

CAPTURED VALUE ON THE LINKS



JOHN G. WILLIAMS ARCHITECTS/CASHIO COCHRAN LANDSCAPE ARCHITECTS (LAKEWOOD RESORT AND GOLF COMMUNITY)

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USING EXCESS LAND OF GOLF COURSES FOR REDEVELOPMENT IS ONE WAY COURSE OPERATORS ARE GENERATING CASH FOR CAPITAL IMPROVEMENTS.

IN THE LATE 1990S, THE RALLYING CRY in the U.S. golf industry was a “new course every day,” buoyed by what many called the “Tiger effect”—the rising popularity of golf triggered by the success and fame of Tiger Woods. Between 1995 and 1999, 1,500 courses opened, ranging from municipal and daily-fee courses to private clubs. In 2000, 398 new courses opened across the country, according to the National Golf Foundation (NGF)—*more than one a day.*

Overbuilding comes at a cost in all product types, and golf courses are no exception. Even with golf’s popularity at an all-time high, this extraordinary increase in the number of courses inevitably resulted in a decrease in rounds per course. According to the National Golf Course Owners Association, since the record-setting year of course openings in 2000, the number of rounds played per facility has been flat or has declined for six

straight years. In a capital-intensive industry that relies heavily on its fee structure as its primary revenue source, fewer rounds correlates directly to reduced money for maintenance and improvements.

After 2000, the number of golf course openings fell dramatically each year, plummeting to 124 in 2005, the fewest since the 1980s. The number of closures also increased, with courses succumbing to the oversupply or falling victim to the economics of land development. The majority involved older tracts lacking the amenities of newer facilities. According to the NGF, 93 courses closed in 2005—the highest number since the NGF began tracking closures 20 years ago—resulting in a net addition to supply of only 31 18-hole courses.



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SCHEMATIC DESIGN
Scale: 1" = 500'

Some 39 acres (16 ha) of excess land, created through the redesign of Lakewood Golf Club's course in New Orleans, will be redeveloped to include a hotel, 518 condominium units, 16 golf villas, specialty retail space, and an assisted living facility.

Still, there are currently more than 16,000 courses throughout the United States, most of which are thriving, though some are not.

Golf course operators want to generate cash for capital improvements without overleveraging the properties or raising green fees, cart rental rates, membership dues, or other fees. One strategy growing in popularity, especially among owners of less-efficient courses, is redevelopment—allowing the owner to capture value already present in the golf course land to improve the facility, and make money in the process. This approach has a parallel in the broader U.S. real estate market—infill expansion of existing facilities in office, industrial, and retail areas.

Last May, the New Orleans City Council approved a rezoning petition by the owners of Lakewood Golf Club in the Algiers community for a \$200 million golf development. An integral component of the Lakewood Resort and Golf Community will be a major upgrade and renovation of a revered 45-year-old golf course.



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Lakewood Golf Club, home to the Professional Golf Association's New Orleans Open from its opening in 1962 until 1985, had fallen into disrepair and was facing closure. The deteriorating 159-acre (15-ha) site was acquired by the New Orleans Firefighter Pension Fund in 2003.

"We saw an opportunity to acquire a course with a great history on a valuable piece of land only ten min-

utes from downtown New Orleans," explains Cynthia Rico, project manager for Lakewood Resort. "The last thing we wanted to do was close the course."

The pension fund also realized the financial benefit of subdividing 39 acres (16 ha) of excess land, half of which was created through the redesign of the golf course, for development as a mixed-use community that will include a hotel, 518 condominium units, 16 golf villas, specialty retail space, an assisted living facility, and a new maintenance facility. Project completion is slated for mid-2008. In addition, the pension fund acquired three adjacent parcels and reconfigured the course to gain additional development sites.

