

Business Advisor

Community Links

by Pat Brennan

Are Golf Courses and Real Estate a Winning Formula?

The most recent golf participation numbers in Canada indicate our country is comprised of the most golf-happy people on the face of the earth. According to the 1999 Golf Participation Survey conducted by the Royal Canadian Golf Association, there are 5.2 million golfers in Canada - more golfers per capita than in any other country.

Similarly, the past decade has seen a tremendous growth in the number of golf courses being built in combination with a real estate component. It seems many golf courses have been selling off or developing adjacent rough lands for housing and reacting to the demand for these golf communities based on market trends, demographics and lifestyle choices of Canadians.

However, the question becomes, do golf courses and housing developments mix? Can homebuilders understand and appreciate golf course operations and vice-versa? Do the costs outweigh the benefits?

Past, Present and Future - Building the Dream

One of Canada's first housing and golf course developments in the mid-1950's didn't start out that way.

It took Hurricane Hazel to instigate the creation of Markland Wood Country Club on the Mississauga-Etobicoke boundary. And we don't mean Hazel McCallion, the feisty 80-year-old mayor of Mississauga, best known in those parts as Hurricane Hazel.

She took her alliterative moniker from the 1954 Category 4 storm that managed to sweep up far beyond the usual track of Caribbean storms and reach Metro Toronto. It retained enough power to do more than \$300 million damage and cause 81 deaths.

It also led to the designation of flood plain lands in the Toronto area where homes and other structures were banned because they would be below the high-water mark for the next anticipated 100-year flood.

About four years after the weather disaster, homebuilder Marc Cavotti bought a 150-year-old farm along the banks of Etobicoke Creek at Bloor Street to build a new subdivision.

Cavotti learned that he couldn't build any homes on a large swath of his land in the creek valley which had been designated flood plain land. Fortunately, he and his associates were true golf enthusiasts, so they commissioned Eric Hanson to create what is today a renowned 18-hole golf course on the fringe of Toronto's urban core.

Cavotti's friends and associates usually referred to the virgin development lands in the late 50's as Marc's land and that's where the 700-home subdivision and the golf course got the shared Markland Wood name.

Cavotti built his homes and the buyers later bought memberships in their neighbourhood course with its 6,200 yards of narrow fairways and a meandering creek visiting 14 of the 18 holes. Later he sold Markland Wood to its members, most of whom, according to general manager Bill Salter, can walk to the clubhouse from their homes.

Homes and links were a rare combination in the urban planning of 1958, but today it is quite common to see a golf course launched with an adjacent residential component.

Build It and They Will Come

It was the opposite approach at Heritage Pointe, an eight-year-old championship 27-hole course a few miles south of Calgary. In their case the golf course went in first and the homes are being added now.

John Wilson, director of golf operations, concedes that the primary role of the golf course is to sell the homes. And what homes they are.

In June two new model homes were opened wearing price tags of \$1.2 million and \$1.6 million. Already a 156-home subdivision is nearing completion with homes in the \$600,000 range.

Another 500-home neighbourhood is being added to the 840-acre site with most of the homes on 1/3-acre lots.

Wilson said the ownership of the housing project and the golf course being under the same umbrella is vital to the best operation of both facets of Heritage Pointe. It takes a lot of co-operation to build houses around an existing golf course and keep both operations going efficiently.

"The two really have to be of the same mind. Without the same corporate viewpoint there would be a lot of conflicts," said Wilson.

Somewhat ironically, this spectacular golf course community out on the wide Prairie is owned and developed by Upper Lakes Shipping, a firm that has been building lake freighters and shipping Prairie grain and other goods up and down

the Great Lakes, St. Lawrence River and eastern seaboard for more than 60 years.

Under Control

Brian Johnston agrees with Heritage's Wilson that separate ownership of the golf course and the adjacent housing lands can lead to conflicts.

Johnston is president of Monarch Construction Ltd., one of Canada's oldest and most respected home building firms, and the owner of 11 golf courses in Ontario, Florida and southern California.

Johnston said his firm is in the business of developing land for homes, condos, malls and business parks and he views golf courses as an attractive amenity to a new community, but not a profit centre in itself.

