Analysis of Viability of 18-hole Golf Course at Clayton Early Learning PHGC Property

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June, 2017

History Highlights of Park Hill Golf Club

- The Park Hill Golf Club was built by the City of Denver as trustee of the Clayton Trust in 1931 and designed by Clark Hamilton
- In the 1950’s and 1960’s the golf club was a magnet for area professionals
- In 1989 approximately 40 acres of the northwest corner of Clayton’s property was sold as the new site for a United States Mint. The mint was located elsewhere and this acreage was eventually purchased by private developers
- After the sale of the land parcel for the US Mint site, Park Hill Golf Club went through a redesign and re-alignment of holes, making the course shorter, straighter and easier thereby decreasing the attractiveness of the course
- In 1998, the current 20 year lease agreement was reached that requires annual lease payments to Clayton of $700,000 per year
- In 2014, RTD purchased approximately 1 acre of PHGC property for the realignment of Smith road and intersection at Colorado and 40th. This project was necessary to allow for the Fastracks A Line commuter rail right. This purchase further shortened the course and reduced the par from 72 to 71.

Park Hill Golf Course

- Originally 212 acres

- Currently 155 acres

  - In 1989 40 acres in northeast corner sold as potential site for US Mint
  - In 2000 15 acres at southeast corner sold to private developer, now developed as The Overlook at Park Hill community
  - 1 acre sold to RTD in 2013 to support A-line

