Clear & Present Value

By Steve Eubanks

Partnerships between homeowners and struggling golf courses can save property values. Attorney Michelle Tanzer and others are crafting those deals.

They're problems no one ever contemplated. The stuff of nightmares. Campfire stories to keep kids wide-eyed and shivering.

When residents bought up the 534 middle-class homes surrounding the Virginia Oaks Golf Club in Prince William County, Virginia, they thought they were plunking their savings into a safe and happy investment; an idyllic lifestyle where kids could play outdoors and neighbors would get to know one another. Golf was the centerpiece of that life, even for those who didn't play. Virginia Oaks

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"Of all the amazing getaway locations I have visited through representing my clients, I have to say this one is still my favorite," says Michelle Tanzer, here in her own backyard.

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golf course was the bonding agent of the community, the asset that connected all residents. Those who played the game built friendships around recreation. Those who didn't had a beautiful, green garden in their backyards.

Now they have rats. Not cute little chirpy rats you see in Disney cartoons. Wharf rats. Rats the size of dachshunds with teeth that look like rusty nails. You see, once Virginia Oaks Golf Club closed, as so many development-driven courses have in the last 10 years, the land on which it sat returned to nature. This reclamation included more than high grass and seedling pines. It included wildlife. Beautiful homes in peaceful cul-de-sacs suddenly looked like a scene from a Stephen King novel.

You also had plummeting property values. Some of the residents, once bonded by a golf course, fled as quickly as possible. Others were stuck in homes suddenly worth less than the mortgage. A restaurant, Okra's Cajun Creole, a local favorite that opened a second location near the Virginia Oaks clubhouse, closed. All because no one envisioned the possibility that the golf course might someday go away.

In a macro sense, everyone knows the underlying problem. As Mike Kahn, a golf consultant in Florida put it: "The development-driven golf model was always dependent on the courses lasting forever, which, as we know, was a flawed model. In 1990 we had 30 million golfers in the United States with a total U.S. population of 309 million people. At that time we had 13,000 golf courses. Fast forward to 2018, we have a population of 330 million Americans. We have just over 15,000 golf courses and only 24 million golfers. There's something wrong with that picture."

Viewing the picture in dispassionate terms doesn't help the homeowner in Virginia fighting rats with a shovel as he tries to get to his patio grill. It doesn't help the residents of Bridgewater in Lakeland, Florida, who are dealing with a rise in home invasions after their former golf course became an elaborate trail for dirt bikes and ATVs. It doesn't help the community in California whose formerly beautiful golf course has become a firetrap, kindling waiting on a spark. For those people, the contraction in the golf industry has real and devastating consequences.

"It doesn't take long for what was once a golf course to become overgrown," said Whitney Crouse, chairman of Mosaic Clubs and Resorts. Crouse should know. In the early 1990s, during the "Golf Course a Day!" heyday that got us into this mess, Crouse and a group of partners built a course called Southerness in southeast Atlanta. "You go out there today, you can't tell that it was ever a golf course," he said.

Thankfully, Southerness wasn't the centerpiece of a real estate development as so many failing courses are today. "If you just think about my time in Atlanta, you had Metropolitan (on the east side of the city), you had Hidden Hills down in Stone Mountain: they're all gone. And the property values haven't gotten better since the golf went away."

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Crouse was being kind. The two courses he mentioned, Hidden Hills and Metropolitan, were once surrounded by middle-class neighborhoods. Today, those areas of town have seen tougher times.

"There is obvious loss in property value when a golf course closes," Kahn said. "In some cases devastating and dramatic loss."

Jim Keegan, founder and president of JJKeegan+, a golf consulting business, put a number on that loss. "We did a study in Carmel, Indiana, at a municipal golf club that the city wanted to dump onto the county," Keegan said. "The county hired me to determine if they should take it over. In the end, I told them, no, they shouldn't, because the city of Carmel, which was losing about $250,000 a year on the golf course, would have to continue to absorb that loss because home values if the course went away would decrease by about a third. That decrease in values would mean a loss in property-tax revenues that would far exceed the loss the city was incurring from the golf course."

In a planned community, the decrease in values can be much worse.

