

Staying afloat

CAN ANY COURSE BE AN ISLAND UNTO ITSELF THESE DAYS?

by
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It's the purest of golf development concepts: A course that's just a course. No houses, no business parks, no fancy hotel – just golf for golf's sake.

But the majority of the golf courses built nowadays are tied to real estate, whether it's residential housing or a resort. Home building accounts for about 70 percent of new courses coming on line, according to Henry DeLozier, v.p. of golf for Pulte Homes and president of the National Golf Course Owners Association board of directors. This is mainly because the number of rounds generated by stand-alone facilities – ones that aren't part of a residential or commercial development, owned by a municipality or part of a resort – simply can't cover the cost of building and operating them.

"The cost of construction is more than the number of rounds we're getting," says Joe Niebur, president of Colorado Springs-based Niebur Golf. "Golf courses need subsidies. The land cost is too much in highly populated areas. You need something else to carry the golf course."

As a result, fewer stand-alone golf courses are being developed. Those that are being built are the brainchildren of incredibly wealthy individuals or are located on unique pieces property.

"The economics aren't there anymore," says Mike Bylen, owner of three public stand-alone courses in suburban Detroit – Cherry Hills, Pine Trace and Shepherd's Hollow.

Bylen attributes the demise of stand-alones to oversaturated markets and the general economy. He says there were 42 upscale golf courses – most of them stand-alones – built in suburban Detroit between 1989 and 2001. Two have closed and three more are about to, he says.

"It's not like opening a coffee shop, where you can move to another corner if business is bad," he says. "You can't move a golf course. If you could, I would have done so already."

Nowadays, stand-alones are the exception, according to Steve Forrest, golf course archi-

tect with Arthur Hills/Steve Forrest and Associates. He says the decline of stand-alone courses started in 2000.

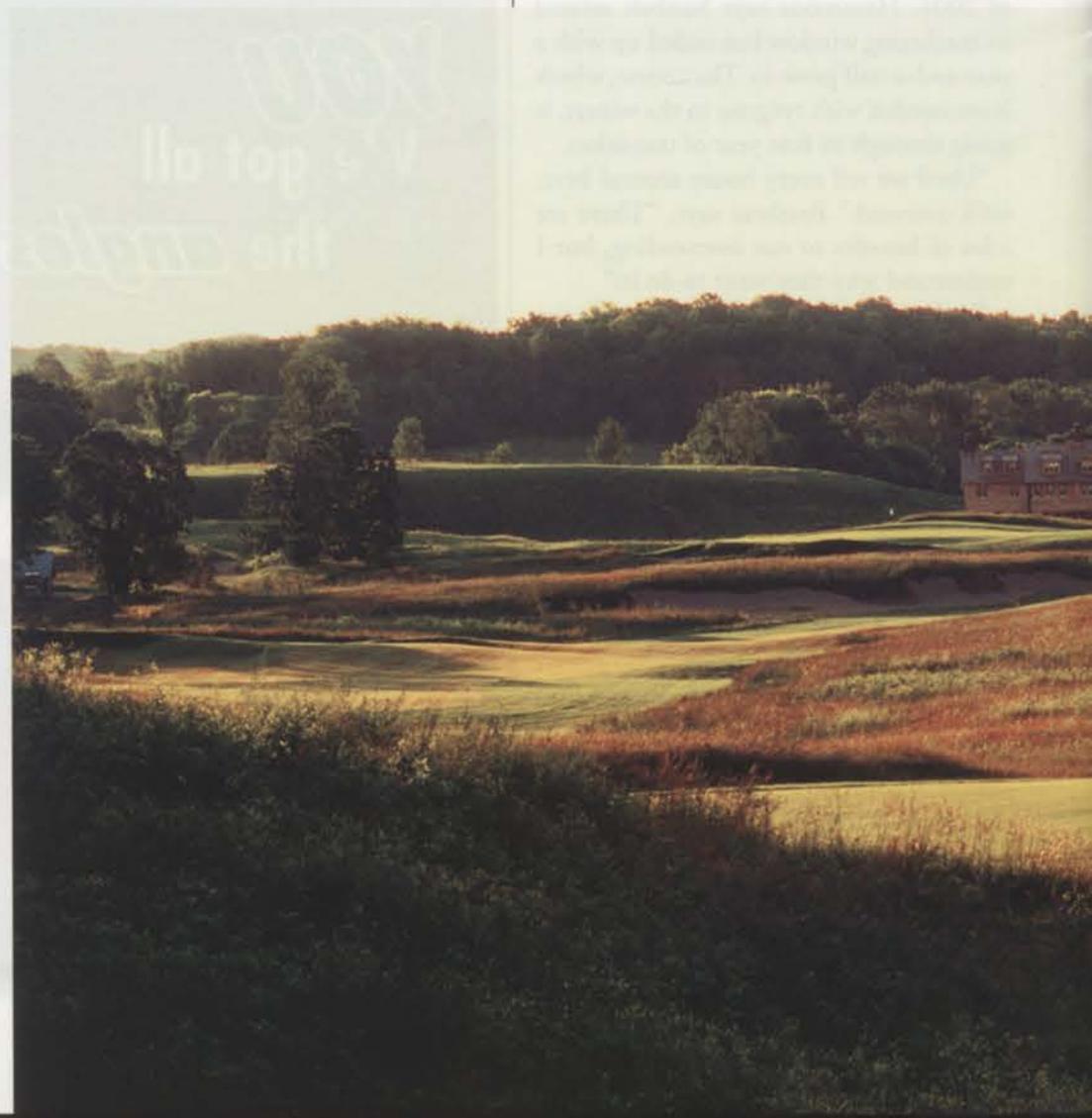
"It's hard to make money at a golf course," he says. "It's hard to get financing. It will take at least three years to get out of the red and into the black – that's the standard. Unless you're independently wealthy or use government funding to build a course, you won't see a stand-alone course be a big success. I would be surprised if stand-alone courses would be more than 10 percent of the market."

