

BLACKHAWK COUNTRY CLUB LEASE NEGOTIATIONS TASK FORCE

Four internal pre-negotiation meetings-

Task Force Dates:

2/5-----Closed and open w/Blackhawk Country Club
(2/21---Pool)
2/25----Closed
2/26----Open w/Blackhawk Country Club
(3/26---Black Hawk CC presents to Village Board)
4/15----Closed
4/29----Closed
5/28----Closed
6/10----Closed – High rent proposal
7/1-----Open w/Blackhawk CC – resentment then discussion
7/15----Open w/Blackhawk CC – Closed
7/29----Closed and open – Reach Agreement*

All closed meetings involved only the Committee

August -----Presentation to Board --

September --Village Board requests more information
Blackhawk CC presents

October-----Village Board on Oct. 27th

1. **8/7/2013** (Present: Karl Frantz, Mark Sundquist, Kent Carnell, Dave Hanson, Paul Anthony)

- Informal discussion
- Golf charges last ten years
- Debt service due bank/ lots of deferred maintenance
- Prefer fixed rent with escalators:
 - Food profit marginal
 - Dues dropping
 - No audits needed
 - Simplify
 - End deduction of charitable revenues, difficulty in interpretation
- Compare to Bridges & Maple Bluff Country Clubs
- Plans for patio, parking lot and fire sprinklers
- Enhance access
- Lack of tennis courts and pool hurts recruitment
- Need practice area and need to enhance dining
- Would like recompense for salt shed land
- 85 Village members/total 220 equiv. golf members, want 275
- Cash flow okay
- Current dues: \$6,000 for new members, \$8,200 old members

2. **10/2/2013** (Present: Mark Sundquist, Kent Carnell, Paul Anthony (Karl Frantz?))

- 30 year lease, with 2 - 10 year
- 90 thousand/ per year, with escalators
- Blackhawk does patio, discuss possible pool
- Improvements to Junior Golf
- Eliminate service charge for VOSH residents
- Eliminate Sunday bartender requirement

3. **11/8/2013** (Present: Karl Frantz, Mark Sundquist, Kent Carnell, Paul Anthony)

- VOSH - Parking lot could be part of other projects—ceremony of scale
- Board wants re-negotiation of lease (i.e. not alternative use)

-Timing is in their hands

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(3. 11/8/2013 continued)

BHCC - Pool space available

- Board looking at 120-124 thousand dollars
- Longer payback for parking lot (3-5 years would help BHCC)
- 75-150 thousand dollars/capital per year
- Bank will not loan new money, 1-3 million L/C, 100k/year. L/C pay down (Nakoma CC also not getting bank loans)
- Can use special assessment, but truly may lose members
- BHCC to show income stream

VOSH – Work together on storage facility – joint storage is possibility (\$24k/yr in Rent now by VOSH. Audit cost ~\$5k/year

What is access worth?:

- BHCC to: list amenities, g? rent, salt compensation, revised draft
- VOSH to: check audit cost, Feed back to Board

Start with 24k – subtract amenities, salt, adult golf, dining, service charge, jr. golf, Audit card,
They are concerned (?) with CPI as escalator

12/12/2014 – Email from Liz Cooper – loss of view of lake issue

4. 11/21/2014

1. BHCC can raise funds for patio
- 2 Ask VOSH to do parking lot
2. Pool possible, but outside of lease negotiations
3. Have to prepare draft lease
4. Mark to appoint committee to evaluate proposed lease and referendum question ... actually did turn into negotiation

(There were 4 pre-negotiation meetings)

5. 2/5/2014 TASK FORCE-First Meeting (Present: Mark Sundquist, Tim Ridders, Fred Wade, John Imes, Dave Ahmann)

Summarized pre-negotiations (4 informal meetings)

- a. General Topics: debt, service, fixed rent more simple, enhanced access, maintenance needs, lack of tennis & pool, 85 Village members (golf & soc.)

