

VISION 2025



DESERT HORIZONS
PRELIMINARY MASTER PLAN





INTRODUCTION

THANK YOU

Long Range Planning Committee

Dave Taylor, *Chair*
Vic Beghini
Lee Clancey
John Fitzpatrick
Dick Frankel
Byron Graves
Jon Holzgrafe
Bob Lemon
Paula Manoski
Dana Berkett Overstreet
Ron Parr

Ex Officio

Jay Clancey
Bruce Shepard
Al Castro
Karen Bennett

McMahon Group

Member Survey
Strategic Planning
Master Planning Communications

Dear Desert Horizons Homeowners and Members:

In 2019, the president of DHOA, Bruce Shepard, and then president of DHCC, Stewart Thomson, decided it would be in the best interest of the Owner's Association and Country Club to work together on the development of a long range plan for the community. This led to the formation of the Long Range Planning Committee, which was charged with the responsibility to evaluate options and recommend a strategy, capital plan and financial model to support community maintenance and the modernization and ongoing operation of the amenities. Further, they were asked to bring this recommended plan back to the stakeholders for review and solicit feedback that would lead to development of a recommended solution that would have broad acceptance from the stakeholders.

From its initial founding as a small task force, the Committee has grown to include a diverse set of homeowners and club members with varied interests and usage patterns, all in pursuit of developing a community-wide solution. Enclosed in this booklet you will find the results of their efforts. They have worked hard on the plan and had to overcome the additional hurdle of completing this process in the COVID period. We would like to thank them for their time and effort and look forward to their continued leadership on this important issue.

As titled, what you are seeing in this report is the Committee's Preliminary Plan. It is not yet a recommendation and we are not yet calling for a vote. The important first step is for all stakeholders to become familiar with the plan and to provide their feedback. If you did not have a chance to attend one of the recent Zoom meetings, please review the recording on the website and then give the booklet a thorough reading.

You will see at the end of the booklet a link to a survey where each household can register their opinion on the preliminary plan. You will see a published report on the results sometime in January. The Committee will take that feedback and review the plan to identify where it has support and which issues need refinement.

Assuming the feedback provides direction that is workable, the Committee will then put together a Recommended Plan and it will be circulated to the community with appropriate supporting documents. We hope to reach that point in March and vote by April before homeowners depart for the summer season. This will then be the recommended plan.

Thank you for your interest and support in this process. Working together, we are confident we will have the ability to craft the right solution for the long-term success of our community. One that is safe, secure, enjoyable and prosperous.

For the DHOA and DHCC Boards of Directors,

Jay Clancey
President
Desert Horizons Country Club

Bruce Shepard
President
Desert Horizons Owners Association



The Case for Change

The Desert Horizons Owner's Association (DHOA) and Desert Horizons Country Club (DHCC) have co-existed within the walls of the community since the inception of the development in 1979. The homeowners gained control of their Association in 1992 and the members assumed control of the Club in 1996. The entities have continued to move closer together over the years, most notably when in 2006 DHOA voted to impose a new social membership requirement and social member transfer fee on all new home purchasers. This program helped the Club overcome the steady erosion in dues revenue resulting from the increased competition from new communities and clubs throughout the Valley, the subsidized golf available to residents from the City of Indian Wells, the aging out of the original membership and the shifting values of new members, many of whom no longer valued golf as an amenity.

Additionally, Desert Horizons is situated in a premier location in the Coachella Valley. Unfortunately, the Community is not able to optimally leverage this great location in terms of home values and attractiveness to prospective new owners as the forty year old infrastructure is tired and in need of a major refresh. The main entrance off HWY 111 is dated and lacks curb appeal, streets throughout the community are deteriorating, signage is dated and most of the ponds and lakes throughout the Community are at risk of failure due to deferred maintenance.

The Country Club

With some 120 golf courses and 60 private clubs, there is an oversupply of golf courses in Coachella Valley. We anticipate this situation will continue for some years to come, especially considering falling golf participation nationwide, especially among the under 50 age group, the primary source of future members. While golf play has increased this year due to COVID-19, data suggest that the increase in play has come largely from frequent golfers playing more frequently, not from an expansion in the number of players. Due to the changes in values and preferences by current and prospective members, the focus and offerings of country clubs will need to change if they are to be viable. Research by McMahon Group has identified that while golf drove the club environment in the 1980s and 1990s, health, fitness and wellness are likely to be the key influences of the club of the future. Internally, the 2020 Desert

Horizons Community Survey found that all of the non-golf improvements tested are more important to golf members than they are to any other constituency.

Desert Horizons has experienced an ongoing decline in golf membership over the past decade. It has been necessary for the board to offset this decline with ever-increasing dues and fees, which, in turn, has undermined the value of membership. Member equity and the ability to charge an entrance fee have dissipated. When adjusted for inflation, annual dues revenue is only 66% of what it was a decade ago.

