

# IWGR Strategic Asset Plan

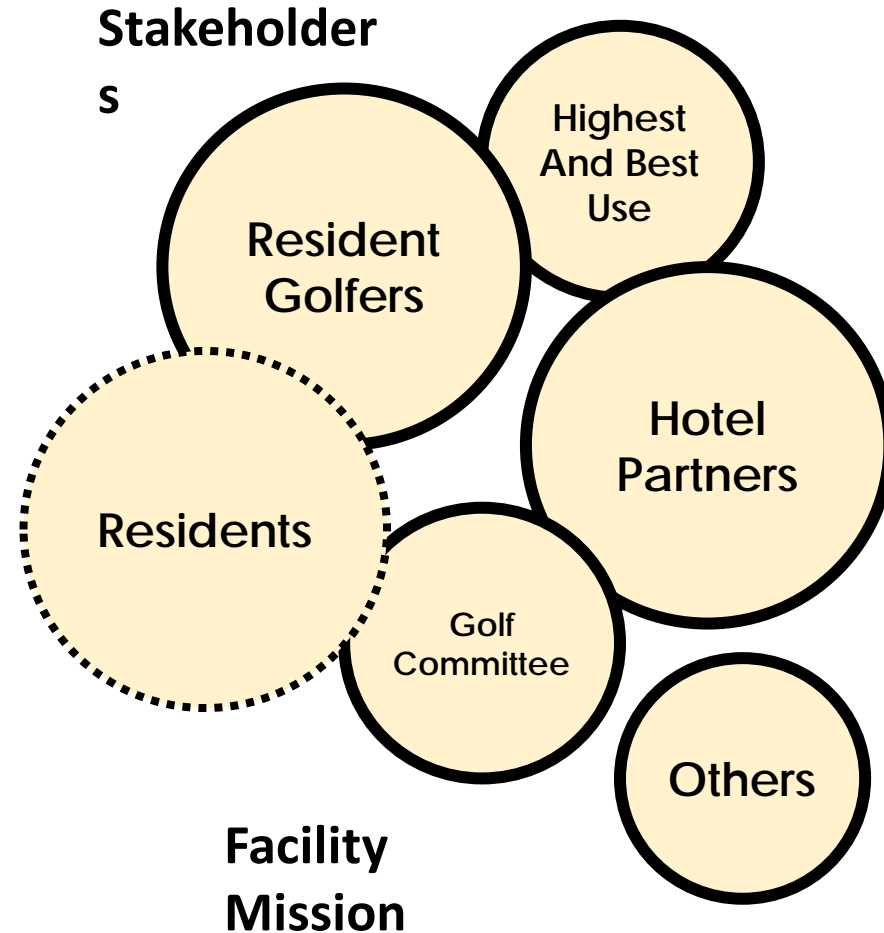




**Strategic Asset Plan - Indian Wells Golf Resort**

## Scope of Work

- Confirmation of facility mission (with stakeholders) and options for economic resiliency and self-sufficiency.
- Identification of **alternative net revenue opportunities**.
- **Business review** of operating efficiencies, program, and physical factors, and post-Covid 19 industry performance. Consideration of trends and obsolescence issues.
- Within the legal structure that is in place – the Easement Agreement.
- Pursuant to Stakeholder expectations.
- Linear ideation and creative dissonance go together. *Input from our Golf & F&B veterans.*



## Are there Revenue Opportunities to mitigate Subsidies?

RESIDENT AMENITY RECAPTURE	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 YTD	2017-2022
Resident Amenity - golf	\$ 631,514	754,192	1,390,587	2,050,963	2,173,068	277,140	\$ 7,277,464
Resident Amenity - retail	26,511	17,301	14,747	24,882	29,939	4,321	117,701
Resident Amenity - Vue	65,580	68,599	48,291	38,270	47,679	10,431	278,850
Resident Amenity - food truck	-	2,839	721	580	1,275	125	5,540
Resident Amenity - café	7,170	330	-	-	-	-	7,500
<b>Total Resident Amenity</b>	<b>\$ 730,776</b>	<b>843,261</b>	<b>1,454,346</b>	<b>2,114,695</b>	<b>2,251,961</b>	<b>292,017</b>	<b>\$ 7,687,055</b>