- b. Specifics: 30 year w/2-10 yr extensions, fixed with escalators, patio, parking lot (future pool—separate), more access, reduced service charge
- c. Marilyn Townsend's letter 9/24, 11/8 Meeting - pool access possible; Board wants \$120-124k; parking lot possible with VOSH up front investment; Public fund for patio, evaluate amenities
- d. 11/21 Meeting – See proposal to justify rent cut; Board negative in joint Projects; Price/ rent discussions; Lease importance?
- e. Paul Anthony left BHCC

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After Summary: Village Board: Some rent reduction
 No joint projects
 Parking lot possible by VOSH
 Interest in Pool
 Want straight-forward process of lease renewal

Task Force Note: Evaluate access value
 Evaluate draft
 Hear public input
 Prepare/edit lease
 Present to public
 Frame referendum question

T. Ridders: typical renewal, 5-7 below market for known risks, simplicity

CLOSED SESSION:

- Agree on: fixed w/escalator, term up in the air---longer better for lenders
- When do they reach full strength—should we discount for, say, 5 years?
- Need: Bishop's Bay Taxes, Nakoma Taxes - \$170k, Maple Bluff Rent
- Ask commercial lenders if there is a change between 20 & 30 year leases

OPEN SESSION: (AT 6/20 PM) Meet with Kent Carnell and Lee Ferderer

Kent presents previously discussed topics:

- Bank L/C pay down
- Short term lease—cannot borrow
- Potential (?) new capital investment
- Long-term certainty
- Too many golf clubs in Madison
- 200 to 310 golf members (200 too few)

Proposed:

- Fixed rent (proposed 90 with CPI cap. At 1.5%)
- Jan. 2, 2014 start date – 30 years
- Want to get out of 4% on Parks contribution
- Simplify
- Discussed 11/21 Discount document

T. Rikkers Responds: Goal to keep BHCC; help maximize their revenues; AND Help maximize VOSH revenues; Give value when it benefits BHCC w/o hurt, VOSH, Maple Bluff turned around---WHEN does BHCC expect to do this? Tim wants BUSINESS PLAN.

K. Carnell responds: Hired best teacher, allowing HS memberships, niche: bests golf and good dining.
Agree to parking lot. Suggest 5 years at \$90k, then up to 124 k, 30 year & 10+10 At 1/2014 start.

6. 2/21/2014 – 5:30 Special informal meeting at BHCC to discuss pool (Present: Ben Dickey (new BHCC President), Karl Frantz, Mark Sundquist, Drew Walden - Badger Aquatics)
Marked up lease sent by Dave Hanson

7. 2/25/2014 - CLOSED Meeting -- compare taxes: Bishop's Bay - \$85,576 lease; Nakoma taxes-\$170,600; Hawks Landing- \$75k ?; Maple Bluff -\$71,000 -Assessor 3-4 Million, Taxes 75k
Fred Wade: club stable last 10 years, rent going back up
Dave Ahmann: Clubs closing
Fred: Show what BHCC needs
Dave: Loan is the offset
Want evidence of problem – Tax status; 2013 revenue breakdown; Justification; how it helps survival, when does charitable donations set in
Karl: Note deferred maintenance, skinny margins
Fred: Open to guests of members for 4-somes; Revenue opportunities; and various menus (?)

8. 2/26/2014 – Meeting with BHCC, Task Force & Dave Hanson. and Kent Carnell

Justification of Reduction:

Kent: Getting new members, but some left, some became Social members only; Deferred Maintenance is problem; Balance between cutting sources (?) dues' hikes

Tim: How do you get to 90k (?)

Dave H.: between Maple Bluff (71k) and current 125k

Tim: Still want 125k

Dave H.: Do maintenance with savings

John: Discuss revenue side

Tim: Need data to justify

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(8. 2/26/2014 – Meeting with BHCC etc. continued)

Kent: Will provide (data to justify)

Tim: Discount should go to maintenance

Dave A.: Possible loan from us; note levy limit

Tim: 30k hits us---what does it do for BHCC?

Next---Financial Data, Patio Timetable

Dave H. says what he did to lease

9. 3/26/2014 – BHCC Presents to Board

10. 4/15/2014 – CLOSED – Task Force & Karl Frantz

— Tim: 90k – 5 years; 105k next 5 years, 2% thereafter; BHCC to invest x/year,
No parking lot
Fred: Questions reductions
Discussions---no conclusions.
Tim presents worksheet. Will redo.