The oversupply in the market has also created a price war outside the gates. Clubs are reducing or eliminating their initiation fees, and they are attracting new members through introductory teaser-rate memberships instead of natural attraction of people who aspire to belong for quality and value. For DHCC to offer the experience current and prospective members want, the Club needs to modernize its facilities.

DHOA Today

Homeowners benefit from the greenspace and club amenities in their community even if they don't golf. In fact, home values in gated communities are directly correlated to the attractiveness of the club. Industry experts generally agree that some 20% to 40% of home values in a gated community are tied to the club. The Homeowner's Association and every homeowner has a desire to protect and grow home values, so by extension, they have significant interest in the quality and success of the club in the center of their neighborhood.

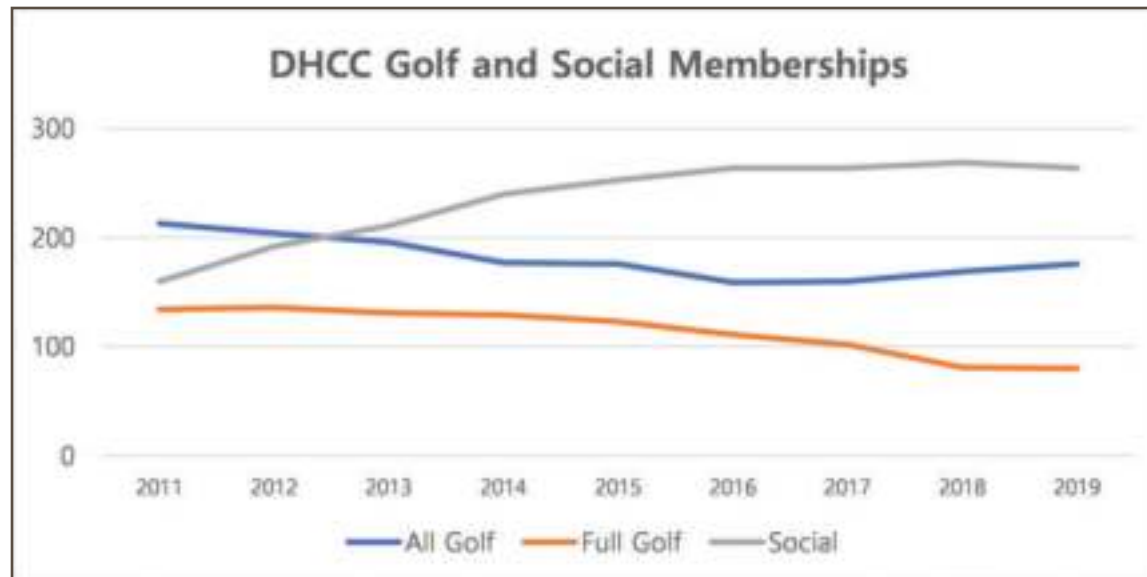
The independent HOA/Club structure that exists at Desert Horizons exposes homeowners to significant risk and it fails to support the Club as it should. The HOA has no control over the quality or function of the Club, yet its poor performance or failure can significantly impact home values. Conversely, if the Club does not have the participation and revenue from those who live within the gates that surround it – the primary marketplace – it must scramble to attract members from outside the community, which is a much more difficult proposition. Ultimately, aligning interests of homeowners and members is essential to **sustainability of both entities**.



THE CASE FOR CHANGE

We build clubs in gated developments to promote community, wellness and security. This can only happen when the club is strong enough to play a central role in the life of all homeowners. In the case of Desert Horizons, and many other clubs, it will be necessary to upgrade programs and facilities to attract homeowners and members in the future.

The environment for clubs has changed and the first communities and clubs to unite will have a competitive advantage over their neighbors. This is evident just outside the gates of Desert Horizons, where communities like The Lakes and The Springs are having success as unified communities and clubs. Conversely, clubs that failed to unite with their community like Rancho Mirage Country Club and Desert Island Country Club have been purchased by third parties who are recasting them as public entities, eroding the home values and lifestyles in their community.



VISION: Desert Horizons
is a friendly, tight-knit
community, enriching the
lives of our residents by
providing relevant, vibrant
programming, high-quality
facilities and excellent
service to support active
lifestyles.





Better Together

Advantages for the Community:

- » When amenities play a central role in the life of all homeowners, it promotes a sense of community.
- » Upgrades to programs and facilities increase the universe of those who want to buy in your community and leads to increases in property values.
- » Gain efficiencies from unified and streamlined governance and management.
- » Share costs among all who benefit.
- » Ability to use long term financing to make improvements.
- » Communities and clubs that unite will have competitive advantage.

Advantages to Golf Community

- » Address clubhouse issues so important to golf members in survey.
- » An improved community will help attract more golf members to share the cost of course maintenance and golf operations.
- » Entire community shares in the cost of non-golf activities.
- » Enjoy the lifestyle improvements included in the plan.
- » Put golf operations and facilities under the leadership of a golf-centric entity.
- » Assure costs for maintaining/updating golf course irrigation are shared equitably by entire community.
- » Become tax exempt entity.
- » Ability to borrow money.

