



Pro Forma
Advisors LLC

Update Report

Market and Financial Potentials for Mini-Golf at Brookside Golf Course

Pasadena, California

Prepared by: **Pro Forma Advisors LLC**

Prepared for: **Rose Bowl Operating Company**

April 2022

PFA ID: 11-544-1

Introduction

The Rose Bowl Operating Company (RBOC) is considering introduction of a miniature golf attraction at their 36-hole Brookside Golf Course in Pasadena. Proposed modifications to the golf course and driving range at Brookside provide an opportunity for development of two “traditional” 18-hole miniature golf courses on an approximate 1-acre site in close proximity to the existing “staging area” and clubhouse.

Over the past two years, a new miniature golf product has emerged, featuring two highly amenitized “putting” courses integrated with substantial food and beverage facilities. Known as PopStroke, this concept, which appears to be inspired by the highly successful TopGolf entertainment product, and is somewhat more geared toward the golfing population than traditional miniature golf facilities, has been very successful at its initial locations in the southeastern U.S., with numerous other locations currently under development across the country.

As part of the planning and decision-making process, RBOC retained Pro Forma Advisors LLC, an independent land use economics consulting firm specializing in commercial recreation, to update an evaluation of market support for a miniature golf complex at the Rose Bowl conducted in February 2020, and forecast operating performance for the project based on current market conditions. The current update also examines the potential suitability of a contemporary PopStroke-type product at Brookside.

Background

The Rose Bowl Operating Company (RBOC) is responsible for the operation of the Rose Bowl Stadium, Brookside Golf Course, and other selected activities on the Rose Bowl grounds. One of RBOC’s overall objectives is to enhance the economic value of this City of Pasadena asset. In this context, RBOC considers introducing new facilities and activities which would improve the overall economic return to the City.

The Brookside Golf Course features two 18-hole regulation length golf courses, a small non-lighted golf practice range with 20 tee stations, large clubhouse with restaurant and a number of special event rooms, a free standing 4,500 square foot golf retail center, and other support facilities.

The RBOC is considering modifications to the golf course which would allow significant expansion of the golf practice range, as well as create about 1-acre of surplus land within the staging area for the potential development of other synergistic uses. In early 2020, Pro Forma Advisors conducted an evaluation of a family-oriented “traditional” 36-hole miniature golf complex on about a 1-acre site within the golf course staging area. An update of this study is presented below based on recent industry trends and current market conditions.

Just after the initial study was conducted, a new freestanding miniature golf type product, known as PopStroke, was introduced in Florida. Consisting of two amenitized 18-hole golf “putting courses” integrated with extensive food and beverage facilities, PopStroke is somewhat more appealing to the traditional golfer than the typical miniature golf course user. The attraction requires about 1.0 to 1.75 acres, plus additional

land for 80-100 parking spaces. The putting courses are designed by Tiger Wood's Golf Design group. The initial projects have been extremely successful, and new facilities are rapidly being developed throughout the country. There are no existing or planned facilities currently in California.

The PopStroke product is described in more detail, and its compatibility with existing uses at the Rose Bowl/Brookside assessed, in a subsequent section of the report.

Traditional Mini-Golf

The 2020 evaluation of adding mini-golf at Brookside was based on a traditional family-oriented miniature golf product concept. The proposed project incorporated two outdoor lighted 18-hole miniature golf courses developed on a 45,000 square foot site adjacent to the existing golf course "staging area."

Over the past 10-20 years, the miniature golf industry has been generally stagnant with about 100-150 courses added annually across the U.S. in recent years, offset by a similar number of course closures. Growth in the industry has been constrained for several reasons. First, it is very difficult to secure well located sites at an affordable cost. Many existing miniature golf courses effectively are "land banks" which are ultimately converted to residential and commercial uses. Second, the rapid emergence of competition from alternate forms of entertainment, such as digital and in-home entertainment options, are increasingly taking the place of location-based entertainment. The industry has stagnated despite the fact that the amount of time that Americans spend on leisure and sports has increased over the past ten years.

Most miniature golf courses closed for a period during the initial stages of COVID-19, which resulted in additional hardships for operators. However, since the initial phase of the pandemic, there has been a beneficial impact on participation resulting from COVID-19, although the impact has been much smaller than that related to the golf industry.

Despite industry stagnation, the concept of miniature golf at Brookside has appeal:

- ▶ Miniature golf has been successfully developed at several public golf facilities in the State, including Arroyo Seco Golf Course in South Pasadena, Del Mar Golf Center in San Diego County and Mcinnis Park Golf Center in San Rafael. The mini-golf courses at these facilities serve as secondary attractions to the golf course or driving range component.
- ▶ The Rose Bowl Arroyo presently offers a broad array of recreation facilities and activities to community residents, such as the Aquatics Center, Kidspace Children's Museum, bicycle trails, walking paths, music festivals and other activities which are compatible with additional recreation attractions such as miniature golf.
- ▶ Generally, miniature golf can produce strong economic returns on modest capital investment. In Southern California, the high cost of land represents a major barrier to entry for this type of recreational activity. As such, to the extent that surplus land can be created at low or no cost at Brookside, the economics are increasingly attractive.

