GOLF COURSE NEWS

THE NEWSPAPER FOR THE GOLF COURSE INDUSTRY

A UNITED PUBLICATION
VOLUME 5, NUMBER 8
AUGUST 1993

INSIDE

STILL GOING...
Geoffrey Cornish — seen here (left) conferring with Fred Licht, wetlands expert at a Cornish project in Bath, Maine — is still cranking out golf courses and literature. For a Q&A with one of architecture's grand old men, see page 25.

COURSE MAINTENANCE

COURSE DEVELOPMENT

COURSE MANAGEMENT

SUPPLIER BUSINESS

Mississippi flooding leaves cruel legacy

Slow, arduous recovery foreseen

By HAL PHILLIPS

DAVENPORT, Iowa — Long after the rains have stopped and the flood waters subsided, superintendents in the upper Mississippi River basin will be dealing with the lingering effects of the heaviest summer rains since 1965.

"We get one day of sunshine and three days of rain, and that's the way it's been for three weeks," explained Tim Westland, superintendent of Thunder Hills Country Club in Peosta, Iowa. "I've been in this business for 22 years and I've never seen anything like it."

Hardest hit were riverside golf courses in the Quad Cities area of Iowa and Illinois. As thunderstorms swelled tributaries in Wisconsin and Minnesota, levies were pushed to their limits further downstream. As flood walls gave way and creeks swelled over their banks, fairways sat beneath several inches of muddy water which, after it receded, left thick layers of silt.

Though the river peaked somewhere around July 11, many superintendents in the region are now faced

Continued on page 16

Jan Beljan photo

EXECUTIVE REFLECTIONS
Once hailed as golf's hot, new design trend, executive courses — like Tom Fazio's River Bend Golf Club in Tequesta, Fla. (above) — seem to have lost their appeal. Why? Experts agree that much of the problem has been poor perception and even worse marketing. For a special report on executive courses, and how they might be saved, turn to page 31.

Turf experts: 'Advances on all fronts!'

By MARK LESLIE

WEST PALM BEACH, Fla. — Major progress has been made on many research fronts but additional, more thorough studies are needed in such areas as biorational insecticides and integrated control of turfgrass diseases, according to scientists gathered here from around the world.

While research studies gave golf courses high grades for environmental soundness, farms and homelawns didn't fare as well, according to the 11 keynote addresses, 15 symposia and 121 papers presented at the 7th International Turfgrass Research Conference held in late July.

Continued on page 30

Auctioneer Don Kennedy recognizes an early bidder during the proceedings on Carmel Valley Ranch.

Newcomer KSL Recreation the big winner at Landmark auction

By HAL PHILLIPS

DALLAS — The long-awaited Landmark auction proved a coming out party for the year-old KSL Recreation Group Ltd., a Colorado-based management firm that snapped up the two most expensive properties up for bid here at the Fairmont Hotel.

In purchasing PGA West for $140 million and La Quinta for $136.4 million, KSL — backed by the Wall Street firm of Kolhberg, Kravis, Roberts & Company (KKR) — made an impressive debut in golf industry circles. KSL further enhanced its standing less than a week before the July 14 auction when it purchased the troubled Fairway Group, the nation's fourth largest operator of golf facilities (see story page 35).

In other sales, Club Corp. of America paid $35.6 million for Mission Hills Country Club in Rancho

Continued on page 34

Budget squeeze takes toll on hardware sales

By MARK LESLIE

Whittled-down capital budgets, the sluggish economy and increasingly specialized, expensive new equipment are causing golf course superintendents to hold onto their hardware longer and rush for parts to keep it tuned.

"A lot of superintendents are under budget constraints. They are holding onto equipment a little longer than they'd like," said Steve Nelson, Jacobsen Textron's manager of parts and accessories and supply. "And that's good for parts sales."

Most experts agree the recession has caused clubs to postpone capital purchases and to buy parts instead. While Jacobsen, Toro and other major manufacturers report positive sales in new equipment *and* parts sales, golf course superintendents say they're keeping used gear longer simply because their budgets are smaller.

