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ounty seeks solutions as golf courses fail



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f ▾ Orange County seeks to stem fallout from golf-course failures

FEBRUARY 10, 2015, 7:28 PM

As the sport of golf struggles and courses continue to shut down, **Orange County** is trying to stem the fallout in its communities before the situation worsens.

County commissioners on Tuesday discussed the issue, with a focus on how to protect the rights of residents in golf-course communities. They're investigating how other jurisdictions are handling the problem before setting any new rules.

District 4 Commissioner Jennifer Thompson, who represents the east Orange developments of Waterford Lakes and Avalon Park, is concerned about the closed Meadow **Woods** course and the struggling Eastwood Golf Club in her district.

She wants to ensure residents have recourse when developers seek to turn courses into condos or shopping plazas. She noted that 1,100 residents packed a community meeting in November to protest plans to put a mixed-use project on the Eastwood site.

The owner withdrew the proposal amid the public outcry but hasn't given up on redeveloping the course.

"In a couple of years we're going to hear more about this," Thompson said. "... We're not having to deal with it at scale yet, but it's coming."

"We may just be seeing the tip of the iceberg in terms of what could come," added Mayor **Teresa Jacobs**.

Commissioners floated ideas such as allowing agricultural or environmental uses on courses that have closed. Bryan Nelson of District 2 suggested that courses could remain viable by shaving off a few holes for redevelopment, coupled with mandatory association fees to maintain the course.

Any measures adopted by the county would affect only unincorporated Orange. But the issue of shuttered golf courses is an issue for cities too.

In Apopka, Rock Springs Ridge closed late last year, and though no formal plan has been put forward, the owners have discussed putting homes on the site, Mayor Joe Kilsheimer said.

"The current residents of Rock Springs Ridge are going to have a lot to say about what happens" to the co

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Kilsheimer said.

The city's other course, Errol Estates, is under new ownership, which is investing in the course.

But as for the issue of failing courses in general, Kilsheimer said, "it's a trend for sure."

Orlando is home to the former Lake Orlando Golf Club in Rosemont. City spokeswoman Heather Fagan says any redevelopment proposal would have to go through a public rezoning process. She added that the city monitor the county's efforts to address the issue.

County Commissioner Pete Clarke suggested some parts of courses could be repurposed for environmental usage, such as green space or recharge areas.

Golf is in decline nationwide, with TV ratings plunging, players abandoning the game and courses closing shop. But the situation is likely to become acute in Florida, which is home to more golf courses than any other state.

In neighboring Seminole County, commissioners recently adopted an ordinance requiring owners to maintain the properties after shutting them down. Neighbors of closed courses such as Sabal Point Country Club have been mowing overgrown fairways themselves to keep them from becoming permanent eyesores.

A blend of factors, including overbuilding, changing recreational tastes, the economic downturn and the decline of Tiger Woods' career, has been blamed for the state of the industry. But residents of some golf-course neighborhoods say owners are hastening the decline of their courses deliberately.

It's a situation Thompson has seen for herself. She wants to ensure any county action doesn't reward owners who neglect their properties in order to smooth the way to redevelopment.

"I've played all the courses in my district, and the one where they're seeking redevelopment is the one that's the least maintained," she said of Eastwood.

"We don't want to encourage someone to just let the business fall apart," she added.

There was no immediate indication of when the issue will return to the commission. But the proposed redevelopment of Eastwood is another matter.

The owner is expected to submit a revised development proposal to the county by the end of this month.

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f t s m p c

From Mike Kahn, golf course business consultant: Is your community golf course failing?

Do not let your community golf course fail!

To All Home Owner's Associations

Uncertainty, Falling Home Values, Tougher to Sell a Home, Rise in Crime, Unsightly Surroundings.

Call me: 941-739-3990, or write: mike@golfmak.com



The impending failure of a residential golf course and its negative affect on property values is becoming more and more prevalent in the USA (2012 - *it's now an epidemic in 2015*). On the evening of

January 17, 2012, I attended and spoke at a Home Owners Association meeting held in the clubhouse at Turkey Creek Country Club and Residential Development in Alachua, Florida. Alachua is located just north of Gainesville, Florida accessible about five minutes east off I-75.

Turkey Creek is a residential development of 1,100 residences made up of a mix of town homes, zero-lot lines, single family middle priced and single family \$500,000+ homes. You can Google the development using Google maps to gain an aerial view of the property and golf course using this address: 11400 Turkey Creek Boulevard, Alachua, FL 32615.

THE GOLF COURSE HAS BEEN CLOSED SINCE MAY OF 2011.

We have known that failed golf course communities have put more pressure than normal on home values in golf course communities, but there has been no real national data available (that we can find) to corroborated the notion that a failed golf course in a golf course neighborhood will impact adjacent home values. However, it was clearly evident that property suffered greater at Turkey Creek than non-golf course residential properties.

Here's what happened at Turkey Creek and why:

