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EXPECTATIONS, REAL ESTATE AND BABY BOOMERS IMPACT GOLF COURSE DEVELOPMENT

by JOHN WALSH

Photos by John Walsh

Editor's note: During the annual summer meeting of the Golf Course Builders Association of America, which was in Chicago this year, Golf Course News hosted a roundtable with six GCBA members to discuss the golf course development industry. Participants were Rick Boylan from Mid-America Golf and Landscape, Steve Christman from Eagle Golf & Landscape Products, Kurt Huseman from Landscapes Unlimited, Mick Jones from the Toro Co., Scott Pate from Seaside Golf Development and Bob Pinson from Course Crafters. The following is an excerpt from the discussion.

GCN: Elaborate on the commonalities of new projects being developed. What kind of deals are getting done?

Pate: There aren't as many residential developments.

Boylan: I agree. The new courses that we're seeing seem to be at the high end. It's more public-sector stuff. There's also many renovations coming.

Huseman: What we're seeing at Landscapes is the big-time, second home market. Retirement home communities are going up in primary markets. It's more than urban sprawl. It has more to do with capitalizing on money coming from the Northeast and California, where people are divesting themselves of their primary home or taking equity out and getting second homes as more of an investment than anything else. There's quite a large market out there for us as far as new construction is concerned.

Christman: It's not always the high-end residential developments, but the retirement community type of residential development that provides affordable golf.

Huseman: I heard Pulte Homes has 30 golf projects coming down the pike. I'd say real estate is driving new golf course development. The real high end can be associated with real estate, or it could be just Sutton Bay-ish where it's remote, and there's a beautiful site dedicated to golf. That's more indicative domestically but worldwide also. People are looking at golf, but the economy is letting them do other things a bit more creatively.

GCN: What are some hot spots for golf course development?

Christman: The Dominican Republic, St. Lucia, St. Kitts. And there's a lot of stuff going down in Mexico.

Huseman: There's work internationally that's unbelievable, for example, the new golf course development in China and Korea. The Middle East is another example. Dubai can be much better than even Las Vegas as an entertainment area for people from Europe to go. Greg Norman is developing five or six courses over there. Russia is hot. Golf is a global business. Internationally, people are looking at what we've done here in the United States and are trying to figure out how to capitalize on what has worked. They would be typical American-type developments.

GCN: Are many American builders taking advantage of that?

Christman: Many Americans are involved independently, but there aren't as many companies involved.

Huseman: Mexico is more dominant with American firms. If the market is so good domestically, why do you go to China or Mexico?

Boylan: That's our feeling. It's comforting to all of us knowing that for what we're doing, we're doing what everyone else is trying to do.

GCN: What's the downside?

Pinson: There's no experienced people to do the work.

Huseman: Or people that are willing to travel and make that type of commitment. You're moving your family to an area where you're probably not used to. You've spent the majority of your career here in the United States going from state to state, and now you're going overseas. It's a cultural shock.

Christman: Materials and equipment become a huge problem. When you make a change to a drainage plan, and all of a sudden the guy wants 48-inch pipe when he had 24-inch pipe, it's probably going to be

four to five weeks before somebody gets that material. By the time you get it in a container, shipped, moved and get it through customs, brokers or whatever's involved, it's a huge time factor.

Huseman: When we built Sandy Lane in Barbados, there was a heavier labor component down there because you're not going to be able to get all the equipment you need to do the work. If you look at what's going on in Eastern Europe right now, you'll find the same thing. It's probably more labor-driven type of construction than it is equipment driven. I happen to have someone that worked for me who's over in the Czech Republic or Slovakia right now doing a job with an interpreter on his side because he's working with such a large labor component. How do you optimize your labor? That's what he's having to deal with.

GCN: What are some other differences between development in the States and overseas?

Huseman: Our standard in the United States is different than what the standard is, or what's acceptable, elsewhere.

Christman: If you compared golf course development in the United States to other countries, you can see how far advanced we are in a lot of areas, but they want golf.

