



# KemperSports

## **Kayak Point Golf Course Snohomish County, WA**

### **Site Visit Report April 26, 2019**

The following assessment is the product of a half-day site visit to Kayak Point Golf Course and is provided by KemperSports as a courtesy to Snohomish County Parks & Recreation. It does not constitute a formal feasibility study.

#### **State of the Industry**

The big-picture view of golf's most recognizable metrics – approximately 15,000 facilities, 24 million on-course participants and about 450 million rounds played – is strikingly similar to 20 to 25 years ago. That was before a strong economy and housing market set off an unsustainable course building boom. Kayak Point Golf Course was built less than ten years before golf's great expansion. Between 1986 and 2005 the industry experienced a 44% increase in number of courses. There were 13 courses built in the Kayak Point market between 1985 and 1998. However, nearly all these competing courses had the advantage of being located more conveniently to the expanding population base and the I-5 corridor. Consequently, Kayak Point revenues declined by nearly 40% between 1994 and 2005.

Since 2005, nationwide on-course participation has remained flat and the cumulative reduction in U.S. golf courses has reached 1,230 (8%). During the last ten years, the Kayak Point market has seen a reduction of 13.8% (5.5 courses) of its golf course supply.

That said, off-course participation increased 10% in the last year with a total of 23 million people visiting golf entertainment venues, 40% of which never visited a golf course. It is noteworthy that participants in off-course forms of golf continue to skew younger and more diverse than on-course golfers.

#### **Condition of the Assets**

The Kayak Point Golf Course and related facilities have been closed for seven months and prior to closing had suffered from decades of neglect by lease operators. Consistent with the July 2013 report from USGA Green Section Director, Larry Gilhuly, we found the golf course in need of an extensive list of capital investments. They are summarized as follows:

- Irrigation system upgrade
- Maintenance building repair/replacement
  - Establish proper fuel containment, chemical storage and equipment washing station to meet NPDES standards

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- Reconstruction of part or all of most fairways to smooth potholes created by decades of organic decomposition from buried tree stumps
- Reconstruction/expansion of tees that have become crowned and unusable
- Substantial tree removal to improve sunlight and airflow to the turfgrass
- Trees removed and/or limbed-up and removal of understory plants to improve playability
- Bunker edge reestablishment and drainage added

Addressing these critical golf course capital needs would be required to restore the golf course to a condition that would position it to compete for increased market share. The cumulative investment required would range between \$3,000,000-\$5,000,000.

While there has been some attention paid to maintaining the clubhouse asset, it would also require significant cleaning, repair and maintenance before it could be operational.

### **Operational Considerations**

Should the above capital investments be feasible, there would also be sizeable costs associated with establishing a new operating model. Kayak Point Golf Course is not desirable to a lease operator and as such the owner would have to self-operate or enter into a fee-for-service management agreement. In either case, the owner would have to procure furniture, fixtures and equipment for the food & beverage and golf shop operations, a golf cart fleet and a complement of maintenance equipment. Many of these necessities could be acquired through a lease agreement and funded over a 3-5-year period, but nonetheless, they would represent another \$1,500,000-\$2,000,000 outlay.

In addition to the golf industry supply/demand imbalance, there is general economic uncertainty and an escalating minimum wage that is going to have a crippling effect on the already low-margin sources of revenue Kayak Point Golf Course can generate.

In conclusion, there is no reason to believe that there would be any realistic return on investments made in the existing golf product, geared toward attracting the core golfer.

However, it is interesting to consider the possibilities for adaptive reuse of the site, including a golf component that could produce a higher rate of cost-recovery and appeal to a broader and more diverse audience. Based on our extensive experience with municipalities, I'll offer an unsolicited brainstorm list of adaptive reuses that came to mind. These are not mutually exclusive. A thoughtful combination of uses is entirely possible.

- Maintain a golf component that designed to be an entertainment and food & beverage venue without the barriers to entry of "playing" golf.
  - Practice range with TopGolf-like technology
  - Putting course
  - A reduced number of short golf holes used for social and developmental programming
    - Add music and lighting to any/all of these facilities

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- Create a destination event venue
  - Weddings
  - Concerts
  - Festivals
    - Opportunity for lodging tax grants or a public/private partnership
- Create a connection with the adjacent County park asset
  - Camping
  - Trail system
- Other recreational uses
  - Equestrian
  - Destination cross-country running course
  - Sand volleyball

