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No. 3

GOLF COURSE NEWS

THE NEWSPAPER FOR THE GOLF COURSE INDUSTRY

A UNITED PUBLICATION
VOLUME 3, NUMBER 3
MARCH 1991

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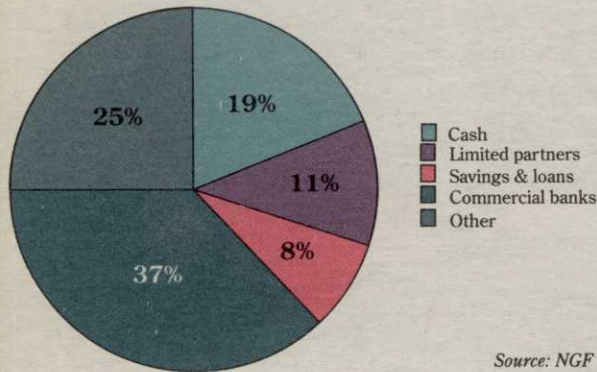
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Japanese firms stay active

By Mark Leslie

Cosmo World, Nitto Kogyo America and Sports Shinko lead the "players" in the Japanese surge of megamillion-dollar buyouts of premier U.S. golf properties.

According to a report prepared by Mead Ventures, Inc. of Phoenix, Ariz.,

the Japanese search for long-term return on investments and their love for golf are keeping real-estate brokers busy in the United States.

The Japanese interest to buy, coupled with a growing willingness of American course owners to sell, have created an active marketplace.

"Over 100 golf course owners have contacted me to find buyers or joint venture partners — looking for financial relief some way," said Donald Wizeman, president of the U.S.-Japan Golf Association based in Myrtle Beach, S.C. "Sellers are from all over the country. I probably

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Seven Bridges, the centerpiece of a major development in Woodbridge, will open in July as the latest in a number of new golf courses around Chicago. (See story on page 30.) The view from the 5th green over the 6th tee to the 6th green shows the edge of the DuPage County Forest Preserve in the background. Designed by Dick Nugent, Seven Bridges will be a high-end public 18-hole course. Residential units, a hotel, commercial center and offices are planned for the project. It lies between Naperville and Lisle.



Photo by Miles Lowry

Builders' new director puts priorities in place

Philip Arnold takes charge of association

By Mark Leslie

LAS VEGAS, Nev. — The new executive director of the Golf Course Builders of America wants to develop an association that can guarantee credibility in construction, educate potential lenders, and join with other groups on the environmental front.

Philip A. Arnold, who was approved Feb. 11 to succeed the late Don Rossi, said: "I'm continuing what Don wanted to do — to give our members more. I want to deliver substance, not just form, to this group."

Perry Dye, re-elected to a third term as president of the GCBA, said: "We tried to mix Don's vision with the talent that is on the market. We found Phil."

Vice president of the National Golf Foundation for the past 2-1/2 years, the 44-year-old Arnold said he will present to the GCBA's August meeting a plan to certify all members of the association — from builders to blenders.

"Each of our seven categories of members will have a certification process to go through," Arnold said. "We



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Surviving the California drought

By Peter Blais

With some creative course management, California golf courses are managing to survive the six-year drought that has plagued that state, according to Dr. M. Ali Harivandi.

Most of California depends on melting winter snows for summer irrigation. With snowpacks way down, golf courses will likely experience an upcoming summer of even tighter watering restrictions, the University of California Cooperative Extension researcher said

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USGA funds standardized lab tests

By Peter Blais

A Cornell University professor will spend the next year standardizing the laboratory test procedures used to determine whether putting green soils meet United States Golf Association specifications.

Dr. Norm Hummell will devote his one-year sabbatical to the effort beginning in July, although he has already done some preliminary work, according to USGA Green Section Director Jim Snow. The Green Section will

pay Hummell's salary.

The turfgrass extension specialist will meet with representatives from soil-testing labs, universities and companies in the golf course development business.

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Many course owners said eager to find buyers

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get 10 calls a week from Anywhere, U.S.A."

