

Finances push environment as key problem

BY PETER BLAIS

Richard Stambrosky approached several local banks a year ago about financing Ricon Development Corp.'s Jack Nicklaus-designed golf course and 500-unit residential development on the outskirts of Pittsburgh.

Bank officers loved the idea of getting in on the front end of the \$35-million Neville Wood project and potential 30-year mortgages on the \$200,000 to \$1 million homes that will

eventually ring the residential golf community.

But when the local banks tried to farm out parts of the deal to savings and loan associations, the S&Ls said "no." That surprised the local banks' upper management who pulled their support.

Fortunately, Stambrosky approached Kidder Peabody & Co. The investment services firm found an interested investor who

could ride out the current economic crisis, allowing construction to begin in the hopes the situation will improve by the time the course opens in 1992.

"We were lucky," said Stambrosky, president of Ricon. "We've talked to people at many projects that can't get funding. The banks just won't touch them until the economy turns around. The S&L crisis has definitely caused things to slow down. In some cases,

there's just no money out there."

Bob Whitley had a similar experience. The developer of Old Marsh Golf Club in North Palm Beach, Fla., is building a golf course community called Colleton River Plantation near Hilton Head, S.C. He would have liked to approach the banks he'd traditionally done business with for money. But he knew better than to even try.

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"The S&L crisis has been devastating," said the president of Whitley Development Corp. "It's not so much the lost credit from the S&L debacle as the spillover into the commercial banks. They virtually have a moratorium on golf course development.

"Government regulators are becoming stricter with the banks so we don't get a repeat of the S&L mess. They're making the commercial banks set aside larger reserves and that's driving some projects right out of the market.

Whitley said he resorted to unconventional financing at Colleton. "We have two alternatives, Japanese money or pension funds. We would

have gone to the banks we've done business with over and over again. But they just can't do it now," he said.

Golf course architects and builders seem to agree with Stambrosky's and Whitley's assessments based on Golf Course News' annual survey.

A year ago, the environment was easily the major concern of architects and builders. It was mentioned by more than two-thirds of those responding to the survey as the critical issue facing the industry.

Environmental delays remain a major sticking point in bringing projects to fruition, according to 74 percent of the designers and builders. But the environment now shares center stage with the funding dilemma.



G. Matthews

'Environmentalists will be looking at existing courses more and more.'

Lack of financing, which received scant attention last year, was mentioned as the critical issue or the major obstacle to the course-a-day goal by 61 percent of those surveyed this time around.

"The environment and financing go hand-in-hand," said Del Rey, Calif. architect Richard Bigler. "The environmental delays drive us all crazy. And they can draw out a project so long that funding dries

up and developers can't hold the property."

Added builder Jerry Pierman of International Golf Group: "The key is financing. If you're financed properly, including contingencies, you can always wait, even if you don't get that environmental permit right away. If you don't have the money, you can't afford to wait. Money can buy you time."

Architects and builders blamed environmental concerns, lack of funding and poor weather for delays in opening courses during the first half of 1990, according to the National Golf Foundation. The NGF reported the 129 new course openings in the first six months of this year were off 19 percent from the 159 that opened during the same period a year ago.

But with 570 courses under construction, compared to 375 in the second half of 1989, the NGF is optimistic total 1990 openings will still surpass last year's 290. And with another 684 in the planning stage, it believes the goal of a new course a day through the year 2000 is well within reach.

Architects and builders aren't so sure.

"There are many courses on the drawing boards," said Jim Robinson, general manager of American Golf Course Construction in Plano, Texas. "But financing has become more difficult to obtain in the last year. I've heard of a number of projects that are not going through or will have to wait."

"The environmental problems will be with us forever," added Steven Forrest, a designer with Arthur Hills & Associates. "In the short term, however, things are slowing down while everyone waits to see what happens with the economy."

Added Whitley: "It will never be as easy as it was five years ago to get financing. But eventually it will be easier than today. It could be two or three years before we see any significant improvement. It won't be next year.

"I've always thought the course-a-day goal was implausible under the best of circumstances. This will make it impossible. We've been working on this (Colleton) for two years and are just getting our financing. The guy looking for money next year or the year after may not be able to get it at all. I think we'll be lucky to get half the number of courses open next year. I can't see more than 200."

Financing and the environment were far and away the issues most frequently mentioned by architects and builders. Following is a cross-section of their comments:

- "People just aren't aware of the benefits of a golf course to the environment," said Michigan architect Gerald Matthews. "Architects have to work together to get the message out. Superintendents need to get involved, too. The environmentalists aren't just going after new courses. They'll be looking at existing courses more and more in the future."

