



MEMBER UPDATE

THE 5 YEAR PLAN - AUGUST 2019

Dear Member

The plans for the property developments & club upgrades remain on track as per the member approval (2016) and the vision of delivering the long-term sustainability with benchmark products for our wonderful property.

“the developer’s preparations will now become visible to the membership...”

BACKGROUND

At the 125th Annual General Meeting (2016), the members approved the special resolution to implement a long-term sustainability and enhancement plan for the club (R30m). The vision will deliver a beautiful property development of some 430 upmarket apartments and retirement units through surplus land tranches on the outskirts of each course, a state-of-the-art fitness centre, kids club and family centre, along with several other replacements and upgrades. Additionally, both our wonderful courses will be revamped. The Board received authorisation to conclude the sale of land presented, the appointment of contractors, professional advisors and the funding and phasing of the project. This included the optimal use of the capital fund. It was agreed that all expenses on the project that were a logical fit should proceed but that the Board should take all steps to optimise the use of the capital fund. Past Chairman, Mr Gordon Odgers, would serve as the project team leader and form a team of expert advisors to ensure best practice and governance over the development period. The plan is built on the Club receiving R50k per unit once sold and then the annual subscriptions per household in perpetuity. All other enhancements to our facility i.e. kids club, family centre, fitness centre etc. will be at the developers cost.



PROGRESS

Despite serious Council inefficiencies, frustrations and delays, the West course will be refurbished next year (July 2020) as delayed with member support to align the council approvals, cash flow and more pragmatic. The developers have put R20m into the development thus far and will invest a further R20m in services for phase one (Sandringham & Sydenham) over the next year. Additionally, R15m will be spent on the fitness centre, kids club, family centre and other building upgrades, thereafter the build of the developments.

The developers have paid the Club the upfront deposit of R10m and have obtained the necessary Council approvals to rezone the phase one property tranches for the residential & retirement developments.

The Sandringham tranche (7/12 holes on East) has been approved and residential units will be built. The alien trees in the area, that we should have cleared years ago in terms of the law, will be removed as early as August/September and the building levels will be established by year end, as well as the necessary services invested. The development will start to be built in Q1 2020, as originally planned.

The Sydenham tranche (behind the 12th hole West), has similarly been approved and will be developed into a fully-fledged retirement complex on the same time lines as the Sandringham development. Our developers have concluded a joint venture on this offering with the Oppenheimer Trust. The staff cottages will be demolished in early 2020. All environmental, health and safety requirements will be met.

The Linksfield development (6th West), has experienced delays due to an unknown servitude, unknown bond, unknown lease and some flood line issues. The servitude, bond and lease matters have been overcome and the flood line and water usage issues will, we believe, be resolved shortly. The services and build will still take place in 2021 as originally envisaged. The critical annuity income from the residents and tenants of R4m pa escalating from 2021, will fund the capital expenditure replacements in future as is key for the long term sustainability of our Club.

Below is a conceptual view of the new 6th hole on the West Course...



The establishment of the family and fitness centres, the wrap around deck of the clubhouse including the new halfway house offering, will begin early next year. The associations office complex, cart barn and caddy facility will be refurbished in 2020. The developers will fund these developments dependent on the costings.

The West course will be refurbished next year starting in June on the same basis as the East Course renovation and will take six months. This will include the new 6th hole which will require redesigns of the 2nd and 3rd hole. The concept of the West being member friendly will be retained to complement the Championship East course.

The developers, the project team and the Board are very cognisant of the poor state of the economy, the lack of investment confidence, the lack of bank funds, the political uncertainty and the poor international perceptions of our country. We still believe, however, that the 5 year plan for the sustainability is non-negotiable and irreversible. We are firmly of the view that Royal has to complement the offering with family and fitness facilities and the annuity income to co fund the Club into the future. We further believe the developments will be in high demand, will be well priced for the market and will be successfully sold and occupied. Our developer partners are confidently working on the marketing rollout at present.

We will then have 2 superb courses with the latest designs, new bunkers and greens and for the next decade will align with the premium image of our Club that we are all so proud of. In terms of the funding for the West course, contracts are in place with the contractors and should be executed within the budget as was achieved with the East course. The funding will be provided by the capital fund which will mature in June 2020 as planned.

The plan is to hold a member evening later in the year to afford the members a pre-launch opportunity on the Sandringham residential development and the Sydenham Retirement Complex.

Dino De Abreu (landscape architect) has resigned from the project team as he now consults to the developers directly. We thank Dino for his professional advice, service and look forward to his continued input in his new role.

Below is a conceptual view of the Sandringham development...



SUMMARY TO DATE

Refurbished the East Course, overachieved objectives and within budget

The East Course has received 3 International awards

Received the R10m developer deposit as contracted

Delayed the West course refurbishment to 2020 to align with the maturity date of the capital fund policy and due to the Council delays

The developers have obtained the approvals from the policy council which ensures alignment with the redevelopment plans

The developers have contracted with the necessary professionals to obtain the various subcommittee approvals. i.e. environmental, traffic, power, sanitation etc. and have put up guarantees for the necessary services of R35m

As such, they have obtained the key support from the planning and project management executive who have established a tribunal date in mid 2019

Estimated – that more units will be achieved

All legal requirements complete (including the West course delay)

All BOQ's (bill of quantities) finalized & conceptual designs received

NEXT STEPS

Tree felling and site pegging (fencing) of the sites will start in August/September 2019

The site establishment and services to start later this year

Next update and the holistic model to be presented at the 128th AGM, followed by a member launch in November 2019.

The Sydenham and Sandringham properties will then be built in 2020.

The Boardroom will be converted into the developer's sales office.

The West Course refurbishment, together with the family center, gym and offices, are scheduled to start in June 2020.

The deck complex, which includes the new halfway house and pizza oven, will be complete by the end of May 2020.

SUMMARY

The execution of the 5-year plan & consolidated cash flow is well on track despite the longer than anticipated Council approval processes.

The need for the repositioning of the Club with modern courses and a family offering with annuity income is now going to become visible to the membership.

The project team, under the auspices and approval of the Board, continues to push hard for the execution and the highest of standards, as approved by the members.

Should you require any of the previous communications and or further information, please visit the club's website www.royaljk.co.za under the 'CLUB LIFE' Tab.

We thank you for your continued support and should you have any questions, please don't hesitate to contact me.

On behalf of the project team

Gordon Odgers | Project Leader

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