Everything in Scottsdale, Ariz.-based SEMA Golf's pipeline, including Mexico, is part of a residential development or a resort, according to president Bob Steele. Steele

says he has heard of a few stand-alones being built. The last course SEMA built that didn't have housing around it was part of the Desert Mountain Resort in Scottsdale, Ariz. There were five courses already and demand indicated a need for a sixth course.

"Unless it's a high-end private club that's funded through membership, golf courses will need residential development to be built," Steele says. "Still, there are some private exclusive clubs out there, but it's not feasible anymore to do those kind of private deals."

Niebur Golf currently has eight jobs under way, and none of them are stand-alones – all are tied to residential real estate or a resort. The last time Niebur built a



stand-alone golf course was Three Crowns in Casper, Wyo., which British Petroleum developed on a reclamation site. It opened in 2004.

From an architect's point of view, Forrest says stand-alones are the most desired type of course partly because the people building them usually want the best for the course.

"We're thrilled when we find them," he says.

Currently, of all the designs the Hills/Forrest firm is working on, two are stand-alone courses. One is being built in between Annapolis, Md., and Washington, D.C., by Albert Lord, vice chairman and c.e.o. of Sallie Mae. The course, called Anne Arundel Manor, will be built for Lord and 50 of his closest friends. Construction is scheduled to start in November. No market research was done for the project, Forrest says.

Another stand-alone course Hills/Forrest is working on is part of the state of Kentucky's golf trail in Yatesville State Park. It's called Eagle Ridge.

All of the golf courses Tripp Davis and Associates is designing are tied to real estate.

"Right now, I have five new projects, and they're all tied to residential real estate or a resort," says golf course architect Tripp Davis. "Golf courses that aren't tied to real

estate tend to be smaller, private high-end clubs. You don't see them often."

However, in the past six years, the firm has designed a couple stand-alones financed by private equity, most notably The Tribute in The Colony, Texas, and Clary Fields in Tulsa, Okla., which are both public.

