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COVER STORY

Developers swing toward the green

Golf clubs face redevelopment pressures as fewer players tee off

By Brian Bandell, Senior Reporter

Anthony Ciliberti paid extra for his condominium in Boca Raton's Boca Teeca because he loved the golf course view, but he's seeing more brown than green outside his windows these days.

After being seized by Wells Fargo Bank in a long-running foreclosure case, the Ocean Breeze Golf and Country Club in the middle of Boca Teeca closed on July 1. Lennar Homes has told homeowners it has the 202-acre property under contract and wants to build homes, which would make Ciliberti's view even less appealing.

"You look at every single MLS [sales] listing and you will see in the remarks 'golf course views.' That is why people bought here," said Ciliberti, a CPA who acquired his unit 10 years ago. "It was a breathtaking view when it was all green. It's like a brown helicopter pad now. There's no way the values will go up with more traffic and looking at rooftops instead of a golf course."

Ocean Breeze is not unique. Seventeen golf courses in the region have either approved, ongoing or proposed redevelopment into residential or commercial uses, the *Business Journal* has found.

Many local private golf clubs have taken drastic action to survive in a market where fewer people are hitting the links. The more successful golf clubs have doubled down by investing millions of dollars on upgrading their courses and amenities. Those that can't afford a makeover could get caught in a sand trap of fewer members and rising expenses.

If clubs don't address their challenges soon, more could see their fairways bulldozed. On the other hand, the struggle is creating opportunities for developers to obtain sites in prime locations.

South Florida's 4,050 holes

The trend is more pronounced in South Florida than in many other markets because golf is so prevalent here. South Florida has 4,050 holes on golf courses – or 18 holes for every 26,515 people, according to the Jupiter-based National Golf Foundation. Only the New York and Chicago metropolitan areas have more holes.

In 2015, sixteen of Florida's 1,029 golf courses closed, and four opened, the NGF found. That's in line with a national trend of course closures since 2006.

These course closures are occurring as fewer people take to the greens. The NGF found 24.1 million people played at least one round of golf in 2015, down from 25.7 million in 2011. Golfers who play at least eight rounds a year declined to 12.7 million from 14.4 million.

“Clubs need to introduce promotions to get them playing more,” said Brian Hughes, program director at Keiser University's College of Golf and Sport Management, which prepares students for careers on the business side of golf.

Among seniors, participation increased, but younger age groups, especially millennials, played less.

Golf activity peaked in the late 2000s, then fell during the recession without much of a bounce-back. Part of the problem is many people are postponing retirement, Hughes said. Meanwhile, longtime club members (retirees) are getting too old to play.

“They have to bring in new blood,” Hughes said.

Members leave expensive clubs

Faced with economic pressures, too many golf clubs choose to cut expenses instead of reinvesting in the courses and marketing to boost revenue, Hughes said. Reducing costs often leads to a course that isn't properly maintained and isn't attractive to new members.

Many local homeowners are leaving golf clubs with expensive dues and upfront membership fees for 55-and-older active adult communities with resort-type amenities, said Joshua Krut, an attorney in the Boca Raton office of Kopelowitz Ostrow Ferguson Weiselberg Gilbert.

“It’s an arms race among clubs in investing in amenities and getting more members,”

Krut said. “The smaller clubs ... that don’t have enough units to spread the cost around struggle the most.”

Many of the smaller clubs have tried to compensate by allowing outside residents to join. While this can lead to more revenue, Krut said it often leaves neighborhood residents feeling that they’re subsidizing play for non-residents, and the facility loses exclusivity.

Another expensive problem for golf clubs is that their restaurants are usually loss leaders, Krut said. They’re typically restricted to members, and that limited business isn’t enough to subsidize the service staff, so the gap is covered by higher club dues.

The cost of maintaining the courses can be expensive, as water features at many older golf courses aren’t in good condition, especially those built before the wetland mitigation rules were established in 1995, said Brian Fischer, president of Lake Worth-based Lake and Wetland Management. They often suffer from shoreline erosion, exotic vegetation and excess sediment that causes algae blooms.

Fischer said repairing the shorelines and re-establishing the slopes at a large course can cost about \$1 million. Maintenance is the key.

“If they don’t have the money to be able to maintain the courses and keep up with the standards, then it almost becomes a better deal to sell it to a builder,” Fischer said.

Many golf clubs reach out to developers when the course is no longer viable, said Wayne Pathman, a partner at Miami law firm Pathman Lewis who has worked on golf course redevelopments. This is actually more common in other parts of the country than it is in South Florida because of the region’s good weather and high number of players, he said. The challenge in South Florida, Pathman said, is that golf clubs tend to be in more urban areas where neighbors often voice objections.

Homeowner fights course development

The Ocean Breeze course was previously restricted to Boca Teeca residents, but not enough residents played, so it was opened to the public, Ciliberti said. It is one of the

last remaining courses in east Boca Raton. A builder's development plan was approved during the previous real estate boom, but nothing was built and the approval expired.

In a statement, Wells Fargo said it subsidized the operations of Ocean Breeze for nearly five years due to declining membership dues, and substantial capital spending would be required to keep it operational. So it selected Lennar to develop the course.

Receiving permission to redevelop a golf course depends on the particulars of its ownership structure, deed restrictions and zoning. Ocean Breeze has a deed restriction that requires it to remain a golf course unless more than 50 percent of Boca Teeca condo owners approve another usage, according to documents provided by Ciliberti.

