

On the downswing

By [Kevin McCallum](#)

THE PRESS DEMOCRAT

Published: Sunday, February 14, 2010 at 4:21 a.m.

Sonoma County is a golfer's paradise, but the recession, an oversupply of golf courses and the sport's fading popularity are enough to give golf course owners a stroke.

Newly frugal golfers are slicing deep into the profits of the county's public courses, leaving some in financial peril.

Pricey private clubs that once had waiting lists now have members lining up to exit.

And nearly all courses are either slashing fees or running aggressive promotions, which is good for avid players but raises questions about the industry's long-term profitability.

"I think all golf courses, throughout the spectrum, high to low, have been severely impacted," said George Lee, chief operating officer of Golf Solutions California, which manages Adobe Creek Golf Club in Petaluma. "There are a lot of golf courses struggling to survive, and we're no different."

The course is in default on a \$6 million loan the owners used to buy the 18-hole Frates Road course in 2001. The loan has changed hands since then, and the new bank, Pasadena-based East West Bancorp, is taking a hard look at its portfolio, Lee said.

While he hopes to work out an arrangement with the lender, bankruptcy is always an option to protect the club members and keep the course running, Lee said.

He's been down that road before. The same ownership group, Kabuto Arizona Properties of San Francisco, owns the Peacock Gap Country Club and Spa in San Rafael, which filed for Chapter 11 protection late last year. Two other courses in Arizona owned by the group were also foreclosed upon by their lenders in 2009, Lee said.



Kent Porter/PD

Joe Ross of Sonoma golfs last week at Adobe Creek Golf Club in Petaluma. The course is in default on a \$6 million loan the owners used to buy the property in 2001.

Other courses report steep losses in 2009 and little hope 2010 will be much better.

"I won't sugarcoat it. It's very difficult," said Tom Isaak, president of Petaluma-based Course Co., Inc., which operates 15 courses in California and Washington.

One of those is Foxtail Golf Club, the 36-hole municipal course in Rohnert Park.

Since taking over the course in 2001, the company has spent \$3.1 million on upgrades to the course. In addition, it has suffered operating losses of about \$2.8 million, or about \$300,000 per year, Isaak said.

The company bet it could turn around a course that had fallen into such disrepair that players referred to it as "Mountain Shambles" instead of its former name, Mountain Shadows.

Despite one rent reduction from the city, the upgrades have failed to draw enough golfers to make the course profitable. Revenue is down about 10 percent each of the past two years, and the company is preparing to talk to the city about its options, Isaak said. These may include a further reduction in rent, or closing some of the holes until the economy improves, Isaak said.

"We're scratching our heads for the best solution," he said.

The recession is certainly a big part of the current crisis. Golf is a luxury many folks worried about their jobs or retirement savings can't afford, despite the deals.

But the industry also faces significant structural challenges, Isaak said. One issue is the oversupply of courses. Too many links were built in the 1990s and early 2000s anticipating demand that failed to materialize, he said.

While Tiger Woods may have boosted the number of golf fans, he hasn't increased the number of golfers, Isaak said.

That number has fallen in the U.S. from 30 million in 2005 to 28.6 in 2008, the latest year data is available, according to the National Golf Foundation.

More troubling is that participation by junior golfers is off most sharply, by 23 percent, while the number of women golfers dropped by 17 percent over the same period, trends that do not bode well for the industry's future.

Back in 2001, the U.S. saw 284 new golf courses open while 32 closed, or a net increase of 252. The growth trend reversed in 2006, when the nation saw a net loss of 27 courses. In 2009, just 50 courses opened -- the fewest of the decade -- while 140 closed, a net loss of 90 courses, according to NGF figures.

Cultural changes are also playing a profound role, Isaak said. To illustrate the shift, he recounted a story told by one golfer about his father: Forty years ago, when his father would head off to golf on Saturday mornings, his mother's only question was "Will you be home for dinner?"

But today, with more women working outside the home and men bearing a larger share of the household duties, men just aren't getting away to golf as often as they once did, Isaak said.

The upside for the golfers who have the time or resources to pursue their passion is that deals abound.

Joe Ross of Sonoma joined Adobe Creek late last year, lured by the \$1,200 all-you-can-golf annual fee, down from \$1,600. His golfing buddy last week, Sonoma remodeling contractor Al Vogt, said the soft economy and the deals are allowing them more time to play golf than ever.

"We're playing more because there's no work," Vogt said.

Even the elite private clubs are feeling the pinch. At Mayacama, one of the nation's most exclusive courses, the membership fee has fallen from \$250,000 to the mid-\$100,000s, said general manager Jonathan Wilhelm.

"Memberships aren't flying off the shelves right now, but I don't know of a single club where they are," he said.

Several members of the Santa Rosa Golf and Country Club are trying to sell their memberships to get out from under the monthly dues. While memberships cost about \$20,000, some members are effectively trying to give theirs away, charging just the club's \$4,000 transfer fee, said Don Floriani, the club's general manager.

Despite the trouble, Sonoma County is faring far better than other parts of the country, said Rod Metzler, president of Empire Golf, which runs Oakmont Golf Club.

The company's Central Valley properties have been far harder hit than Oakmont, which saw a slight increase in membership and number of rounds played last year thanks to aggressive promotions, Metzler said.

The high percentage of retirees who play the course may explain its relative health. Retirees aren't worried about losing jobs, though they do fret about their investments.

Vic Pectol, a 64-year-old retired accountant from Novato, said the 40 percent swoon his 401(k) took last year made him wonder if he'd be able to afford to continue playing golf as much as he'd like.

As the market has recovered, those fears have subsided, and Pectol, who worked on his swing at Adobe Creek's driving range last week, says he still manages to play three or four times a week.

"We retired guys are still playing," Pectol said.

One of his golfing buddies hasn't been so lucky. His son is a Petaluma mortgage broker who lost his job in the real estate implosion.

"He's cut back quite a bit," Pectol said.

You can reach Staff Writer Kevin McCallum at 521-5207 or kevin.mccallum@pressdemocrat.com.

Copyright © 2010 PressDemocrat.com — All rights reserved. Restricted use only.