Why We're Here

- Inform community about the Preliminary Master Plan.
- Prepare community to engage in feedback process.
- Strengthen and sustain Community:
 - » Respond to survey feedback.
 - » Address facility aging/dating.
 - » Improve the current experience.
 - » Increase the golf membership.
 - » Update offerings to position Desert Horizons to attract new homeowners.
 - » Increase Desert Horizon home values commensurate with A+ location in the Coachella Valley.

Why We Need a Plan

- Stakeholder satisfaction well below norms.
- Other communities continue to improve, and their home values are rising at a higher rate than Desert Horizons.
- Lifestyles are changing and so must communities to be competitive
- Golf membership has declined.
- Take advantage of historic opportunity in lending environment.
- Leverage superior location.

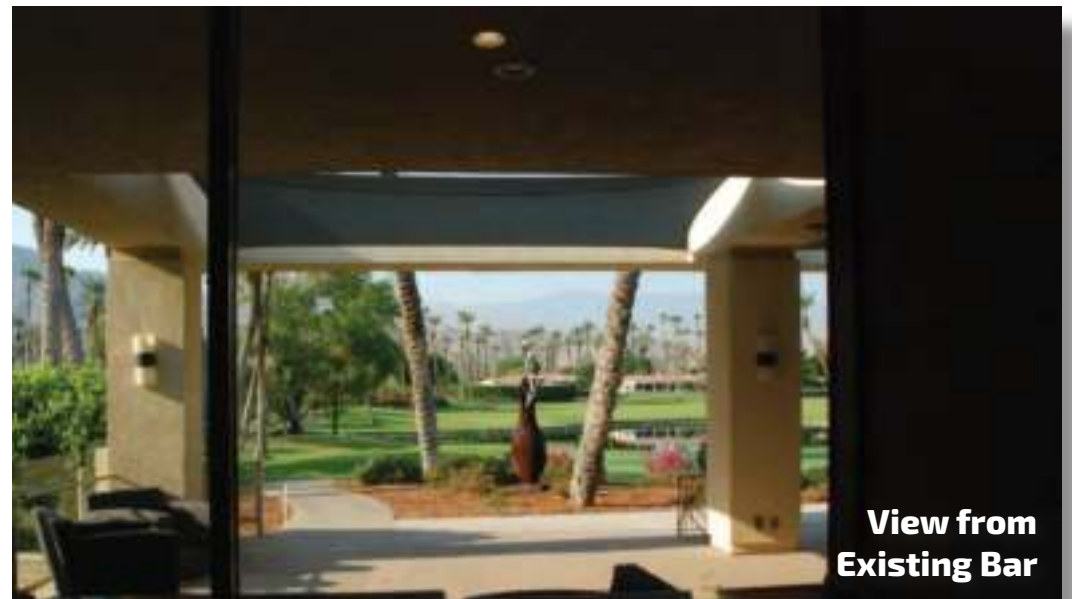
Planning Process





EXISTING FACILITIES

The existing amenities are dated and in need of significant improvement. The 2020 Stakeholder Survey Results identified demand for improvement in the clubhouse, food and beverage program and non-golf recreation. Those results are shown on pages 8 and 9.



PLANNING & DECISION-MAKING PROCESS



Communities Are Investing to Grow

- Communities are spending record amounts of capital on aspirational improvements.
- Addressing shift in buyer/member interests
 - » 1990's: 80% percent of homebuyers signed up for golf membership.
 - » Today: Only 20% choose that option.
- Lifestyle investments to complement golf:
 - » Indoor and outdoor casual dining.
 - » Fitness and wellness.
 - » Pickleball and tennis.
 - » Games and other recreation.

Long Range Planning Committee

Joint appointment by the DHOA and DHCC Presidents:

- To evaluate options and recommend a strategy, capital and financial plan for the long-term success of DHOA and DHCC.
- Socialize the recommendation among homeowners/members and collect their feedback.
- Use data from feedback to identify a solution a significant majority of homeowners/members support.
- Secure necessary approvals to move forward with the plan.

The Planning Committee evaluated options and is recommending a strategy, organizational model and capital plan for the long-term success of DHOA and DHCC. The plan is being socialized among residents and members for the purpose of collecting their feedback through a survey questionnaire designed to solicit input. Using the results of this feedback loop as a guide, the leadership will identify a solution a significant majority of members/homeowners will support. The Boards would then initiate the steps to secure approvals to move ahead with the plan.



