

2016

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February 8, 2016

# RESTAURANT FEASIBILITY STUDY

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## **INTRODUCTION AND SCOPE OF STUDY**

PCA was engaged in October 2015, as a partner with Norton Consulting and a member of the Peacock & Lewis clubhouse development team by the Village of North Palm Beach to:

- Make recommendations as to the size of the Restaurant component of the proposed new facility
- Project likely financial results for the Restaurant component for the first five-year period of operation
- Gather and analyze relevant economic and demographic data
- Provide comparison data with other similar in concept and proximate restaurant operations

To obtain the most value this report should be read in its entirety.

## **METHODOLOGY**

The study was performed from October, 2015 through January 26, 2016. Research consisted of:

- “FaceTime” meetings with Village and Country Club staff:
  - ✓ Casey Mitchell, Lenore Dingle, Meghan Sponheimer, Rick (IGM) and Joe Dargin
  - ✓ Chuck Huff, Jamie Dellamano, Karen McMichael, Chef Domingo Caraballa
  - ✓ Mark Hodgkins, Mark Howell, Nancy Hensler, Jackie Wheeler
  - ✓ Mike Applegate
  - ✓ Brian Moree
- Site inspection of North Palm Beach Country Club
- Site visits to area restaurants or chain restaurants represented in NPBCC’s market area
  - ✓ Duffy’s
  - ✓ Outback
  - ✓ Carrabba’s
  - ✓ The Riverhouse Restaurant
  - ✓ Seasons 52
  - ✓ Waterway Café
  - ✓ Sailfish Marina
  - ✓ The Village Tavern (NPBCC)
- Using a PCA financial model, designed a Five Year financial projection based upon the research described above and PCA’s experience

For this report, the following desirable points have not been explored as of this date:

There was no Survey of Club Members to ascertain price points, menu preferences and frequencies of use. Some relevant data was obtained from an independent community survey.

## **MARKET POTENTIAL**

North Palm Beach has an adequate population base, substantial disposable income, a high traffic count on Highway US 1 and an appreciable leakage of food and beverage spending so as to provide an economic environment that would support an additional restaurant. There are currently a number of very successful and profitable restaurants, but also a roster of failed restaurants in the same market area. The market justifies the financial projections found in this report. However, realizing the projected results requires a number of critical actions including establishing the NPBCC restaurant brand, an experienced, successful operator, either a regional or national brand, coordination with and cooperation from all the other NPBCC components and an aggressive marketing process to capture local and regional market share and to recapture “leakage”.

## **RECOMMENDED CONSIDERATIONS & SIZE**

### **Considerations**

- Becomes the North Palm Beach “Gathering Place”
- Takes advantage of history, traditions, legacies
- Targets children
- Indoor/Outdoor – as much *al fresco* dining as possible- convertible space
- Impressive, efficient bar
- Efficient food production
- Has “Signature” items on menu
- Has efficient, correct, friendly service
- Open from 7:00 AM to 11:00 PM 7 days
- Adequate storage for liquor, beer & wine
- A slightly upgraded Duffy’s Casual Sports Bar concept and menu
  - ✓ Abundant television – sports feeds
  - ✓ Attracts professionals at lunch
  - ✓ Attracts Families
  - ✓ Attracts Golfers, Tennis Players, Swimmers
  - ✓ Attracts Village Residents and Club Members
  - ✓ Attracts Tourists/Seasonal residents

## **Restaurant Size**

- A minimum of 20-25 bar seats
- A minimum 60 – 75 grille seats

On the following page, PCA presents recommendations and projections based on discussion group meetings with NPBCC staff, various committees, Village residents, the Village Council and members of the design team, historical data, the community survey, visits and observations of local restaurants, review of data from the National Restaurant Association, *Nation's Restaurant News*, annual reports of restaurant chains, interviews and our experience. We compiled a comparison of sales, seats and check averages for a number of local and chain restaurants located in the North Palm Beach market area including sales data provided by and included data from the Treasure Coast study (Bureau of Labor Statistics).

