

Judge denies Lane extension in bankruptcy court

By Kathryn Reed

Developer Randy Lane was handed another setback Tuesday, though he is not calling it that.

As principal of Lake Tahoe Development Company, Lane has been trying to turn what South Shore residents call “the hole” into the region’s most expensive redevelopment project. The problem is he doesn’t have the money to build the \$400-plus-million convention center-retail-hotel complex that broke ground in 2006.

He never did. But, still, the city gave him the OK to begin construction without financing in place. The city approved the contract without a performance bond. Hal Cole and John Upton were the City Council members who negotiated the contract.



Snow is the only thing new at the would-be convention center near Stateline.

Photo/Kathryn Reed

Lake Tahoe Development Company, which is based in Zephyr Cove,

filed for bankruptcy in October.

On Feb. 2, U.S. Bankruptcy Judge Thomas Holman in Sacramento denied Lane's request to extend the length of time he has to put together a plan. Lane wanted another 150 days.

The city and at least two creditors filed motions opposing Lane's request. He owes \$54 million to various people who sold him the 11-plus acres in South Lake Tahoe directly across the Nevada border.

After the hearing, Lane told *Lake Tahoe News*, "It's a legal thing that doesn't impact what we are trying to get accomplished. What we are trying to do is a very positive thing for the city."

Lane would not divulge whether he intends to be part of the project when the dust settles; nor would he elaborate about the negotiations he is having or with whom he is talking to.

In addressing the rumor that Vail Resorts is interested again in the project, Lane said, "I wish they would tell me that."

RockResorts, the real estate arm of the Vail-based company, was going to operate the two hotels that were slated for the complex. That agreement was mutually severed a couple years ago.

The last time Lane met with city officials was Jan. 15. They found out Jan. 28 about Lane's decision to ask for an extension and were not happy.

In the filing Feb. 1 to the court the city writes, "If Debtor does have an investor, the City is prepared to meet with them and re-negotiate the OPA (Owner Participation Agreement), but as of this date the City has not been contacted to even set a meeting, much less discuss the OPA."

On Feb. 9, the City Council plans to discuss the whole issue in closed session.

"They have performance measures in the contract. At this point we don't have any construction going on and there probably should be," said Gene Palazzo, South Lake Tahoe Redevelopment Agency manager.

Palazzo said staff has not vetted all scenarios the City Council could contemplate.

The council must approve any changes to the contract or in ownership of the property.

"I think it will come to a conclusion this year," Councilman Bruce Grego said. "No one has a crystal ball, but it's possible the bankruptcy will fail."

Lane filed Chapter 11 bankruptcy, that means the court will have to approve a restructuring plan with the consent of creditors. Chapter 7 would have meant the sale of assets.

If Chapter 11 fails, it's unknown where this leaves creditors. Because a final parcel map was never approved by the city it's possible the land could return to the original owners. The problem is rebar and concrete cover a good portion of the acreage.

What the city's liability in allowing construction to begin without the map being recorded is not known.

Right now the city is not financially at-risk other than losing projected revenue.

Originally, the project was supposed to be celebrating its one-year anniversary this summer. Developers anticipated the property to bring 180,000 visitors a year who would funnel \$78 million into the South Shore economy.