

DEVELOPMENT UPDATE - OCTOBER 2021

The Board is aware of concerns by some members about the current discussions with the Knowles Group and what, if any commitments, have been made by the Board in relation to this proposal. This update provides a status report on the current development proposal and answers some frequently asked questions about the proposal.

Summary of existing proposal

1. The Club has long identified the need to diversify its revenue base in order to ensure its long term financial viability. In 2013, ACT government funding was used to commission an independent feasibility study which identified the potential for residential development on three plots of land on the Club's lease. Over subsequent years, these plans were progressively developed, culminating in the lodgement of a formal Planning Report with the Government in April 2018. Whilst the Club has never received a formal response from Government on the Planning Report, in early 2020, the Government effectively announced that it would no longer support residential development on ACT golf club land.
2. Later that year, the Knowles Group, which is a Melbourne based developer, builder and operator of Aged Care Residences and Retirement Villages, approached the Club regarding the possibility of development of a resort style retirement/aged care community based around the golf course. Benefits to the Club would include a new club house with enhanced and improved country club amenities, financial contributions (including an ongoing annual payment) and increased patronage of clubhouse facilities by new residents.
3. In June this year, the Club entered into a formal Heads of Agreement (HOA) providing Knowles with a 9 month exclusively period during which time they would work with the Club in developing their proposal. In light of the delays caused by the COVID lockdowns, we have recently extended the HOA by a further 6 months (to September next year). **The ONLY commitments we have made in relation to the development at this stage are:**
 - a. **Not to approach other developers during the exclusivity period (ie until September next year)**
 - b. **For the Board, and Members, to consider any proposal which may be brought forward by Knowles.**

The HOA is clear that any proposal brought forward to members must be endorsed by a vote of members at a general meeting if it is to proceed.

4. At this stage, Knowles has not made a final decision on whether they will bring forward a formal proposal to members. This decision is subject to further due diligence work in Canberra which they have been unable to undertake because of COVID related travel restrictions.
5. Knowles is fully aware of member/community/government concerns with previous development proposals including the Madison's retirement village on the driving range proposal. They are also fully aware that they will need Member endorsement at a General Meeting for the development plan to progress. In fact, Knowles joined the Board in insisting

that this requirement was made explicit within the HOA. As such, it is clearly in their interests to ensure that Member views are heard and addressed in preparing and presenting any proposal to members. To this end, Knowles have expressed an intention to undertake extensive, onsite member consultation and engage a golf course architect should they decide to proceed with the development of a proposal for members. This will afford members the opportunity for input into any development proposals.

6. The Board's view is that this could represent a great opportunity for the Club and that we have nothing to lose by listening to what is proposed. It will be up to the members to decide if you like what is eventually proposed and therefore if it proceeds.

WHY UNDERTAKE THE DEVELOPMENT?

Like many golf clubs, Murrumbidgee has struggled financially since its inception some 30 years ago. Our history is one of regular financial losses dispersed amongst modest profit years. This has seen the Club's auditor warn about ongoing solvency at recent AGM's and in the past, our banker has refused us extension of our overdraft facilities.

In 2009 the club accepted financial assistance from the Vikings group, which was repaid over time.

To address this, the current Board and Management team have worked to:

- Structure our operations so that we are able to operate within a balanced budget each year
- Increase our cash holdings to address immediate concerns around financial solvency
- Investment in areas which facilitate, improve and grow our golfing operations and financial returns.

We have succeeded in this with our current financial position providing the Club with welcome short term financial surety.

However events such as ongoing droughts, major equipment or facility breakdown and ongoing lockdowns will rapidly diminish these reserves and we therefore need to identify additional ongoing sources of revenue to ensure our long term financial viability.

Over the years, different boards at the Club have tried different strategies such as increasing subscription fees (which led to a drop off in membership numbers), introducing the bar tab (which contributed to better patronage of the clubhouse) and introducing more of a user pays model for golfers by way of the course usage charge, private cart sheds etc. While these have been critical in allowing us to balance our budget, they do not provide the ongoing additional revenue sources we require. Realistically, in the absence of significant resources or facilities (such as an area suitable for functions), options are limited.

HAS THE CLUB CONSIDERED OTHER DEVELOPMENT OPPORTUNITIES?

In recognition of the Club's financial situation, previous Boards have explored the option of developing land surplus to the Club's golfing needs.

In 2008 the Club was approached by **Madison Lifestyle communities**, regarding the possibility of development of a development on the driving range site. The club approved an option, which expired and was then rejected by membership.

In 2010 the Club engaged with a national motel chain with the view of developing a motel on club land surrounding the clubhouse. Such development would be permitted under our current lease conditions. The company concluded that the location and size limitations on any motel development made this unviable.

