

GOLF COURSE NEWS



BAY CREEK GOLF CLUB STRIVES FOR AUDUBON'S SILVER SIGNATURE STATUS. SEE STORY PAGE 3.

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It takes two

Barbaron and Southeastern Golf team up to build Tom Fazio's North Course at Mediterra19

New chemistry

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SUPERINTENDENT FOR THE "BIG DIG"

After roaming the globe building golf courses most of his life, Massachusetts native Gary Kessener, 42, has returned home to oversee construction of one of the most ambitious golf projects ever undertaken in the United States - Quarry Hills Golf Course. The John Sanford design is taking shape just outside Boston. The story begins on page 13.

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PERIODICAL

Secondary turf equipment market facing growing pains

By ANDREW OVERBECK

With the popularity of leasing turf equipment surging over the past five years, the market for used equipment has expanded as well. Industry insiders estimate that the used market now exceeds \$90 million in annual sales and will continue to grow as more equipment comes off leases.

Sales figures, however, do not tell the whole story. The industry is still learning how to approach the secondary turf market. While high residuals make leasing



A three- to four-year-old John Deere ProConditioned 3235 fairway mower (left) retails for around \$22,000, compared to \$36,000 for a brand-new 3235B model. It comes with a one-year warranty.

packages more attractive, they make it more difficult for dealers and wholesale brokers to unload used equipment at a reasonable profit. In order for leases to grow, there

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Chicago credit giant to finance golf

By JAY FINEGAN

CHICAGO — A new source of capital has entered the golf industry, and this one comes with deep pockets.

Heller Financial, a \$20-billion credit firm, recently established a golf lending group with plans to fill some of the void created when Bank of America abandoned the golf-financing field last fall.

Ironically, two of the key players in the new Heller golf brain trust have sailed in from Bank of America. Rick Nekoroski, who completed \$275 million in golf course investments for Bank of America, will handle the eastern half of the country from Boston. And John Seeburger, a West Coast loan officer for B of A, will take charge of the action in the western United States from his office in Costa Mesa, Calif., south of Los Angeles. Both men will hold the title of vice president and investment officer.

Real estate specialist Christy Lockridge, an 11-year Heller veteran, has been named product manager for the golf lending group. She will direct the



Christy Lockridge

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Photo by Freddi Bird

The third hole at Wolf Creek GC, 80 miles north of Las Vegas

Wolf Creek offers high drama in Nevada desert

By DOUG SAUNDERS

MESQUITE, Nev. — The fairways of the recently opened Wolf Creek Golf Club pour through the stark desert terrain like green lava flowing through the landscape. Their stunning contrast against the multi-colored sandstone cliffs creates a spectacular setting that begs a golfer to come out and play in this high desert setting in southeastern Nevada.

Your first thoughts are: how could a

Continued on page 24

Drought-stricken N'west faces dry summer

By JOEL JOYNER

SPOKANE, Wash. — The Northwest is confronting record-low water levels that may result in some severe shortages this summer. The drought also has potentially serious implications for energy-starved California, which relies on hydroelectric power from the Northwest.

In March, Washington Gov. Gary Locke declared a drought emergency for the state. According to Scott Gudes, acting administrator of the National Oceanic and Atmospheric Administration (NOAA), the Northwest is the most drought-stricken region of the United States.

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Heller Financial enters golf lending market

Continued from page 1

team from the company's Chicago headquarters.

With Nekoroski and Seeburger on board, the group will undoubtedly enjoy instant credibility with the golf industry and a canny understanding of the market.

Despite some problem areas in the industry, particularly the

current oversupply of courses, Nekoroski is optimistic about the prospects. "The overbuilding is obviously a big concern these days. A lot of markets have been overbuilt," he said. "But there are still good deals in every market. Those deals will get done, and we hope to get our fair share."

COUNTER-CYCLICAL LOGIC

The welcome mat is definitely out for the new group.

"Everybody is glad to hear that there's another lender in the business," Nekoroski said. "Clearly, Bank of America's departure left a void, and whenever there's a capital void like that, there are going to be opportunities. That's Heller's

reasoning for getting into the golf business."

According to Lockridge, the decline in golf course values also helped spark the new program. "It's a counter-cyclical situation," she said. "Values have dropped about 15 percent and probably have another 10 percent to go before the operators get back in. You have a segment where there's been some overbuilding, and you've got some illiquidity in the

market.

"Heller likes to get in and lend in situations where you can create value," she added. "We think this sector has some strong upside potential. And that's really where we like to play."



TARGET: EXISTING COURSES

Nekoroski sees the primary market consisting of course operators looking for acquisitions and course owners in need of refinancing. Experienced course operators, especially those who can run clubs more efficiently and profitably, will receive preferential treatment.

"We are cash-flow lenders," Nekoroski said. "We'll be looking at debt-to-coverage ratios. The main objective will be doing deals with seasoned operators. We'll also be looking at turnarounds where there may not have been great debt service. If it's a turnaround acquisition by a seasoned pro, someone with a proven track record, we most likely will be able to buy into their story and underwrite future potential."

"For more of a 'one-of' type of deal, with somebody who owns one course, we'll want to see some history," he added.

NO NEW CONSTRUCTION

Loans for new course construction are virtually out of the question, at least for now. "Eventually we may do some," said Nekoroski, "but we're going to take it slow. We want to get our feet wet first with some good solid cash-flowing deals."

Lockridge says the group will be looking to invest in courses priced in the \$4-million range and up.

"Frankly, our goal is to get in and do a bunch of existing courses," she said. "We want to do a lot of acquisition financing. We'll be doing first-mortgage financing on everything we undertake, loaning 50 to 75 percent in the loan-to-cost ratio if it's an acquisition or in loan-to-value if it's a refinance."

The Heller golf team has no predetermined budget or portfolio objective. "Whenever we go into a new business at Heller, we don't set some kind of number to shoot for," Lockridge said. "Our modus operandi is to get into the market and do as much great business as we can."

INCOME MULTIPLIERS

A big concern right now is that many course acquirers are waiting for prices to fall still lower before plunging back into a buying mode.

"Net income multipliers need to get to 8.5 times trailing 12-month earnings before they'll get

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GOLF COURSE NEWS



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Heller Financial

Continued from page 30

off the sidelines," Lockridge said. "They are currently at about nine. People will jump back in when they perceive that we've hit bottom. But if multiples remain high, that means acquisition activity will be low, which will affect what we're able to do."

Nekoroski is aware that buyers are looking to bottom feed, but flexibility may be the best approach, he said. "Some of the more astute guys are jumping in now, saying that if they wait for a 25-percent drop, they might let three great deals go right under their noses."

He added that Bank of America abandoned the golf market not because of overbuilding or any other specific concern. "The reason they cut the cord was at a much higher level, over global and economic issues," he said. "They saw the economy starting to waver, and they decided to cut the more risky portfolios—or those perceived as risky."

In Nekoroski's view, Heller will be a solid financial partner for golf borrowers. "This is a great company," he allowed. "I've been very impressed with them in the short time I've been here."

The new unit is off to a quick start. "We've hit the ground running," said Nekoroski, who was already reviewing five or six proposals a few weeks after joining the firm. "The deals are out there." ■



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