- "Only 20 percent of all the projects proposed ever get built," said Bigler, an architect for over 30 years. "We have 18 proposals right now and I'd be happy if two or three are ever completed. It might be a little different with the really big names like Nicklaus. But with the rest it would average around 20 percent."

"I saw the boom in the 1950s and again in the late 1960s. That's the way it is with the new course market. It goes up and it crashes, goes up and crashes.

"If the situation in Iraq explodes and gasoline prices go way up, the golf industry will crash like a rock. That's what happened when petroleum prices went up in 1973. Petroleum costs directly affect golf course development. Pipes are made of plastics which are made of oil. Then there's increased grading costs.

- "People are understandably concerned about the environment,"

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Survey

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said Nashville, Tenn., architect Gary Baird. "But the pendulum has swung too far. We're paying today for avoiding environmental issues in the past. Agencies are overly sensitive. Hopefully the pendulum will start swinging back the other way."
"The major problem right now is getting funding for public courses. The private course development business is in a slight recession. But it isn't hurting as bad as the public sector. We've got to find a way to get the banks to loosen up for the public club sector. I've got one guy with a net worth of \$10 million who wants to build a public course. But he's been turned down for funding 20 times. That's ridiculous."

"The problem is the staff at the agencies involved in the approval process apply restrictions exactly as the rules say," said Bruce Charlton, a designer with Robert Trent Jones II International. "They don't understand that a golf course can benefit the environment and doesn't necessarily fall within the rules they're using."

"Architects are environmentalists. Our livelihood depends on our ability to transform the outdoors into a natural recreation area. We don't force courses on the environment. We have to make agencies see that a golf course is a great filter, a natural transition zone from a residential to a wild area."

"The future of the golf course development business depends on our developing black and white statistics proving the environmental benefits of golf. We have to fight science with science."

"There are a lot of non-professionals out there with a lot to say," said Pennsylvania architect Ferdinand Garbin. "They're a vocal minority and they're swinging many people their way. They prey on an uninformed public making arguments like, 'If you let them drain that swamp, your child may never see a speckled trout.' It's ridiculous."

"The laws are changing so fast, it's tough to keep up. In Ohio, we started a project and then had to shut down because the law changed."

"In Pennsylvania, we're working on 25 acres that have been approved for construction. But we're still waiting for approval on the rest of the course."

"At a ski area in New York, we built 18 holes over a swamp. We'd like to build another 18. But it's a protected area now. You can't even walk it."

"The fear people have about developing courses in rural areas is that it's the first step to commercial development. They see it as a growth initiative," said Wisconsin architect Garrett Gill.

"They worry about depletion of ground water supplies, even though historically there's been plenty of water in Wisconsin. They worry about ground water contamination, so we've used a lot of integrated pest management techniques to try to alleviate those fears."

"It's ironic that with so much agricultural land around, golf courses get picked on for using chemicals. But golf courses are an easy target."

"Golf courses here have to fit into

a particular niche. People want to protect prime agricultural land and wetlands. And they're no longer welcome in flood plains. That leaves marginal farmland as the only spot available. Golf courses are a good use for that land."

"I was at a town council meeting last night. What a show," said Maryland architect William Love. "The site sits over an old sewer line with a secondary growth of trees. But the no-growthers and the environmentalists were there."

"The environmental process adds a lot of time and expense to a project. We had a site with non-delineated wetlands. It cost \$110,000 just for the environmental study."

"Financing and permitting difficulties are the major issues said Lakeland, Fla., architect Lee Bil-



Rees Jones

berry. "I'm not sure who is in control," he said. "There are too many bureaucrats."

"No-growthers, posing as environmentalists, play on peoples' fears of any man-made chemicals to stop any development," said Steve Burns of Burns Golf Design in Fernandina Beach, Fla. Golf courses, if anything, are good for the environment. But they use chemicals, so they are an easy target for the pseudo-sci-

'A lot of the little guys are not able to take the risk...'

entists and anti-development people to pick on."

"Water and chemicals are the major issues," said Juno Beach, Fla., builder and architect Jim Fazio. "Water is wasted and there is a shortage of it. Chemicals pollute the water. Golf courses do not have to be 100 percent conditioned if they are going to endanger the environment."

"The banking problems have caused some of our clients some difficulty in that the banks don't understand the value and the economics of golf. I think we're going to have to do a little more work so the banking industry understands the dynamics of our industry," said New Jersey architect Rees Jones.