In 2013, in recognition of the financial pressure facing smaller ACT clubs, the ACT government announced a grant program to assist clubs identify ways of securing their financial future. Funding received by the Club under this “Small Club Site Redevelopment Support Scheme” was used to undertake a feasibility study which identified the opportunity to rezone three areas identified as surplus lands within the Club’s lease to residential development. This commenced the Club’s “Development Proposal” process.

Over the next years, the Club worked, in consultation with the Government and local community, at preparing a proposal for residential development across the identified sites. In 2018 we lodged a Planning Report seeking to rezone the land in question. Government consideration of this application was deferred for over two years whilst a review of concessional leases across the ACT was conducted. In April 2020, we were advised that the review had been completed and that, essentially, the Government would not support residential development on golf club land.

WHAT WOULD A DEVELOPMENT REQUIRE?

Assuming membership agreement to any proposal, actual development would require changes to our lease conditions and a range of government approvals.

The Club’s lease is a concessional lease, which is primarily zoned for “restricted access, recreational purposes” under the Territory Plan. The exception is the area around the clubhouse/carparks which is zoned for commercial use, thereby allowing us to operate the pro shop, club house. This zoning would also allow for a 12 room motel on this site.

In broad terms, in order to progress any development, we would need to:

- Sub-divide the existing lease to separate the sections subject to development
- De-concessionalise those sites - concessional leases are leases granted at less than market value to community groups. Deconcessionalisation is a lengthy process requiring an assessment by Government as to whether the deconcessionalisation is in the public interest. It would also require the payment of a deconcessionalisation charge
- Have the relevant sites within the lease rezoned to allow for development. This requires a variation to the Territory Plan and payment of a Lease Variation Charge
- Obtain relevant Development Applications.

Under the current proposal, Knowles in consultation with the Club, would lead and fund this activity.

HOW IS THIS DIFFERENT TO THE PREVIOUS PROPOSAL WHICH WAS NOT SUPPORTED BY GOVERNMENT?

Previous proposals envisaged the development areas would be subdivided into individual plots and sold off to individual owners. Thus there would be no ongoing revenue stream for the golf club.

With aged care facilities and retirement villages, ownership of the property is retained with tenants essentially purchasing a life long lease – which is refundable to varying degrees on departure.

The Knowles Group develops, builds and operates its own facilities. Unlike a property developer, Knowles would have a long term relationship with the Club, and it would be in Knowles interests to have its operations based around a thriving successful golf club.

WHY THE KNOWLES GROUP – WHY NOT ENGAGE WITH OTHER PARTIES?

Given our lack of success with the previous development proposal, in February 2020, the Development Committee approached 9 local developers as well as four community groups with success in progressing Development Applications advising them of our then situation and seeking any advice or suggestions they may have. A number of these responded to our letter, agreeing to meet with us to discuss our situation. The consistent feedback from these meetings was that the necessary government approvals for lease changes would be very difficult to achieve under the local government's attitude towards development on concessional leases. Some developers expressed an interest in working with us – but only after the necessary lease variations had been obtained.

At the time the industry letters were sent, we issued a blog to members advising them of the process and the parties we intended contacting, and asked for suggestions on additional parties who may be interested in being contacted. A copy of the letter and developers contacted is available on our website.

The Board's view is that this process has afforded other developers with ample opportunity to engage with the Club if they were so interested. In fact, the Knowles Group heard of the Club's situation as a result of these conversations.

Under the Heads of Agreement we have agreed not to engage with other developers whilst Knowles is working on their proposal to bring to the Club – or until September next year at the latest.

HOW ARE YOU KEEPING MEMBERS INFORMED?

We are keeping members informed of progress by a combination of Development Updates and member blogs. Development Updates are used to report on any substantial matters and are retained on the Club's website. Key updates provided in relation to the current proposal include:

29 April 2020 – Board update to membership advising on the proposed new government requirements relating to developments on golf club land which, on the face of it, meant that our then residential development proposal would not be successful.

2020 Annual Report (October) – Finance Directors report summarises government position on Residential Development Proposal and advises we have been approached by the Knowles group with a proposal in relation to aged care development.

22 December 2020 - Development Update – update on discussions with Knowles group including the broad concept under consideration and possibly benefits to club. Confirms that any decision on development will be subject to a vote of members at general meeting.

21 June 2021 – Development Update – advice to members that we had entered into a formal HOA with Knowles.

Unfortunately, to the shared disappointment of the Board and Knowles, the current COVID lockdowns have delayed anticipated progress on the proposal. The next step will be for the Knowles representatives to visit Canberra in order to undertake their required due diligence. This will occur as soon as the respective Victorian and ACT restrictions permit travel. We will continue to keep members informed as matters progress.