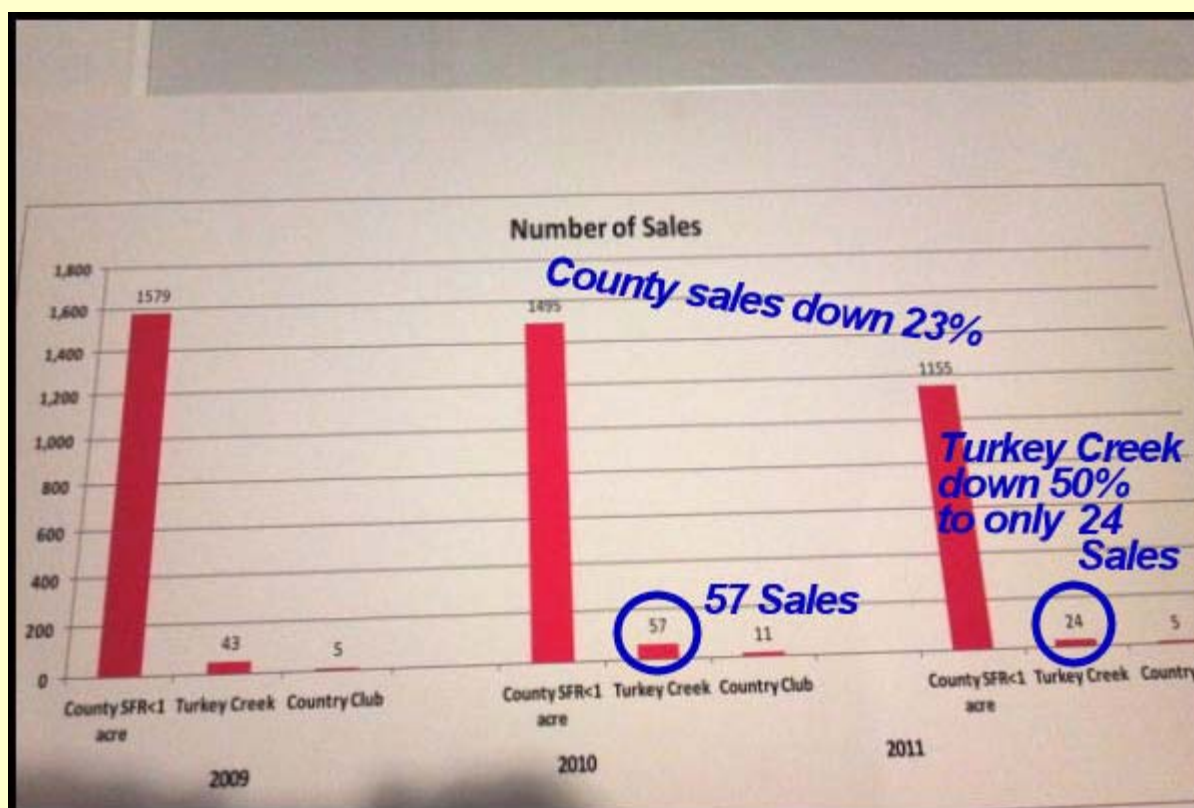
Based on sales in Turkey Creek and the area from actual real estate data, house prices fell an average of \$21.00 a square foot at Turkey Creek in 2011 over 2010 (\$112.00 sq ft in 2010 down to \$91.00 in 2011).

Data from a local real estate brokerage firm provided the following 'real' data:



I took a snapshot of the above chart. See overall County and Country Club square foot prices stayed pretty well the same through 2009, 2010, and 2011 while Turkey Creek prices dropped from \$112 to \$91 from 2010 to 2011.

Sales were also down compared to the surrounding neighborhoods with a comparison to the nearby Country Club.



Sales at Turkey Creek dropped dramatically in 2011 over 2010 from 57 to 24 homes. The Country Club with fewer but higher priced homes dropped by over 50% but the experts at the HOA meeting suggested the numbers from the Country Club may be too small to be significant. Interesting that the Country Club square foot values actually increased in 2011 from \$92 to \$97 a foot.

WHAT'S THIS MEAN TO YOU AND YOUR GOLF COURSE RESIDENTIAL HOMES AND THE COMMUNITY?

Although, there are apparently no major national statistics available (known to date), the experience from place to place where the residential golf course fails, clearly indicates a trend - a more dramatic drop in property values. For instance, when the Ravines Golf Resort in Middleburg, Florida, closed a few years ago, the residents reported their home values dropped (coincidentally) by \$20.00 a foot. The experience at Ravines came up at a meeting with another HOA group in a Green Cove Springs (Florida) golf course community.

[The 850 home owners at Green Cove Springs agreed to require all home owners to pay a monthly social membership to provide sure support for the golf course.]

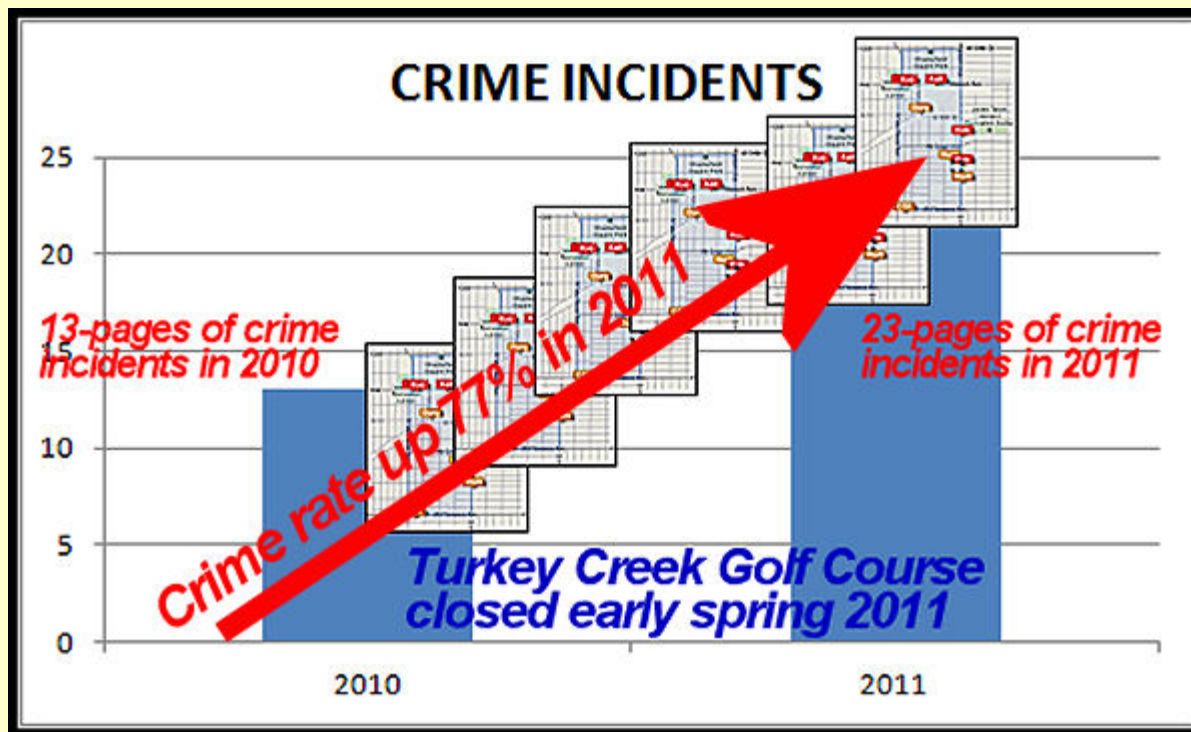
Before the HOA meeting at Turkey Creek I inspected the golf course, the clubhouse, swimming pool and tennis courts. The entire property was overcome with shoelace deep brown dry grass infested with weeds. The greens needed all new grassing. The fairways, and tee boxes, occasionally mowed since closing with deck or flail mowers still had a chance to recover with continued mowing, fertilizer and water. The sand traps had weeded over, but still can be salvaged. The clubhouse landscaping had deteriorated. The swimming pool and tennis courts needed a face lift, but appeared structurally sound. I saw trash and garbage lying in the parking lot - a sure sign of neglect. Closed since last May, I estimated it would cost at least \$500,000 to bring the Golf Course and Amenities back to respectability.

