

Course appraisal can reveal 'highest and best' value

By LAURENCE A. HIRSH

It doesn't take a genius to understand that the valuation or appraisal of a particular golf course property reveals what that facility is worth. What isn't so obvious is this: The very process of appraisal also tells owners how a facility might increase that worth.

The Holy Grail for appraisers is determining the "Highest and Best Use" for the property in question. According to the Appraisal Institute, "Highest and Best Use" is defined as "the reasonable, probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."

Determining this "highest value" at golf facilities requires a detailed analysis of existing management practices, market position, staffing levels, physical plant and course maintenance practices, among myriad others things.

In the process of examining these factors, there is nearly always a gap between this *status quo* value and the facility's "Highest and Best Use." This gap is where potential value increases are found. Indeed, in the course of a valuation, it's virtually impossible for a skilled golf course appraiser *not* to identify potential efficiencies which, if rectified, serve to increase property value.

CASE STUDY GOLF CLUB

The first critical element in golf

property analysis is determining the type of course being appraised. This sounds so rudimentary as to be utterly obvious. But the income characteristics for each property type (daily-fee, municipal, semi-private, resort, private) are unique.

Further, some properties are miscast and warrant a change, because markets change. Sometimes, a course is simply not properly positioned. In the case of one recent assignment – let's call it Case Study Golf Club – we concluded that Case Study GC, then operating as a semi-private club, should be planning for conversion to private club status to take full advantage of future residents of the growing, surrounding community.

We also concluded there were physical and operational issues that needed addressing at this would-be private club. Course conditions at Case Study GC were sub-standard, the food & beverage operation was highly inefficient, and the property had not been effectively marketing itself (bad course conditions not helping here in the word-of-mouth department).

Our inspection resulted in the hire of an agronomic expert and a management consultant to assist Case Study GC in making appropriate decisions on maintenance practices, staff and management, as well as marketing.

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Fighting city hall

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"They have a 'Skins' game on Fridays," he says. "There's a senior league on Tuesdays and Thursdays. High schools kids come over at 3:30, and they get the plumbers and FedEx guys at 5 o'clock who play a round before going home. By keeping it affordable, they do a strong volume."

UNDEMANDING MARKET

The municipal courses he envisions can be built on 20 or 25 acres and run on a break-even basis.

"Everybody has to check their egos at the door – city officials, architects, operators and builders," he says. "The idea is not to gold-plate these things but to grow grass. You defeat the purpose if you build greens to USGA specs and put in satellite-controlled irrigation systems. This has to be inexpensive, because the market is undemanding."

As an example, he points to the new Rose Hill Golf Club, in South Kingstown, R.I. Owners Tim Conley and Jim Manning built the nine-hole, par-3 layout on 20 acres. The total yardage is 1,250. It's a private course, but they charge only \$14 for a round, with \$2 discounts for seniors and kids under 16.

"It was an old gravel pit," says Conley, a homebuilder by trade. "There wasn't enough acreage for a full 18, and permitting is a nightmare. So we found a beat up piece of industrial land, and permitting was easy. The city fathers saw that we were going to take something that looked like Chernobyl and turn it green."

Frank O'Dowd, president of Intergolf Construction, said his firm built and grew in Rose Hill for \$600,000, complete with a fully automated irrigation system, USGA-spec bunker sand, L-93 bentgrass on the greens and a total course hydro-mulching. "It's not Mickey Mouse golf," O'Dowd said. "There aren't square greens or poor-

quality construction. For \$600,000, they got a very good, high-quality product."

GOLFERS IN SHORT SUPPLY

Pascuzzo plans to stay the course – he sees no choice. "If we do not nurture the game, we're going to be in big trouble," he says. "We can't continue to rely on kids coming out of college, coming into the game maybe through business contacts, and knowing nothing other than \$100 golf at major resorts."

The latest National Golf Foundation report on golf participation bolsters his argument. The NFG saw no big changes in the number of rounds played in 2000 over 1999.

"Over the past six years," the report says, "the nation's supply of golf courses has grown more quickly than the number of golfers. The net increase of 1,718 courses from 1995 to 2000 produced an annual growth rate of 2.1 percent. Golfers during the same period grew at 1.3 percent annually."

No wonder Pascuzzo is concerned. ■

MAILBAG

Dear editor,

As an update to your article on Landmark Golf East (July 2001), Landmark Golf Co. no longer has any interest in the properties listed in the story about Landmark Golf East.

These include PGA West, LaQuinta Hotel Golf and Tennis Resort, Mission Hills, Kiawah Island and Carmel Valley Ranch. These are properties previously owned and operated by Landmark Golf.

Tom Sullivan
Senior vice president
Landmark Golf East

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