

Public or private, golf courses look for ways to grow by Damon Cline

With mounting debt, declining membership and a reputation some considered staid, stale and stodgy, West Lake Country Club's days as a viable business appeared to be numbered as it entered its fifth decade.



Adam Murchison

Adam Murchison, the club's membership development director, doesn't sugarcoat its post-recession years.

"West Lake wasn't bankrupt, but it was in a death spiral," he said.

Columbia County's oldest private club wasn't unique in that regard. Golf-centric country clubs all over the nation were – and still are – struggling to increase playing of a sport whose participation rate is shrinking alongside millennial attention spans and Tiger Woods' dominance.

The \$23 billion industry grew a mere 1.8 percent from 2011 to 2016, according to IBISWorld's Golf Courses & Country Clubs report.

As was the case at many traditional private clubs, West Lake's declining revenues cast a harsh spotlight on its shortcomings as a member-owned-and-operated entity.

Upkeep at the Martinez-area club dwindled in tandem with operating revenues. And when the club did make capital improvements, it was usually at the cost of an assessment – a tax of sorts on the membership – or adding another line item on a debt ledger that already weighed on the club like a sand-filled golf bag.

But that changed when Murchison's employer, Concert Golf Partners, acquired West Lake Country Club in May 2015.

The California-based investment group, which specializes in private clubs, immediately paid off debt that had hobbled the club for years – including a \$6 million clubhouse renovation financed in 2006, before the housing market collapse threw the nation into recession.

The Newport Beach-based management company, drawing on capital reserves of \$150 million, also pumped \$1.5 million into new projects ranging from a banquet hall expansion to a remodeled driving range – all without a single assessment on the membership.

Financial terms of the sale were not disclosed, but former West Lake Board President Michael Sommers was quoted in a statement announcing the deal that “if we had it to do over again, we would have partnered with Concert Golf back in 2006.”

Now, after a full year under new management, Sommers says the club’s no-assessment guarantee and emphasis on more family-focused activities is turning things around.

“The golf course has always been great, but the social aspect is what was lacking,” he said. “They’re putting the fun back in West Lake.”

WEST LAKE COUNTRY CLUB opened in 1969. The company that developed the 18-hole golf course and the gated subdivision that surrounds it turned the club over to members in 1977 – not an uncommon occurrence. This member-owned entity voted unanimously to sell the club, which includes a tennis center and Olympic-size pool, to Concert Golf last year.

Murchison, who came on board just after Masters Week in April, said many of the club’s new improvements, including the introduction of casual dining options, spa services, a youth room and a kid-friendly water slide at the pool, are designed to position West Lake as a “full-family club” and shake the old whiskey-and-cigar image of the past.

“There’s a much more family-oriented, youthful feel to it now,” Murchison said. The club is no longer hemorrhaging members. So far this year nearly 92 new memberships – roughly three per week – have been sold.

The Florida-born millennial and a former golf pro acknowledged the importance of non-golf amenities in an era when more young people – the lifeblood of golf's future – are snubbing the sport for less costly and time-consuming leisure activities.

“By the time you add everything up, you could be looking at six hours to play one round,” he said. “Not everyone can invest that kind of time, even on weekends.”

The sentiment is echoed by Ray Mundy, general manager of semi-private Jones Creek Golf Club, which is less than two miles from West Lake and targets a similar upper-income clientele. He says golf has become the “four-hour game in a four-second world.”

Mundy, an investor in the local partnership that has owned the Rees Jones-designed course since 2008, said middle- to high-end private clubs such as Jones Creek and West Lake are simply evolving to accommodate today's families.

“The days of leaving the kids with the baby sitter on a Friday night and having drinks and dinner on white linen tables have changed,” he said. “A better description now is ‘lifestyle club.’ People still want the golf, but they also want more family dining and more of a health club-type atmosphere.”

Statistics show golf is no longer the profit center it once was. The National Golf Foundation reports the number of U.S. golfers fell from a peak of 30.6 million in 2003 to 24.1 million last year – a 21 percent decline.

More golf courses have closed than opened every year since 2006 – with last year being no exception, as the ratio of openings to closings resulted in a net reduction of 148 courses. The golf and country club industry is essentially overbuilt, according to Kevin Reilly, a club management consultant with PBMares in Washington, D.C.

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“There’s a lot of these clubs that we consider B-level – they have very nice, very good golf courses, but there’s way too many of them,” said Reilly, who also is treasurer of the Washington-based National Club Association. “In order to succeed and prosper, they have to make some changes.”

With many of the nation’s 4,000 member-governed private clubs said to be carrying dangerous debt levels – estimates range from 10 percent to as much as half – the only option is to open themselves to the public or sell to a third-party management firm.

