

PHG invests in legendary West Coast property

BY STEFANI C. O'CONNOR

WARNER SPRINGS, CA—So how do you lasso an iconic, sprawling ranch property where the likes of legendary Western star John Wayne once kicked his boots against the sagebrush? Well, you make your best offer.

In the case of Pacific Hospitality Group, Inc. its best offer turned out to be the winning bid at an international auction for the 2,380-acre Warner Springs Ranch, here in San Diego County.

Known for decades for its natural hot springs, the property, a California landmark that also is on the National Register of Historic Places, was acquired for \$11.7 million with total costs of approximately \$18 million by PHG, which plans to make an additional \$50 million cash infusion into the property to bring it back to a destination that would be as attractive to today's celebrities as it once was to Wayne.

"This is a very special place," said Fred Grand, president of PHG, in describing the acquisition and, in particular, why it's a good fit for the company. "It's within one tank of gas of 15 million people and the very popular recreation destination of Lake Henshaw and near Palomar Observatory," as



Pacific Hospitality Group, Inc. Chairman/Founder William "Bill" H. McWethy Jr. (right) and PHG President Fred Grand are determined to rejuvenate Warner Springs Ranch.

well as several mountain towns, he added.

PHG, which has done other eclectic deals in the past, came to this one in a roundabout way, according to Grand.

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"About a year ago, we were contacted by CBRE regarding a golf project that had been neglected, also in San Diego County—the Salt Creek Golf Club. It was a good location [Chula Vista] and good product, but it was underperforming because it wasn't really being promoted and didn't have the proper capital infusion. We acquired it and made a substantial investment and now, it is doing really well. A year later, the [CBRE] broker with the Warner Ranch listing said: 'This is right up your alley. You're general contractors. You have your own development company. You're in resort management. This Warner Springs Ranch is just a very rare opportunity; it's all of the things you do well,'" Grand recalled.

The property, originally carved out of the wilderness in the mid-1800s to serve as a working ranch, later saw its heyday as a resort beginning in the 1920s.

"It was well known in Hollywood circles. John Wayne used to spend a lot of time at the ranch with his family," said Grand. He noted that in 1936, the movie, "Ramona," with Loretta Young and Don Ameche, was filmed at Warner Springs Ranch.

Later, the property was held for decades by ranch owners in a type of fractional timeshare model, but, said Grand, there was an underestimation of costs involved in maintaining such a large property, which includes a championship-size golf course, equestrian facilities for more than 100 horses, a 27,000-sq.-ft. main lodge, 250 casita-style lodging accommodations, a mineral springs, hot springs and wellness spa, four tennis courts, restaurants, camp sites, "miles and miles" of hiking and riding trails and a 3,500-ft. private airplane runway.

Prior to PHG's acquisition, the property was held in escrow, according to Grand, and was expected to be sold to a local tribe, the Pala Band of Mission Indians; however, that transaction never transpired after the ranch's operators declared bankruptcy in response to litigation by several casita owners.

He noted some 70 parties inked confidentiality agreements with CBRE as part of the due-diligence process but the final players were PHG and the Pala Indians, which consider the property ancestral land, according to local news reports. According to *The San Diego Union-Tribune*, a bankruptcy judge—for reasons that were not made clear—rejected the Pala Indians' higher bid of \$13.4 million in favor of PHG's offer.

According to Jeff Woolson, managing director of CBRE, "Pacific Hospitality Group's bid was selected by the



At the Warner Springs Ranch, there are some 250 casitas that will be getting extensive renovations. Guests at the ranch can enjoy "miles and miles" of hiking and riding trails at the 2,380-acre resort.

Warner Springs Ranch board of directors and confirmed at auction."

"We bought it way under market value," Grand acknowledged, noting there are challenges—code and hazmat issues—as well as advantages—wells that provide fresh water and a reclamation plant—that came as part of the deal.



During its heyday, Warner Springs Ranch drew its share of Hollywood celebrities, such as Western film star John Wayne and his family. The resort is again in moviemakers' sights.

"When we look at it as a destination resort and we think about keeping the place busy all the time, it's going to be a combination of members—we will continue to allow people to be social and golf members and to use the facilities—and marketing to the public," said Grand. He noted, "Part of what made our offer attractive to the

ranch owners and to the court, quite frankly, is we intend to embrace those former equity members and we've created a membership we call Legacy. Those people who are selling their equity ownership in the ranch—there are over 1,000 of them—have a way to stay connected as Legacy members, i.e., the golf and social membership." The resort will offer "legacy memberships"—at 50% of the standard price—to those who were original members, a lesser cost, said Grand, than they were paying in monthly dues.

The executive said PHG would develop expanded meeting facilities to ensure the destination stays busy with corporate and meetings business all year long.

PHG's Chairman William H. McWethy Jr., who founded the company in 1986, indicated an extensive phased renovation of the property, which was shuttered in early 2012, would be implemented.

The first phase, a completely upgraded and renovated golf course, would be slated for completion next year.

Additionally, there are plans to incorporate a new winery/tasting facility, possibly created from a home originally built for Young during the filming of "Ramona"; a state-of-the-art gym and fitness facility, a beach and tennis club, cattle- and horse-grazing areas, a new spa/wellness center, a cultural center possibly crafted from several adobe brick casitas that once were a Native American village, luxury RV park, hunting and fishing opportunities, and a variety of food and beverage options. The existing 250 casita units and main lodge will be upgraded and renovated.



"The basics are good; we don't plan to do much in the way of demo," said Grand.

The landing strip also would be lengthened to 5,000 ft., which would enable small, corporate jets to land, said Grand.

The future may also include condominiums around the golf course and some low-density housing on the property.

PHG, which owns and operates its properties, is used to repositionings. It was instrumental in renovating such historic San Diego properties as Old Town's 200-room Hacienda Hotel and Heritage Park and the Palm Mountain Resort & Spa, a World Hotel, in Palm Springs, CA.

Grand said the property would pursue sustainable operations as one of its goals. "It's conducive to three types of alternate energy sources: solar, wind energy and geo-thermal (from the natural hot springs). We're exploring all three types of alternate-energy sources...we'll also be using reclaimed water. Our goal is to make the resort totally green," he said.

Even in its current state, the ranch is once again drawing the attention of Hollywood. At press time, Grand said a film crew from Warner Bros. was on its way to the property to shoot a feature film, using the ranch as a backdrop.

"We believe the success of this ranch will be a combination of a healthy membership, marketing to international visitors and those who enjoy hot springs, golf, horseback riding. We liken it to The Greenbrier resort in West Virginia; we see this as The Greenbrier of the West." **HB**