# YEAR ONE REVENUE CALCULATION

## NORTH PALM BEACH COUNTRY CLUB Restaurant Sales/Revenue Calculation

Revised: 01/05/16

	<u>2015 YTD</u>	<u>Actual Sales Mix</u>	<u>Projection Sales Mix</u>	
Food Sales	289,609	53.79%	75.00%	1,335,782
Bar Sales	<u>248,806</u>	<u>46.21%</u>	<u>25.00%</u>	<u>445,261</u>
total	538,415	100.00%	100.00%	1,781,042

<b>Lunch Sales Projections</b>	<i>Out of Season (May - October)</i>			<i>In Season (Nov - April)</i>			<b>Total Lunch</b>
	Tues-Thurs	Fri-Sat	Sunday	Tues-Thurs	Fri-Sat	Sunday	
Number of Seats	146	146	146	146	146	146	
Turns	0.50	0.75	0.50	1.25	1.50	1.00	
Check Average	13.00	14.30	13.00	16.00	17.60	16.00	
# of Days	<u>51.60</u>	<u>51.60</u>	<u>25.80</u>	<u>50.40</u>	<u>50.40</u>	<u>25.20</u>	
Total Sales	48,968	80,798	24,484	147,168	194,262	58,867	\$554,547

<b>Dinner Sales Projections</b>	<i>Out of Season (May - October)</i>			<i>In Season (Nov - April)</i>			<b>Total Dinner</b>
	Tues-Thurs	Fri-Sat	Sunday	Tues-Thurs	Fri-Sat	Sunday	
Number of Seats	146	146	146	146	146	146	
Turns	0.50	0.70	0.50	1.00	2.00	0.75	
Check Average	29	32	29	34	37	34	
# of Days	52	52	26	50	50	25.2	
Total Sales	109,237	168,225	54,619	250,186	550,408	93819.6	\$1,226,495

**Year 1: Total Bar and Grille Sales      \$1,781,042**

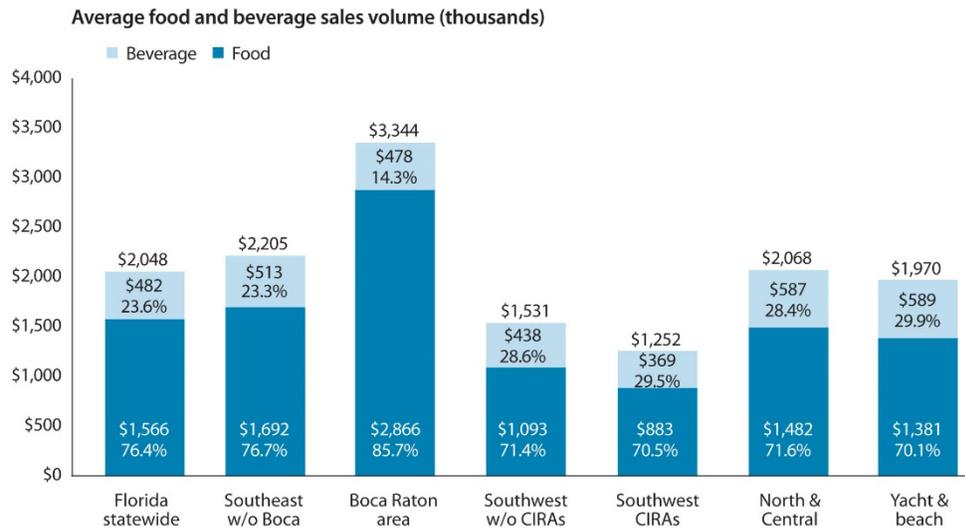
Notes:

1. Calculation is based upon number of seats; number of seat turnovers (turns), and check averages, by day of the week and by season.
2. Number of seats used (146) is the total of inside seats (112) and one-half of the outside seats (total 68), to account for inclement weather for a six month off season, which in most years is actually shorter than six months.
3. The check averages are based upon local restaurant pricing and are at the low end of the market range
4. Revenue generated by any special purpose rooms is accounted for in the Special Events/Banquets projections
5. Breakfast revenue is not included; considered a contingency to assure the conservative bent of the projections.