- ▶ Integration of a traditional mini-golf product with the existing golf course/practice range, where operating staff can jointly oversee the existing golf courses and practice range as well as miniature golf course, results in extraordinary operating and maintenance efficiencies.
- ▶ Investment in a miniature golf attraction at Brookside is minimized due to the availability of existing parking and support facilities such as the clubhouse.

The primary market from which a miniature golf complex would draw support is approximately the area within a 20-minute drive time. The demographics of this area, with a population of 1.2 million, and a median household income level exceeding \$100,000 per year, are very strong.

The only existing miniature golf attraction within the primary or secondary market area is a poorly designed and maintained 9-hole miniature golf course located at the 18-hole par-3 Arroyo Seco Golf Course in South Pasadena. This facility has very limited appeal, yet generates substantial ancillary net revenue for the complex. Although highly preliminary, Arroyo Seco is considering expanding and modernizing their mini-golf course, along with other improvements at the complex.

As noted, in addition to the Arroyo Seco miniature golf course, there are two traditional mini-golf facilities in the State which also offer miniature golf--the Del Mar Golf Center in San Diego County, and Mcinnis Park Golf Center in San Rafael, just north of San Francisco. Managers at these centers report that the mini-golf component appeals to a different clientele than the traditional golfer, but is complementary. The managers also report that the mini-golf component performs well with nominal marginal cost of operation, and investment costs have been recovered in a period of as little as two-to-three years. Utilization at these facilities has increased slightly over the past several years, with revenues increasing to a greater degree due to sharp increases in pricing during this period. It should be noted that most facilities in California were closed for several months, or longer, in 2020 due to COVID-19 restrictions.

Exhibit 1: Selected Characteristics of Miniature Golf Courses at Golf Centers			
	Arroyo Seco	Del Mar Golf Center	Mcinnis Park
Location	South Pasadena	Del Mar	San Rafael
Golf Course/Practice Range	Arroyo Seco Golf Course	Del Mar Golf Center	Mcinnis Park Golf Center
Number of Mini-Golf Courses	one 9-hole	two 18-hole	one 18-hole
Lighted	Yes	Yes	Yes
Owner/Operator	City of South Pasadena/ Donovan Bros	Del Mar Golf Center	Mcinnis Park Associates
Pricing (first round/replays)			
Adults	\$10.00/\$5.00	\$9.50/\$4.50	\$11.00/\$9.00
Seniors (65+)	10.00/5.00	7.50/3.50	9.00/9.00
Children (5-12)	10.00/5.00	7.50/3.50	9.00/9.00
Estimated Annual Attendance	28,200	42,000	20,000
Estimated Rounds	39,500 (9-hole)	54,500	26,000
Rounds/18-Hole course	19,750	27,250	26,000
Replay Percentage	40%	30%	30%
Annual Gross Revenue			
Miniature Golf Only	\$225,000	\$450,000	\$215,000
Multi-Use Pass	---	---	---
Total	\$225,000	\$450,000	\$215,000
Average Revenue per Attendee	\$8.00	\$10.70	\$10.75
Other Facilities	-18-hole par-3 golf course --small clubhouse	-Golf driving range -Snack Bar	--9-hole exec golf course. -golf driving range. -batting cages -restaurant/clubhouse

Based on the site and location attributes of the proposed Brookside miniature golf course, experience of similar type facilities, the characteristics of the Rose Bowl primary market area and current and future competition, and assuming Brookside develops two lighted 18-hole high quality miniature golf courses, potential stable year attendance and utilization projections at the Brookside miniature golf complex remain essentially unchanged from 2020:

Exhibit 2: Brookside Mini-Golf Projected Attendance	
Primary Market Area Population	1,200,400
Estimated Penetration Rate	7.00%
Annual Attendance	84,000
Estimated Replay Percentage	25%
Annual Rounds	105,000
Rounds per Course	52,500

The current pricing structure (2022 dollars) for the miniature golf course at Brookside reflects pricing increases sustained in the marketplace over the past two years.

Adults:	\$12.00 (\$6.00 replay)
Seniors (65+)	\$9.00 (\$4.50 replay)
Children (5-12)	\$9.00 (\$4.50 replay)
Under 5 years	Free (with purchase of an adult ticket)

Based on this pricing, estimated replay rounds, and selected promotional discounting at non-peak times, the average revenue per round is estimated at about \$9.00.

In general, miniature golf is characterized as a relatively low maintenance, low operating expense enterprise. In situations where miniature golf is offered along with other primary components like a golf course or driving range, the miniature golf course can produce substantial incremental net income. Specifically, in situations where an operating and maintenance infrastructure is already in place, like at Arroyo Seco in South Pasadena, Del Mar Golf Center in San Diego County, and Mcinnis Park Golf Center in San Rafael, the **marginal** operating/maintenance expenses are very low. For example, in most instances collection of admission fees and the starting function can be fully provided by existing golf course/driving range attendants. Further, a maintenance staff is in-place for building and landscape maintenance. Thus, there is minimum marginal payroll expense with the addition of a miniature golf element. Similarly, most administrative and management functions are already in-place, and thus the addition of a miniature golf attraction would require little, if any, additional overhead expenses.

