



# Where Have All the Golf Courses Gone?



BY REID WILSON, CHAIRMAN

America's love affair with golf is waning. There are too many golf courses and not enough golfers. The average age of the active golfer is increasing...and the cost to maintain the courses is increasing as well.

Few people realize the golf courses periodically require significant capital infusion to upgrade their facilities in order to successfully compete with newer courses. Physical amenities age and must be remodeled. New high quality residential communities use lakes and other passive greenspace, and even urban farms, as amenities instead of the traditional golf course.

Buyers of golf course lots should be wary and conduct careful due diligence before purchase, so they accept the risk of the adjacent golf course terminating operation and changing use.

### What happens to Tired Golf Courses?

Because golf courses are often located in desirable areas, they have become an object of interest for redevelopment for other uses. See the following former Houston Area Golf Courses and their new use:

Clear Lake City	Exploration Green Conservancy
Evergreen	Frisbee Golf/Houses
Goose Creek	Houses
Inwood Forest	Detention
Willowisp	Business Park
Glennbrook	Houston Botanical Garden

This same pattern has played out throughout the country.

### Who owns Golf Courses?

Most golf courses are owned by independent golf course operators who own multiple facilities. For example, Club Corp of America owns over 3,400 holes of golf in courses across the country. Other golf courses are owned by private country clubs or homeowners associations. Still others are owned by developers, who installed them as amenities to adjacent residential neighborhoods created by the same developers. Most developers, sooner or later, sell their golf courses to an independent golf course operator.

### How are Golf Courses set up Legally?

Some golf courses, often called Core Courses, are physically separate from residential neighborhoods, even if adjacent. They are typically developed by independent golf course operators/developers. On occasion, excess land might be sold to an independent, 3rd party residential neighborhood developer. As separate, standalone facilities, they are separate operating businesses, often set up with a separate legal entity. There is no relationship with any 3rd parties, so no legal connections. These golf courses, like any other business, are independent from their consumers and neighbors. The golf courses are separately platted and not subject to any restrictive covenants benefitting 3rd parties. Zoning, if applicable, requires the use to be permitted.

Golf courses installed by residential neighborhood developers may be owned by the same entity which develops and sells residential lots to the public or 3rd party builders, or, as is more frequent today, under separate legal ownership, but controlled by the residential developer. Usually, these golf courses are imbedded in the residential neighborhood so to maximize the return from golf course frontage lots, and called Integrated or Imbedded Courses. Some golf courses are platted together with the surrounding residential lots, but could be platted separately and without reference to the residential lots. Adjacent residential lots are often limited by recorded restrictive covenants so that the backyards maintain a more pleasing appearance from the golf course. Prohibition of solid fences and structures are examples of these types of restrictions. Usually, these restrictive covenants terminate if the adjacent golf course use terminates. Most golf courses were not restricted as to use, either by plat or separately recorded restrictive covenants. Zoning, if applicable, must permit the golf course use and can be a residential use category (if golf course or other recreational use is permitted in that use), recreational or open space.

Although the advertising for lots and homes built on those lots, directly adjacent to or in the vicinity of a golf course often tout the benefit of that proximity, there are often caveats, disclaimers and waivers

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< Continued from page 35

notifying buyers that the golf courses are not a guaranteed amenity and their operation may terminate. Often, the original developer/builder requires the buyer sign a notice/disclaimer acknowledging that the golf course may terminate.

In rare circumstances, the original golf course developer intended a legally binding restrictive covenant for the adjacent residential homeowners to enforce the obligation of the golf course owner to operate it as a golf course for the benefit of those homeowners. This is done by clear, recorded restrictive covenants recorded against both the golf course and the benefitted lots. When granted, those restrictions are rarely permanent, but usually have a term of years, sometimes with an extension period subject to homeowner vote. Tied with some of these restrictions is the obligation of each benefitted homeowner to belong to the golf club and pay dues. This is a logical requirement and balances the benefit to the homeowner and the burden on the golf course owners. This is the situation in the April Sound neighborhood on Lake Conroe.

However, the intention of most golf course developers, even when integral to a residential neighborhood, is for the golf course to be legally separate without any enforceable covenant limiting use and certainly not to be obligated to operate. In almost every instance, the developer intends to sell the golf course to an independent operator when the residential lots are sold, and the developer moves on to the next project.

## Why are Golf Courses Closed?

Simply supply/demand imbalance and operational costs make many older golf courses not economically viable. Water for irrigation is a major cost. Increasing limitations on use of water wells has forced operators to adopt more expensive options. Some operators have the opportunity to purchase "gray water" from sewage treatment plant operators, but logistics limit this option. Further, like other capital assets, golf courses require constant maintenance and periodic upgrades. Without significant capital reinvestment and strong maintenance, a golf course becomes



less desirable, with lower fees and lower usage. An old, tired golf course is not a profitable business. Ultimately, operational costs and debt service turn the business to the red, and most businesses cannot sustain negative cash flow for long.

