GOLF COURSE NEWS
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Pedaling to par

Airplane mechanic takes mountain bike technology onto the golf course with a pedal-powered golf car.

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INSIDE

Capacity Use at Golf Facilities

NEWSPAPER

Supers' 10 deadly problems

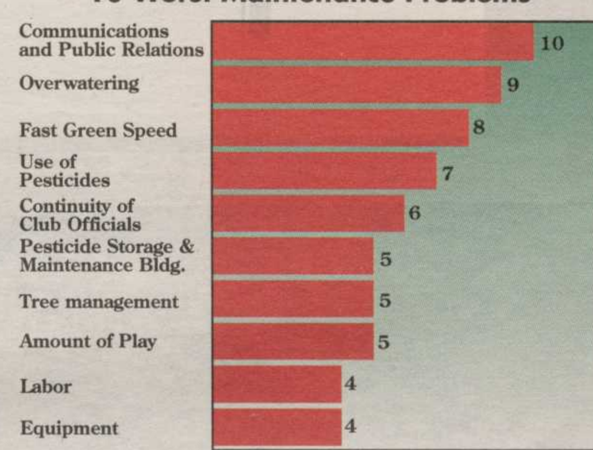
By Peter Blais

Inability to communicate is the major sin committed by those involved in golf course maintenance, according to United States Golf Association agronomists.

Agronomist James Connolly of Willimantic, Conn., gave a talk entitled The Top 10 Sins of Golf Course Maintenance during the recent Maine Golf Turfgrass Conference and Show in Portland.

The Top 10 list resulted from a survey of USGA agronomists conducted last year at the request of a group of golf course owners. Twelve of the 14 USGA Green Section agronomists responded.

10 Worst Maintenance Problems



These 10 worst problems are listed according to the times they were mentioned by 12 of the agronomists with the United States Golf Association Green Section. Communications was listed the most times — 10 — and labor and equipment the least — 4.

Architectural comments were eliminated from the survey. But Connolly conceded architectural shortcomings — both outright architectural errors and outdated features like too-small greens or tees — were among the major problems superintendents face daily. Architectural errors would have ranked somewhere in the middle if they had been included.

The responses were regional. Western agronomists sometimes saw problems where their Eastern counterparts said none existed,

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Water tax may cripple Florida courses

By Peter Blais

A water tax proposed by the Florida Legislature would have a "staggering" effect on the state's golf industry, according to Bob Young, head of the Florida Turfgrass Association.

The proposal calls for a 10-cent tax on every 1,000 gallons over a water user's allotment, with the money funding water conservation studies and practices. Courses using effluent would not be affected.

Emerald Dunes Golf Club owner Raymon Finch said the bill is aimed

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A golfer tees off at a unique hole at Venice (Fla.) Golf and Country Club, designed by Ted McAnlis of North Palm Beach, Fla. Venice G&CC has received high marks since opening Jan. 12. For more information on new course development, see pages 29-31.

Tight money dampens optimism

By Mark Leslie

A "tremendous surge" of interest in golf course development is being met by a cautious, stand-pat attitude by banks, according to industry sources.

Whether their optimism springs from the quick resolution of the Persian Gulf War, lower interest rates, improving demographics or other reasons, developers and buyers are actively looking to move forward on projects.

"There has been a tremendous surge of new business since Jan. 15, with people going forward planning their projects," said Jim Applegate, president of Gary Player Design Co. of Palm Beach Gardens, Fla. Jan. 15 was the deadline for

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USGA to fund final research projects

By Peter Blais

Studies on golf course wildlife and the psychological benefits of the game's playing fields are being considered for the final $300,000 in funding from the United States Golf Association's $2.8-million environmental research project.

The USGA will act by July on proposals concerning the effects of golf course maintenance on wildlife, managing wildlife on the course and the psychological impact of courses on people, according to Mike Kenna, research director for the USGA Green Section.

Studies on the psychological effects of courses have

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Investigate buying rather than building — experts

By Mark Leslie

'Why build new when you can buy existing stock and upgrade it for less than the cost of construction?'
— John Johnson IV, partner
Laventhal & Horvath

Developers may be better advised to buy existing courses rather than build new ones, considering the many facilities on the market, according to golf industry finance experts.

"There are more people out there selling than buying," said Tom Powers, executive vice president of Goodkin Research Corp., a real-estate research and marketing firm based in Lauderdale-By-The-Sea, Fla.

