

South Tahoe takes convention center developer's side

By Kathryn Reed

Divided along what has become the usual line, the South Lake Tahoe City Council voted 3-2 on Feb. 15 to support Lake Tahoe Development Company having 30 more days to own sole rights to coming up with a plan to get the stalled convention center project out of bankruptcy.

Today is the deadline for interested parties to submit comments to the court regarding LTDC's request to have exclusivity rights that expired Feb. 2 to be extended to July 2 – the date LTDC wants.

Councilmen Jerry Birdwell and Bill Crawford believe the developer has had long enough to come up with a plan.



An artist's rendering of the Chateau at Heavenly Village.

“He’s had a 120 days to work on it and he didn’t,” Birdwell said of developer Randy Lane before the council deliberated for 20 minutes in closed session.

Crawford said, “If there is a reorganization, it will be very

lengthy, especially if he is going to change the project, and that is his plan.”

The “he” Crawford referenced is Michael Rosenfeld, founder and CEO of Woodridge Capital Partners based in Los Angeles. That firm along with Pacific Coast Capital Partners of El Segundo, also in Southern California, wrote letters to the council dated Feb. 11 stating their interest in taking over what locals call “the hole.”

Nicholas Colonna, with PCCP, and Rosenfeld wrote, “We are committed to moving forward immediately to address the financial problems plaguing the property [currently in bankruptcy] and work with the city to insure (sic) the property assemblage remains intact and entitlements are maintained. Our goal is to preserve long term value for the property and for the community of South Lake Tahoe.”

Kenny Curtzwiler and Harry Segal were the only members of the public to show up for Monday’s 1pm special meeting. No one representing the developer or the potential investor was present.

Curtzwiler is in favor of giving the investor time to come up with a viable plan, but wants the council to ensure Lane has nothing to do with the project in the future.

Segal, who owned one of the parcels and is part of the bankruptcy proceedings, told the council to do whatever it can to “protect the interest of the original property owners.”

“In the end the judge will be the one who decides. But we owe the taxpayers of this community, and people who invested and are holding notes an opportunity to get paid,” Mayor Kathay Lovell said after the meeting. Lovell participated by phone because she was out of town.

Lovell, along with Councilmen Hal Cole and Bruce Grego voted in support of a 30-day extension.

"I just felt like we needed to provide this guy some level of support if he is the real deal. And that's a big if," Lovell said of the investor.

Cole said after the meeting that he isn't even sure the court will be swayed by the city's stance, believing the judge will put more weight on what the creditors have to say. A decision will come March 2.

"I don't think the 30 days is going to make it or break it one way or the other," Cole said after the meeting.

Lane, principal for the Zephyr Cove-based developer, filed for bankruptcy in October. No work has been done on the project since winter 2007.

City National Bank, which is owed nearly \$8 million by LTDC, has filed a motion with the court to not extend the exclusivity period.

"Lane has provided me with the name of the so-called investor referenced in the Debtor's motion to extend the exclusivity periods, but such investor has not contacted me, or, to the best of my knowledge, anyone else at CNB. Thus, I have no reason to believe that a plan of reorganization built around such person is in the offing. Nor do I have a clue as to any of the details of such a plan, including its treatment of the Loan and other secured debt, the means for its implementation and whether such plan is feasible," Raymond Walsh, senior vice president of special assets for City National Bank, wrote the court.

In that same document Walsh says the bank plans to submit a reorganization plan.

"Allowing the debtor more time with which only it may file a plan does not accomplish anything other than delay the case, allow interest to accrue on the Loan, and exacerbate the risk that the TRPA and building permits will expire before the

Chateau Project is sold or completed," Marc Levinson, attorney for City National Bank, writes in his statement to the court.

Levinson also writes, "The Debtor is flailing about, hoping that magic happens – thus the unidentified investor featured in the Motion."

The project

Concrete and rebar cover much of the 11-plus acre site on the far eastern edge of South Lake Tahoe. The \$410-million Chateau at Heavenly Village project, as it has been called, was to encompass two hotels, a convention center, retail and open space.

It has been wrought with trouble since what is generically known as Project 3 was approved by the council in 1997. Marriott, Harrah's Entertainment and Harveys when it was owned by Colony Capital had rights to develop the site. All three backed out.

Lane came along and said he'd do it with partner John Serpa. Lake Tahoe Development Company secured all the permits. An owner participation agreement was negotiated by then-Councilmen Cole and John Upton.

It has since been revised and when Cole was off the council it was decided by the council of Lovell, Mike Weber, Ted Long, Crawford and Birdwell to allow construction to start without financing in place.

Lane told the council he had financing, but that fell apart. Somehow work started.

That council also approved construction to begin without a final map in place. Right now 29 parcels – not one as would be normal for something like this – is covered in concrete. That just adds to the complexities of the eventual bankruptcy reorganization plan.

It would be hard to give the property back to the owners with their business gone, the structure gone, the land covered with concrete and utilities ripped out.

Eminent domain had to be used to secure many of the parcels.

A marketing study was done in February 2007 by Hospitality Valuation Services and Strategic Marketing Group allegedly proving the need for a convention center. Cole and Upton said they saw the document, but the other three council members at the time (Lovell, Weber and Long) never did.

An earlier study from 1995 by Coopers & Lybrand concluded a convention center would do well in South Lake Tahoe.

The 4-year-old marketing study in part projected the convention center would host 95,900 conventioners the first year. (The convention center was supposed to open in summer 2009.) That number was expected to grow to 181,450 in year four.

It's 2010. No one on the council in open session has asked if the project as approved is still needed or wanted, or what should go there if this investor or another wants to alter plans.