GOLF COURSE NEWS

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INSIDE

Seed firms: Gov't cost us $1M

BY MARK LESLIE

Not satisfied with the mere "regrets" of the U.S. Department of Agriculture for a snafu that cost his company $200,000, Sonny Pennington of Pennington Enterprises Inc. is on the verge of suing the USDA.

Pennington's Madison, Ga., firm is one of seven seed companies that absorbed a total $1 million loss when 2 million pounds of tall fescue seed imported from Argentina were found to contain a noxious weed, serrated tussock, and the seed was ordered recalled.

Pennington says he will decide by early August whether he would sue the government, but first he would seek an audience with Secretary of Agriculture Clayton Yeutter.

"We're attempting to go through Congress rather than lawyers," Pennington said. "Congressmen work cheaper than lawyers.

"My attorney says that to sue government it's going to cost $200,000 in attorney fees. I can sue and possibly win $250,000 and it will cost me $200,000. That's if we sue for simply our loss. It appears that if we sue — and it appears we probably will have to — we'll sue for loss of reputation, loss of business."

An irate Greg Fennels of Olson Fennels Seed in Oregon, which also absorbed a

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A 40-acre pond plays a major role in the design and beauty of Rum River Hills Golf Club in Anoka, Minn., which was built for $600,000 — a figure that included athe moderate $150,000 clubhouse in the background. People like retired farmer Wes Bulen and his partners in the Rum River Hills venture are finding it is possible to fulfill their dreams — building a golf course — even when faced with today's high land and construction costs. For a look at the boom for builders,, read the "Eureka!" stories below and their companion pieces on pages 19-21 inside.

Possible cure found for cricket

BY LARRY KIEFFER

After four years of testing in pastureland by researchers with the University of Florida's Institute of Food and Agricultural Sciences, "the most promising biological control agent for mole crickets we have ever had" is ready for field trials at 20 Florida golf courses.

"Everything looks extremely promising as far as finally having something we can brag about," said Bob Rehberg, chairman of the Florida Turfgrass Association's research awards committee.

What Rehberg and the FTGA are bragging about is a Uruguayan nematode that carries a bacterium "at least four times more virulent on the mole cricket than some of the other materials that have been pulled in from commercial organizations."

The microscopic nematode crawls in the mole cricket's mouth, infects it with the lethal bacteria, and then crawls out before the insect dies "within one to several days,"

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Eureka! Golf gold being mined

1989 is prime time for nation's builders

BY MARK LESLIE

This is the best of times for golf course builders.

A short while ago, Golf Course Builders Association Executive Director Don Rossi said, "There's no way to buy the land, build a golf course, and make money except to charge exhorbitant fees — unless the land is given to you — because the cost of the land is so, so expensive."

Poof! Suddenly real-estate developers are giving the land away to golf course builders because the developers want a golf course to attract home buyers but don't want to get involved in something they're not expert in.

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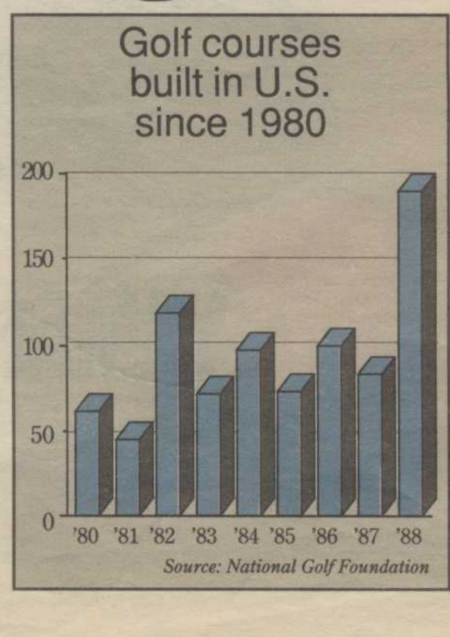

Source: National Golf Foundation

Beware snags, but money can be found

BY KATHY BISSELL

Getting a golf course from dream to reality requires at least as many complex maneuvers as getting a team to the Super Bowl.

It takes money, talent and time.

Because more people want to play golf, because research reports from groups such as the National Golf Foundation say we need more courses, and because people seem to think there's a lot of money to be made, many individuals and developers want to take the plunge into golf course development.