Wizeman said many of the U.S. developers testing their properties on the real estate waters "have encumbered themselves too much with memberships, where the members have to approve everything, so the buyer can't do anything. Here in Myrtle Beach the golf courses are making money hand over fist but the developments are sitting empty."

O'Brien McGarey, director of business development for Dye Design International of Denver, said he also has received "hundreds of contacts from golf courses that are either for sale, thinking of selling, or 'not-for-sale-but-make-me-an-offer'—the full gamut."

The market has shifted from its origins, California, where "most of the nicer courses have been cherry-picked by the Japanese,"

according to Mead Ventures President Chris Mead.

McGarey said there is one common geographic link between the approximately 200 courses bought by Cosmo World, Nitto Kogyo America, Sports Shinko and such other Japanese firms as Fuji Country, Aichi, Daiichi America Corp., Ginza Golf Services, Seibu Co., Suwaso Corp., Shinwa Investments, Kabuto International Corp. and Marufuji.

That link is the cities where Japan Air Lines travels.

"Look at the cities where JAL has landing rights and draw a 50- or 75-mile radius around that airport. You'd be amazed at the coincidence of all these purchases," McGarey said. "They include Vancouver, Portland, Seattle, San Francisco, Los Angeles, and San Diego, to some extent. And there are Atlanta, Chi-

cago, Dallas, Washington, D.C., and New York City.

"They can fly there direct from Tokyo and get to the course without much problem. It's that simple."

BUYING PATTERNS

Although a few U.S. courses were bought earlier — like Peacock Gap Golf and Country Club in San Rafael, Calif., by Nitto Kogyo in 1973, and Makena Golf Course in Kauai, Hawaii, by Seibu Hawa in 1981 — most of the transactions have taken place in the last five years.

Typically, a Japanese company will buy a course and try to regain its investment by selling memberships to a combination of courses in the United States, say 1,000 memberships for \$150,000 apiece. That scenario would bring in \$150 million.

Some firms — like GGS — look at courses solely as economic income properties, McGarey said, adding that not all the purchases are "high-end" properties.

"Some are 'B'-type courses but are good economic deals," he said. "Whoever heard of Riverdale (bought by Fuji Country in New Jersey) or Cypress Golf Club (bought by Fuji Country for \$37 million in Los Angeles)?"

It all began in Hawaii and, on the mainland, California.

McGarey explained: "Los Angeles is the center of everything. Japanese started looking at golf course properties there and got some great deals. Golf course owners saw this and escalated prices to where they were selling for \$1 million per hole. That's where it is today and it's overpriced.

"As you get away from LA the price comes down in degrees. You might find something in Northern California you can get for \$750,000 a hole."

The extraordinary prices being commanded were magnified by the recent \$800 million- to \$1-billion sale of Pebble Beach Co. to Ben Hogan Properties of Fort Worth, Texas, an affiliate of Cosmo World; the \$739-million joint venture for 24 Landmark Land Co. properties, with Japanese investors including Daiichi Real Estate Co. involved; and the \$230-million bill Kyo-Ya Co. picked up for Grand Cypress Resort in Orlando, Fla.

But those astronomical prices will probably disappear, experts say.

According to Mead, more companies figure this is a buyer's market and are shopping around.

"They seem to think every course is an RTC (Resolution Trust Corp.) deal," Mead said. "They've read about all the trouble the U.S. real estate business is in. They think every S&L and real estate development is in trouble. So they're either waiting or making bids that are low. They're not quite the high bidders they were awhile back."

McGarey agreed prices have stabilized, "except with membership deals or if a company has a specific agenda for a property. Every golf course in California selling for \$1 million a hole is too expensive today. The golf market in California has been either exhausted, saturated or overpriced.

"So now we're moving into what a couple of years ago were called secondary markets. I think it's already turned. We've seen a change in the number and amount of Japanese investments.

"Seattle, the Pacific Northwest, is very active. I think you'll see people go to good golf markets like Phoenix, where traditionally it has not been that hot..."

"Travel distance is an inhibiting factor but not an eliminating factor," said Ben Hogan Co. President David Hueber.