## Rebound from Covid-19 Pandemic

### Post-Covid Rebound

	Baseline Average FY 2018-2019	Baseline Inflated for Reference	FY 2022 Actuals	Post-Covid Rebound %
<b>Departmental revenue:</b>				
Golf fees	\$ 6,307,556	\$ 7,660,508	8,001,548	104%
Golf range, rental, other	320,766	389,569	376,341	97%
Pro shop merchandise	1,147,054	1,393,094	1,544,595	111%
Food and beverage - VUE	2,813,654	3,417,174	2,257,639	66%
Food and beverage - beverage cart	501,358	608,898	623,137	102%
Food and beverage - food truck	352,620	428,256	555,577	130%

Inflator Index  
Since Baseline  
21.45%

Scenario:

Departmental margins	FY 2022	FY 2022 %	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
<b>REVENUE</b>							
Golf rounds	\$ 8,001,549	49.9%	\$ 8,567,723	8,567,723	8,567,723	8,567,723	8,567,723
Night lit 9-hole golf	-	0.0%	-	-	-	-	-
Other golf - range, lessons, group services	8,551,833		589,221	589,221	589,221	589,221	589,221
Pro shop / merchandise	1,544,595	9.6%	1,653,888	1,653,888	1,653,888	1,653,888	1,653,888
Food and beverage - VUE	2,257,686	14.1%	2,417,436	-	-	-	-
Food and beverage - L2 tenant	-		-	274,005	274,005	274,005	274,005
Food and beverage - L1	-		-	-	-	-	-
Food and beverage - fairway grill	-		-	-	-	-	-
Food and beverage - beverage cart	-		-	-	-	-	-
Food and beverage - food truck	-		-	-	-	-	-
Banquets	-		-	-	-	-	-
Other income (plug)	-		-	-	-	-	-
<b>Total operating revenue</b>	<b>\$ 16,050,380</b>	<b>100.0%</b>	<b>\$ 19,972,516</b>	<b>17,829,085</b>	<b>17,829,085</b>	<b>17,829,085</b>	<b>17,829,085</b>
<b>DEPARTMENTAL EXPENSES / COGS:</b>							
Golf operations	2,067,779	25.8%	\$ 2,067,779	2,067,779	2,067,779	2,067,779	2,067,779
Night lit 9-hole golf	-		-	-	-	-	-
Golf academy	228,691	140.8%	228,691	228,691	228,691	228,691	228,691
Golf maintenance	3,611,177	45.1%	3,394,507	3,394,507	3,394,507	3,394,507	3,394,507
Pro shop / merchandise	1,044,307	67.6%	1,044,307	1,044,307	1,044,307	1,044,307	1,044,307
Food and beverage - VUE	2,791,108	123.6%	2,791,108	-	-	-	-
Food and beverage - L1 golf grill	-	0.0%	1,224,000	1,224,000	1,224,000	1,224,000	1,224,000
Food and beverage - fairway grill	-	0.0%	952,000	952,000	952,000	952,000	952,000
Food and beverage - beverage cart	371,172	59.6%	371,172	371,172	371,172	371,172	371,172
Food and beverage - food truck	289,727	65.1%	289,727	289,727	289,727	289,727	289,727
Banquets	1,611,135	65.8%	1,914,144	1,914,144	1,914,144	1,914,144	1,914,144
Other expenses (plug)	(23,048)	0.0%	(23,048)	(23,048)	(23,048)	(23,048)	(23,048)
<b>Total departmental expenses</b>	<b>\$ 11,992,049</b>	<b>74.7%</b>	<b>\$ 14,254,387</b>	<b>11,463,279</b>	<b>11,463,279</b>	<b>11,463,279</b>	<b>11,463,279</b>
<b>UNDISTRIBUTED EXPENSES</b>							
General & administrative	\$ 1,566,059	9.8%	\$ 1,566,059	1,566,059	1,566,059	1,566,059	1,566,059
Marketing and promotions	371,074	2.3%	599,175	534,873	534,873	534,873	534,873
Building expenses	1,090,138	6.8%	1,090,138	1,090,138	1,090,138	1,090,138	1,090,138
Facility manager's fee	277,838	1.7%	321,540	321,540	321,540	321,540	321,540
<b>Total undistributed expenses</b>	<b>\$ 3,305,109</b>	<b>20.6%</b>	<b>\$ 3,576,913</b>	<b>3,512,610</b>	<b>3,512,610</b>	<b>3,512,610</b>	<b>3,512,610</b>
<b>NET OPERATING CASH FLOW</b>	<b>\$ 753,222</b>	<b>4.7%</b>	<b>\$ 2,141,216</b>	<b>2,853,196</b>	<b>2,853,196</b>	<b>2,853,196</b>	<b>2,853,196</b>
Inflation index - expenses	1.000		1.000	1.000	1.000	1.000	1.000
Golf rounds played, total	76,500		80,000	80,000	80,000	80,000	80,000