"A lot of the little guys who used to be a part of the industry are not

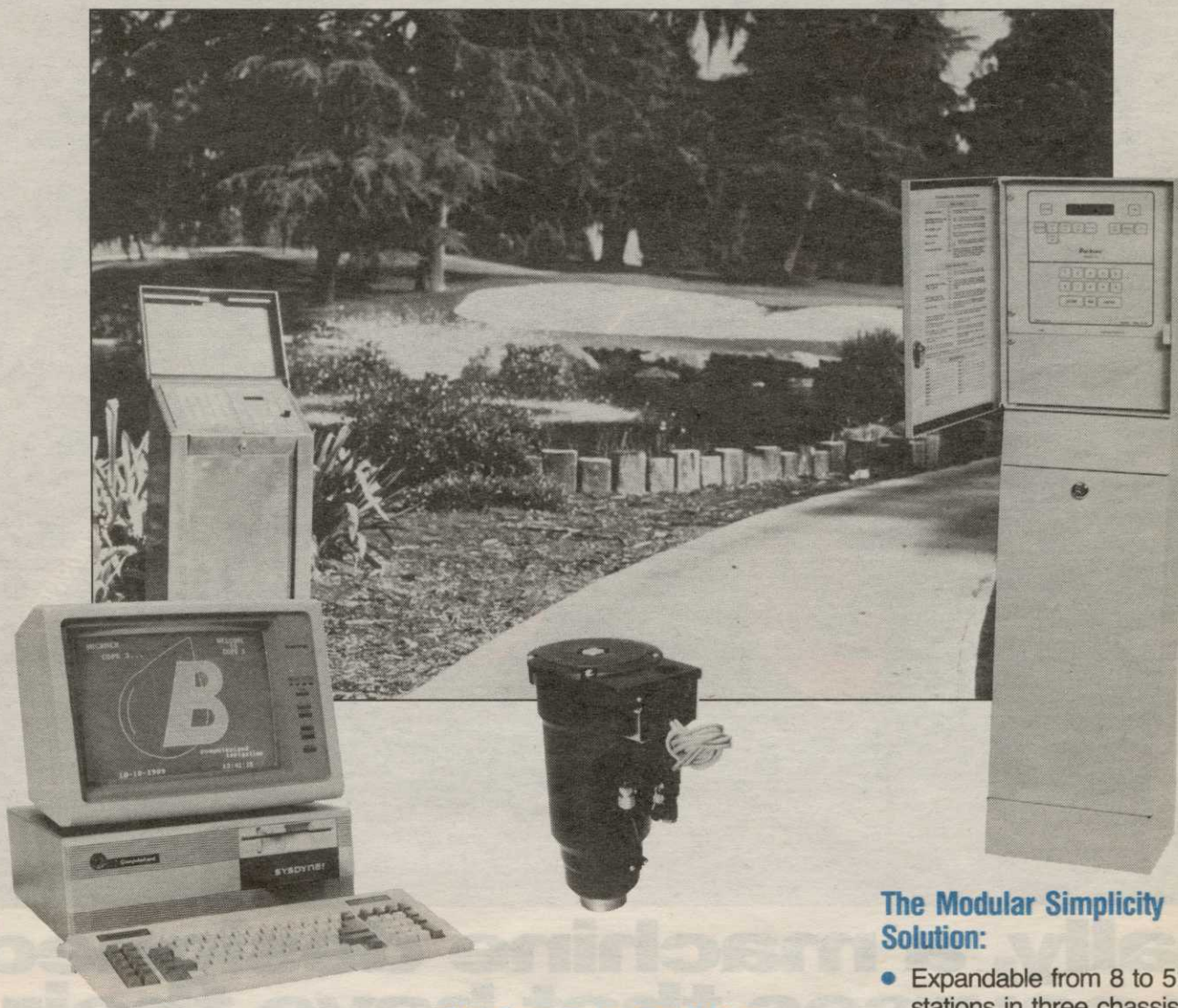
able to take the risk of going through that long and difficult process to get environmental approval. They don't have the money in some areas to take the risk that they might not get approval."

"We have to streamline the process in every respect so that middle-budget golf course people can get a green light. Those are the people that can provide golf at a reasonable rate."

"Developers, financial institutions and permitting agencies are being misled by the hype of the golf boom as predicted by the NGF. That has caused novices to enter the marketplace unprepared and professionals to act very cautiously, creating a false depression," said Lisa J. Maki, president of Golf Design Services, Inc., of Leesburg, Va.

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