

Foreclosure possible for Embassy Suites S. Lake Tahoe

By Kathryn Reed

Embassy Suites Lake Tahoe's parent company is in financial trouble.

Ken Corporation of Japan, which has owned the hotel property since December 2000, is looking to refinance a loan in order to stay solvent. (Hilton continues to operate the hotel and the Echo restaurant.)

Max Saito, representative with Ken Corp., told *Lake Tahoe News* the \$3 billion corporate bond the company is repaying involves multiple properties.



Embassy Suites is in financial trouble. Photo/LTN

"We are negotiating a term so we can have better terms for the loan. It's not necessarily that we cannot pay," Saito said.

However, the company first defaulted on its payment in February.

In April, the appraised value of Embassy Suites was \$36.3 million. This is down from \$79.3 million in 2006, when the loan went through. The loan represents more than 160 percent

of the value of the property.

Although room nights are being generated this summer, this past winter hotels throughout Lake Tahoe were empty because snow was not falling. Plus, the entire Lake Tahoe Basin is still stuck in a recession, no matter what national pundits say. The current unemployment rate for the city of South Lake Tahoe hovers at 15 percent.

Saito kept reiterating the property is neither in foreclosure nor is it on the edge of it. But that is not what others are saying.

According to Trepp, a leading provider of information, analytics and technology to the commercial real estate and banking markets, "The servicer is dual tracking foreclosure as well as a possible modification."

Saito said he believes a modification will be successfully negotiated.

Asked what the worse case scenario would be. Saito told *LTN*, "If we can't renegotiate the loan, then it's the normal course for a foreclosure. Someone else buys it; either the lender or different owner."

Ironically, Ken Corp. bought the property in a bankruptcy deal.

KOAR-Tahoe Partners was unable to keep up with its payments to Mitsui Trust & Banking Co. The firm had a \$53 million seven-year construction loan because it was trying to convert 188 of the rooms to time shares. KOAR went into default in summer 2000. That's when Ken Corp. stepped in.

The hotel opened in December 1991. In December 2006, it underwent a \$3 million renovation. It is the largest hotel in the city limits.

