Developer lines up investor to take over convention center

By Kathryn Reed

Randy Lane has an investor to take over the convention center project in South Lake Tahoe.

“We are still going to be involved, but these other people will be the face of the project,” said Lane, the main force behind Lake Tahoe Development Company.

But who the investor is is not being disclosed because no contracts have been signed. LTDC’s contract with the city cannot be transferred to a buyer/investor without the City Council’s approval.

Harveys casino looms over the rebar and concrete laid years ago by Lake Tahoe Development Company. Photo/Kathryn Reed

Lane said the projects the investor has worked on would be recognizable even if the investor's name is not.

On Monday at 1pm the council is meeting in closed session. Notification was sent out at 4:30pm on Friday.

The meeting is to discuss the city's position on whether the developer should have his exclusivity rights in bankruptcy court extended until July 3.

"The investor absolutely weighs in the decision regarding an extension," Councilman Hal Cole said.

Cole would not say who the investor is, but said he didn't recognize the name of the company.

Zephyr Cove-based Lake Tahoe Development Company has been in bankruptcy since October. The firm owes creditors $54 million. The project at the state line was expected to cost more than $400 million to build. The council allowed demolition of existing businesses and concrete to be poured without a final map filed or financing secured.

A debtor has 120 days to file a reorganization plan in bankruptcy court. That time period ended Feb. 2. At that time the city said no to Lane's request for an extension and the court denied a hearing on the issue.

The need for a special meeting on another extension request is because the paperwork must be filed in Sacramento on Feb. 16. But the city has known this date so why the last-minute meeting on a holiday when city offices are otherwise closed raises questions.

Lane has until Feb. 23 to offer rebuttals to any denials, which are expected by two of the major creditors. The judge will make a ruling March 2.

"The issue is whether or not we want to extend it for a period of time to see if he has the financial wherewithal to do it or

let the exclusivity end," City Attorney Patrick Enright said.

But not all the council members like how this is being handled, nor understand the eleventh-hour nature of doing business. Councilman Bruce Grego was the only one not to return phone calls.

"It's 5:52 in the afternoon (Friday) and I just received a packet over a half-inch thick and I have to go over it between now and Monday. This is information I was told I would receive Wednesday. I didn't even receive a phone call about it," Councilman Jerry Birdwell said. "It's a Friday on a holiday weekend and they are calling for a special meeting. They expect me to go through all of this and digest it and I don't even know who these (investors) are. I am not pleased with the way this has been handled."

Cole hand delivered the information to Birdwell's bed and breakfast.

Cole and former Councilman John Upton are the two who brokered the deal with the city and developer.

The operating agreement with the city and developer calls for two hotels, a convention center and retail to be built on a little more than 11 acres.

What the project may evolve into is unknown.

"We talked a little about the owner participation agreement. We are still wanting meeting spaces and not a major deviation in the OPA," Cole said.

Cole met this week with Lane and a representative of the potential investor.

"My job is to work something out in the best interest of the public. My opinion is Hal Cole is not doing that," Councilman Bill Crawford said. "Enright promised an email to be sent Wednesday late afternoon to let the rest of us know what

happened in those meetings. It hasn’t happened.” (This was as of late Friday afternoon.)

Mayor Kathay Lovell met separately this week with Lane, the investor’s rep and the two city attorneys.

Lovell said the Feb. 15 meeting is in closed session because it has to do with potential litigation and nothing to do with a potential investor, which contradicts what Cole said.

Lovell said if and when the developer formally comes forward with a desire to modify the agreement or have others take over the OPA, that meeting would have to be in open session.

But apparently decisions are going to be made Monday regarding the largest redevelopment project in South Lake Tahoe’s history without the public having input or at least being able to hear the dialogue.

It would seem if the council favors an extension of exclusivity for LTDC, that it likes the investor who is lined up since the city has once already said no to an extension.

It’s unknown how much weight the city has in bankruptcy court because it is not a creditor.

The extension being sought by Lane in court would mean he has exclusive rights to present a reorganization plan. However, because the 120 days has passed, it’s possible creditors could bring plans forward in March. Lane and his investor could present a plan in March as well.

Another issue facing the project is that permits are set to expire this year. If that happens, the value of the project to potential investors diminishes even more.