

# Prognosticating construction budgets

By PETER ELZI & ANDREW BUSH

It has been our experience that golf course construction costs are dependent upon two primary factors: the market and the site. Site-related factors include vegetation cover, topography, hydrology and geologic issues.

Determining course quality in relation to the market factors is a more dynamic process that includes a variety of assumptions and decisions that relate directly to the feasibility analysis discussion covered in Part I of this series [GCN April '97]. The following discussion presents an outline of the approach we utilize to analyze these variables and prepare detailed budget estimates prior to golf course design.

## Market Positioning Variables

Alternatively, the anticipated market niche for a golf course influences the cost of construction in a variety of ways. For example, a resort course competing in the Scottsdale market may average 6,800 square feet per green and 8,500-square-feet of teeing surface per hole. A daily-fee facility in the Midwest,

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competing primarily with municipal courses, may average 5,500 square foot greens and only 5,500 square feet of teeing surface per hole. This alone can easily result in a \$250,000 cost difference between projects.

Irrigation systems are also based on geographic area and market niche. While some of these variations are often attributable to site features, the majority relate to coverage and the range of control for a given system. The result is that while a \$700,000, double-row irrigation system may be completely adequate for a mid-price daily fee project in the Midwest, it is not uncommon to spend \$1,300,000 to gain the coverage and control needed to compete in an arid resort market.

Bunkering and shaping, and width and length of cart paths are all additional variables that relate primarily to market positioning.

## Site-Related Costs and Constants

Historically, the most significant site-related variable in course construction has been mass earthwork. While the recent move toward "minimalism" has somewhat curbed the excesses of site manipulation and mass grading seen in the 1980s, earthwork costs on a course can still vary from \$100,000 to \$1,000,000 or more.

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# Development Letter subscribers: They have seen it all before...

By PETER BLAIS

The latest National Golf Foundation *Golf Facilities in the United States* report [see story on page 5] and the reaction of those in the red-hot East North Central (Michigan, Wisconsin, Illinois, Indiana, Ohio) development market highlight the need to be fully armed with up-to-date information when it comes to the new course business.

For example, for the fourth straight year, Michigan led the nation in new course openings. In fact, Upper Midwest brethren Ohio, Indiana, Illinois and Wisconsin were all in the Top 10 when it came to new course openings in 1996.

Those numbers may surprise casual observers, who likely believe the development heat bathes the Sunbelt rather than the Snowbelt. But savvy golf industry veterans, like those who read the *Golf Course News Development Letter*, know better.

The *GCN Development Letter* reported on 14 approved and under-construction courses in Michigan during 1996 (this is not a listing of the total number of courses under construction), more than any other state and an early indication of the amount of openings set to take place in that golf-crazed state.

But the idea in business, and golf is no exception, is to stay ahead of the game. And this is where the *GCN Development Letter* can really help.

A look at the number of courses in the **planning** stages reported in the *GCN Development Letter* for the 14 months from January 1996 through February 1997 indicates the Upper Midwest is still hot, but that Illinois may be ready to displace Michigan as the region's development darling.

We reported on 30 Illinois projects in the planning stages —

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## Bush comment

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Other components, such as clearing trees, accommodating drainage from off-site, and bedrock that may require blasting, can create significant site-related issues affecting construction cost. Most of these costs can be controlled during design, and they can all be estimated accurately prior

to construction.

Finally, a number of components related to golf course construction remain relatively constant regardless of the site. For example, stripping and replacing top soil, soil preparation and fairway drainage can usually be budgeted accurately, based upon the acreage to be disturbed.

### Developing a Budget

Using the example we

presented last month in the feasibility analysis discussion, the green fee for the project was expected to average \$32 in the fourth year. An evaluation of the 10-year operating *pro forma* suggests the total cost of the golf course should not exceed \$5,270,000, including soft costs.

For this site, we have assumed an 18-hole golf course, a double-ended driving range and

a practice putting green, with a total of 95 turfed acres.

The preliminary budget for the constant components is:

Golf Design & Engineering	\$395,000
Pre-development	\$61,500
Stripping/Replacing Soil	\$135,000
Grassing Preparation	\$100,000
Fairway Drainage	\$75,000
Sodding and Grassing	\$130,000
<b>Subtotal</b>	<b>\$896,500</b>

A review of site-related issues shows the project has 30 acres of trees to be cleared, less than one and a half acres of wetlands, and relatively few off-site drainage impacts. Given these circumstances, the preliminary budget for site-related components is:

Site Clearing and Grubbing	\$57,000
Wetlands	\$3,000
Off-Site Drainage	\$20,000
Roads and Utilities	\$95,000
<b>Subtotal</b>	<b>\$175,000</b>

Finally, the remaining golf course components are budgeted based upon the proposed market niche.

For this project, we determined that green size should be approximately 6,500 square feet per green and the teeing surface should be approximately 5,750 square feet per hole. Mass earthwork would be limited to 250,000 cubic yards, given the rolling nature of the terrain.

The irrigation system required to compete in the marketplace is more sophisticated than a standard double-row irrigation system yet substantially below the cost of what is needed to compete in a resort marketplace.

As a result, the budget for market-related variables is:

Mass Earthwork	\$275,000
Shaping	\$175,000
Irrigation System	\$850,000
Green Construction	\$310,500
Tee Construction	\$115,500
Cart Paths	\$288,000
Lakes and Water Features	\$50,000
Bunker Construction	\$142,500
<b>Subtotal</b>	<b>\$2,206,500</b>

The total budget for all three components of the golf course is \$3,278,000 and with the clubhouse and maintenance facility estimated at \$1,900,000 (including design) the total budget equals \$5,178,000, including soft costs.

This total is \$92,000 less than the maximum budget amount identified by the feasibility study to provide the return desired by the investors.

We use a more detailed version of the process outlined above on a daily basis to determine project budgets and to assist in evaluating the viability of daily-fee golf course projects in given markets. While the system is not fool-proof, it provides an excellent tool for refining project budgets and determining the maximum amount that should be spent on a given golf course facility.

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