

Confronting financial hazards, golf clubs aim to regain footing

In a tough economy, owners see opportunity, uncertainty with little margin for error

By RICK WOODSON

When it comes to its most important number, the great game of golf has developed a wicked slice in recent years. Nationwide, the number of people playing golf has dropped significantly.

The number of Americans who play golf fell nearly 10 percent, from 30 million in 2005 to 27.1 million in 2009, the National Golf Foundation reports. Meanwhile, total rounds played declined roughly 3 percent. For some in the golf business—private and semi-private country clubs as well as public courses—too many financial double bogeys have forced them to close.

Factors contributing to golf's slumping popularity range from the recession's impact on discretionary spending to the rising cost of green fees, memberships and golf cart rentals.

The time spent on a golf course also comes into play. An 18-hole round of golf for a foursome can require four to five hours—an entire morning or afternoon, including time spent driving to and from the course. Fewer people seem willing to spend so much time hitting that little white ball.

So what does a golf club—public or private—do to turn things around? Raise fees or the cost of memberships? Jack up prices in the restaurant and bar? Charge more to rent a golf cart? Spend less money on course maintenance?

With more than 90 golf courses within an hour of downtown Rochester, this is a highly competitive market. That leaves little margin for error.

Among the Rochester area's elite and challenging golf courses are Clifton Springs Country Club in Ontario County, Blue Heron Hills Golf Club in Wayne County and the Brookwoods Country Club, also in Wayne County. All three have faced financial difficulties. Clifton Springs, a private club, restructured its facility and its

Reprinted with permission of the Rochester Business Journal.



Photo by Kimberly McKinzie

After Blue Heron Hills shut down as a private club in 2009, Nicholas Everhart, right, and his brother-in-law, Eric Geoca, purchased it and converted the club to semi-private. It reopened in April 2010.

membership fees. Blue Heron Hills and the Brookwoods, formerly Ontario Golf Club, have gone from private to public.

The owners of CSCC and Blue Heron Hills say they have turned their clubs around. The Brookwoods is not out of the woods yet, but its majority owner says he has faith in its long-term prospects.

Looking ahead, these golf course operators see both uncertainty and opportunity.

Clifton Springs Country Club

Daniel Draper, who joined CSCC in 1998 and has served on its board of directors for the past six years, says reality hit home sometime before 2005—and before it was too late. Membership was down and continuing to drop.

“If you put a frog in a pot of water and then slowly warm it up, it’ll finally cook to death and never jump out,” Draper says, “because it doesn’t recognize how bad things are. If you drop a frog in a pot of hot water, he’ll jump right back out. In a lot

of cases, organizations don’t actually see what’s happening to them, and they finally get in some sort of death spiral.”

Draper says the club’s first step was to draft a plan, “but there was a lot of debate and some of it not very productive.” In the fall of 2005, new board members were elected and began to translate the plan into action.

Lynn Quinn, a CSCC member for 12 years and 11-time women’s club champion, became club president that year. She says core membership had fallen to 152 from 190, “and members of the board said, ‘What do we have to do?’”

William Lindner, who joined CSCC in 1990 and now is the club president, says the major issue was whether to stay private or go public. He and Draper say 70 members showed up to vote and 58 of them favored the board’s recommendation that the club remain private.

“You have to decide what you want to be and then go after it,” Lindner says. “If you want to be the best there is at anything

..., you have to get a commitment to be the best. And No. 1 (at Clifton Springs) was the commitment from the members.”

The next big decision: How should the board of directors “go after it”?

Beset with financial difficulties, many golf clubs opt to raise prices. Draper says CSCC’s leaders thought that was the wrong strategy.

“What we saw happening to us and looking at other golf clubs,” he recalls, “is the death spiral that starts by losing a few members. You try to conserve your money; you take a little bit of money out of capital funds ... in order to pay for your operating costs.

“Eventually that makes the experience you’re delivering to your members go south. Then you boost the dues a little bit. The price goes up, and the next year you lose a few more (members), and that just happens all over again.”

So Clifton Springs took a different road to recovery. Board members decided that the club’s prices were not too low, they were too high.

“We wanted to deliver a superior experience, and we needed to do that at an affordable price,” Draper says.

He says CSCC lowered the price of a family membership—which had been \$2,975—by more than 25 percent, and “we had a very significant price reduction across all membership categories.” Membership fees for 2011 range from \$2,200 for a regular family membership to \$1,100 for a senior single membership. This year, the club expects to have roughly 300 members.