If a golf course is closed, unless there is a certain level of base maintenance, then nature takes its course. At some point, sooner than many may think, it is no longer economical to simply reopen the golf course. Instead, it must be rebuilt. The only limit on the former golf course is nuisance type government regulations which may require periodic mowing, as with other vacant land. An example is the former Pharaoh Golf Course in Corpus Christi, which closed several years ago and is in the process of being redeveloped as a mixed-use community.

Some golf courses simply have a higher and best use due to market demand for housing or other uses in the area. Golf course operators are capitalists and will sell to a real estate developer, then move on to other golf course opportunities.

Some golf course redevelopments are partial, such as reducing the number of holes from 27 to 18, selling off any well located holes which are adjacent to major

thoroughfares, or otherwise are located and sized well for redevelopment.

## Why are Neighbors Upset?

Every homeowner assumes the golf course will remain forever. Those with a "golf course lot" enjoy the view from the home of the golf course greenspace. Golf course lots are generally considered to be more desirable and valuable. Brokers selling homes probably over-emphasize the benefit of the golf course and use it as a differentiator in pushing the sale of those homes. Even those living off the golf course, but in what they consider a "golf course community" may like the cachet of having this amenity, or may be a regular golfer. This expectation that the golf course will continue forever is dashed when the golf course closes.

Unfortunately for the homeowner, this expectation is usually not supported by explicit legal rights, but only by the non-legal unsupported assumption of the area owners. This expectation may be shared by owner-supported organizations like homeowners associations, or even local governments. Once the public records are reviewed, only rarely is there any documentation limiting use of the golf course to a golf course. This further upsets the neighbors.



## Buyer Due Diligence

When buying a golf course lot, a buyer should perform the following due diligence:

**• Review carefully all recorded documents referenced in the title commitment:**

- Plat
- Restrictive Covenants (commonly called deed restrictions)
- Any notice documents

These should be reviewed to see if there is any mention of the golf course-

If no - *Then, assume the golf course can terminate operation and change uses*

If yes- Review further if there is a restriction on the use of the golf course

If yes -

- Term- How long? If a defined period, is there an extension, and how extended? *After this period, assume the golf course can terminate and change uses.*
- Enforcement- Who can enforce the restrictions? Individual owners or the Owner's Association or a named 3rd party? *A restriction benefiting a 3rd party may not be enforced by a homeowner.*
- Amendment- Can the provision be changed? How? *If the provision is modified using the amendment provision in the restrictions, then the old provision is not longer valid.*

If no-

Is termination of the golf course contemplated, whether explicitly or implicitly? *Then, assume the golf course can terminate operation and change uses*

**• Review local zoning regulation:**

- What is the use classification?
  - Is it limited to golf, recreational or green space uses?  
*Note: Zoning ordinances do not require operation, just limit use.*
  - What other uses are permitted without a rezoning?  
*Note: If zoned residential, then the golf course could be developed for residential uses of the density and type permitted in the zoning code, without a rezoning.*
- What does the City's Comprehensive Plan say?
  - Does it reference the golf course use?
  - What does the Future Land Use Map show?
  - Is redevelopment of the golf course contemplated?  
*Note: Rezoning must be consistent with the City's Comprehensive Plan, so what it says about future use is important.*

**• Ask the seller, particularly if a residential development entity, about the golf course:**

- How is the golf course referenced in written materials?
- Is any verbal representation made about the golf course and its continuation?
- Did the seller receive any Notice or Disclaimer about the golf course when it purchased?
- Is the seller an agent of the residential developer?
- Are you dealing only with a real estate agent, not the actual seller/ developer?

**• If an established golf course, do the following:**

- Visit the golf course and talk to the operator
- Ask about the economics of the golf course
  - Number of members
  - Fees
  - Number of rounds played
  - Maintenance program
  - Any planned capital improvements
  - Inquire about the future of the golf course

**• What type of Golf Course: Core or Interwoven?**

- A Core course is perfect for redevelopment, with the golf course holes next to each other without intervening homes.
- An Interwoven course might be redeveloped, but is more likely to be limited, practically, to residential uses. Any holes without good road access or frontage will be less developable. Conversely, holes on a major thoroughfare would be prime redevelopment parcels.

## Summary - Buyer Beware!

Buying a residential lot on a golf course is risky. Any premium paid should be balanced with the risk that, sometime in the future (perhaps near, perhaps far), the golf course could cease operation and a different land use pop up in replacement. Understanding the risk and proper due diligence will make a difference in making the right choice.