JULY/AUGUST 2021

NATIONAL GOLF COURSE OWNERS ASSOCIATION

GB GOLF BUSINESS

WHERE CAP-EX MEETS NEW CONCEPTS

GolfBusiness

INSIDE

JULY / AUGUST 2021

COVER STORY | WHERE CAP-EX MEETS NEW CONCEPTS

DESTINATIONS

BOYNE HIGHLANDS RESORT

Welcoming Change, Present and Future

26

MULTIPLES

EITHER OR . . .

Whitney Crouse Of Bobby Jones Links On The Polarizing Effecs of Inflation

34

EXCLUSIVES

COLLETON RIVER

Refine and Redefine Private Lowcountry Luxury

40

SINGLES

FINDING SAVINGS

The Fixed Costs Maze

46

WHERE CAP-EX MEETS NEW CONCEPTS

By David Gould

In movies like "The Martian" and "Apollo 13," spaceships running low on power opt to "slingshot" around a planet or moon to gain speed while conserving fuel. Jeff Davis of Fairway Advisors feels golf operators should do something similar using the abnormal business boost that Covid-19 has provided.

The Dallas-based golf course broker and advisor talks about exploiting the pandemic's gift of higher revenues by "doing something visible with the extra cash that will help you raise rates," thus leveraging an unexpected power source to turn what could be a temporary lift into a real difference-maker. It's capital improvement as we've always known it, except it's got a legitimate upside.

For example, if your food-and-beverage space is a conventional 19th Hole-type venue, Davis suggests spending what you need on "FFE" (furniture, fixtures and equipment) to convert it to a tavern or sports bar that local non-golfers would want to patronize, then spending a little more to market that amenity. "The point is to get in front of a new, extended audience and bring a personal touch to your messaging," he says. "If you've made an improvement that extends your product offering you'll be able to find a small internet marketing company to help you turn it into revenue."

Another worthwhile capital investment, in his view, would be a high-energy player development program that mixes game-improvement, i.e. lessons and practice sessions, with socializing and relaxing. The vision Davis would have you try and execute involves "people on the range, with music, and tables and chairs behind the tee line, so the family can come and watch one member take a lesson while they eat and drink and enjoy themselves."

The decision-makers at Eagle Creek Golf Club in Orlando, Florida chose to embrace this principle last spring, according to Kenny Nairn, a co-owner of Eagle Creek and two other courses. Their cap-ex strategy involved tapping into the expected surge in demand for event venues once the pandemic ended, by investing their surplus green-fee revenue from 2020 in a ballroom upgrade.

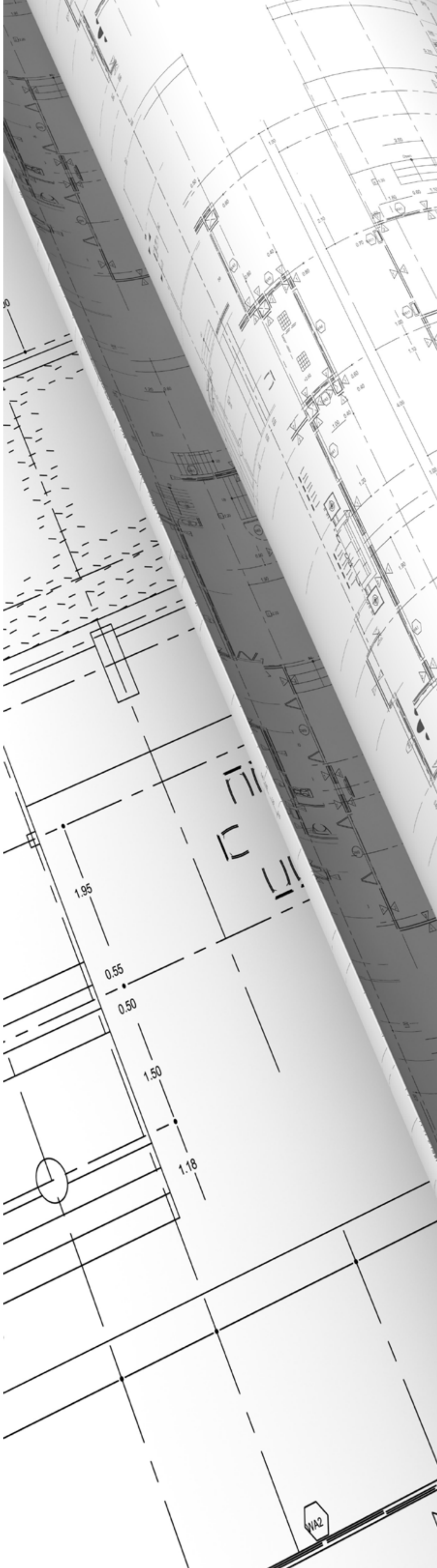
"It was approximately a $65,000 renovation," Nairn says. "We tore up the ballroom carpet and padding and replaced it with new vinyl plank, then we brought in all new chairs and repainted the entire space. When the sales team saw the finished product, they were very happy, and not long afterward people in Florida started booking weddings again. We're getting a rental rate on the space that we couldn't have gotten previously."