Areas of Focus Shown in the Preliminary Master Plan

- 1. Upgrade Main Gate from 111**
- 2. Renovate Clubhouse Main Level**
 - Members' Bar & Grill
 - Main Dining Room/Club Events
 - Refurbish Locker Rooms and Golf Shop Wing
 - Renovate/Replace Infrastructure
- 3. Renovate Clubhouse Lower Level**
 - New Recreation Hub
 - Additional Back of House & Admin/Offices
- 4. New Fitness Center**
- 5. Rebuild Courts and Amenities**



2020 STAKEHOLDER SURVEY RESULTS

McMahon Group conducted a comprehensive survey of the stakeholders at the outset of the planning process in 2020. The Community survey identified demand for improvement in the clubhouse, food and beverage program and non-golf recreation. For example:

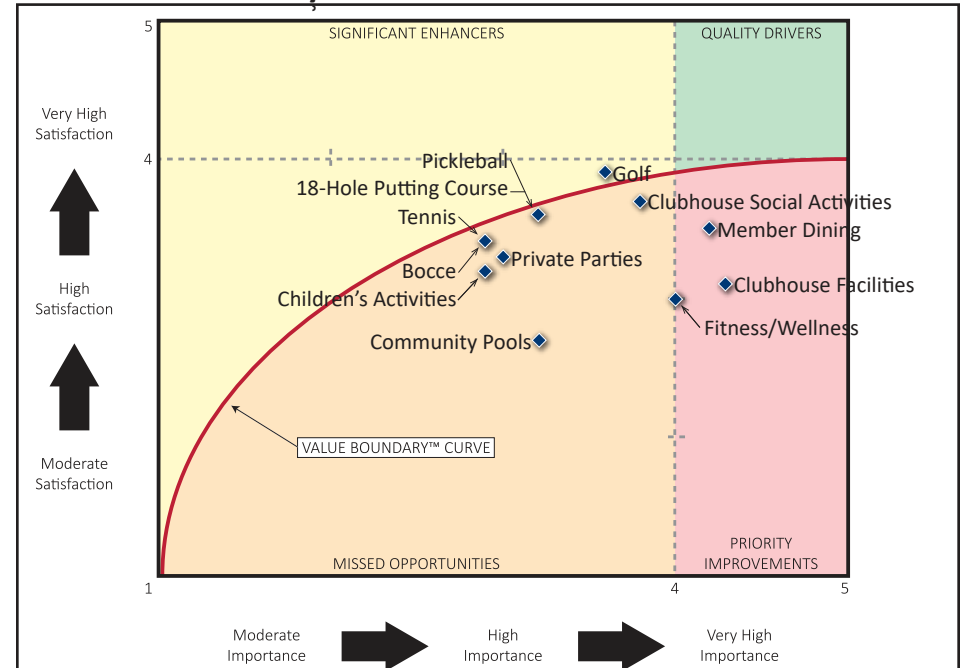
- While opinions vary for age, interests and other factors, the primary reasons for the lower satisfaction and value ratings at Desert Horizons are the appearance of the Community, the age and condition of the amenities and the lack of relevance of the social and recreational offerings.
- Clubhouse facilities, member dining and fitness/wellness are the most important Club amenities. The satisfaction with these amenities is well below what we find in other communities and all of them fall into the Priority Improvements category for Desert Horizons, meaning they have high importance and low satisfaction.

| Perception of Clubhouse | % of Respondents |
|--|------------------|
| Great - I like everything as is | 12% |
| Good - <u>Some</u> improvements needed | 34% |
| Fair - <u>Significant</u> improvements needed | 30% |
| Poor - <u>Major</u> Improvements needed | 19% |
| Terrible - New clubhouse needed | 5% |

Fortunately, many aspects of services and food and beverage meet member expectations. The items pulling down satisfaction have more to do with facilities than with operations. Eighty-eight percent (88%) of respondents feel that at least some clubhouse improvements and over half (54%) of all feel that at least significant improvements are needed.

| Statement | % Agree | % Disagree |
|--|---------|------------|
| Club <u>should be</u> one of my favorite places to dine | 80% | 8% |
| Club <u>currently is</u> one of my favorite places to dine | 28% | 47% |

2020 Value Boundary™ Chart



- Improved clubhouse and dining facilities are likely to lead to much higher levels of member satisfaction and engagement. While 80% want the Desert Horizons clubhouse to be one of their favorite places to dine in the area, only 28% feel the clubhouse currently is one of their favorite places to dine. A majority (51%) of respondents consume 1-in-10 or fewer meals out at the Club. In the opinion of the respondents, refreshing the clubhouse appearance would be the most important thing Desert Horizons could do to increase dining frequency. In terms of styles, survey respondents want Desert Horizons to offer outdoor patio dining, outdoor social area and main level casual dining.
- Fitness/Wellness is the most important recreational activity. The satisfaction ratings for fitness/wellness are well below average. The size of the facilities and the lack of space for classes are the key weaknesses.
- Fully 68% of respondents feel that significant improvements to the Community and its amenities would enhance real estate values.



Highest Priority Potential Improvements

Respondents were asked to rate the importance of a variety of potential future improvements. Shown below are the potential improvements and the percentages of respondents rating each as important and unimportant. Neutral responses are not shown.

