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## Golf courses suffer as recession deals a bogey

*Hundreds of courses have closed, and once-exclusive country clubs have slashed fees or let in the public. Often linked to housing tracts, the greens and fairways have slumped along with real estate.*

November 22, 2009 | By Roger Vincent

From his backyard, Joseph Leggett used to look out over the green, manicured fairways of the Palm Desert Country Club golf course.

Lately, what he saw looked more like weedy vacant lots.

Swaths of the championship course, deemed one of the best designed in the desert, turned brown as its owners searched for hundreds of thousands of dollars to reseed, reopen and rebound from Chapter 11 bankruptcy protection.

"The course is an eyesore," Leggett said recently. He estimated that his home of 30 years had lost half its value because of the ruined view. "My wife is beside herself."

The recession has dealt a mean bogey to golf. Hundreds of courses have closed in the last two years and many formerly exclusive country clubs have slashed fees or opened their greens to the public.

Sales of golf balls, clubs and apparel -- a multibillion-dollar industry -- have dipped 10% this year as players trim spending, according to golf researcher Pellucid Corp.

But perhaps the most dramatic examples of golf's woes can be seen in the string of barren fairways and locked gates. Through September of this year, at least 114 of the nation's 16,000 or so golf courses had closed, according to the National Golf Foundation, a number that was offset only partly by the opening of 44 new courses.

"People are cutting golf out of their diets because they've got to cut something," said Jeff Woolson, a real estate broker with Los Angeles-based CB Richard Ellis who specializes in buying and selling golf courses.

Woolson and other real estate experts say most golf courses have lost 30% to 50% of their worth in the last two years. Several courses have been forced into bankruptcy. Among them is Chevy Chase Country Club in Glendale, which dates to 1925 and was designed by noted golf architect William P. Bell, who also designed the Bel Air Country Club and the Newport Beach Country Club.

The owners tried to sell it for \$6.5 million, but couldn't find a buyer before the bankruptcy court decided to turn it over to the lender. The asking price, which would have included a Spanish-style clubhouse and Olympic-sized pool on 35 acres, might sound like a bargain -- there are homes in the Los Angeles area that sell for more -- but golf courses are businesses, not typical real estate investments, because they must remain golf courses. And business has been bad lately.

It's a big comedown from the glory days.

Golf thrived so in the 1980s that it was widely believed that a new U.S. course could open every day and there still wouldn't be enough links to satisfy demand. In the 1990s came Tiger Woods, who made the world pay attention to golf as he grew to dominate the sport. The "Tiger effect," many investors assumed, would launch a youth wave of interest in the sport.

It never materialized.

"The Tiger effect has had a dramatic effect in people watching golf but seems to have no increase in people playing golf," said real estate attorney Scott Thompson, who specializes in golf course transactions.

The number of U.S. golfers peaked in 2005 at 30 million, though the number of rounds played was decreasing. Now with the economy still weak and consumers pinching pennies, many golf course owners face potential financial calamity as loans come due and lenders refuse to let them refinance, Woolson said.

"Owners have to find new debt, but there is no new debt," he said.

Industry insiders say the three major lenders for golf course investments -- GE Capital, Textron Financial Corp. and Capmark Financial Group Inc. -- have nearly stopped making golf-related loans. Capmark filed for Chapter 11 protection in October.

Most private golf clubs that land in bankruptcy, such as the Chevy Chase in Glendale, are eventually picked up by other investors.

It's common for wealthy individuals to join forces and pick up their troubled club. Last month, a group of businessmen and members of the golf industry bought Bear Creek Golf Club in Murrieta by assuming its debt. The new owners quickly reduced initiation fees and monthly dues. Membership at the 27-year-old club is rising again, they said.

Desert Dunes Golf Course in Desert Hot Springs, which closed in May, is being sold to foreign investors. The transaction is nearly complete, court-appointed receiver Bellann Raile said, and the course, one of the highest-rated public operations in the country, may reopen soon.

The Coachella Valley has more than 100 courses, and many of them, especially private clubs in new subdivisions, have struggled as the housing crash drove away potential golfers. Homes near golf courses sell for a premium, so developers often were willing to subsidize a money-losing golf business as long as they were making profits on home sales.

"A lot of courses were being built to increase lot values for homes," said attorney Steven Lurie, a partner of Thompson at the Los Angeles law firm of Greenberg Glusker. "No one was paying attention to the economics of golf courses themselves."

About 30% of the courses that opened in the 1990s were connected with residential developments, said Jim Kass, director of research for the Florida-based National Golf Foundation. This year, 70% of new golf courses were part of the few projects coming out the end of the development pipeline.

In spite of all the financial setbacks experienced by operators, however, golf courses themselves have a knack for enduring, even if it's under new ownership.

The Jack Nicklaus-designed Escena Golf Club in Palm Springs, which opened in 2005 as part of a housing development, closed two years ago when one of the home-builder owners ran into financial problems. A new owner took over the debt and expects to reopen the course this week as part of a push to sell homes again.

The owners of Palm Desert Country Club in Palm Desert managed to secure an operating loan in the last few weeks that has allowed them to start reseeded and watering, said Larry Kosmont, one of the owners. He plans to reopen the main course Dec. 4.

"It's a very tough economy for golf courses," Kosmont said, "but we persevered."

To boost business, many private clubs are offering no-interest loans to help the less-well-heeled buy memberships, and public courses are rolling out the equivalent of blue-plate specials, including cheaper rates for off hours and discounts on lessons and merchandise.

Some think heavy discounting is a mistake.

"The trend of downward rates in the golf industry has been the real cause for many courses failing," said Mark Tansey, president of Palm Desert-based Sunrise Golf Inc., the company that will run Escena for its owners. "Too many inexperienced operators are using price as a blunt instrument to generate activity."

Not that golfers are protesting.

Dwain Richardson, a hospital food director with an 18 handicap, enjoys the "twilight" specials at the Tahquitz Creek Golf Resort in Palm Springs. By starting midafternoon he can usually play 13 or 14 holes before it gets too dark to see. He pays only \$29 and gets the use of a golf cart plus two free drinks at the bar.

Low prices keep golfers like him coming out, he said, which could cement new habits.

"I would play every other day if I could," Richardson said. "I can see why people get addicted."

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