

**From:** ANGUS JOHNSON

**Sent:** Thursday, February 11, 2021 3:50 PM

**To:** SPPC <[sppc@london.ca](mailto:sppc@london.ca)>

**Subject:** [EXTERNAL] SPPC recommendation - closure of River Road

Re: Report to SPPC on River Road Closure

Predictions of the Golf Team

(1) This recommendation to close River Road is based on an implied prediction by the team that revenues from golf at River Road will continue to decline and it will be an ongoing financial burden to the system as a whole.

(2) Since we are being put in a position of having to depend upon the reliability of the team's predictions, it would only be prudent to consider how accurate their last predictions were. The team predicted last June, that in 2020, Fanshawe and Thames combined would lose \$200000 and that River Road would lose an additional \$55000 to \$80000 if opened.

(3) According to the 2020 report, Fanshawe and Thames actually generated a profit of \$209 000 and River Road closed, lost \$315000. Based on the rounds played at the other courses, I'd argue that if River Road had opened it would have at worst broken even, making the prediction score zero out of three.

(4) Since we are having to depend on predictions, I'd bet that 2021 will be year two of the COVID golf boom and there will be even more play on all our golf courses and larger increases of revenue.

(5) Beyond that, it is more uncertain but I'd guess at least another year or two of boom times are possible as many players who start to play the game get 'hooked', even after the COVID factors, hopefully, are gone.

(6) If you note the golf boom cycles mentioned in the report, they occur roughly every thirty years. The last was in the nineties. COVID may be creating the beginning of the boom of the 2020s.

In short, I don't think there is sufficient reason for action based on the prediction that any of these golf courses is bound to go on losing money. I just don't agree with the guessing.

But if we're in for a boom, courses packed from dawn to dusk and there's still not enough revenue being generated to cover needed infrastructure costs, obviously prices would have to be raised. Perhaps at this point it would be appropriate to get some input from members as to their preferences: sell a course vs. raise the price?

Predictions aside, the other major problem with this report is the proposed coordination of the two recommended actions namely, to close River Road and put it up for sale.

Ceasing Operations / Selling the Asset

I do not believe for a minute that River Road should be sold off. It is a valuable and needed asset whose value will only increase as time goes on. But if you are going to sell it this is clearly not the way to do it.

(1) First, this recommendation to sell the asset avoids the issue of what kind of asset it will be sold as. While only the response of the market will determine this, it is very likely that the greatest value of this piece of property is as a golf course. What might that value look like?

(2) In 1991 it cost London golfers roughly two and half million dollars to create River Road golf course. Add the cost of improvements made over the last thirty years multiplied by some inflation factor and you would have a rough idea of what River Road

is worth now as a golf course. It should be what it would cost to build a similar golf course today. In the meanwhile, to preserve this potential value it should continue to be maintained and operated as a golf course. It does not make sense to cease operations at River Road and then put it on the block.

Reasons:

(1) To potentially sell this as a golf course, it needs to be maintained as a golf course and you need the course open and generating revenue from play to cover those costs.

(2) Potential buyers will be more interested, and pay more for an operation, busy from dawn to dusk, as I think River Road will be in 2021, than in an abandoned landscape. They'll see all these golfers as their potential customers. Otherwise, this is no different from trying to sell any property without 'business', like a closed store, or rental property without tenants, etc. It just has less value.

(3) While operating, every effort should be made to help the operation show a profit to also increase the appeal to buyers.

(4) There have been several golf course sales in the area recently, suggesting buyers may be out there but none have bought 'closed' courses. Tarandowah which was bought out of bankruptcy, could be considered the exception, but it would have probably been viewed by the new owner as a bargain.

(5) Moreover, if you close River Road and just maintain it while trying to sell it, you will once again anger members, who will feel, with some justification, that they are being forced to pay the cost of maintaining a course they are prevented from playing. No small consideration.

Angus Johnson