"Never in a million years," was Johnston's answer to whether Monarch would buy a golf course just for the golf.

"I think a golf course on its own works best as a mom and pop operation, although there are some with private equity ownership that are successful as a business," says Johnston.

He says Monarch and its parent company, London-based Taylor-Woodrow PLC, one of the world's largest construction companies, has been selling off its golf course lands and retaining only the potential housing/retail lands on the fringe.

However, at one golf course in Stuart, Florida, Monarch is buying back into the ownership precisely to avoid the conflicts Wilson talked about.

"After we sold the golf course we were having trouble getting permission from the new owner to move excavating equipment to the housing sites and there were other logistical conflicts. So, we bought back half the ownership of the golf course so we could get our homes built," said Johnston.

He said there are conflicts between golf links and houses even with the one majority owner. At Stonebridge, Monarch's new course on the Jock River in Kanata outside Ottawa, designers Ted Baker & Associates have created berms on some holes as part of the course design.

Johnston, however, is having the berms removed.

"We are selling high end homes and getting a \$40,000 premium because they offer a view of the golf course. We can't be charging a premium like that and then cut off the view with berms," Johnston says. "At Monarch, the homes get the priority over golf course designs."

According to Johnston, being in control isn't the only prerequisite for success in the golf community formula either. You have to be an astute market analyst.

If you're buying a golf course with the intention of developing the roughs on the fringe for housing, Johnston says you have to be careful how you choose your locations.

"If you buy a parcel far enough out in the country so that land prices are not exorbitant then you have to have deep pockets and patience to wait for the urban growth to reach your site to create the demand for housing," says Johnston.

"If you buy in closer to the urban areas you are going to face much higher land costs and you'll need at least 300 to 400 acres to make the golf and housing combination work."

Monarch bought several Florida and California golf courses with adjacent housing lands during irresistible fire sales in the early 90s. The collapse of many small savings and loans banks in the U.S. put their assets up for sale at 30 cents on the dollar.

Now Monarch keeps the housing lands and looks to sell off or lease out the golf operations.

ClubLink Gets in the Game

ClubLink, Canada's largest golf course owner/developer, is a publicly traded company launched in 1993 to survive and prosper primarily on memberships and greens fees alone. Company president Bruce Simmonds said membership sales increased 48 per cent last year over the previous year and U.S.-based ClubCorp, the largest golf course operator in the world, now owns 27 per cent of ClubLink.

Golf, rather than housing, has in the past gotten the most attention at ClubLink, but now the company has launched a new vehicle to concentrate on its potential residential lands, with Bill Daniell at the helm.

Chartered accountant Bill Daniell was one of the original shareholders in ClubLink and his own firm, Kaitlin Group, has become one of southern Ontario's most prolific homebuilders.

Daniell has recently created Country Club Communities to buy up the non-golf lands ringing many of ClubLink's courses with plans to build high-end houses. ClubLink has also taken an equity position in Country Club Communities.

ClubLink has more than 30 sites and three of them are currently slated to start selling custom homes including its flagship property, Glen Abbey in Oakville. King Valley north of Toronto - where a membership costs \$67,000 - and Loyalist

GCC in Bath near Kingston are the other two currently offering homes on the market.

At Glen Abbey, Country Club Communities is building a \$3.5 million home for lawyer Don Meehan, the well-known sports agent whose clients include NHL players Curtis Joseph, Michael Peca, Scott Niedermayer, Jason Arnott and many others.

ClubLink also owns and controls several golf club resorts, such as Lake Joseph Club in Muskoka, which have expensive condo units for rent and for sale. This spring it opened two new resort courses, one at Grandview in Muskoka designed by Mark O'Meara and Fred Couples' signature course at Le Maitre de Mont-Tremblant in Quebec's Laurentian Mountains 90 minutes outside Montreal.

Daniell says the new homes on ClubLink lands offer a variety of benefits to the golf course, other than new golf members. He notes that at King Valley, for example, the rain drainage off the homes will be directed to a storm retention pond on the course from where water is drawn to irrigate the fairways.

