

The Club at Cobble Creek
Board of Directors Memo to the Membership
September 23, 2022
Subject: History of Cobble Creek and Its Future

History of Acquisition of Assets: A little background on how we got here.

The Club at Cobble Creek began operations on Jan 1, 2020. Prior to that, Westar development, owned all of Cobble Creek and Spruce Pt. Westar's investors decided in mid-2019, that because of 1) age of some investors, 94 and 87, and 2) investor fatigue. (They had invested millions but never took anything out) they were going to divest themselves from Cobble Creek.

Numerous attempts were made to sell Westar's assets and while there was interest in the real estate, no one was interested in running the golf course. Westar could have sold the golf course and common areas to a developer who likely would have built more homes throughout all of our green areas. But keeping the community as it was, with a golf course, was important to Westar.

In Aug. 2019, Westar approached the Cobble Creek HOA to sell, for \$1, its holdings of the golf course, buildings, water rights, etc. in Cobble Creek and Spruce Pt. Westar had set a date of Dec. 31, 2019, to complete the transaction. For a couple of reasons, the CC HOA could not meet that date. Thus, the decision was made to form a new entity, the Club at Cobble Creek. Thru the fall of 2019, discussions and due diligence continued and were completed by the Dec. 31 date.

Those who worked on this transaction, and many in the community, believed that forming the Club at Cobble Creek, and accepting Westar's proposal, was the best way to control our future.

Funding of transition and reserve funds

One part of the transaction was for the Club to raise funds from community donations, to cover the incurred costs for legal and financial services and to establish a reserve fund. Approximately \$100,000 was raised. Of that, approximately \$40,000 was spent on the legal and financial expenses. The remaining \$60,000 is still in our reserve account. Any business must maintain adequate reserves to address emergency expenditures. For example, over the last

9 months, we have had to repair some of our irrigation pumps at a cost of \$31,000. Based on the size of the Club, in terms of revenue and expenses, we should have a reserve of around \$200,000. Since we are well short of that, the board felt it appropriate to establish a line of credit with a bank just in case it was needed.

Club Membership:

What does it mean to be a Member of the Club at Cobble Creek? While the benefits are pretty straight forward, other aspects are not.

- **First members are not liable for any losses** experienced by the Club. **The Club cannot request a special assessment of the Club members.** Our only flexibility to raise needed funds is to raise dues and fees. The amount which the Club may raise member dues and fees is limited by the Member Agreement which states that dues and fees can only be raised each year to a maximum of 4% or CPI, whichever is greater.
- **Second, members are not shareholders and do not actually own any of the assets of Cobble Creek.**
- **Third, however, if the Club were to sell all of its assets and dissolve, the net proceeds must be distributed to the members.**

Capital Needs:

While the Club received the Westar assets worth millions for only \$1, it also received the unfunded deferred, current, and future maintenance, repairs, and equipment replacement associated with those assets. These include Irrigation systems and equipment, mechanical components of heating and air conditioning systems, management of ponds and creeks, the replacement and upkeep of cart paths along with the needed expansion of the Clubhouse space for member and outside events.

Those unfunded deferred, current, and future capital expenses are very significant with current estimates of millions of dollars over the next ten years.

Funding options:

The revenue sources for the operation of the Club, result from golf fees, member dues, food and beverage sales in the tavern, merchandise sales in the pro shop,

catered events, and “Easement” payments from the Cobble Creek and Spruce Point HOA’s.

- **The Easement payments** are paid to the Club to help offset its cost to irrigate, mow and maintain all the common areas in the community. The Easement agreement could be modified to increase the amount contributed by CC HOA to the Club for this purpose.
- **Member dues and golf fees** can be increased. Memberships can be increased through marketing for corporate golf memberships and property memberships could be mandated upon the future sale of any Cobble Creek property.
- **Golf and logo merchandise sales** in the pro-shop can be increased if there was more floor space for merchandise display. This could be accomplished by moving the Pro-shop to Creekside building, possibly utilizing the main dining room area for merchandise display.
- **By expanding our current clubhouse kitchen and tavern seating areas**, we could not only increase revenue from food and beverages sold in the tavern, but we would be able to increase revenue from more and larger catered events. Currently catered event food must be prepared in the Creekside kitchen and transported across the parking lots to the events room in all types of weather. With a dumbwaiter and improved kitchen equipment in the clubhouse, the quality of the catered product would improve thus attracting more events.
- **Expansion and upgrading the events room** would attract more and larger outside events such as wedding receptions, family reunions, social club dinners etc.

Funding for these projects could come partially from the City of Montrose’s Business Expansion Grant which is designed to be used for projects which will benefit the economy of Montrose City. All of this presents quite a challenge while reducing operational costs in a very tight labor market in an economy which suffers from ongoing supply chain issues and increasing inflation.

Why not merge the Club and CC HOA?

While merging the Club and the CC HOA, thus making every resident of Cobble Creek Community a Club member has been discussed, that presently does not seem a likely outcome at this time.

The Club and CC HOA and Spruce Pt. HOAs continue to have conversations on how to modify the existing financial relationship in order to have justifiable reasons for increasing funding to the Club. We feel that for the long-term success of the Club and its place in the community, the need for HOA to take a more active role is without question. Whether that is in the form of as-needed contributions or the HOA, eventually taking some form of ownership, that remains to be decided.

Use of Creekside for a restaurant venue:

There continues to be discussions among community members who wish to reestablish a restaurant by leasing the Creekside building to a restaurant manager. Historically, five different management groups have attempted to create a successful restaurant venue in that location. Each has failed, including those run by well-known restaurateurs in our area. Failure of our community residents to adequately support their efforts along with a location which does not attract public traffic were responsible for their failures. The developer and the Westar investors subsidized the losses in an effort to maintain this as an amenity for the community.

In spite of this known history of restaurant failures, the Club has been asked and will pursue conversations with the individuals who managed the Bon Ton restaurant in Ouray. Some believe it would be a nice amenity for Cobble Creek residents. While that part is correct, the question should be, “how will any competing restaurant housed in Creekside building impact the financial results of the Tavern?” And “Is it ethical to encourage a group to attempt to establish a restaurant where so many others have failed?”