**Additional justification of projected sales:**

The normal range of food sales per round is \$11 to \$15 depending upon the quality level of the club/course. NPBCC’s average in 2013/2014 was \$12.52. Using a slightly higher number due to planned improvements in efficient delivery of food to golfers on the course and a dramatically improved restaurant and bar, PCA has used \$14.20 and 44,000 rounds to estimate golf generated sales to be \$624,800. It is reasonable to assume (see comparison of sales to restaurants without a golf component) an addition \$1.2m in sales due to the new restaurant and clubhouse.

Below, is a Chart from **RSM – US** (formerly McGladrey), showing Florida private club sales (clubs with a limited population base) equaling or exceeding PCA’s projected sales for NPBCC:



**Average covers**

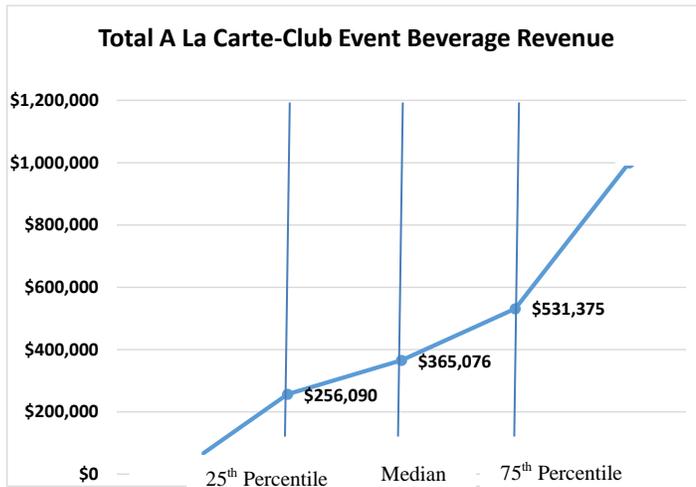
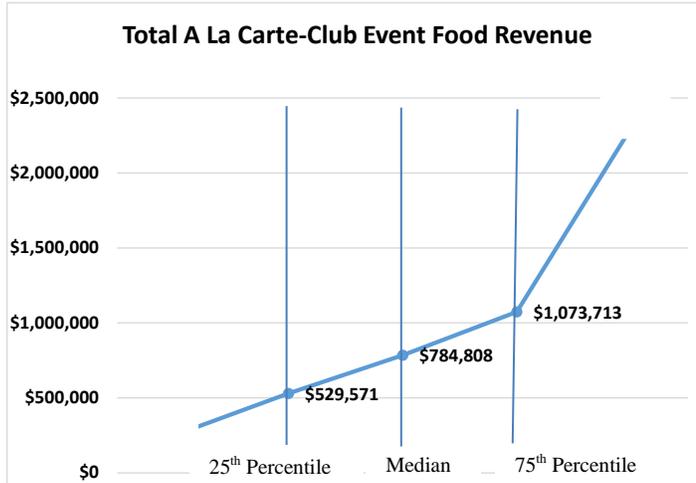
	Florida statewide	Southeast w/o Boca	Boca Raton area	Southwest w/o CIRAs	Southwest CIRAs	North & Central	Yacht & beach
Restaurant covers	74,000	71,000	141,500	43,900	53,500	66,200	55,600
Banquet or function covers	11,400	12,100	12,700	8,700	6,300	16,100	13,800
<b>Total covers</b>	<b>85,400</b>	<b>83,100</b>	<b>154,200</b>	<b>52,600</b>	<b>59,800</b>	<b>82,300</b>	<b>69,400</b>
Percentage of covers that are banquet or function	13%	15%	8%	17%	11%	20%	20%

Source: RSM-US (McGladrey & Pullen)

Projected restaurant covers for North Palm Beach CC Year 1 are: 70,963. The average of Florida golf clubs in the McGladrey Report is 74,000, again demonstrating a conservative approach to the projections.