**We've looked at how IWGR has performed, what actions can be taken to improve net revenue.**

58.4%

63.1%

0.0%

85.0%

85.0%

86.6%

67.6%

65.8%

64.3%

8.8%

3.0%

6.1%

1.8%

19.7%

16.0%

**FISCAL YEAR RESULTS for FY 2018 through 2022**

Indian Wells Golf Resort

SCP line item:

**2064** Departmental expense, golf maintenance

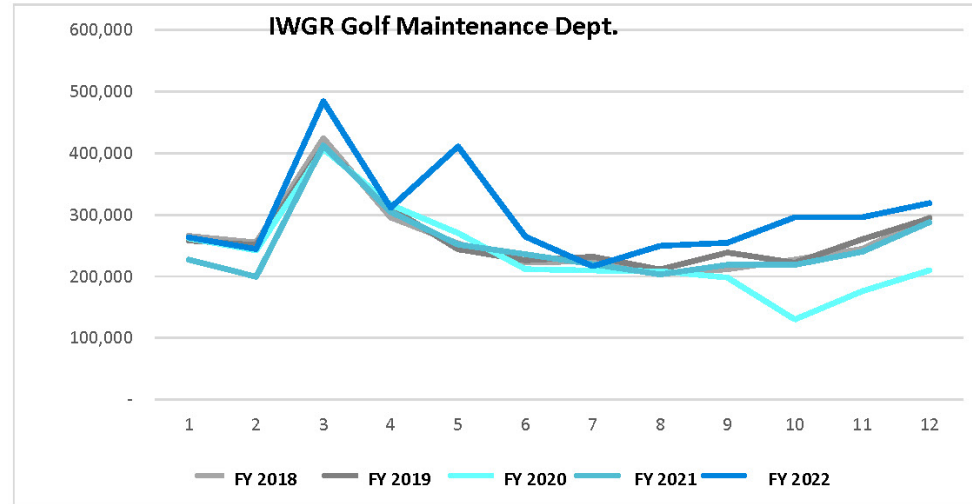
**Top Month**

FY 2018	424,366	September
FY 2019	410,472	September
FY 2020	407,058	September
FY 2021	412,782	September
FY 2022	484,353	September

**1698** Compare to: Total golf revenue, b/4 resident amenity

Note - operating results for 2016 were not collected for this review.

Shown below: IWGR Golf Maintenance Dept.



	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Dept Exp</u> Annual	<u>Golf Dept Rev</u> Annual	%
	1	2	3	4	5	6	7	8	9	10	11	12			
FY 2017	-	-	-	-	-	-	210,899	211,654	216,197	229,318	228,384	268,428	1,364,880	3,955,617	
FY 2018	265,622	255,165	424,366	295,760	253,401	222,503	224,689	204,156	211,619	227,361	244,678	295,599	3,124,919	6,248,152	50.0%
FY 2019	258,131	251,071	410,472	311,394	243,978	226,061	231,998	211,190	238,757	222,048	260,197	294,119	3,159,415	6,366,961	49.6%
FY 2020	261,888	242,078	407,058	316,164	270,300	211,722	209,655	208,525	198,040	130,144	175,875	209,808	2,841,259	4,868,197	58.4%
FY 2021	227,351	199,629	412,782	305,087	251,741	235,997	219,841	203,391	218,725	218,720	239,962	288,121	3,021,347	5,372,821	56.2%
FY 2022	263,333	244,418	484,353	311,662	410,854	264,490	216,469	249,683	254,521	296,120	296,110	319,164	3,611,177	8,001,549	45.1%
FY 2023	273,402	318,599	623,896	435,153	-	-	-	-	-	-	-	-	1,651,051	1,250,514	132.0%

