

STRATEGY

When a club needs major clubhouse improvements, should a club renovate or build new?

CLUBS SOONER OR LATER will have to deal with this issue . . . to pour “good” money into an old building or to replace it. Today, many clubs with dated facilities reaching 60- to 70-years-old are faced with this decision as the infrastructure alone in those buildings is moving beyond its useful life, not to mention the function and flow could be inefficient. One of the biggest issues is that the cost to update the older clubhouses for today’s members (let alone be code compliant, safe for everyone, and more energy efficient) can easily approach the cost of building a new clubhouse.

There are four factors that can help decide this issue when planning major improvements: the architectural quality of the building, the condition of infrastructure systems, cost and financing factors and how much support you can obtain from the membership. They are all interrelated.

First, consider the architectural quality of the clubhouse. Is there enough character in the building that it is worth saving and restoring? If the existing architectural quality is marginal, then the issue of cost comes into play. The best rule of thumb on deciding the “renovation or new” issue is, when the cost to renovate approaches or exceeds 70 percent of the cost to construct a new clubhouse, the new clubhouse has to be given serious consideration. Obviously overall cost resulting in an assessment is critical for deciding the clubhouse improvement approach.

A critical factor is assessing the question about renovation is to understand the condition of the building’s infrastructure. If the systems are deficient or just old, the cost to update these systems can eat into your budget.

Another aspect that may not get enough consideration is the financing available for funding each option. A new clubhouse should provide a building with a longer life expectancy—at least 80 years, allowing a longer amortization period to pay off a loan, typically around 25 years. On the other hand, a renovation, especially for an older building, would have a much shorter life expectancy, requiring continual facility upgrades on a 15-year cycle. In general, a renovation will not have financing loans over 15 years. Another important consideration is the cost per member can be similar as you calculate payments for a new clubhouse versus a renovation.

Finally, it cannot be stressed enough that this decision must start with the membership. Understanding how members feel about the club overall, their views on the existing facilities and where they want to take it in the future begins with a comprehensive membership survey. Involving the membership helps to lay the foundation for making the right decision and will affect the club’s future for years to come. Once you have a clear understanding of which direction to follow, be sure to communicate it clearly to the members and educate them on the



Bill McMahon, Jr.



decisions that have been made. Keeping them involved in this process will be the key to its success.

Bill McMahon, Jr. is Vice President of McMahon Group, a full-service private club consulting firm that has served over 2,000 private clubs around the world. He can be reached at bcmahon@mcmahongroup.com or visit mcmahongroup.com.