The Growing Trend in Renovations: Golf's Biggest Investment

Pinehurst No. 2. Shinnecock Hills. Seminole. Sure, it could be a ranking of top-10 courses in the U.S. or someone's bucket list, but that's not all these gems from golf's golden age of architecture share in common. All have also undergone significant restorations or renovations in recent years.

Golf course architect Gil Hanse, who delicately restored such masterpieces as Los Angeles Country Club (both North and South) and Sleepy Hollow Country Club to their original intent, called it a trend that's keeping him and his brethren quite busy.

"You can probably say we're at peak demand right now for the improvement of existing facilities," said Hanse, whose latest work-in-progress is Pinehurst No. 4.

While new course design has taken a backseat, clubs across the country – from resorts to private and municipal facilities -- are pumping millions of dollars into restoring, revamping or upgrading existing facilities and courses. In the 10-year span between 2006 and 2016, there have been nearly 1,000 major renovations, which the National Golf Foundation defines as a minimum of nine holes being closed for a minimum of three months.

One such notable project is Sea Pines Resort, which included renovation of Pete Dye's Harbour Town Golf Links and Heron Point, and a Davis Love III redesign at Atlantic Dunes. After the 2015 RBC Heritage, Harbour Town Golf Links closed for five months and completely re-grassed. A new 4,000 square-foot locker room, triple the size of the old one, was built. All told, the renovation of the three courses and clubhouses is estimated at a $100 million investment.

"We're not done," said director of golf John Farrell, noting lodging opportunities, restaurant enhancements, and a pool expansion are being discussed. "We're trying to go the other way from our competitors who are trying to cut costs, defer maintenance and stay afloat. We want people to come here and say it might be expensive, but boy is it worth it."

Investing in enhancing existing private clubs has been a model that has worked for the likes of ClubCorp, which since 2007 has poured $690 million of total capital to better position and maintain its clubs. The publicly-traded company, coming off a sixth consecutive year of growth, has spearheaded 28 "reinventions" from clubs acquired since 2010, and made improvements to over 2,100 holes of golf.

Yes, while new course construction is down from the massive era of growth in the industry, investment in golf projects most certainly is up.

“In almost every acquisition we’ve done, we’ve spent on Better Billy Bunkers,” said Tom Bennison, senior vice president of development for ClubCorp, referring to the bunker construction method that eliminates the need for a liner while improving playability, aesthetics and drainage. “There is a real wow factor involved.”

Preserving and Enhancing

One shining example for ClubCorp has been its 2015 purchase of Rolling Green Country Club located in the Chicago suburb of Arlington Heights, Ill. As part of its purchase agreement, ClubCorp was contractually obligated to invest $1.5 million. The enhancements have enticed new members and allowed the company to raise the initiation fee from $10,000 to $20,000 in 18 months.

The upside to spending on capital improvements is simple, said Peter Nanula, principal of Concert Partners. “That’s where you get the excitement. If you just leave a club in the deferred maintenance, debt-laden, poorly-managed situation that it is in, you’re going to keep atrophying. You’re going to keep losing members, new prospects are going to realize it’s a tired property and decide they don’t want that.”

A boutique owner-operator of high-end private clubs with its $150 million arsenal, Concert Golf Partners is another major player in offering capital for equityto help draw the next generation of families.

“Most people you talk to think there is no money in golf, the industry is dying and who’d be interested in that?” Nanula said. “There is a lot of capital and a lot of interest in preserving and enhancing these golf clubs.”

The company negotiates all-cash purchases, which is a major lure for clubs who have bled members under heavy debt loads. Nanula says the absence of professional management in many cases compounds the problem.

White Manor Country Club, the storied member-owned private club in the Philadelphia suburb of Malvern, Pennsylvania, completed its recapitalization with Concert Golf Partners on Dec. 31st. The transaction paid off all club debt, lowered annual member dues by 10 to 15 percent, injected more than $1 million into immediate capital projects at the club and barred any future assessments on the membership.

“There are a thousand other clubs that could use this help,” Nanula said. “The interesting thing is their boards either don’t know there is another solution out there or they are too proud to look outside their own walls for help.”

While the right location and management is crucial, the golf clubs that are doing well have also evolved from being golf centric to family centric. Look no further than Hidden Valley Country Club, a 27-hole facility Salt Lake City, Utah, says architect Rees Jones.

“The first thing I had to do before breaking ground on the renovation was build a pool because we have to make these clubs more family friendly,” he said.

Keeping Up With the Joneses

Nanula likes to compare the private club space to the hotel business. “You have to be doing capital projects or you’re falling behind,” he said. “If you haven’t touched your lobby or pool or rooms in five-to-seven years and three or four of your competitors have announced a major project, everyone wants to stay there. It’s the exact same dynamic. It’s a little arms race in every town.”

Jack Nicklaus echoed that sentiment and identified the Sun Belt as a hot market for restoration work. “It’s a matter of keeping up with the Joneses,” he said. “It’s an area where there is heavy competition. If there are six courses in the area and you’re falling behind you have to bring it up to speed otherwise you can’t compete.”

Case in point, negative customer feedback about the two-tone color of greens at the Omni Orlando Resort at ChampionsGate led to a four-month closing of its International course last summer for upgrades. That, in addition to the 2015 opening of Champions Gate Country Club (a nearby residential golf course with reduced rates) created market pressure.

“If we didn’t make a step forward we’d no longer be relevant in the resort marketplace in Orlando,” says Patrick Dill, the director of golf at the 36-hole Omni Orlando Resort at ChampionsGate.

Next for the facility, the National Course is set to close for enhancements in late spring, including the sprigging of Champion Bermuda, bunker renovations, and restoration of greens back to the original size and feel.

At Innisbrook, home to the Valspar Championship in March, the renovation was driven by a desire to stay relevant on the PGA Tour. Learning from projects completed at TPC Sawgrass and Bay Hill, the Copperhead course transitioned to Celebration Bermuda grass, seeded the greens with TifEagle Bermuda grass, softened slopes and created more pin positions, and re-did bunkering during a seven month project. A new irrigation system takes advantage of the latest science in water management -- now getting 1,300 extra heads of coverage while saving 12 million gallons of water a year.

Bobby Barnes, director of golf at Innisbrook, mused that without a renovation of the Copperhead course, the resort might have been in jeopardy of losing its long-running tour event. It’s just another example of why the restoration and renovation trend likely will continue to thrive for the foreseeable future, creating even more investment in the industry.

“It hadn’t reached that point yet, but we all kind of agreed it was time to make some enhancements,” Barnes said. “You never want to be the facility that used to host the PGA Tour.”