Based on these considerations, a pro forma stable year operating income statement for the 36-hole miniature golf complex at Brookside Golf Course is presented in Exhibit 3. As indicated, annual net operating income, expressed as earnings before interest, taxes, depreciation and amortization (EBITDA), is projected at approximately \$680,600 per year on gross revenue of \$945,000. Again, the projections are predicated on the key assumption that only marginal expenses related to the miniature golf complex are included in the projections.

Exhibit 3: Mini Golf Projected Stable Year Operating Income (constant 2022 dollars)	
Gross Revenue (105,000 rds. @ \$9.00)	\$945,000
Operating Expenses	
Operations Payroll & Benefits ^{1/}	42,000
Contract Landscape/Other Maintenance	30,000
Utilities	30,000
Supplies	6,000
Promotion & Advertising	30,000
Insurance (property & liability)	10,000
Credit Card Fees	28,400
Other Services & Supplies	25,000
Capital Improvement Replacement Reserve	25,000
Management/Oversight Allocation (4% of gross)	<u>37,800</u>
Total Expenses	\$264,200
EBITDA	\$680,600
^{1/} Based on incremental staffing (4 hours per day at \$30 per hour)	

A normal ramp-up period of two-three years is anticipated prior to stabilization of miniature golf attendance.

Miniature golf patrons also would purchase food and beverages during their visit to Brookside. A general rule-of-thumb for attractions like this is that food and beverage expenditures total an amount equal to about 15 to 20 percent of the basic attraction expenditures. Depending on the extent and type of food and beverage offered, food and beverage gross revenue generated by patrons should range from \$150,000-\$250,000 per year.

PopStroke

PopStroke is a “technology-infused” golf entertainment concept featuring two high quality, Tiger Woods designed 18-hole putting courses, a casual dining experience bar/grill with between 125 and 200 seats, an ice cream parlor, and other entertainment elements. At this time, there are three PopStroke facilities open in Fort Meyers, Port St. Lucie, and Sarasota, Florida, with facilities under development in Orlando, Tampa, Houston, Glendale (Arizona), and Delray (Florida). Facilities in Scottsdale, Arizona and Las Vegas, Nevada are in the planning stage. While no facilities have been targeted for California, this is a market that PopStroke has expressed interest in.

The typical PopStroke requires land area of 50,000 to 70,000 square feet, plus land for parking 60-80 vehicles (about two-thirds acre). Generally, PopStroke facilities are developed, owned and operated by the company. In most cases, facilities are developed on land leased from local landowners. At this time, the company does not offer franchise rights for the development of PopStroke facilities.

PopStroke contends that their product is geared for a broad market of all ages and skill levels, although it is clear that the product is more appealing to golfers than the traditional miniature golf course product. The company maintains that the entertainment product is positioned to serve families. There clearly are similarities with the TopGolf product. However, PopStroke is differentiated to the extent that virtually anyone can participate in miniature golf at PopStroke, while TopGolf is limited to only those participants who are comfortable swinging a regular golf club. Even so, PopStroke attracts more golfers than a traditional miniature golf course attraction. Importantly, like TopGolf, food and beverage opportunities at a PopStroke facility represent a very significant part of the overall experience.

PopStroke admission prices are \$20 for adults, \$15 for seniors, and \$12-\$16 for children, depending on age. Replay rounds are \$5. An all day pass is also available at \$25 for adults and \$18 for juniors. Hours of operation are from 10:00 a.m. to 11:00 p.m., seven days per week. The average length of stay is about two hours.

PopStroke has limited operating experience with the two existing facilities (Fort Meyers and Port St. Lucie) open less than two years. However, PopStroke claims these facilities have each generated between \$10 and \$14 million annually in total gross revenue. With an average per capita expenditure of about \$50, annual attendance at each facility is in the 200,000 to 250,000 range. Reportedly, revenues are generally evenly split between admission fees and food and beverage expenditures. These performance levels have not been verified, and appear to be somewhat overstated based on the experience of TopGolf facilities and high quality recreation/entertainment attractions.

A PopStroke product at Brookside is appealing to the extent that the Rose Bowl location generally satisfies the locational criteria employed for this concept--identifiable location, synergistic land use, strong market area demographics, and sufficient parking area.

As well, the potential strong economic performance of a PopStroke product could support annual ground rent in the range of \$500,000.

There are several factors, however, which may preclude a PopStroke-type product at Brookside. PopStroke facilities require 1.5 to 2.0 acres, plus parking for up to 100 cars. It does not appear that there will be sufficient surplus land area to satisfy the land area requirement for the facility within the staging area at Brookside. It would be virtually impossible to operate a PopStroke attraction on days when other Rose Bowl events occur.

Furthermore, the success of the PopStroke product requires the development of complementary facilities which result in a full recreational experience. Specifically, the concept fully integrates recreation with extensive food and beverage components to produce a high quality experience. The compatibility of this product given the presence of the existing extensive clubhouse complex at Brookside would have to be addressed.