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COURSE CORRECTION

BY GREG CHRISTOVICH

With golf in decline, board members and managers must act now to preserve the quality of life and property values in their communities.

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Many communities are facing uncertainty as the golf clubs in their neighborhoods fall into distress or, worse yet, shut down for good.

The Ahwatukee Golf Course in Phoenix closed in 2013, leaving homeowners in a panic as property values plummeted and the golf course became a fallow eyesore.

Heron Point Golf Club in Myrtle Beach, S.C., closed in 2014 and may never be restored. Myrtle Beach Golf & Yacht Club Homeowners Association called a special meeting at the time to discuss the effects.

In some instances, associations are now involved in litigation with the owners of their closed or partially closed golf courses—either to force the owner to restore and maintain the links or prevent redevelopment into residential or other uses.

Killearn Estates in Tallahassee, Fla., a 3,000-home community, recently sued to block the owner of the neighboring golf course from building a mixed-use community on nine of the 27 holes that were closed about a year ago. The course, which was built in 1967, once hosted a PGA tour event, but the shuttered holes are now overgrown and unsightly, and the clubhouse and pool facilities are in dire need of repairs.

"We are extremely frustrated and concerned about the future of our neighborhood," says Bruce Conroy, a longtime resident and member at Killearn.

As interest has waned in golf, more than 800 courses have closed nationwide in the past 10 years—over 200 in 2016 alone, according to the National Golf Foundation.

And in a further sign that golf course communities just don't have the same caché they used to, even if a course remains open, some homeowners who paid a premium to live nearby are still finding their property values slipping.

What can association board members and managers do to preserve the quality of life and property values in their communities, help their golf clubs remain viable, and avoid disputes and litigation?

Many communities that have experienced the closure of their course would tell you that they shouldn't have waited to take action.

Get to know the club owners and their plans. Find out how the course is doing and what the owners' business objectives are and help them understand how to best serve your residents through their course, restaurant, and other facilities. A community with residents who fully support the club has a much better chance at keeping it open and healthy for the long term. Maintain regular communication with the course owners, promote it to your residents, and host events there whenever possible.

Review any contracts, covenants, and deed restrictions related to the course. Have a complete understanding of any rights and responsibilities between the club and community, including whether the association can hold the club owners accountable for maintenance standards.

Pay attention to the course and facility conditions. Deferred maintenance, poor service, unannounced changes in hours of operations, and more are signs of potential financial troubles and can be early warning signals of a more serious situation. If it appears your club is in trouble, engage an attorney and golf consultant to look further into the situation. If there is a loan on the golf course, the lender may not know that its collateral is at risk; an attorney or golf consultant can help identify and contact the lender.

Consider supporting the club financially. If your club has sound ownership and management, and you trust that they are doing their best but simply aren't able to put a sustainable business model in place, consider a small assessment per owner per month for capital improvements or operating expenses. A fee increase of as little as \$25 per owner per month could rebuild greens, put a new roof on a clubhouse, or hire additional staff for course beautification. A home in a golf community could lose 25 percent of its value if the club closes; \$300 a year will seem like a small price to pay to preserve that value.

Consider purchasing the club from the owners. With the residential real estate market recovering from the Great Recession in many areas, this scenario has become more plausible, especially for communities with adequate resources and course owners interested in selling. Residents who now have restored equity in their homes might be willing to protect that value by supporting the course's maintenance and amenities. In many cases, associations will be able to convince a lender to finance the purchase.

"Lenders, particularly those with association experience, will often look very favorably on an association purchasing a club," says Jerry Hinckley of the Leisure Financial Group, an Atlanta-based consulting firm that places loans for golf and country clubs, hotels, and marinas. "The collateral in these transactions is the facilities themselves, as well as the income stream from the association fees, so they can be very solid loans for a lender."

If a community has more than 500 homes, club operations are close to breaking even, and the owner has a reasonable asking price, the annual fees increase could be nominal for residents.

Mount Vintage Plantation in North Augusta, S.C., purchased its ailing golf club in August for \$2.9 million.

The 27-hole course had been through multiple owners the previous five years and was foreclosed on by its lender in 2015. "The course was basically run into the ground. It was barely still alive," says Gregg Karlberg, a Mount Vintage Plantation homeowner and board member. "Our property values had diminished tremendously."

The association, which is still under developer control, didn't need a formal vote to approve the acquisition; the association is allowed to purchase or lease property that is in the best interests of the community. But several information sessions were held for residents and eventually a straw poll was conducted.

"If we didn't have the support of the community, there was no sense going through with it," says Karlberg.

The bank that owned the property financed the purchase. The association administered a one-time \$300 assessment to cover the first five months of debt service. Annual assessments were raised to \$1,400—in part to cover the debt service for the course purchase and in part to cover the debt service for a separate transaction to acquire an affiliated town center with a swimming pool, tennis courts, and fitness amenities.

The association will continue to cover the debt service and has leased the club for \$1 per year to Golf Gem MV, a newly formed company comprising golf members and residents. Golf Gem MV raised an additional \$1.25 million to refurbish the course and cover operating losses. A seasoned golf professional, course superintendent, and food and beverage manager were hired and will report to Golf Gem MV.

"With the course falling into disrepair, we decided we needed to control our own destiny," says Karlberg. "Having the course in Class A shape is a benefit to association members and will attract more people to buy and build in Mount Vintage Plantation."

Golf members and residents have dedicated thousands of hours to bring the course back, even picking up broken branches, cutting up fallen trees, and making repairs to the clubhouse and other course buildings.

"What's been absolutely amazing is the amount of participation that's come from the community," Karlberg says. "The talent these people have is unbelievable. It's been an untapped resource until now. It comes back to pride of ownership."

CLOSING CONSIDERATIONS

If your course shuts down, you might consider appointing a committee of residents to explore options for its future, retaining legal counsel, and hiring a land planner.

Legal counsel will be able to clarify whether the community has any enforceable rights related to course maintenance, and a land planner can help develop a workable repurposing of the property to the benefit of homeowners, even if it includes some redevelopment.

It's important not to wait for the course owner to file a redevelopment plan with local planning officials. When that happens, which has been the case at dozens of closed courses around the country, years of expensive litigation typically follow—all while property values plummet and the course and facilities fall into major disrepair.

Associations and course owners can develop a plan that works for both parties, which may include some redevelopment and the inclusion of community-friendly amenities, such as a nine-hole or executive course, golf practice area, playgrounds, walking trails, fishing lakes, dog parks, community gardens, and recreation centers.

Community association boards and managers should be prepared if they suspect their golf course is in trouble. While it remains to be seen how the golf industry will fare in the long term, it's likely many more courses will continue to suffer and potentially close their doors in coming years.

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