The Economic and Operating Impacts of Golf Courses

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MORE AND MORE golf course managers and superintendents today are having to deal with laws and regulations that directly impact the operating viability of their facilities. They also need good sources of operational information upon which to base business decisions.

Over the past year, the National Golf Foundation (NGF) has developed several new publications that have proven capable of helping managers and superintendents to educate green committees, regulators, and lawmakers on the economic contributions and operating characteristics of golf courses. These publications are particularly useful in helping non-golfers understand the real business of golf and the negative impacts tax levies, restrictive regulations, and legal applications can have on the community, not just the golf facility.

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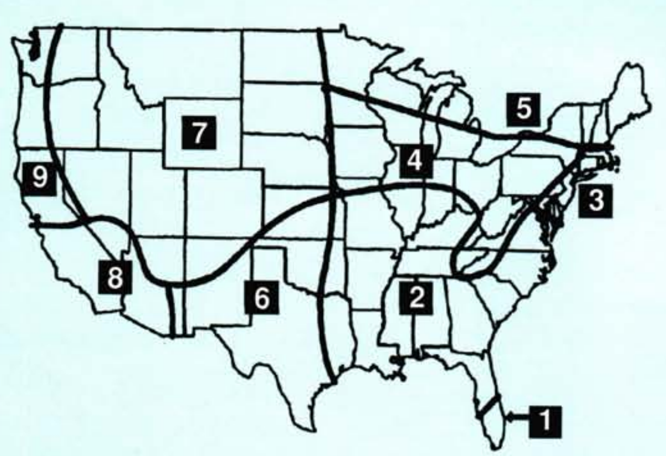
Economic Impact Studies

Regulators and legislators are impressed with documents that show the real value, in dollars, a golf course brings to a community or region. The NGF introduced such a document in 1992 when it published "The Economic Impact of Golf Course Operations on Local, Regional, and National Economies." Some of its financial assumptions are supported by another NGF publication, "The Golf Course Operations and Maintenance Survey Report," which details, by region and by type, the revenues and expenses associated with operating an 18-hole golf course.

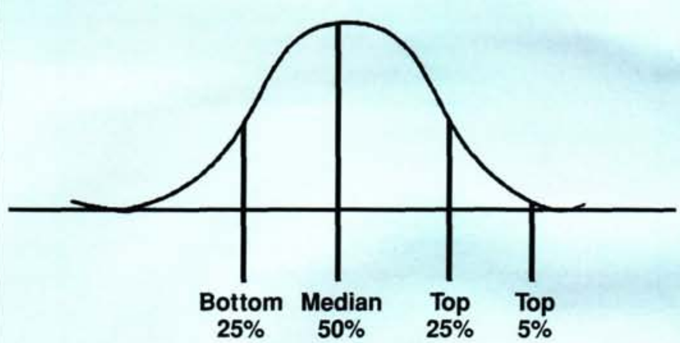
Economic impact studies are complex economic tools that trace the full economic ramifications of a specific business entity, such as a golf course. These studies have traditionally been a favorite tool of govern-

Figure 1 — Climate Regions



Source: Oklahoma State University's Geography Dept.

Figure 2 — Interpretation of Statistics



ments deciding whether airports should be built or highways improved. More recently, university research teams in Arizona, Texas, and Alabama, as well as the NGF, have applied economic impact studies to the golf industry.

The hope is that, as golf courses receive the credit they deserve for supporting and stimulating local economies, they will be viewed accurately as tax-paying entities that provide jobs and purchase goods and services within the community or region.

This study is organized into three sections:

- What Golf Facilities Mean to the Economy
- Economic Impacts of Typical Golf Facility Operations — Case Studies
- How to Conduct Economic Impact Studies

The publication shows there are several benefits a golf facility brings to a community. Among them: recreational opportunities; golf-related jobs; income to the community through purchases, wages, and taxes; indirect jobs and income; and an increasing community tax base. Additionally, a golf facility can elevate the quality of life, improve the business climate, and induce tourist traffic.