CRIME!

An officer from the Alachua County Sheriff's office spoke at the Turkey Creek HOA meeting and reported a quite dramatic increase in criminal activity from the date the golf course closed for business.

Without elaborating on the various crime incidents that included home invasions, the officer stated that the number of crime report pages jumped from 13 in 2010 to 23 in 2011 - the year the golf course was closed. He cited fewer eyes means greater crime. When the golf course closed fewer people, fewer lights, no traffic provided a more inviting criminal environment.

Law enforcement was not surprised at the increase in crime after the golf course closed for business.



UNSIGHTLY

An abandoned golf course is a sorry sight. What is worse is often trash and garbage that accumulates around the clubhouse and parking areas. Eventually rats, raccoons, snakes and other creatures attracted to garbage become evident.

Around the clubhouse weeds and overgrowth take over the landscaping and walkways. Without immediate care, the property and structures begin to deteriorate very quickly. The inside of the clubhouse starts to mildew when there is no electricity or air circulation. Some say in Florida it takes barely a month of stagnant air in a building for it to mildew and rot within. Often, it becomes unusable and may need to be torn down and replaced.

What can be done?

There are several ways to save the golf course and the community but the non-golfers who own homes in the development have to participate.

How do you get through to the non-golfers and their attitude? Everyone who own property in the golf course neighborhood has one thing in common: All have an interest in the value of their homes. The board has to start from there.

What is a closed or abandoned golf course worth?

90% of THE TIME - ABSOLUTELY NOTHING!

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2013: The Year the Grownups Talk About Failed Golf Courses Or Just More Litigation?

January 28, 2013

A. Kimberly Hoffman and Robert A. Harris

Golf Dispute Resolution - Tracking the Intersection of Golf and Law

Golf disputes making their way to court dockets often involve issues arising out of failed golf courses. Owners desire to turn the course into residential housing or commercial property or to sell to developers who will undertake such efforts. Recent examples of such battles can be found [here](#), [here](#), [here](#), [here](#) and [here](#).

As a general proposition, litigation rarely is the most efficient way to resolve disputes. It is economically inefficient, its results are unpredictable, and it stifles the ability of those with competing interests to design solutions that, often, can accommodate the legitimate goals and requirements of all concerned.



The destructive battle lines drawn by litigation are amply demonstrated by the courtroom wars over the future of failed golf courses, as the perceived short term gain that local governments hope to accomplish by resisting efforts to repurpose economically unviable courses can prove to be shortsighted.

Local governments should make a New Year's resolution to take a more sophisticated approach to the redevelopment of failed golf courses. If so, 2013 might be the year that, rather than letting the best be the enemy of the good, consensus will build around clustered, mixed use or even low density redevelopment plans with a public open space component as a win-win solution. That way, the community (also known as "those who pay taxes") can get the open space it wants after a course fails as a going concern without the expense that litigation involves.

With many states still struggling with high unemployment, the political will to raise property taxes and acquire these properties through condemnation does not exist. Why then do some localities continue to pour resources into lengthy litigation battles instead of hammering out compromises with golf course owners?

There are demonstrable benefits to abandoning the zero sum game approach, where a local government seeks to order a private owner to continue to operate a course with no viable business plan, or fights for a declaration that the entire property remain "open space," leaving no money available to repurpose some of the property for public use.

The golf industry would benefit by eliminating the siphoning of players from financially viable courses to those that, due to governmental resistance to redeployment, effectively are required to remain open but unprofitable. Similarly, new courses would have an improved chance for financing by taking a big, scary negative comparable out of the appraisal picture. Local

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governments and community groups have good reasons to make deals instead of resorting to the courts.

Permanent Preservation

When the owner of a struggling or failed golf course proposes doing something else with the land, the community often reacts as though the land is a public resource, not private property. Zoning laws and deed restrictions may reveal weak or non-existent provisions relating to the future use of the land should the golf course use be abandoned. Therefore, a well-planned mixed use, clustered or low density residential community with a substantial open space component can create clear rights and obligations with regard to the future preservation of open space through the new restrictions recorded in conjunction with approval of a new development. This will obviate the likelihood of future litigation and disagreements, especially with regard to homeowners who purchased homes directly on the course.

Additionally, establishing a scheme of homeowners' dues or deeding the newly created open space to a public custodian (such as the state or a preservation trust) will facilitate a financial plan for the initial repurposing and perpetual preservation of the open space that does not rely exclusively on property tax or other public revenues. Conversely, a litigation "victory", whether by a citizens group or local government, mandating the preservation of an unfunded, economically unviable golf course as open space leads to a shortsighted, counterproductive, irresponsible result. Open space, especially when it abuts existing development, does not maintain itself for free, and without a plan and funding for its long term management, the public cannot safely and without trespassing enjoy its benefits.

Environment

Golf courses have not always been maintained in an environmentally responsible way, at least by current standards. Problems with failed courses sometimes include latent hazardous conditions resulting from the past application of fertilizers with ingredients now considered harmful. However, once redevelopment begins, government funding aimed at the cleanup of "brownfields" in redevelopment programs may become available.

Historically, many courses have also complicated a community's attempts to address drainage problems. Unlike modern drainage codes that now require a course to control water quality and quantity, older courses—not designed in accordance with such requirements—have sometimes (but often not) undertaken at best some piecemeal remedial measures to improve drainage conditions for the course and surrounding lands into which the course drains. Adding to the complexity may be a lack of written and recorded drainage easements in favor of surrounding lands, as well as pressure from regulators for states and local governments to show improvement in water quality within large watersheds.

A golf course may play an outsized role in government's ability to reach drainage goals if the surrounding lands have been densely developed with a lot of impervious surface. Responsible redevelopment provides opportunities—and funding—to remediate drainage and other environmental conditions without reliance on tax revenue, potentially creating the only viable avenue for addressing these important needs within a foreseeable timeframe.

Economic

When a golf course fails, jobs are lost and the local economy suffers. Responsible redevelopment can serve to replace, and even enhance, the economic value of the land as a community resource, first through construction jobs and transfer taxes, and over the long term by creating employment opportunities in parks and recreation and mixed use retail. Ultimately, the property tax base increases, both from new households and from an increase in the fair market value of existing homes in the community.

When a combination of political intractability and impracticality overrides a reasoned pursuit of these benefits, a failed course becomes at best a white elephant for the community. At worst, the course will bring down surrounding property values, leave environmental conditions unaddressed, and deprive the community of a public amenity with a realistic long term plan for enhancing quality of life.

