Course development forecast cloudy

BY PETER BLAIS

Tracking golf course development is the job of National Golf Foundation programs and concerns the entire golf industry, according to a panel of experts assembled at last November's Golf Summit '90 in Palm Springs, Calif.

"Golf course development affects everyone (in the industry) either directly or indirectly," as one panelist noted.


Summit

Continued from page 22

likely to be restricted because of potential to contaminate ground water. We may lose popular pesticides that replace these solutions to the marketplace.

He said 2,4-D is "in a tenuous situation.

The agency proposed new applicator certification and training regulations in early November and the golf industry had 120 days to present comments to the agency. The final rule will be written some time in 1991, he said.

Also next year, the EPA's agricultural chemicals and soil conditions, he said. "We can even exchange lab personnel... This can help lessen the impact of the major pesticide re-registration review that's under way."

"Clover seed remains viable in soil for at least 10 years and probably longer. It can get a foothold in an exposed spot it can then creep out and re-infest the turf." Neal disagreed that lower nitrogen fertilization was a root of the clover problem. Courses he is familiar with have reduced nitrogen applications "but only to the range of optimum fertility for bentgrass," he said. "If it reduced the vigor of bentgrass, you'd have a bigger problem with poa annua."

The future

While PBI Gordon's Carroll said most non-phony products "are not an economically feasible option right now," other experts say scientists are concentrating on their research on non-phony, post-emergence products.

"There are a number of products that can replace 2,4-D but are a lot more expensive," said Dow Elanco Product Marketing Manager David Maurer.

Our research and development people are looking primarily at triadoph and others in that same line of chemistry, with very low rates of application," he said.

Maurer said, "This is true of most companies. Society is telling us they want a lot of products of chemicals going out." He said that, typically, it costs $40 million to $50 million and takes eight to 10 years to develop a new product from the laboratory to the marketplace.

"In today's environment we have a duty by environmental impact and toxicology studies, and it takes years," he said.

‘A fairly healthy inventory in the pipeline means a pretty healthy situation near term.’

NGF VP Richard Norton

"A fairly healthy inventory in the pipeline means a pretty healthy situation in the near term," Norton said. "But many have been in the pipeline for months or years and may reflect the "whatever arguments they can to put it down, including pseudo-science... and there's a lot of pseudo-science out there."

"The environment and environmentalists are not always at fault here. You have to develop a code of practices that can solve these problems and you have to stick with it."

Crampton suggested more cooperative research with the EPA, saying, "We can even exchange lab personnel... This can help lessen the impact of the major pesticide re-registration review that's under way."

"Divots, places where skunks or golf cars have dug up the turf... these are places where clover can germinate and re-establish," he said. "Clover seed remains viable in soil for at least 10 years and probably longer. It can get a foothold in an exposed spot it can then creep out and re-infest the turf."

"There are a number of products that can replace 2,4-D but are a lot more expensive," said Dow Elanco Product Marketing Manager David Maurer.

"I caution wall-to-wall application of Problem with poa annua." Neal disagreed that lower nitrogen fertilization was a root of the clover problem. Courses he is familiar with have reduced nitrogen applications "but only to the range of optimum fertility for bentgrass," he said. "If it reduced the vigor of bentgrass, you'd have a bigger problem with poa annua."

The future

While PBI Gordon's Carroll said most non-phony products "are not an economically feasible option right now," other experts say scientists are concentrating on their research on non-phony, post-emergence products.

"There are a number of products that can replace 2,4-D but are a lot more expensive," said Dow Elanco Product Marketing Manager David Maurer.

"Our research and development people are looking primarily at triadoph and others in that same line of chemistry, with very low rates of application," he said.

Maurer said, "This is true of most companies. Society is telling us they want a lot of products of chemicals going out." He said that, typically, it costs $40 million to $50 million and takes eight to 10 years to develop a new product from the laboratory to the marketplace.

"In today's environment we have a duty by environmental impact and toxicology studies, and it takes years," he said.

NGF studies show parts of the United States have too many golf courses. Far more have too few. With Baby Boomers lining up to enter the golf market, the limiting factor for growth isn't demand, Norton said. It's supply."

"If Boomers act like their parents, there's a lot of potential demand for courses out there," the NGF official said.

Existing courses will help satisfy a potential demand the NGF says could almost double from 474 million rounds annually in 1990 to 884 million by the year 2000. But with existing facilities at 85-90 percent of desired capacity, there isn't much room there to meet increased demand, Norton said.

That means new courses are needed. But they can't be placed anywhere. They must be built "where they're needed, at the right price, at the right investment and for the right fee," Norton said.