McGarey said: "As time progresses — as long as the Japanese investors continue to be aggressive and numerous and ready to spend money on purchases — they have to start looking at secondary markets. If we have a situation where the money sources, style and types of investments start to taper off and where not as many companies are as aggressive in golf in the U.S., we'll see a return to (buying) those premier properties in the major markets."

Hueber predicted Japanese buying would "slow at least a little bit, given the current tightness of cash."

"But assuming the recession is neither long nor deep (if you can eliminate those factors), I would suspect the interest in golf will continue," Hueber said. "The Japanese economy is tremendously resilient."

LONG-TERM VIEW

All agree the Japanese perception of in-

The most active Japanese companies in golf property purchases

Company	Properties purchased	Location	Price	Year
Cosmo World 250 N. Robertson Blvd. Beverly Hills, Calif.	Pebble Beach Co. (thru Ben Hogan Prop.)	Monterey, Calif.	\$800M-\$1B	1990
	Kaupulehu Resort & GC	Hawaii, Hawaii	\$160M UC	
	Silver Canyon Resort	Henderson, Nev.	\$600M	UC
Nitto Kogyo America 1950 Sawtelle Blvd. Los Angeles, Calif.	Peacock Gap G&CC	San Rafael, Calif.	\$15M	1973
	Makaha CC	Oahu, Hawaii	N/A	1982
	Calabasas G&CC	Calabasas, Calif.	\$4.5M	1985
	Pine Hills CC	Decatur, Ga.	\$6M	1987
	Silver Sand	Mauai, Hawaii	N/A	1988
	Soboba Springs CC	San Jacinto, Calif.	N/A	1988
Sports Shinko Muraki Bldg. 2-10-10, Yaesu Chuo-ku, Tokyo 104	Mililani GC	Oahu, Hawaii	\$16M	1986
	Kiahuna Plantation GC	Kauai, Hawaii	\$24M	1986
	Grenelefe Resort&Conf. Ctr.	Haines City, Fla.	\$28M	1987
	La Costa Resort&Spa	Carlsbad, Calif.	\$250M	1987
	Pukalani CC	Mauai, Hawaii	N/A	1987
Shuwa Investments 555 S. Flower St. Los Angeles, Calif.	Wailea Blue and Orange GCs	Mauai, Hawaii	\$197M	1989
	Seven Hills GC	Hemet, Calif.	\$10M	1989
	Sierra LaVerne GC	LaVerne, Calif.	\$73M	1990
Ginza Golf Services 101 S.W. Main St. Portland, Ore.	Chase Oaks GC	Plano, Texas	NA	1989
	Rancho Mirage CC	Rancho Mirage CC	\$14M	1990
	Sophie's Island	Portland, Ore.	N/A	Planning
Fuji Country Sakaecho Bldg. 3-23-31, Nishiki Naka-ku, Nagoya 460	Castle Creek (ne Circle R Ranch)	Escondido, Calif.	N/A	1988
	Sonoma National	Sonoma, Calif.	\$7M	1988
	Rivervale	Rivervale, N.J.	\$28M	1989
	Cypress Golf Club	Los Angeles, Calif.	\$37M	1990
Aichi Tokyo, Japan	Mesquite CC	Palm Springs, Calif.	\$7.3M	1987
	Canoa Hills GC	Green Valley, Ariz.	N/A	1987
	Desert Falls CC	Palm Desert, Calif.	N/A	1988
Daiichi America Corp. Hawaii, Hawaii 514 Adler St. Myrtle Beach, S.C.	Mauna Laui GC (ne Francis Brown GC)		\$51.5M	1986
	Lakeover CC	Bedford, N.Y.	\$24.9M	1989
	Landmark Land properties	U.S.A.	\$739M	Planning*
Suwaso Corp. 3000 Farlington Pkwy. Decatur, Ga.	Metropolitan CC	Decatur, Ga.	\$2-3M	1986
	Centennial GC (w/partners)	Woodstock, Ga.	N/A	1990
	Wild Wing (5 courses)	Myrtle Beach, S.C.	\$20M	UC
Kabuto International Group 1 Daniel Burnham Ct. San Francisco, Calif.	Wigwam Resort&CC	Litchfield Park, Ariz.	\$70M	1990
	Arizona Biltmore CC (1/3 interest)	Phoenix, Ariz.	\$20M	1990
HueHue Corp.	Regent Beach GC	Hawaii, Hawaii	N/A	UC
	HueHue Ranch GC (w/Regent Hotels)	Hawaii, Hawaii	N/A	UC
Kyo-Ya Co. 2961 Wilshire Blvd. Los Angeles, Calif.	Grand Cypress Resort	Orlando, Fla.	\$230M	1990
Marukin Shoji Co.	Riviera CC&Tennis	Los Angeles, Calif.	\$108M	1989
NKS America./Misawa Homes	American Canyon	Vallejo, Calif.	\$733M	UC
Seibu Co.	Mauna Kea Beach Hotel GC	Hawaii, Hawaii	\$315M	1988
Mauna Kea Properties	South Kohala Resort	Hawaii, Hawaii	\$329M	UC
Minami Nevada Inc. 300 S. Fourth St. Las Vegas, Nev.	Dunes Hotel&CC	Las Vegas, Nev.	\$157.7M	1987
Asahi Jyukon Co. Ltd. 515 S. Flower St. Los Angeles, Calif.	Turtle Bay Hilton G&CC	Oahu, Hawaii	\$127.5M	1988
Hidechika Kobayash/ Isao Okawa (Sega)	Silverado CC&Resort	Napa, Calif.	\$95M	1989