Will 2013 be a year when short term, intense political gain realized by opposing reasonable redevelopment compromises for failed golf courses gives way to pursuit of long term public good? Since it's only January, it's too early to tell, but there is always hope. Bring up the subject if you run into your local government officials or neighbors on the golf course.

ABOUT THE AUTHORS:

A. Kimberly Hoffman focuses her practice on commercial real estate and land use matters including litigation and transactional work at the Delaware law firm of Morris James LLP. She represents a diverse group of local and national developers, property owners, and institutions, including golf course owners, investors and financial institutions in workout situations involving golf courses. While Ms. Hoffman does not play golf, she enjoys riding in golf carts as well as having the house to herself to write articles about golf and real estate while others hit the links. Ms. Hoffman has been named one of "America's Notable Lawyers in Land Use and Zoning" by *Chambers USA, America's Leading Lawyers for Business*, 2007-2012. Ms. Hoffman can be reached at khoffman@morrisjames.com or call 302.888.5209. Follow her on Twitter [@KHoffmanMoJames](https://twitter.com/KHoffmanMoJames) or learn more about her practice at www.morrisjames.com.

Rob Harris is general counsel to Clayton Holdings, LLC. He also serves as a mediator and arbitrator and he authors the Golf Dispute Resolution (<http://www.golfdisputeresolution.com>) website that tracks the intersection of golf and law. He serves as a member of the National Golf Industry Advisory Committee and is a member of the American Arbitration Association's National Golf Industry Panel. Mr. Harris can be reached at rharris@golfdisputeresolution.com or call 914.482.2448 .



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Homeowners threaten plan to flip dead golf courses

Plan for flipping dead golf courses ends up in rough

MIKE TOLSON

, HOUSTON CHRONICLE | May 9, 2010

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Photo By Melissa Phillip/Chronicle

Julie Grothues was one of the leaders of the Inwood Forest homeowners association, which successfully fought to preserve the integrity of the now-defunct golf course in their subdivision. The new owners wanted to flip the property, but lost in court.

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#1 Reason the Average Golfer Can't Hit 200+ Yards...
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Back in the midst of the real estate boom, when buyers were plentiful and any reasonable deal would find a taker, the idea must have seemed like a smart one. Find failing suburban golf courses that have outlived their appeal, get them at a big discount, quietly carve off a chunk of the most useful part of the real estate and flip it to a developer who saw the potential for a different use.

Just because the property was not worth much as a golf course did not mean it couldn't be worth a lot for something i¿½ so went the reasonable argument. But what [Mark Voltmann](#) and his partners failed to fully appreciate, or so it seems, was the reluctance of homeowners to go along. Even people who wouldn't

know a 5-iron from a garden hoe got nervous at the prospect of condos, or something worse, looming over their back fence.

Better a dead golf course than a live shopping center. Or apartment complex. Or nursing home.

Voltmann's [Renaissance Golf Group](#), based in Ohio, bought three struggling courses in the Houston area, two in 2002 and another in 2007. Since then, however, the only thing they've gotten for their effort is an ever-mounting legal bill. The latest roadblock came with a jury verdict late last year that would prohibit the use of the land that once served as the [Inwood Forest Country Club](#) for any purpose other than a golf course.

Considering the financial travails of the course in its final years, such a notion is problematic. For Voltmann, however, the verdict is far worse. If it withstands the anticipated appeal, he is all but hostage to the homeowners. If they do not agree to any proposed use other than a golf course, the land has little value.

Wouldn't i¿½just roll over'
Bad news for him and his investors, but homeowners who live nearby are relieved. They feared development plans might lower their property values.

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in America--Shocking answer here.

I don't think they ever took us seriously," said Julie Grothues, one of the board members of the homeowners association that fought redevelopment.

For them to think they could do anything they wanted to the property, and that the neighborhood would just roll over, was bad judgment," Grothues said.

Voltmann was not available for comment. His attorney, Mark Breeding, said his firm has a policy of not commenting on ongoing lawsuits.

The Inwood Forest verdict has implications that go far beyond the 1950s-era subdivision in northwest Houston. Should it stand up, anyone considering buying a residential golf course in Texas with hopes of selling the land would be advised to think twice, and probably get homeowner approval in advance for any proposed new development.

The Harris County jury found that the Inwood Forest golf property contained an implied reciprocal negative easement," Grothues said.

In plain English, that means that an owner of the course is bound to keep it as a course even though the original deed has no such restrictive covenant. The lawyer for the homeowners association argued that the course was an essential component of the neighborhood, and that allowing it to be cut up for development would irrevocably change the character of the community and the value of the homes.

The idea here was to preserve the integrity of the subdivision, which was the idea of the developer when he sold the lots," said attorney Matt Kornhauser. Inwood Forest was all part of a common theory and plan of development. There was this symbiotic relationship between the golf course and the lot owners.

Deed restrictions, too

New golf course communities typically require that homeowners pay a certain amount per month or year to help subsidize the golf club. Many older courses, however, have no such requirement, and as the original owners moved away, those who replaced them often had little interest in the course as anything other than green space.

The consequence has been a long list of shuttered courses around the country. One of those was Clear Lake Country Club, which Voltmann's group purchased in 2002. The course remained open for a couple of years, but it was clear to neighbors that his greater interest was in selling at least a portion of the property to developers.

Alarmed neighbors fought back, first by gaining the support of the Clear Lake City Water Authority, which tried to claim the property under eminent domain because of the potential effect of redevelopment on flooding.

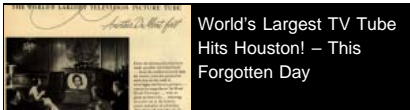
Although a trial in 2008 went Voltmann's way, it did not address another hurdle. The deed for the Clear Lake property contains a restriction preventing owners from using it for anything but a golf course or recreational facility until 2021.

Voltmann has filed suit to try to bust the deed restrictions. In theory, success could translate into a big payday, as a portion of the property has good commercial potential. But the Inwood verdict is looming. If it stands up, homeowners could use the same argument to stymie him again.

