



The Desert Sun

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SPECIAL REPORT: GOLF IN THE COACHELLA VALLEY

Stakes are high as clubs struggle to stay relevant



Bill Ashley, who lives in Sun City and has played golf for much of his life, gets in as many as five rounds a week now that he has retired to the Coachella Valley. Unfortunately for local courses, his type is becoming scarcer. OMAR ORNELAS/THE DESERT SUN

Communities finding they have to change to survive recession, attract young golfers

By Mike Perrault
The Desert Sun

Bill Ashley traveled the Northwest for 30 years as a wholesale furniture rep, giving him plenty of time to contemplate a retirement filled with golf and warm winter days.

Now, six decades after discovering he loved the game, he can pull his golf cart out of the garage and drive a minute to Mountain Vista Golf Club.

"I love the game," said Ashley, who plays as many as five days a week, watches the Golf Channel around the clock and has been to the Masters tournament twice. "If I couldn't play, I'm not sure what I'd do."

Ashley is the kind of diehard golfer — and second-home buyer — who has driven much of the growth of the real estate business in the Coachella Valley and turned this corner of the desert into a golf oasis with 123 courses.

But fewer Bill Ashleys are coming.

TROUBLING TIMES

TODAY: Golf communities in the Coachella Valley and nationwide are losing homeowners and memberships, but new ideas are popping up for their future.

MONDAY: The game of golf has its own problems as it sheds about 1 million players each year, but plans are in the works to reverse that trend.

The green-grass playgrounds of Palm Springs, Rancho Mirage, Palm Desert, Indian Wells and La Quinta — loved by retiring and relaxing presidents — are bleeding money and members.

The recession exposed the vulnerability of the business model that created an unbreakable linkage between golf and real estate.

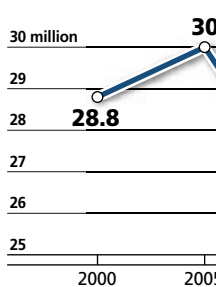
"We're entering a new normal; we're in a recasting era," said Pete Halter, chairman of The Halter Companies, an Atlanta firm that advises developers. "We can't think that this will be over soon. Things have changed for good."

Please see **CLUBS, A6**

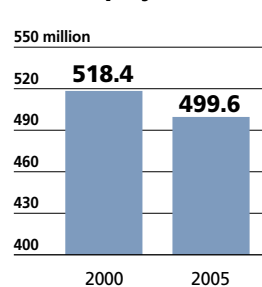
Golf runs into a wall nationwide

The game of golf has struggled over the past decade, exacerbated by the Great Recession. Today, there are about 4 million fewer golfers than just five years ago, just before the recession hit. As a result, fewer rounds are being played and more golf courses are closing than opening.

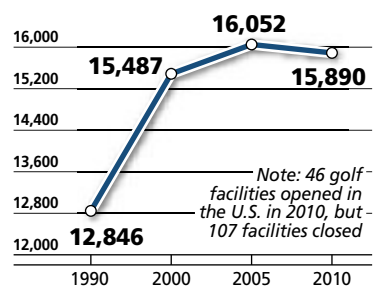
Golfers in the U.S.



Rounds played in U.S.



Golf facilities in the U.S.



SOURCE: National Golf Foundation

THE DESERT SUN

Valley clubs cater to many lifestyles

By Mike Perrault
The Desert Sun

There are so many tiers of country clubs and golf communities in the valley that it sometimes can be daunting for homebuyers looking for the right fit, said Diane Williams, associate broker with Diane Williams and Associ-

ates Windermere Real Estate. Williams, an avid golfer, has maintained an updated list and quarterly report providing clients with information about home prices, membership initiation fees, homeowner association dues and other information for nearly 50 area country clubs and golf communities on her website,

dianewilliamsandassociates.com. Williams recently reviewed home sales in area country clubs and found sales prices are at 2004-05 averages. "I've done this since 2004," Williams said. "It shows a history. You can talk about one quarter

Please see **VALLEY, A6**

GOOD MORNING

Welcome home, troops

64° 42°

- Advice E2
- Bridge E4
- Crossword B10
- Lottery B10
- Movies E2
- Obituaries B10
- Opinion B11-13
- KenKen E4
- Travel E6
- Weather D6

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INSIDE TODAY'S PAPER

Desert Magazine

GEORGE CLOONEY

CLOONEY'S LEGACY

Actor George Clooney, who will be honored at the Palm Springs International Film Festival, reflects on his life and career.

