

Case Study: Return to Glory

How members of an iconic California club solved its longstanding ownership and capital expenditure issues



ConcertGolf Partners

The Club at Pasadera | Monterey, CA

With a golf course designed by Jack Nicklaus that delivered breathtaking views of both the Santa Lucia Mountains and Monterey Bay, a vibrant membership, and no debt, The Club at Pasadera appeared invincible.

Yet, Pasadera's path from its original developer to a strong, well-funded owner 25 years later, was unnecessarily long and especially turbulent.

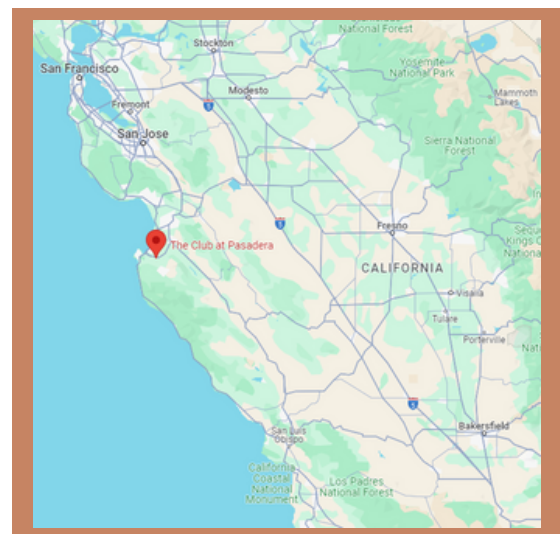
Pasadera's story is not just about financial stability or operational excellence. It also is about rediscovering the essence of what makes a club special – the human connection, the shared passion, and the sense of belonging it fosters.

"Our investor group of local residents and club members lovingly cared for this Nicklaus gem, but then ran into disagreements and capital calls," said The Club at Pasadera Managing Member Chris Laver. "We knew what we wanted but did not know how to get there.... The decision was made that we needed to get out of the way to ensure the future of the club."

Read more to find out the whole story.



***The Club at Pasadera
Monterey, California
Acquired by Concert Golf
Partners: December 2023***



A Masterpiece in Monterey

Located 15 miles south of Pebble Beach, Pasadera's golf course and country club serve as the cornerstone of a 565-acre, 255-home, high-end community that features top-rated schools and low-density zoning rules and regulations. Many residents secured their wealth in the tech corridors of Silicon Valley and San Francisco.

Designed in 2000 at an original cost of \$42 million, The Club at Pasadera features a 6,673-yard, par-71 golf course and a picturesque 38,000-sq. ft. California hacienda-style clubhouse. The Nicklaus Lodge at The Club at Pasadera offers members a complete five-bedroom lodge, designed for executive retreats and family gatherings. Pasadera also is home to tennis, swimming and fitness facilities.

Trouble in Paradise

*"One of the underrated gems of California golf. The club and course are absolutely spectacular." -
Famed Pasadera Member Jim Nantz*

It is a point of pride for Pasadera's prestigious membership. Yet, for years, there was trouble in paradise.

Despite the generational wealth in the surrounding neighborhood, the covenant for the HOA did not require club membership. So, one of the biggest strategic mistakes the original developer made was not tying the purchase of a lot, home, or villa within the community to at least a social membership to the club.

A quarter-century later, approximately 100 households still do not belong to the club. Truly a missed opportunity.

The Great Recession of 2007-'09 eventually caused the original owners, Pasadera Country Club, LLC, to file for Chapter 11 bankruptcy. HNA Group, a Chinese conglomerate, came to the rescue, and purchased the club for \$7.5 million in 2010. The new owners talked a great game of investing in the club but promises made were rarely kept. HNA failed to maintain the club, causing upgrades and repairs to be indefinitely delayed.