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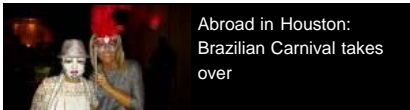
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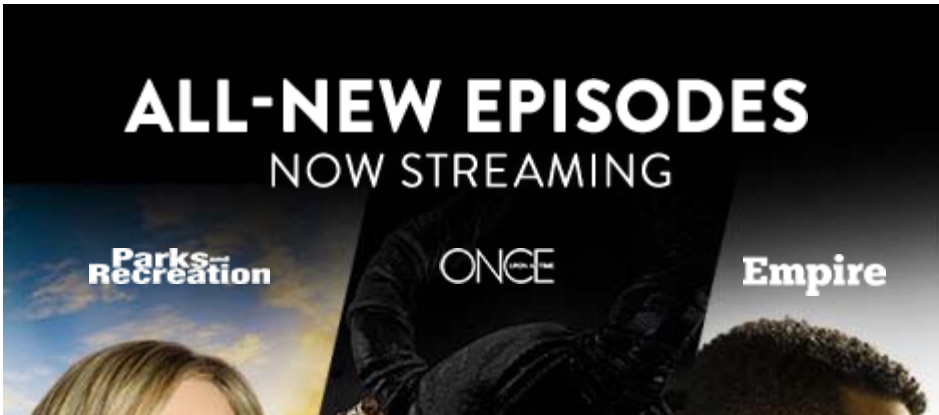
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TON MAY 26, 2012



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68-year-old Michael Kletter conceded that this was not the golf course retirement life he had envisioned.

“No, I didn’t dream of manual labor,” Mr. Kletter, a transplanted New Yorker who is a member of the club, not its maintenance crew, said as he planted a six-

foot fern. “But the recession changed everything. The golf course was in danger of closing. It’s not a golf community without a golf course. We had to do something.”

So Mr. Kletter joined about 300 other Timberlake members in a consortium that bought the financially distressed country club outside Columbia, S.C. But to make the arrangement work, the members did something that would have been unheard-of five years ago: they agreed to do much of the work to operate and maintain the club.

On a recent hot weekday morning, about 35 members were on the course raking bunkers, planting grass, trimming tee boxes, weeding, digging holes for new bushes and even brandishing chain saws in a work crew that felled three ailing 50-foot trees.





Northgate Golf Course in Reno, Nev., which closed in 2009. Abandoned courses are becoming commonplace. Max Whittaker for The New York Times

“I know the old golf community culture was a life of leisure,” said Jon Pierce, a retired professor leaning on his shovel after planting tee box grass. “But a lot of those golf courses are going bankrupt. Being leisurely has left people with a backyard of knee-high weeds instead of a beautiful golf course.

“The economic reality is that we had to protect our lifestyle and investment.”

With dozens of golf courses closing nationwide because of failed real estate developments, the Timberlake club is an example of a new model in the industry. Rather than watch home values plummet as a lush golf course is abandoned, nearby residents are banding together to buy the course — even if it means running it themselves.

In the wealthiest communities, this process often means that 10 or 20 of the most affluent member-residents write checks to save the course. In the case of another South Carolina golf community 35 miles from Timberlake, the [WildeWood and Woodcreek](#) clubs in Columbia, 574 members contributed an average of \$4,700 to execute the purchase. Then scores of those members took on administrative duties that became like part-time jobs.

And in the case of Timberlake Country Club and others like it in states flush with retirement golf communities — North Carolina, South

Carolina, Florida, Arizona and Nevada — the members have donned work gloves and wielded hedge clippers and weed whackers to help keep the courses green and the clubs' revenue ledgers in the black.

"The members' sweat equity cuts our maintenance budget in half," said Timberlake's general manager, David Madden, whose maintenance budget is about \$250,000, or about one-sixth of annual revenue.

Cutting down those three Timberlake trees, for example, would have cost about \$1,800 if done professionally. Earlier this year, when it came time to construct a new fitness center, grill and card room in the clubhouse there, one member donated the wallboard and other members installed it. When the club decided it needed rolling bar stations for outside parties, two members built them by hand. In 2011, the club president, Julie Nelson, counted nearly 3,000 hours of members' labor.

The club does pay a small maintenance staff for mowing fairways and greens, and the heavy-duty labor performed by members is done under the supervision of the course superintendent. But the hands-on ownership attitude runs deep. With the Timberlake community about 70 percent retirees, it is common for four or five couples living on a particular hole to adopt the hole. They keep an eye on the flower beds around the tee boxes, cut and trim the edges of sand traps, weed the fringe around the green and remove loose debris, tree limbs or trash from the fairways and rough.

If they need a reminder of what is at stake, they look east toward the ocean, where 22 courses in the once-booming golf haven of Myrtle Beach have all but vanished in the last decade, with young trees sprouting through the old greens.



Julie Nelson, the president of Timberlake Country Club, planting flowers at the course. Club members often pitch in. Mary Ann Chastain for The New York Times

“I hope the economy improves and the members might not have to do all this extra work,” Mr. Madden said. “But right now, it’s letting us survive and prosper.”

The number of clubs being taken over by members may be a small percentage of America’s 16,000 courses — perhaps no more than 400 — but industry experts say it is a growing sector of the golf marketplace. And many of the clubs, like Timberlake, are open to the public as well.

The members at the private WildeWood and Woodcreek bought the clubs in 2009 for \$4.2 million. Bill McDougall, a retired airline pilot who spearheaded the purchase, said intensive member interest had changed the way his clubs, and other clubs, would do business forever.

“Only the top 5 percent of clubs — the very most high-end clubs — will be able to run things as they did 5 or 10 years ago,” Mr. McDougall, 65, said. “The members now want to be involved, they want to help set priorities and they want things streamlined.”

Not every member takeover has been a success story, with dozens of failed ventures and abandoned golf courses. Northgate Golf Course, a top-rated layout in Reno, Nev., that closed in 2009, is now overgrown, more a home to bunnies than to bogeys.

Not far away, the developer of D'Andrea Golf Club in Sparks, Nev., lost money year after year without the revenue that a robust housing market was expected to provide. In March, Will Gustafson, the managing partner of the ownership group, asked the D'Andrea homeowners association for a \$28 monthly maintenance fee to keep the golf course open.

The homeowners voted against paying the fee. The next day, Mr. Gustafson [closed the course](#). Within weeks, the fairways were burned from the heat. At night, bikers were doing wheelies on the greens and vandals invaded the majestic clubhouse set high on a bluff.

Nick Oddo, a retired real estate executive who lives nearby, quickly organized a neighborhood group to raise \$90,000 to pay for the temporary watering of the golf course. He brought in the local Guardian Angels at night for security. Mr. Oddo is still trying to come up with \$5 million to keep D'Andrea afloat.

“Not what I expected in retirement,” Mr. Oddo, 82, said. “But the golf course is a jewel we shouldn’t let go. In life, things can’t always be about the money; otherwise, we would not have any museums, libraries or playgrounds.”