EGYPT CRACKS DOWN

Hundreds have been injured, and nine killed in the 48 hours of fighting that continued Saturday as the Egyptian military moved to crush protests against its rule. **A3**



RIDING OFF INTO THE SUNSET

The last U.S. soldiers left Iraq early this morning, putting an end to the divisive war. **A3**

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Toscana Country Club in Indian Wells offers full athletic club and spa amenities. Many golf and country clubs across the nation are trying to diversify their offerings in an attempt to broaden their appeal in tough economic times. OMAR ORNELAS/THE DESERT SUN

Amenities, price key to attracting Gen-Xers

By Mike Perrault
The Desert Sun

In this economic environment, it's critical for private clubs and golf communities to be innovative, said Robert Borsch, a partner in Club Mark Corp.

What does that mean? "You have to figure out what everybody is convinced you can't do," Borsch said.

Even the most storied private golf courses and country clubs can no longer rest on tradition and past performance, said Rick Coyne, CEO of Club Mark Corp., which helps clubs develop strategies for the future.

With fewer developers able to shoulder the costs, "(clubs) need to look at the pricing model," Coyne said.

And as country clubs look to accommodate 41 million younger Generation Xers, they'll need to rethink how they address different motivations from their fathers and mothers, said Pete Halter, chairman of The Halter Cos., which also advises real estate developments.

"Now, how a place 'lives' is as important as how it 'looks,'" Halter said.

Tom Flavin, CEO of the Coachella Valley Economic Partnership, envisions a broad-based initiative in the valley to tackle the issue.

"We need to analyze, increase public awareness, develop an action plan and mobilize key stakeholders," Flavin said.

Golf courses are looking to 25- to 40-year-olds to better understand their preferences, possibly creating environments that are more casual and have a less stuffy ambiance.

At the Desert Mountain community in Scottsdale, Ariz. where Borsch is president of the homeowners association, executives toured top clubs nationwide to learn best practices. They conducted in-depth interviews and looked at beefing up amenities such as casual dining, spa enhancements and new ways to structure membership plans and fees.

Clubs are looking at use privileges that don't penalize infrequent, seasonal users or non-golfers, for example.

Here are other strategies golf communities are considering:

- Golf course architects are being asked to implement changes to courses that will make golf more of a family game and easier for the everyday golfer, with features such as reachable par fives, wider fairways and fewer bunkers.

- At community courses, add teaching centers so youth can better learn and embrace the game.

- Country clubs are looking at driving demand for second homes by designing more amenities for families and women such as more casual dining options, fitness centers and spas. They're focusing not only on attractiveness — to ensure demand — but creating market awareness and ensuring they're accessible.

- Clubs are analyzing how to set themselves apart from competitors through price, the quality of real estate, the golf experience, and diversity of lifestyle amenities — particularly outdoor pursuits.

- Instead of spending \$20 million or more to develop a course, communities are looking at less expensive options that also are less to maintain.

- More country clubs are analyzing tiered use rates, seasonal dues structures, outside memberships, priority "pay-to-play" programs, even public access.



Palm Springs Country Club sits abandoned in February. Many valley country clubs and golf communities have been squeezed and have had to make cutbacks or filed for bankruptcy. RICHARD LUI/THE DESERT SUN



An investor group led by New York-based Paulson & Co. that owns PGA West, pictured, and La Quinta Resort & Club had to file for Chapter 11 bankruptcy protection, prompting members' concerns about the communities' futures. MICHAEL SNYDER/THE DESERT SUN

CLUBS

Continued from A1

Among the forces reshaping the relationship between golf and real estate:

- Fewer people play golf, and baby boomers don't have the time, money or interest in the game their parents did. The number of golfers in the U.S. has fallen by 13 percent in the past five years.

- A glut of club memberships. There are at least 12,000 openings in the Coachella Valley. Nationally, golf memberships have dropped by a million since the early 1990s.

- The housing bust. Nearly 25 percent of homes for sale in the Desert Multiple Listing Service are on golf courses.

There's much at stake, said Robert Borsch, partner at Club Mark Corp. and president of the homeowners association at Desert Mountain in Scottsdale, Ariz., which is touted as the world's largest private golf community.

At a typical country club, a 65-year-old member might spend \$95,000 a year on dues and fees, Borsch said.

That translates into about \$1.4 million across 15 years. So a club with 500 members would take in about \$700 million during that period.

For 80 clubs in the valley, that comes out to about \$56 billion, Borsch estimated.

In California, golf produces \$7 billion in direct revenue and \$17 billion in indirect revenue such as retail sales and taxes, according to the most recent analysis by the California Alliance for Golf, a trade association.

A new report, slated for 2012, is expected to show lower, but still significant, numbers.

That kind of money constitutes an important job-generating "economic cluster" for the desert that must be protected, said Tom Flavin, CEO of the Coachella Valley Economic Partnership.

The average club without homes employs 101 workers, and some have twice that many at peak season. And each club generates about \$132,000 in annual property taxes, Flavin said.

It's not just golf communities and clubs in jeopardy but golf facility operations, golf retailers, suppliers, tournaments and associations.