"The golf operation gets the immediate revenue from selling the land for homes, plus it gets long-term revenue from food and beverage and dining room sales to the new residents, plus guest rounds," says Daniell.

"And the home owner gets a variety of benefits too from his golf course location. I, for instance, think a golf course view is more pleasing than a waterfront view for a homeowner."

Where Everybody Knows your Name

Geoff Barker said he is pleasantly surprised that his family's golf course, Morgan Creek, just outside Vancouver, is turning a handsome profit on its golf business alone. The 170-acre golf course was built near Whiterock, not far from the U.S. border, again as a marketing tool for the large luxury homes Barker's development firm is selling at Morgan Creek.

Barker, vice-president of development, said not many golf courses on the lower mainland are making a profit on golf alone. "There is an oversupply of golf courses and most of them are located in flat flood plains in the valleys. We are in some rolling hills and we get less rain than Vancouver."

He said Morgan Creek has been named the best public play course in the Vancouver market.

Barker's firm sells lots - the standard size is 10,000 square feet - but doesn't build the homes. They sold 80 lots last year when Vancouver had its lowest number of new home sales in nearly 40 years, plus another 80 the year before that despite a real estate recession in the province.

Barker says the golf course built in late 1995 and designed by Toronto's Tom McBroom is one of the principal reasons sales have been so strong at Morgan Creek.

"We are selling lots to many non golfers, but they are buying here because they like the atmosphere created in the community by the golf course. They find that neighbours a couple of streets away will know each other because they met on the golf course. Even if you don't golf, you still pick up on that cohesiveness as a community and that makes a good impression."

Barker's family was a principal involved in Fairwinds, a 1,500-acre golf community with a marina, hotel and outdoor resort on Vancouver Island. They invested in the stalled resort in 1987 and recently sold it to a pension fund.

"The pension funds have patient money, even more patient than our money. That's mostly a retirement and semi-retirement community and you really need patient money to see it through," said Barker.

A Sensible Solution?

Housing will eventually eat up the \$5 million par three executive course that Concord Adex built last year just west of SkyDome in downtown Toronto. Mark Cohen, sales and marketing director at Concord Adex, said the popular course which is seeing 3,000 tee-offs a month, was built to create a sea of green over what was nearly 40 acres of lumpy dirt and railway tracks.

Concord Adex is building the \$1.5 billion CityPlace project on the railway tracks which once dominated Toronto's waterfront. The company wanted its potential buyers looking at a golf course rather than at railway lands when they visited the site.

Inevitably, over the next 10 years, 19 high-rise condominiums will absorb most of the executive golf course, plus the year-round outdoor driving range with its heated Astroturf pads.

A Different Perspective

Not everyone believes that mixing housing and golf courses is a good idea.

Ken Green says his family's new Ottawa golf course, Greensmere Golf and Country Club, will include some housing - but only enough for the Green family.

"We aren't interested in adding housing to our golf course," said Ken Green, who along with his brother Darren and his father John, opened Greensmere with 130 lifetime members on Aug. 1.

"I've golfed on many golf courses in Florida and in Ontario that have a lot of homes built in and around them and I don't get the feeling I am on a golf course.

If you can keep the homes out on the peripheries it's not as bad, but once you allow housing to intrude on the golf course and you have to walk across roadways to get to the next tee, I think you've lost the true golf course ambiance and feel," said Green.

They bought a 400-acre farm from a retired farmer who kept turning down offers from gravel pit operators because he didn't want to see his homestead chewed up and trucked away. The Greens don't have plans to turn any of this land into anything other than smooth, stylish natural fairways.

They opened an 18-hole course on Aug. 1 and plan to install another 18 holes over the next couple of years. "We intend to thrive on our membership sales, fees and corporate tournaments," said Green a couple weeks before the grand opening of Greensmere.

"I know golf course owners see the housing as a good source of revenue, but I think we are going to do fine without it," said Green.

While there are bound to be opinions on both sides of the fence relating to the marriage of real estate and golf course development, many entrepreneurs have already made the decision that the two can be linked together to create a viable business strategy.