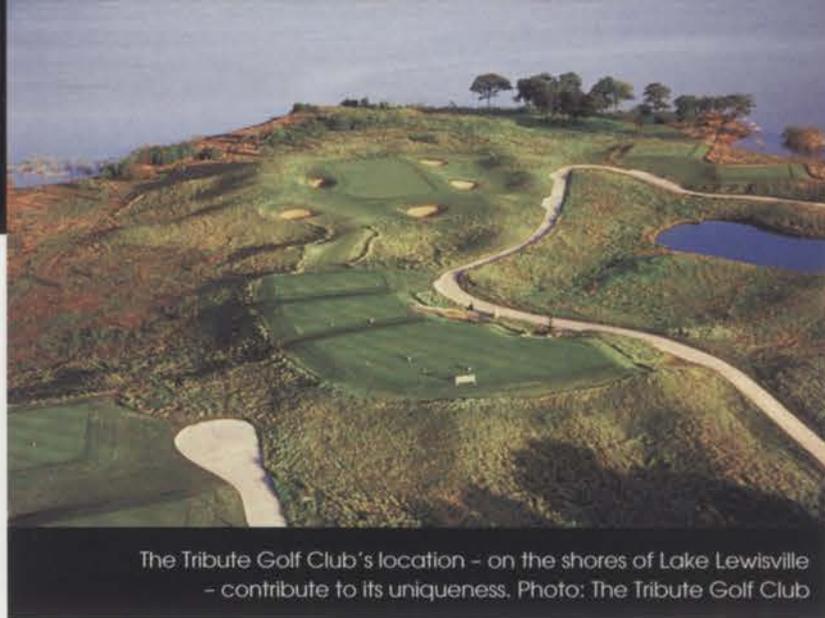
"When we designed them, we realized they needed to be profitable and unique," Davis says.

Making it work

For a stand-alone to be successful, it needs to be in a metro area and have the right demographics, Forrest says. As an example, the big three motor companies – Ford, General Motors and DaimlerChrysler – are located within 30 minutes of Bylen's three courses.

"The majority of our customers have a direct or indirect relationship with the Big Three," he says. "We book a lot of business because of them."

Davis says there are two keys to building sustainable stand-alones. First, there needs to be a new site that adds to the golf experience to make it a unique concept. For example, you don't want a flat site with a lot of rock and no ambiance. And second, you need to take a minimalistic approach



The Tribute Golf Club's location – on the shores of Lake Lewisville – contribute to its uniqueness. Photo: The Tribute Golf Club

to designing the course because you need to build it as cost efficiently as possible.

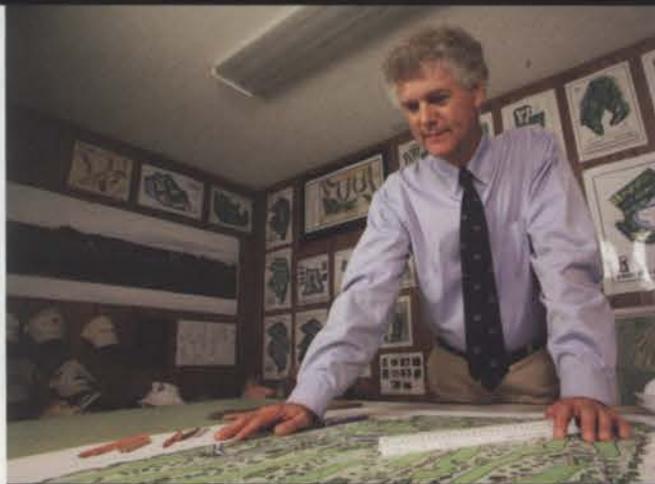
The Tribute Golf Club and Clary Fields Golf Club fit those requirements, according to Davis. The Tribute is on a unique site – the shores of Lake Lewisville. The design is considered a "dream 18" because the holes are based on concepts found in Scotland and have the ambiance of links land. Other aspects that make it different include:

- The director of golf is from Scotland;
- Bag pipes play through speakers;
- The flags are five feet instead of the standard seven and a half feet; and
- It's maintained to play hard and fast.

Clary Fields came about because a guy in Tulsa who loves to golf was having difficulty reserving tee times at the local public course, so he built his own.