"There are probably opportunities for acquisitions all over the country," said John Johnson IV, a partner in the national accounting and consulting firm of Laventhal & Horvath in West Palm Beach, Fla. "The interest in acquisitions seems to be in existing facilities. The money is usually prearranged — particularly in parties from Japan."

Powers said the only buyers he is dealing with are from the Pacific Basin. "Two years ago there was a very healthy mix of ethnic types. It would have been 50-50," he said.

Powers said that from 1985 to 1987 most developers were Americans whose plan was to "build a course, run it for a year or a year and a half, take the equity out of it and go to course number two, repeat that and go to course number three. At the end of five or six years, they'd have five golf courses.

"But the financing environment fell apart and the vast majority of those guys are sitting out there now with one or two golf courses and they are very, very heavily positioned to sell."

He said he is seeing more foreign investors in that particular market.

James McLoughlin of The McLoughlin Group in Pleasantville, N.Y., said Japanese and Asian groups don't want to take the time to plan and build.

"They just want existing properties," he said.

McLoughlin said that whereas in the past Japanese and Asians usually wanted to buy a golf facility to operate it and sell tradable memberships back home, nowadays half are buying properties solely as investments.

Johnson said historically golf course buying has been characterized by "surges of interest in regions."

Pacific Rim and Sunbelt courses have been the most sought-after this year, he said.

"Pacific Rim buyers are concentrating in Hawaii and the West Coast, Johnson said. "The interest in Florida is from both domestic and foreign investors. There is a sense the Texas markets are coming back, that there are some good buys there. Also, the Southeast in general. The season is longer, therefore more rounds are played, and operation can be more productive."

McLoughlin added that they are also interested in New York and Arizona.

"Why build new when you can buy existing stock and upgrade it for less than the cost of construction?" Johnson asked. "Also, permitting is getting more and more difficult, which gives the advantage to the existing course.

"The downside to existing courses is that a lot wasn't built right or without technology that's available today. You have to be careful."

Tight money putting squeeze on optimistic developers

Continued from page 1

Saddam Hussein to remove his Iraqi troops from Kuwait.

"We have signed six significant golf course design agreements in that time period," Applegate said. "However, the caveat is that we see very little change in the ability to finance these projects."

Applegate said the six courses are all stand-alone facilities, not dependent on residential components.

"That's a huge change in the industry, because three years ago golf courses and architects were hired to do courses inside housing developments. We see a 180-degree change in that now."

John Johnson IV, a partner in Laventhal & Horvath, a national accounting and consulting firm that specializes in the real-estate and leisure-time industries, said: "There's certainly optimism in the marketplace, and the design firms are going to get it first because they are going to do the routing plans... Developers need routing plans and conceptual materials for a package to present to investors and financing sources.

"Also, developers of a number of projects that were conceived in 1990 were hesitant to commit to significant further progress until they felt better about the economy."

Golf course architect Gerald Matthews of Lansing, Mich., said the optimism is hard to measure, but "my sense is, yes, it's there. There is certainly relief about the war. People are smiling and talking about projects."

Frederick D. Jarvis, a principal of LDR International, Inc., planners and landscape architects based in Columbia, Md., said consumer confidence is certainly returning, but "most are saying it will take another six to 12 months to turn around. The primary constraint is that development clients are still unable to get funding."

James McLoughlin of The McLoughlin Group in Pleasantville, N.Y. said the uncertain economic atmosphere reveals "the real versus the marginal players... In the past, out of five calls we got (from potential developers), two or three would know where the money was coming from. Now it's one of five."

Robert Frame, senior vice president for GATX Golf Capital in San Francisco, said his customers never stopped looking for acquisition and development opportunities.

"As a financer of golf course and management companies, we haven't changed our lending criteria at all, because we believe the underlying fundamentals of the growth of golf are long-term," Frame said. "Attractive acquisitions and development projects continue to be there and were there even during the recession and war. So, consequently, we haven't changed our posture toward the industry or financing our customers.

"The process of developing or acquiring a golf course takes time... And you don't turn it on or off like a spigot."

Yet, despite high hopes and optimism, the marketplace is dampened by the continuing difficulty in finding financing in a volatile economy marked by high unemployment.

HUGE EQUITY BEING REQUIRED

Applegate said: "There is a continuance, if not a growth, in foreign money coming to the rescue of American developers who want to go forward, because our banking system is so locked up. I don't know what it's going to take to get our banking system around to the point where they'll lend money on good projects... I'm not so sure banks understand the business of golf."