The difficulties are knowing how to get the funds to start and how to make a project

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Amick suggests 18 ways to save on course

Golf course architect William Amick of Daytona Beach, Fla., lists 18 ways to save money building a course.

Amick, a member of the American Society of Golf Course Architects, suggests that a developer:

1) Lease land for a course on a long-term basis from a government agency, work out creative financing with a private land owner, or receive the land free from a developer who wants fairway frontage without operating a golf course. "Any of these methods will substantially reduce start-up costs," Amick says. "Developers should seriously consider giving enough land to an individual or group to build and operate a course. Government agencies should consider leasing enough land in the above situation."

2) Schedule construction to take the shortest possible time and meet the ideal planting season. Time is money, particularly when paying interest before the cash flow begins, he says.

3) Carefully pick the best site for the course, to save money on such major phases as clearing, earth moving, and drainage. "A competent golf course architect should help with this selection," Amick says.

4) Have the course designed primarily for its future golfers, not for tournament professionals. He says, "This can mean a shorter, more fun course, with fewer expensive hazards."

5) Use the land most efficiently by having a trained golf course architect lay out the holes.

6) Consider building an executive or par 3 course to save land, reduce construction costs, and make maintenance dollars go further. "These types of courses can fit the playing abilities of a large portion of golfers," Amick says, "including middle- and high-handicap golfers, women, seniors, young people, beginners, occasional golfers, people with a limted amount of playing time, and those who want to sharpen their iron play or short game."

7) If housing will surround the course, have the golf course architect design it in complete coordination with a site planner.

8) Building a moderate rather than over-plush clubhouse — one to fit the needs of the facility — and a few other recreational facilities will permit holding golf fees lower, Amick says.

9) Construct as many small tees, fairways and greens as possible, "which will be fair to golfers and handle traffic," he says."

10) Use low-profile tees, mounds and bunkers. "This will decrease costly earth moving and, if done properly, can be attractive," he says.

11) Make sure that the irrigation system — a big-dollar item — is planned and installed properly.

12) Don'tclear, plant or maintain parts of the rough away from regular play. Leave these areas natural.

13) Add some of the less essential features later, after the course is open and revenue has started coming in. Such features might be car paths, tree planting, and some of the sand traps.

14) Keep the initial expenditure down by building only nine holes at first. A second nine and even other nines should be designed at the same time, but put in as play demands and funds permit.

15) Invite only qualified golf course contractors to submit bids, to increase the chances of a good job being done and to obtain realistic low bids.

16) If the work will not be contracted with an outside firm, hire someone with experience to supervise construction.

17) Construction methods are critical to how the course can be maintained and at what cost. "A knowledgeable golf course architect will study construction alternatives and their influence on annual maintenance budgets," Amick says.

18) In any important project, the talents of experts should be used, he says. "In this case start with an outstanding architect. This encourages the best use of construction funds to produce a golf course everyone will be proud of over the life of the facility."

Builders' boom

Continued from page 1

Not long ago a man who has operated several public golf courses for decades said only a municipal course could be built today and make money because private individuals have to contend with high interest payments and land costs. And "if you charge a nickel more for a cup of coffee, the public crucifies you."

Behold! Courses are charging more and more, and the golfing public is indeed paying those higher fees.

There are still factors to beware of — from restrictive environmental laws to overloading an area with courses — but circumstances are indeed turning the way of the golf course builder.

"We're looking at several projects right now where a real-estate developer is donating land for a golf course to be built within their housing development," said Michael Beebe, vice president of McCumber Golf.

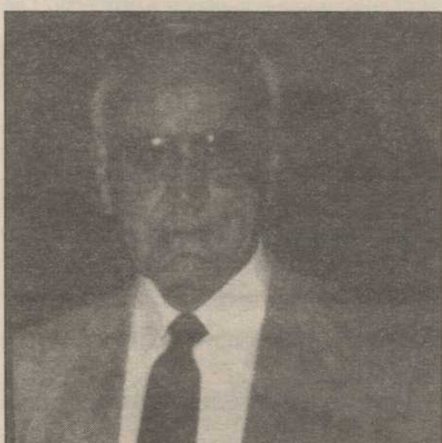
Rossi points out that around 90 percent of the courses being built today are tied to real estate. And he and others in the industry expect that trend to continue, yet they also see increases in numbers of privately owned and municipal public courses.