**We ran metrics across operated departments, looking at departmental efficiencies.**

## Origin of IWGR & Hotel Partners, and Current Circumstances.

Miramonte	Renaissance Esmeralda	Hyatt	IWGR
Overnight Accomodations 215 rooms	Overnight Accomodations 560 rooms	Overnight Accomodations 530 rooms, including 43 villas and 35 suites	
			Golf
			Scenic Open Space
Food & Beverage	Food & Beverage	Food & Beverage	Food & Beverage
Meetings - 35,000 SF	Meetings – 61,000 SF	Meetings - 37,626 SF	Meetings
Banquets	Banquets	Banquets	Banquets
The WELL Spa	Spa Esmeralda	Agua Serena Spa	
Fitness Center	Fitness Center	Fitness Center	
<p>We note that each of the Partner Hotels is under relatively new ownership, so that facility programs noted here may be modified in the near future.</p>			
<p>One objective for ongoing IWGR business planning may be the avoidance of business overlap with the City’s Partner Hotels. Any business opportunities placed with the Partner Hotels, earns the City the TOT payment. If the same opportunity is pursued by IWGR, IWGR must earn the EBITDA to match or exceed the foregone TOT payment.</p>			
		HyTides Waterpark 88,000 SF of flexible indoor and outdoor event space	Golf Lessons / Retail
		HyTides Waterpark with two 30 ft dueling slides and a 450 ft lazy river	Shots in the Night



## IWGR & Hotels are “Co-Anchors” but Less Connected

Each year, the five Hotel Partners are the largest contributor of funds (taxes) to the City’s General Fund. The table below shows Transient Occupancy Tax payments expected at the time of preparation for the City’s 2021-2023 biennial operating budget. As noted in the prior exhibit, actual TOT collected for FY 2022 significantly exceeded what was projected in May 2021. The time period in which this estimate of TOT was made was a difficult one, as no one knew how the golf industry would emerge from the Pandemic.



TOT Contribution to City General Fund  
General Fund Five-Year Projected Cash Flow

	2022	2023	2024	2025	2026
<b>Beginning Cash Balance</b>	<b>5,113,646</b>	<b>5,113,646</b>	<b>5,113,648</b>	<b>5,113,648</b>	<b>5,325,372</b>
<b>Revenues</b>					
01-PROPERTY TAXES	2,902,037	2,974,580	3,069,767	3,167,999	3,269,375
03-SALES TAXES	1,076,240	1,108,530	1,144,003	1,180,611	1,218,391
04-TRANSIENT OCCUPANCY TAX	7,103,830	8,382,680	8,650,926	8,927,755	9,213,444
06-FRANCHISE TAXES	1,022,500	1,048,070	1,081,608	1,116,220	1,151,939
07-BUSINESS LICENSES	145,180	148,810	153,572	158,486	163,558
08-REAL PROPERTY TRANSFER TAX	236,500	242,410	250,167	258,172	266,434
10-ADMISSIONS TAX	3,250,000	3,500,000	3,612,000	3,727,584	3,846,867
12-LICENSE & PERMIT FEES	476,070	487,970	503,585	519,700	536,330
13-OTHER REVENUES	421,280	431,810	445,628	459,888	474,604
14-FINES & FORFEITURES	46,310	47,480	48,999	50,567	52,185
16-INTEREST INCOME	365,900	375,050	387,052	399,437	412,219
18-VLF COMP FUND IN-LIEU	442,030	453,080	467,579	482,541	497,982
19-INTERGOVERNMENTAL	30,300	31,060	32,054	33,080	34,138
20-CURRENT SERVICE CHARGES	466,340	477,630	492,914	508,687	524,965
22-DEVELOPMENT AGREEMENT FEES	102,490	105,050	108,412	111,881	115,461
<b>TOTAL - REVENUES &amp; SOURCES</b>	<b>18,087,007</b>	<b>19,814,210</b>	<b>20,448,265</b>	<b>21,102,609</b>	<b>21,777,893</b>

Source: City of Indian Wells, Biennial Operating Budget for FY 2021-2023, prepared May 20, 2021.