* — Daiichi Real Estate, Landmark Land Co. and individual investors are coordinating a joint venture for 24 golf courses that should be finalized near the end of March.
UC — Under construction.

Japanese ownership often means infusion of funds

Hogan Co., others say new owners provide much-needed capital

Japanese ownership has made a world of difference to Ben Hogan Properties Co., according to President David Hueber. And he does not stand alone in his assessment.

"Everyone we know of, the people at the resorts (bought by Japanese) are happier than they were before," said Donald Wizeman, president of U.S.-Japan Golf Association.

"From what I've heard," said Mead Ventures President Chris Mead, "the average course bought by the Japanese gets spruced up. I think the plant and equipment of U.S. golf courses will be upgraded because of the Japanese involvement... In general, there will be competitive pressure to improve courses to keep up with them."

That is true in his case, agrees Hueber, who is overseeing Pebble Beach Co., bought by his Cosmo World-owned company for \$800 million to \$1 billion.

"The ownership and support we've had as a company has been terrific," Hueber said. "They truly have a long-range vision for Ben Hogan Co. We had been operating profitably. But the fact that you have that kind of support to build the business is wonderful."

"Cosmo ownership is terrific. There was an absence of investment (at Hogan), but no longer. Now we can make the changes we want to make, just as at Pebble Beach. They (former owners) just basically harvested

Pebble Beach the last few years.

"Since we bought it we've been restoring it to its original character, its original luster. It is a national treasure for the public and is a very special place for people to visit."

When Daiichi America Real Estate Corp., the New York City subsidiary of Daiichi Real Estate Co. Ltd. of Tokyo, bought Lakeover Country Club in Bedford, N.Y., for \$24.9 million, officials immediately planned improvements.

Douglas Danzig of the Park Avenue law firm Marks, Murase & White, which represents Daiichi, said: "They're willing to spend as much as it takes to rebuild the course... It will be a world-class, top-notch golf course" by the spring of 1991.

O'Brien McGarey, director of business development for Dye Designs International, tells the story of Cypress Golf Club in Los Angeles.

Fuji Country paid \$37 million for Cypress and some surrounding property, then spent another \$10 million to \$12 million to remodel it.

"That doesn't make sense if you're using standard American economic performance criteria. But you can't put that value on it," McGarey said. "They're selling corporate memberships in Japan. Plus, they take a long-term payback perspective that Americans don't have."

Wizeman said Japanese are "very concerned with the Japan-bashing that's been going on in our Congressional leadership, and people squawking about them buying premier property. They don't want any kind of aggravation. One of the questions they ask

is if there would be concern about their buying a property. They rarely replace management that's in place... They just want to own

it and operate it efficiently."