Perry Dye, president of the Golf Course Builders Association and of Dye Designs, Inc., said, "We have seen some things in the last four or five years that have changed a lot of minds about whether a golf course (not linked to real-estate development) will pay for itself. Our impression now — with some of these cities dealing with municipal bonds and selling them to build municipal golf courses — is that they have been able to retire the debt and operate at a profit.

"We've seen golf course daily greens fees go from $8 to $22 and the cost of building a golf course has not doubled, so definitely what's happened is that the golfer has decided to pay a price that has allowed us to build golf courses."

Dye added, "Yes, we have seen most of the upper-end, more expensive golf courses are attached to real estate, and that's been a very valuable way for us to be able to get the ground to build a golf course. But right now, golf courses will pay for themselves in a lot of populated areas."

Dye also said, "We have people who could never before be able to borrow the money, build a golf course and retire the debt. And that's something that's fairly brand-new to the market. There's no doubt there are a lot of people out there who are willing to finance golf courses who were not in the market before because the economics of a golf course purely were not there."


Don Rossi

Even when a municipality is not the owner, the land is not donated, or a real-estate development is not involved, golf course developers can find financing.

Rossi of the Builders Association said, "Savings and loans went through a period of scrutinizing golf courses closely because some bad loans had been made. They're not hungry to make loans anymore but they will."

Indeed, based on average costs for new courses supplied by a number of builders to McGraw Hill Inc., the dollar value of golf construction last year totaled about $400 million in the United States. And all that work was divided up among about 50 contractors.

Dye said that when greens fees at Pebble Beach broke the $100 barrier "that was a really substantial momentum for the whole industry."

"We're talking now about the No. 1 course now at $175-$180 for greens fees," he said. "That's a big money-maker and the effect trickled all the way down to the $8 greens fee and took it to $12 and $14. So when you look at the top of the market and where it's gone for one greens fee and now look at what they can charge in Hawaii and Southern California for one greens fee, it becomes economically feasible to build a course."

McCumber Golf's Beebe said, "The trend is toward upscale public golf courses, as opposed to private country clubs, at developments. They have a high standard of maintenance, and a higher greens fee is paid. But if you can offer the public a quality country club-type course, in many places they will pay the $30 greens fee and it can make operational success.

Would-be developers should be warned: Many variables decide whether a course will be a success. — Don Rossi

"We're seeing more and more clients interested in this type of facility... Jones Creek (Golf Course, designed by Rees Jones) in Augusta (Ga.) operates on an upscale public course basis and is a wonderful and successful course."

Still, Rossi warns would-be developers that many variables decide whether a course will be a success.

Location, he said, is the critical factor. "Are you going to have a 12-month season or a nine-month season?" he asked. "Obviously, in the South you have a better chance of making it... That is also why so many ski areas are adding golf courses, so they will have a source of income the year round."

"You must also consider the weather," Rossi said. "In Hawaii they can stay open every day of the year. But in some of the country how many months can people play?

This is also a reason so many ski areas are building golf courses — to be able to make money 12 months a year to pay the bills.

Vital to the course is the water availability, if it is in an area people want to visit, and how many other courses and golfers are in the vicinity.

And, "the closer you get to a city, the more expensive the land is to buy," Rossi said, "unless you're buying a landfill or condemned land" — and that, too, is being done more often today. In fact, some municipalities are building courses on their old landfills.

Indeed, Joe Jemsek, the dean of golf in Chicago, operating eight courses including the famous Cog Hill and Pine Meadow, insists that unless a builder has the land and doesn't have to borrow millions, "municipalities is the only way you can build a golf course."

"The municipalities pay for it and they get it from the taxpayers; they've got the land and it's for the good of everybody. It's the wave of the future," he said.

Yet Rossi said, "A lot of paperwork is being done but I don't see any deluge of munis — nor of daily-fee courses. Most are real-estate or resort courses.

"Look at the many courses being built in North Carolina, South Carolina and Florida, but we're not besieged with munis."

According to the National Golf Foundation reports, of the 241 courses being planned or under construction, 24 are municipal, 97 are daily fee, 106 are private and the other 14 are undecided.