“It’s exciting to see all the people come back,” says Jeff Pulli, Clifton Springs’ PGA



Board member Daniel Draper says declining membership prompted Clifton Springs Country Club to cut the cost to belong.

professional since 2000. “I was a little nervous about dropping the price. It was pretty gutsy. I didn’t think (membership) would get over 200. But simplifying things really helped.”

More affordable memberships were only one element of CSCC’s plan to offer a “superior experience.” The board also wanted to renovate the clubhouse, build an adjoining deck and at some point pave the parking lot. To help pay for these improvements, the club auctioned off eight acres on the west side of the property. Draper says members bought the parcels and the club netted \$160,000.

When work on upgrading the facilities began, he adds, many members volunteered to help. With the money from the land sale, that enabled CSCC to make \$600,000 in capital improvements.

Now, Draper says, the club’s debt is only \$50,000, it is operating in the black and optimism prevails.

Blue Heron Hills

Nicholas Everhart cannot recall a time when he did not want to own a golf course. Even before Blue Heron Hills shut down as a private country club in December 2009, Everhart, 42, and his brother-in-law, Eric Geoca, 43, were looking to purchase a course.

“We looked at another course in the area the year before,” he says, “but it didn’t fit. I knew Blue Heron was having trouble, and when we heard it was still for sale in March, we decided to make an offer.”

Everhart says he has been in the golf business since he was a teenager, when he studied golf course maintenance. He now owns Northeast Turf Supply, which sells course maintenance materials, including fertilizer, grass seed and pesticides.

“I’ve been in sales for the past decade and worked directly with distributors and golf course superintendents,” he says, “and I’ve seen for years what’s happening in golf.”

That knowledge did not deter them, though, and they began working out a deal to purchase Blue Heron Hills.

“At that time, banks considered golf courses to be toxic,” recalls Everhart. They worked out a deal with Canandaigua National Bank, the original mortgage holder, to purchase Blue Heron Hills. He says they paid less than \$2 million.

One of the first changes the new owners made was converting Blue Heron from private to semi-private. It still has memberships, but now non-members can play there as well. After getting the course in playing condition, they reopened the club in April 2010.

Everhart said 100 people joined by May and the number rose to 150 by the end of the season. He says the club’s rev-

enues were derived almost equally—“about 50-50, give or take a percentage point or two”—from members and non-members.

“We didn’t lose any money in 2010,” he adds. “The cost of maintaining a golf course is relatively fixed.”

Everhart says the restaurant and bar are open and more than a dozen wedding receptions are booked.

“We are excited about the future,” he says. “We’re going to have a great year.”

The Brookwoods Country Club

Michael Lawler, 71, who owns Lawler Realty LLC and Lawman Heating and Cooling, has been the majority owner of the Brookwoods Country Club for some four years.

The former private Ontario Golf Club now is open to the public. Lawler says the club suffered “a slight loss” in 2010, and he does not forecast a significant increase in revenue this year. Regardless, he says, “we are trying to have a golf course that is (the) best groomed and challenging.”

Lawler, who lives in Henderson, Jefferson County, joined Ontario Golf Club in 1988 and says he “tried to advise them when they started getting in (financial) trouble.”

“The real trouble started back in the ’90s,” Lawler says. “I told them this was a blue-collar club. Then they built a 16,000-square-foot clubhouse. They borrowed the money at about 11 percent (interest) and paid about \$1.5 million for it.”

Lawler recalls that in 2002 and 2003, when he was just a member, the club lost money and borrowed \$250,000 more.

He says foreclosure proceedings started in December of 2006, a year when the club lost roughly \$320,000.

“When I formed Brookwoods in ’07,” he says, “we lost about half that. In ’08 we were close to breaking even, and in ’09 we did break even.”

As for the slight loss in 2010, he says “from golf operations we were basically in the plus—not much, but a little. Golf operations have been positive. Our only losses came in the restaurant and bar.”

The future? Lawler repeats what many others are saying: Young people are not getting into golf as they did in the past. The challenge is to reverse that trend.

“We’re pushing for youth programs to get youth back in the game,” he says.

Lawler says he paid cash for the club.

“And if I wasn’t positive, I’d never have bought it,” he says. “Long term, I think it’s worth it.”

Rick Woodson’s On Sports column appears weekly in the Rochester Business Journal and on its website at www.rbjdaily.com.