

By PETER ELZI & ANDREW BUSH

The idea of designing a golf course within a budget might seem foreign to individuals involved in golf course development or management. But with a growing interest in development of stand-alone daily-fee courses, today's golf developers are beginning to approach construction with the level of sophistication of other real-estate products.

The essence of our approach makes three primary assumptions. First, it's possible to anticipate the performance of a to-be-built golf course in a way that allows you to estimate annual income and revenues, knowing that potential income stream allows you to determine the capital investment the facility can support.

Andrew Bush is a principal of Redstone Development Services which provides design and construction management services to the golf course industry. Elzi is a principal of THK Associates which provides feasibility and consulting services to the golf course industry. Both firms are based in Denver, Colo.

FIRST OF TWO PARTS

More sophisticated developers keeping a closer eye on construction budgets

Second, the construction cost is estimable prior to construction. Unit costs for earth moving, tee and green construction, irrigation systems and other variables are available and can be used to prepare a detailed budget prior to design.

Third, the same way a structural architect designs to a budget when preparing plans for a building, a golf course architect should design a budget when preparing plans.

This process begins with preparation of a feasibility analysis that compares the demand within an existing market to the existing supply. From this, a 10-year operating *pro forma* estimates the number of rounds that can be captured annually and the average daily green fee. By calculating the total operating income over 10 years and assuming a sale at that point, it is possible to estimate the present value of the income stream or

maximum construction budget for the course based upon a desired annual rate of return.

ESTABLISH DEMAND

To establish the unmet golf demand in a market, it's necessary to profile the key indicators that impact the supply and demand for golf and related products in the area. This is done through an in-depth socioeconomic investigation and evaluation of the area's economic base.

Patronage, with the exception of resort facilities, comes mostly from permanent residents of the primary trade area. Support may come from residents of a secondary trade area: hotel, motel and resort guests, "day trippers" and house guests.

All of these submarkets must be quantified, profiled and projected to estimate current and future demands for golf by year, by month and day of the week.



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COMPARE TO SUPPLY

Existing area courses must be inventoried and analyzed by location, number of holes, course rating, quality of play and maintenance, fees, capacity of play, management type, etc. Other proposed courses should be factored into the supply analysis and evaluated for each of the above issues — as well as the timing and probability of the development actually coming on line.

Golf supply/demand is typically presented in 18-hole equivalents and compared to capacity calculations dependent on the type of course and the climactic conditions of the region. Daily-fee courses accommodate the most play and can achieve annual 18-hole equivalents of 45,000 to 50,000. In the northern regions, though, play will average approximately 70 percent of

daily volumes, with semi-private courses at 65 percent and private courses at 25 percent.

PREPARE OPERATING PRO FORMA

The feasibility process includes preparing a *pro forma* and an operating income model that compares the annual revenues and expenses over 10 years, resulting in the projection of net operating income for each year.

With an operating income of \$534,058 in the fourth year, and a desired rate of return of 15 percent, the amount of revenue available for construction costs would total \$5,270,000. This number is determined by calculating the current value of the 10-year income stream, depreciation for tax purposes, and the appreciation of the facility over time.

Once you've determined a total budget, you can begin the design process. It's important to point out, however, that the golf course does not have to be built to the total value, which can be capitalized if this amount exceeds what is necessary to compete in the marketplace. It does, however, suggest that building a golf course in excess of this amount is not likely to be a sound, stand-alone investment.

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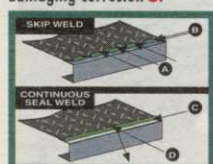


Integral Wetwell Cover

The station skid safely covers the wetwell and a built-in hinged panel provides easy access.

Continuous Weld

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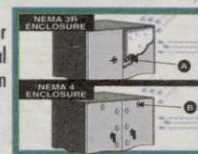


OTIS

The Operator Terminal Information System has a scrolling LED readout displaying important station operational data which allows you to easily monitor and control station operation from the panel door.

NEMA 4 Enclosure

While a lower-rated enclosure may fail under harsh conditions, the NEMA 4 enclosure provides optimum weather resistance and protects vital electrical components from chemical corrosion and water damage.



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Smoothflow

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10717 Harry Hines Blvd. Dallas, Texas, U.S.A. 75220

phone 214-357-1320

fax 214-357-5861

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