While there is a need for new facilities, Norton said there are four main factors constraining golf course expansion — global and domestic economies, upward cost pressures, profitability and financing.

New construction is affected by external economic factors. For ex-

Continued on page 24
Forecast

Continued from page 23

ample, development has traditionally followed the up and down pattern of interest rates. "If there is a war in the Middle East and a rise in oil prices, that negative economic news will affect us just like it will affect other industries," Norton said.

Development costs have risen dramatically over the last decade, Norton explained. Between 1980 and 1988, the cost to build golf courses rose five times to much as the Consumer Price Index. Higher development costs translate into higher green fees to cover higher debt service payments. Many golfers surveyed by the NGF said higher green fees cause them to play less expensive courses, play less often and buy less equipment.

The greatest upward cost pressures have been the price of land and environmental approval process, Norton said. As metropolitan areas grow, it becomes harder to find land that is suitably sized, appropriately located and the right price to build economically viable golf courses.

Creative developers have solved the dilemma by establishing public-private joint ventures, utilizing large areas and building on limited-use, low-cost properties like urban landfills and land near airports.

Praising the efforts of states like Arizona and Florida that have more than 75 percent of their courses in or near metropolitan areas, Norton said: "We cannot go to the government simply with an opinion. We must go to regulatory agencies and governors and demand change."

The only way to attract the money necessary to meet the potential demand is to build profitable courses. Public facilities average gross operating margins of 20 to 25 percent, earning $10 million a year. Financially healthy facilities are in demand, and new golf courses are the key to maintaining them.

Despite the depressed state of the banking industry, commercial banks provide 37 percent of the funding for new courses, retaining their slot as the No. 1 source of capital. Banks consider golf courses to be the soundest of real estate investments, exceeding the availability of bank loans very much a regional issue.

Golf capital companies, syndications and a host of other alternatives financing companies provide 25 percent of new course capital. Cash is still important at 19 percent.

Lenders (traditional banks) tend to look at golf courses as a real estate asset gone amuck. And they are not unfortunately looking at golf industry as a real, viable investment alternative," Norton said.

To counter that perception, NGF is undertaking a study to provide lenders with better information on golf operating ratios.

Funds from banks and S&Ls are very limited and require large equity and cash reserves to obtain, Norton said. New golf course projects are averaging 56 percent equity and 44 percent debt. That’s a big barrier to entering the market. But those that qualify are more likely to survive and operate successfully, Norton said. A developer demonstrates a proven track record and obtains a qualified management group, the debt-equity ratio can be negotiated down toward a more traditional 30 to 30 ratio.

If funding is available, development opportunities clearly exist. Eighty percent of course operators in some areas report their region needs more courses. NGF has identified 50 areas of investment opportunities that could use more facilities.

"Golf course development is not for the faint of heart," Norton said. "You have to have the management capability, financial resources and the savvy to work with government and regulatory bodies to make the golf course happen."

"The key consideration is how can we cut costs and increase availability to begin moving toward optimal potential."

Cost, finance and prospects

The basic economics of golf courses have been intensely camouflaged. But the emphasis on public golf and the recent economic downturn are bringing economics to the front, said James A. Chalmers, the founder and chairman of NGF International. Provisions for costs, revenues and economics firm recently acquired by Cooper & Lybrand.

Chalmers moderated the golf course development panel consisting of Norton, Championship Guest Putter International Chairman Raymon Finch, Dye Designs President Perry Dye, American Golf Coorporation President Larry Price and William Sherman Co. President William Sherman.

In the last 12 years, the cost of a basic "plain vanilla" golf course has risen from $1.5 million to $3.5 million for direct course construction, estimated Finch, a developer of courses in South Carolina and Florida. A "turnkey vanilla" facility with full cart paths, 18-hole irrigation system and standard clubhouse runs about $5 million.

An upscale, world-class signature course built a few years ago cost $5.5 million in the last dozen years. Twice in the years and over $1 million in soft costs (permitting), landscaping, maintenance building, supplies, start-up fees, seedling and irrigation. That has caused an increase in $55.5 million can grow to $10 million before the facility gets into the black, Finch said.

"The cost of the game has changed and must eventually impact green fees," Finch said. "We’re looking at serious problems if we don’t get these spiraling cost under control."

Finch also said that the cost run-up involves increased government regulation, permitting and land costs, said Finch, a founder of the newly-formed Florida Golf Commission. He said the cost of reducing the public and state government about Florida’s $5.5 billion golf industry.

"Golf needs to lobby like regular trade associations do," Finch said. "We need to gather information, catalog it and make it available to people who interface with the government. We’ve been reading about what’s going on in many other sports, but we’re on the road alone in trying and not doing anything about it. That has to change."