On the national level, the NGF in 1992 hired FXM Associates of Mattapoisett, Massachusetts, to measure the impact of golf on the U.S. economy. Their findings showed that the U.S. golf industry is contributing $17.4 billion a year in direct and indirect sales and household income. It's also responsible for 370,000 full-time equivalent jobs.

The Golf Course Operations and Maintenance Survey Reports

While NGF's economic impact study is helping facilities clarify their role within the community, its "Golf Course Operations and Maintenance Survey Report" is helping facilities look within their industry and improve their overall efficiency.

The outgrowth of a year-end 1992 survey of more than 1,700 public and private golf facilities, this report gives existing facilities a way to measure their performance relative to others of their type within their region. The publication also facilitates comparisons of operating results and characteristics between regions.

The report also serves to educate lending institutions so that they can more easily determine whether to provide capital for new development, acquisition, and refinance.

Until the late 1980s, golf course projects frequently were a component of a much larger residential development. This made golf course development capitalization easier because it was piggy-backed on the infrastructure and development capitalization.

With the downturn of the real estate market and the reluctance of banks to capitalize large-scale residential developments, the golf course asset has had to stand on its own economic merits. In the majority of cases today, a golf course loan must meet stringent "pay-back" requirements.

With the objective of better understanding the operating characteristics and performance of golf facilities, the NGF tabulated the 1,700 completed responses to a survey of 18-hole regulation-length golf facilities. For the sake of consistency, par-3, executive-length, and non-18-hole golf facilities were excluded. The responses and results were separated into three reports, one for each facility type: daily fee, municipal, and private.

Within each report, the findings were cataloged into nine climate regions (Figure 1) that were developed for the NGF by the Geography Department at Oklahoma State University based on similarities in climate, turfgrass types, facility density, and cultural factors. Separating the findings of the study by region is important because such factors as length of season, climate, and availability of water vary greatly across the country and dramatically affect operational revenues and expenses.

To present the data from the survey results, the NGF used percentiles for illustrative purposes (Figure 2). For example, the median or 50th percentile indicates that 50 percent of the responses fall below this amount and 50 percent above.

The reports cover such operating characteristics as gross revenues, revenue distribution, gross expenses, expense distribution, net operating income, average operating margins, average annual capital investment levels, rounds played, green fee levels, cart fee levels, maintained acreage, clubhouse space, maintenance building space, employment distribution by type, real estate and resort affiliation, sources of irrigation water, water consumption, and golf cart fleet size and usage.

To provide a taste for the usefulness of the data, selected operating characteristics are presented below for regions 1, 4, and the U.S. as a whole.

Conclusion

For better or worse, golf courses are increasingly viewed as targets for new taxes, regulations, and laws. In many cases these decisions can be influenced by well-informed golf facility managers and superintendents. These recent NGF publications have proven successful in helping owners, managers, and superintendents to better support their position for equitable treatment. The publications also provide reliable and timely information upon which good business decisions can be made, so as the game grows, every segment of the golf industry can benefit appropriately.

Selected Operating Characteristics — 18-Hole Daily-Fee Golf Facilities

	Region 1		Region 4		USA	
	Median	Top 25%	Median	Top 25%	Median	Top 25%
Revenues	$1,249,000	$1,739,000	$559,000	$705,000	$732,000	$1,218,000
Expenses[1]	$866,000	$1,287,000	$383,000	$590,000	$520,000	$823,000
Rounds Played	50,000	61,000	30,000	38,000	35,000	45,000
Weekend Green Fees	$22	$43	$16	$20	$18	$25
Total Maintained Acreage	100	134	117	138	117	141
Full-Time Maintenance Staffing	15	NA	5	NA	8	NA
Full-Time Maintenance Staffing (Seasonal)	3	NA	8	NA	5	NA
Sources of Irrigation Water						
• Lakes & Streams	58%	NA	36%	NA	44%	NA
• Potable Water	0%	NA	11%	NA	14%	NA
• Effluent Water	15%	NA	2%	NA	10%	NA
• Wells	27%	NA	48%	NA	27%	NA
• Other	0%	NA	3%	NA	5%	NA
Total	**100%**	**NA**	**100%**	**NA**	**100%**	**NA**

[1]Before debt service, depreciation, and taxes

NA means "not applicable"