- Many of the potential improvements tested in the survey are important to a majority of stakeholders. Almost all of them have to do with the clubhouse, including upgrading the interior décor, providing a main level casual grill, bar and outdoor lounge, and improving the entrance. A majority also support expanding the fitness center and providing a group exercise studio.
- Fifty percent (50%) support eliminating ten of the Community pools and repairing the remaining pools. Providing a resort-style central clubhouse pool is important to 40% of all respondents, but a greater number of younger and recent stakeholders feel this would be an important improvement.
- Seventy percent (70%) of all respondents believe that deteriorated streets should be repaired or replaced. Of all the potential Community improvements listed in the survey, this item ranked the highest by a wide margin.
- It is notable that all of the potential improvements in the non-golf areas are more important to the golf members than they are to any other category.

| Potential Improvement | % Important | % Unimportant |
|--|-------------|---------------|
| Upgrade general clubhouse interior decor | 73% | 13% |
| Repair/Replace deteriorated streets | 70% | 12% |
| Provide main level casual grill dining area that opens to outdoor dining area and provides breakfast/lunch/dinner service daily | 69% | 14% |
| Provide casual member bar/socializing area , separated from member dining areas, with view of golf course | 68% | 14% |
| Provide outdoor lounge area for member socializing with comfortable seating and fire pits | 68% | 13% |
| Improve appearance of clubhouse entrance area to provide better first impression | 65% | 17% |
| Provide expanded, state-of-the-art fitness/wellness facility | 58% | 22% |
| Provide group exercise studio for classes such as yoga, aerobics, Pilates, etc. | 53% | 24% |
| Eliminate <u>ten</u> Community pools and repair remaining pools | 50% | 27% |



PRELIMINARY MASTER PLAN

Strategies

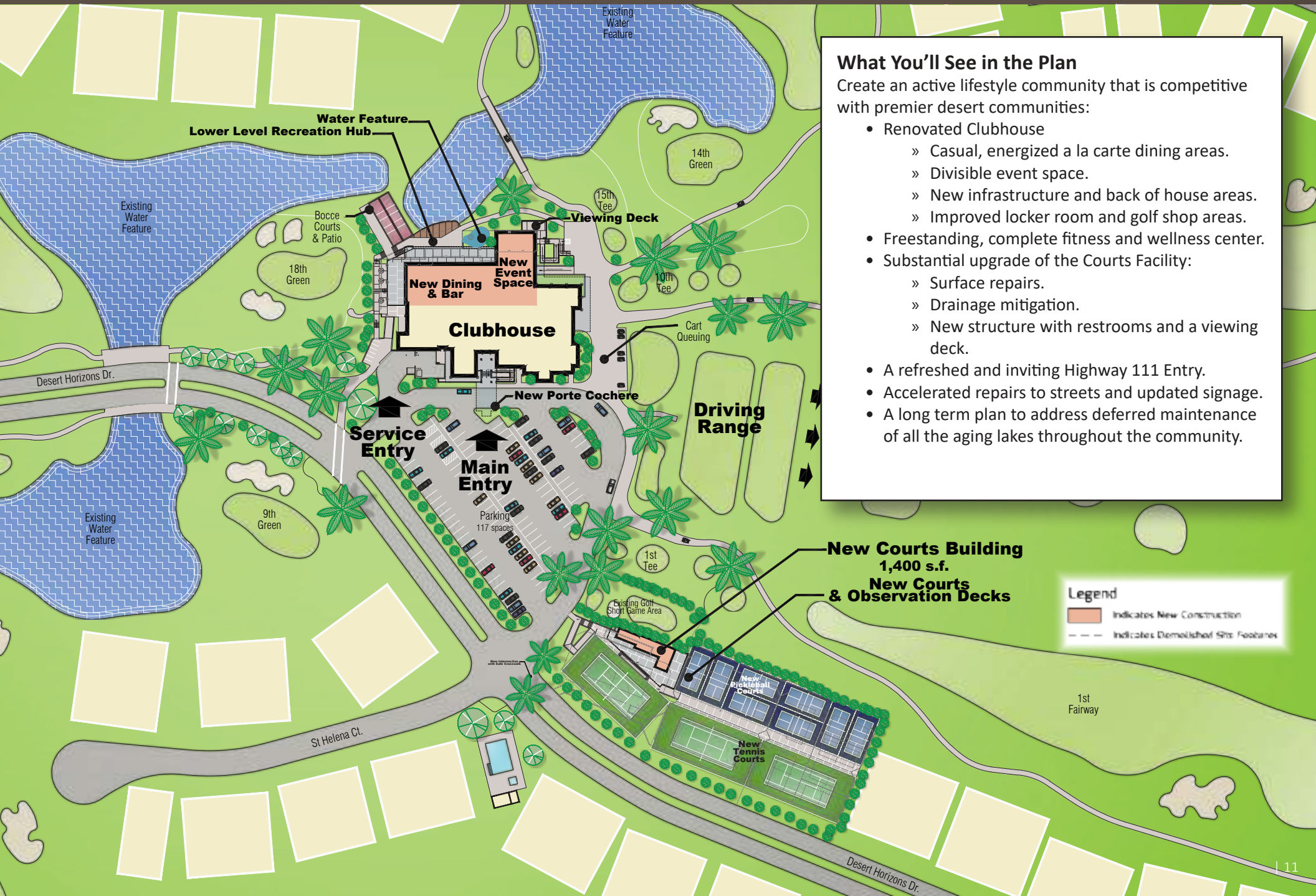
- Merge Desert Horizons Owners Association and Desert Horizons Country Club into one entity to govern, maintain and enhance the community.
- Unite all stakeholders in a common purpose.
- Support and enhance home values.
- Leverage the community's superior location in Coachella Valley.