"We want to come together as a

VIDEO: GOLFER'S LIFE

Bill Ashley talks about his life at Sun City and his love of the game of golf at mydesert.com

community and assess the opportunities and what we need to do to move forward," Flavin said. "We all have a major stake in this."

Of 3,400 courses built across the country during the past decade, 93 percent are daily fee courses. Private membership courses, predominant in the Coachella Valley, are in competition with courses designed to cut costs and attract cost-conscious golfers.

"The places that are membership-driven have a lot more competition," said Michael Horne, whose Palm Desert-based real estate firm The Horne Team works mainly with clients in Sun City Palm Desert and Sun City Shadow Hills.

"Spending membership dues and using a course three or four months, it's a tough sell versus pay-to-play."

With courses built by top architects such as Pete Dye, Arthur Hill, Jack Nicklaus, Ted Robinson and Tom Fazio, the valley was recently named the 2012 Top North American Golf Destination by 380 golf tour operators from 55 different countries.

While reputation and an array of championship-style layouts in a sea of homes enhances the competition, it also heightens the risk in a down economy.

A 'new normal'

During the recession, many potential home-buyers saw their discretionary or real wealth drop by a third or more as the value of their stocks, homes and businesses plummeted.

More homeowners have a tough time paying initiation fees, monthly maintenance fees and other dues. Others are reluctant to shell out \$100, \$200 or more to play 18 holes of golf.

That loss of revenue is critical because golf course maintenance costs can run anywhere from \$25,000 to \$60,000 a month, golf course superintendents said.

Private clubs have lost members, with an estimated 8,000 to 12,000 memberships going vacant in the valley, Borsch said.

The chatter nowadays at cocktail parties and driving ranges is often about friends trapped at de-

Please see CLUBS, A7

VALLEY

Continued from A1

and it means nothing."

Conversely, some buyers know exactly what they're looking for.

Doug Balog, a longtime valley Realtor with Keller Williams, worked with two entrepreneurs

from west Canada when deciding on a home priced at \$9.75 million at The Canyons at Bighorn.

"The golf course and Bighorn Golf Country Club environment was a definitive factor," Balog said.

But their decision also was based on the unique home designs and a wide range of amenities including a

fitness center, steakhouse and on-site services.

The exclusive Bighorn Golf Club includes memberships cost of about \$350,000 for couples, another \$640 in monthly HOA dues, and \$25,000 in annual golf dues.

Because Williams has lived in the desert and played golf here since 1986, she has also developed an understand-

ing of each course's playability. That helps her match up a prospective buyer's lifestyle needs and golfing abilities to the right courses.

"I can pretty much tell what kind of country club they're looking for — where the fit would be. It's not that I steer them to any one of the clubs."

Other real estate firms such as Coldwell Banker provide clients

with detailed lists of country clubs, including the latest green fees, number of homes, dues and fees.

While many buyers passionate about golf base decisions on the quality of the course, it's usually the whole package or "lifestyle" that matters, said William Bone, chairman of the development firm Sunrise Company.

CLUBS

Continued from A6

clining communities where memberships are drying up and homes don't sell, Borsch said.

Residents at Palm Desert Country Club lived through the nightmare. After its owner filed for Chapter 11 bankruptcy protection in 2009, the fairways died and the ponds stagnated. A new owner bought the club in September, promising to restore its luster.

But even when the economy recovers, golf industry analysts are even more concerned about societal changes.

Many younger people would rather spend time with family than hours on a golf course. Or they're more focused on iPhones and iPads, electronic games, playing tennis, taking yoga and Pilates classes.

Those who are interested in a country club demand that the communities have amenities such as health spas, gardens, tennis courts and other outdoor pursuits.

Canadian and avid golfer Cave Starling bought a home at Palm Canyon Villas in Palm Springs where there is no golf course.

Simultaneously, he and his wife joined Terra Lago Golf Club, where they can play for less than if they paid for a membership at a country club where homes often cost more.

Starling believes younger people are less interested in joining a club and would prefer to play 20 or 30 rounds at different clubs.

Survival matters

Realtor Tracy Scott has visited the valley to golf since the 1970s. But even he was astonished when he first piloted his plane from Orange County several years ago and realized the scope of expansion.

What he saw, nestled beneath the Santa Rosa Mountains, were vast expanses of desert terrain awash in a sea of green: golf courses.

Scott moved from Laguna Beach four years ago and sells homes at PGA West, The Citrus Club, La Quinta Resort & Club and other exclusive golf communities.

"We're sitting on an industry out here where we cater to 3 percent of the world's wealthiest people during our season," said Scott, a Realtor with California Lifestyle Realty. "How many people do you know will pay \$100,000, \$200,000 for a membership?"