"I represent clubs and communities that experience all those horrible situations," said Michelle Tanzer, an attorney at Gray Robinson in Boca Raton, Florida, who specializes in clubs and communities. "In some cases, the most desperate cases, the golf course goes to seed and is ultimately plowed over."

The solution seems simple enough. If a community has 2,000 homes and a golf course is losing $400,000 a year, an annual assessment of $200 covers the loss, keeps the course afloat and protects property values. The problem, of course, comes in getting homeowners coalesced around that reality.

"When you have a group of homeowners, you have some who say, 'I don't play golf and I'm not going to pay to support a bunch of guys chasing a ball around,'" Kahn said. "But the alternative is that the course closes and that's when things get really ugly."

Keegan offered a more calculated perspective. "In an average community, only one out of seven (residents) plays golf. Then you factor in that the average person is only in their home for seven years. Most will be dispassionate about that (golf course) investment.

"Now, if you're talking about 2,000 homes and $200 a year, it makes sense that it only happens in about one (golf community) out of every three. The other two-thirds it doesn't work.

"The reason it doesn't work is because the number is much higher than $200-a-year," Keegan continued. "We did a study in California on a course that had closed and asked the questions, 'Should the homeowners take it over?' What we found was, the cost to get the course back up and running was close to $2 million. It's not a $200-per-home assessment. The number, in reality, is much larger. So in situations like that, rezoning the land for some other commercial use is the highest and best use of the land."

Tanzer has been one of the champions for that one-third of homeowners who want to keep their golf courses alive. She has developed a number of legal mechanisms that allow HOAs to take ownership of golf properties.

"There are a lot of situations in Florida where the HOA acquires the golf course, not by an act of purchase, but by a merger," Tanzer said. "I get three to four calls a week on potential mergers. In a merger, we take the club entity and merge it into the HOA entity. In that arrangement, all the assets that were in the club are merged into the HOA.

"Many planned communities contemplate ownership of substantial assets by the HOA. They are fondly referred to as bundled communities where the HOA owns a lot of substantial assets. The common property statues in most states contemplate the ownership of assets."

Just like every resident in a planned community pays an HOA fee to care for the entry statement, the neighborhood pool and the clubhouse for baby showers and bunko nights, Tanzer's model protects home values by incorporating the golf assets into the HOA covenants.

"I developed a structure that would, in many circumstances, allow the merger to occur and allow the distinction between those who use the golf and those, for example, who might only use the clubhouse," Tanzer said.

This is often a tiered structure where certain homeowners pay a little more in HOA assessments for more access. But everyone pays something to protect the values of their homes.

"Once you've figured out what your options are and what your covenants and restrictions allow you to do, you need to develop a strategic plan that is both financially viable but one that protects the golf course, the homeowners and is beneficial to all involved," Tanzer said.

Doing nothing is not an option. And hope is not a strategy. The number of lawsuits between homeowners and developers over golf course closings is legion. In most cases, homeowners lose. And in some, they are not only saddled with the loss of their property values, a judge dings them for the developers' legal fees. In the meantime, the once pristine garden that was their back yard becomes the bush.

"You can't imagine how quickly a golf course grows over," Crouse said. "Forty days after you shut the doors, the place is unrecognizable. But it's also incredibly ugly. It might take 20 years for a golf course to be reclaimed as a pine forest. Until then, it's scrub land."

Tanzer agreed. Homeowners who have any inkling that their golf course might be in trouble need to act quickly.

"If you don't take care of the problem, it's going to be devastating to your property values," she said. "Get the process started. Then you can determine which of the multiple alternatives is best for you."

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A Florida Community Gets Course Ownership Right

It isn't fancy. It's not on anyone's list of greatest courses. You might not even know it's there if you're more than a couple of blocks away. But Bradenton, Florida's Peridia Country Club is a model for what a golf course community can and should be.

More than 600 zero-lot-line units, many that border the fairways, surround the executive course in the community between Tampa and Sarasota. But each home comes with a built-in assessment that covers the cost of road maintenance, lawn upkeep, common area beautification, and maintenance and operation of the golf course.

This isn't a membership. The homeowners don't have equity in the course, which is open to the public and charges usage fees to members. But the fees attached to every home assure that the value of having a golf course nearby will never go away. *-SE*