

Designer's forum

By Michael J. Hurdzan



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Who needs government courses? We all do.

The most active golf course builder today is the government. This activity is occurring at all levels from small cities to nations, but the effect is the same, and that is to keep golf growing. The reason for this seemingly recent government support of golf is both because governmental agencies have accelerated expenditures for golf course development, and the private sector has dramatically decreased their activity. The reason for this inverse shift is simply **money**. There is no other reason except that the cost of building a golf course has risen to a point where private investors do not consider a golf course a good investment.

As an example, to build a very modest 18 hole, par 72, 150-acre golf course in the midwest would cost about \$700,000. To this must be added: land cost of perhaps \$2,000 an acre or \$300,000; nice, functional clubhouse for \$250,000; adequate maintenance and cart building of \$60,000; \$100,000 for maintenance equipment; and miscellaneous costs for cart paths, bridges, parking lot, tree planting, *ad infinitum*. So, to build this modest course of about 6500 yards, with 40 sandtraps, multiple tees, average size greens, and an adequate irrigation system, the total would approach \$1.5 million. Definitely not pocket change. In addition the earning potential of this facility might be for only 30 weeks per year with an anticipated usage of 40,000 rounds. So to amortize this golf course over 20 years, the balance

sheet would look like this:

Cost of Development	
Land cost	\$ 300,000
GC Construction	700,000
clubhouse & furnishings	250,000
maintenance bldg	60,000
maintenance equip.	100,000
misc. (paving, etc.)	90,000
TOTAL	\$1,500,000

Operational Cost (Amortized over 20 years)	
Principal	\$ 75,000
interest (12%)	75,000
maintenance	100,000
TOTAL YEARLY EXPENDITURE	\$250,000

Cost per round of golf =
(assume) $\$250,000 \div 40,000 =$
approx. \$6.00 per round

It must be emphasized that these figures do not reflect income from golf carts, clubhouse operations, proshop sales, nor do they indicate expenditures for taxes, insurances, or administration. But for purposes of general discussion, our fictitious golf course may net from \$40,000 to \$60,000 per year. On an investment of 1.5 million the income would amount to about 3-4%, a poor return when compared to apartments, condos, or even Certificates of Deposit. The risks may not be worth the yearly income but real profit in the golf business is in the appreciation of land value that may not be realized until the course is sold.

But how can government persist in developing golf courses if the economics are so poor? The basic reason is economic advantage. First the Federal Government has tax money to allocate for recreation and green space. Participation is on a 50-50 basis with local government. Assistance for a creditable project, if need for such a project is demonstrated, comes from the Heritage Conservation and Recreation Service (HCRS), formerly the Bureau of Outdoor Recreation (BOR). This means that the selected local governmental agency could build that \$1.5 million project with \$750,000. In addition, most local governmental agencies already own the land they intend to build on; will pay no sales tax on approximately \$700,000 worth of goods, materials and equipment needed; will pay no property tax or income tax; and they are probably self-insured. The net effect

is that instead of one round of golf costing \$6.00 as for the private investor, the round of golf on the municipal golf course may cost \$4.00.

At this point private owners are going to proclaim discrimination, restraint of trade, socialism and many other words of protest. But they may be short-sighted and are only concerned about their own personal financial gains. If one would consider the situation, they might see in calm reflection that this government interest in golf is healthy for all of us.

First, municipal golf courses belong to the people so every member of our society feels he has the **right** to use it without fear of being asked to leave because of his poor or slow play. The number of new golfers who take up the game because of this atmosphere is difficult to estimate, but could be substantial.

Second, most municipal golf courses employ a PGA Pro on a 12-month appointment who is expected in many situations to give free lessons at a community center during the winter. How many private owners set up free programs to start new golfers and nurture a market?

Third, the profits earned from the municipal golf courses are usually poured back into a general recreation fund that supports ball fields, tennis courts, playgrounds, etc. Again, it is impossible for the private sector to participate in such philanthropy. Low-cost municipal golf keeps our game a game of the masses who can only afford low-cost green fees so that the low income can enjoy a day of golf for \$4.00 inclusive.

The mere existence of a government golf course in the area causes the value of your property to increase.

Many privately-owned golf courses do exist near municipal golf courses and do quite well. They are successful because they provide better and faster playing conditions in a warm, personable golfing atmosphere. They may even charge \$2 or \$3.00 more than the municipal course.

Golf is growing at 3% per year. Cut out government-supported golf and imagine what the growth rate would be and the total impact on the golf industry.