Back in South Carolina, the Timberlake club member Linda Hamel, 68, replaced divots in the grass along the 17th hole and helped plant flowers near the tee box.


“When it’s your golf course, it doesn’t feel like work,” Mrs. Hamel said. “You know, late in life, we’ll sit on the porch in our rockers, look out at the fairways and say: ‘We did that. And it was worth it.’ ”

A version of this article appears in print on May 27, 2012, on page A1 of the New York edition with the headline: Club Members Learn to Swing More Than 5-Iron.
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The Golf Course that Tried to Survive - And Did

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Like the three-man maintenance staff that spent the past winter "putting lipstick on a pig," mowing fairways and greens when they could, edging bunkers when the couldn't, anything to keep White Horse Golf Club near Seattle looking good to the golf public, while behind the scenes it was in bankruptcy.



White Horse Golf Club

Imagine three people grooming 140 acres of grass. Or, two others running the pro shot, giving lessons, ordering shirts and balls and handing out sandwiches from a cooler. It was fiscal folly.

One bank, American Marine on Bainbridge Island, Wash., took over the course from the first owner in fall 2009 until the bank itself failed and was taken over by another, Columbia State.

There was speculation that the course might be purchased by the neighboring Suquamish Tribe, but until a deal was struck the course was in an awkward limbo, more creditors than money. "A day didn't go by that we didn't get a number of calls asking if we were still open," said Bruce Christy, the course's only pro. "We had high hopes, and so did the public, but at one point that was all there was."

White Horse opened in 2007 as one of Golf Digest's "Best New Courses." It was critically acclaimed, the first course designed by Cynthia Dye McGarey, Pete Dye's niece. Built on sand through rumbling forest lands, the course was beautiful and challenging, almost too challenging.

It was the centerpiece of a real estate development by Bob Screen of Bainbridge Island. His timing, if nothing else, was terrible. Screen's conservative plan was to sell lots to pay-as-he-went for a clubhouse and the equipment the course needed for proper upkeep. After most of the initial offering of 60 lots were sold, no more did.

At the same time, Screen decided to price the golf above comparables, like the highly acclaimed 35 holes Gold Mountain in Bremerton and Trophy Lake in Port Orchard. "Because there was no clubhouse and the property had a temporary feel to it," said Mark Luthman of Touchstone Golf, "it wasn't a comparable golf experience to Gold Mountain and Trophy Lake."

Not when it cost more.

Touchstone, headquartered in the San Francisco Bay Area, manages 19 courses around the country, half of which were repossessed by banks. The company was first hired by American Marine, then the FDIC, then Columbia, and now the Suquamish Tribe, which has plans to build a new clubhouse, make minor changes to the course, and market it with its nearby Clearwater Casino and resort hotel.

The marriage seems perfect. The divorce wasn't. Erik Linsenmayer, the 35-year-old greens superintendent, traded labor for equipment just to get the essentials done. "You'd think you have a fertilizer spreader," he said, "but we didn't."

Linsenmayer worked on the crew of Wing Point Golf and Country Club's private course on Bainbridge during spring aerification in return for the use of a spreader. He has never had the equipment to punch his greens. Consequently, they became quite firm and unreceptive in the summer. The new ownership has pledged to get the equipment Linsenmayer needs.

No matter what happened - Linsenmayer's crew was cut from nine to four and then to three, the putting surfaces were smooth and the fairways dry. "It is a fabulous golf course and in great shape," said Luthman. "Considering, Erik has done a wonderful job keeping things going."

With time off, it meant Linsenmayer actually had two people a day during this past winter, alternating days with assistant Abel Anderson and mechanic Darran Harwell. The course never looked neglected, even in the darkest of

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The Golf Course that Tried to Survive - And Did

times.

"We added iron to green things up because it was cheap," said Linsenmayer. "I was from a private course background - Broadmoor, Glendale and Overlake in Seattle - and understood presentation. My pride and career were on the line. We did what we could."

Now there is a sense of optimism about the course, which has remained a popular destination from players north of Seattle who ride the ferry with their clubs across to Kingston and are picked up by White Horse staff. The Washington State Amateur will be held at White Horse in June. The course has wide, sprawling fairways but greens that are generally uphill and hard to both see and hit, let alone hold.

The slope from the back tees is 146. "This is the one course I've never had to worry about making more difficult for tournaments," said Linsenmayer. "The key here is to make it easier for average players."

This spring four well-known architects have toured the course. The Tribe is committed to spending money to make the track more playable and will do so in the fall. Construction of the clubhouse should begin next winter.

"You've got to remember that in 2007 White Horse opened along with Chambers Bay and the Pacific Northwest Golf Association's Home Course and got a little lost in the publicity," said Luthman, who at the time worked for KemperSports and supervised the startup of Chambers Bay.

"We want to have a history with the community around Kingston," said Luthman. "We want to be there a long time."

The Suquamish, who operate the nearby Clearwater Casino, purchased not only the course, but 159 adjoining and undeveloped housing lots. "We need to develop a loyalty to the golf course that has been missing," said Christy.

"We had people play one round here and enjoy it, but when they saw the gravel parking lot, the doublewide pro shop and unfinished houses, they didn't always come back."

Green fees have been scaled back to \$25 during the week in the winter and \$39 in the summer. An annual fee for seniors is as low as \$90 a month, allowing them unlimited play Monday through Friday. For an additional \$30 a month, seniors have unlimited use of the giant practice facility.

"Everyone sees the Tribe as a natural fit for White Horse," said Christy, who is also the new general manager. "The casino is 10 miles away and the Tribe has a history of building wonderful facilities. The golf course should fit in perfectly."

With few knowing how desperate the situation was.

For more information or a tee time, visit www.whitehorsegolf.com.

Blaine Newnham has covered golf for 50 years. He still cherishes the memory of following Ben Hogan for 18 holes during the first round of the 1966 U.S. Open at the Olympic Club in San Francisco. He worked then for the Oakland Tribune, where he covered the Oakland Raiders during the first three seasons of head coach John Madden. Blaine moved on to Eugene, Ore., in 1971 as sports editor and columnist, covering the 1972 Olympic Games in Munich. He covered five Olympics all together - Mexico City, Munich, Los Angeles, Seoul, and Athens - before retiring in early 2005 from the Seattle Times. He covered his first Masters in 1987 when Larry Mize chipped in to beat Greg Norman, and his last in 2005 when Tiger Woods chip dramatically teetered on the lip at No. 16 and rolled in. He saw Woods' four straight major wins in 2000 and 2001, and Payne Stewart's birdie putt to win the U.S. Open at Pinehurst. Blaine now plays golf at Wing Point Golf and Country Club on Bainbridge Island, Wash., where his current index is 12.6. In 2005, Blaine received the Northwest Golf Media Association's Distinguished Service Award. He and his wife, Joanna, live in Indianola, Wash., where the Dungeness crabs outnumber the people.

