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## FORESAKEN

BY STEVE BATES

*Property values can plummet when a golf course fails in a community. Should associations open their wallets to bail out troubled links?*

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As recently as a few years ago, many Americans seeking a pastoral retirement spot or a duffer's dream bought homes along golf courses. What could be better than sitting on the back deck and watching the neighbors drive, chip, and putt their way through a sunny afternoon?

But developers built too many golf courses. Golfers aged and gave up the sport. Many younger people have become more interested in swimming pools, tennis courts, open space, and community centers.

In the 1990s, many golf courses in residential communities landed deep in the rough, with some course owners claiming annual deficits as high as hundreds of thousands of dollars. In recent years, water and maintenance costs to keep those fairways pitch perfect ballooned, further straining course owners. The Great Recession didn't help either.

The National Golf Foundation reports 200 course closures nationwide in 2016 and more than 800 in the past 10 years.

"It's the tip of the iceberg," says Mark Dodge, CMCA, AMS, president of Associa Desert Resort Management in Palm Desert, Calif. "It's going to take a massive re-visioning of this industry" for golf to succeed in residential communities.

In most instances, golf courses are owned and operated separately from the neighboring community. Yet the people who bought lots adjacent to fairways typically paid a premium for them, and everyone in the community benefitted from increased property values through the ambience a course creates.

When a golf club has run into trouble, the owner sometimes approaches the association asking for financial support. Without such help, the owner often says the course will close, the land will become clogged with tall and unsightly weeds, and residential property values will plummet.

Homeowners typically respond with anger. They purchased their homes because the course was the centerpiece of the development—even if they didn't play the sport. It never occurred to them that the course could close. But many have, and associations around them have struggled with the consequences.

"It's going on all around the country," says Michael Kahn, president of golf consulting firm Golfmak in St. Petersburg, Fla.

Kahn points to The Ravines Club in Middleburg, Fla., for example. The course, just south of Jacksonville and adjacent to an upscale residential development, was nationally rated, but it closed about a decade ago. Kahn, a manager of the club before it began to fail, says residential property values around the course dropped more than \$20 per square foot after it closed, and they continue to languish today.

Ravines' once-beautiful fairways have been neglected for so long that it's difficult to envision their former purpose, Kahn says. Representatives of The Ravines Community Association declined to comment.

## PLAYING THE LIE

Community associations can't ignore a failing course—even when they have no operational control over it, says Michelle Tanzer, a shareholder in the law firm Gray Robinson in Boca Raton, Fla.

"Boards have a fiduciary responsibility" to consider options and present them to the community, no matter how painful, she says. "A certain amount of honesty needs to be communicated in a non-emotional way."

But it's difficult to make the case that residents should suddenly start paying more assessments to support golf, says John Stone, CMCA, AMS, PCAM, president and CEO of Community Association Services in North Carolina.

"If you don't live on the golf course and don't play golf, you don't want to pay higher (fees)," he says. However, "If the golf course closes down, it sends a message that the community is distressed."

The Center for Regional Studies at the College of Business of the University of Nevada, Reno, found a big impact after the D'Andrea Golf Course, located near Reno, closed in March 2012. When compared with other nearby communities, a 2015 report by the center says home values on the golf course declined between \$26.77 to \$32 per square foot.

"The effect on residents all around these golf courses (nationwide) has been dramatic, anywhere from 20 to 40 percent of market value (has been lost)," says Kahn.

To make matters worse, in addition to sprouting weeds, a closed course could sprout a massive development of new homes.

"It's a bummer if trees are growing in the fairway," says Stone. "It's really a bummer if there are townhomes in your backyard where there used to be a fairway."

Meanwhile, there are real estate agents who won't list houses in communities such as The Ravines in Florida, says Art West, owner of Golf Course Advisors in Jacksonville, Fla. "It will all level out. But a lot of people will get hurt in the process."

If community associations don't want to suffer the effects of a closed course, the alternatives include subsidizing the golf course, buying it, or crossing fingers when the owner threatens to shut it down.

Thom Blinkinsop, regional general manager at Red Rock Country Club in Las Vegas, recommends associations take over a failing course.

"It's not always easy. It can be a five-to 10-year damaging blow," he says. But in many cases, it could work "if everybody gave \$100 more per year."

There are no clear guidelines for associations considering subsidizing or purchasing a course, warns Kahn.

"There are golf courses that can be saved. There are golf courses that are not going to survive," he says, adding that it's unlikely a community with fewer than 1,000 homes will have enough golfers to make a private course economically viable.