Since Erin Hills opened Aug. 1, business has been good for owner Bob Lang, who isn't trying to generate as many rounds of golf as possible in order to give golfers an uncrowded experience. Photo: Paul Hundley





Among his projects, Steve Forrest is designing two stand-alone golf courses. Photo: Forrest/Hills & Associates

“What made this project work was that there was a water source close by and the soil was sandy,” Davis says. “We built the course for less than \$2.5 million.”

The course breaks even at 22,000 rounds per year when most similar public courses would need 30,000 rounds to break even, Davis says.

Another example of a stand-alone that has unique aspects is Erin Hills in Hartford, Wis. It will host the 2008 USGA Women’s Amateur Public Links, which it was awarded while under construction. It was designed in the fashion of Old Tom Morris because very little dirt was moved during construction.

“There was only one hole where we lifted the green,” says owner Bob Lang. “Everything else was cored into the ground.”

Lang, a builder, has a different philosophy about golf carts. He claims the only modern aspect of the golf experience at the public Erin Hills is the electric golf carts. There are no continuous cart paths, and fewer golfers means fewer carts, which is better for the fescue grass, which can’t withstand a lot of cart traffic.

Performance

So if other forms of real estate help golf courses financially, how are the stand-alones performing without that component? Nationally, rounds at the real estate/resort courses have increase 3.5 percent this year compared to last, according to the National Golf Foundation. Rounds at stand-alones have increased 2.7 percent this year compared to last.

Right now, it seems Erin Hills is doing well after its Aug. 1 opening.

“I’m getting so many calls,” Lang says. “The USGA is coming back to evaluate the course, but the decision hasn’t been made about whether the U.S. Open will be played here in the future. David Fay is looking at it. When we opened, we received unexpected national attention, and as a result, it gives you the expectation this course is really good.”

Lang’s goal is for Erin Hills to become a destination golf course. So far, he’s booked tee times from golfers from more than 20 states. He’s also receiving more tee times from Illinois golfers than he expected. During August and September, the course was averaging 80 to 90 golfers a day.

“We do no advertising,” he says. “There’s so much awareness now, we’re getting repeat business.”

Lang says he has bookings all throughout October, but the course will probably close in early November.

“We’re not taking tee times for next year,” he says. “We’re trying to figure a budget for next year.”

For Lang, the fewer tee times the better, which isn’t normal for most public golf courses. He says tee times are going off every 10 minutes, but he’s only allowing five per hour, holding one.

“We’re trying to create a unique golf ex-

perience,” he says. “It’s about getting away in a natural setting. We want to provide an uncrowded golf experience.”

Fewer tee times means less revenue, which makes it challenging for Lang, who wants to keep the bank happy, the course fluent and the golfers happy.