Vision

Create an active lifestyle community that is competitive with premier desert communities

- » An attractive First Impressions/Entry.
- » Make the clubhouse one of the homeowner's favorite places to dine and socialize.
- » Create spaces and programs that cause homeowners to gather.
- » Promote a spirit of health and wellness.
- » Offer a great golf experience.
- » Provide recreational activities that appeal to a broader cross-section of the community, like tennis, pickleball, bocce.





What You'll See in the Plan

Create an active lifestyle community that is competitive with premier desert communities:

- Renovated Clubhouse
 - » Casual, energized a la carte dining areas.
 - » Divisible event space.
 - » New infrastructure and back of house areas.
 - » Improved locker room and golf shop areas.
- Freestanding, complete fitness and wellness center.
- Substantial upgrade of the Courts Facility:
 - » Surface repairs.
 - » Drainage mitigation.
 - » New structure with restrooms and a viewing deck.
- A refreshed and inviting Highway 111 Entry.
- Accelerated repairs to streets and updated signage.
- A long term plan to address deferred maintenance of all the aging lakes throughout the community.

Legend

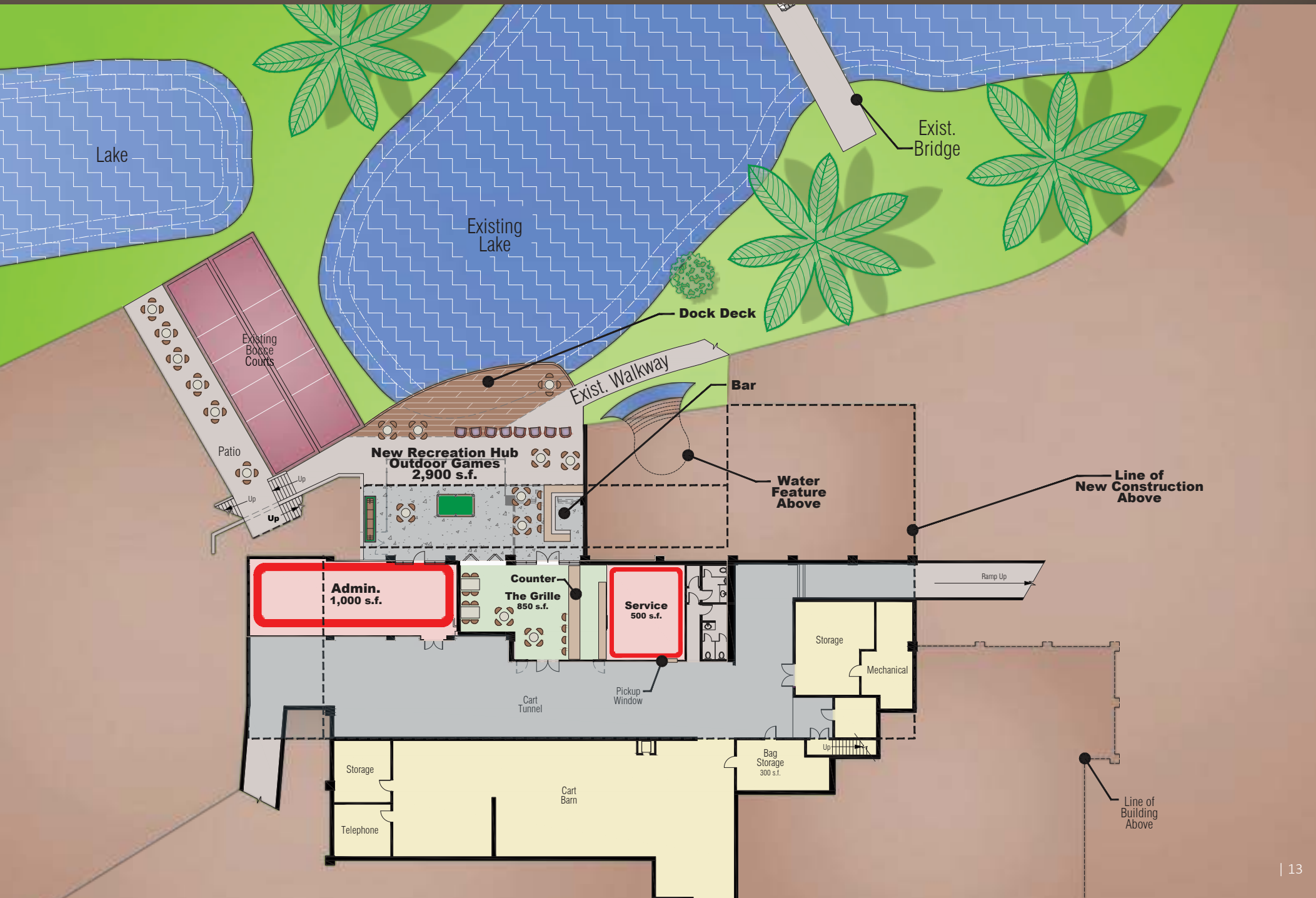
- Indicates New Construction
- Indicates Demolished Site Features