Applegate said banks are requiring large cash equity to make deals.

"Unless you are in the neighborhood of 75 percent cash equity in a deal, banks just don't seem like they want to participate," he said.

Frame said: "Whether it's 50 or 75 percent, banks are requiring an awful lot of equity in order to make this investment. That's consistent."

Tom Powers, executive vice president of Goodkin Research Corp. in Lauderdale-By-The-Sea, Fla., an internationally known real estate research and marketing firm, said development of golf courses "is increasingly getting out of reach for the vast majority of developers. You can call it a credit crunch, liquidity crisis, whatever... The bottom line is, there are not enough equity dollars out there for golf and, consequently, you're not seeing more golf investment. You're actually seeing somewhat less."

Powers said lenders for all types of real estate — whether it's a home, office building or golf course — are requiring increasing amounts of equity. While there could be some loosening of cash for residential, real estate, or other "traditional products, I don't see it for golf," he said.

Applegate feels banks are handcuffed by dictates of the federal banking system. And Johnson asserted that the lending community in the United States "does not have a real cohesive golf lending track record."

"Most conventional lenders, like banks, have to balance their investment portfolio," he explained.

Donald W. Carson, executive vice president of Barnett Bank of Palm Beach County in West Palm Beach, Fla., said, "Banks have gotten tight on (development) projects that are two or three years in nature because of the potential regulator risks."

Projects that include a course are generally large, encompassing 500 or more lots, he said.

"In that case, even in a strong economy, that number of lots would probably take two, three, perhaps four years for a projected sell-out. So the regulator risk is that if that project doesn't march along with your original projection, one or two years out, the regulators could force you to downgrade that project or that loan," Carson said.

He said stand-alone courses "have always been difficult for banks to finance because they're admittedly single-purpose in nature. And banks, even in good times, shy away from special-purpose projects...

"Their support requires discretionary income by the users. That being the case, during a downturn in the economy, we see that support as not being there as much as during a strong economy."

He said Barnett Bank's last loan on a residential course was made a year ago, and it has not made any recent loans on stand-alone courses.

FEWER RESIDENTIAL COMPONENTS

Golf courses that are winning financial support are more often daily-fee or municipal.

Applegate said, unlike the past few years, banks are reluctant to lend on projects involving housing or when "they view the course as an amenity rather than as a profit center... If it is just a course being run as a profit center, I think they will support it."

Frame said residential courses got a "bad rap" from failures in the early 1970s, but he added GATX "has never funded a golf course that was dependent on a residential community to make it work. We've been involved with courses that were part of developments, but we don't want any course we finance to be dependent on residential developments.

"For a long while it has been difficult to find financing for residential developments. Residential developers were the first victims of tightened credit."

Frame said a number of developers are considering splitting the course from the residential development and financing it separately.

The experts agree public, semi-private and municipal courses will be the wave of the future.

Johnson said: "Most of the development in the 1980s was in planned communities. Very little was developed in the form of pure daily fee. The downturn in the residential markets suggests there was ample supply of housing-related golf, but there was ... a market opportunity for daily-fee and municipal courses."

Powers said: "We don't need any more equity courses. There's no doubt about that. Semi-private is the way to go. Creative financing is definitely where most golf dollars are going to come from. You'll see limited partnership financing, mortgage refinancing, pensions, that kind of entity."

Powers said capital will be injected into the industry, "but it will be more difficult to attract it in the coming five years than the last five."

Municipal courses are the major exception, according to Powers, noting he had contracted out three municipal courses in Florida during the last month.

"Municipalities are beginning to look at golf as, one, you're providing contingencies for recreation, etc., and, two, you can make some money on it," he said. "Plus, their interest rates or bond issues are generally less than market rates, and they often have tax-free land to use."

LDR International's Jarvis said even local governments are often "so strapped (for money) they can't build courses." In some cases, such as Howard County in Maryland, where there is a heavy need for municipal facilities, developers are building courses and handing them over to the county or community in 20 years, he said

Applegate said lending institutions will free up their money when they realize the profitability of golf courses — "through their track record, through proof."

"For example," he said, "our golf course in Myrtle Beach was built as a daily-fee resort course, and there is some housing that will eventually go in around it. The entire project was profitable from Day One based on just the course... Once you can demonstrate that kind of profitability, lending institutions will start backing those courses."