Finances push environment as key problem

BY PETER BLAIR

Stambrosky approached several local banks a year ago about financing Ricon Development Corp.'s Jack Nicklaus-designed golf course and 500-unit residential development outskirts of Pittsburgh.

Bank officers loved the idea of getting in on many projects that can't get funding. The bank just won't touch them until the economics turn around. The S&L crisis has definitely caused things to slow down. In some cases, there's just no money out there."

"Bob Whitney is quick to experience. The developer of Old Marsh Golf Club in North Palm Beach, Fla., is building a golf course community called Colleton River Plantation near Hilton Head Island, S.C. "We've talked with many banks that had the S&L crisis. We've talked with several S&Ls that said "no." That surprised the local upper management who pulled their support."

Unfortunately, Stambrosky approached Kiddie Peabody & Co. The investment services firm found an interested investor who eventually sold the business with irony. But he knew better than to try even.

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Many projects that can't get funding. The S&L crisis has definitely caused things to slow down. In some cases, there's just no money out there."

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Survey

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"The S&L crisis has been devastat-
ing," said the president of Whitley
Development Corp. "It's not so
much the lost credit from the S&L
debacle as the spillover into the
commercial banks. They virtually
have a moratorium on golf course
development.

"Government regulators are be-
coming stricter with the banks so
we don't get a repeat of the S&L
mess. They're making the com-
mercial banks set aside larger re-
erves and that's driving some
projects right out of the market.

Whitley said he resorted to un-
conventional financing at Colleton.
"We have two alternatives: Japanese
money or pension funds. We would
have gone to the banks we've done
business with over and over again.
But they just can't do it now," he
said.

Golf course architects and build-
ers seem to agree with Stambrosky's and Whitley's as-
sessments based on Golf Course
News' annual survey.

A year ago, the environment was
easily the major concern of archi-
tects and builders. It was mentioned
by more than two-thirds of those
responding to the survey as the
critical issue facing the industry.

Environmental delays remain a
major sticking point in bringing
projects to fruition, according to 74
percent of the designers and build-
ers. But the environment now
shares center stage with the fund-
ing dilemma.

"The environment and financing
are hand-in-hand," said Del Rey,
Calif. architect Richard Bigler. "The
environmental delays drive us all
crazy, and they can draw out a
project so long that funding dries
up and developers can't hold the
property."

Added builder Jerry Pferman of
International Golf Group: "The key
is financing. If you're financed
properly, including contingencies,
you can always wait, even if you
don't get that environmental permit
right away. If you don't have the
money, you can't afford to wait.
Money can buy time."

Architects and builders blamed
environmental concerns, lack of
funding and poor weather for delays
in opening courses during the first
half of 1990, according to the Na-
tional Golf Foundation. The NGF
reported the 129 new course open-
ings in the first six months of this
year were off 19 percent from the
159 that opened during the same
period a year ago.

But with 570 courses under
construction, compared to 375 in
the second half of 1989, the NGF is
optimistic total 1990 openings will
still surpass last year's 290. And with
another 684 in the planning stage,
it believes the goal of a new
course a day through the year 2000
is well within reach.

Architects and builders aren't so
sure.

There are many courses on the
drawing boards," said Jim Robinson,
general manager of American Golf
Course Construction in Plano,
Texas. "But financing has become
more difficult to obtain in the last
year. I've heard of a number of
projects that are not going through
or will have to wait."

"The environmental problems
will be with us forever," added
Steven Forrest, a designer with
Arthur Hills & Associates. "In the
short term, however, things are
slowing down while everyone waits
to see what happens with the econ-
omy."

Added Whitley: "It will never be
as easy as it was five years ago to get
financing. But eventually it will be
easier than today. It could be two or
three years before we see any sig-
nificant improvement. It won't be
next year."

"I've always thought the course-
day goal was implausible under
the best of circumstances. This will
make it impossible. We've been
working on this (Colleton) for two
years and are just getting our fi-
nancing. The guy looking for money
next year or the year after may not
be able to get it at all. I think we'll be
lucky to get half the number of
courses open next year. I can't see
more than 200."

Financing and the environment
were far and away the issues most
frequently mentioned by architects
and builders. Following is a cross-
section of their comments:

"People just aren't aware of the
benefits of a golf course to the envi-
ronment," said Michigan architect
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"Only 20 percent of all the
projects proposed ever get built," said
Bigler, an architect for over 30
years. "We have 18 proposals right
now and I'd be happy if two or three
are ever completed. It might be a
little different with the really big
names like Nicklaus. But with the
rest it would average around 20 per-
cent."

"I saw the boom in the 1950s and
again in the late 1980s. That's the
way it is with the new course mar-
et. It goes up and it crashes, goes
up and crashes.