Dye agreed with Finch regarding increased costs and new government regulations. A builder expects an architect to be well-versed in those areas and to have a staff that can deal with them.

"Our company has 120 employees with more education under one roof than Donald Ross used to have on the full payroll when he went from city to city," Dye said.

"When you’re talking about mitigating costs on a golf course, you’re talking about mitigating the problems the developer brings to us. Many locations come with environmental issues. The only way to deal with them is with money."

Once solutions are discovered, they often become more economical. For instance, Perry’s father, Pete, designed a drainage system at construction of Old Marsh Golf Club in North Palm Beach, Fla., that kept all runoff off the course. The Dyes didn’t know what it would cost. But they were willing to let the developer who was willing to solve the problem regardless of cost.

"One system is set up, you can usually do it again for much less. I can see my father doing it again. Same course as a real estate island on a small island (S.C.) for less than at Old Marsh because he’s already done them once."

Architects are in Catch-22 situation when it comes to handling environmental issues, Dye said. They would like to make do with less. But because of potential liability problems, they must often ask for more.

"I like shorter, tighter par 4s," he said. "I find them more challenging. I can get golf course on 100 rather than 120 acres, that’s 20 acres that doesn’t have to be irrigated, or I can pay taxes. It can be a substantial savings. The problem is that if a ball flies off those 100 acres and lands on a house or roadway, we’re held responsible."

The cost of maintaining turf can be reduced if golfers learn to do without the dark, green turf they see on televised tournaments, Dye said.

"It’s time for golfers to wake up," Dye said. "Brown is beautiful. It always has been. The golf world links of Scotland are as brown as it gets. Golfers have to be willing to move our ball over to a little bit better turf and play by winter rules in lieu of what we do to the environment to keep things bright green."

Dye Designs charges a different fee for municipal than it does for private clubs or private daily fee courses. The idea is to keep green fees affordable.

"We’ve got to get away from that," Dye said. "Green fees there are about $50 per round. The average golfer plays just twice a year and spends the rest of the time on a driving range. To go in that direction is misappropriating the resources in this country. I hope the people here are committed to keeping golf in the hands of the common man.

"I think the course is the key provider of public facilities. The company operates 150 courses and is building three to four new courses a year, said Price. To make financial sense at today’s 11 percent interest rates, those facilities need to be in major metropolitan areas of at least 1 million people.

American Golf does not buy land, Price said. All deals are leasehold arrangements with the county, state or city. No lease payments are made until the course opens. With courses costing $4 million to $7 million to build, they must cash flow $800,000 to $1 million per year.

"You’re not going to get that kind of cash flow in rural areas. You can only do that in urban areas," Price said.

American Golf is also actively pursuing practice centers. They usually include 75 to 150 driving stations, intensively maintained turf areas, high-quality artificial turf areas, putting courses, putting greens, practice pitching areas and well-managed golf training programs.

Practice centers require just 10 to 15 acres. American Golf operated none two years ago. It has six now open and four under construction. All are in metropolitan areas.

"It’s a new product that should be beneficial to promoting the boom in golf," Price said.

American Golf has found affordable land in metropolitan areas in the form of cemetery land, flood plains and landfills.

"It’s a tremendous use of otherwise useless land," Price said of courses on landfills. "We are aware of 400 to 500 same courses as a golf course so there is no impact, no percolation of water and pesticides into it. Landfills should be a good source of land for future development. Artificial turf could be squeezed off by environmentalists."

The fact remains however that most courses are associated with residential or commercial real estate, Sherman said.

"You’re not going to get that kind of cash flow in rural areas. You can only do that in urban areas," Price said.

For technical information, or for the Distributor in your area, please call 1-800-533-7165

Quality Turf with Less Water

Soil Modification Granules

• Hard ceramic granules • will NOT breakdown in the soil, will not shrink or swell.

• 70% porosity — holds water, oxygen, and soil microbes.

• Chemically Inert — will not affect soil chemistry.

• Holds water against gravitational and evaporative loss, but releases it to the root.

• Extremely low C.E.C (1.2 - 1.9 meq/lOOg) — will not tie up nutrients.

• Low E.C. (1-4 mmhos/cm) helps to eliminate salts.

• Low bulk density (1.5-.6 g/cm3) — improves both water and air permeability.

• Relieves compaction permanently - hard, porous granules will not compress.

• Remarkable water holding capacity. Permanently solves problems in droughty areas - slopes, berms, mounds, sands, isolated dry spots.

• Uniform granules for easy application via aerification or soil incorporation.

• Upwards to 50% water savings.

A practical solution for many types of soil problems.

NEW GOLF CONCEPTS, INC.
Westminster, Colorado

For free information circle #112