Whatever the type course, that translates into hundreds of millions of dollars being spend on courses, a lot of work for builders, and thousands of new jobs for superintendents, club managers, pros and their staffs.

And when looking at NGF figures claiming the need for a new golf course a day for the next 20 years, Dye said, "I don't know of any industry that can double its volume overnight. We may never reach the point where we've saturated the market with overbuilding, and that's pretty unbelievable."

Northern New England: Surviving in shorter seasons

BY VERN PUTNEY

Northern New England is looked upon by much of the nation as a superb summer vacation spot, and the shoreline, forests and mountains aren't the only attractions. Golf course developers are thriving in Massachusetts, New Hampshire and Maine.

New Hampshire lists 20 courses under development or in the planning stage. Maine numbers 14, Massachusetts 13.

Developers' knowledge of area conditions and a not-too-restrictive hand by state agencies are keys to the expansion.

Developers know that courses in these states will be playable from eight months to year-round. They have found that gloves (not golf) may be necessary in late November, and an early snowstorm may sideline even the most hardy; but the season is surprisingly long.

This means steady club revenue in from green fees and car rentals.

Massachusetts (particularly Cape Cod) can have a near year-round season. Southern Maine can count on an April 15-Nov. 15 season, frequently with a week's bonus on either end. New Hampshire can squeeze in a bit more play.

It's no wonder, then, that New England's bedrock is ground for solid financial footing.

Yet, financial success does not hinge on receipts from green fees and car rentals, but on business done before a shovelful of earth has been turned.

That business is coupling real estate with golf courses. It has been a rewarding marriage. Around 90 percent of golf course construction nationwide reportedly is linked to real-estate development.

J.J. Cohen, president of a Littleton, Mass., construction and development company, struck golf gold in New Hampshire. He estimates his Blueberry Hill project in New Ipswich, begun in October 1987 and earmarked for opening in the fall of 1990, will realize a profit of $35 million to $40 million over the next 15 years.

That figure won't be strictly golf proceeds, of course. In addition to a championship 18-hole layout, Blueberry Hill will encompass luxury condominiums and such plush recreational facilities as an equestrian center and state-of-the-art health club.

The enticing melding of tournament-type country club course and real estate that attracts well-to-do members is evident at Falmouth (Maine) Country Club, a creation of Massachusetts architects Geoffrey S. Cornish and Brian Silva, which opened last fall.

David Bateman, vice president of Dictar Associates which developed Falmouth CC, noted: "We broke even in the construction of the golf course and the clubhouse. The big plus is the real estate around the course. We sold 122 single-family lots for an average of $110,000 — a total of about $13.4 million."

Subtract $6 million in land and construction costs and Dictar realized a gross profit of up to $7.4 million.

Blueberry Hill and Falmouth figures must be considered fantastic in conservative country where green fees don't approach the $100 charged at some courses.

Indeed, residential fairway frontage is second only to water frontage. Offices, other forms of recreation, industrial parks, etc., also are integrated into golf courses.

The British viewpoint was "Trade Follows The Flag." The golf industry says, "Industry Follows Recreation."

It is not uncommon for companies to choose a site because of fine golf courses in the area.

More private courses than ever have waiting lists. Some make applicants pay just to be on the list.

Strangely, outside the Sun Belt, the majority who buy fairway lots are non-golfers. Yet they still want a fine golf course.

Illustrative of that point was a golf course built adjoining a non-player's property. The homeowner promptly knocked down walls, replaced them with huge glass windows and enjoyed the view.

Dr. Joseph D. Beditz, executive vice president and chief operating officer of the National Golf Foundation, says a significant number of new facilities will be needed to accommodate increased demand from an aging population of golfers who play more frequently.

Golf course development and operations, he points out, have become sophisticated multimillion-dollar propositions. Investments of $2 million to $5 million for new course development, and annual operating revenues in excess of $1 million are the rule, not the exception, in today's economy.

Golf courses make financial sense, adds Dr. Beditz.

"When designed and developed properly, golf courses make money. And if they do not, it is almost always faulty management that is to blame as opposed to faulty markets, and management problems are curable.

"Communities will be ever looking for new and better ways to serve older citizens who, coincidentally, tend to vote with much more frequency and regularity than their juniors. Golf courses will not only meet part of the social and recreational needs of the senior population, but will also potentially produce excess revenues for communities which can be used to fund other senior services."