CLUBHOUSE FIRST FLOOR PLAN



CLUBHOUSE LOWER FLOOR PLAN





CLUBHOUSE EXTERIOR VIEW



DESERT HORIZONS





NEW FITNESS CENTER SITE & FLOOR PLAN

Fitness on HOA Site

Advantages

- Prepped site with utilities
- Ample land area
- Dedicated car and EV parking
- Safety
- Can incorporate water exercise area
- Good views
- Convenience
- Stand-alone project
- Consolidates all Admin in clubhouse
- No takeaways, i.e., short game, tennis court, etc.
- Could be expanded in future

Disadvantages

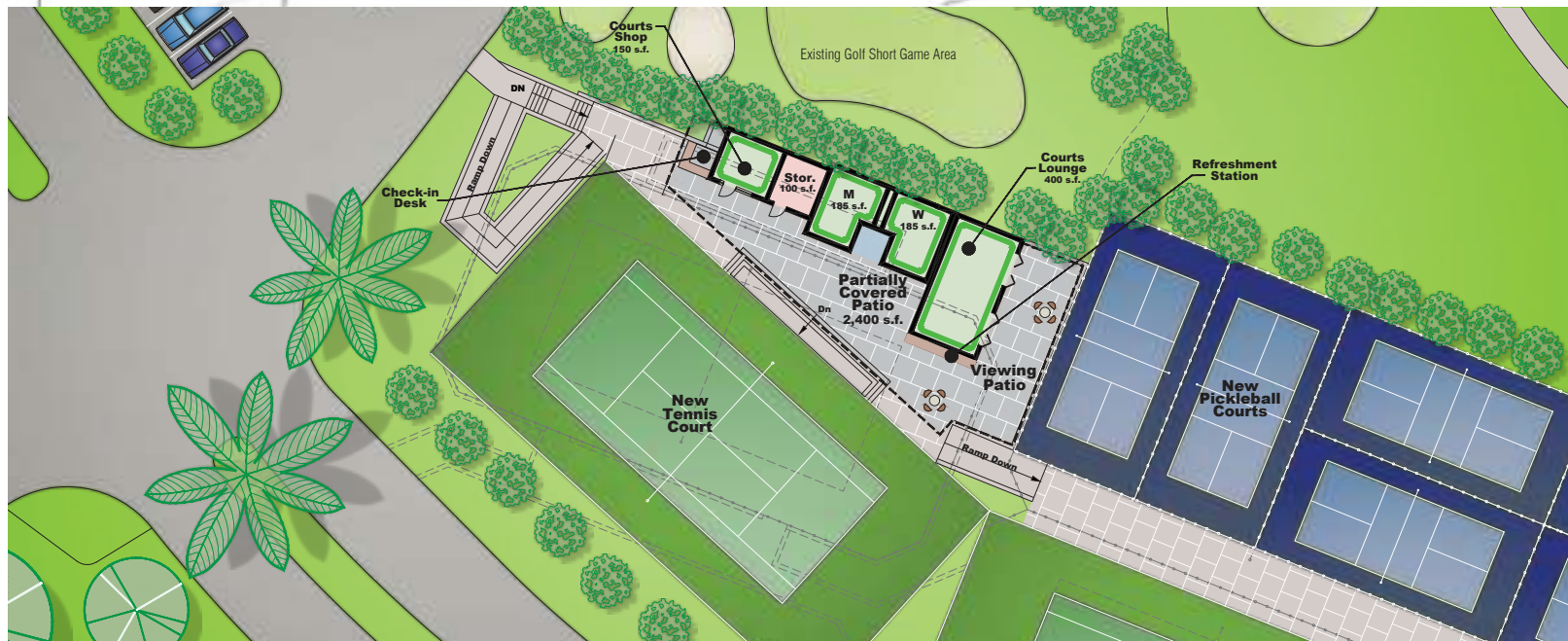
- Requires tear down of existing building
- Requires solution for sales office





IMPROVED ARRIVAL EXPERIENCE







FINANCIAL PLAN

Expected Cost

| | Construction | F, F & E | Professional Fees | Contingency | Total |
|----------------|--------------|-------------|-------------------|-------------|--------------|
| Main Gate | \$500,000 | N/A | \$75,000 | \$75,000 | \$650,000 |
| Clubhouse | \$12,020,000 | \$2,779,000 | \$2,112,000 | \$1,891,000 | \$18,803,000 |
| Fitness Center | \$4,675,000 | \$924,000 | \$834,000 | \$337,000 | \$6,769,000 |
| Courts | \$1,423,000 | \$180,000 | \$241,000 | \$159,000 | \$2,004,000 |