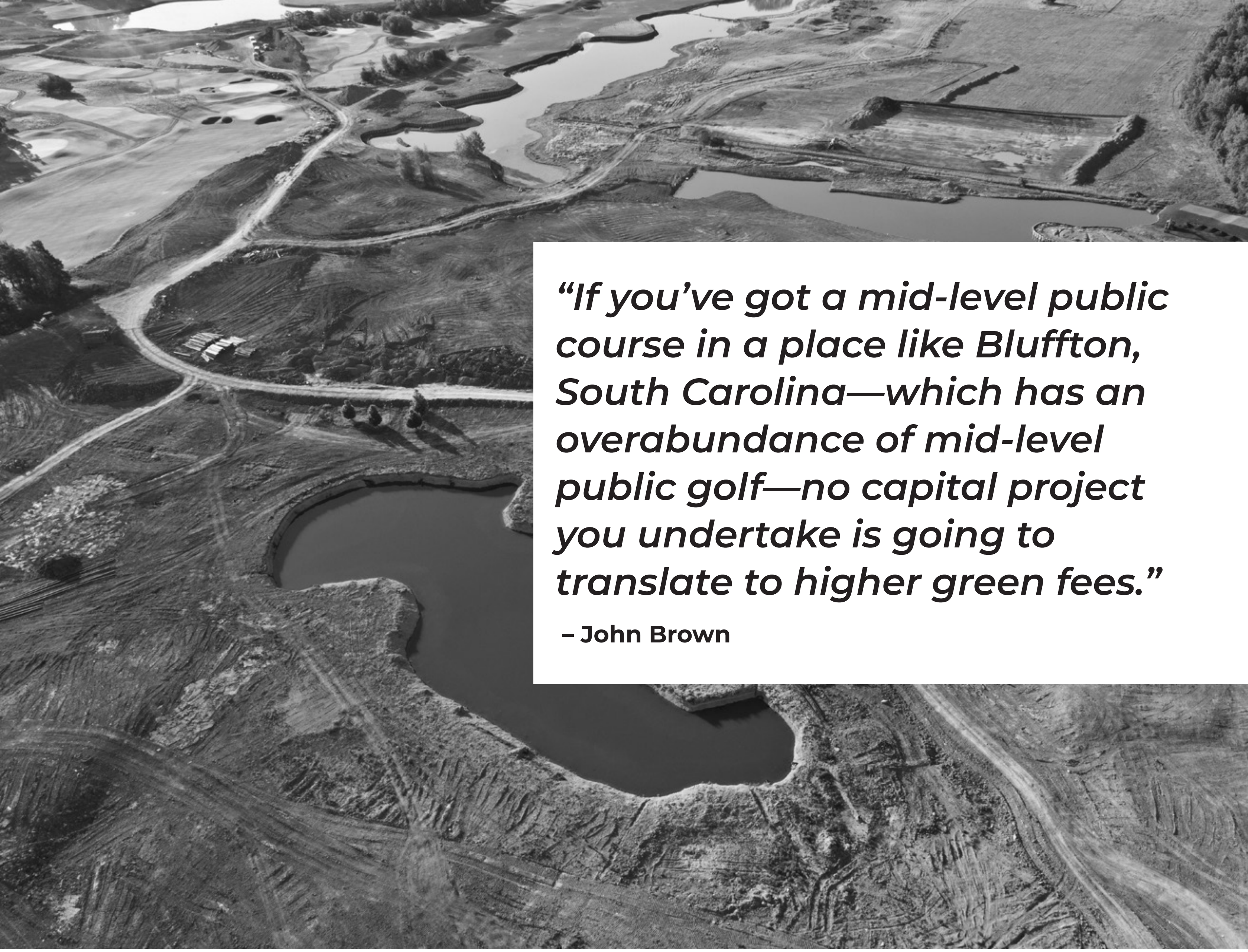
Nairn and his group had used the same line of thinking—mixing capital projects with revenue-building—back in 2016, as Eagle Creek dealt with the aftermath of Hurricane Isaac. The course's bunkers were devastated by stormwater, to the point where filling in and grassing over a large percentage of them was carefully considered. According to Nairn, that idea was dropped in favor of an opposite approach. The course, opened in 2004, was designed in an "American links" style, with British-look revetted bunkers. It was a facet of the golf experience that players often complimented, especially as internet review sites and online comment tools had become more visible and influential.

"We made the decision to rebuild every bunker, in the same revetted style, and then pivot off that capital improvement to re-market the golf course, in such a way as to really spotlight the bunkering," says Nairn. "We took all new photos and hammered the point about our links-style bunkers and our pristine new sand. The more we emphasized how unique and attractive this feature was, the more people commented on them—in person and in things they wrote online." In his words, it all became a secret sauce for revenue at Eagle Creek."

For too many years in this industry the term "capital maintenance" has been preceded by "deferred." But even before Covid-19 came along, research was showing relief from that scenario. A detailed, 12-year "financial health" study by the National Golf Foundation from 2020 showed a significant drop in the percentage of courses that described themselves as badly off financially. Specifically, the moribund condition of "hav[ing] made little or no investment in capital improvements over the previous five years, and hav[ing] no plans to make any" was far less in evidence, per the survey.