THE LARGEST OF THE club-management firms include Dallas-based ClubCorp, which oversees Aiken’s Woodside Plantation Country Club, and Scottsdale, Ariz.-based Troon Golf LLC, which manages the adjacent The Reserve Club at Woodside Plantation.

West Lake’s Concert Golf, in comparison, is a boutique operator; its 13-club portfolio includes The Golf Club of Amelia Island in Jacksonville, Fla., and MacGregor Downs Country Club in Cary, N.C.

A similarly sized operator, San Diego-based Heritage Golf Group, an affiliate of Tower Three Partners, acquired the private Champions Retreat club in Evans in 2014.

But regardless of their size, multiunit operators can almost always run clubs more efficiently than member-governed boards because they can negotiate better pricing on everything from fertilizer and pool chemicals to food and beverages. And investor-owned firms usually aren’t saddled with heavy debt loads, allowing them to more easily survive lean periods.

Their other value proposition: 24-7 hands-on management. Corporate-managed clubs often run smoother because staffers aren’t taking orders from a club board whose members often have no experience in the hospitality and leisure industry.

“What makes West Lake different now than it was over a year ago?” West Lake General Manager Richard Eyer says. “The fact that my members can now enjoy their club without worrying about managing it, assessments, employees and all of the other problems associated with running a business.”

Clubs generate the bulk of their revenue through membership dues and initiation fees, which help subsidize the cost of many of their services. So expanding offerings beyond traditional golf, tennis and swimming not only attracts new members, but often is welcomed by older members.

“What you see at a lot of clubs is that the old guard loves the changes,” Reilly said.

The rise in “foodie” culture has seen country clubs reassess their food and beverage offerings to attract young families for a more casual dining experience while finding ways to liven up their fine-dining offerings for those seeking a more traditional experience.

One of West Lake’s most recent hires, for example, includes an uncle-nephew executive chef team who previously worked for New Orleans’ famed Commander’s Palace restaurant.

THIRD-PARTY CORPORATE management is not a panacea for every ailing country club. For one, not every country club struggles for money. Aiken’s historic Palmetto Golf Club, for example, is buoyed by a century-old trust established by the wealthy Northern businessman who founded the club in 1892.

Though golf serves as the common bond, private and semi-private country clubs are unique animals. The private Sage Valley Golf Club in Graniteville doesn’t offer the traditional tennis and pool experience, but the 3,000-acre spread does boast a gun club and several rustic-but-luxurious cottages and cabins.

Jones Creek members have access to a pool and tennis courts, but those facilities are owned and operated by the neighborhood’s homeowner association.

Culture and clientele also run the gamut. At one end of the spectrum are the ultra-exclusive private clubs – such as Augusta National Golf Club, New Jersey’s Pine Valley Golf Club and Cypress Point Club in Pebble Beach, Calif. – and legacy city clubs, such as the 118-year-old Augusta Country Club.

With their old-school exclusivity and high-dollar membership and initiation fees, such clubs are generally immune to economic downturns or ebbs in golf’s popularity.

At the opposite end of the line are lower-cost public facilities, such as Augusta University-owned Forest Hills Golf Club and Graniteville’s Midland Valley Golf Club. When the economy slows down, such courses become the go-to places for cost-conscious duffers searching for less-pricey tee times.

Caught in the middle are clubs such as West Lake, Woodside, Jones Creek and Edgefield County’s Mount Vintage Plantation Golf Club. They essentially have the same costs – but not the financial support or prestige – that the “old money” clubs have.

Mount Vintage, for example, fell under ownership of a Tennessee-based bank during the recession and was turned into a public course by the management company hired to run it. After years of legal turmoil, the Mount Vintage homeowners’ association in August purchased the club, formed its own management company and eliminated the online reservation system that let anyone with an internet connection book tee times at the 27-hole course.

Essentially, the Mount Vintage scenario is the exact opposite of West Lake’s.

“The thing is, there are very solid golf ownership and management companies, and there are some that are not,” said Gregg Karlberg, Mount Vintage resident and board member. “Whoever you are getting involved in has to be vetted.”

Karlberg said the former management company had no incentive to provide good service because its client was the bank, not the club’s members.

“Having a golf club owned by a bank is not a good thing,” he said. “Their objectives and the membership’s objectives were not aligned.”

For West Lake, which is several months into its second year under Concert Golf, the conversion to third-party ownership and management appears to be working.

“Fridays and Saturdays are back to what they were 10 years ago,” said Sommers, the former West Lake board member. “People are coming back and saying, ‘Hey, this is a great experience.’”