Community Pools

- Community survey provided guidance to the HOA board (2-to-1 support for eliminating 10 pools and repairing the others)
- Study is ongoing and will be addressed by HOA board separate from Long Range Plan
- Combination of unallocated contingency in LRP and existing pool reserves is expected to fund the solution without any additional assessment

Merged New Entity

- Assets and liabilities, and operations of Desert Horizons Country Club will be absorbed and continued by Desert Horizons Owners' Association (July 2021)
- There would be Community revenue/expenses and golf revenue/expenses (exclusive of monthly assessments and social/golf dues):
 - » Community operations, food/beverage, courts, etc. = \$6.9 million
 - » Golf operations, course maintenance, etc. = \$2.2 million



Financial Plan Overview

- Fund obligatory items (streets, signage, lakes, etc.)
- Fund aspirational projects (clubhouse, fitness, courts, entry)

Sources

- Assessment
- Cash build during planning period
- Loan (15-year funding) financed via HOA payments
- Community initiation fees
- Reserve funds

Homeowner Funding

- Assessment: \$1,275,000
 - » 510 households
 - » \$2,500
- Loan: Estimated to be \$20,000,000
 - » 510 households
 - » \$300/month to service principal and interest

Year 1:

- Detailed planning, some initial projects, normal operations
- HOA and golf dues/fees continue at current rates
- Initial assessment and monthly capital fee begin

Year 1 Phasing:

- A&E fees
- Annual Allocation to Streets
- Signage
- Pools
- Hwy 111 Entry
- Courts Complex
- Initiate Community Lake Repairs

Year 1 Projected Dues & Fees:

Monthly Cost for all Homeowners (Q2 2021 through Q2 2022):

- HOA Assessment: \$840/month
- Social Dues: \$260/month
- Capital Fee: \$300/month
- Total: \$1,400/month

Golf:

- Current rates cover \$2.2 million expense
- Any category changes revenue/cost neutral

Mid 2021-2022

July 2022

Year 2:

- Major construction projects would begin mid-year
- Dues and fees established to reflect operating schedules (temp operations, closures, etc.)
- Future golf dues established to address operating expenses and possible capital contributions

Year 2 Phasing:

- Clubhouse
- Fitness
- Irrigation Lake Repairs

Fees in 2022 and Beyond:

- Dues and fees beyond 2022 expected to be similar to current rates
- HOA fees are made up of operating costs and reserves
 - » HOA fees historically tied to inflation
 - » Reserve fund is up to par, so future rates follow the reserve study
- The surviving entity from merging DHOA-DHCC would be a non-taxable entity which would eliminate \$145,000 in annual property tax
- Approximately 60 grandfathered homeowners would begin paying social assessment (+200,000/year)
- Water conservation loan will be retired in 2022 (savings of \$200,000 year)
- An increase in golf membership could reduce individual golf assessments
- Economies of scale from the merger
 - » Administration
 - » Landscape and grounds



FINANCIAL PLAN FUNDS AND SOURCES

| | START | END | TOTAL |
|---------------------------|------------|------------|---------------------|
| Sources | | | |
| Loan | Jan 2022 | March 2023 | \$20,000,000 |
| Initial Assessment | May 2021 | May 2021 | \$1,275,000 |
| Monthly Assessment | July 2021 | Dec 2023 | \$4,590,000 |
| Reserve Allocations | May 2021 | Dec 2026 | \$5,750,000 |
| Community Initiation Fees | July 2021 | Dec 2026 | \$2,300,000 |
| Total Sources | | | \$33,915,000 |
| Uses | | | |
| A&E Fees | Jan 2022 | March 2022 | \$500,000 |
| Prof Fees/Entitlements | March 2021 | March 2023 | \$1,000,000 |
| Streets | July 2021 | Ongoing | \$3,000,000 |
| Signage | May 2021 | Sept 2021 | \$50,000 |
| Hwy 111 Entry | July 2021 | Oct 2021 | \$650,000 |
| Clubhouse | May 2022 | Dec 2023 | \$17,500,000 |
| Fitness | Jan 2022 | Sept 2022 | \$6,000,000 |
| Courts Complex | June 2021 | Oct 2021 | \$2,000,000 |
| Irrigation Lake Repairs | May 2024 | Sept 2024 | \$1,500,000 |
| Community Lake Repairs | May 2021 | Sept 2026 | \$900,000 |
| Temporary Facility | May 2022 | Dec 2023 | \$325,000 |
| Unallocated Contingency | | | \$490,000 |
| Total Uses | | | \$33,915,000 |



670 Mason Ridge Center Drive • Suite 220

St. Louis, MO 63141

314.744.5040

McMahonGroup.com