At the member-only Ohio Prestwick Country Club in the town of Green, Ohio, co-owner Steve DiPietro says his small, multi-course company is "able to be aggressive with big projects in 2021 because of strong business in 2020." The company has done bunker restoration as well as some pond work this year, meanwhile thumbing through the maintenance machinery catalogues. "We gave ourselves and the Prestwick members a nice perk by acquiring a triplex mower, which is a piece of equipment we could certainly get along without," says DiPietro. "Acquiring one meant we could add a first cut between fairway height and our regular rough. It's a sharp-looking extra stripe that our golfers really like the look of."





"If you've got a mid-level public course in a place like Bluffton, South Carolina—which has an overabundance of mid-level public golf—no capital project you undertake is going to translate to higher green fees."

– John Brown

Cap-ex schedules are typically filled with what might be called binary projects—if the clubhouse roof leaks, you replace the roof. A straightforward problem gets solved, but nothing more comes of the investment. John Brown, president and CEO of Brown Golf Management, makes an interesting point about major expenditures at a golf facility that inherently lacks pricing power—by definition they're all binary fixes.

"If you've got a mid-level public course in a place like Bluffton, South Carolina—which has an overabundance of mid-level public golf—no capital project you undertake is going to translate to higher green fees," says Brown. It's a different story at a Brown Golf facility down the road from Bluffton, on Hilton Head Island. There the company is spending $700,000 on a clubhouse restaurant renovation that Brown calls "part of a business growth strategy for the facility—it's going to generate positive customer response because a new experience is added to the property, something people will pay to enjoy."

Another way out of the cap-ex "binary" box comes via projects that lead to lower operating costs. Brown Golf Management has been pursuing this strategy with help from the expansion of that horizontal band across the U.S. where warm-season grass meets cool-season varietals. "As the transition zone moves northward, we've been killing bentgrass greens and rebuilding with hybrid bermuda," says Brown. "We come out of that process with a better foundational green, which knocks down annual maintenance costs." It's no fun to spend the hundreds of thousands it costs for an 18-hole conversion of this type, but the reduced per-year spending "does take away some of the sting," notes Brown.

There is more than one way to slingshot your capital spending into a cost savings that recurs year after year. The golf course architect Forrest Richardson has often consulted to course owners on projects that involve changing tee boxes or doing tree removal or tree replanting that creates return on investment in a couple of ways. One of them produces measurable dollar savings in the form of lower insurance premiums. The other piece of ROI is the faster pace of play that such alterations can produce. It adds up to greater customer satisfaction and even some additional tee times at the bottom of the sheet.

Some experts feel it is helpful, in the planning process, to divide capital spending into hard assets and soft assets. The former is where most spending occurs, based on the reality that golf facilities have such extensive buildings and grounds and all of it needs physical upkeep. But if real return on investment is a goal, or even a

fond wish, it's worth thinking beyond the mowers, sprinkler heads and cart paths. That's the opinion of Chris Charnas, principal in Chicago-based Links Capital Advisors. An example of investment in a soft asset, according to Charnas, is hiring a graphics firm to redesign your logo.

"Public golf courses would do themselves a favor by stealing some marketing ideas from minor league baseball teams—starting with logo design," says Charnas. "Pencil out some merchandising ideas and projections based on getting rid of the boring oak tree symbol in your logo and replacing it with a fun, cartoon-style image of a bird or some other animal. There would be ROI for a course that did that."

One reason he's confident in that judgment is the relatively modest cost of a logo redesign, if you find the right creative people and perhaps barter out a golf retreat for the agency's staff or one of their key clients. You can get ideas and assistance on a project like this from the apparel companies, as well. Meanwhile, the value of an engaging, whimsical logo goes far beyond selling shirts and caps. In fact, the right artwork can help identify your facility as a place non-golfers might feel comfortable, should you attempt to broaden your food-and-beverage operation's appeal and reach that coveted non-golf clientele.

"Golf is trying to make a strong move toward a light-hearted, fun atmosphere," Charnas says, along the lines of what minor-league ballclubs are so good at creating. His concept about investing in the logo can be seen, to a degree, in what a facility in Fairfield, Conn., opted to do. Town-owned Fairchild-Wheeler Golf Course added a horizontal band to its existing logo, to contain flowing script that reads, "The Wheel." It's a move similar to what McDonald's did with "Mickey D's," a name consumers made up, just like "The Wheel ‹› was a nickname for Fairchild-Wheeler that golfers who play there invented. If your course has an affectionate nickname that the patrons came up with, today's marketing playbook calls for you to embrace it and leverage it.

Course operators will always find some of their greatest challenges on the cap-ex side of the business. There are few facilities that haven't resorted to duct tape and workaround, to put off making a sizable expenditure on infrastructure. And yet, like those troubled spaceships up on the movie screen, golf courses can sometimes find a way to make precious fuel—those dollars in the cap-ex budget—produce a cash-positive improvement, not just a simple fix.