

Private clubs turning public with increasing frequency

By MARK LESLIE

Call it a trend, a surge, or a "blip" on the chart, but private golf courses nationwide continue the metamorphosis to for-profit status.

Last fall Club Managers Association of America (CMAA) Vice President Kathi Driggs called the change of status "a major trend."

"It's not a surge," said National Club Association Executive Vice President Suzanne Wegrzyn, "but we are looking at why clubs are changing their status from not-

for-profit to for-profit. There are pros and cons to both. It depends on the purpose of the club. The recent changes in deductibility of membership dues may cause a club to look at that question."

Meanwhile, noting the "staggering" growth of the National Golf Course Owners Association, Deputy Director Terry Sedalik said a number of issues have forced scrutiny of the private versus public question. Four years ago there were 300 members of NCGOA, an association of pri-

vately owned public courses. Last year there were 900 to 1,000. Today there are more than 1,400.

"I don't expect it to slow. There's such a wide field out there," he said.

Sedalik attributed the trend to changes in the tax code, competition, real-estate reassessments—"different issues in different areas of the country."

"Overall, people are finding it hard to maintain their membership levels," said American Golf Corp. Executive Vice President

Ken James. "It is an economic reality that in order to retain their club and playing privileges, [private club members] have to find new income."

Turning semi-private accomplishes that, although "oftentimes it is a tumultuous marriage," James added.

James put a new spin on the phenomena, claiming it is the end result of "an evolutionary process."

"Clubs built in the '60s, during the early boom times, have be-

come outdated," he said. "They don't have modern design or the amenities club members want today. Oftentimes they have been mismanaged, particularly if they are member-owned. The members haven't been willing to reinvest to update, and the world just passed them by... Those clubs eventually will be snapped up and become pure public properties. But in the interim they accept outside play—particularly group play—and try to weather the storm financially."

Some classic courses with enduring qualities, or members who steadfastly oversaw their upkeep, are ageless, James said. "But we're talking about an awful lot of clubs not built like that and without that type of membership. There are many second- and third-tier clubs that probably were never really successful."

James predicted the scenario AGC experienced with its Pecan Valley Golf Club in San Antonio, Texas, will be played out in communities around the country. Though Pecan Valley was good enough to have hosted the 1968 PGA Championship, its neighborhood deteriorated and growth went north of the city.

"Now Pecan Valley caters to discriminating public golfers in San Antonio and tourists who come to the downtown area. We bought it and put it in another niche," he said.

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Meanwhile, 59 percent of CMAA members say their clubs will be negatively affected by the loss of dues deductibility and the drop in percentage of the cost of business meals that can be deducted as a business expense, according to a poll conducted by Public Opinion Research, Inc.

"We're not seeing dramatic effects from the change yet, but we're still in mid-January and clubs still do expect some devastating results—particularly the city clubs," said CMAA's Driggs. "My guess is, it will take two to three years for everyone to evaluate their situations and what's best for them. We're talking about a major change, and for some clubs a very dramatic change in their entire operation."

More than 80 percent of city clubs expect significant negative consequences on jobs and revenue, while 50 percent of the country clubs questioned felt that way.

The survey said: "While golf and country clubs are expected to lose between 7.3 and 8.6 [of their members], city clubs say they will lose 21.8 percent. The average country and golf club manager says their club will lose 52 to 54 members."

"Clubs are looking at changing their structure to being for-profit, paying taxes," Driggs said. "Then they can open up their clubs for outside business, which they can't do if they're private, and not worry about losing their tax-exempt status. For some clubs that's been a godsend."



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