## Strategic Marketing Collaboration with the Partner Hotels is worth exploration to find new common ground.

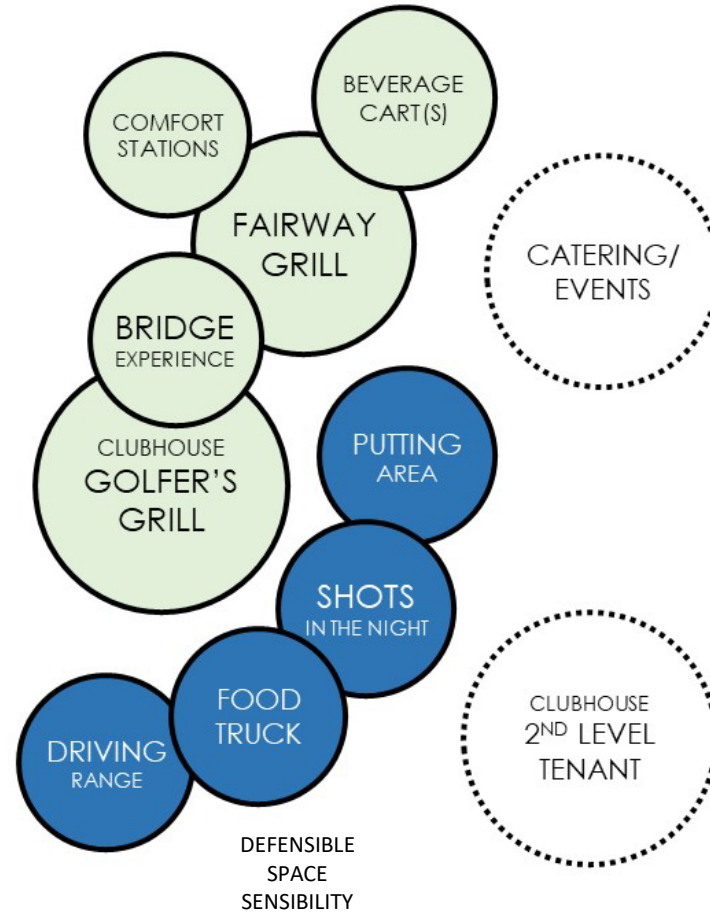
- Lobby presence
- Website presence
- Guestroom tabletop standees / table tents
- Co-promotion of some IWGR programs such as The Academy.
- Placemaking Tactics
  - Wayfinding
  - Enhanced pathways to/from clubhouse
- The City and IWGR specifically, have a large strategic benefit with mostly new (relatively) and experienced hotel owners in place among the Partner Hotels.

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There is an opportunity to repurpose IWGR’s core facilities, to enhance the experience for golfers, event guests, and other visitors.

Plus

- New **Short Game Practice Facility** adjacent to Players 1<sup>st</sup> Tee
- **Expansion of putting venue**, to 9 holes.
- **Great moments** at IWGR / clubhouse
- **Promote the Academy**, as a social experience using golf instruction
- **Light Celebrity Front 9**
- **New Access Road** from Fred Waring Drive
- **Connection to Tennis Stadium – a “District”**



## New Clubhouse Golf Grill at Ground Floor



Shown above: views of The Stonehaus Grill in Westlake Village (California). The clubhouse's "inside-outside" guest flow and service style would adapt well to IWGR's clubhouse ground floor. Shown at left: views of part of the outdoor area adjacent to the clubhouse lobby.

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## Destination Restaurant at Clubhouse 2<sup>nd</sup> Level.

- New outside elevator facing Indian Wells Lane (entry road).
- Convert Vue to a rent payment, even if mostly performance (percentage rent) based.
- IWGR is situated in a region with a myriad of dining choices; let a restaurateur focus on how to best compete.
- The Vue is the only aspect of operations that did not keep up with inflation since pre-Pandemic.
- Get out of the full-service restaurant business, focus on catering, golfer F&B, and ancillary F&B at driving range, SITN, and the like.
- Be open to alternate concepts that could be proposed for the space.



**VUE**  
GRILLE & BAR



Expansion of Short-Game Practice Area





Shown above, various views of Fairway Grill and environs. At the time of our fieldwork, Troon Golf was exploring areas at or about the Fairway Grill that could be level-graded to provide kitchen expansion area and additional outdoor settings for small group events. See photo at far right below, of an area overlooking the Wash bridge near to the Fairway Grill.