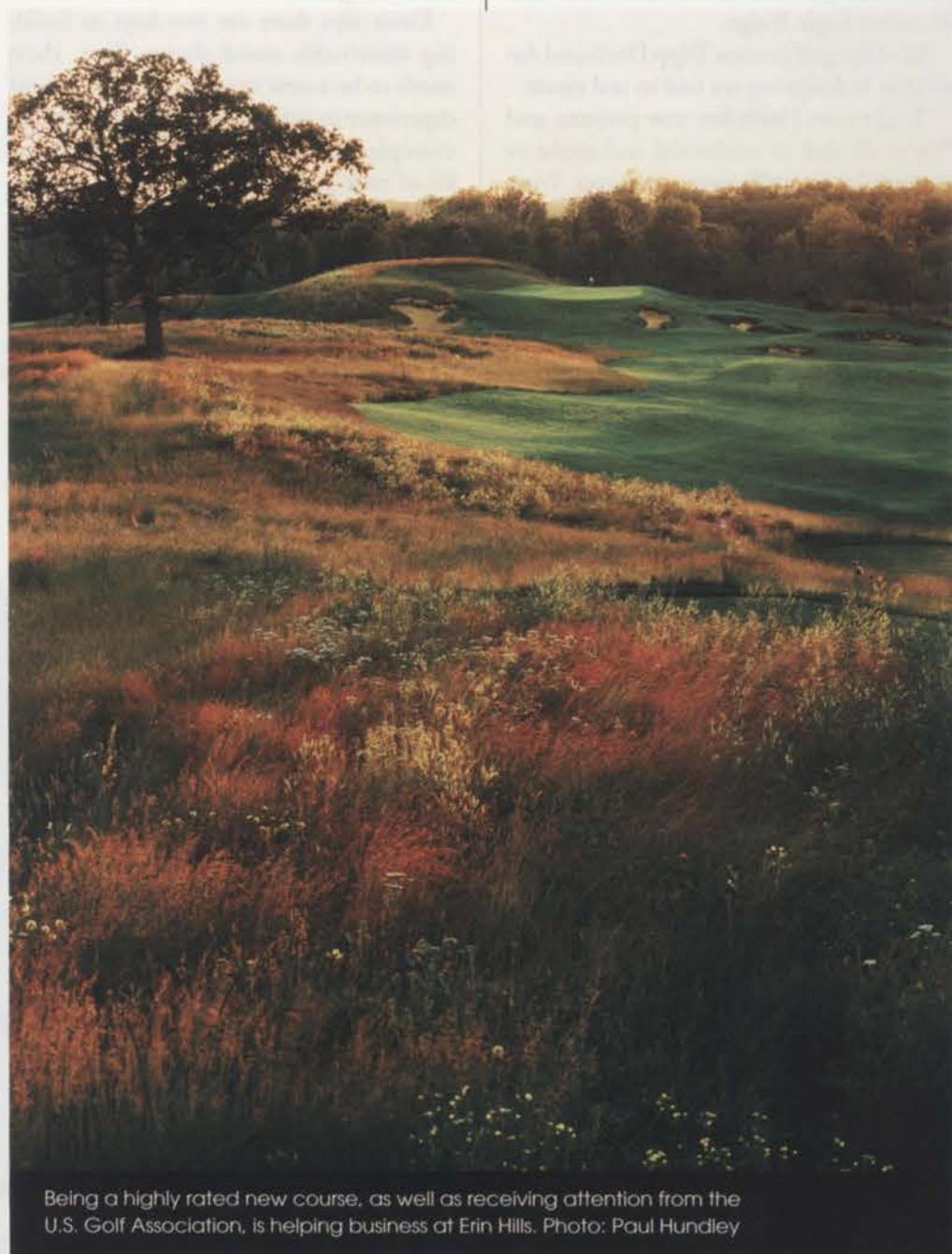
Lang’s goal this year is to generate 5,000 rounds at \$150 a round. By the first full week of September, Erin Hills had generated about 3,000 rounds.

Being a highly-rated new course helps business, but how long will the buzz last?

“I’ve asked people, and they say look to the third season as the top-out year,” Lang says.

But Lang, who’s the sole owner of the course with a very supportive bank, doesn’t want to generate 22,000 rounds a year. He says 10,000 to 12,000 is ideal, but 14,000 to 18,000 is more realistic financially.

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Being a highly rated new course, as well as receiving attention from the U.S. Golf Association, is helping business at Erin Hills. Photo: Paul Hundley

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"This time next year we'll know how good a destination golf course we'll be and if we're as good as the hype," he says.

Business is a little different for those courses that have been around for a number of years. In Texas, The Tribute, which opened in 2000, started to recover from the effects of Sept. 11 in 2003. It has experienced a steady increase in the number of rounds and green fees since 2003, according to general manager Jeff Kindred.

Kindred says he can't reveal the exact numbers, citing the policy of American Golf, which manages the facility. This year, the facility is on track to generate 40,000 rounds. In 2005, it generated less than that.

The Tribute is in the high end of the market, which includes six other courses in a 40-mile radius.

Kindred says being a stand-alone course isn't a hindrance for business.

"In a lot of ways, being a stand-alone course is a positive because the golfers that come here don't want houses lining the course," he says. "This gives us a unique feel. Golfers like the fact that they feel like they're out of town. Because we sit out on a peninsula, you have that destination feel, like you're getting away from the daily grind."