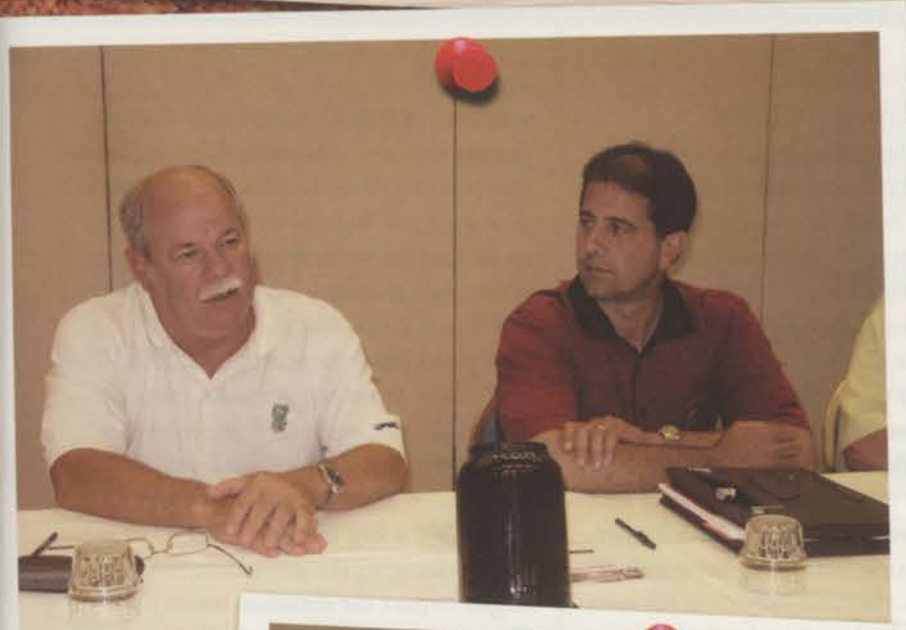
Jones: They don't have the infrastructure to support the specifications that we build here.

Boylan: Here in the States, the time frame for construction is short. It used to be a year to build a golf course, and now sometimes it's shortened to six or eight months, and we're hurrying up and doing that. Over there, you see a lot of things taking two years, and it has a lot to do with the labor source.

GCN: What's the biggest hindrance to golf course development?

Huseman: One is the whole entitlement process of getting a golf course leased to





From top left: Steve Christman, Mick Jones, Rick Boylan, Scott Pate, Kurt Huseman and Bob Pinson discuss golf course development.

be able to go into construction. That has to deal with getting subdivisions, titles and master plans approved. It's a big issue. Another is having the right amount of water and growing-in the golf course to the quality it needs to be.

GCN: What are some of the reasons behind permitting? Are they strictly tied to the environment?

Huseman: There are a lot of areas that are just trying to control growth. Look at the areas that are hot: Southern California, Florida, some of the second home markets. It's like the guy that bought his place 10 years ago, and all of a sudden he's seen it triple or quadruple in value. He doesn't want any neighbors now. So there's a lot of resistance as it relates to growth.

I don't track them closely, but I know some of the entitlement costs are significant. It's market driven. If you wanted to do a project in Texas right now, you would pay a fraction of what it would cost to entitle a project in California. It's a challenge, and

it affects us because we're at the tail end of the development process.

GCN: Are the environmental restrictions much tighter than five or 10 years ago?

Pinson: It's not the same everywhere. You have local restrictions, state restrictions. Restrictions in one county are different than restrictions in another, and it can all boil down to who can ease through the permitting process the best.

Pate: A misnomer for our industry is that developers, architects and builders don't care about the environment. So even though there are many restrictions, I don't feel it's a bad thing. Much of the stuff they do is good. Long term, it's a great thing. It's the democracy that you go through. It's not so much what you have to do but how you get there.

Huseman: Some of the rules and regulations test logic, and it becomes a little frustrating when they do, but by and large, I agree with what Scott says. We're much

more environmentally sensitive than what we were 20 years ago.

GCN: What can builders and architects do to reduce the cost of golf course development?

Huseman: I'm a firm believer in a collaborative process in project development. Adding experts in the construction side, working with experts in the design side, and for that matter, the entitlement side and getting on the same page early on but not losing the advantage of bringing a team together at the beginning of a project.

The traditional delivery method almost excludes the contractor or suppliers from getting involved early on. If you had a team early on attacking an issue, you would be much more successful in meeting project objectives. That's tied to the initial delivery method, whether it's owners or architects that are tied to utilizing that delivery to complete a project.

Boylan: There needs to be communication between all the different sectors – architects, engineers, etc., and everyone needs to have the big picture of the development. For example, knowing you don't have to move dirt from this side to that side and knowing you can utilize it for later use, that's a savings to everyone.

Christman: Some projects are definitely overengineered, and there are places that design a project to cut down on that kind of stuff.

Jones: We see people use value engineering once the price of pipe and wire come in. Prices might be three times what they were a year and a half ago when the original bid was made. They just keep trying to value engineer things out of the project.

Huseman: It's so difficult to avoid being cast as the contractor that's taking advantage of an owner when, quite frankly, it's market conditions that are driving our prices.