**Club Benchmarking** is a respected consulting firm that collects and provides private club data throughout the entire United States, again where the operation can only draw

from a limited population as described above. The following charts show:



Source: Club Benchmarking

- NPBCC Projected Gross F&B 1,781,042  
*Club Benchmarking*  
<sub>th</sub>
  - 25<sup>th</sup> Percentile 785,661
  - Median 1,149,884
  - 75<sup>th</sup> Percentile 1,605,088
  - High 3,550,000

“Leakage” is a description of discretionary spending by North Palm Beach residents outside of North Palm Beach. A portion of this “leakage” which for “Full Service Restaurants” and Drinking Places as shown in the chart below is \$3,877,479. A quality

Restaurant operation in the NPBCC clubhouse could be expected to recapture an appreciable portion of this leakage, a measurable indication of latent demand.

## Retail "Recapture" Opportunities, 2015

### Village of North Palm Beach Households *North Palm Beach Master Plan*

Retail Category	Demand (HH Spending)	Supply (Store Sales)	"Recapture" Opportunity
<b>Food Services &amp; Drinking Places</b>			
Full-Service Restaurants	\$17,027,126	\$14,724,624	<b>\$2,302,502</b>
Limited-Service Eating Places	\$11,126,133	\$6,159,251	<b>\$4,966,882</b>
Special Food Services	\$464,524	\$31,076	<b>\$433,448</b>
Drinking Places -Alcoholic Beverages	\$1,574,977		<b>\$1,574,977</b>
<b>Subtotal:</b>	<b>\$30,192,760</b>	<b>\$20,914,951</b>	<b>\$9,277,809</b>

Source: Bureau of Labor Statistics, Claritas, Inc.; ESRI Business Analyst; WTL + a; December 2015

## ECONOMICS & DEMOGRAPHICS - See Norton Consulting Report

## SUPPLY ANALYSIS

There are very good restaurants in North Palm Beach CC's market, each with its own special draw. The following is a limited competitive market analysis:

### Restaurants – Comparative Market Analysis

NORTH PALM BEACH COUNTRY CLUB						
Comparable Restaurant Sales and Seats Revenue						
	Units	Total System Sales	Average Unit Sales	Seats	Rev/Seat	
Joe's Crab Shack	138	433,000,000	\$3,137,681	230	13,642	Palm Beach
O'Charlie's	230	521,500,000	\$2,267,391	300	7,558	Orlando
Cheddars	150	668,000,000	\$4,453,333	300	14,844	Wellington
Hooters	430	837,000,000	\$1,946,512	177	10,997	West Palm Beach
California Pizza Kitchen	200	634,000,000	\$3,170,000	170	18,647	Palm Beach Gardens
Longhorn Steakhouse	370	1,500,000,000	\$4,054,054	280	14,479	West Palm Beach
Bonefish Grill	206	622,000,000	\$3,019,417	218	13,851	North Palm Beach
Ruth Chris' Steakhouse	140	559,800,000	\$3,998,571	220	18,175	North Palm Beach
Outback Steakhouse	752	2,500,000,000	\$3,324,468	220	15,111	Palm Beach Gardens
Olive Garden	723	3,320,000,000	\$4,591,978	263	17,460	Wellington
Season 52	37	158,000,000	\$4,270,270	343	12,450	Palm Beach Gardens
Carrabba's	243	714,000,000	\$2,938,272	201	14,618	North Palm Beach
Duffy's	30	<u>100,000,000</u>	<u>\$3,333,333</u>	<u>340</u>	<u>9,804</u>	North Palm Beach
Total		<u>12,567,300,000</u>	<u>\$44,505,282</u>	<u>3262</u>	<u>181,637</u>	
Average	14	\$897,664,286	\$3,178,949	233	12,974	
NPBCC Projection	1	1,781,042	\$1,781,042	146	12,199	most likely case

NOTE: The projected per seat sales are lower than the current per seat sales, due primarily to the increase in number of seats, as well as a lower check average.

