Membership financing of golf course projects lessening in Japan

By Peter Blais

Golf balls were supposed to be flying by late summer at Hokota Lakeside golf course near Tokyo. But as of mid-August, birds were the only things soaring over the largely undisturbed ground at the Arnold Palmer-designed golf course site.

Hokota Lakeside is a victim of an Ibaraki prefecture law passed last fall forbidding the sale of memberships before a golf course is built, according to Palmer design associate Harrison Minchew.

"I don't know where the developers are going to get the money now," Minchew said. "They are at least 1 1/2 years behind schedule."

Similar regulations will likely be adopted in other prefectures and could affect development in this island nation, architects believe.

Pre-selling memberships is a common way of financing construction in Japan. Hokota Lakeside developers had planned to sell 2,900 memberships for a total of $150 million to finance their 27-hole layout. That was before Ibaraki legislators passed the law in reaction to the alleged abuses of developers like Ken Mizuno and Teruo Matsushita.

The two men were charged with fraud for selling 52,000 memberships to Ibaraki Country Club, far more than the club could handle. The pair were prosecuted in March for evading $43.8 million in corporate taxes, the largest tax evasion case in Japanese history.

"If one of the prefectures has done it, others will surely follow," predicted architect Brad Benz, who has designed 24 courses in Japan.

The national Ministry of International Trade and Industry is also looking into the trading of golf club membership rights for investments, particularly for courses under construction or planned. The federal government is more strictly interpreting laws concerning the golf club membership market, where playing privileges sometimes sell for more than $1 million apiece.

"They'll sell 3,000 memberships to a club that in America would close off at 450," he said. "While the changes could make it more difficult for new developers to pay for construction, Benz said of some of the older ones should have little trouble financing projects.

"They can't afford to quit once they have a permit," Minchew said. "It takes three to five years and a lot of money to get it."

Fream busy from China to Finland

Santa Rosa, Calif. — Golfplan Roland Fream Design Group gets around — the world. The local firm has been retained to design an 18-hole coconut grove and seaside course on the resort island of Lombok, Indonesia, and will design an 18-hole track with residential and retirement housing at Xiamen, Fujian Province, China.

After three years of work, construction and turfgrass planting have been completed on 36 championship holes (72 greens) for Asiana Country Club near Seoul, Korea. The Asiana construction included more than 11 million cubic yards of earth- and rock-moving, and the overall budget exceeded $150 million.

FreanvsOulu (Finland) Country Club, a 27-hole private club 100 miles south of the Arctic Circle, has opened for play. More than 20 hours a day of playing time are available during the summer months.