

GOLF COURSE NEWS

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INSIDE

Alternative treatments

Sod producers explore nontraditional treatment options to promote pest-free crops.....9

Show preview

GCN covers it all from the 52nd annual GCSAA championship to a run down of all the major shows.....19

Golfer Profiling

- 40-64 years of age
 - Incomes over \$75,000
 - Live in large metropolitan areas
 - No longer have small children living at home
 - Majority are concentrated in three areas of the country:
 - East North Central (WI, MI, IN, IL & OH)
 - South Atlantic
 - Pacific
- Source: Golf 20/20

Golf 20/20's research identified the demographic profile of the majority of its "best" customers (above). For more on the research and other news from Golf 20/20, see page 3.

COURSE MAINTENANCE

- Carolinias success bodes well for regional shows3
- Proactive superintendents make more with less.....9
- Tools of the Trade at Brown's Turnberry Resort.....10

COURSE DEVELOPMENT

- Pinehills GC opens Jones course, Nicklaus next...14
- Faldo Design leaving its mark worldwide.....15
- Schreiner concentrating on renovations.....18

COURSE MANAGEMENT

- Insurance program covers initiation fee losses 5
- Car makers optimistic despite downturn 21
- HMS continues to build portfolio 22

SUPPLIER BUSINESS

- Harrell's and Wilbro create SE powerhouse 25
- Toro announces two plant closures 25
- Whitepath takes John Deere Int'l title 26

PERIODICAL



The par-3 eighth hole at the Clyde Johnston-renovated Sea Pines Country Club in Hilton Head, S.C.

Photo by Warren Grant

IRS to allow depreciation

By A. OVERBECK

WASHINGTON—After two years of negotiations, the National Golf Course Owners Association and consultant KPMG have emerged victorious in their depreciation battle with the Internal Revenue Service. The IRS, which had been considering the matter under its Industry Issue Resolution pilot program, issued revenue ruling 2001-60 in late November that will allow golf courses to depreciate the costs of modern green construction.

According to KPMG's Bill Ellis, the ruling is an "economic stimulus tax package" that could save individual golf courses hundreds of thousands of

Continued on page 24

Renovation work to surge in 2002

By JOEL JOYNER

LINCOLN, Neb. — The National Golf Foundation has tracked the downward slide in new golf course construction projects this past year, and the industry is bracing for the impact. For many golf course builders and architects, course renovations in 2002 will prove to be a more valuable source of income in keeping businesses afloat and the golf economy in motion.

As new course construction seeks a comfortable balance between supply and demand, restoration and modernization of existing courses will carry a lot more weight, according to builders and architects.

BUILDERS SEE INCREASE

For Landscapes Unlimited, 2001 was a record year for new construction and renovation work, according to Brad Schmidt, vice president of Landscapes Unlimited headquartered here. "We've been gearing up for quite some time for

renovation business in 2002, '03 and '04," he said. "For several years now, 30 percent of our business has been renovation work. That percentage could increase as much as 20 percent this year and make it 50/50 with new construction."

Schmidt has not seen an increase in competition on bidding for renovation projects to date, but he certainly expects it. "One of the ways an older course can remain competitive is by upgrading," said Schmidt. "If they don't, they just might die on the vine. There's still a lot of opportunity out there, in new construction as well. It's just that the menu has been reduced drastically."

The renovation market has been strong in the past two to three years during the golf course building boom, according to Andrew Crouch, director of business development for ASL Golf Course Construction in Waitsfield, Vt.

Continued on page 18



Andrew Crouch

Turf researchers debate biotech buffer zones

By JOEL JOYNER

RIVERDALE, Md. — It seems that anything genetically modified these days has the potential to become a controversy. When it comes to golf, the big question is whether or not there is such a thing as a safe buffer zone for open pollinated testing of genetically modified turfgrasses.

After the Supreme Court ruled in 1980 that genetically modified organisms

(GMO) could be patented, commercial endeavors took off. By 1992, the U.S. government approved the first GMO product — a Flavr-Savr tomato with a delayed ripening gene.



Today, two seed companies both researching transgenic creeping bentgrass, the Scotts Co. and Turf Seed, have a difference of opinion on what is

Continued on page 11

American Golf working to regain profitability

By PETER BLAIS

SANTA MONICA, Calif. — Despite recent reports that American Golf Corp. (AGC) may not be able to make scheduled rent payments to one of its major landlords, National Golf Properties (NGP), AGC management is confident it has taken steps to cover future expenses and return to profitability in 2002, according to co-CEO David Pillsbury.

The past six months have not been kind to the company that is the largest golf course operator in the country. In November, shares of National Golf



David Pillsbury

Continued on page 27

Ford's THINK neighbor enters production

By ANDREW OVERBECK

DETROIT, Mich. — Ford Motor Co. has launched the THINK neighbor, the first of its line of low-speed electric vehicles. While the neighbor is primarily aimed at private users in resort and gated communities, it does have a "golf" setting that will allow for it to be used on courses.