Deferred maintenance is the bane of a club's existence, and it took more than a decade for Pasadera to recover. Spurred by neglect, membership fell to an abysmally low 190 members, including only 27 full golf members. This number eventually rebounded in recent years, but the general lack of capital reinvestment remained a major concern.

Meanwhile, it became well known in the community that the owners were ignoring needed maintenance. HNA laid off staff and continued to mismanage the property. Local realtors steered people away from the club. Monthly dues income hovered around a paltry \$100,000.

The residents wanted increasing home values and dependable, good amenities, which proved to be the least of HNA's concerns—a cautionary tale of why selling the club to the highest bidder can serve as a recipe for disaster.

Well-maintained golf clubs significantly increase homeowner value.

During Q1 2024, golf course home listings had a 40.5% pricing premium over all other listings nationwide.

-- Source: Realtor.com/Wall Street Journal - April 2024

Club Management Change

After a failed effort by HNA to sell the club, word got around Pasadera that it was still on the market. In 2018, a group of 13 members pooled together approximately \$5 million to rescue the club.

"The Club at Pasadera is a special place to me and to all of the other partners who personally invested to acquire the club," said Rohit Khanna, chairman of the managing committee.

The first few years of member group ownership (2019-'21) consisted of balancing weekly meetings with the General Manager and setting agendas. Following COVID-19 and the resurgence of the golf industry, Pasadera's membership rebounded to over 500 strong, with more than 130 full golf members and plenty of room for future growth.

The internal rescue was a noble cause, and it was first considered by the new owners as a "fun" experience. However, this short-term solution quickly turned into long-term strife.


Over a three-year period, the owners wound up investing \$11 million out of their own pockets, but it would not be nearly enough to cover the club's long-term, deferred maintenance costs. After 25 years, the lingering issue of immediate investment needed for major capital expenditures was evident.

"We knew there was a lot of deferred maintenance but had no idea how much it would take," lamented Chris Laver.

Pasadera's owners enlisted a third-party management group to oversee both the facility and member needs. This plan worked initially but proved to be a delay—and not a solution—for their long-term capital issues.

Plus, Pasadera's solution could not prevent issues often found within member-owned clubs, such as endless disagreements over future repairs, assessments, and control. While revenues grew, the club still lost money. Passing the hat to fund capital projects led to more disputes. Some owners were willing to pay their fair share, while others were hesitant. They regularly battled on several fronts, including future strategy.

"It was a real dysfunctional group," admitted Tom Maher, an original Pasadera member who was part of the ownership group. "Three wanted to go one way, and seven the other."



When capital, debt and/or the decision-making process holds a club back, there is still a path forward. To achieve sustained success, a well-functioning club needs to have these key elements in place:

- **Plentiful Capital**
- **Club Operating Experience**
- **Good Governance**

The unattractive truth was some of Pasadera's Board realized there were far too many member-owners involved (including more than 20 others who later invested in various smaller amounts). This led to regrets by some of the owners who were largely funding the club, wishing they had pooled together a smaller ownership group that could be far more effective and manageable.

Each owner wanted a seat at the table, yet no one had any true experience. Some members, who carried a small percentage of the ownership, believed they deserved a louder voice at the decision table. This type of dysfunction is common with member-owned clubs and wealthy ownership groups.

Pasadera's select group of member-owners eventually determined in late 2023 that their club would flourish by selling to new ownership, one with a deep understanding of the private club industry.

The ownership group voted not to invest any more money in the club. They realized they had to get out of the way to ensure the club's future. This proved to be a rare circumstance where the owners actually agreed with each other.

Time to Act

"We knew we needed an upscale, private club hospitality firm that invested for the long-term."

