Influence decision makers or face the consequences

O n page 1 this month, Golf Course News outlines the severity of the drought situation along the Eastern Seaboard. But perhaps more importantly, leading off the maintenance section on page 8, we have a story about what two groups of superintendents have done to influence local water restrictions.

Faced with what they thought were overly-penal watering restrictions during the drought of 1999, superintendents in Pennsylvania and New Jersey have gone straight to the top to rectify the drought situation along the Delaware River. The groups of superintendents have gone straight to the top to rectify the drought situation along the Delaware River.

Three years ago, superintendent Bill Wall at Dauphin Highlands Golf Club in Harrisburg, Pa., took matters into his own hands and drove right up to Senator Bill Clinton and generated a new set of guidelines for golf courses. Wall rounded up superintendents from across the state and the educational sessions began.

At the end of February, Pennsylvania's DEP released revised rules that forced golf courses to reduce water use by 30 percent, but allowed superintendents to determine how and where they would use the water. The timing could not have been better. Pennsylvania has already issued water restrictions because drought conditions have steadily worsened in the last six months.

Superintendents in New Jersey have taken it a step further. Teaming up with other green industry members, they formed the Alliance for Water Conservation and have been lobbying DEP to loosen water restrictions. More ammunition is forthcoming from Rutgers University, which is preparing an economic impact study for the state agencies now if they haven't already. For many states it is not a question of if, but when drought emergencies will be announced. At press time, New Hampshire and Maryland were close to doing so and recent data from the National Oceanic and Atmospheric Administration suggests that drought conditions will persist well into spring.

According to Chris Carson at Echo Lake Country Club in

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GUEST COMMENTARY

Golf market showing signs of recovery

BY LAURENCE A. HIRSH

C onsidering the recent announcement by Federal Reserve Chairman Alan Greenspan that the U.S. economy is showing signs of recovery, and the stock market's return to above 10,000, what kind of resurgence can we expect to see in the golf industry?

The first and foremost indicators are the availability and price of money, both for debt and equity. On the debt side, commercial banks — which are typically reactive rather than proactive — are still exercising extreme caution with respect to golf loans. When these banks do get involved, it's typically because of a prior relationship and normally with conservative loan-to-value ratios — and often with personal guarantees attached. Commercial banks are still the best option for those who qualify, but qualifying is often the toughest obstacle.

As far as golf-specialty lenders go, the market is still lean. Textron Financial Corp. leads the way, with GE Capital functioning correctly. First National of America and a few others are still active, but some, like Daimler-Chrysler, have left the game. Golf specialty lenders still emphasize historical cash flow and, because of reduced competition, they're in a position to "cherry pick" the best deals. Further, many of their loans are based on relationships with multi-course management firms and these large accounts take up a substantial portion of their lending capacity.

In the equity market, there do appear to be rumblings of renewed interest. The recent announcement of the deal between Gotham Golf Partners and First Union Real Estate deal is certainly good news and hopefully an indication that investment capital is again available to the golf business. On the other hand, the Golf Trust of America liquidation is moving slowly and National Golf Properties is now planning a merger with American Golf that is sure to be long and difficult given NGF's low stock price and reports of disappointed stockholders.

However, more investors are seeking to place equity in golf courses because the market is perceived to be filled with bargain opportunities.

ARCHITECTS AND BUILDERS WANT THE WORK

During 2002 and 2003, new construction is expected to be at its lowest point in many years. If a developer can get by the financing hurdles, now is the best time to build a golf course project. Some less notable, but highly qualified architects are hungry for work, and golf course construction contractors, including the biggest names, are bidding projects very aggressively. They really want the work.

This means that projects can be built for less than they could have been a few years ago. Since some markets still have opportunities, a developer can expect to create a new project with the potential for better economics than before.

That being said, the golf industry is a whole still has an overarching problem when it comes to new projects: growing the game. With player participation flat, and following our considerable growth in the supply of golf courses, we need to create more golfers to fill these facilities.

Even so, the industry should not be analyzed on such a macro basis. We continually see a variety of positive market conditions based on location or market segmentation. This remains the key to successful golf development today. Some markets have too

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Rice joins GCN as managing editor

Golf Course News is pleased to announce the addition of Derek Rice as managing editor.

A native Mainer, Rice is a 1996 and 1999 graduate of the University of Maine, where he earned a bachelor's degree in journalism and a master's in English.

For the past two and a half years, he has served as managing editor for IT Support News, which became Services News in January 2002. Prior to joining IT Support News, Rice was a freelance writer and a copy editor in the L.L. Bean creative department.

Having been away from golf for a couple of years, Rice looks forward to this opportunity to get back into the game, which he began playing at age 10.

At Golf Course News, Rice will focus mainly on the management and development beats.

Market recovery

Continued from previous page

Many golf courses, others too few and, in some cases, markets have both—depending on which segment of the market is being examined.

For instance, Palm Beach County, Fla., is one market perceived as having an oversupply of daily-fee golf. Yet the same market is home to several new private projects, which are all reportedly progressing and selling reasonably well. The corridor between Washington and New York is another location with many solid opportunities, both in the private and daily-fee sectors. There are many markets throughout the country with a wide variety of divergent but still positive characteristics.

PRIVATE CLUBS FACING THE MUSIC

The most interesting development I've observed is that of established private clubs, even in strong markets, struggling to compete with less prestigious but newer, more open facilities. Not only do some of the older clubs suffer from the perception of being stuffy, they also suffer from a lack of modern facilities. Prospective members smartly see this lack of modern infrastructure as a potential increased cost, as those facilities will someday require renovation or updating.

Additionally, private club members seem to be more sophisticated, looking for membership deals with either equity or refundability components which allow for relocations or even movement from one club to another. Many clubs will need to rethink their future programs because in today's climate club members have more options from which to choose.

While the recent golf industry correction may be softening, areas with too many golf courses will continue to experience competitive pricing and invariably, some facilities will struggle or fail. But as some measure of confidence returns, those with experience, a good plan and an eye for positive markets will benefit from the recent downturn through competitive pricing.

This, in turn, should stabilize the industry as a whole.

Golf Course News

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Influence

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Westfield, N.J., superintendents need to realize that working to influence decision makers now is better than complaining about unreasonable restrictions later.

“We as professionals need to get involved in the community and work with our associations behind the scenes to make things happen,” said Carson. “While golfers and owners of clubs really should be the ones up in arms, they rely on us to protect their interests. That, in the end, is what they are paying us for.”