"We probably won't market it much on the golf course fleet business at this time,"

said Chris Klein, national accounts manager with THINK Mobility. "Because this is designed for private use, what we are looking to do is go after private golf car owners right now."

Klein, who used to work for E-Z-GO as a territory manager, said the vehicle will be introduced in California first where a percentage of Ford vehicles sold must

Continued on page 27

GMI, operations

Continued from page 21

has already proved to be helpful. "I run into people that are building a new course and feed the design work to Tim and the construction management to Chris," he said. "We are always feeding each other leads."

Hohman spent 2001 "working on 200 different deals" and putting together several consulting agreements.

As far as third party management is concerned, Hohman said that the company is involved with a group that is buying Kiskiack Golf Club in Virginia from

the National Golf Properties portfolio and is currently managing Maryland National in Fredrick, Md. He said the company is close to a couple other deals in Florida.

"We have seven or eight deals that we will close in the next couple months," he said. "We are also doing consulting jobs for new developments to help them develop due diligence and operational analysis. We are hoping those will develop into ongoing third party management contracts."

At the Art Hills-designed Maryland National that will open this summer, Hohman has been able to put together a management team from scratch. Mike

McGillicuddy, a former American Golf employee and the former manager of the TPC at Heron Bay, will be the general manager, and Brian Zigafoos will be the superintendent.

"We are creating a staff from the ground up," Hohman said. "Being able to establish all the systems, policies and procedures from day one makes a big difference."

According to Hohman, there are many turnaround opportunities out there, even in overbuilt markets.

"There is no shortage of opportunities," he said. "Every course has a niche in its market." ■

IRS, depreciation

Continued from page 1

dollars.

"The ruling allows course owners to deduct any cumulative 'undepreciated' amount as of Dec. 31, 2000, over four years beginning in 2001. This may be a boon for course owners that are hurting right now," he said.

However, Ellis also pointed out that this change is factual in nature and that a majority of owners were already claiming the depreciation.

"The ruling brings the IRS into agreement with course owners over depreciation, and it protects those who have been depreciating greens from being audited," he said.

The IRS's previous ruling regarding greens was issued in 1955 when "push-up" greens were the norm. While push-up greens will remain nondepreciable, the new ruling recognizes the complexity of modern greens construction.

The new ruling states: "Unlike push-up or natural soil greens, the modern green is a sophisticated improvement to the land carefully designed to facilitate drainage. Essential components of the modern green are underground drainage tiles or interconnected pipes. Because these tiles or pipes deteriorate over time, they have a determinable useful life and, therefore, are depreciable."

The items will be depreciable under current law and regulations as 15-year land improvements. However, Ellis cautioned that costs of general earthmoving, grading and initial shaping of the area surrounding and underneath the modern green will remain nondepreciable.

BUNKERS AND TEES TO BE ADDED

While the ruling only specifically addressed modern greens construction, Ellis said the IRS will soon issue internal guidance on bunkers and tees.

"We were aware they were only going to address greens in this ruling because the 1955 ruling only addressed greens," he said. "But the basis of their conclusions is the factual existence of integrated drainage systems in modern greens. It is our understanding that they will apply the principles of this ruling to other golf course items such as bunkers and tees, but only if similar integrated drainage facts exist."

COST SAVINGS

The ruling provides automatic approval for a change in accounting method. Modern greens and other qualifying improvements not depreciated, or under-depreciated in prior years, could be eligible for a cumulative depreciation adjustment.

For example, an owner with \$1 million in depreciable costs placed in service in January 1991 should have been cumulatively allowed \$675,000 in depreciation through 2000. With the change, 25 percent (\$163,750) will be deductible per year for 2001, 2002, 2003 and 2004. In addition, the balance of the greens cost (\$325,000) would be available for the normal depreciation of approximately \$60,000 per year for five years beginning in 2001. This results in approximately \$224,000 in additional depreciation expense for 2001 and each of the next three years.

Ellis stressed that documentation will be critical to determining the amount eligible for depreciation and that owners that over-depreciated improvements could be subject to recapture in the year of audit. ■

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1 My primary title is: (check one only)

- A. Golf Course Superintendent
- F. Course Owner
- L. Golf Course Management Company Executive
- B. Green Chairman/Grounds Director
- C. Director of Golf/Head Pro
- D. Club President
- E. General Manager
- K. Assistant Superintendent
- G. Builder/Developer
- H. Architect/Engineer
- I. Research Professional
- Z. Others allied to field: (please specify) _____

2 My primary business is: (check one only)

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- 22. Private Golf Course
- 23. Semi-Private Golf Course
- 24. Municipal/County/State/Military Golf Course
- 25. Hotel/Resort Course
- 26. Par 3/Executive Course
- 27. Practice Facility
- 29. Other Golf Course (please specify) _____
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3 Number of holes:

- A. 9 holes
- B. 18 holes
- C. 27 holes
- D. 36 holes
- F. More than 36 holes
- Z. Other (please specify) _____

4 Purchasing involvement: (check all that apply)

- 1. Recommend equipment for purchase
- 2. Specify equipment for purchase
- 3. Approve equipment for purchase

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