That's an important question giv-



Developer William Bone is chairman of Sunrise Company, which has built more than 12,000 homes in the valley at places such as Indian Ridge and Royal Oaks country clubs and Marriott's Rancho Las Palmas Resort. His latest project is the upscale Toscana Country Club in Indian Wells. OMAR ORNELAS/THE DESERT SUN

"The first thing we sell here is not the house, it's the lifestyle. Non-golfers come here because they like the beauty, the scenery — this great park in their back yards."

William Bone, CEO of Sunrise Co.

en the practical and societal changes, industry experts said.

A review of 4,578 homes listed in eight valley cities on the Desert Multiple Listing Service last month showed 24 percent were on golf courses, said James Franklin, associate broker at Prudential California Realty and president of the Palm Springs Association of Realtors.

Already, many valley country clubs and golf communities have been squeezed. Some have cut hours and staff. A few have filed for bankruptcy.

The owner of the La Quinta Resort & Club and PGA West, Paulson & Co., a large hedge fund based in New York, filed for Chapter 11 bankruptcy Feb. 1, citing an economic downturn that in recent years caused it to lose more than two-thirds of its annual operating revenue.

Luxury resorts also listed as part of the bankruptcy include The Grand Wailea Resort Hotel & Spa in Hawaii, the Arizona Biltmore Resort & Spa in Phoenix, the Doral Golf Resort & Spa in Miami and the Claremont Hotel Club & Spa in

Berkeley.

Paulson acquired the golf resorts when the previous owner, Morgan Stanley, defaulted. The bankruptcy filing listed the five resorts as collectively having \$2.2 billion in assets and \$1.9 billion in debt as of Nov. 30, 2010.

Don Kamensky, a Paulson partner, in the bankruptcy filing noted that Morgan Stanley purchased the resorts for approximately \$4 billion "at the peak of the market" in April 2007, only to see revenues plummet as the economy sank.

La Quinta Resort and PGA West and the other four resorts listed as part of the bankruptcy had adjusted net operating income of \$46.4 million in 2009, down from \$153.2 million in 2007, the bankruptcy filing notes.

The future health of golf communities also has a trickle-down effect for golf retailers, suppliers, tournaments and charities.

If not for the concentration of golf retailers at Monterey Shore and Monterey II shopping centers over the past two years, "I don't know what would have happened to those two centers," said Steve Lyle,

CEO of Coldwell Banker Commercial Lyle & Associates.

Eyeing the future

Developer William Bone is chairman of Sunrise Company, which has built more than 12,000 homes in the valley at places such as Indian Ridge and Royal Oaks country clubs and Marriott's Rancho Las Palmas Resort.

Sunrise's latest project is the upscale Toscana Country Club in Indian Wells, where about half of the proposed 646 homes have been sold since 2004.

About 40 million-dollar homes have been sold so far this year, a welcome trend considering as few as a dozen were sold during some previous years.

Bone has seen his share of economic downturns in the valley since he started building in 1973 on large swaths of land in Rancho Mirage. And he has noticed the popularity of golf is cyclical.

Bone said he believes there will be a rebound to this economic slump as well, with the caveat that other, larger forces are at play.

"I think you're going to see more

limited growth going forward," Bone said.

But developers, real estate professionals and industry experts have been discussing how to embrace new strategies for years, from making golf courses more attractive to families and reexamining membership fee structures or offering far more amenities.

Rick Coyne, CEO of Club Mark Corp., a Dallas company that helps home developers plan for the future, said the Coachella Valley competes with resort communities worldwide, including newer ones that are less expensive and in great locations.

"How does Palm Springs compete? I think this is essential," Coyne said.

"Because many people think, 'Palm Springs — been there, done that.' How do you reinvent what Palm Springs is in the minds of the consumer?"

Toscana was one of the first country clubs to build a state-of-the-art fitness center and a banquet center, along with a large spa, resort-like pool and 90,000-square-foot clubhouse.

Despite competition from daily fee courses and the decline in golfers, Bone believes valley country clubs have a good future.

A third of members at Toscana play little or no golf, and as many as 50 percent of home buyers at his other communities were non-golfers.

"The first thing we sell here is not the house, it's the lifestyle," Bone said. "Non-golfers come here because they like the beauty, the scenery — this great park in their back yards. They like the location, the security, the spa, laying in the sun, reading a book, shopping, going out to lunch and dinner. They enjoy the weather."

Prices for golf community homes here are still far less than some places in California, which works in the valley's favor. And the valley is just a few hours from Los Angeles, San Diego and Orange County, a critical factor because second-home buyers often have an "escape mentality," Bone said.

Most buyers of high-end homes have spent their lives building companies, Bone said. They've built manufacturing companies, car dealerships, successful law practices.

"They've been careful and conservative for 25 years, and they're ready to enjoy their lives," Bone said. "This was their reward for that hard work all of their lives."

Keith Matheny contributed to this article.

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