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

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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.

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— 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.