11. 4/29/2014 - CLOSED Task Force and Karl Frantz

Work through Fred's memo

Final Idea:

- 130k fixed for 5 years, then 1.5%
- 30k allowance
- Parking lot by VOSH – 2015, up to 90k
- Access as on 11/2 list
- 10% discount & residents' memberships
- 5 times/year guest four-somes (member & 3 guests)
- golf---access to dining and bar
- 20 years/ and 10 year renew
- Escalator – still not clear CPI or 80% CPI or fixed

12. 5/28/2014 – CLOSED Task Force, Karl, & Mark Lederer (MLS missed 45 minutes)

Year 1-5: 130k = 75k reduce on bank loan

“ 6-10: 145k

“ 11-on: CPI

Karl –Patio – 300k

Mark L. – Need walkway along Lake Mendota

13. 6/10/2014 – CLOSED Task Force Meeting: Tim’s Proposal vs. Fred’s

Discussion leads to:

- 20 years and 5+5
- Base 130k, 1.5% or CPI whichever greater
- If Gross > 4m then additional 10% after year 4
- Loan back 50% of improvements up to 50k/year (25 for us)
 - 5 yrs pay back year 6 begins at 40%, no interest first 5 years
- Access as discussed
- No charitable exclusion

14. 7/1/2014 – JOINT MEETING (Present: Ben Dickey, Kent C, Dave H, Scott (Treasurer), Task Force w/o Tim, with Karl & Mark L.)

INTRO: Mark Sundquist—How Village Board jumped back to 130k

Kent: They felt insulted, bad faith after all of the discussions

Ben Dickey: -Club paying VOSH first

- Structural changes
- Loan improvement is painful
- Lost income
- Personal property taxes up to \$45,000+ per year
- Dues down (high margin)
- Events & food up (low margin)
- 2/3’s or members pay reduced rent
- No loyalty, no initiation fee or only \$500 now
- Big contributions to Patio
- Membership would be upset about 130k proposal

Much discussion....How about revenue from dues being the escalator?

They (BHCC) will propose something after they do calculations

15. 7/14/2014 – PROPOSAL - BHCC 90k & escalators by members

16. 7/15/2014 – CLOSED -

Tim: “90k will not fly”

Fred: How to get new members-access. “rent reduction will not help”

Better storage area

Base 100k , \$500/membership

20k F & B (food and bev.)

Cap 30k/year improvements

Parking lot okay by VOSH

(16. 7/15/2014 – continued)

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2044 -----F & B to be 40k

Floor – 120k

10% discount

OPEN meeting: (7/15/2014)

Tim: explains our proposal

120k base

Ben: No relief

226 current golf----50 more wanted

165 social ----100 more wanted

Tim: How to capture back the recovery? A perennial big question

Ben: Could consider to close club 4 months/year ---- Drstically reduced rent!

Still No Agreement, but discussions.....

17. 7/29/2014 –CLOSED- Task force Without Dave A., Mark L.

After discussion:

-Base 100k (Based on 125k lease back)

ESCAL-+400/member added golf and 100/member added social (or non-golf)

-20 + 10 over 5 years (?)

-150k Cap expenses over 5 years

-150k Cap expenses yrs 21-26 again

(* the above BHCC must do)

Access as memo +

5 times/year: 4-somes

Extended dining 2-days/wk as per BHCC in season

VOSH builds storage (w/joint use, BHCC pays for special costs)

Jan. 2015 or Jan. 2014

If 2015, then: Settle 2014 due at 124k to exclude patio

OPEN 7/29/14 continues:

Mostly acceptable

- 100k base

- Jan. 1, 2015

- Parking lot

- 5 years Cap investment by BHCC

- Delay this year's rent (done) and 124k

- Escalator:

300/ golf members and 100/social members for first 3 years

400/golf members and 100/social members thereafter

- 100k for 2015

- BHCC will mark up draft with their terms

- Will present to Village Board