AVOIDING CONFLICT ON A GOLF ESTATE

One in six South African courses have a residential component.

South Africa's golfing landscape irrevocably changed in 1987 with the establishment of the first residential golfing estate, Selborne, on the KZN South Coast. The two biggest changes have been the influx of new courses in a relatively short space of time – roughly 75 over two decades – and the continuous improvement of course maintenance, conditioning and playability across the golf course spectrum.

Today, every sixth course in South Africa is situated on a residential estate. It is a significant number and prompted Mark Wiltshire Golf to take a closer look at this segment of the market.

Different characteristics define local golf estates. A third can be regarded as primary residential, with the balance consisting mostly of secondary residential (holiday homes). Primary residential estates tend to fit in more homes within the same amount of space than their secondary counterparts, making it more compact and condensed. Secondary residential estates often provide hotels or rental pool accommodation for visitors.

There are common denominators prevalent in the life cycle of residential golf estates. Once an estate is approved, the developer starts selling property off a master plan. A phased approach to the estate development may be adopted, or most of the infrastructure could be installed by the time the initial offering takes place.

As an estate develops and matures, home owners take on more responsibility and running costs. A tipping point is reached where the collective investment value and hence potential influence of home owners supersedes that of the developers. This usually leads to conflict between developer and home owner, as the latter demands a bigger say in the day-to-day operations, specifically golf operations, whilst the former is reluctant to hand over power or share operational information.

What adds to the tension and divide is the eventual handover, and any loose contractual arrangements not clearly defined in the Home Owners Articles of Association, normally constituted by the developer at inception.

A major area of conflict is cost-related, notably the operational management of the golf course and facilities such as the clubhouse and other sports amenities, owned and operated by the developer.

It is rare for such operations to be profitable without the contribution of social and golf membership subscriptions and levies. To make property sales as attractive as possible, particularly during the launch, developers often fail to attach mandatory golf or social membership to ownership. This has a catastrophic effect on potential income since only 30% of home owners play golf and are likely to subscribe to membership.

This results in existing members either paying excessive subscription fees; an attempt being made to introduce a levy to all residents; or the slashing of expenditure on course maintenance and upkeep of facilities. The latter is detrimental to the condition of the course and facilities, which in turn has a negative impact on property value and developer stands. Inevitably a levy is virtually forced onto home owners. Without proper consultation and engagement with all stakeholders it tends to create a divide, mostly with a journey into the unknown for non-golfers.

A lack of transparency by developers who control golf operations never ends well. Since they carry the risk of operational losses, developers do not feel obliged to share all ops-related information with home owners. Developers often feel they subsidise the home owners and expect them to make a bigger contribution towards the upkeep of facilities. In return, home owners who pay membership subscriptions feel they are major stakeholders and are entitled to transparency and dialogue.

We know of several instances where the relationship between developer and a Home Owners Association has become so strained that no material decisions beneficial to the estate could be made. It is regrettable to see how residential golf estates have failed to avoid certain pitfalls. There are well-publicised case studies to learn from.

It is inevitable that the long-term sustainability of a residential golf estate lies in the home owners controlling all operations. This does not necessarily imply that a developer has to sell its assets to the HOA for a nominal or negotiated fee. A long-term rental or lease provides another option. Pecanwood Golf & Country Estate is a shining example of how a developer and HOA can set differences aside and find a workable solution – the turnaround has been remarkable.

HOAs need to be careful when they take over the management of golf operations and upkeep of facilities. Home owners are entitled to a strategy and business plan that ensures sustainability.

MWG has been exposed to many of these challenges and advises developers and HOAs to engage with each other, even if through an independent non-legal third party, to avoid any costly conflict.

• *Mark Wiltshire Golf provides specialised golf management services that includes club management, course maintenance, consulting, course design, and construction and project management.*

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