In a July 26 letter to the city, Lennar Southeast Florida Division VP Bruce S. Grundt said the attempt to develop Ocean Breeze had become "politicized" by neighborhood opponents, and he offered to transfer the golf course to the city, plus cash, in exchange for Boca Raton's municipal course, which Lennar would build on instead.

Ciliberti said he's in favor of Lennar's swap proposal because it would keep affordable golf in his neighborhood. Four other developers have sent offers to the city to purchase the municipal course for cash.

When securing approval to redevelop a golf course, it helps to create benefits for neighboring homeowners, said Brent Banker, Southeast Florida division president for Pulte Homes. In June, it acquired the 169-acre Hillcrest Country Club in Hollywood after rezoning it for 645 homes. Construction should start in the fall, he said.

Banker said the Hillcrest community will include a 60-acre park that will preserve the green views for most surrounding homeowners.

"Golf isn't as appealing as it used to be, and an outdoor park is more attractive to many consumers," he said.

There's no law that says homeowners who lose a golf view must be compensated, Krut said. However, financial compensation may be necessary if the homeowners need to approve the deal in some manner, whether through an association sale or lifting a deed or zoning restriction, he said.

At the Boca Lago Country Club, Pulte Homes has a pending application to build 130 multifamily units on 23.3 acres, which was formerly the executive golf course. The full

course would remain open. “Many of these clubs have an aging population that isn’t playing as much golf, and some

closed portions of the course to save money,” Banker said. “The [Boca Lago] club is excited because they get potential new members, and there is very little land left in Boca.”

Developers also should consider environmental issues when redeveloping golf courses, said Cristina Lumpkin, a partner in the environmental practice group at Bilzin Sumberg in Miami who has helped homebuilders build on several golf courses. Because courses are treated with agricultural chemicals, there’s often a buildup of arsenic and other harmful substances that exceeds regulatory guidelines, she said.

This must be addressed during redevelopment. That means either removing and replacing the contaminated soil or placing a cap over the soil and notifying future occupants about it, Lumpkin said.

“We have a site of over 100 acres where the cleanup will be in the millions,” she said.

Golf clubs shift strategies

For a golf club to keep the backhoes at bay and survive in this tough environment, it takes big investments and creative strategies.

One of the largest golf clubs in South Florida in a community of over 3,000 residents, the Polo Club of Boca Raton, has been proactive in upgrading its facilities. In recent years, it completed \$27 million in improvements to its clubhouse, spa and fitness center, including a new restaurant, pool, children’s activity center and teen center, General Manager and COO Brett Morris said. It has committed \$4 million to upgrading its golf course.

Even with all that investment, the Polo Club changed its membership structure earlier this year. Previously, it offered only lifetime memberships to neighborhood residents. If a member died, their spouse couldn’t leave the golf club and had to continue paying the nearly \$21,000 in annual dues until another member joined. That’s because the golf club must have at least 715 members.

Morris said the Polo Club started offering a 10-year golf membership, followed by

annual options, to provide more flexibility. The entry fee is \$75,000 for a golf and social membership, versus \$85,000 for a social membership, which has lower annual dues.

“It has done well for us because our capture rate of golf membership has gone up,” Morris said. “The more people we take in on 10-year plans, the more people we can let out who are lifetime members and don’t play anymore.”

Having more active golf members boosts the economic activity at the Polo Club, which has more than 500 employees and a \$45 million annual budget.

Many golf clubs are ditching the equity model in favor of one-time sign-up fees, said Becker & Poliakoff attorney Jane Cornett, who represents golf community associations. For instance, instead of mandating that homeowners pay \$160,000 to join and letting them recoup it when they sell their house, they could make a \$60,000 nonrefundable payment. Other clubs drastically reduce sign-up fees

and rely on monthly dues in hopes of attracting players, she said.

Many of her association clients have invested millions of dollars adding amenities for younger members, such as fitness centers and casual restaurants. It’s the older clubs, where members don’t want to reinvest, that have problems.

“I have two clients with waiting lists to get into the clubs, where in the past it has been waiting lists to get out,” Cornett said. “I definitely see the trend improving, and a few of my clients who were on the brink are improving.”

CLOSER LOOK

Golf courses proposed or under construction in South Florida

- American Golf Course, Fort Lauderdale: construction underway by Stiles Corp.
- Boca Dunes Golf & Country Club (partial), West Boca: approved project by K. Hovnanian Homes
- Boca Lago Country Club (partial), West Boca: potential project by Pulte Group
- Broken Woods, Coral Springs: construction underway by K. Hovnanian Homes and Sample Road Investments

- Calusa Country Club, West Kendall: potential project by GL Homes
- Deerfield Country Club, Deerfield Beach: construction underway by Butters Construction & Development and Bristol Group
- Diplomat golf course, Hallandale Beach: approved project by Diplomat Golf Course Venture
- Fountains Country Club, Lake Worth: potential project by GL Homes
- Hidden Valley, Boca Raton: potential project by Boca Raton Executive Country Club Corp.
- Hillcrest Country Club, Hollywood: approved project by Pulte Group
- Mizner Trail, West Boca: proposed project by Compson Mizner Trail
- Ocean Breeze, Boca Raton: potential project by Lennar Homes
- President Country Club (partial), West Palm Beach: approved project by Banyan Cay Dev
- Wanderers Club, Wellington: potential project by Mark Bellissimo
- Westview Country Club, Miami-Dade County: potential project by Landmark Co. and Panattoni Development
- The White Course, Doral: approved project by Codina Partners and Lennar Homes

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