### Success Contributors

- Jack Nicklaus Signature Golf Course
- Central Location
- Easily accessible on Highway US 1
- Accessible on foot, bicycle and NEV's (neighborhood electric vehicles)
- Adequate Parking
- Quality and functionality of the facilities
- Traditions, History and Legacy
- Array of Additional Recreational Options including Tennis and Aquatics

## REQUIREMENTS FOR SUCCESS

Our strong recommendation for achieving the projected restaurant revenue is leasing the restaurant to a regional or national branded successful operator. In order to assure the success of the Lessee – and the Village, steps must be taken to assure a high and professional level of cooperation between the food operator and the club’s golf, tennis, aquatics and other recreation components. For example, the lessee must provide food for golf tournaments – at what price? Will swim team participants be able to bring their own refreshments? It is incumbent upon the Village to create an organization that assures a seamless operation. Therefore, PCA has identified the following as critical success components:

- Improve visibility and frontage appeal on US1 for signing and advertising
- Upgraded sense of arrival
- Capitalize on Nicklaus Brand with great view of golf
- Has Characteristics of a Successful Country Club Operation
  - ✓ Eliminates “silo” perception
  - ✓ Defines goals & requires accountability
  - ✓ Regional or national chain restaurant operator
  - ✓ Effective communication, coordination and promotion between all club components (Golf, Golf Course Maintenance, Administration, Food & Beverage, Marketing (Membership, Tournaments, Banquets/Weddings), Tennis, Swim, Other Recreation, House & Grounds Maintenance
  - ✓ Understands Who It Is and What Business It Is In
    - Vision Statement
    - Mission Statement
    - Brand Position Statement
- Aggressive professional outbound marketing
  - ✓ Communicate “Open to Public”
  - ✓ Sales DNA
  - ✓ Promote central location
  - ✓ Internal plan (members)
  - ✓ External plan ( tournaments, special events, residents, non-residents)
  - ✓ Capture data from guests/customers, members
  - ✓ Social Media
  - ✓ Professional Collateral
  - ✓ Hotel relationships
  - ✓ Other venue relationships
- Adequate storage
- Wi-Fi throughout the club
- Keep the current positive staff attitude.
- Maintain consistent hours of operation- 7:00 AM until 11:00 PM
- Attention to children – children’s menus, crayons, babysitting/child care
- Continuity of member events: keep what is/has worked;
- Sufficient reserves to keep new facilities up

## **DISCLAIMER**

Information in this report and used in the development of projections has been taken from historical records, published data, and other sources which we regard as reputable; however, we cannot assume responsibility for the accuracy of such material. Moreover, since projections of future events are subject to many uncertainties, we cannot represent these statements to be accurate presentation of the results which may actually occur. The accompanying report and projections are based upon assumptions of future events, which in turn are based on present circumstances and information currently available. The projections may be affected favorably or unfavorably by many factors such as revenues, costs, employee relations, taxes, governmental controls, and general economic conditions, among others, and accordingly, there is no assurance that the projections will be achieved

### **Use of our report**

It is expected that our report may be used to assist in obtaining community support and financing for the project. We will have no objection to such use of our report so long as it or any reference to Private Club Associates conforms to the following stipulations:

The report text, with exhibits, is included in its entirety in any such presentation.

All printed material, other information taken from our report and any statement as to its meaning and purpose transmitted to other parties which refers in any way to our engagement or to our firm, is approved by us before using it in such manner.