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Photos courtesy of Pacific Hospitality Group Inc.

**Page 6: Locally based Pacific Hospitality Group recently purchased Warner Springs Ranch resort in a bankruptcy auction. PHG has plans for a \$50 million renovation project to include upgrades to the ranch's casitas equestrian facilities, spa, hot springs and main lodge.**

# PHG Sees Bright Future for Warner Springs Ranch Resort Rehab

## TOURISM: \$50M Renovation Planned For Historic Property

■ By LOU HIRSH

Pacific Hospitality Group Inc.'s next fixer-upper project is a planned \$50 million renovation of the historic Warner Springs Ranch resort, which the San Diego company recently purchased in a bankruptcy auction.

President Fred Grand said the company's initial purchase investment in the 250-room property will be in the range of \$15 million to \$18 million, and it plans to get started on the renovation immediately following the close of escrow in late April, starting with the property's 144-acre golf course.

That will be followed in phases by an updating of the 2,400-acre ranch's equestrian facilities, spa, hot springs, main lodge and casitas, with the rehab expected to be totally complete by early 2015.

The company, also known as PHG, was founded in 1986 by its chairman, William H. McWethy Jr., who also owns sportfishing yacht maker Titan Marine USA in San Diego.

### Past Performers

Many of the company's hospitality projects in recent years have involved properties with deep ties to the region's past, but which have struggled to stay competitive or have reached distressed financial situations over time.

"We've been able to focus on this niche where the property might not be perform-



Photos courtesy of Pacific Hospitality Group Inc.  
Locally based Pacific Hospitality Group recently purchased Warner Springs Ranch resort in a bankruptcy auction, with plans for a \$50 million renovation.

ing like it should, but it just needs some attention," Grand said. "We think we have the right skillset for this kind of a renovation, and we do most of our own contracting work."

Last year PHG acquired and renovated the Salt Creek Golf Club in Chula Vista. Earlier, it acquired and renovated a former Old Town San Diego retail center into what is now known as the Hacienda Hotel, and subsequently partnered with the city and San Diego County on a \$4 million renovation of Victorian buildings in Old Town's Heritage Park.

In the early 1990s, it acquired a struggling hotel in downtown Palm Springs, renovating it into what is now known as Palm Mountain Resort & Spa. PHG

holds a California general contractors' license, and its golf resume also includes designing a course near Palm Springs with Arnold Palmer Design Co.

Alan Reay, president of hospitality brokerage and consulting firm Atlas Hospitality Group, which was not involved in the Warner Springs deal, said the situation facing the remote North County resort is similar to that of other niche properties that have struggled to regain visitors despite an overall rebound in the tourism economy.

### Price Below Replacement Cost

The upside for the new owners, he said, is that their acquisition price will allow them to make needed renovations and

repositioning moves. "They definitely got this at a price well below replacement cost," Reay said.

Warner Springs Ranch was marketed for sale by the brokerage CBRE, authorized by the bankruptcy court on behalf of debtor Warner Springs Ranchowners Association, consisting of fractional owners of bungalows located on the ranch property. Grand said many of those fractional owners will have access to the golf course and other amenities after the sale is completed.

The property off Highway 79 dates back to the mid-1800s and operated as a working cattle ranch and trading post before becoming a resort in the 1920s. It was declared a California Historical Landmark in 1939 and a National Historic Landmark in 1961, and operated as a recreation-oriented fractional ownership resort from the 1980s through 2012.

It has a golf course clubhouse, four tennis courts, two restaurants, three swimming pools and its own private airport.

Grand is a former project manager and general manager at downtown San Diego's historic US Grant hotel, where he oversaw an \$80 million renovation.

He said the PHG's goals for Warner Springs include marketing the property to a global audience, similar to its approach with the Palm Springs hotel, with plans to emphasize its quiet location and natural hot springs, which many travelers find therapeutic.

"We know that there are a lot of travelers from Asia, Europe and these other international markets who like these destinations centered on spas and hot springs," Grand said.