment shows that Financial Risk to Community is Reasonable and Manageable.
- This decision determines WHO CONTROLS the future of our Community:
 - A Board of Trustees who have a Fiduciary Responsibility to Homeowners; or
 - A Real-Estate Investment Professional who will seek to maximize Return on Investment

Q & A with our Fiduciaries

- Bonita Fairways Community Association
 - Don Griffin - President



Backup Slides

Michael Klinger's Finance Data

ANNUALIZED OPERATING DATA:		1-12-2018			PRO FORMA - 2019		
Rounds Played:		36,276	82.20%		38,090	82.20%	
Member Rounds Played:		7,855	17.80%		8,248	17.80%	
TOTAL ROUNDS PLAYED		44,131			46,338		
REVENUE			Current \$/Round	% Change		Pro Forma \$/Round	
Golf Revenue:	\$	1,030,284	\$23.35	41%	\$	1,456,206	
Membership Revenue:	\$	77,163	\$1.75	5%	\$	81,071	
Merchandise Revenue:	\$	43,987	\$1.00	5%	\$	46,186	
Food & Beverage Revenue:	\$	264,648	\$6.00	5%	\$	277,880	
GROSS REVENUE		\$ 1,416,082	\$32.09		\$ 1,861,343	\$40.17	
COST OF SALES			COGS %	% Change		COGS %	
Merchandise COS:	\$	31,671	72.00%	-5%	\$	30,021	
Food & Beverage COS:	\$	107,922	40.78%	-10%	\$	97,258	
TOTAL COST OF SALES	\$	139,593			\$	127,279	
GROSS PROFIT		\$ 1,276,489			\$ 1,734,064		
LABOR EXPENSES			% of Rev./% of Exp.	% Change		% of Rev./% of Exp.	
Course Maintenance:	\$	273,903	19.3% / 19.7%	3%	\$	282,120	
Golf & Amenities:	\$	133,719	9.4% / 9.6%	3%	\$	137,731	
Food & Beverage:	\$	105,886	7.5% / 7.6%	3%	\$	109,063	
General Operations:	\$	145,397	10.3% / 10.4%	3%	\$	149,759	
TOTAL LABOR EXPENSES	\$	658,905	46.5% / 47.4%	3%	\$	678,672	
OPERATING EXPENSES			% of Rev./% of Exp.	% Change		% of Rev./% of Exp.	
Course Maintenance:	\$	252,017	17.8% / 18.1%	3%	\$	259,578	
Golf & Amenities:	\$	69,208	4.9% / 5.0%	3%	\$	71,284	
Food & Beverage:	\$	42,835	3.0% / 3.1%	3%	\$	44,120	
General Operations:	\$	254,831	18.0% / 18.3%	3%	\$	262,476	
Marketing:	\$	19,422	1.4% / 1.4%	92%	\$	37,227	
Professional Management:	\$	-	0.0% / 0.0%	100%	\$	74,454	
Insurance:	\$	51,325	3.6% / 3.7%	3%	\$	52,865	
Property/Tangible Taxes:	\$	42,890	3.0% / 3.1%	3%	\$	44,177	
TOTAL OPERATING EXPENSES	\$	732,528	51.7% / 52.6%	16%	\$	846,180	



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