Jones: Owners can check the commodity pricing daily and can see what, say, copper is doing.

Huseman: We're basing much of our pricing on specific prices at the time a proposal or bid is submitted, so as escalation occurs, the contractor isn't burdened with taking that to ownership. The escalation has been significant in the last two years.

Boylan: Going back to permitting, that's how they wrap up everything together so everything is as current as can be when the permits are ready.

Pinson: To help our industry right now, simplicity needs to be the word we all get back to. Let's play to have fun and have a good time, and not move a million yards of dirt.

Huseman: What's driving the industry is the real estate development. All of us would agree you can build courses a lot less expensively, especially if you started the process off at the beginning with lot of planning that's carried on through design and construction. The bottom line is that certain people are buying homes in certain developments because they're expecting a particular product.

Pate: That's right. It's market driven. People wanted the 'wow' factor. A lot of the public golf courses cost a lot to build and are hard to play.

Jones: For the day-to-day public person to spend \$100 to \$120 just to go out and play a round of golf that's going to take five

to six hours to shoot a 120, well ...

Huseman: Irrigation is an area where we have seen a lot of escalation in the last five to eight years. Mick, what's driving that?

Jones: From the manufacturer's side, we've had relatively small increases in material. With some designs, pipe sizes have gone up, and some of that is from the demands of the architect or the consultant, be it for environmental control or water distribution.

But the residential guy that's spending a million dollars on a house wants a very nice golf course, and it's going to be a higher-challenging course with a higher-name architect. There's a big cost difference between that and a regular housing development or retirement home where a guy is just going to hit the ball around.

Boylan: The expectations for golf have changed dramatically. It's wall to wall coverage and pristine conditions, and if there's something brown, than there's something wrong.

Jones: It's all what the expectation of the club is, and who is going to manage it.

Boylan: It's the same thing with the cart paths on golf courses. The perception there is the lower-budget courses have asphalt, and the higher-budget courses have concrete. Some people like the asphalt because of the appearance.

GCN: Are the majority of the projects you're working on public?

Huseman: I'm not sure whether we would say there's a majority of public projects. It might be public in the sense that it's semiprivate, in which you're going to start off with public play and eventually end up going to a private club. It's not necessarily public daily-fee as it was defined four or five years ago.

GCN: Are there instances in which you won't accept a particular project?

Pinson: Some can be difficult sites. Based on the size of your company, you might not want something that might have a lot of rock on it, or it might not be in the part of the country that you're familiar with or worked previously. Also, based on what the owner wants to spend and what you really know it's going to cost, you might decline to do that project.

Huseman: It's not about making a profit. You have X number of employees that have been with you for a long time and are depending on your ability to sell work and be able to put food on their table and put their kids through school. There's more burdens than just hand picking the plums. You're going to get a rotten apple, and the best thing

you can do is just understand what you're getting into and deal with the problem the best you can. You can pick the projects and pick who you want to work with. You have to be careful with that situation because sometimes it might be better in the long run if you don't take the job.

Boylan: From my standpoint, I deal with that more with renovations. Sometimes you might not agree or disagree with what they're doing, or they might not be doing enough, or the things that they're doing don't have a big enough impact, or what they're changing the golf course to and from might impact the situation down the road. Construction for us is more geographical.

GCN: What changes have you seen during the past five years?

Pate: We've been seeing a lot of renovations.

Huseman: Or retrogrades. Courses go through a couple of renovations, and then all of a sudden they want to get back to something like the original golf course design. Those projects can involve an entire brand new irrigation system, greens, tees, bunkers, to the point where they're basically a new project. There's not as much shaping and you're not going to move as much dirt, but you're going to do everything else.

Boylan: The advantages of the amount of work have changed. With the economy and the amount of new construction slowed, renovations have picked up.

Huseman: If you rewind five years ago and had someone look in the crystal ball and say, 'Well there's a top end in site,' I don't think anyone is going to make that forecast anymore because the market almost goes against what common sense tells you.

Pate: A lot of the growth can be attributed to the baby boomers.

Christman: Growth could be huge if you look at the number of baby boomers who are starting to reach retirement age. If the C and D golfers who play golf once or twice a year all of a sudden have the money and time, they become the guys that are out there.

Huseman: I was talking to a leading home builder that does a lot of golf, which is a key component of their amenities. It conduct surveys relating to why people buy there. Golf is like No. 27 on the list. We, as golf developers and builders, are saying they're buying there because golf is a top-three reason. It's not.

Christman: It's important for people to live on a golf course because it drives property values. GCN

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