"There's no question people are buying fewer

Continued on page 42

Landmark auction

Continued from page 1

Mirage, Calif.; Morgan Stanley subsidiary Resorts Ltd. acquired Carmel Valley Ranch in St. Lucia Mountains, Calif. for $20 million; the Tri-State Group Inc. of Wheeling, W.Va. purchased Palm Beach Polo and Country Club for $27.1 million; and Virginia Investments Trust paid $45.1 million for South Carolina's Kiawah Island Resort, which did not include Pete Dye's Ocean Course (see related story page 35).

All told, $395.4 million was forked over to the federal Resolution Trust Corp. (RTC), the federal government's savings and loan bailout agency which has operated the six properties since Judge Falcon Hawkins rejected Landmark's restructuring proposal in September 1992.

"This has been a superb day for the American taxpayer," said Lamar Kelly Jr., vice chairman of the RTC. "We got 111 percent of the assessed market value. We still have to go back to [federal] bankruptcy court and get their consent, but we don't anticipate any problems at all. The judge should be pleased with the prices, as we were... However, the government took a $300 million loss on the sale of these properties, which gives you some idea of the excess involved with development of these golf courses during the 1980s."

While the total sale in Dallas exceeded $395 million, the approximate book value of these six properties was $708 million.

In January 1991, Gerald Barton — former chairman of Landmark — nearly sold the resort development properties to the Japanese Dai-Ichi Corp. for $739 million, with Oak Tree Savings Bank — the Landmark-operated saving and loan — providing most of the financing. However, the federal Office of Thrift Supervision nixed the deal. Barton then took Landmark into Chapter 11, never to emerge.

Following the Dallas auction, Kelly was asked about the Dai-Ichi deal in retrospect. He called it "a joke. I can tell you that from day one, that was not a stand-up deal. It was never a stand-up deal. It had less that one percent chance of success."

• • •

Registered bidders in Dallas, July 14

Aerie Hotels and Resorts
Amerippon Inc.
Austin Golf Inc.
Banning-Lewis Ranch Corp.
The Beach Co.
Blixseth Investors Inc.
Club Corporation of America
Delaware North Companies Inc.
International Land Resort Associates
Kiawah Investments Inc.
Kiawah Resort Associates L.P.
Kiawah Resort Associates. L.P./Resorts Limited Partnership II
KSL Recreation Corp.
Mission Hills Equity Country Club Inc.
Morgan Stanley Real Estate Fund L.P./Resorts Ltd. Partnership II
Morgan Stanley Real Estate Fund L.P.
Palm Beach Polo & Country Club Acquisition Corp.
Pegasus Holding Corp.
Petrus Securities L.P.
PGA West Acquisition Corp.
Quail Lodge Inc.
Resorts Ltd. Partnership II
SVP Investment Managers L.P.
Transoccidental DRD Fund
Tri-State Asphalt Corp.
Virginia Investments Trusts
Whitehall Real Estate L.P. III/Resorts Ltd. Partnership II
Whitehall Street Real Estate L.P. III
Whitehall Street Real Estate LP III/Resorts Limited Partnership II/Morgan Stanley Real Estate Fund L.P.

The Bastille Day festivities in Dallas provided plenty of drama, as hordes of industry wheels, phones pressed to their ears, scrambled for position in the largest golf course auction in history. Four separate companies walked away with some of America's most prestigious golf courses and destination resorts.

However, the star was clearly KSL, headed by its youthful chairman Michael Shannon. "We're excited to be associated with these fine golfing properties," he told the press. "And we intend to retain current management at both resorts."

Shannon, who since 1985 had been CEO of Vail Associates, a real estate management firm, explained that KSL was formed one year ago with financial backing from KKR. Shannon will oversee the newly formed KSL Landmark, which includes newly-purchased PGA West, La Quinta and the 10 Florida and Mid-Atlantic golf course properties that had been managed by the Fairway Group.

While it was not the most expensive, Kiawah Island proved the most elusive prize in Dallas. Virginia Investment Trusts (VIT) — owners of AMF sporting goods, which includes Hogan Golf — outbid the field during the auction's first round. In the third and final round, KSL bumped the bid to $45.1 million. Then the deal-making began.