It could be disastrous if association leaders don't know what they're doing, says West, noting that golf is a tough business. "Everybody who lives around a golf course thinks that the owner is riding around smoking a cigar and making money."

In addition to finding funds for the purchase, there are many other issues involved with taking over a course (See "Par for the Course," right, and "Course Correction").

## CLUBS AND COURTS

In 2015, the Morningside homeowners association in Rancho Mirage, Calif., decided to help its private golf course, the posh Club at Morningside.

The association raised its assessments from \$1,050 a month to \$1,300 to support the club. In return, the club offered homeowners a \$250 monthly membership credit. However, some homeowners have sued the association, saying they shouldn't be forced to support a private business that they don't patronize. Representatives of the association and the golf club declined to comment.

The Creekside Homeowners Association in Salem, Ore., and the adjacent Creekside Golf Club are in a court battle over plans to close the 18-hole course and build houses on it.

In early 2016, the club asked the 588-home community to subsidize golf operations. Owners' fees would triple. In exchange, residents would gain social memberships at the club, allowing them to play golf and use a pool and fitness center.

But residents considered that plan to be way out of bounds. Soon thereafter, the course announced plans to close. The association sued, and course owners countersued. Both sides say the key legal issue is whether the course owners have an obligation to operate the course even if they are losing money.

The association claims that the original developers sold lots based on the promise of an 18-hole course. It also alleges that association documents, recorded in the early 1990s when the community and course were created by the developer, require that a course be located on the property and maintained properly. T. Beau Ellis, an attorney with Vial Fotheringham in Portland who represents the association, says the documents create an "equitable servitude" mandate.

The golf club disagrees with the association's interpretation, arguing that the documents permit it to close the course and use the land for other purposes. The course owners have unveiled preliminary plans to build 354 single-family houses on the property.

Danny Moore, who took over as general manager of the club in 2016, says he and the owners would like to see the property remain a golf course, but that's not possible without financial assistance from the association.

"I feel pretty confident that I can turn the place around," he says. "We just have to get these people to believe a little more and contribute a little more."

Ellis points out a similar situation with a community and golf course near Bend, Ore. The 18-hole Mountain High Golf Course was shut down for two years. The owner stopped watering the fairways, which were soon overtaken by weeds. The Mountain High Homeowners Association claimed that its homeowners had purchased lots based on the expectation that the course would remain in operation. In 2005, a circuit court judge agreed and ordered the owner of the course to reopen it with nine holes.

There were no covenants" in this case, notes Ellis. "It was all based on the representations of the developer."

### HAZARDS AND MULLIGANS

When D'Andrea closed in 2012, D'Andrea Homeowners Association opted not to subsidize or purchase the course.

The course owner asked the nearly 1,200-unit association to contribute \$28 per residence per month. Residents overwhelmingly voted down the proposal.

Rick Gardner, general manager of Equus Management Group in Reno and D'Andrea's community manager, says the land "has gone back to nature." Teenagers have been partying in overgrown areas, and the abandoned clubhouse was decimated by arson.

"Tumbleweeds are blowing into people's yards," he says. "We're seeing a lot more critters."

But now, a new firm is thinking about redeveloping the property. And the association is listening, particularly after five years of blight.

D'Andrea Rising, the proposed project, would feature a small housing development, a nine-hole golf course, and a variety of other amenities. Among the possibilities are a community center, a small winery, and an amphitheater that could host concerts and other cultural events.

"I feel like we're breaking new ground," says Steve Trollope, one of the founders of D'Andrea Rising and a nearby resident.

Everybody agrees that "the place is a mess" right now, Trollope notes, adding that the fire debris is still sitting there. He admits that redeveloping the property is going to be a long process. He also states that the project will only be pursued if the community backs it and it proves to be "a long-term economically sustainable solution." Trollope says the association and residents would not be asked to contribute any money toward D'Andrea Rising.

"Longtime residents are adamant about having some kind of golf course" if the property is redeveloped, he says. "A nine-hole golf course is seeing the greatest growth in terms of play across the country. It takes less time to play. It costs less."

Gardner sees the positives too.

"It would really benefit the community if they can do this," he says, noting that the association would want provisions giving it leverage to ensure that the project's phasing is appropriate and that noise and traffic are mitigated, among other things.

Tanzer, the Boca Raton attorney, says association leaders need to learn a lesson from current communities' experiences with failing golf courses. Boards can't ignore failing links and hope that fate will give them a mulligan, she warns. Property values are too intertwined with the success of the neighboring course.

"When the tide falls, we all sink together," she says.

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