"The course was very old and needed a lot of attention," says Rico. "Now, instead of closing an outdated, stand-alone golf course, which would have been a black eye on the community, we are going to return to New Orleans a Class A, 6,800-yard [6,200-m], public-access course with a first-class practice facility designed by golf course architect Ron Garl as part of an exciting golf course community. The value of the properties will be enhanced because of the golf course, and the golf course itself will be enhanced by the upgrades we were able to make to it because of the surrounding development," adds Rico.

Owners of most older courses do not have the amount of excess capacity available to the New Orleans Firefighter Pension Fund. However, some courses, especially those not integrated into a residential development, have excess land because they were designed just for golf with little sensitivity to the amount of land actually needed for the course. Finding and using this excess land often takes some creativity.

In some instances, land can be provided by moving a maintenance facility or repositioning a driving range. A more drastic measure would be to reconfigure one or



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more holes. In either case, the additional land for development can serve as the economic driver to make improvements and ensure the survival of a golf course.

"We look for courses within an existing development envelope with 10 percent inefficiencies," says Will Gustafson, managing principal of Santa Barbara, California-based Synergy Golf Partners, which has renovated one course in California and one in Nevada. "That usually translates to about 15 acres [6 ha] on a 150-acre [60-ha] course. It's a model that allows us to put capital back into the facility and fix the problems that may exist with the course. Even though we make money on the development, bottom line, I want to enhance the golf experience, as I like the operating side of the business for the long term once we overlay our operating strategies."

Other golf facilities have excess capacity on the back nine holes, or even entire courses come to be viewed as excess. For example, Wild Wing Plantation near Myrtle Beach, South Carolina, is downsizing from 72 holes to 36 to free up space for residential development, and Bay Tree in Myrtle Beach closed 36 of its 54 holes.

Though some may question the wisdom of golf course redevelopment, especially in light of a softening housing market nationwide, evidence supports the approach.

By moving a maintenance facility and reconfiguring two holes at D'Andrea Golf Course in Reno, Nevada, 72 custom home lots were created and the existing clubhouse will be doubled in size.



Renderings of the condominiums planned for the Lakewood Resort and Golf Community.

According to an NGF report, 61 percent of the courses that opened in 2005 were built in conjunction with a real estate development, continuing the recent trend in which the majority of new courses are built in golf course communities.

The popularity of such golf communities does not necessarily correspond to the popularity of the sport. Nationally, an average of only 40 percent of residents who live in a year-round golf community actually play golf, with the figure as low as 20 to 30 percent in some communities, according to the Golf Research Group in Dallas. Most are drawn to a golf community's controlled environment and open space, and are willing to pay a premium for their homes. It is this premium that often results in golf course development making economic sense, even if the cost of developing the course exceeds the value of the course as a stand-alone operation.

Excess land on a golf course can be used not only for residential development, but also for development of other product types. A number of developers of assisted-living housing, drawn by the suburban location, open space, and available parking, are considering locating facilities on or near a golf course. Some cities lacking land for schools or parks are also looking to golf course operators to swap excess property to be used for such

public facilities in exchange for development rights in other areas of town.

All the challenges that come with the infill development process also apply to golf course development, including zoning and general plan changes, homeowner issues, and political considerations. Complications specific to golf-related development also exist—for example, in many instances land used for golf courses is an assemblage of different parcels that have a variety of zoning designations.

Changing zoning is a challenging process in any situation, but especially with golf course redevelopment because municipalities favor golf courses as recreational open space that is maintained privately at no cost to the city. The loss of such open space is one of the major obstacles in converting golf course land to residential use. While many city officials will not oppose low-density housing around a course, the idea of dense development on what once was an open fairway is a very tough sell. Also, it is much easier to change a parcel's designation from open space to residential if the excess land is adjacent to an existing residential development. Conflicts with existing homeowners over traffic and views may also arise with redesignation of open space.

It is likely that many older golf courses not anchored by some sort of development will continue to struggle. Reinvention of these clubs and courses through redevelopment is proving to be a viable option for salvaging them while also improving the overall quality of the nation's golf course supply. **U**

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