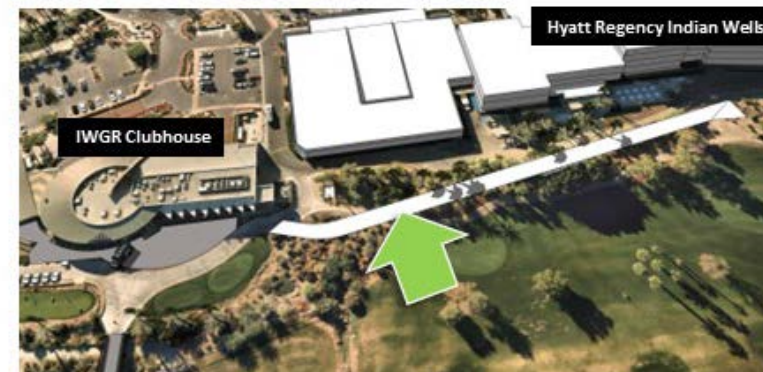


**Enhanced Presence and Pathways for Hotels**

There is a large opportunity to improve the paths and trails at or about IWGR. Although a master-planned resort campus, the pedestrian paths at IWGR are poor or nonexistent.

- The guest path from the Hyatt Regency to the clubhouse current consists of a stroll through a parking garage, and across IWGR clubhouse parking spaces, on to the clubhouse entrance.
- With collaboration with the Hyatt Regency Indian Wells, a more direct walking path could be provided from the north side of the main hotel building, along the Wash, and onto the clubhouse’s north entrance. This new path would be a beautiful one featuring views of golf north of the Wash and would culminate with arrival at the new Stonehaus-style Golf Grill at the Clubhouse ground level.
- The guest path from Renaissance Esmerelda over to the IWGR clubhouse is not clear or inviting. A guest standing at the hotel drop-off would not be aware of the clubhouse unless they were told where it was and where to look. From the hotel’s front entrance there is no wayfinding or path to encourage a stroll over to the clubhouse.
- The problem with paths from the Renaissance can be easily remedied with a rework of the parking areas upon a property swap as part of repurposing of the Players course.
- We reviewed the \$276,242 capital improvements work in the City’s IWGR Sidewalk Improvements project, and believe it begins to address this pathways deficiency. Aligning the sidewalks to be more intuitive and safer, and providing access ramps for ADA compliance, are quite helpful. More can be done, as noted, to improve pathways and related wayfinding to improve the overall “resort campus” experience.

*Shown at upper right, the service road north of the parking structure adjacent to the Hyatt Regency Indian Wells. An actual path could be placed along the north side of this access road, ss shown at below right. Shown at middle right, a view from the west edge of the hotel front guest entry, at the Renaissance Esmeralda.*



## Add additional Special Events to IWGR's Calendar – they're working!

- Desert Willows offers its Music + Dining Under the Stars program, something similar would work at IWGR.
- We would suggest an “own the holidays” sensibility in planning special events at IWGR. If it's a holiday, IWGR should be a place to be.

## Establish a Reserve for Capital Replacements.

## Consider appointment of a 3<sup>rd</sup>-party Asset Manager.

- A reserve is an ordinary and usual method for accumulating capital for major replacements – each kind of FF&E can be included on the capital replacements schedule with typical useful life noted and reserved for.
- We note the difference between a reserve for major capital replacements and projects, versus ordinary and usual Repairs and Maintenance that is included in the facility's operating budget.
- And eliminate the Resident Amenity Fee, and all other accounting adjustments and allocations, at least in performance reporting.

SUGGESTED  
MISSION

- First, all Stakeholders expect the Indian Wells Golf Resort to be operated to maintain, if not enhance, its reputation as a premier golf experience among the best of regional and national golf facilities, whether premier private or premium public play courses. Resident Stakeholders and those non-resident golfers paying market rates, have largely this same expectations for IWGR's premier quality.
- Second, while seeking to preserve and expand Resident privileges at IWGR, it is sufficient to operate IWGR each fiscal year to meet or exceed breakeven from operations after reserves for capital expenditures and net of subsidy from the City.