Oak Tree to sell properties

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New Orleans-based Oak Tree Savings Bank plans to sell nearly $1 billion of its golf and large-tract development properties in California, South Carolina and Florida in a two-phase deal to southern California real estate developer Barry G. Hon, according to a Monday announcement by Oak Tree's parent, Landmark Land Co.

Oak Tree has been forced to sell the property because of provisions in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 that prevents savings and loans from counting their direct investments as capital in order to meet their capital requirements, Toalson said.

Oak Tree cannot afford to maintain the investments under the new regulations, he said.

Oak Tree plans to finance 79 percent of the first-phase sale, a $497 million package, including Oak Summit, Greenspot and Moreno Valley Ranch developments and Carmel Valley Ranch golf and tennis resort, all in California, Toalson said.

Closing is expected by June 30, pending regulatory approval, he said.

In the second phase, expected to close a year later, Oak Tree plans to finance 76 percent of a $470 million package including properties at Kiawah Island, S.C.; West Palm Beach, Fla.; and Riverside and Placer counties in California.
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California, Toalson said.

Oak Tree expects the deals will generate $470 million in pre-tax gross profit, Toalson said.

The thrift plans to retain its approximately $450 million holdings in Louisiana and Oklahoma.

Those properties include Belle Terre and Oak Harbor developments near New Orleans and Oak Tree Golf Club and Oak Tree Country Club in Edmond, Okla., Toalson said.

The company began acquiring golf resorts and land developments in the mid-1970s. Though Landmark Land Co. is officially headquartered in Carmel, Calif., its support operations are expected to remain in New Orleans, Toalson said.

In November, Landmark announced it would merge its LaPlace-based Landmark Savings Bank with Oak Tree to bring the two thrifts into compliance with new FIRREA capital requirements.

Federal regulators had disagreed with the accounting method used to record profits on a $32 million loan Oak Tree made in 1988 for the purchase of a California hotel site.

Landmark reported a net loss of $37.482 million by Sept. 30, the end of the third quarter of 1989, according to Sheshunoff Information Services, a Texas firm that tracks bank performance.

Oak Tree reported net income of $5.970 million by the end of the third quarter, Sheshunoff said.

At the end of 1989, the combined thrift reported a $31.962 million loss but met its new tangible capital requirements, according to the Sheshunoff data.

The loss resulted from the thrift’s boosting its reserves for future loan losses, making fewer real estate sales, and incurring higher-than-expected interest expenses, Toalson said.

Oak Tree reported tangible capital of $154.548 million by September 30, or 5.79 percent of the thrift’s $2.78 billion assets, Sheshunoff said. Under FIRREA, thrifts after December 7 were required to maintain net worth, or capital, equal to 3 percent of assets, half of which must be tangible capital.