PHGC Operating Cost Trends

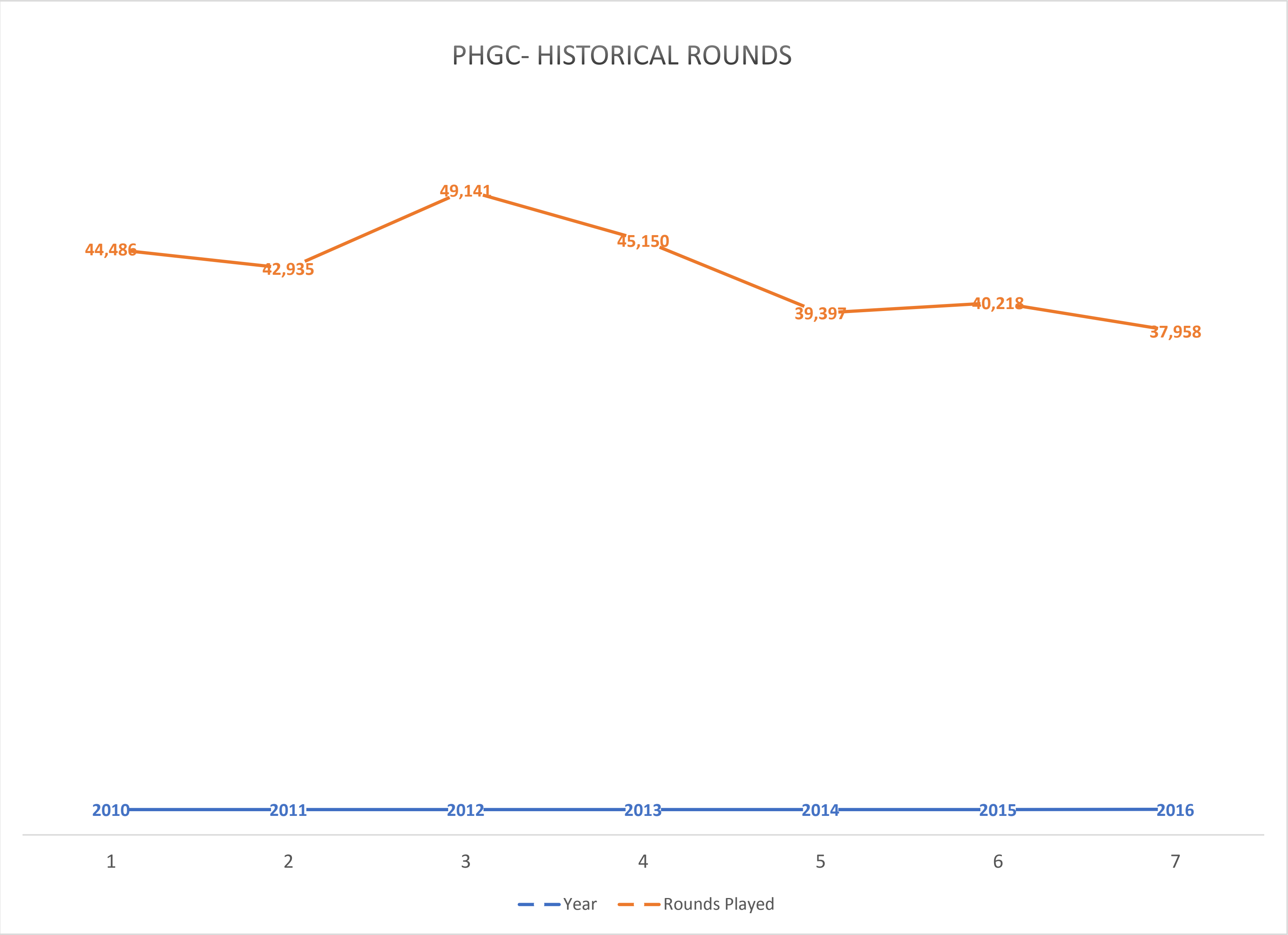
Operating costs increase over time

Rule of thumb: 1.5% growth per year

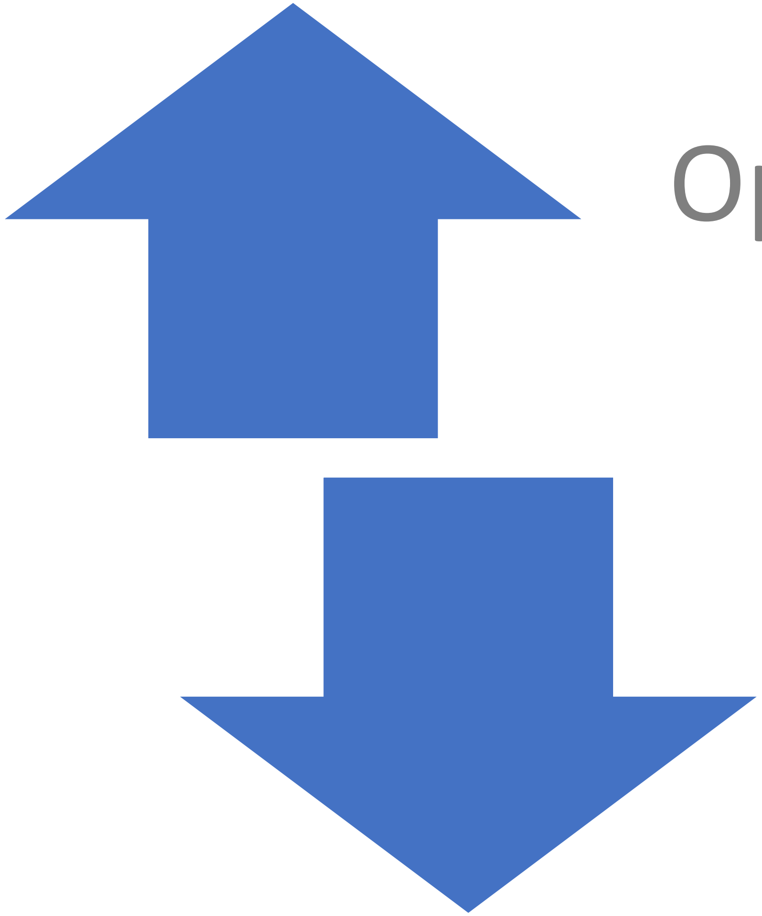
PHGC Income Generation Trend: Rounds Played

- Overall rounds played at PHGC have declined over the past 7 years
- In past 7 years the 'high point' of rounds played at PHGC was in 2012 with 49,141 rounds played
- Since 2012 rounds have fallen by 11,183, more than a 20% decrease in 4 years