Apparently secure that KSL would sell Kiawah at a fair price, Virginia Investments chose to pass on its final opportunity to bid — thus ending the auction and frustrating the bid of Morgan Stanley, which has existing real estate interests on the South Carolina island.

Immediately following the auction, KSL agreed to sell Kiawah to Virginia Investments for $45.1 million. However, because it paid cash, VIT earned a discount and paid only $39,011,500 for Kiawah Island. Similarly, Morgan Stanley's cash payment for Carmel Valley was a cut-rate $17.3 million.

Morgan Stanley was the only firm to bid on all six properties during the all-or-nothing second round. This $395 million bid gave the Wall Street firm the right to bid on all six properties in Round Three. Only Morgan Stanley, plus the winning and back-up bidders from Round One, were qualified to bid in the third and final round.

In the end, however, Morgan Stanley secured only Carmel Valley Ranch. The resort will be operated by affiliated Resorts Ltd., which currently operates a pair of prestigious Arizona properties, The Boulders and Ventana Canyon.

The Tri-State Group, the high bidder for Palm Beach Polo, is associated with Tri-State Asphalt Corp. which has interests in mining, manufacturing, construction and real estate.

Meanwhile, Club Corp. walked away with Mission Hills, but the local favorites (CCA is based in Dallas) may be heard from down the road. "We will actively pursue the other successful bidders about the possibility of managing their assets," said Randy Williams, executive vice president of business development at CCA.

Scenes from Dallas

Continued from page 10

bidders."

"They certainly did," answered KSL Chairman Michael Shannon, whose company shelled out $276.4 million for PGA West and La Quinta.

• • •

The 35-year-old Shannon — who looks not a day over 22 — proved a quick-witted handler of the media horde. One reporter pressed him on the deal-making between KSL and Virginia Investment Trusts (VIT), both of whom were gunning for Kiawah Island.

VIT had displayed a stubborn resolve in going after Kiawah, beating back several parties in the first round with a bid of $45 million. However, when KSL bumped the bid to $45.1 million in the third round, both parties feverishly sent envoys to each others tables. After the huddling was finishing, VIT passed — thus awarding the property to KSL.

But a deal had been made: KSL agreed to "assign ownership" of Kiawah to VIT for $45.1 million.

Shannon was asked if he and VIT had become good friends during the bidding process.

"We became *very* good friends during the bidding process," he quipped.

• • •

In order for the PGA West bid to go through, both the PGA of America and the PGA Tour must approve the sale. Shannon said he was "confident" he would receive both blessings.

• • •

The scene inside the Fairmont Hotel's Regency Ballroom almost defies description. Phones surgically attached to ears, calculators pounded into submission, and grown men in expensive suits running from table to table, cutting deals as they went.

While perhaps 75 people took part in the auction, more than 200 looked on from behind the velours rope strung between chrome stanchions, oohing and aahing as bidders raised the fiscal thresholds. And nothing drew a bigger "ooh" than the vaunted slam dunk bid: When a party, perhaps tired of small incremental one-upsmanship, simply bumps the bid by several million — usually to a round, workable number.

While many faces were familiar, all bidders went incognito until the auction was finished. Rumors flew as to who was bidding on what; who was cutting deals with whom; and when Ross Perot Jr. would get into the fray (he came up empty after pursuing Palm Beach Polo for a while).

The day's proceedings were tense and frenetic but always well organized, for which most lavished praise on the oft-maligned RTC. Everything went smoothly.

"I love stuff like this," said Randy Williams, Club Corp.'s executive vice president of business development. "I love to see millions of dollars returned to the taxpayers. My hat's off to the RTC. They did an excellent job."

• • •

However, Kelly made a point of sidestepping any praise, instead heaping it on ailing RTC Chairman Charles Bates, who suffered a heart attack only a month earlier and couldn't attend the auction. Kelly called Bates the "architect of this auction." In Bates' honor, hundreds signed an oversized get well card placed at the rear of the ballroom.