Financing

Continued from page 1

successful.

"We don't like to mislead people," says Joe Walser Jr., senior vice president of Landmark Land Co., Inc. "People see our projects, like PGA West, for example, and numbers like land costs being $40,000 an acre and that land is now selling for $140,000 an acre or more and they think it sounds great. What they don't understand is that we have $70 million in costs in land and golf course construction, the clubhouse, roads and other infrastructure. It's an expensive proposition."

So the bottom line for those wanting to take the golf course development plunge comes again to financing. Money can come from private sources, individuals, a financial or lending institution or from goverment financing.

"It's important to stress that most companies that finance golf do it as a percentage of their overall portfolio. GATX is the only one we could find that has a golf capital division.
— Richard Abel

A recent seminar developed by the Crittenden News Service in the Palm Springs, Calif., area dealt with some of those issues for would-be developers.

Conference producer Richard Abel explained, "We had 28 speakers over two days, all from different companies and perspectives. Explained were market studies, what they mean, what size population supports what kind of course — and so forth."

In the process of putting together the conference, Abel discovered some names of companies that have golf in their portfolios. He said Wells Fargo Bank and credit companies such as Greyhound, Westinghouse and GATX Golf Capital are among names prominent today. Textron also has a division that lends some money for golf course development.

"It's important to stress," Abel adds, "that most companies that finance golf do it as a percentage of their overall portfolio. GATX is the only one we could find that has a golf capital division. Greyhound does — primarily — refinancing. Textron does what it calls miniperm financing — short-term permanent financing. Westinghouse has two divisions — commercial and residential. Its residential division does construction loans for housing and, if golf is a part, it likes that. It doesn't do golf alone.,"

"It seems the people attending (the seminar) were pretty well divided: one-third residential builders, one-third commercial developers and one-third golf course owners-operators," Abel noted.

Crittenden developed the conference because "it seemed to be a topic people wanted to find out more about. A few years ago, it was syndication. Now it's golf course development.

"The National Golf Foundation, whose research has shown that we need to open a course a day from now to the year 2000 to meet demand, is beginning a project that it hopes will help people be successful in developing new courses."

Philip Arnold, vice president of golf course development for the NGF, explains, "By helping educate in the areas of finance and so forth, we are doing the most pertinent thing we can do to promote golf. The last thing we need are unsuccessful golf courses. We need golf courses that are constructed and underway and successful.

"I think lenders are starting to consider golf course financing more actively than thay would have the past few years. We need successes to keep the ball rolling."

The NGF will review all courses opened in the 1980s. From that list it will conduct a survey to answer the crucial questions:

- How were courses financed?
- Have the courses been successful?
- If so, why? If not, why not?

The NGF will try to determine what kind of lending institutions might be more open to development than others.

"We get about 8,000 calls a year related to developing a golf course," Arnold says.

"A large number of the calls touch on financing.

Financing a golf course, it seems, has been perceived as different from other kinds of businesses because it has been viewed, historically, as riskier. Particularly the 1970s were not good. But we are hoping to demonstrate with our survey that the failure rate there is no higher than with other businesses."

Arnold attributes past failures to unrealistic ideas of operating costs and under-capitalization.

"Without proper capital, instead of gaining business, the course goes downhill," Arnold says. "To my knowledge, nobody has this information on how to do it successfully. I think we have to educate bankers and lending institutions on the viability of present-day golf course development. Once we do, it will be easier for golf courses to be financed."

Why does it cost so much for a course?

Those who want to succeed in golf course development often must finance the costs of golf course development, construction and operation over a long period of time. Time is the killer.

Take, for example, Oak Valley, a 6,033-acre master-planned project being developed by Landmark Land Co., Inc., about 40 miles east of Los Angeles.

Acquisition of most of the land was done during 1986. Since that time, plans for creating the community were drawn to comply with local, regional, state and national development criteria. The land has been undergoing environmental and governmental reviews at all necessary levels. Oak Valley is just beginning construction for golf courses that will, barring delays, open in 1990.

During that time, the developer was paying for the land, paying for the planning process and now is in the beginning stages of paying for construction of golf courses and community infrastructure. Revenue has yet to be realized.

Those looking for the quick buck should re-think their plan.