"If the situation in Iraq explodes
and gasoline prices go way up, the
golf industry will crash like a rock.
That's what happened when petro-
leum prices went up in 1973. Petro-
leum costs directly affect golf course
development. Pipes are made of
plastics which are made of oil. Then
there's increased grading costs.

"In the past it was almost a point
of pride to have a 1990 opening
goal. But this year it would be
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said Nashville, Tenn., architect Gary Baird. "But the pendulum has swung too far. We're paying today for avoiding environmental issues in the past. Agencies are overly sensitive. Hopefully the pendulum will start swinging back the other way."

"The major problem right now is getting funding for public courses. The private course development business is in a slight recession, but it isn't hurting as bad as the public sector. We've got to find a way to get the banks to loosen up for the public club sector. I've got one guy with a net worth of $10 million who wants to build a public course. But he's been turned down for funding 20 times. That's ridiculous."

"The problem is the staff at the agencies involved in the approval process apply restrictions exactly as the rules say," said Bruce Charlton, a designer with Robert Trent Jones II International. "They don't understand that a golf course can benefit the environment and doesn't necessarily fall within the rules they're using."

"Architects are environmentalists. Our livelihood depends on our ability to transform the outdoors into a natural recreation area. We don't force courses on the environment. We have to make agencies see that a golf course is a great filter, a natural transition zone from a residential to a wild area."

"The future of the golf course development business depends on our developing black and white statistics proving the environmental benefits of golf. We have to fight science with science."

"There are a lot of non-professionals out there with a lot to say," said Pennsylvania architect Ferdinand Garbin. "They're a vocal minority and they're swinging many people their way. They prey on an uninformed public making arguments like, 'If you let them drain that swamp, your child may never see speckled trout.' It's ridiculous."

"The laws are changing so fast, it's tough to keep up. In Ohio, we started a project and then had to shut down because the law changed."

"In Pennsylvania, we're working on 2% acres that have been approved for construction. But we're still waiting for approval on the rest of the course."

"At a ski area in New York, we built 18 holes over a swamp. We'd like to build another 18. But it's a protected area now. You can't even walk it."

"The fear people have about developing courses in rural areas is that it's a first step toward commercial development. They see it as a growth initiative," said Wisconsin architect Garrett Gill. "They worry about depletion of ground-water supplies, even though historically there's been plenty of water in Wisconsin. They worry about ground water contamination, so we've used a lot of integrated pest management techniques to try to alleviate those fears."

"It's ironic that with so much agricultural land around, golf courses get picked on for using chemicals. But golf courses are an easy target."

"Golf courses have to fit into a particular niche. People want to protect prime agricultural land and wetlands. And they're no longer welcome in flood plains. That leaves marginal farmland as the only spot available. Golf courses are a good use for that land."

"I was at a town council meeting last night. What a show," said Maryland architect William Love. "The site sits over an old sewer line with a secondary growth of trees. But the no-growthers and the environmentalists were there."

"The environmental process adds a lot of time and expense to a project. We had a site with non-delineated wetlands. It cost $110,000 just for the environmental study."

"Financing and permitting difficulties are the major issues said Lakeland, Fla., architect Lee Billberry. "I'm not sure who is in control," he said. "There are too many bureaucrats."

"No-growthers, posing as environmentalists, play on peoples' fears of any man-made chemicals to stop any development," said Steve Burns of Burns Golf Design in Fernandina Beach, Fla. Golf courses, if anything, are good for the environment. But they use chemicals, so they are an easy target for the pseudo-scientists and anti-development people to pick on."

"Water and chemicals are the major issues," said Juno Beach, Fla., builder and architect Jim Fazio. "Water is wasted and there is a shortage of it. Chemicals pollute the water. Golf courses do not have to be 100 percent conditioned if they are going to endanger the environment."

"The banking problems have caused some of our clients some difficulty in that the banks don't understand the value and the economics of golf. I think we're going to have to do a little more work so the banking industry understands the dynamics of our industry," said New Jersey architect Rees Jones.

"A lot of the little guys who want to be a part of the industry are not able to take the risk of going through that long and difficult process to get environmental approval. They don't have the money in some areas to take the risk that they might not get approval."

"We have to streamline the process in every respect so that middle-budget golf course people can get a green light. Those are the people that can provide golf at a reasonable rate."

"Developers, financial institutions and permitting agencies are being misled by the hype of the golf boom as predicted by the NGF. That has caused novices to enter the marketplace unprepared and professionals to act very cautiously, creating a false depression," said Lisa J. Maki, president of Golf Design Services, Inc., of Leesburg, Va.

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