Residential homes are five miles away from the course, but because the ground is part of Army Corps of Engineers' land, homes won't be built on the course.

The Tribute draws golfers from Texas and out of the state. Most guests are local businessmen and about 30 percent of rounds are charity and corporate events. A lot of people

call wanting to try the facility, referencing the course's Golf Digest Top 100 ranking.

Business is also aided by the fact the clubhouse hosts weddings – more than 100 a year. And corporate meetings tie into its customer base.

The facility offers amenities a hotel can't, such as allowing those attending meetings to putt on the practice green or use the driving range during breaks. There also are eight guest suites that are part of the stay-and-play package offered by the facility. The suites are appointed with antique Scottish furniture.

Alone no more

For those stand-alone courses that have been struggling, owners have been looking at ways to make them more profitable, mainly adding real estate components as sources of revenue. Steele says owners are getting creative and selling parcels of land around stand-alone golf courses, building homes throughout the course.

"People are doing this to add revenue," he says. "I've even heard of re-routing some holes to include some houses."

In Catossa, Okla., the Cherokee Hills Golf Club, once called Indian Hills and Spunky Creek, was struggling because it had no real estate or municipality to underwrite it, Davis says. The Perry Maxwell design that was redesigned by Davis used to be a stand-alone course, but a Native American tribe bought it and built a casino and hotel on the property.

"We'll see stand-alones that will be redesigned or redeveloped so the golf course serves as an amenity to the primary revenue source," Davis says. GCN



A hotel and casino were added to Cherokee Hills Golf Club because it was struggling as a stand-alone course. Photo: Tripp Davis and Associates

news analysis

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and Collier's position will be filled by a TPC agronomist by the end of the year, according to Roth.

Within the structure, there are six agronomists reporting to the director position that has yet to be filled – and most likely will be filled by someone outside the PGA Tour – and two regional agronomists reporting to Collier. All 10 agronomists overlap and work together.

"What this will do is allow for the appropriate agronomic support for each tournament as well as the operational and agronomic support for PGA Tour golf course properties. This also frees up time for me to be at headquarters as needed," Roth says.

As the vice president of agronomy, Roth will work closely with the staff of each of the three tours the organization operates and the staff for golf course properties.

The new structure also frees up Roth to look at future sites for TPC facilities and their development. Currently, the PGA

Tour is developing a new golf course in Naples, Fla. – the TPC at Treviso Bay, which is scheduled to open late next year. There's another TPC course on the drawing board – a 36-hole resort property in San Antonio, although ground hasn't broken yet. There are also other sites for possible development of TPC clubs. In addition to continuing to directly support certain PGA Tour events, Roth also will be available to inspect future possible tournament sites.

Cooper, the newest PGA agronomist, says he wasn't looking to leave ValleyCrest, but an opportunity came about that he couldn't pass up because he always wanted to work with the PGA Tour. He started Sept. 5.

"I'm at an age when if I'm going to make a move, now is the time to do it," he says. "The only job I would have left ValleyCrest for is the PGA Tour. The guys at ValleyCrest are a class act. I made great friendships while at ValleyCrest. I feel bad for leaving. I wish the timing could have been a little better, but there's no one to blame but me. They'll find someone sharper and forget about

Bland Cooper. It was a tougher decision than you might think."

Cooper sees himself spending the rest of his career with the Tour.

"It's the insanity of tournament golf that's attractive to me," he says. "Tournament golf is almost like a drug. I always liked preparing a course for a tournament. It's the finality of a tournament – we have a deadline. It has to be right before the tournament. There's a satisfaction I get out of that."

Tournament preparation is one thing Cooper didn't experience at ValleyCrest. He says that's not necessarily bad, but it was a void he needed to fill.

As a director of agronomy with ValleyCrest, Cooper traveled 180 days a year. He will travel about the same amount with the Tour.

Cooper says he doesn't know exactly how many golf courses he'll visit throughout the year because the Tour is always adding and moving events, but each agronomist is involved with 12 to 16 events, so he'll visit at least that many courses. GCN



Roth



Cooper