PHGC Operating Statistics



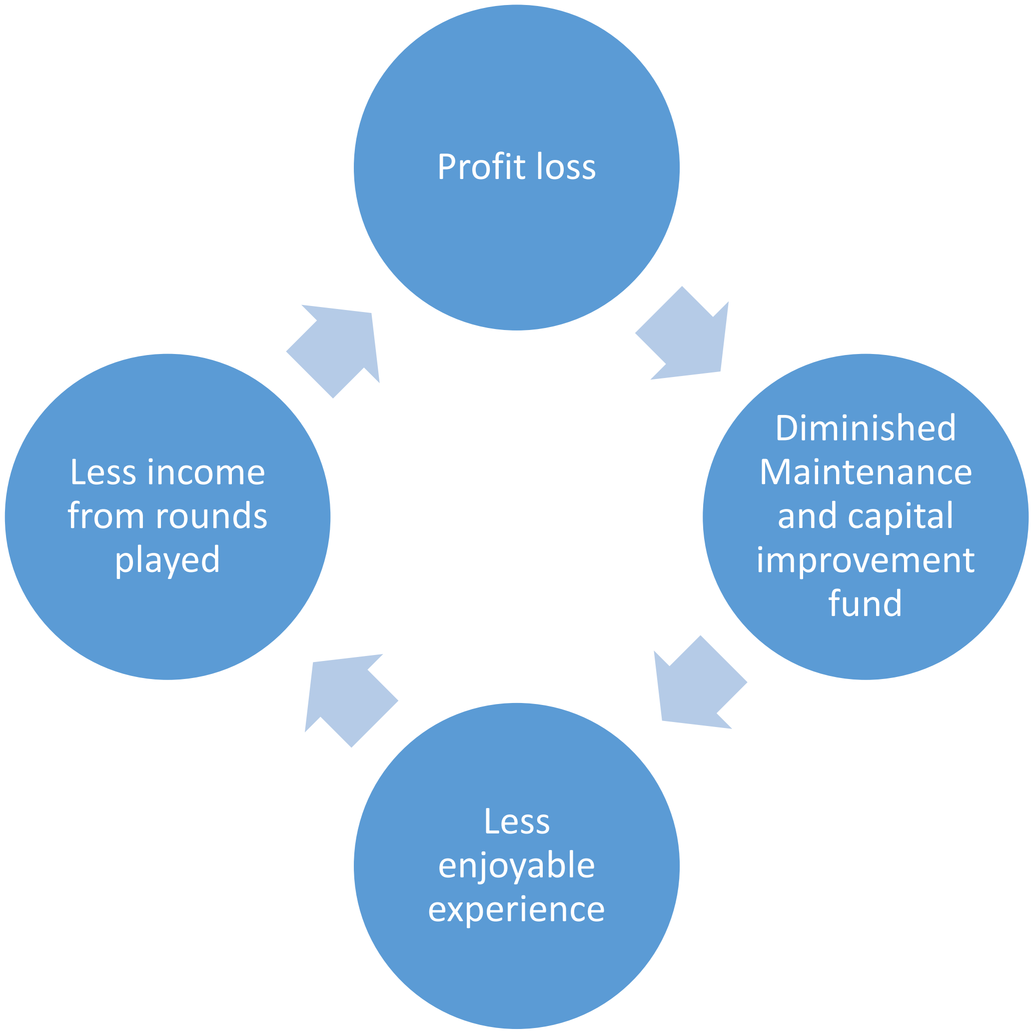
PHGC Profit Loss Equation



Operating Costs

Revenues

Impact of PHGC Profit Loss



PHGC: Future Options

Post 2018 Lease Expiration

Scenario 1A: Continue Current Model

Third Party Management Company agrees to long term lease including $1M per year payment to Clayton Early Learning

Operating revenues are not sufficient to satisfy requirements for both the owner and a third party operator

Scenario 1B: Upgrade Course and Continue Current Model

Third Party Management company agrees to long term lease and invests to upgrade course including $1M per year payment to Clayton Early Learning Clayton

Upgrade golf course and club house min. capital investment $10M

Golf industry standard: per $1M invested = $10 greens fees

$100 base green fee to cover cost of capital improvements

+

$1M annual payment to Clayton

=

+$100 greens fees

Denver Metro Golf Fees for Similar Courses

Golf Course	Weekday Greens fee	Weekend Greens Fee
Fitzsimmons	$27.00	$33.00
Aurora Hills	$30.00	$35.00
Park Hill Golf Club	$40.00	$53.00
City Park	$43.00	$55.00
Willis Case	$43.00	$55.00
Buffalo Run	$57.00	$61.00
Common Grounds	$60.00	$60.00

Scenario 1C: Sell asset to a golf operator

Clayton sells 155 acres to a golf operator to continue operation of a golf course at the site

Payment of min. $24M to Clayton for property

Upgrade golf course and club house min. capital investment $10M

- Golf industry standard: per $1M invested = $10 greens fees

Tax burden increases, no longer offset due to non-profit business model

$100 base green fee to cover cost of capital improvements + Land cost + Commercial property tax = +100 green fees

Scenario 1D: Continue Current Model and add new golf compatible uses

Third Party Management Company agrees to long term lease including $1M per year payment to Clayton Early Learning

Foot Golf

- Use of traditional golf course with adapted holes and soccer ball
- Typically played at alternate times or on portion of course
- Has been introduced in the Denver market at various municipal courses.
- Introduced at PHGC in 2015
- Fees range from $12-$15 per round

Unlikely to provide substantial additional revenue and may also cannibalize traditional golf rounds

Scenario 2: Alternate Golf Options

Par 3 Golf Course with 3rd party owner and/or operator

Par 3 Golf Course

- Typically 9 separate golf holes of varying length and challenge
- May include elevation changes, topography variance, sand bunkers, water hazards
- Typically about 10 acres in size

- This option is unlikely to be profitable enough on its own to meet the Clayton funding requirements
- Could be considered as one potential source of revenue in combination with others

Scenario 3: Alternate Golf Options

Driving Range with 3rd party owner and/or operator

Driving Range

- Hitting stations allowing for swing practice
- May be synthetic turf or all grass or both
- Requires netting to protect adjacent property and/or other golfers
- May be used for instruction and clinics or for general public practice
- Typically about 5 acres in size

• This option is unlikely to be profitable enough on its own to meet the Clayton funding requirements.

• Could be considered as one potential source of revenue in combination with others

Scenario 4: Alternate Golf Options

Park 3 Golf Course + Driving Range with 3rd party owner and/or operator

A Par 3 golf course and driving range could be combined for a more intense golf use

- Would require about 15 acres of land

• This option is unlikely to be profitable enough on its own to meet the Clayton funding requirements

• Could be considered as one potential source of revenue in combination with others

Conclusions

1. Clayton Early Learning’s requirement to use this asset of the Clayton Trust to insure a minimum of $1M per year to support their organizational mission creates an insurmountable economic challenge for the continuation of 100% golf use on the property

2. Smaller more modern golf uses on the property are potentially economically viable, but will not on their own generate the necessary $1M per year income needed to support Clayton Early Learning’s mission. These uses could be considered as a portion of the funding equation.