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Invest in a Golf Course?

Investors are returning to commercial real estate. They like established properties that flow cash even in bad economic times. Although it may be counterintuitive, some golf courses do that.

The *Wall Street Journal* reports that there are nearly 16,000 golf courses (18-36 holes) in the country, about 4,500 nine hole properties, and less than 900 par-threes. The good properties have weathered shrinkage of players and the real estate crash and are distinguished from the rest of the pack by good financial performance.

As the supply of failed golf courses recedes, these properties have a potential for increasing profitability. Despite some recent hard times, golf is still a game that enthalls and fascinates millions of men and women as it has for generations. One caveat: You will probably need cash or mostly cash to purchase a property although some owners may be in a position to offer financing. Despite the happy talk from Washington and Wall Street, the banks still aren't lending. Consequently:

- Established properties can be purchased at competitive cap rates; and
- Properties are selling for one-third to one-half of their replacement cost.

Five or six golf properties can be purchased for roughly the price of a single Class A Garden Apartment Development (and roughly equivalent total net operating income), with the opportunity to spread management costs and risk over multiple properties. **The trick in buying is to distinguish between the junk and the jewels.**

Despite years of studies and warnings, the golf industry was badly overbuilt in the last decade. A big slice of the oversupply came from residential developers who built courses in subdivisions anticipating premium prices for golf course lots. To get the maximum number of lots, fairway yardages were stretched far enough to create a golden age for golf carts and spoil the game for average players. A lot of these properties combine high operating costs with low play, although there is an elite subset that is well designed and located and worth considering.

Golf Properties Worth Investing In Share Certain Characteristics; and Why Some Properties Should Be Avoided Location: The jewels have characteristics in common with good retail sites. They are located in areas with good demographics, low crime, upscale shops and restaurants nearby, and established neighborhoods surrounding the property.

Age: Older courses have a more mature settled look. If the course and buildings have been kept in good repair with periodic upgrades and remodeling they should be considered. As a general rule don't buy a course less than five years old unless you can see reliable trailing financial data for at least three years.

The Neighborhood: Good demographics aren't enough. In the current economic environment be cautious about buying if the surrounding area is still under development. While there are exceptions, the best courses are located where the surrounding community and infrastructure are settled.

A Bundle of Services: It isn't just about golf any more. A successful properties management

recognizes that, while golf is the centerpiece, it is competing with the finite amount of time that young families can spend with each other. In these families, wives tend to be the decision makers on how the family's recreation budget is spent. Management should be ready to offer them a bundle of activities and features that meet their needs and which drive maximum use of the golf facilities: youth activities and junior programs such as golf summer day camps are key not only for income but also for growing the player base; group golf instruction attracts women who tend to enjoy golf lessons with their friends.

Beyond golf, high-grade fitness centers for women and men are both an attraction and a relatively inexpensive "added value" justification for paying dues; planned special events (e.g., book and author luncheons, holiday celebrations, evening entertainment, etc.) add to traffic and incremental income.

The objective: fill the parking lot profitably every day, not just Wednesday afternoons and Saturday mornings. A successful investor in retail properties will understand **the business model because entertainment and retailing are the businesses golf properties are in**. In the future it's not hard to imagine talented managers being recruited from companies like Disney to manage golf-centric facilities. Disney has taught families to play together. Golf properties can create those play opportunities closer to home.

Some golf properties do a poor job on food at a time when the restaurant chains are scaling up their menus to compete for consumer dollars. Even McDonald 's has introduced high-grade salads that beat a lot of club offerings. Not every facility can manage a full food and beverage operation but even a limited menu should be high quality with good presentation and service. A spacious clubhouse with an oversized kitchen and facilities sufficient to accommodate a caterer for large scale affairs like banquets and weddings can be profitable and, if marketed effectively, don't have to be in daily use.

Economics: If a golf property made money in 2010 it probably has a profitable future, although long-term opportunities to develop for a higher and better use for the land may be limited. It may be great real estate but if, like most properties it's located in the middle of other developments, particularly residential, future changes will likely be opposed by neighboring owners. In some cases the property may be eligible for a conservation easement tax credit assuring its future as a golf course or park in perpetuity, possibly with some peripheral land set aside for development of apartments or condominiums.

Property Type: Look for a single owner. The property may be called a "club" if individuals pay dues and are called members. This isn't a problem as long as the decision about selling remains in the hands of an individual owner or entity. The easiest type of property to own and operate is a daily fee course or a combination of daily fee and dues-paying members who have no ownership interest in the property.

Be wary of private clubs with boards of directors. They tend to overvalue the property and it may be difficult to get agreement from the board and the equity members. (An equity member has a vested financial interest in a share of the property usually purchased with the initiation fee.) Do consider properties owned or controlled by a homeowners association but be sure to take the time to evaluate the group you are dealing with and consider it part of your due diligence.

Success in structuring a deal can depend in large part on the quality of the association and its leadership. If you find yourself dealing with a group that has conflicting agendas and who tend to be unrealistic about the property's value it's better to move on.

Market Research: It isn't what you don't know but what you think you know that can kill you. While most golf operators understand course management, many lack quantifiable data about their customer base. Thinking you have a general idea of what your customers want isn't enough. Not having the right intelligence can lead to a deadly cascade of errors in pricing, stock, services, facilities and market positioning.

Show Me A Prototype of What I **Should** Buy:

Here are some bullets for an actual property located in the coastal southeast in an upscale suburban market on a high traffic road.

Shops and stores are nearby.

Settled upscale neighborhoods surround the property.

Property: 18-hole course. Every hole has a water or marsh feature

Built: 1988

Type: Semi-private (dues-paying members and daily fee customers)

Amenities: Completely remodeled (2008) 10,000 square foot club house. Large dining room and bar overlooking the 18th hole. Men's and women's locker rooms, pro shop, administrative offices, and driving range.

Traffic 2009: 41,000 rounds

Net Operating Income 2009: \$420,000

Needs: A fitness center with facilities for men and women.

Depending on the terms and conditions of the sale you could probably purchase this property for a capitalization rate in the 8% to 9.5% range. You will find properties like this if you look carefully.