All agree that maintaining model courses is integral to that concept.

Office building investments down, but golf buys increase

The cost of land and construction in their own country has driven Japanese companies to foreign soil for investments.

"The sheer economics of building a golf course in Japan drives them elsewhere," said U.S.-Japan Golf Association President Donald Wizeman of Myrtle Beach, S.C. "It costs \$100 million to build a course there."

Wizeman said the Japanese National Tax Agency recently assessed a square yard of land in the Ginza District in the center of Tokyo at \$252,000 — a 17.5-percent increase over the previous year.

Meanwhile, land evaluation nationwide has risen 38.1 percent over a year ago.

No wonder the Japanese are investing in Europe, Asia, America and England, Wizeman said.

O'Brien McGarey, director of business development for Dye Designs International, which is building a half-dozen courses in Japan, agreed the Japanese can save a lot of money buying abroad.

"Why spend \$100 million when you can buy an existing, established course for \$10

Japanese investment by property type in 1989 — percent of total investment: Cumulative: \$17.3 billion in 1989

Type	Cumulative	1989
Hotel & resort:	26%	28%
Offices	44	23
Residential	9	15
Mixed use	10	15
Land	4	9
Golf	1	3

Golf purchases in 1989: \$520 million
Source: Kenneth Laventhal & Co. study

million or \$20 million?" he asked.

The U.S. Commerce Department reported last October that Japanese direct investment in U.S. companies and real estate was \$17.3 billion in 1989. It declined 36 percent during the first half of 1990.

Yet Japanese golf and resort-related investments have increased.

Pacific Rim conference planned to bring all parties together

A Pacific Rim Resort and Golf Executive Conference in Hawaii on May 20-21 will explore joint ventures, how to market properties and services in Asia, and new projects in the region.

The conference, "to meet and establish relations with executives from all over the world," is being presented by the University of Hawaii School of Travel Industry Management, Pannell Kerr Forster and Executive Conferences and Seminars.

It will cover environmental delays, financing of all sorts, marketing memberships, and approaches to master planning, among other topics.

Ernest A. Watari, managing director of Pannell Kerr Forster, will chair the conference. Speakers will include architects Robert von Hagge, Michael Hurdzan, Roy Dye and Jim Applegate; Thomas Yamamoto of Naysay Hawaii, Inc.; Dennis Hillier of Hillier Wanless

& Cherry.

Also, Brian Sunada of The Bank of Hawaii; Dean Chuck Gee of the University of Hawaii's School of Travel Industry Management; Mark Kaiser of Ramada Hotels and Resorts; Edwin Fuller of Marriott Lodging International; Dennis Cagan of Design 1 Interiors.

J. Patrick Lawrence of Wimberly Allison Tong & Goo; Yukuo Takenaka of The Takenaka Group; Christopher Mead of the Mead Report on Japanese Investment in U.S. Real Estate; James Bell of Belt Collins & Associates; Edward Bignon of Arnold Palmer Golf; and Mickey Jannol of The Yasuda Trust & Banking Co., Ltd.

For further information people may contact Executive Conferences at P.O. Box 3118, San Rafael, Calif. 94912; telephone 800-873-9137. Registration and conference information costs \$695.

Sellers eager

Continued from page 28

investments is quite different than the American.

Wizeman said: "They don't want an investment that's quick-term. They call us the 10-minute country and they're the 10-year country."

"A golf course we think is worth \$10 million and we believe is an insane buy at \$14 million, can be an outstanding investment for them. They look at it 10 years from now. If you get a minimum 10-percent appreciation every year, what's a \$14-million golf course worth 10 years from now?"

"We tend to focus on making a profit in five years or less to get a payback. Their view is

long-term," agreed Hueber.

McGarey took the time frame a giant step further.

"In the Japanese philosophy of life, real estate is sacred. When they buy a piece of ground they are making a sacred transaction," he said.

"They look at something on a 50- or 100-period or more ... which gives them lots of ability to pay more or buy under different criteria."

With numerous sellers, and a variety of buyers, from food to electronics manufacturers, the trend points to the American golf industry being affected more and more by Japanese ownership.

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