- Pasadera Managing Member Chris Laver

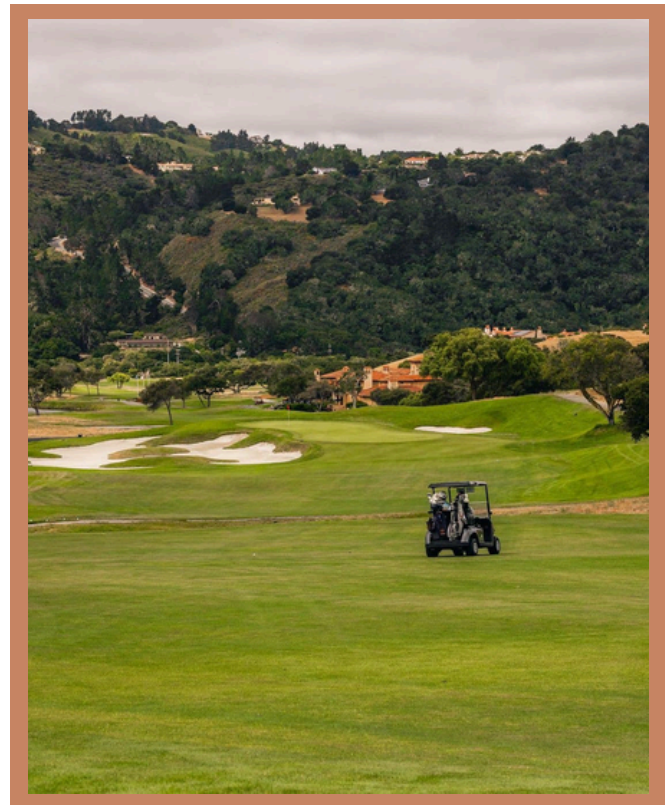
With years of disagreements, trust was still a big issue. Pasadera Managing Member Chris Laver pushed for Concert Golf, which he had met with periodically over the years. Some owners were convinced he had an underlying agenda.

"Expect resistance at first, but move forward with courage, as this process can vault a club toward success," advised Laver.

Concert's strong reputation within the private club industry for upholding a club's history and traditions were important factors in alleviating a concern about the loss of member control.

"We had too many owners - too many cooks in the kitchen," explained Mike McMillan, a member of the ownership group. "With so many owners and opinions, it was important for everyone to say their peace. I think Concert Golf exhibited exceptional patience in the transaction, and it's a big reason why it was a unanimous decision to sell to them."

Concert also proved to the sellers that it was focused on building the Club's existing brand, as opposed to its own. Members were convinced that their equity in the club would remain intact, while the sales contract stipulated that the club would remain private.



Future of the Club

"Concert Golf Partners is a breath of fresh air." - PGA Managing Member Chris Laver.

Chemistry and the will to invest in capital expenditures year-in and year-out is critical for long-term success. After purchasing The Club at Pasadera for nearly \$10 million, Concert also invested approximately \$1.5 million to upgrade the club, a capital infusion to tackle critical maintenance and infrastructure that was long ago deferred.

"We only had so much cash left and didn't want to put anymore into it," said Maher. "There was some skepticism about selling to Concert, but we did more investigation. At this point, we are all glad we did."

In the first few months of ownership, long-overdue, mission-critical improvements were made by Concert Golf to the roof, HVAC, and course irrigation—all of which were not updated in any substantial manner during the club's first 25 years. Also, Concert Golf is actively pursuing the acquisition of two additional wells to further its best practices for irrigation and sustainability at Pasadera.

"We are confident that Concert Golf is the right successor," said Khanna.

The Club at Pasadera found not just a new owner in Concert Golf Partners, but a partner that is ensuring its future for generations to come.

"Our commitment to safeguarding the rich heritage of this club aligns seamlessly with our overarching mission to preserve the club's legacy, enhance amenities and see the membership thrive," said Concert Golf Partners Senior Vice President, Jordan Peace.

It is a strategic connection designed to unlock a new era of prosperity at Pasadera.

"Personally, I can't wait to see what happens over the next two-to-three years of this club," added Laver. "It's only going to continue to attract more and more members, because they can see the financial commitment to the property."