Footnote: Original article was published in "The Drive" Newsletter, an instrument of the Society of Golf Appraisers <http://www.golfappraisers.org>

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Originally posted by [HildaAllen](#) on 17 Jan 2011.


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Redeveloping Failed Golf Course

By [Glenn Gerena](#) on September 24, 2013

Posted in [Land Development](#), [Real Estate](#), [Recreation](#)

Redeveloping some or all of golf course land as residential or resort units often gives a golf course owner the opportunity to transform a failed golf course into a profitable venture. The oversupply of golf courses and the financial difficulty many courses face have been discussed in Hospitality Law Check-In (see "[Growing the Game of Golf](#)" and "[Club Membership Deposits in Bankruptcy](#)") and golf industry publications. A golf course owner that cannot make a golf course profitable should investigate development opportunities for the golf course land. The golf course owner may even save the golf course by reconfiguring it to allow for limited development on a small portion, which may enhance the profitability of the golf course by generating new users such as new homeowners or resort guests.

However, changing land use from recreation/open space to residential, resort or commercial development often presents significant challenges, including:

- Prohibitions or restrictions in local government development approvals and zoning;
- Covenants and restrictions imposed on the property;
- Restrictions in agreements with property owners or a homeowners association;
- Possible claims from owners of residences on the golf course of rights to golf course views or open space;
- Political opposition from property owners, neighbors and golfers; and
- Club membership program that must be terminated if the golf course is closing or would be impacted by a golf course reconfiguration.

Golf course owners can take measures to win support for land use changes through:

- Land planning to replace golf course views with landscaping, parks or open space;
- Architecture and land plan that complement and add to the community;
- Review of traffic and other impact on the community with a plan to address any negative impacts;
- Communication with the community and local government as to current financial difficulties and negative consequences of golf course closure or alternatives to proposed development; and
- Analysis and communication of positive economic impact to the community and property values.

Redeveloping a golf course is extremely challenging, but may be result in a “white elephant” being transformed into a “pot of gold.”



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GOLF COURSE DILEMMA?

Tell me if this sounds familiar:

Rounds and revenues are down at your residential neighborhood golf course. The bank is closing in and the owner threatens to throw the keys and walk away. The worry, real or not, is that the economic integrity of the entire neighborhood could be at stake if the golf course closes. However, fewer than one in five who live there actually play golf.



Battle Lines are Drawn

The golfers on one side don't want to lose their golf course and prepare to convince their neighbors they need to pony up to save it. The non-golfers believe the golfer's warning about losing the golf course and the negative impact on property values is based purely on selfish reasons. Generally, the golfers are quite right with their argument. However, the non-golfers in the neighborhood have a five-to-one ratio in their favor and become a daunting foe. Non-golfers hate to pay a virtual tax to support "A bunch of idiots who chase a little white ball around a field just to hit it again and swear at it!"

So, the fun begins between two factions: The people who play golf and live there; and The people who don't play golf and live there.

THE GOLF COURSE SAVING SOLUTION

Let everyone who owns a home in the golf course development pay into a fund to support the golf course? Not so fast!

The people who play golf want the entire neighborhood to chip in to save the golf course. The golfer's argument is that a failed golf course will have a negative impact on the value of the entire neighborhood. Paying a fee through the home owner's association (HOA) sufficient to own and maintain the golf course is the only sensible answer. They might call the contribution an insurance premium to support the value of their homes.

Can I say it?

I've been around this business for over 50-years. I think I know it better than anyone.

In my opinion if there ain't enough rounds to pay the bills, why should a golf course stay alive?

Golf courses sure as hell better not be kept alive by tax payers!

Golf is a leisure activity that uses a lot of real estate - not to mention expensive maintenance, dozens of dangerous chemicals, and low paid laborers.

Personally, I'm not comfortable playing a golf course knowing that little old lady with the walker was paying taxes to subsidize my golf course.

Really! Golf courses have to pay their way or go away.

There! I said it.

Mike Kahn (with over 50-years making my living in golf).

Various articles about home values - especially with regard to open space - indicate houses have an historical higher value than houses without nearby permanent open space. In fact, houses located near open space that still retains its development rights do not fair as well as houses where the open land can never be developed. So, the first research each side of this dilemma needs undertake is to determine what other use is permitted on the golf course lands. It is not a good result for either side - golfer or not - if the land is zoned for development, as the loss of open space will (historically) have a negative affect in property values.

The non-golfers tend to dispute the golfer's claim, or the older residents couldn't care less (like in older neighborhoods in Florida). In my experience, the older the non-golfer, the less they care about the fortunes of the golf course. Of course, older folks are usually retired and on fixed incomes. They will argue against any new tax - especially to pay for golfers recreation. Many older folks don't really care about their house values as they would have forty-years ago, and that's probably quite fair. For instance, picture this:

The little old lady barely keeping here house paid up and tidy. She gets around on a walker. Her government checks come in and she budgets every penny. Then this guy in the gaudy pants and pink shirt asks to her to help pay for his golf course. Luckily she's on the 5-to-1 side.

THE COMMITTEES

Committees are formed and a line in the sand separates the golfers from the non-golfers. Other sub-battles go on between the banker and the course owners, and the on-course lot owners and the off-course owners.

I may be one of the few who might be able to help.

I'm a golf course business person, but I also understand how the big picture affects everyone who owns property in a golf course community. I have a home on a golf course and I know my investment will tarnish if the 15th fairway I see becomes a weed patch. I saw the results when I was GM at The Ravines Golf Resort at Middleburg, Florida (Jacksonville).

Before I arrived to manage Ravines the former owners had already closed a neat little par-3 course, which was surrounded by condo style homes. The first thing that happens is the invasion of weeds. There were all kinds of very tall weeds. As the grass and weeds grew high, animals

could hide and next the area is loaded with snakes and other varmints. Nothing is green either. It's all shades of brown and gray. Meanwhile, neighbors you could wave at across the fairways became hidden behind seven foot tall weeds.

I spoke to some of the residents who told me they could never sell their properties with that mess outside their door.

So what's a property worth if nobody will buy it?

That's my point.

WHAT IS THE SOLUTION?

Even though hundreds, maybe thousands of golf courses are facing closure, they are all a little different - especially residential golf courses. Believe-it-or-not, I think many deserve to close, because they were ill conceived and in some cases, were used to dupe people into buying their property. However, many must be saved to avoid a community financial disaster.

I believe I can help communities sort it out.

If what you read above sounds familiar, call me: 941-739-3990, or write me at: mike@golfmak.com.